



20 October 2011

ASX Limited  
Company Announcements Office  
Level 4, Exchange Centre  
20 Bridge Street  
SYDNEY NSW 2000

### Bonus Option Issue

Kairiki Energy Limited (**Kairiki or the Company**) is pleased to advise that the Prospectus for the Bonus Option Issue previously announced on 14 July 2011 and detailed in the previous rights issue prospectus dated 22 July 2011 was lodged with the Australian Securities and Investments Commission today. A copy of the Prospectus is attached to this announcement.

The Company will make a bonus issue of options on the basis of one (1) option for every two (2) shares held by eligible shareholders at the record date of 2 November 2011.

The Bonus Options are being issued for no consideration, but have an exercise price of \$0.004 and an exercise period between 1 June 2013 and 30 June 2013. If a Bonus Option is exercised between 1 June 2013 and 30 June 2013, the Bonus Option holder is entitled to receive a new share and a secondary option exercisable at \$0.004 on or before 30 June 2015. The full terms and conditions of the Bonus Options and secondary options are set out in the Prospectus.

If all the Bonus Options are exercised, the Company will receive approximately \$5,376,727. Any funds raised upon the exercise of the Bonus Options will be allocated to retirement of outstanding debt (if any), advancement of the Company's projects and for working capital purposes.

Following is the indicative timetable in relation to the issue of the Bonus Options:

| EVENT   | DATE            |
|---|-----------------|
| Announcement of Bonus Issue   | 20 October 2011 |
| Prospectus lodged with ASIC and ASX   | 20 October 2011 |
| "Ex" Date (date from which Shares commence trading without the entitlement to participate in the Bonus Issue) | 26 October 2011 |
| Record Date (date for determining Shareholder entitlements to participate in the Bonus Issue)                 | 2 November 2011 |
| Despatch of holding statements and deferred settlement trading of Bonus Options ends                          | 8 November 2011 |

Yours faithfully

N J Bassett  
Company Secretary

**Kairiki Energy Limited**  
**ACN 002 527 906**

# **Bonus Issue Prospectus**

**A non-renounceable pro rata Bonus Issue of one (1) Bonus Option for every two (2) Shares held. If a Bonus Option is exercised between 1 June 2013 and 30 June 2013 the Bonus Option holder is entitled to receive one (1) Share and one (1) Secondary Option.**

**The Bonus Options are being offered free to Eligible Shareholders.**

**Shareholders are not required to take any action in relation to the Offer under this Prospectus.**

## **Important Notice**

This is an important document and should be read in its entirety.  
This Prospectus is a transaction-specific prospectus issued in accordance with Section 713 of the Corporations Act 2001. If you have any queries about any part of the Prospectus, please contact your professional adviser without delay.

The Securities offered by this Prospectus should be considered speculative.

## TABLE OF CONTENTS

|   |    |
|---|----|
| TABLE OF CONTENTS                               | 1  |
| IMPORTANT INFORMATION                           | 2  |
| CORPORATE DIRECTORY                             | 3  |
| TIMETABLE AND IMPORTANT DATES                   | 4  |
| SECTION 1 DETAILS OF THE BONUS ISSUE            | 5  |
| SECTION 2 RISK FACTORS                          | 8  |
| SECTION 3 PURPOSE AND EFFECT OF THE BONUS ISSUE | 13 |
| SECTION 4 RIGHTS ATTACHING TO SECURITIES        | 15 |
| SECTION 5 ADDITIONAL INFORMATION                | 18 |
| SECTION 6 INFORMATION AVAILABLE TO SHAREHOLDERS | 21 |
| SECTION 7 DIRECTORS' CONSENT                    | 22 |
| SECTION 8 DEFINITIONS                           | 23 |

# Kairiki Energy Limited

---

## IMPORTANT INFORMATION

This Prospectus is dated 20 October 2011 and was lodged with ASIC on that date. Neither ASIC nor ASX, nor any of their officers, take any responsibility for the contents of this Prospectus.

No Bonus Options will be allotted or issued on the basis of this Prospectus later than 13 months after the date of this Prospectus. An application will be made to ASX within 7 days after the date of this Prospectus for the quotation of the Bonus Options the subject of this Prospectus.

In preparing this Prospectus, regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and that certain matters may reasonably be expected to be known to investors and their professional advisers. This Prospectus is issued pursuant to Section 713 of the Corporations Act. Section 713 allows the issue of a more concise prospectus in relation to an offer of continuously quoted securities. This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all information that would be included in a prospectus for an initial public offering.

