

Kairiki Energy Limited

ABN 34 002 527 906

Notice of General Meeting

Explanatory Statement

and

Proxy Form

Date of Meeting

Wednesday, 19 August 2015

Time of Meeting

10.00 am (WST)

Place of Meeting

Adina Apartment Hotel Perth
33 Mounts Bay Road
Perth WA 6000

Independent Expert's Opinion

The Independent Expert has determined that the disposal by the Company of its interest in the share capital of Yilgarn Petroleum Philippines Pty Ltd to IMC Oil & Gas Investments Ltd is **not fair but reasonable** to the non-associated Shareholders.

NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting of Shareholders of Kairiki Energy Limited (**Kairiki** or the **Company**) will be held on Wednesday, 19 August 2015, commencing at 10.00am (WST) at Adina Apartment Hotel Perth, 33 Mounts Bay Road, Perth, Western Australia.

The enclosed Explanatory Statement accompanies and forms part of this Notice of Meeting.

AGENDA

SPECIAL BUSINESS

Resolution 1: Disposal of Company's Main Undertaking

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

That, for the purposes of ASX Listing Rules 10.1 and 11.2 and for all other purposes, approval is given for the disposal by the Company of its interest in the share capital of Yilgarn Petroleum Philippines Pty Ltd on the terms and conditions set out in the Explanatory Statement.

Independent Expert's Report: Shareholders should carefully consider the Independent Expert's Report prepared by RSM Bird Cameron Corporate Pty Ltd for the purposes of the Shareholder approval required under ASX Listing Rule 10.1. The Independent Expert's Report comments on whether the transaction is fair and reasonable to the holders of the Company's ordinary shares who votes are not to be disregarded in respect to the transaction. The Independent Expert has determined that the disposal by the Company of its interest in the share capital of Yilgarn Petroleum Philippines Pty Ltd to IMC Oil & Gas Investments Ltd is **not fair but reasonable** to the non-associated Shareholders.

Voting Exclusion: In accordance with Listing Rule 10.10.1, no votes may be cast in favour of the resolution by:

- (a) the person proposing to make the acquisition and their associates; or
- (b) the persons (if any) from whom the acquisition is to be made and their associates; or
- (c) a person who might obtain a benefit, except a benefit solely in the capacity of a holder or ordinary securities, if the resolution is passed.

However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Accordingly, the Company will disregard any votes cast on this Resolution by IMC Oil & Gas Investments Ltd and any of its associates.

Resolution 2: Approval for Future Issue of Shares

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Directors to allot and issue up to 100,000,000 Shares on the terms and conditions set out in the accompanying Explanatory Statement."

Voting Exclusion: In accordance with Listing Rule 7.3.8, the Company will disregard any votes cast on this Resolution 2 by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting at General Meeting

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the General Meeting are those who are registered Shareholders of the Company at 4.00pm (WST) on 17 August 2015. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the general meeting.

Proxy and Voting Entitlement Instructions are included on the Proxy Form accompanying this Notice of Meeting.

BY ORDER OF THE BOARD

N J Bassett
Company Secretary
15 July 2015

EXPLANATORY STATEMENT

1. INTRODUCTION

This Explanatory Statement has been prepared for the information of Shareholders of Kairiki Energy Limited (“the Company”) in connection with the business to be conducted at the general meeting of Shareholders to be held at Adina Apartment Hotel Perth, 33 Mounts Bay Road, Perth, Western Australia on Wednesday, 19 August 2015 at 10.00am (WST).

An Independent Expert’s Report prepared by RSM Bird Cameron Corporate Pty Ltd comments on whether the proposal the subject of Resolution 1 is fair and reasonable to the non-associated shareholders of the Company.

The Directors recommend that shareholders read this Explanatory Statement and the Independent Expert’s Report in full before making any decision in relation to Resolution 1.

Shareholders should note that RSM Bird Cameron Corporate Pty Ltd has concluded that the proposals the subject of Resolution 1 is not fair but reasonable to the non-associated shareholders of the Company.

This Explanatory Statement forms part of and should be read in conjunction with the accompanying Notice of Meeting.

2. DISPOSAL OF COMPANY’S MAIN UNDERTAKING: Resolution 1

2.1 Background

On 8 June 2015, the Company advised that it had terminated the binding term sheet with Focus Oil and Gas Limited (**Focus**) for the disposal of its entire interest in the share capital of Yilgarn Petroleum Philippines Pty Ltd (**Yilgarn**) due to the non-satisfaction of conditions precedent.

In contemplation of the likely non-satisfaction of the conditions precedent on the Focus agreement, Kairiki had entered into discussions with its secured creditor IMC Oil & Gas Investments Ltd (**IMC**) (the Company’s major shareholder and holder of a fixed and floating charge over the Company and Yilgarn) with respect to a restructure of the existing IMC debt facility.

Consequently, Kairiki entered into a Share Purchase Agreement with IMC (**Agreement**) for the disposal of its entire interest in the share capital of Yilgarn (**Disposal**). Yilgarn is the holder of the Company’s interest in Service Contract 54A and 54B in the Philippines, being the main undertaking of the Company.

Yilgarn holds joint venture interests in the following Philippines Offshore Oil and Gas Permits:

- Service Contract 54A - 30.1% Participating Interest
- Service Contract 54B - 40% Participating Interest

In August 2014, the Philippines Department of Energy (**DOE**) approved a request for a moratorium on Service Contract 54 from 5 August 2014 to 5 August 2017 to give the joint venture sufficient time to study the development of the discovered marginal resources in the block. At the end of the moratorium period, the joint venture should elect to enter sub-phase 7 with a commitment to drill one well. If the joint venture elects to continue into the production period, the 3 year moratorium period will be automatically deducted to the initial production period.

As non-operator of Service Contract 54A and 54B the Company has minimal control (other than through its minority participating interest) over future activities within the licences and therefore any future financial obligations, including timing. In addition, the moratorium approved by the DOE could potentially result in the Company being relatively inactive through until August 2017.

The Company has limited cash resources to undertake any potential exploration programme and limited opportunity to raise new capital without certainty over the future direction of service contract 54A and 54B.

Based on the Company's current position, the Directors consider that the proposed Disposal is in the best interests of the Company and will allow it to seek new opportunities to add Shareholder value.

The Company does not currently have any proposals under consideration, however, in the first instance has been actively pursuing projects in the oil and gas sector. Given the difficult economic conditions for raising capital for oil and gas projects, Shareholders should note that as part of the ongoing review process, the Company has also been looking at possible investment opportunities outside of the Company's existing principal activity of oil and gas exploration. Following completion of the Disposal, the Company will continue to look at opportunities within and outside of the oil and gas sector.

A summary of the key terms of the Agreement are set out in Section 2.3 below.

2.2 Regulatory Requirements

Under Chapter 2E of the Corporations Act for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (i) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (ii) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The Disposal will result in the transfer of the Company's interest in the share capital of Yilgarn Petroleum Philippines Pty Ltd to IMC, which constitutes giving a financial benefit and IMC is a related party of the Company by virtue of section 228 of the Corporations Act.

The Directors (other than Joseph Lacson, due to him being a nominee appointed by IMC) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect to the Disposal as all negotiations and the entering into of the Agreement were conducted on an arm's length basis and, as such, the Directors consider the Agreement to be on arm's length terms.

ASX Listing Rule 10.1 provides that an entity must not dispose of a substantial asset to a related party or a substantial holder in the entity without obtaining the approval of shareholders.

IMC is a related party by virtue of section 228 of the Corporations Act and is a substantial holder in the Company. The Company's interest in the share capital of Yilgarn Petroleum Philippines Pty Ltd constitutes a substantial asset.

For the purpose of satisfying the requirements for shareholder approval under ASX Listing Rule 10.1, the Company has obtained a report on the transaction from an independent expert to report on whether the transaction is fair and reasonable to the holders of the Company's ordinary shares who votes are not to be disregarded in respect to the Disposal. Refer Section 2.8.

ASX Listing Rule 11.2 provides that where a company proposes to make a significant change in the nature or scale of its activities which involves the disposal of its main undertaking, it must first obtain the approval of its shareholders. Shareholders should be aware that following the proposed disposal of the Company's main undertaking, ASX may require the Company to seek shareholder approval pursuant to ASX Listing Rule 11.1.2 and/or re-comply which Chapters 1 and 2 of the Listing Rules pursuant to ASX Listing Rule 11.1.3 with respect of any future transaction the Company may enter into.

A disposal by a listed entity of its main undertaking can also raise issues under Listing Rule 12.1 and 12.2, which oblige a listed entity to satisfy ASX on an ongoing basis that the level of its operations is

sufficient, and its financial condition adequate, to warrant its continued listing and continued quotation of its securities.

ASX Guidance Note 12 states, *the disposal by a listed entity of its main undertaking may be a precursor to the entity embarking on a new business venture, either immediately or once a suitable business has been identified and acquired. In the latter case, notwithstanding Listing Rule 12.3, ASX will, in the absence of any other reason to suspend the quotation of the entity's securities, generally continue the quotation of its securities for up to six months to allow it time to identify, and make an announcement of its intention to acquire, a suitable new business.*

If an entity is not able to make an announcement of its intention to acquire a new business, within six months of completing the disposal of its main undertaking, ASX will generally exercise its discretion under Listing Rule 12.3 to suspend the quotation of its securities at the end of that six month period. The suspension will continue until the entity makes an announcement acceptable to ASX about its future activities.

Resolution 1 seeks Shareholder approval for the Disposal.

2.3 Key Terms

The key terms of the Disposal are as follows:

- (i) Completion of the Disposal is subject to and conditional on a number of matters, including:
 - (a) The Company obtaining shareholder approval for the Disposal pursuant to ASX Listing Rule 10.1 and 11.2;
 - (b) Kairiki having notified the other joint venture partners to the change of control of Yilgarn pursuant to the joint operation agreement relevant to each joint venture interest; and
 - (c) Kairiki providing IMC with the proposed work program and budget from the operator for the current year.
- (ii) The consideration to be paid by Focus for the Disposal comprises:
 - (a) Forgiveness of debt due to IMC of an amount of \$488,000 under a Finance Facility Agreement;
 - (b) The payment of an amount of \$221,000 to cover the Company's existing indebtedness; and
 - (c) An amount of \$75,000 to cover the costs of implementing the proposed Disposal.

