



## Kairiki Energy Limited

### ASX Announcement

## RPM Automotive Group Acquisition Update

### Highlights

- The RPM Automotive Group (“RPM Group”) acquisition is progressing. RPM Group’s audited financial accounts have been received for Financial Years 2016, 2017 and 2018.
- A Notice of Meeting has been prepared and will be released shortly to the market. A Prospectus is currently being advanced.
- The Tyre Factory (“TTF”) no longer forms part of the acquisition; however 2 subsidiaries of the TTF will be acquired as part of the transaction - Fix My Truck Pty Ltd & EJ Anywhere Pty Ltd.
- The management, focus and growth strategy of the RPM Group remains the same.
- The proposed capital raising amount will be reduced from \$10 million to \$5 million, with a minimum subscription of \$2 million.

**29 November 2018, Sydney:** The Directors of Kairiki Energy Limited (“Kairiki” or the “Company”) (ASX: “KIK”) wish to update the market as to the status of the transaction with the RPM Group. The transaction continues to progress, although not as quickly as expected. The RPM Group having been private companies until now did not need to produce audited accounts. Therefore as part of the transaction the RPM companies have been required to complete 3 years of audited financial accounts at a time when the auditors have been busy with financial year end.

Due diligence has continued, a Notice of Meeting has been prepared and we continue to work on the Prospectus which is substantially complete.

By mutual agreement TTF is no longer being acquired as part of the transaction. While TTF would have formed a significant part of the RPM Group’s initial sales and EBITDA, TTF is currently involved in building a new head office and therefore requires capital in the short term. As such it was determined by management that it was not appropriate to include TTF in the transaction. Two subsidiaries of TTF are being acquired however; Fix My Truck Pty Ltd & EJ Anywhere Pty Ltd.

**Fix My Truck Pty Ltd** is a 24/7 nationwide roadside service for the trucking and transport industry. Fix-My-Truck runs a subscription service for the roadside repair of trucks by providing information and organising emergency service assistance, such as repairs and towing.

**EJ Anywhere Pty Ltd** (T/A Air Anywhere) is a roadside tyre repair and replacement service for the transport industry. Established in 2006 and trading as Air Anywhere the business has a fleet of mobile service vehicles and offers 24/7 Onsite Truck Tyre repair and replace in Victoria. The company specialises in dealing with emergency repairs and is a One-Stop Service for all truck tyre needs.

### Fix My Truck Pty Ltd & EJ Anywhere Pty Ltd Financial Summary

The sales, EBITDA and NPAT of the combined businesses for FY2018 is summarised in the table below;

Business	Sales (\$)	EBITDA (\$)	NPAT (\$)
EJ Anywhere + Fix My Truck	8,202,000	168,000	81,275

Under the proposed transaction the following inventory will be acquired and debts assumed;

Business	Debt	Inventory
EJ Anywhere	(220,000)	300,000
Fix-My-Truck	-	-
<b>Totals</b>	<b>(220,000)</b>	<b>300,000</b>

Fix My Truck is an information service and as such does not have stock and is being acquired free of debt.

### Revised Transaction Summary

The underlying strategy of the RPM Group remains to grow an ASX-listed automotive aftermarket wholesale and retail franchise group. KIK will acquire 100% of the RPM Group via a reverse-takeover and the founders will continue to run the business and join the board of KIK. The proposed transaction continues to be via the acquisition of the business assets of the RPM Group companies and assumption of certain liabilities (see below). Under the revised transaction KIK will issue to RPM Group's vending shareholders 52,018,400 consideration shares, being ordinary fully-paid shares in KIK. KIK will also issue a further 10,901,600 Performance shares and 10,901,600 Earnout shares subject to the RPM Group meeting financial hurdles in the 12 months post listing.

The cash consideration KIK will pay to certain of the RPM Group vending shareholders will increase from \$1.8 million to \$2.5 million. The increase in the cash consideration by \$700,000 comprises; (1) \$355,000 being paid to Mr. Ejay Rahmani as partial consideration for the acquisition of 100% of EJ Anywhere Pty Ltd and Fix My Truck Pty Ltd, & (2) \$345,000 is additional cash consideration for the acquisition of Spider GT due to an adjustment in the valuation of the business being paid by RPM Worldwide Group Pty Ltd to the vending shareholder of Spider GT. A summary of the cash consideration is provided in the table below.