This document is important and it should be read in its entirety. The Securities to be issued pursuant to this Prospectus should be viewed as a speculative investment and Shareholders should refer to the Risk Factors affecting the Company set out in Section 2. Shareholders should consult their stockbroker, solicitor, accountant or other professional adviser if necessary.

No person is authorised to give any information or to make any representation in relation to the Bonus Issue which is not contained in this Prospectus and any such information may not be relied upon as having been authorised by the Directors.

A copy of this Prospectus can be downloaded from the Company's website at [www.kairikienergy.com](http://www.kairikienergy.com). The offer constituted by an electronic version of this Prospectus is only available to persons receiving an electronic version of this Prospectus within Australia. Any Shareholder may obtain a hard copy of this Prospectus by contacting the Company.

A number of terms and abbreviations used in this Prospectus have defined meanings set out in Section 8.

### Overseas Shareholders

Bonus Options will not be issued or allotted pursuant to this Prospectus to Shareholders with a registered address which is outside Australia or New Zealand. This is because the Company has determined that it would be unreasonable to make the Offer under this Prospectus to such shareholders having regard to the number of Shareholders in the places where the Offer would be made, the number and value of the Bonus Options that would be offered and the costs of complying with the legal requirements of those places. The distribution of this Prospectus in jurisdictions outside of Australia and New Zealand may be restricted by law and therefore persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the applicable securities law.

This Prospectus does not, and is not intended to, constitute an offer of Bonus Options in any jurisdiction where, or to any person to whom, it would be unlawful to make such an offer or issue. This Prospectus has not been, nor will it be lodged, filed or registered with any regulatory authority under the securities laws of any country.

# Kairiki Energy Limited

---

## CORPORATE DIRECTORY

### Directors

Paul Damien John Fry  
Mark Walker Fenton  
Duncan Wilson Maclean

### Company Secretary

Neville John Bassett

### Registered and Principal Office

Suite 3, Churchill Court  
331-335 Hay Street  
SUBIACO WA 6008

Telephone: (08) 9388 6711  
Facsimile: (08) 9388 6744  
Website: [www.kairikienergy.com](http://www.kairikienergy.com)

### Securities Exchange Listing

ASX Limited  
(Home Branch – Perth)  
ASX Code: KIK

### Share Registry\*

Computershare Investor Services Pty Ltd  
Level 2, Reserve Bank Building  
45 St Georges Terrace  
PERTH WA 6000

Investor enquiries:  
Telephone: 1300 557 010  
(08) 9323 2000  
Facsimile: (08) 9323 2033

### Solicitors

Price Sierakowski Corporate  
Level 24, St Martin's Tower  
44 St Georges Terrace  
Perth WA 6000

### Auditors\*

Rothsay  
Chartered Accountants  
Level 18, Central Park  
152- 158 St George's Terrace  
PERTH WA 6000

\* These parties are included for information purposes only. They have not been involved in the preparation of this Prospectus.

# Kairiki Energy Limited

---

## TIMETABLE AND IMPORTANT DATES

| EVENT   | DATE            |
|---|-----------------|
| Announcement of Bonus Issue   | 20 October 2011 |
| Prospectus lodged with ASIC and ASX   | 20 October 2011 |
| “Ex” Date (date from which Shares commence trading without the entitlement to participate in the Bonus Issue) | 26 October 2011 |
| Record Date (date for determining Shareholder entitlements to participate in the Bonus Issue)                 | 2 November 2011 |
| Despatch of holding statements and deferred settlement trading of Bonus Options ends                          | 8 November 2011 |

Dates are indicative only. Subject to the Listing Rules, the Directors may vary the dates without prior notice.

## **SECTION 1 DETAILS OF THE BONUS ISSUE**

### **1.1 Details of the Bonus Issue**

The Company is making a pro rata non-renounceable issue of approximately 1,344,181,918 Bonus Options under this Prospectus. The Offer is made to the Shareholders registered on the Record Date ("**Eligible Shareholders**").

The Bonus Options are being offered on the basis of one (1) Bonus Option for every two (2) Shares held on the Record Date of 2 November 2011. In the calculation of any Entitlement, fractions will be rounded down to the nearest whole number.