2.4 Indicative Timetable

Subject to ASX Listing Rule and Corporations Act requirements, the Company anticipates completion of the Disposal will be in accordance with the following timetable:

Event	Date
ASX announcement of Disposal	8 June 2015
General Meeting to approve Disposal	19 August 2015
Completion of Disposal	21 August 2015

2.5 Financial effect of the Disposal on the Company

The impact of the Disposal on the Company's financial position will be:

1. The extinguishment of all debt, including secured loan facilities;
2. The release of all security obligations; and
3. Other than minimal cash, the company will have no assets.

There will be no impact on the capital structure of the Company.

2.6 Reasons for the Disposal

The Directors believe that following an assessment of the advantages and disadvantages disclosed below the Disposal is in the best interests of the Company.

Advantages

The Directors believe that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on the proposed Disposal:

- (a) The Disposal allows the Company to reduce costs and extinguish potential cash call obligations in respect to the Philippines service contracts, which based on the company's current cash position and assuming the inability to raise further capital, would result in dilution of the Company's interest for no discernible benefit;
- (b) The consideration from the Disposal will extinguish all indebtedness of the Company, including secured loan facilities of \$488,000, thereby releasing the Company from all security obligations;
- (c) The extinguishment of all debt and the removal of all security obligations will make it more attractive for the Company to seek fresh equity capital and will enable the Company to consider alternative asset acquisitions that the Directors believe will add value to Shareholders; and
- (d) The Disposal extinguishes all indebtedness of the Company with no dilutionary impact on shareholders, in a current market environment where it is difficult to secure capital.

Disadvantages

The Directors believe that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on the proposed Disposal:

- (a) The Company will not be able to participate in or derive any direct future potential profits from the Service Contract joint venture interests, if any, should they be developed to production.
- (b) The Disposal involves the Company selling its principal, and only asset, which may not be consistent with the investment objectives of all Shareholders;
- (c) There is a risk that the Company may not be able to locate and complete the acquisition of other suitable investment opportunities within a reasonable time; and
- (d) In the event that the Company is not able to secure a new investment opportunity there is the risk that the Company's securities will be suspended from quotation in the circumstances outlined in 2.2 above.

IMC has advised the Company that it would prefer not to provide further financial support to the Company and has advised the Company that it is its preference for it to consider exploring new avenues for sourcing capital. In addition and commensurate with its intention to divest itself of its investment in the Company, IMC is also considering its options with respect to the sell down of its controlling interest in the Company.

There will be no Board or management changes as a result of the Disposal. The Company does not currently have any senior management or full-time employees.

2.7 Director Recommendations

The Directors do not have any material interest in the outcome of the Resolution other than as a result of their interest, if any, arising solely in the capacity as security holders.

The Board has approved the proposal to put the Resolution to Shareholders.

Each of the Directors intends to vote all of their Shares in favour of the Resolution.

Based on the information available, all of the Directors consider that the proposed Disposal is in the best interests of the Company and recommend that the Shareholders vote in favour of the Resolution.

2.8 Independent Expert's Report

The Directors of the Company commissioned RSM Bird Cameron Corporate Pty Ltd to prepare a report on the question of whether the Disposal is fair and reasonable to shareholders not associated with IMC and its associates. The report of RSM Bird Cameron Corporate Pty Ltd is attached to this Explanatory Statement.

The Independent Expert's Report prepared by RSM Bird Cameron Corporate Pty Ltd sets out a detailed examination of the proposed Disposal to enable non-associated Shareholders to assess the merits and decide whether to approve of the Disposal to IMC.

To the extent that it is appropriate, the Independent Expert's Report sets out further information with respect to the Disposal and concludes that the Disposal to IMC is **not fair but reasonable** to the non-associated Shareholders.

Shareholders are urged to carefully read the Independent Expert's Report accompanying this Notice of Meeting to understand its scope, the methodology of the valuation and the sources of information and assumptions made.

RSM Bird Cameron Corporate Pty Ltd has consented to the use of their report and opinion in the form and context in which it appears.

3. APPROVAL FOR FUTURE ISSUE OF SHARES (Resolution 2)

3.1 General

Resolution 2 seeks Shareholder approval for the issue of up to 100,000,000 Shares. The capital raising will be undertaken via the issue of Shares to sophisticated and professional investors pursuant to section 708 of the Corporations Act.

Given that the Company's largest shareholder has advised the Company that it would prefer not to provide further financial support to the Company, it is incumbent on the board to ensure that the Company has the capacity to quickly raise further capital to ensure that the Company can meet its commitments whilst actively identifying new investment opportunities.

The Company intends to use the funds from the capital raising towards the identification of new project opportunities, costs of the offer and for additional working capital.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on commencement of that 12 month period.

The effect of Resolution 2 will be to allow the Directors to issue the Shares comprising the capital raising during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

3.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Placement:

- (a) the maximum number of Shares to be issued is 100,000,000;
- (b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that allotment will occur progressively;
- (c) the Shares will be issued at a price of at least 80% of the average market price of the Company's shares as traded on ASX over the 5 day period on which sales in the Company's shares are recorded preceding the date of issue of the Shares or, if the Shares are offered

pursuant to a prospectus, at least 80% of the volume weighted average market price of the Company's shares as traded on the ASX over the 5 day period on which sales in the Company's shares are recorded preceding the date of issue of the prospectus;

- (d) the placement will be made at the discretion of the Directors. It is intended that the allottees will be sophisticated and professional investors pursuant to section 708 of the Corporations Act. No related party of the Company will be permitted to participate in the capital raising;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) the Company intends to use the funds raised from the capital raising towards the identification of new project opportunities, costs of the offer and for additional working capital.

4. DEFINITIONS

ASX	means ASX Limited ABN 98 008 624 691.
Constitution	means the Company's constitution.
Corporations Act	means the Corporations Act 2001 (Cth).
Directors	means the current directors of the Company.
Explanatory Statement	means this Explanatory Statement.
Kairiki or the Company	means Kairiki Energy Limited ACN 002 527 906.
Listing Rules	means the official listing rules of ASX.
Meeting	means the meeting convened by the Notice of Meeting.
Notice of Meeting	means the notice of general meeting which forms part of this Explanatory Statement.
Share	means a fully paid ordinary share in the capital of the Company.
Shareholder	means a holder of a Share.

PROXY FORM

The Secretary
Kairiki Energy Limited
PO Box 7315
Perth WA 6850

I/We (full name)

_____ of _____
being a member(s) of Kairiki Energy Limited, hereby appoint as my/our proxy

_____ of _____
or, failing him/her the Chairperson of the Meeting to attend and vote for me/us at the general meeting of the Company to be held at 10.00am on Wednesday, 19 August 2015 and at an adjournment thereof in respect of _____% of my/our shares or, failing any number being specified, ALL of my/our shares in the Company.

RESOLUTIONS

	FOR	AGAINST	ABSTAIN
1 Disposal of Company's Main Undertaking	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Approval for future issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Where permitted, the Chairman intends to vote all undirected proxies in favour of all resolutions.

If the member is an individual or joint holder:

Usual Signature

Dated this _____ day of

Usual Signature

2015.

If the member is a Company:

Signed in accordance with the
Constitution of the company
in the presence of:

Director/Sole Director

Director/Secretary

Sole Director and Sole Secretary

Dated this _____ day of

2015.

INSTRUCTIONS FOR COMPLETING PROXY FORM

1. A member entitled to attend and vote is entitled to appoint not more than two proxies.
2. Where more than one proxy is appointed and that appointment does not specify the proportion or number of the member's votes, each proxy may exercise half of the votes.
3. A proxy need not be a member of the Company.
4. A proxy is not entitled to vote unless the instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed is either deposited at the registered office of the Company (refer below) or sent by facsimile to that office on Fax: 08 9486 8066 to be received not less than 48 hours prior to the time of the Meeting.
5. Signing Instructions

Individual: where the holding is one name, the Shareholder must sign.

Joint Holding: where the holding is in more than one name, all of the Shareholders must sign.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the Company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director may sign alone. Otherwise this form must be signed by a Director jointly with either another Director or Company Secretary. Please indicate the office held in the appropriate place.

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be lodged with the Company before the meeting or at the registration desk on the day of the meeting.

LODGING YOUR PROXY FORM

To be valid, your proxy form (and any power of attorney under which it is signed) must be received at the address given below no later than 10.00am (WST) on 17 August 2015. Any proxy form received after that time will not be valid for the scheduled meeting.

In person: Kairiki Energy Limited
Level 45
108 St George's Terrace
Perth WA 6000

By mail: Kairiki Energy Limited
PO Box 7315
Perth WA 6850

By fax: (08) 9486 8066

**Kairiki Energy Limited
Financial Services Guide and
Independent Expert's Report**

June 2015

**We have concluded that the Transaction is Not Fair but Reasonable to Non-Associated Shareholders of
Kairiki Energy Limited.**

Financial Services Guide

RSM Bird Cameron Corporate Pty Ltd ABN 82 050 508 024 (“RSM Bird Cameron Corporate Pty Ltd” or “we” or “us” or “ours” as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide (“FSG”). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence, Licence No 255847;
- remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence, which authorises us to provide financial product advice in relation to:

- deposit and payment products limited to:
 - (a) basic deposit products;
 - (b) deposit products other than basic deposit products.
- interests in managed investments schemes (excluding investor directed portfolio services); and
- securities (such as shares and debentures).

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither RSM Bird Cameron Corporate Pty Ltd, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees

All our employees receive a salary.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and relationships

RSM Bird Cameron Corporate Pty Ltd is beneficially owned by the partners of RSM Bird Cameron, a large national firm of chartered accountants and business advisers. Our directors are partners of RSM Bird Cameron Partners.

From time to time, RSM Bird Cameron Corporate Pty Ltd, RSM Bird Cameron Partners, RSM Bird Cameron and / or RSM Bird Cameron related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

Complaints Resolution*Internal complaints resolution process*

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, RSM Bird Cameron Corporate Pty Ltd, P O Box R1253, Perth, WA, 6844.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ("FOS"). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website or by contacting them directly via the details set out below.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Toll Free: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au

Contact Details

You may contact us using the details set out at the top of our letterhead on page 1 of this report.