### Cash Consideration Summary

RECEIVING PARTY	AMOUNT (\$)	USE
RPM Worldwide Group Pty Ltd	1,700,000	To fund the partial cash consideration for the acquisition of Spider GT
RPM Worldwide Group Pty Ltd	300,000	To fund the partial cash consideration for the acquisition of Tyresome
RPM Australasia Pty Ltd	145,000	To fund exercising of the Carline purchase option
Mr. Ejay Rahmani	200,000	Partial cash consideration to acquire EJ Anywhere
Mr. Ejay Rahmani	155,000	Partial cash consideration to acquire Fix My Truck
<b>Total</b>	<b>2,500,000</b>	

Spider GT Pty Ltd and Tyresome Pty Ltd are two independent tyre wholesale and retail businesses. Both businesses are being merged into RW Tyres prior to the acquisition of RW Tyres by KIK. RPM Worldwide Group Pty Ltd owns 100% of RW Tyres and is acquiring both Spider GT and Tyresome for a mixture of cash and shares in RPM Worldwide Group Pty Ltd. The cash consideration paid by KIK to RPM Worldwide Group Pty Ltd under the proposed transaction will be used to meet the required cash payments by RPM Worldwide Group Pty Ltd to the vending shareholders of Spider GT and Tyresome.

Carline Automotive Group Pty Ltd is a subsidiary of SWD Pty Ltd. RPM Australasia Pty Ltd previously owned a significant shareholding in SWD Pty Ltd. RPM Australasia Pty Ltd agreed to sell its shareholding in SWD Pty Ltd to the other shareholder and as part of the agreement RPM Australasia Pty Ltd obtained an option to acquire Carline Automotive Group Pty Ltd from SWD. RPM Australasia Pty Ltd intends to exercise the option to acquire Carline and will vend the business into KIK as under the proposed transaction.

Mr Ejay Rahmani owns 100% of Fix My Truck Pty Ltd and approximately 50% of EJ Anywhere Pty Ltd. Under the proposed transaction Mr Rahmani will receive a mixture of cash and shares in KIK as consideration for the sale of 100% of both businesses to KIK.

### Equity Consideration Summary

The equity consideration to be issued to the various shareholders of the RPM Group, in the case of Revolution Racegear, Wildcat and the Convertible Noteholders remains the same. The equity consideration to be issued to the shareholders of RW Tyres is reduced by 1,843,200 shares due to a higher split for the founders under the Business Sale Agreement (BSA) for that business. The equity consideration to be issued to the shareholders for Carline increases due to a higher valuation on the business. The Founder's equity consideration is reduced by the share consideration split foregone on TTF due to it no longer being a part of the transaction, offset by the higher share split on RW Tyres.

BUSINESS	CONSIDERATION SHARES	PERFORMANCE SHARES	EARNOUT SHARES	TOTAL
RW Tyres	19,488,000	4,872,000	4,872,000	29,232,000
Revolution Racegear	10,828,800	2,707,200	2,707,200	16,243,200
Wildcat	4,224,000	1,056,000	1,056,000	6,336,000
Air Anywhere	3,033,600	758,400	758,400	4,550,400
Fix-My-Truck	2,960,000	740,000	740,000	4,440,000
Carline Automotive	2,492,000	768,000	768,000	4,028,000
Founder's shares	5,492,000	-	-	5,492,000
Convertible Noteholders	3,000,000	-	-	3,000,000
Staff share issue	500,000	-	-	500,000
<b>Total</b>	<b>52,018,400</b>	<b>10,901,600</b>	<b>10,901,600</b>	<b>73,821,600</b>

Kairiki will seek shareholder approval prior to issuing the Consideration, Performance and Earnout Shares.