The Bonus Options are being issued for no consideration, but have an exercise price of \$0.004 and an exercise period between 1 June 2013 and 30 June 2013. If a Bonus Option is exercised between 1 June 2013 and 30 June 2013, the Bonus Option holder is entitled to receive a New Share and a Secondary Option exercisable at \$0.004 on or before 30 June 2015. The full terms and conditions of the Shares, Bonus Options and Secondary Options are set out in Sections 4.1 to 4.3 respectively.

The Company has on issue 2,688,363,837 Shares. The Company also has on issue 750,133,177 listed Options, 49,000,000 unlisted Options and 6,530,000 unlisted Convertible Notes. All Eligible Shareholders are entitled to participate in the Bonus Issue. The Company's sole Note Holder, should it choose to convert its Notes into Shares after the date of this Prospectus but prior to the Record Date, is entitled to participate in the Bonus Issue.

### **1.2 No Action Required by Eligible Shareholders**

Eligible Shareholders are not required to do anything to be issued Bonus Options under the Bonus Issue.

### **1.3 Australian Securities Exchange Listing**

The Company will apply to ASX for quotation of the Bonus Options offered pursuant to this Prospectus within seven days after the date of this Prospectus. If an application for quotation of the Bonus Options is not made within seven days after the date of this Prospectus, or ASX does not grant permission for official quotation of the Bonus Options within three months after the date of this Prospectus, the Company will not issue any Bonus Options.

The fact that ASX may grant official quotation to the Bonus Options is not to be taken in any way as an indication of the merits of the Company or the Bonus Options now offered under this Prospectus.

### **1.4 Allotment of Bonus Options**

Bonus Options issued pursuant to the Bonus Issue will be allotted in accordance with the Timetable and Important Dates and otherwise in accordance with the Listing Rules.

### **1.5 Secondary Options**

Any Secondary Option issued upon exercise of the Bonus Options will not be issued to holders of such Options until such time as the Company has prepared a disclosure document for the purposes of complying with the technical requirements of the Corporations Act in respect of the grant of those subsequent Secondary Options. Subject to meeting the listing requirements of the Listing Rules, the Company will apply for quotation of the Secondary Options and Shares allotted pursuant to the exercise of the

Secondary Options within the time required by the Listing Rules after the date of allotment.

## **1.6 Application Monies**

The Bonus Options are not issued for consideration and no application monies will be raised under the Bonus Issue.

## **1.7 Brokers**

No brokerage or stamp duty is payable by Eligible Shareholders on the issue of the Bonus Options under the Bonus Issue.

## **1.8 Expenses of the Offer**

The expenses which are payable by the Company for legal fees, ASX and ASIC fees, printing fees and other costs incurred in preparing and distributing this Prospectus in respect of the Bonus Issue are estimated to be approximately \$30,000 and are further outlined in section 3.1 of the Prospectus.

## **1.9 CHESS and Issuer Sponsorship**

The Company operates an electronic CHESS sub-register and an electronic issuer sponsored sub-register. These two sub-registers make up the Company's register of Securities. The Company will not issue certificates to investors. Rather, holding statements (similar to bank statements) will be dispatched to investors as soon as practicable after allotment.

If you are broker sponsored, ASTC will send you a CHESS statement. The CHESS statement will set out the number of Bonus Options granted under this Prospectus, and provide details of your holder identification number, and the participant identification number of the sponsor.

If you are registered on the Issuer Sponsored Subregister, your statement will be despatched by the Company's share registry, Computershare Investor Services Pty Ltd, and will contain the number of Bonus Options granted to you under this Prospectus and your security holder reference number.

CHESS statements and Issuer Sponsored statements will routinely be sent out to holders of Shares and Options at the end of any calendar month during which the balances of their holdings change. Holders may request a statement at any other time, however a charge may be payable for additional statements.

## **1.10 Risks**

As with any investment, there are risks associated with investing in the Company. The principal risks that could affect the financial and market performance of the Company and its business model are detailed in Section 2 of this Prospectus. The Securities on offer under this Prospectus should be considered speculative. Accordingly, investors should read this Prospectus in its entirety and should consider all factors in light of their individual circumstances and seek appropriate professional advice.

Factors affecting an investment in the Company include drilling and operating risks, resource and reserve estimates, regulation in the Philippines, joint venture risk, insurance risk, stock market fluctuations, competition risks, foreign currency exchange rate fluctuations, economic risks and external market factors, additional requirements for capital and governmental policy regarding environmental protection.