Independent Expert's Report

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Appendix D – Glossary of Terms and Abbreviations

Direct Line: (08) 9261 9447
Email: andy.gilmour@rsmi.com.au
AJG/PG

2 July 2015

The Directors
Kairiki Energy Limited
Level 9, 190 St George's Terrace
Perth, Western Australia 6000

Dear Directors

Independent Expert's Report

1. Introduction

- 1.1. This Independent Expert's Report (the "Report" or "IER") has been prepared to accompany the Notice of General Meeting and Explanatory Statement ("Notice") to shareholders for a General Meeting of Kairiki Energy Limited ("Kairiki" or "the Company") to be held on or around 14 August 2015, at which shareholder approval will be sought for the disposal of Yilgarn Petroleum Philippines Pty Ltd ("Yilgarn"), the holder of Service Contract 54A ("SC54A") and Service Contract 54B ("SC54B") to IMC Oil and Gas Investments Ltd ("IMC") ("Proposed Transaction").
- 1.2. Non-Associated Shareholders have been asked to vote on the Proposed Transaction in resolution 1 of the Notice:-

Resolution 1: Disposal of Company's Main Undertaking

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That, for the purposes of ASX Listing Rule 10.1 and 11.2 and for all other purposes, approval is given for the disposal by the Company of its interest in the share capital of Yilgarn Petroleum Philippines Pty Ltd on the terms and conditions set out in the Explanatory Statement."

- 1.3. As the transaction involves the sale of a substantial asset to a substantial shareholder, the Directors have requested that RSM Bird Cameron Corporate Pty Ltd, being independent and qualified for the purpose, express an opinion as to whether the Proposed Transaction is fair and reasonable to Non-Associated Shareholders not associated with the Proposed Transaction ("the Non-Associated Shareholders").
- 1.4. The ultimate decision whether to approve the Proposed Transaction should be based on each Non-Associated Shareholder's assessment of their circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt as to the action they should take with regard to the Proposed Transaction, or the matters dealt with in this Report, Non-Associated Shareholders should seek independent professional advice.

2. Summary and Conclusion

Opinion

2.1. In our opinion, and for the reasons set out in Sections 7 and 8 of this Report, the Proposed Transaction is **Not Fair but Reasonable** for the Non-Associated Shareholders of Kairiki.

Fairness

2.2. In order to assess the fairness of the Proposed Transaction, we have compared the consideration receivable by Kairiki to the value of the asset being disposed of, being 100% of the equity in Yilgarn. Our assessed values are summarised in the table and figure below.

Assessment of fairness	Ref:	Low Value \$m	High Value \$m
Fair Value of Yilgarn	7	1.4	1.7
Fair Value of the Consideration	8	0.8	0.8

Table 1: Fairness Summary (Source: RSMBCC Analysis)

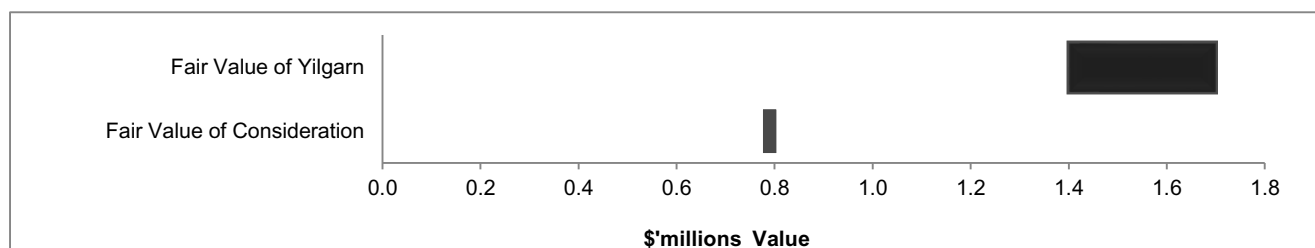


Figure 1: Summary of fairness assessment (Source: RSMBCC Analysis)

2.3. In accordance with the guidance set out in Regulatory Guide 111 *Content of Experts Reports* (“RG 111”) issued by the Australian Securities and Investment Commission (“ASIC”), and in the absence of any other relevant information, for the purposes of ASX Listing Rule 10.1 and 11.2, we consider the Proposed Transaction to be not fair to the Non-Associated Shareholders of Kairiki, as the value of the Consideration to be received by Kairiki is less than the value of Yilgarn.

Reasonableness

2.4. RG 111 establishes that an offer is reasonable if it is fair. It might also be reasonable if, despite not being fair, there are sufficient reasons for the security holders to accept the offer in the absence of any higher bid before the offer closes. In assessing the reasonableness of the Proposed Transaction, we have considered the following factors in our assessment:

- The future prospects of the Company if the Proposed Transaction does not proceed; and
- Any other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.

2.5. We understand that if the Proposed Transaction does not proceed, then it is likely that the Company will be unable to repay its loan with IMC. The immediate course of action will be entirely dependent on IMC, however, we note that IMC has advised that it no longer intends to support Kairiki. Pursuant to the terms of the secured loan facility, IMC has a fixed and floating charge over the assets of Kairiki and Yilgarn.

2.6. The key advantages of the Proposed Transaction are:

- The Proposed Transaction allows the Company to reduce costs and extinguish potential cash calls in relation to SC54A and SC54B;
- Most of the Consideration from the Proposed Transaction will be used to reduce the debt and creditor obligations of the Company, thereby releasing the Company from all security obligations;
- The extinguishment of all debt, security obligations and exploration assets will make the Company more attractive as a shell company to potential new investors and could also improve the Company's capacity to negotiate for the acquisition of alternative assets; and
- The Proposed Transaction will not result in any dilutionary impact on shareholders.

2.7. The key disadvantages of the Proposed Transaction are:

- The Company will not be able to participate in or derive any direct future potential profits from the SC54A and SC54B joint venture interests, should they be developed to production.
- The Proposed Transaction involves the Company selling its principal, and only asset, which may not be consistent with the investment objectives of all Non-Associated Shareholders;
- There is a risk that the Company may not be able to locate and complete the acquisition of other suitable investment opportunities or raise additional capital within a reasonable time. In the event that the Company is not able to secure a new investment opportunity there is the risk that the Company's securities will be suspended from quotation due to non-compliance with ASX listing rule 12.1 and 12.2

2.8. We are not aware of any alternative proposals which may provide a greater benefit to the Non-Associated Shareholders of Kairiki at this time.

2.9. In our opinion, the position of the Non-Associated Shareholders of Kairiki if the Proposed Transaction is approved is more advantageous than the position if it is not approved. Therefore, in the absence of any other relevant information and/or a superior offer, we consider that the Proposed Transaction is reasonable for the Non-Associated Shareholders of Kairiki.

2.10. Having regard for the relative advantages and disadvantages of the Proposed Transaction, an individual Shareholder's decision in relation to the Proposed Transaction may be influenced by his or her individual circumstances. If in doubt, Shareholders should consult an independent advisor. In particular, when considering the relative merits of the Proposed Transaction, Kairiki Shareholders should have particular regard to the potential advantages and disadvantages set out above in the context of their own risk profile and investment strategy.

3. Summary of Proposed Transaction

Overview

- 3.1. Kairiki has entered into a Share Purchase Agreement with IMC for the disposal of its entire interest in the share capital of Yilgarn, the holder of Kairiki's interests in SC54A and SC54B in the Philippines.
- 3.2. The Consideration to be paid by IMC for Yilgarn comprises (together "the Consideration"):
 - forgiveness of debt due to IMC of an amount of \$488,000;
 - the payment of an amount of \$221,000 to cover the Company's other existing indebtedness; and
 - an amount of \$75,000 to cover the costs of implementing the Proposed Transaction.
- 3.3. Completion of the Proposed Transaction is subject to and conditional on a number of matters, including:
 - The Company obtaining shareholder approval for the Proposed Transaction pursuant to ASX Listing Rule 10.1 and 11.2; and
 - Kairiki having notified the other joint venture partners of the change of control of Yilgarn pursuant to the joint operating agreement relevant to each joint venture interest; and
 - Kairiki providing IMC with the proposed work program and budget from the operator for the current year.

Rationale for the Proposed Transaction

- 3.4. As non-operator of SC54A and SC54B, the Company has minimal control (other than through its minority participating interest) over future activities within the licences and, therefore, any future financial obligations, including timing. In addition, the moratorium approved by the Philippine Department of Energy ("DOE") could potentially result in the Company being relatively inactive over the next 3 years.
- 3.5. The Company has limited cash resources to undertake any potential exploration programme and limited opportunity to raise new capital without certainty over the future direction of SC54A and SC54B.
- 3.6. If the Proposed Transaction does not proceed, then it is possible that IMC could call in its debt and the Company may be forced into administration if it cannot raise additional capital.
- 3.7. By eliminating debt and exposure to oil and gas exploration, Kairiki will become a more attractive vehicle for gaining access to an ASX listing via a reverse takeover.

4. Purpose of the Report

ASX Listing Rules

- 4.1. ASX Listing Rule 10.1 states that an entity must ensure that neither it, nor any of its child entities, acquires a substantial asset from, or disposes of a substantial asset to a substantial shareholder or any of its associates without the approval of holders of the entity's ordinary securities.
- 4.2. A substantial holder is one that holds at least 10% of the issued capital of a company. IMC holds 77% of the issued share capital in Kairiki as at 12 June 2015. Therefore, for the purpose of the ASX Listing Rules, IMC is a 'substantial holder' of the Company
- 4.3. An asset is considered substantial "*if its value; or the value of the consideration for it is, or in the ASX's opinion is, 5% or more of the equity interests of the entity as set out in the latest accounts given to the ASX*".
- 4.4. The equity balance of Kariki as at 31 December 2014 was \$2.0 million, and the value of the consideration is \$0.8 million (38.4% of the equity of Kairiki), therefore the Proposed Transaction is considered to be a disposal of a substantial asset of the Company because it represents more than 5% of the equity interests of the entity.
- 4.5. ASX Listing Rule 10.10 states that the notice for the shareholders' meeting required under ASX Listing Rule 10.1 must include a report on the transaction from an independent expert. The report must state, whether, in the expert's opinion, the transaction is fair and reasonable to the Non-Associated Shareholders.
- 4.6. Kariki is to hold a meeting of its shareholders where it will seek approval for the Proposed Transaction and the Company has engaged RSMBCC, to prepare a report which sets out our opinion as to whether the Proposed Transaction is fair and reasonable to Non-Associated Shareholders.

