



21 July 2011

Dear Option Holder

### **Renounceable Rights Issue of Shares**

On 14 July 2011, the directors of Kairiki Energy Limited (**Company**) announced a three (3) for two (2) pro rata renounceable rights issue (**Rights Issue**) to shareholders.

The Rights Issue will be offered to existing shareholders on the basis of three new shares (**New Shares**) for every two shares held at the record date, at an issue price of 0.4 cents per share, to raise up to approximately \$7,125,136 before costs. For every four shares subscribed for in the Rights Issue, the applicant will receive 1 “piggy back” option. The primary option is exercisable at 0.4 cents during June 2013 and will expire on 30 June 2013. The primary option is exercisable into one share and a secondary option which is exercisable at 0.4 cents and expires on 30 June 2015.

Based on the Company’s current issued capital the Rights Issue will result in up to 1,781,283,996 New Shares being issued, increasing the total issued share capital on completion of the Rights Issue, assuming it is fully subscribed, to 2,968,806,660 shares. The Rights Issue is conditionally underwritten by Patersons Securities Limited to an amount of \$6,000,000.

The Company has set 5.00pm WST on 3 August 2011 as the Record Date for the purpose of determining shareholders entitled to participate in the Rights Issue.

Under the terms of the options you currently hold, there is no entitlement to participate in the Rights Issue, unless you convert your options and are entered onto the register as a shareholder on or before the Record Date.

If you wish to participate in the Rights Issue, it will be necessary for you to exercise all or part of your options, and the shares issued on the exercise of those options must have been allotted to you before the Record Date. If you wish to do so, you should complete a Notice of Exercise of Options and lodge that notice with the Company, together with your payment for the number of shares you wish to take up on or before the Record Date of 3 August 2011.

If you do not wish to participate in the Rights Issue in respect of your options, you do not need to take any action.

If you require further information please contact the company or the Company’s Share Registry, Computershare Investor Services Pty Ltd on (08) 9323 2000 during normal business hours.

Yours faithfully

N J Bassett  
Company Secretary