### **1.11 Overseas Shareholders**

The Company is of the view that it is unreasonable to offer the Bonus Issue under this Prospectus to Shareholders outside of Australia and New Zealand having regard to:

- the number of Shareholders registered outside of Australia and New Zealand;
- the number and value of the securities that would be offered to Shareholders registered outside of Australia and New Zealand; and
- the cost of complying with the legal requirements and requirements of regulatory authorities in the overseas jurisdictions.

Accordingly, the Company is not required to offer the Bonus Issue under the Prospectus to Shareholders registered outside of Australia and New Zealand.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. No action has been taken to register or qualify the Securities the subject of this Prospectus or otherwise permit a public offering of the Securities the subject of this Prospectus in any jurisdiction outside Australia.

### **1.12 Taxation**

It is the responsibility of all persons to satisfy themselves of the particular taxation treatment that applies to them by consulting their own professional tax advisers. Taxation consequences will depend on particular circumstances. Neither the Company nor any of its officers accept any liability or responsibility in respect of the taxation consequences of the matters referred to above or any other taxation consequences connected with an investment in the Securities in the Company.

### **1.13 Enquiries**

This document is important and should be read in its entirety. Persons who are in any doubt as to the course of action to be followed should consult their stockbroker, solicitor, accountant or other professional adviser without delay.

If you have any questions relating to the Bonus Issue, please contact the Company on (08) 9388 6711.

## **SECTION 2 RISK FACTORS**

### **2.1 Introduction**

Shareholders should be aware that the market price of the Bonus Options following official quotation may be influenced by many unpredictable factors. The value of the Company's Securities on the ASX may rise and fall depending on a range of factors, some of which are beyond the control of the Company. No consideration is payable by Eligible Shareholders for the Bonus Options offered under this Prospectus however the Bonus Options are exercisable at \$0.004 per Bonus Option to acquire a Share and a Secondary Option.

Any profitability in the future from the Company's business will be dependent upon the successful development, production and marketing of assets from the Company's projects.

The Securities being offered under this Prospectus are considered speculative due to the present stage of development of the Company.

This Prospectus carries no guarantee with respect to the return of capital or price at which the Bonus Options or underlying Shares will trade.

The following is a summary of the more material matters to be considered and should be read in conjunction with specific matters referred to in the Company's announcements and reports. However, the summary is not exhaustive and potential investors should examine the contents of this Prospectus in its entirety.

### **2.2 Specific Risks**

A number of specific risk factors that may impact the future performance of the Company are described below. Shareholders should note that this list is not exhaustive.

#### **2.2.1 Operational Risks**

The business of oil and gas exploration, project development and production, by its nature, contains elements of significant risk with no guarantee of success. Ultimate and continuous success of these activities is dependent on, amongst other things:

- the discovery and-or acquisition of economically recoverable reserves;
- access to adequate capital for project development;
- design and construction of efficient development and production infrastructure within capital expenditure budgets;
- securing and maintaining title to interests;
- obtaining consents and approvals necessary for the conduct of oil and gas exploration, development and production; and
- access to competent operational management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees, contractors and consultants.

Whether or not income will result from projects undergoing exploration and development programs depends on successful exploration and establishment of production facilities. Factors including costs, actual hydrocarbons and formations, flow consistency and reliability and commodity prices affect successful project development and operations.

There is no assurance that any exploration on current or future interests will result in the discovery of an economic deposit of oil or gas. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically developed.

### **2.2.2 Drilling and Operating Risk**

Oil and gas drilling activities are subject to numerous risks, many of which are beyond the Company's control. The actual costs of drilling a well may be substantially more than the drilling costs estimated prior to spudding the well due to unforeseen circumstances when drilling. Drilling activities carry risk as such activities may be curtailed, delayed or cancelled as a result of weather conditions, mechanical difficulties, shortages or delays in the delivery of drill rigs or other equipment and compliance with government requirements.

Drilling may involve unprofitable efforts, not only with respect to dry wells, but also with respect to wells which, though yielding some petroleum, are not sufficiently productive to justify commercial development or cover operating and other costs. Hazards are incidental to the exploration and development of oil and gas properties (such as unusual or unexpected formations, pressures, oceanographic conditions and other factors), and are inherent in drilling and operating a well and may be encountered by the Company.