Basis of Evaluation

- 4.7. In determining whether the Proposed Transaction is "fair and reasonable" we have given regard to the views expressed by the ASIC in RG 111.
- 4.8. RG 111 provides ASIC's views on how an expert can help security holders make informed decisions about transactions. Specifically it gives guidance to experts on how to evaluate whether or not a proposed transaction is fair and reasonable.
- 4.9. RG 111 states that the expert's report should focus on:
 - the issues facing the security holders for whom the report is being prepared; and
 - the substance of the transaction rather than the legal mechanism used to achieve it.
- 4.10. Furthermore, RG 111 states that in relation to related party transactions the expert's assessment of fair and reasonable should not be applied on a composite test – that is, there should be a separate assessment of whether the transaction is "fair and reasonable" as in a control transaction.

- 4.11. Consistent with the guidelines in RG 111, in assessing whether the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders, the analysis undertaken is as follows:
- Whether the Consideration is greater than the value of Yilgarn - fairness; RG 111 states that, when considering fairness, an expert should consider all material terms of the transaction; and
 - A review of other significant factors which Non-Associated Shareholders might consider prior to approving the Proposed Transaction - reasonableness.
- 4.12. The other significant factors to be considered include:
- The future prospects of the Company if the Proposed Transaction does not proceed; and
 - Any other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.
- 4.13. Our assessment of the Proposed Transaction is based on economic, market and other conditions prevailing at the date of this report.

5. Profile of Kairiki

Overview and history

5.1. Kairiki is a Perth based public company listed on the ASX, with a principal focus on oil and gas exploration in the Philippines. In 2006, the Company signed an agreement with Nido Petroleum Ltd (“Nido”) to farm into the Service Contract 54 (“SC54”) oil and gas block in the Philippines. In 2009, SC54 was split into SC54A and SC54B.

Projects

5.2. Images of SC54A and SC54B and their general location are shown below:

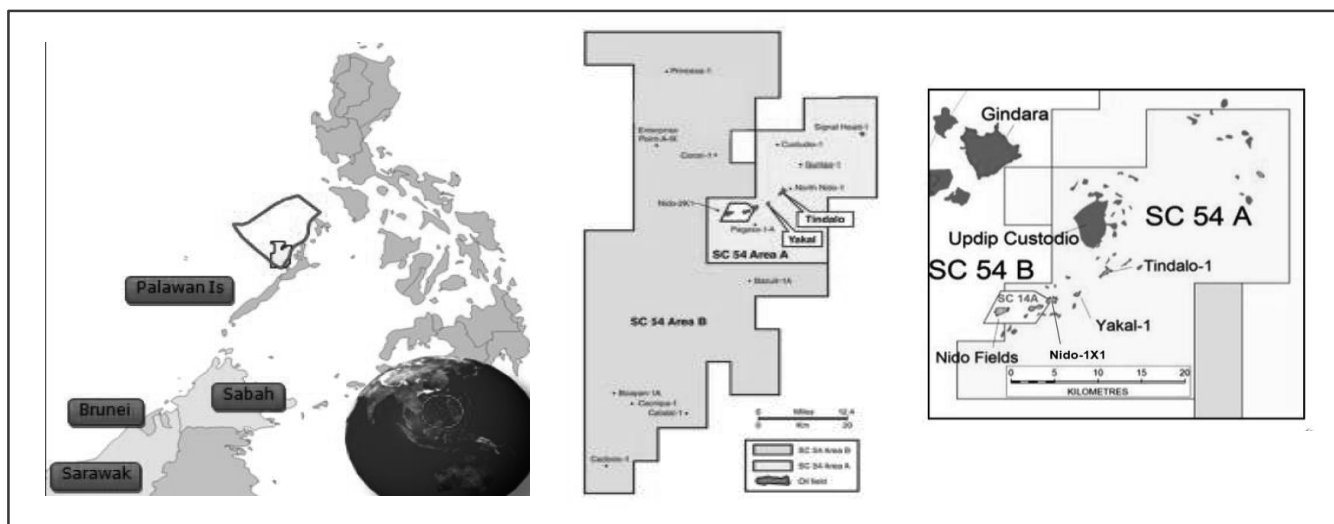


Figure 2: SC 54A and SC 54B Location (Source: Kairiki website)

5.3. On 5 September 2014, Nido announced that a 3 year moratorium period with respect to SC54 had been granted by the DOE. The moratorium period extends from 5 August 2014 to 5 August 2017 and was stated to provide both joint venturers sufficient time to study the presently sub-commercial areas and other areas of interest within the blocks during the moratorium period. At completion of the moratorium period, the joint venturers will be required to drill one well with an obligation to spend a minimum of US\$6 million.

5.4. Kairiki’s interests in SC54A and SC54B are summarised below:

- SC54A – Kairiki holds a 30.1% participating interest in this contract. Other parties with participating interests include Nido (42.4% interest), Trafigura Ventures III BV (15% participating interest) and TG World BVI Corporation (12.5% participating interest). Nido is the operator of SC 54A.
- SC54A does not have any current production. Significant prospects in SC 54A include the Nido 1X1, Yakal and Tindalo oilfields. The Yakal and Tindalo oilfields were discovered by Nido and Kairiki in September and October of 2008. The Tindalo Oilfield reported initial flow rates in excess of 18,500 barrels of oil a day, however due to an increase in water cut, the well was plugged and abandoned in January 2011.
- SC54B – Kairiki holds a 40% participating interest in this contract and Nido holds the other 60%. Nido is the operator. The contract contains the non-commercial Gindara-1 gas and oil discovery well, which was drilled in 2011. The contract also contains the Pawikan Lead which is a large inversion structure in water depth of approximately 350 metres. It lies approximately 30km south of Gindara-1. Subsurface work has focused on mapping the internal Nido limestone reservoir facies over the greater Pawikan area in order to better understand the Pawikan reservoir model as well as estimating resource potential volumetrics and risks.

Directors

5.5. A profile of the current board of directors of Kairiki is set out in the table below.

Name	Title	Experience
Mr Joseph Lacson	Non-Executive Chairman	Joseph Lacson was the Group Chief Financial Officer of the IMC Group, a privately-owned conglomerate with a diverse group of business interests worldwide. The Group's key business interests include Industrial (shipping, logistics, industrial supply chain), Lifestyle/Real Estate, and Investments. In this role, Mr Lacson leads the financial management, treasury, controllership, planning and IT strategies of the Group. Prior to joining IMC, Mr Lacson was Chief Investment Officer of Frontier Investments and Development Partners. His previous roles include CFO and Commercial Director positions at both publicly-listed and privately-held enterprises. He has over 20 years of experience in finance, strategy, and business development roles and has lived and worked in the United States, Europe, and Asia. He has an MBA with Highest Distinction from the Harvard Business School where he was a Baker Scholar. Mr Lacson was appointed Non-Executive Chairman on 24 February 2014.
Mr Peter John Cockcroft	Non-Executive Director	Peter Cockcroft has over 35 years of experience in the international oil and gas industry. He is a member of a number of industry associations including the Institute of Directors (UK), American Association of Petroleum Geologists, Society of Petroleum Engineers (SPE), Association of International Petroleum Negotiators and International Association of Energy Economists. He is currently Chairman of the SPE (Singapore chapter) and is Life Fellow, Royal Geographical Society (SEAPEX). He was a previous Distinguished Lecturer for the SPE on Risk, and was elected to the Stanford Who's Who Registry for 2011-12. He has knowledge of the Philippines, having been President of Fletcher Challenge Philippines Pty Ltd and having led Premier Oil into the Philippines in 2004.
Mr Robert Downey	Non-executive Director	Robert Downey is a qualified solicitor who has practised mainly in the areas of international oil and gas law, corporate law and initial public offerings as well as mergers and acquisitions. He has extensive experience as an adviser, founder and director of various ASX, TSX and AIM companies. Mr Downey is currently a director of unlisted Instinct Energy Limited, Mount Ridley Mines Ltd and Minrex Resources NL.
Mr Stephen Harrison	Non-executive Director	Stephen Harrison is an accountant by background who has extensive experience in equity raisings for resource and oil and gas companies. He has held various directorships in funds management, including Sanford C Bernstein and Co and Investec. Mr Harrison has held a number of directorships in listed public companies in Australia and overseas. He was previously a director of Blue Energy Ltd and is currently a non-executive director of Exoma Energy Limited.

Table 2: Profile of Kairiki Directors (Source: Kairiki FY14 annual financial report)

Capital Structure

- 5.6. As at the date of this Report the Company has 234,122,480 shares and 3,000,000 options on issue. The options are exercisable at 10 cents each and expire on 30 June 2015. The Proposed Transaction will have no effect on the Company's capital structure
- 5.7. As shown in the table below, 84.63% of the Company's ordinary shares are held by the top 10 shareholders.

Name	Shares	%
IMC OIL & GAS INVESTMENTS LIMITED	180,354,400	77.03%
MR SHANE VICTOR HARDY	5,272,294	2.25%
YANDAL INVESTMENTS PTY LTD	3,768,200	1.61%
BONOS PTY LTD	2,310,000	0.99%
MR GLENN WILLIAM TWOMEY + MRS KAREN LYNNE TWOMEY	1,686,511	0.72%
ABDUL FIDA PTY LTD <AR&F DANNAOUI FAMILY A/C>	1,100,000	0.47%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	1,071,542	0.46%
IRONBRAY PTY LTD <SOFIA FAMILY SUPER A/C>	1,014,035	0.43%
JUNIOR JAY PTY LTD <JJC CONSULTING SERVICES A/C>	849,581	0.36%
ZORIC & CO PTY LTD	700,000	0.30%
Total Top 10	198,126,563	84.63%
Others	35,995,917	15.37%
Total Kairiki shares on issue	234,122,480	

Table 3: Kairiki major shareholders (Source: Kairiki share register as of 12 June 2015)

Financial Performance

- 5.8. The table below sets out a summary of the financial performance of Kairiki for the years ended 30 June 2013 (“FY13”), 30 June 2014 (“FY14”) and the half year to 31 December 2014 (“HY15”), sourced from the Company’s audited annual financial statements and reviewed half year financial statements. The audit report for HY15 contained an emphasis of matter relating to continuation as a going concern which was dependent upon the Company’s Directors being able to access capital markets and raise sufficient funds to continue trading.

