



4 February 2011

Dear Shareholder

## **PRO-RATA RENOUNCEABLE RIGHTS ISSUE**

### **Overview**

Kairiki Energy Limited ("**Kairiki**" or "**the Company**") wishes to advise shareholders of a new pro-rata renounceable share issue.

Kairiki invites shareholders who are registered at 5.00pm WST on Tuesday, 15 February 2011 ("**Registered Shareholders**" at the "**Record Date**") to participate in a pro-rata renounceable rights issue on the basis of one (1) fully paid ordinary new share in the Company ("**Shares**") for every three (3) Shares held, at an issue price of 3 cents per Share, together with one (1) free attaching option ("**Attaching Option**") exercisable at 4 cents each, on or after 1 August 2011 and on or before 31 August 2011, for every two (2) New Shares issued ("**Rights Issue**"). If an Attaching Option is exercised between 1 August 2011 and 31 August 2011 the Attaching Option holder is entitled to receive a further option exercisable at 5 cents each on or before 31 August 2013 ("**Secondary Option**").

The Rights Issue will result in the issue of up to approximately 296,630,666 new Shares ("**Rights Issue Shares**") and if fully subscribed will raise up to approximately \$8,898,920 before costs of the offer. The Rights Issue may be increased if holders of existing unlisted options exercise those options or the holder of a convertible note converts all or part of their note and are issued Shares on or prior to the Record Date.

A prospectus relating to the Rights Issue ("**Prospectus**") was lodged with the Australian Securities and Investments Commission ("**ASIC**") and ASX Limited ("**ASX**") on 4 February 2011 and the Prospectus will be mailed to shareholders on or about 21 February 2011. The Prospectus will not constitute an offer in any place in which or to any person to whom it would be unlawful to make such an offer. Accordingly, it is the responsibility of non-resident applicants to obtain all necessary approvals for the allotment and issue to them of securities pursuant to the Prospectus.

Shareholders may view the Company's ASX releases on the ASX website [asx.com.au](http://asx.com.au) (ASX code: KIK) and extensive information on the Company and its projects (including ASX releases) at [www.kairikienergy.com](http://www.kairikienergy.com)

### **Underwriting and Use of Proceeds**

The Rights Issue is fully underwritten by Patersons Securities Limited. Proceeds from the Rights Issue will be applied towards the ongoing participation of the Company's interest in the Philippines Offshore Exploration Service Contract SC54A and SC54B, repayment of US\$2m of a convertible note, costs of the Offer and for additional working capital.

## Capital Structure

The capital structure of the Company following completion of the Offer is summarised below:



<b>Shares</b>	<b>Number</b>
Shares on issue at the date of the Offer <sup>1</sup>	889,891,998
New Shares now offered under the Offer <sup>2</sup>	296,630,666
Total Shares on issue at completion of the Offer	<b>1,186,522,664</b>
<b>Options</b>	<b>Number</b>
Unlisted options on issue at the date of the Offer <sup>1</sup>	500,000
New Attaching Options <sup>3</sup>	148,315,333

- The Shares on issue at the date of the Offer may increase if existing Options are exercised or Notes are converted before the Record Date, and the Options on issue will correspondingly decrease.*
- The New Shares to be offered may increase if existing Options are exercised or Notes are converted before the Record Date.*
- Pursuant to the terms of the underwriting agreement and a mandate letter with Patersons Securities Limited, up to a further 156,876,889 options may be issued on the same terms as the Attaching Options to investors that participated in the placement completed on 31 January 2011 and to the underwriter of the Rights Issue.*

In addition, the Company has on issue 10,000,000 Convertible Notes ("**Notes**") with a remaining paid up value of US\$0.953 for each note. The note holder, IMC Oil and Gas Investments Limited, has the option to convert the Notes into ordinary fully paid shares of the Company at an issue price determined as the lesser of:

- A\$0.185; and
- the closing price of the ordinary shares on ASX on the conversion date, provided that, if this price is lower than A\$0.16, the conversion price will be A\$0.16.

## Timetable

The Rights Issue is proposed to be conducted according to the following indicative timetable:

Announcement of Rights Issue	25 January 2011
Lodgement of Prospectus & Appendix 3B	4 February 2011
Notice of Rights Issue sent to Shareholders	7 February 2011
"Ex" Date (date from which Shares commence trading without the entitlement to participate in the Rights Issue)	9 February 2011
Rights trading commences on ASX	9 February 2011
Record Date (date for determining entitlements of eligible shareholders to participate in the Rights Issue)	15 February 2011
Prospectus dispatched to Shareholders (expected date of dispatch of Prospectus, entitlement and acceptance forms)	21 February 2011
Rights Issue opens	21 February 2011
Rights trading on ASX ends	4 March 2011
Closing Date* (5.00pm WST)	11 March 2011
Notification of under-subscriptions to Underwriter and ASX	15 March 2011
Allotment Date**	21 March 2011
Dispatch Holding Statements**	21 March 2011

*All of the abovementioned dates are indicative only and may be subject to change. The Company reserves the right, in conjunction with the Underwriter, to amend this timetable including, subject to the Corporations Act 2001 and the ASX Listing Rules, to extend the closing date.*



As soon as practicable following the Record Date Kairiki will dispatch a Prospectus and also a personalised Entitlement and Acceptance Form to Registered Shareholders. If you are eligible and wish to participate in the Rights Issue, it will be necessary for you to complete this personalised Entitlement and Acceptance Form and return it, with the appropriate application monies to the companies share registry before 5.00pm WST on the anticipated closing date of 11 March 2011.

In calculating entitlements under the Rights Issue, fractions will be rounded down to the nearest whole number.

Qualifying shareholders should be aware that their entitlement may have value. The Rights Issue is renounceable, which allows qualifying shareholders who do not wish to take up some or all of their entitlement to sell their entitlement to the Shares they are not going to take up. Qualifying shareholders should either take up their entitlement in whole or in part or deal with their entitlement as outlined in the Prospectus. You do not need to take up your entitlement in full. You will receive no benefit or your entitlement lapses.

Full details of the Offer will be contained in the Prospectus that will be mailed to all shareholders who are registered on the record date. Shareholders who are eligible to participate should read the Prospectus carefully.

If you have any questions in relation to the Rights Issue, please do not hesitate to contact the Company on (08) 9388 6711.

A handwritten signature in black ink, appearing to be "NB", followed by a horizontal line and a small flourish at the end.

Neville Bassett  
**Company Secretary**