Industry operating risks include fire, explosions, blow outs, pipe failures and environmental hazards such as accidental spills or leakage of liquids, gas leaks, ruptures or discharges of toxic gases. The occurrence of any of these risks could result in legal proceedings against the Company and substantial losses to the Company due to injury or loss of life, damage to or destruction of property, natural resources or equipment, pollution or other environmental damage, cleanup responsibilities, regulatory investigation, and penalties or suspension of operations. Damage occurring to third parties as a result of such risks may give rise to claims against the Company.

### **2.2.3 Resource and Reserve Estimates**

Resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates that were valid when made may change significantly when new information becomes available. In addition, resource estimates are necessarily imprecise and depend to some extent on interpretations, which may prove to be inaccurate. Should the Company encounter oil and/or gas deposits or formations different from those predicted by past drilling, sampling and similar examinations, resource estimates may have to be adjusted and production plans may have to be altered in a way which could adversely affect the Company's operations.

### **2.2.4 Regulation in the Philippines**

Operations by the Company may require approvals from regulatory authorities, which include renewals of existing Philippines service contracts, which may not be forthcoming or which may not be able to be obtained on terms acceptable to the Company. While the Company has no reason to believe that all requisite approvals will not be forthcoming and while the Company's obligations for expenditure will be predicated on any requisite approvals being obtained it should be understood that the Company cannot guarantee that any requisite approvals will be obtained. A failure to obtain any approvals would mean the ability of the Company to develop or operate any project, or possibly acquire any project, may be limited or restricted either in part or absolutely.

### **2.2.5 Ability to Exploit Successful Discoveries**

It may not always be possible for the Company to participate in the exploitation of successful discoveries made in areas in which the Company has an interest. Such exploitation will involve the need to obtain the necessary licences or clearances from the

relevant authorities, which may require conditions to be satisfied and/or the exercise of discretions by such authorities. It may or may not be possible for such conditions to be satisfied. The infrastructure requirements around a successful discovery may also impact on the exploitation of a discovery. Further, the decision to proceed to further exploitation may require the participation of other companies whose interests and objectives may not be the same as the Company. As described above, such work may require the Company to meet or commit to financing obligations for which it may have not planned.

#### **2.2.6 Joint Venture Parties, Agents and Contractors**

The Directors are unable to predict the risk of financial failure or default by a participant in any joint venture to which the Company is or may become a party or the insolvency or managerial failure by any of the contractors used by the Company in any of its activities or the insolvency or other managerial failure by any of the other service providers used by the Company for any activity.

#### **2.2.7 Environmental**

The Company's activities are subject to the environmental risks inherent in the oil and gas industry. The Company is subject to environmental laws and regulations in connection with operations it may pursue in the oil and gas industry. The Company intends to conduct its activities in an environmentally responsible manner and in accordance with all applicable laws. However, the Company may be the subject of accidents or unforeseen circumstances that could subject the Company to extensive liability.

Further, the Company may require approval from the relevant authorities before it can undertake activities likely to impact the environment. Failure to obtain such approvals will prevent the Company from undertaking its desired activities. The Company is unable to predict the effect of additional environmental laws and regulations that may be adopted in the future, including whether any such laws or regulations would materially increase the Company's cost of doing business or affect its operations on any area.

The Company's operational risks include environmental hazards such as accidental spills or leaks of petroleum liquids or gas, ruptures and the discharge of toxic gases. The occurrence of any such incident could result in substantial costs to the Company for environmental rehabilitation, damage control and losses.

#### **2.2.8 Future capital needs and additional funding**

The funding of any further ongoing capital requirements beyond the requirements as set out in this Prospectus will depend upon a number of factors including the extent of the Company's ability to generate income from activities which the company cannot forecast with any certainty.

Any additional equity financing will be dilutive to shareholders, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional funding as needed, it may not be able to take advantage of opportunities or develop projects. Further, the Company may be required to reduce the scope of its operations or anticipated expansion and it may affect the Company's ability to continue as a going concern.

#### **2.2.9 Insurance**

Insurance against all risks associated with oil and gas production is not always available or affordable. The Company will maintain insurance where it is considered appropriate for its needs however it will not be insured against all risks either because appropriate cover is not available or because the Directors consider the required premiums to be

excessive having regard to the benefits that would accrue.