Kairiki Energy Ltd	Ref:	HY15 <i>Reviewed</i> \$'000	FY14 <i>Audited</i> \$'000	FY13 <i>Audited</i> \$'000
Revenue		4	3	25
Other income		51	276	423
Total income		55	279	448
Administrative expenses		67	572	1,406
Exploration expenses		-	26	24
Impairment of non-current financial assets classified as held for sale		-	32	30
Impairment of deferred exploration and evaluation expenditure	5.10	-	3,841	11,292
Foreign exchange losses		-	-	19
Fair value loss on convertible note embedded derivative		-	-	110
Finance Costs		23	276	1,229
Other		97	-	-
Total expenses		187	4,747	14,110
Loss before income tax from continuing operations		(132)	(4,467)	(13,662)
Income tax expense		-	-	-
Loss after income tax from continuing operations		(132)	(4,467)	(13,662)
Other comprehensive income/(loss)				
Foreign currency translation		286	(367)	808
Total comprehensive loss attributable to the owners of Kairiki Energy Ltd		154	(4,834)	(12,854)

Table 4: Kairiki financial performance for FY13, FY14 and HY15 (Source: Kairiki FY14 financial report and HY15 financial report)

- 5.9. The financial performance of Kairiki is reflective of a company that has wound down its operations in order to conserve cash.
- 5.10. The impairment of deferred exploration and evaluation expenditure recorded during FY13 and FY14 related to the write-down of deferred exploration and evaluation costs associated with the Yakal discovery and residual areas of the SC54A permit and SC54B permit following technical assessment of the assets by an independent consultant, and subsequent assessment by the Board respectively.

Financial Position

5.11. The consolidated financial position of Kairiki as at 30 June 2014 and 31 December 2014 is set out in the table below.

Kairiki Energy Ltd	Ref:	As at 31-Dec-14 Reviewed \$'000	As at 30-Jun-14 Audited \$'000
Current Assets			
Cash and cash equivalents	5.13	63	92
Trade and other receivables		12	4
Total Current Assets		75	96
Non-Current Assets			
Financial assets classified as held for sale		1	1
Plant and equipment		-	-
Deferred exploration & evaluation expenditure	5.14	2,533	2,193
Total Non-Current Assets		2,534	2,194
Total Assets		2,609	2,290
Current Liabilities			
Trade and other payables		94	77
Interest-bearing loans	5.15	488	340
Total Current Liabilities		582	417
Total Liabilities		582	417
Net Assets	5.12	2,027	1,873
Equity			
Issued capital		85,661	85,661
Reserves		(2,220)	(2,506)
Accumulated losses		(81,414)	(81,282)
Total Equity		2,027	1,873

Table 5: Kairiki financial position as at 30 June 2014 and 31 December 2014 (Source: Kairiki HY15 financial report)

- 5.12. As at 31 December 2014 Kairiki had net assets of approximately \$2.0 million (30 June 2014: net assets of \$1.9 million) and a net current asset deficit (current assets less current liabilities) of approximately \$0.5 million (30 June 2014: working capital deficit of \$0.3 million).
- 5.13. The Company had cash and cash equivalents as at 31 December 2014 of approximately \$63,000.
- 5.14. Deferred exploration and evaluation expenditure as at 31 December 2014 and 30 June 2014 represented expenditures relating to the Yakal discovery and residual areas of SC54A, plus SC54B, net of impairment charges. The movement from 30 June 2014 to 31 December 2014 relates to foreign currency translation movements.
- 5.15. Interest bearing loans relate to the secured drawdown facility with IMC. The facility limit is \$488,000 and was scheduled for repayment in April 2015, the facility is secured by a fixed and floating charge over Kairiki and Yilgarn. This loan has been used to fund the operations of Kairiki. IMC has advised the Company that it no longer intends to provide financial support to the Company and has advised the Company that it is its preference for it to explore new avenues for sourcing capital.

Share Price and Performance

5.16. A summary of Kairiki's recent share price and volume is set out in the figure below.

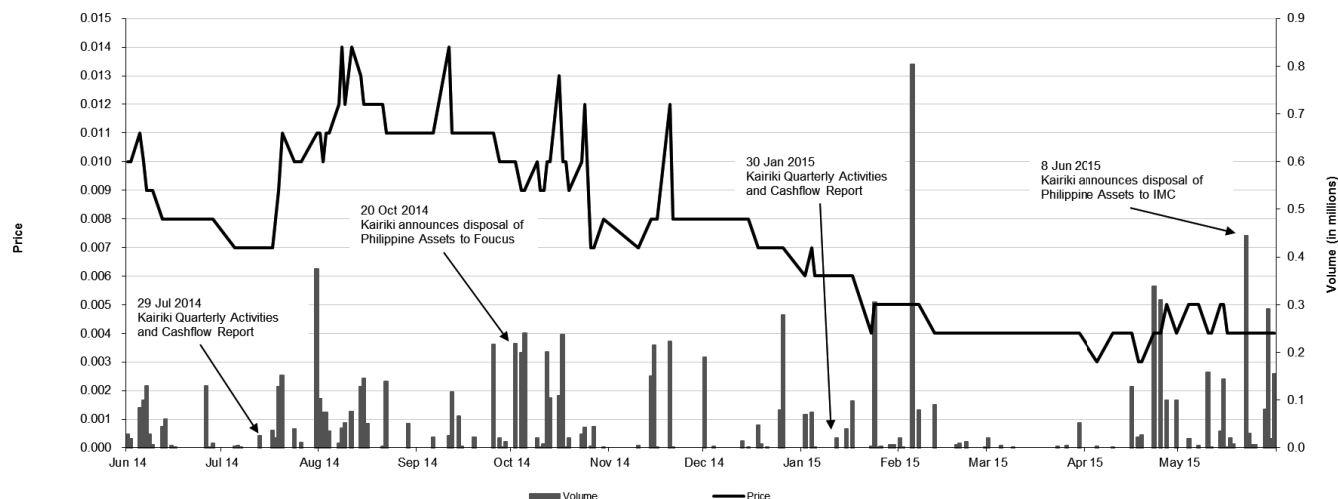


Figure 3: Kairiki Daily Closing Share Price and Traded Volumes (Source: S&P Capital IQ)

5.17. We make the following comments with regard to Kairiki's recent share price performance:

- In the 12 months prior to the Proposed Transaction, Kairiki's shares have traded between a high of \$0.014 on 29 September 2014 to a low of \$0.003 on 7 May 2015;
- Trading in Kairiki shares is intermittent and traded volumes are low. The highest level of turnover occurred on 23 February 2015 when 4,017 in shares were traded.
- Further analysis on the recent volume and price at which Kairiki shares have traded is set out in Section 7.

6. Valuation approach

Valuation methodologies

6.1. In assessing the Proposed Transaction, we have considered a range of valuation methodologies. RG 111 proposes that it is generally appropriate for an expert to consider using the following methodologies:

- the discounted cash flow (“DCF”) method and the estimated realisable value of any surplus assets;
- the application of earnings multiples to the estimated future maintainable earnings or cash flows added to the estimated realisable value of any surplus assets;
- the amount which would be available for distribution on an orderly realisation of assets;
- the quoted price for listed securities; and
- any recent genuine offers received.

6.2. We consider that the valuation methodologies proposed by RG 111 can be split into three valuation methodology categories, as follows.

Market based methods

6.3. Market based methods estimate the Fair Value by considering the market value of a company’s securities or the market value of comparable companies. Market based methods include;

- The quoted price for listed securities; and
- Industry specific methods.

6.4. The recent quoted price for listed securities method provides evidence of the fair market value of a company’s securities where they are publicly traded in an informed and liquid market.

6.5. Industry specific methods usually involve the use of industry rules of thumb to estimate the fair market value of a company and its securities. Generally rules of thumb provide less persuasive evidence of the fair market value of a company than other market based valuation methods because they may not account for company specific risks and factors.

Income based

6.6. Income based methods estimate value by calculating the present value of a company’s estimated future stream of earnings or cash flows. Income based methods include:

- Capitalisation of maintainable earnings; and
- Discounted cash flow methods.

6.7. The capitalisation of earnings methodology is generally considered a short form DCF, where an estimation of the Future Maintainable Earnings (“FME”) of the business, rather than a stream of cash flows is capitalised based on an appropriate capitalisation multiple. Multiples are derived from the analysis of transactions involving comparable companies and the trading multiples of comparable companies.

6.8. The DCF technique has a strong theoretical basis, valuing a business on the net present value of its future cash flows. It requires an analysis of future cash flows, the capital structure and costs of capital and an assessment of the residual value or the terminal value of the company’s cash flows at the end of the forecast period. This method of valuation is appropriate when valuing companies where future cash flow projections can be made with a reasonable degree of confidence.

Asset based methods

- 6.9. Asset based methodologies estimate the Fair Value of a company's securities based on the realisable value of its identifiable net assets. Asset based methods include:
- orderly realisation of assets method;
 - liquidation of assets method; and
 - net assets on a going concern basis.
- 6.10. The value achievable in an orderly realisation of assets is estimated by determining the net realisable value of the assets of a company which would be distributed to security holders after payment of all liabilities, including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. This technique is particularly appropriate for businesses with relatively high asset values compared to earnings and cash flows.
- 6.11. The liquidation of assets method is similar to the orderly realisation of assets method except the liquidation method assumes that the assets are sold in a shorter time frame.
- 6.12. The net assets on a going concern method estimates the market values of the net assets of a company but unlike the orderly realisation of assets method it does not take into account realisation costs. Asset based methods are appropriate when companies are not profitable, a significant proportion of the company's assets are liquid, or for asset holding companies.