### Revised Capital Structure

The Kairiki share consolidation to \$0.20/share will remain. However, the existing KIK shareholders will increase their percent shareholding in the Company on completion due to fewer shares being issued to RPM Group's vending shareholders, substantially due to TTF no longer being a part of the transaction. On completion, existing KIK shareholders will still also be issued a 1 for 2 option, exercisable at 25c and

expiring two years from the date of re-commencement of trading in the Company's shares on ASX. Incoming investors under the associated capital-raising will be offered a 1 for 4 option on the same terms for shares subscribed for under the offer.

<b>Indicative Capital Structure</b>	<b>Shares</b>	<b>Percent</b>	<b>Diluted</b>
Kairiki current issued capital	349,122,480		
Share consolidation to \$0.20 (1:37 consolidation)	9,435,743	10.8%	9.5%
Consideration shares issued to RPM shareholders/Noteholders/Staff	52,018,400	59.5%	52.3%
<b>Total</b>	<b>61,454,143</b>	<b>70.3%</b>	
Capital raising shares (\$5 million @ 20c/share)	25,000,000	28.6%	25.1%
Broker shares	1,000,000	1.14%	1.0%
<b>Kairiki shares on completion of RPM acquisition and capital raising</b>	<b>87,454,143</b>	<b>100.0%</b>	
Capital raising options (1:4, 25c strike, 2 year)	6,250,000		6.3%
Kairiki shareholder options (1:2, 25c strike, 2 year)	4,717,871		4.7%
Broker options (25c strike, 2 year)	1,000,000		1.0%
<b>Kairiki fully-diluted capital structure on completion</b>	<b>99,422,014</b>		<b>100.0%</b>

### Revised Inventory Acquisition and Debt Assumption

As a result of TTF not being acquired the value of inventory being acquired and debt assumed by KIK in the transaction will both be reduced. KIK will acquire inventory of \$4.675 million, down from \$8.375 million, and assume debts of \$2.57 million, down from \$5.35 million. The breakdown of the debt and inventory being taken on by KIK is summarised in the table below by business unit.

<b>Business</b>	<b>Debt</b>	<b>Inventory</b>
RW Tyres	(550,000)	2,000,000
Revolution Racegear	(1,800,000)	2,000,000
Air Anywhere	(220,000)	300,000
Wildcat	-	375,000
Fix-My-Truck	-	-
Carline Automotive	-	-
<b>Totals</b>	<b>(2,570,000)</b>	<b>4,675,000</b>

### Capital Raising

Kairiki has revised down to \$5 million (from \$10 million) the amount of capital it will seek to raise as part of the transaction. The revision down is to reflect the smaller group on listing and also due to the subdued environment for capital-raising. The minimum subscription will be \$2 million.

### Change of Auditors

As part of the proposed transaction KIK will change auditors to Walker Wayland Advantage Audit Partnership, the auditors of the RPM Group.

## Timetable

Below is an indicative timetable for the proposed transaction. The timetable is subject to change at the discretion of the directors of the Company, together with the ASX and ASIC.

ACTION		DATE
1	Finalisation of Audit	22-Nov-18
2	Notice of Meeting sent to KIK shareholders	14-Dec-18
6	Kairiki Shareholder meeting to approve transaction	14-Jan-19
3	Lodgement of prospectus with ASIC	21-Jan-19
4	Exposure period	21-Jan-19
5	Opening date of offer	28-Jan-19
7	Offer closing date	15-Feb-19
8	Allotment of securities to applicants	18-Feb-19
9	Despatch of holding statements	20-Feb-19
10	Re-commencement of quotation by ASX	22-Feb-19

The Company will make further announcements on the proposed transaction in due course.

*ASX has an absolute discretion in deciding whether or not to re-admit the entity to the official list and to quote its securities and therefore the transaction may not proceed if the ASX exercises its discretion. The Company is required to satisfy Chapters 1 and 2 of the ASX Listing Rules before its shares can resume trading.*

*Investors should take account of these uncertainties in deciding whether or not to buy or sell the entity's securities.*

*The ASX takes no responsibility for the contents of the announcement and the entity is in compliance with its continuous disclosure obligations under Listing Rule 3.1.*

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