Although the Company believes that it or the operator of SC54A (Tindalo Project) and SC54B (Gindara Project) will carry adequate insurance with respect to its operations in accordance with industry practice, in certain circumstances the Company's or the operator's insurance may not cover or be adequate to cover the consequences of all events. In addition, the Company may be subject to liability for pollution, blow-outs or other hazards against which the Company or the operator does not insure or against which it may elect not to insure because of high premium costs or other reasons. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the operations of the Company. There is no assurance that the Company will be able to maintain adequate insurance in the future at rates that it considers is reasonable.

## **2.3 General Risks**

The future prospects of the Company's business may be affected by circumstances and external factors beyond the Company's control. Financial performance of the Company may be affected by a number of business risks that apply to companies generally and may include economic, financial, market or regulatory conditions.

### **2.3.1 General Economic Climate**

Factors such as inflation, currency fluctuation, interest rates and supply and demand have an impact on operating costs, commodity prices and stock market prices. The Company's future revenues and Share price may be affected by these factors, as well as by fluctuations in the price of oil or gas, which are beyond the Company's control.

### **2.3.2 Changes in Legislation and Government Regulation**

Government legislation in Australia, the Philippines or any other relevant jurisdictions, including changes to the taxation system, may affect future earnings and relative attractiveness of investing in the Company. Changes in government policy or statutory changes may affect the Company and the attractiveness of an investment in it.

### **2.3.3 Competition**

The Company competes with other companies, including major oil companies. Some of these companies have greater financial and other resources than the Company and, as a result may be in a better position to compete for future business opportunities. Many of the Company's competitors not only explore for and produce oil and gas, but also carry refining operations and market petroleum and other products on a worldwide basis. There is no assurance that the Company can compete effectively with these competitors.

### **2.3.4 Oil and gas price volatility**

The demand for, and price of, oil and natural gas is highly dependent on a variety of factors, including international supply and demand, the level of consumer product demand, weather conditions, the price and availability of alternative fuels, actions taken by governments and international cartels, and global economic and political developments.

International oil and gas prices have fluctuated widely in recent years and may continue to fluctuate significantly in the future. Fluctuations in oil and gas prices and, in particular a material decline in the price of oil or gas may have a material adverse effect on the Company's business, financial condition and results or operations.

### **2.3.5 Foreign exchange risk**

The Company holds interests in operations in the Philippines and the costs of and any revenues from these operations will be in United States dollars. As the Company's financial reports are presented in Australian dollars, the Company will be exposed to the volatility and fluctuations of the exchange rate between the United States dollar and the Australian dollar.

Global currencies are affected by a number of factors that are beyond the control of the Company. These factors include economic conditions in the relevant country and elsewhere and the outlook for interest rates, inflation and other economic factors. These factors may have a positive or negative effect on the Company's exploration, project development and production plans and activities together with the ability to fund those plans and activities.

### **2.3.6 Reliance on Key Personnel**

The Company's success depends largely on the core competencies of its Directors and management, and their familiarisation with, and ability to operate, in the oil and gas industry and the Company's ability to find and retain key executives.

### **2.3.7 Sharemarket Conditions**

The market price of the Company's Shares may be subject to varied and unpredictable influences on the market for equities in general and resources stocks in particular.

## **2.4 Speculative Nature of Investment**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Securities offered under this Prospectus. Therefore, the Securities offered pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of the Securities.

## SECTION 3 PURPOSE AND EFFECT OF THE BONUS ISSUE

### 3.1 Purpose and Effect of the Bonus Issue

The Bonus Issue pursuant to this Prospectus was previously referred to in the Company's announcement on 14 July 2011 and was detailed in the previous rights issue prospectus dated 22 July 2011.

The purpose of the Bonus Issue is to reward Shareholders for their loyalty to the Company and provide those Shareholders with an opportunity to participate in the continued growth of the Company.

Under the Bonus Issue, approximately 1,344,181,918 Options will be issued. No funds will be raised from the issue of the Bonus Options as the Bonus Options are issued for no cash consideration. However, if all the Bonus Options are exercised, the Company will receive approximately \$5,376,727. Any funds raised upon the exercise of the Bonus Options will be allocated to retirement of outstanding debt (if any), advancement of the Company's projects and for working capital purposes.