Selection of valuation methodologies

Valuation of 100% of the share capital Of Yilgarn

- 6.13. In assessing the value of Yilgarn, we have utilised the following methodologies;
- We considered recent genuine offers received as our primary methodology.
 - We have also given consideration to the quoted market price of Kairiki, given that the Company's single asset is Yilgarn; and
 - As a cross check to the first two methodologies above, we have considered an independent technical valuation that was prepared on 30 June 2013. We note that there has not been any developments on Yilgarn's assets since 30 June 2013.
- 6.14. Other valuation methodologies that we considered but concluded were inappropriate, were the capitalisation of future maintainable earnings methodology, the discounted cash flow methodology and the net asset methodology. We considered the earnings methodologies to be inappropriate because Yilgarn does not have a history of profits and no foreseeable future net cash inflows.
- 6.15. When considering the value of Yilgarn, we have only focussed on SC54A and SC54B because Yilgarn only has \$3,412 in other net assets.

Valuation of the Consideration

- 6.16. The Consideration has been valued at face value given that the three components of the Consideration are classified as cash or cash equivalents and are payable on or before the execution of the Proposed Transaction.

7. Valuation of 100% of the share capital of Yilgarn

- 7.1. In order to determine the value of the issued shares in Yilgarn, we have given consideration to:
- recent offers received for the assets held by Yilgarn; and
 - the quoted market price of Kairiki.
- 7.2. We have also considered a technical valuation that was prepared in June 2013 as a cross check to the values calculated above.

Recent Genuine Offers

Focus Oil and Gas and Kairiki – October 2014

- 7.3. On 20 October 2014, Kairiki announced that it had entered into a binding term sheet with Focus Oil and Gas Limited (“Focus”) for the disposal of its entire interest in the share capital of Yilgarn. However on 8 June 2015 Kairiki announced that it had terminated the binding term sheet due to the non-satisfaction of conditions precedent.
- 7.4. The consideration payable by Focus for the share capital in Yilgarn comprised of a cash payment of US\$1,500,000 and a royalty of US\$0.50 per barrel of oil or condensate sold from Yilgarn’s assets up to a maximum of 35,000,000 cumulative barrels of oil or condensate, based upon Yilgarn’s allocated barrels.
- 7.5. Given that the commerciality of Yilgarn’s assets is yet to be proven we do not consider the royalty to have any value. Therefore, in our opinion the value of Yilgarn based on the unsuccessful transaction with Focus should only include the initial cash payment, being \$1.7 million (US\$1.5m converted at 1AUD:0.87USD on 20 October 2014).

Colossal Petroleum Corporation and Nido – November 2013

- 7.6. On 25 November 2013, Nido announced it had entered into a sales agreement with Colossal Petroleum Corporation for its interests in Block A, Block B, Block B Retention and Block D Retention of SC14 together with its participating interest in SC54A for a cash consideration of \$3 million.
- 7.7. As the sale included Nido’s interest in SC54A, we believe the transaction is relevant to our assessment of the value of SC54A. However, the blocks in SC14 include oil production (though small) and are contiguous to a significant producing oil field. As such, in our opinion, the majority of the \$3 million transaction value is attributable to the SC14 blocks.

Summary

- 7.8. We believe the best indication of value on a recent genuine offer basis is the Focus/Kairiki transaction (\$1.7 million) since it was a direct transaction in the same asset. However, we note that the Colossal/Nido transaction supports the value of the Focus/Kairiki transaction assuming that the majority of value is attributable to SC14.

Quoted Price of Listed Securities

- 7.9. We have assessed the fair value of Yilgarn based on the quoted market price of Kairiki, on the basis that the only assets of value that Kairiki holds is Yilgarn and Yilgarn’s interests in SC54A and SC54B and its market capitalisation is a reflection of the value of these underlying assets.

7.10. When estimating the value of Yilgarn based on the share price of Kairiki, we have undertaken the following process:

- Estimate the current market capitalisation of Kairiki;
- Add a control premium to the market capitalisation to arrive at a control value for Kairiki;
- Adjust the control value for and cash and debt held by Kairiki; and
- Adjust the control value for any value that could be attributed to Kairiki's capacity to be used as a shell for an alternative transaction.

Estimate the market capitalisation of Kairiki

7.11. Our assessment reflects trading prior to the announcement of the Proposed Transaction in order to avoid the influence of any movement in price that occurred as a result of the announcement.

7.12. The Proposed Transaction was announced to the ASX on 8 June 2015. Figure 4 shows the daily closing price and traded volumes of Kairiki for the 12 months prior to 8 June 2015.

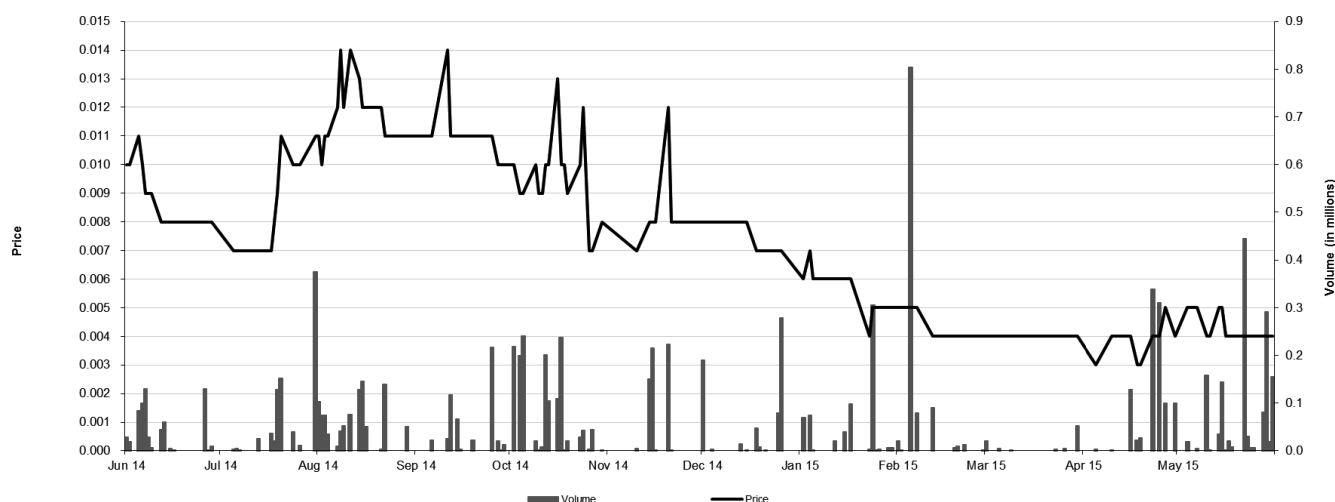


Figure 4: Kairiki Daily Closing Share Price and Traded Volumes Pre Announcement (Source: Capital IQ)

7.13. Over the period in the chart above, the closing price of Kairiki shares has ranged from a high of \$0.014 on 29 September 2014 to a low of \$0.003 on 7 May 2015.

7.14. In order to provide further analysis of the market prices for Kairiki shares, we have considered the volume weighted average market price ("VWAP") for 10 day, 30 day and 60 trading day periods to 8 June 2015:

\$	10 Days	30 Days	60 Days
VWAP	0.005	0.005	0.004

Table 6: Volume Weighted Average Price of Kairiki

- 7.15. An analysis of the volume in trading in Kairiki shares prior to the announcement of the Proposed Transaction is set out in the table below:

	Low	High	Cumulative	% of Total
	\$	\$	Volume	Capital
1 trading day	0.004	0.004	8,400	0.004%
10 trading days	0.004	0.005	372,290	0.16%
30 trading days	0.003	0.005	1,417,470	0.61%
60 trading days	0.003	0.005	1,522,310	0.65%

Table 7: Traded Volumes of Kairiki to 8 June 2015

- 7.16. The table shows that only 0.65% of Kairiki's shares have been traded in the 60 trading days prior to the announcement of the Proposed Transaction which indicates a low level of liquidity.
- 7.17. Based on our analysis of trading in Kairiki, we consider the volume weighted average price for 30 days prior to 8 June 2015 of \$0.005 to be reflective of the market value of a Kairiki share. We note that during this period, the market has been aware that a transaction in Kairiki's assets was possible.
- 7.18. Kairiki has 234,122,480 share on issue, therefore, our assessment of the market capitalisation of Kairiki is \$1,170,612.

Premium for control

- 7.19. The value above is indicative of the value of a marketable parcel of shares assuming a shareholder does not have control of Kairiki. IMC will acquire control of Kairiki's interest in Yilgarn. Therefore, in our assessment of the fair value of a Kairiki share, we should include a premium for control.
- 7.20. In selecting a control premium we have given consideration to RSM Bird Cameron's 2013 Control Premium Study. The study performed an analysis of control premiums paid over a 7-year period to 30 June 2012 in 345 successful takeovers and schemes of arrangements of companies listed on the ASX. Our study concluded that on average control premiums in takeovers and schemes of arrangements involving Australian companies was in the range of 15% to 40%.
- 7.21. In valuing an ordinary Kairiki share prior to the Proposed Transaction using the quoted price of listed securities methodology we have reflected a premium for control in the range of 25% to 35%.

Kairiki Value Per Share		
Quoted market price value	1,170,612	1,170,612
Control premium	25%	35%
Quoted market price valuation including a premium for control	1,463,265	1,580,326

Table 8: Assessed Value of a Kairiki Share

Adjustments to market capitalisation

7.22. Our valuation of Yilgarn on the basis of the quoted market price of Kairiki is set out below.

Kairiki Value Per Share	Ref:	Low Value	High Value
		\$	\$
Control value of Kairiki	7.21	1,463,265	1,580,326
Add: Debt		488,000	488,000
Less: Cash		(63,000)	(63,000)
Less: Shell Value	7.24	(500,000)	(500,000)
Value of Yilgarn		1,388,265	1,505,326

Table 9: Assessed Value of Yilgarn

7.23. The value of Kairiki has been adjusted for net debt in order to estimate the underlying asset value.

7.24. We have also adjusted the control value of Kairiki by \$500,000 to reflect the typical value that is attributed to a listed company with minimal activity and which could be used as a shell for a reverse takeover. Typically, 'shell' companies carry a value because they allow the other party to a reverse takeover (the reverse acquirer) to gain access to shareholder spread and to avoid some costs of establishing a listed company. Reverse takeovers have gained in popularity over the last 12 months due to an increase in technology based companies transacting with idle resource companies. Recent transactions are placing values on shells in excess of \$1 million, however, in our opinion, Kairiki has a low value as a shell because it has a significant majority shareholder and its existing shareholder base is unlikely to contribute to minimum shareholder requirements.

7.25. We consider the value of Yilgarn based on Kairiki's quoted market price to be between \$1.4 million and \$1.5 million.

Valuation Summary

7.27. A summary of our assessed values of Yilgarn is shown below.

Valuation Methodology	Ref	Low	High
		\$m	\$m
Recent offers	7.3	1.7	1.7
Quoted market price value	7.9	1.4	1.5
Preferred valuation		1.4	1.7

Table 10: Kairiki Valuation Summary

7.28. We have therefore assessed the fair market value of Yilgarn to be in the range of \$1.4 million to \$1.7 million

Valuation cross check

7.29. As a cross check to our assessed value above we considered a technical specialist valuation of the Yilgarn assets completed in the past and previous research report by research analysts.

Technical specialist report

7.30. On 30 June 2013, Spectrum Petroleum Solutions (“SPS”) prepared a report titled Technical Audit and Assessment of the Hydrocarbon Resource Potential of SC54A and SC54B for Kairiki. SPS placed a value of between nil and US\$5.8 million on Kairiki’s oil and gas exploration interests.

7.31. The methodology used by SPS in its report focused on the contingent and prospective resources defined on SC54A and SC54B as these are volumetrically the most significant, the likely lowest risk, and potentially the greatest current value. SPS identified that Kairiki has 2.9 million barrels of oil net of contingent resource and 5.6 million barrels net of risked prospective resource.

7.32. SPS stated that the only way at the time to apply monetary value to the assets held by Kairiki was to estimate a monetary value based on known project economics that can be discounted for the applicable risks and uncertainties of Kairiki’s assets. SPS noted that economics for similar projects in the region indicated that the value of a barrel of oil on an NPV basis could be US\$15-\$20. SPS stated that, given the nature of the contingent resources in SC54A and SC54B, a discounted value of \$2 per barrel would be appropriate. SPS therefore attributed a monetary value of US\$5.8 million to Kairiki’s interests in SC54A and SC54B.

7.33. SPS also stated in its report that “until such time as a real value can be demonstrated for SC54A and SC54B, such as an asset divestment, SPS considered it inappropriate to apply any monetary value to the identified prospective resources.”

7.34. We note that at the time the SPS report was released the oil price was trading in excess of US\$100 a barrel, since then oil prices have fallen some 40%, to US\$60 a barrel. This suggests that the high value calculated at 30 June 2013 would be materially higher than a current value due to the impact of a decline in oil prices on the economics of oil production.

7.35. Given the changes in the oil price, we do not consider the value to be reflective of current market value, however in our opinion the SPS valuation supports values from recent genuine offers.

Research reports

7.36. In considering the appropriateness of SPS’ valuation we also reviewed research reports prepared for Nido (Kairiki’s partner in SC54A and SC54B):

- Cannacord Genuity (Australia) Limited issued a broker report for Nido on 30 October 2013. In its report, Cannacord did not attribute any value to SC54A or SC54B.
- Edison Investment Research Limited issued a broker report for Nido on 24 January 2014. In its report, Edison also did not attribute any value to SC54A or SC54B.

8. Valuation of Consideration

8.1. The Consideration payable by IMC is summarised in the table below:

Consideration	Value \$
Debt forgiveness	488,000
Extinguish existing indebtedness	221,000
Cash	75,000
Total Consideration	784,000

Table 11: Assessed Value of the Consideration

8.2. The Consideration payable is comprised of three parts, which can all be classified as cash or cash equivalents.

8.3. As per the Share Purchase Agreement, the Consideration is payable on or before the completion date. As such, we have not considered the impact of the time value of money on the values above.

9. Is The Proposed Transaction Fair?

9.1. Our assessed values of 100% of the share capital of Yilgarn and the Consideration are summarised in the table and figure below.

Assessment of fairness	Ref:	Low Value	High Value
		\$m	\$m
Fair Value of Yilgarn	7	1.4	1.7
Fair Value of the Consideration	8	0.8	0.8

Table 12: Assessed values of Yilgarn

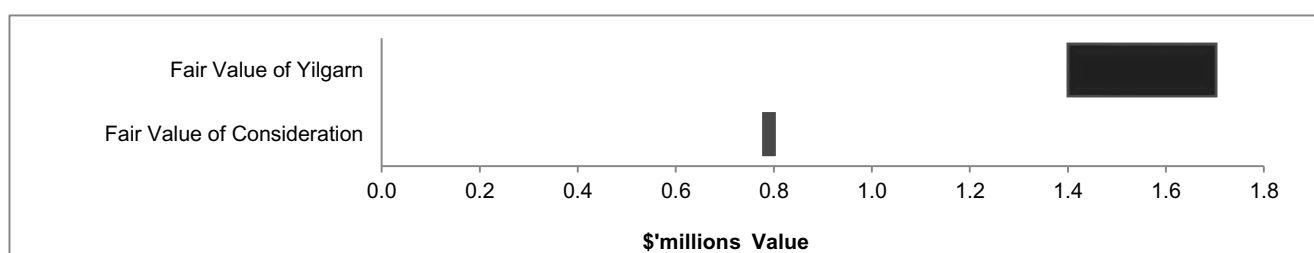


Figure 5: Summary of fairness assessment (Source: RSMBCC Analysis)

Conclusion on Fairness

9.2. We have considered the fairness of the Proposed Transaction by comparing our assessment of the value of Yilgarn with our assessment of the value of the Consideration. Our analysis has concluded that the range of values of Yilgarn is between \$1.4 million to \$1.7 million and the value of the Consideration is \$0.8 million.

9.3. In accordance with the guidance set out in ASIC RG 111, and in the absence of any other relevant information, for the purpose of ASX Listing Rule 10.1 and 11.2, we consider the Proposed Transaction to be **not fair** to the Non-Associated Shareholders of Kairiki, as the value of the Consideration is less than the value of Yilgarn.

10. Is The Proposed Transaction Reasonable?

10.1. RG111 establishes that an offer is reasonable if it is fair. If an offer is not fair it may still be reasonable after considering the specific circumstances applicable to the offer. In our assessment of the reasonableness of the Proposed Transaction, we have given consideration to:

- The future prospects of Kairiki if the Proposed Transaction does not proceed; and
- Other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.

Future Prospects of Kairiki if the Proposed Transaction Does Not Proceed

10.2. If the Proposed Transaction does not proceed then it is likely that the Company will not be able to repay the debt owed to IMC and will be in default pursuant to the terms of the IMC facility. The immediate course of action will be entirely dependent on IMC. Pursuant to the terms of the facility IMC will be entitled to exercise its rights under the fixed and floating charge provided by Kairiki and Yilgarn.

10.3. IMC has stated that it does not intend to continue to support the operations of Kairiki.

10.4. Given Kairiki's current financial position and lack of funding, if the Proposed Transaction does not proceed then the company may be forced into voluntary administration. In such a scenario, it is unlikely that current shareholders will realise any value from their existing shares.

Advantages and Disadvantages

10.5. In assessing whether the Non-Associated Shareholders are likely to be better off if the Proposed Transaction proceeds than if it does not, we have also considered various advantages and disadvantages that are likely to accrue to the Non-Associated Shareholders.

Advantages

Advantage 1 – Extinguishing Debt, reduce costs

10.6. The sale will extinguish secured debt and other liabilities of \$709,000 leaving the Company debt free. This will eliminate interest costs and give the Company more time to consider its options going forward. Also, potential investors are likely to consider Kairiki a better investment without debt on the balance sheet, which may facilitate a reverse takeover transaction. Given the moratorium on SC54A and SC54B, it is possible that a reverse takeover could provide more value to shareholders than retaining an interest in Yilgarn.

Advantage 2 – No longer exposed to future cash calls

10.7. By disposing of Yilgarn, Kairiki will no longer be exposed to future cash calls from the SC54A and SC54B joint ventures. Cash calls for oil and gas can be significant. We note that the assets are currently under a moratorium so a significant cash call will not be likely for at least two years.

Advantage 3 – Release of Security Held over Assets

10.8. On the execution of the sale agreement, IMC will release the securities it holds over the other assets of the Company. Kairiki will therefore be able to enter discussions with third parties without a floating charge over their assets. The extinguishment of all debt and the removal of all security obligations will make it more attractive for the Company to seek equity capital.

Advantage 4 – Ability to seek new equity and investment options

- 10.9. Following the Proposed Transaction the Company will be a clean shell with no debt and no assets other than cash. This will make Kairiki more attractive to new shareholders and will enable the Company to consider alternative asset acquisitions.

Advantage 5 – No dilutionary impact

- 10.10. The Proposed Transaction will provide capital to the Company with no dilutionary impact on shareholders. If Kairiki were to undertake a capital raising in order to repay the debt owed to IMC, it may be heavily dilutive to shareholders.

Disadvantages

Disadvantage 1 – No future potential profits from Yilgarn assets

- 10.11. The Company will not be able to participate in or derive any future potential profits from Yilgarn's assets, should the assets be developed to production.

Disadvantage 2 – Disposal of the Company's main undertaking

- 10.12. The Proposed Transaction involves selling the Company's main asset which will leave the Company with no assets other than cash. This may not suit all shareholders investment objectives.

Disadvantage 3 – Risk of non-compliance with listing rule 12.1 and 12.2

- 10.13. There is a risk the Company may not be able to locate and complete the acquisition of other suitable investment opportunities within a reasonable time. The ASX requires a company to hold a main undertaking and that it cannot simply hold cash. Where a company is considered to be a cash box, its shares will be suspended and unable to be traded on the ASX until such time as a suitable asset is found.

Alternative Proposal

- 10.14. We are not aware of any alternative proposal at the current time which might offer the Non-Associated Shareholders of Kairiki a greater benefit than the Proposed Transaction.