The estimated expenses of the Offer (excluding GST) are detailed below:

| Item                       | Amount          |
|----------------------------|-----------------|
| Legal                      | \$12,000        |
| Postage and Administration | \$10,553        |
| ASIC Fees                  | \$2,137         |
| ASX Fees                   | \$5,310         |
| <b>Total</b>               | <b>\$30,000</b> |

### 3.2 Effect on Capital Structure After Completion of Bonus Issue

The principle effect of the Bonus Issue will be to increase the number of Options on issue in the Company by the issue of 1,344,181,918 Bonus Options with an exercise price of \$0.004 exercisable between 1 June 2013 and 30 June 2013. A comparative table of changes in the capital structure of the Company as a consequence of the Bonus Issue is set out below.

#### Shares

|                                       | Number        |
|---------------------------------------|---------------|
| Shares on issue at date of Prospectus | 2,688,363,837 |

#### Options

|   | Number               |
|---|----------------------|
| <b>Options currently on issue:</b>                                |                      |
| Unlisted Options exercisable at \$0.065 on or before 16 May 2014  | 49,000,000           |
| Listed Options exercisable at \$0.004 between 1 to 30 June 2013   | 750,133,177          |
| <b>Options offered pursuant to the Bonus Issue:</b>               |                      |
| Bonus Options   | 1,344,181,918        |
| <b>Total Options on issue after completion of the Bonus Issue</b> | <b>2,143,315,095</b> |

## Notes

|  | Number           |
|--|------------------|
| <b>Notes currently on issue:</b>                                       |                  |
| Unlisted Convertible Notes <sup>2</sup>                                | 6,530,000        |
| <b>Total Convertible Notes on issue after completion of the Offers</b> | <b>6,530,000</b> |

### Notes:

1. The number of Shares issued assumes that no Options or Convertible Notes currently on issue are exercised prior to the Record Date.
2. The remaining value of the Convertible Note at the date of this Prospectus is US\$6,530,000. The Note Holder has the right to convert the Convertible Notes into Shares at an issue price of the 20 day trading day volume weighted average price of the Shares traded on the ASX up to the date immediately before the conversion notice, less a 10% discount, with a minimum conversion price of \$0.004 per Share.

### 3.3 Effect on Financial Position

The Bonus Issue will reduce the cash on hand held by the Company by approximately \$30,000 being the estimated costs of the Bonus Issue.

Except for the payment of the estimated costs of the Bonus Issue, the Bonus Issue will not have any other impact on the financial position of the Company.

The Company will receive \$0.004 for each Bonus Option exercised and assuming all Bonus Options are exercised then the amount that would be raised by the Company would be \$5,336,727. The likelihood of the company raising additional capital through the exercise of the Options will depend on the price of the Shares from time to time up to the expiry of the Bonus Options.



## SECTION 4 RIGHTS ATTACHING TO SECURITIES

### 4.1 Terms and Conditions of Shares

The following is a general description of the more significant rights and liabilities attaching to the Shares. This summary is not exhaustive. Full details of provisions relating to rights attaching to the Shares are contained in the Corporations Act, the Listing Rules and the Company's Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

- (a) At the date of this Prospectus all Shares are of the same class and rank equally in all respects. Specifically, the New Shares issued pursuant to this Prospectus will rank equally with existing Shares on issue.
- (b) Subject to any special rights or restrictions (at present there are none), at any meeting each member present in person or by proxy has one vote on a show of hands, and on a poll has one vote for each Share held.
- (c) Subject to any special rights (at present there are none), any dividends that may be declared by the Company are payable on all Shares in proportion to the amount paid up.
- (d) The rights attaching to the Shares may only be varied by the consent in writing of the holders of a majority of the Shares of the affected class, or with the sanction of an ordinary resolution passed at a meeting of the holders of the Shares of the affected class.
- (e) Subject to the Company's Constitution, the Corporations Act or any other applicable laws of Australia and the Listing Rules, the Shares are freely transferable. The Directors may refuse to register a transfer of Shares only in limited circumstances, such as where the Company has a lien on those Shares.
- (f) Each Shareholder is entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be furnished to Shareholders under the Company's Constitution, the Corporations Act and the Listing Rules.
- (g) The Company's Constitution provides for the sale of unmarketable parcels subject to any applicable law and provided a notice is given to the minority shareholders stating that the Company intends to sell their relevant Shares unless an exemption notice is received by a specified date.
- (h) If the Company is wound up, the liquidator may, with the sanction of a special resolution:
  - (i) divide among the Shareholders the whole or any part of the Company's property; and
  - (ii) decide how the division is to be carried out between the Shareholders.