Conclusion on Reasonableness

- 10.15. In our opinion, the position of the Non-Associated Shareholders if the Proposed Transaction is approved is more advantageous than the position if it is not approved. Therefore, in the absence of any other relevant information and/or a superior offer, we consider that the Proposed Transaction is Reasonable for the Non-Associated Shareholders of Kairiki.
- 10.16. An individual shareholder's decision in relation to the Proposed Transaction may be influenced by his or her individual circumstances. If in doubt, shareholders should consult an independent advisor.

Yours faithfully

RSM BIRD CAMERON CORPORATE PTY LTD



A J GILMOUR
Director



G YATES
Director

APPENDIX A

Declarations and Disclosures

RSM Bird Cameron Corporate Pty Ltd holds Australian Financial Services Licence 255847 issued by ASIC pursuant to which they are licensed to prepare reports for the purpose of advising clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate reconstructions or share issues.

Qualifications

Our report has been prepared in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board.

RSM Bird Cameron Corporate Pty Ltd is beneficially owned by the partners of RSM Bird Cameron (RSMBC) a large national firm of chartered accountants and business advisors.

Mr Andrew Gilmour and Mr Glyn Yates are directors of RSM Bird Cameron Corporate Pty Ltd. Both Mr Gilmour and Mr Yates are Chartered Accountants with extensive experience in the field of corporate valuations and the provision of independent expert's reports for transactions involving publicly listed and unlisted companies in Australia.

Reliance on this Report

This report has been prepared solely for the purpose of assisting the Non-Associated Shareholders of Kairiki Energy Limited in considering the Proposed Transaction. We do not assume any responsibility or liability to any party as a result of reliance on this report for any other purpose.

Reliance on Information

Statements and opinions contained in this report are given in good faith. In the preparation of this report, we have relied upon information provided by the directors and management of Kairiki Energy Limited and we have no reason to believe that this information was inaccurate, misleading or incomplete. However, we have not endeavoured to seek any independent confirmation in relation to its accuracy, reliability or completeness. RSM Bird Cameron Corporate Pty Ltd does not imply, nor should it be construed that it has carried out any form of audit or verification on the information and records supplied to us.

The opinion of RSM Bird Cameron Corporate Pty Ltd is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

In addition, we have considered publicly available information which we believe to be reliable. We have not, however, sought to independently verify any of the publicly available information which we have utilised for the purposes of this report.

Disclosure of Interest

At the date of this report, none of RSM Bird Cameron Corporate Pty Ltd, RSMBC, Andrew Gilmour, Glyn Yates, nor any other member, director, partner or employee of RSM Bird Cameron Corporate Pty Ltd and RSMBC has any interest in the outcome of the Proposed Transaction, except that RSM Bird Cameron Corporate Pty Ltd are expected to receive a fee of \$15,000 based on time occupied at normal professional rates for the preparation of this Report. In addition RSM Bird Cameron Partners will invoice Kairiki Energy Limited fees for the provision of due diligence services, taxation and accounting advice in relation to the Proposed Transaction. All fees are payable regardless of whether Kairiki Energy Limited receives Shareholder approval for the Proposed Transaction, or otherwise.

Consents

RSM Bird Cameron Corporate Pty Ltd consents to the inclusion of this report in the form and context in which it is included with the Explanatory Memorandum to be issued to Non-Associated Shareholders. Other than this report, none of RSM Bird Cameron Corporate Pty Ltd, RSM Bird Cameron Partners or RSMBC has been involved in the preparation of the Notice of General Meeting and Explanatory Statement. Accordingly, we take no responsibility for the content of the Notice of General Meeting and Explanatory Statement as a whole.

APPENDIX B

In preparing this report we have relied upon the following principal sources of information:

- Kairiki management accounts for the 9 months ended 31 March 2015 and Yilgarn management accounts for the 9 months ended 31 March 2015
- Statement of financial performance for the year ending 30 June 2014 and statement of financial position as at 30 June 2014.
- Notice of General Meeting and Explanatory Statement for the meeting of Kairiki shareholders
- Binding Terms Sheet setting out the key terms of the Proposed Transaction.
- Kairiki share register listing provided by management.
- Information provided by Kairiki management through meetings and correspondence.
- Capital IQ, IBIS World and other financial databases and subscription services.
- Publicly available information including ASX announcements.

APPENDIX C

Profile of the Oil & Gas Industry

The international oil and gas industry consists of two segments, being the upstream and downstream segments. The upstream segment explores, produces and processes crude oil and natural gas. The downstream segment refines these outputs into fuels, lubricants and petroleum products and then markets them for sale.

The demand for crude oil and natural gas is a derived one, in that it is dependent on the demand for other goods and services which require oil as an input, most notably the transportation, power generation and manufacturing industries. The level of demand for petroleum products and as such crude oil is also heavily influenced by global economic growth, and underlying levels of economic activity.

The international oil and gas industry is a highly regulated industry, with various tiers of government involved in all stages of production. Typically, governments determine which geographical areas of a country are open to oil exploration and extraction, issue exploration and production leases, and enforce environmental legislation.

Trade has become an increasingly important aspect of the industry over the past five years. About 50.0% of the oil produced in 2015 will be traded internationally, compared with nearly 30.0% of natural-gas output. Combined, the value of internationally traded oil and natural gas in 2015 is forecast to be \$2.1 trillion. Output is dominated by the Middle East, Europe and North America. Over the next five years, oil and gas consumption is expected to expand moderately as global economic growth continues. In light of recent price weakness, production levels are anticipated to slowly recover as supply diminishes.

IBIS estimates that the Global Oil and Gas Exploration and Production industry is expected to generate revenue of \$4.3 trillion in 2015. This is up from \$3.4 trillion in 2010, yielding annualized growth of about 5.0%. Revenue is expected to fall 8.7% in 2015, as oil and gas prices remain weak. This represents a slowdown from extremely large gains during 2011 and 2012, when oil prices surged. Large spikes in the price of oil and gas have largely been behind the industry's expansion over the period.

The rapid industrialization of Brazil, Russia, India and China (BRIC nations) has greatly increased global demand for oil and gas and increased prices. On the other hand, any slowdown within these economies would cause oil and gas prices to tumble, negatively affecting this industry. GDP growth of BRIC nations is expected to increase during 2015.

IBIS estimates that the industry's revenue is forecast to grow at an annualized rate of 4.4% through 2020, eventually reaching an estimated \$5.3 trillion.

Oil and gas exploration and production in the Philippines

Palawan Basin is the dominant offshore producing basin in the Philippines. Water depths in the basin range from less than 100 metres to in excess of 2,000 metres. The Philippines offers a stable regulatory environment and fiscal regime for oil and gas production, exploration and development. (NIDO Petroleum Website)

Much of the NW Palawan Basin remains underexplored despite the numerous oil and gas discoveries made in the shallow water areas of the basin, including Nido's 2008 oil discoveries in SC 54A and the giant Malampaya gas field in SC 38, operated by Shell Philippines Exploration. (NIDO Petroleum Website)

Business Monitor International ("BMI") forecasts a decline in Philippines' oil and gas reserves, owing to the limited number of discoveries made and the slow rate of exploration. Crude oil production will see small increases throughout most of their forecast period to 2024. BMI notes significant downside risk to their forecast particularly from 2019, as the forecast is based on projects where final investment decisions have not been made. Longer-term growth will be dependent on current exploratory results. Consumption is also expected to rise on the back of economic growth, and the government's promotion of gas use. BMI note that infrastructure and supply constraints could limit the country's gas demand growth in the longer term.

APPENDIX D

Glossary of Terms and Abbreviations

Term or Abbreviation	Definition
\$	Australian Dollar
Act	Corporations Act 2001 (Cth)
APES	Accounting Professional & Ethical Standards Board
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
Company	Kairiki Energy Limited
Consideration	The amount of debt to be forgiven and cash to be paid by IMC
Control basis	As assessment of the fair value on an equity interest, which assumes the holder or holders have control of entity in which the equity is held
DCF	A method within the income approach whereby the present value of future expected net cash flows is calculated using a discount rate
Directors	Directors of Kairiki
DOE	Philippines Department of Energy
EBIT	Earnings, Before, Interest and Tax
EBITDA	Earnings, Before, Interest, Tax, Depreciation and Amortisation
Equity	The owner's interest in property after deduction of all liabilities
EV	Enterprise Value, meaning, the total value of the equity in a business plus the value of its debt or debt-related liabilities, minus any cash or cash equivalents available to meet those liabilities
Fair Value	The amount at which an asset could be exchanged between a knowledgeable and willing but not anxious seller and a knowledgeable and willing but not anxious buyer, both acting at arm's length
FME	Future Maintainable Earnings
Focus	Focus Oil and Gas Limited
FOS	Financial Ombudsman Service
FSG	Financial Services Guide
FY##	Financial year ended 30 June
IBIS	IBIS World, producer of industry reports
IER	This Independent Expert Report
IMC	IMC Oil and Gas Investments Ltd
Kairiki	Kairiki Energy Limited
Nido	Nido Petroleum Ltd
Non control basis	As assessment of the fair value on an equity interest, which assumes the holder or holders do not have control of entity in which the equity is held
Non-Associated Shareholders	Shareholders not associated with the Proposed Transaction
Notice	The notice of meeting to vote on the Proposed Transaction
NPAT	Net Profit After Tax
NPBT	Net Profit Before Tax

Term or Abbreviation	Definition
Proposed Transaction	The proposal to exchange cash and forgive debt for 100% of the issued capital of Yilgarn.
Regulations	Corporations Act Regulations 2001 (Cth)
Report	This Independent Experts Report prepared by RSMBCC dated 29 June 2015
RG 111	ASIC Regulatory Guide 111 Contents of Expert's Reports
RSMBCC	RSM Bird Cameron Corporate Pty Ltd
S&P Capital IQ	An entity of Standard and Poors which is a third party provider of company and other financial information
SC54A	Service Contract 54 A
SC54B	Service Contract 54 B
SPS	Spectrum Petroleum Solutions
VWAP	Volume weighted average share price
Yilgarn	Yilgarn Petroleum Philippines Pty Ltd. Wholly owned subsidiary of Kairiki.



Our one-firm structure enables us to provide strong connections and a focus on client relationships. Clients can readily connect to our national and international expertise and networks, our extensive understanding of Australian business and to our senior advisors. With RSM Bird Cameron you really are... Connected for Success

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