Subject to any special rights (at present there are none), any surplus assets on a winding up are to be distributed to Shareholders in proportion to the number of Shares held by them irrespective of the amounts paid or credited as paid.

## 4.2 Terms and Conditions of Bonus Options

The material terms and conditions of the Bonus Options offered pursuant to this Prospectus are as follows:

- (a) Each Bonus Option entitles the holder to, subject to any Shareholder approval under Item 7 of section 611 of the Corporations Act (if required):
  - (i) subscribe for one (1) Share in the Company; and
  - (ii) be granted one (1) Secondary Option,at the exercise price of \$0.004.
- (b) The Bonus Options are exercisable on and from 1 June 2013 and expire at 5.00pm WST on 30 June 2013 ("**Expiry Date**"). Any Bonus Options not exercised on or before the Expiry Date will automatically lapse.
- (c) All Shares in the Company allotted on the exercise of the Bonus Options rank equally in all respects with the then existing Shares.
- (d) The Bonus Options are freely transferable and, subject to meeting the listing requirements of the Listing Rules, it is intended that application will be made to ASX for quotation of the Bonus Options.
- (e) The Company must apply for quotation of all Shares allotted pursuant to the exercise of the Bonus Options not later than 10 Business Days after the date of allotment.
- (f) Option Holders may only participate in new issues ("**Issue**") of securities to holders of Shares in the Company if the Bonus Options have been exercised and Shares are allotted in respect of the Bonus Options before the record date for determining entitlements to the Issue.
- (g) The Company must give Option Holders at least 7 Business Days' notice of any Issue before the record date for determining entitlements to the Issue in accordance with the Listing Rules.
- (h) There will be no change to the exercise price of the Bonus Options or the number of Shares over which the Bonus Options are exercisable in the event of the Company making a pro-rata issue of Shares or other securities to the holders of Shares in the Company (other than a bonus issue).
- (i) If there is a bonus issue to the holders of Shares in the Company, the number of Shares over which the Bonus Options are exercisable will be increased by the number of Shares which the Option Holder would have received if the Bonus Option had been exercised before the record date for the bonus issue ("**Bonus Shares**"). The Bonus Shares must be paid up by the Company out of the profits or reserves (as the case may be) in the same manner as was applied in the bonus issue and upon issue rank equally in all respects with the other Shares on issue as the date of issue of the Bonus Shares.
- (j) If prior to the Expiry Date, there is a re-organisation of the issued capital of the Company, the Bonus Options are to be treated in the manner set out in the Listing Rules.

#### **4.3 Terms and Conditions of Secondary Options**

The terms and conditions of the Secondary Options are as follows:

- (a) Each Secondary Option entitles the holder to, subject to any Shareholder approval under Item 7 of section 611 of the Corporations Act (if required), subscribe for one (1) Share in the Company at the exercise price of \$0.004.
- (b) The Secondary Options are exercisable on and from the date of issue and expire at 5.00pm WST on 30 June 2015. Any Secondary Options not exercised on or before that date will automatically lapse.
- (c) The Secondary Options will only be issued under a disclosure document to be lodged with the ASIC on or about 30 June 2013.
- (d) The terms and conditions of the Secondary Options are otherwise the same as the Bonus Options set out in Section 4.2 above.

## **SECTION 5 ADDITIONAL INFORMATION**

### **5.1 Nature of this Prospectus**

This Prospectus is issued under the special prospectus content rules for continuously quoted securities in Section 713 of the Corporations Act. This enables listed disclosing entities, such as the Company, to issue a prospectus for continuously quoted securities with modified disclosure requirements if they satisfy certain requirements.

The information in this Prospectus principally concerns the terms and conditions of the Bonus Issue and the information reasonably necessary to make an informed assessment of:

- (i) the effect of the Bonus Issue on the Company; and
- (ii) the rights and liabilities attaching to the Bonus Options and the underlying Securities offered pursuant to this Prospectus.

The Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Shareholders should therefore also have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest in the Company by exercising their Bonus Options before the expiry date of 30 June 2013.

### **5.2 Continuous Reporting and Disclosure Obligations**

The Company is listed on ASX and its Shares are quoted on ASX under the code "KIK".

The Company is a "disclosing entity" for the purposes of the Corporations Act. As such, it is subject to regular reporting and disclosure obligations, which require it to disclose to ASX any information of which it is or becomes aware concerning the Company and which a reasonable person would expect to have a material effect on the price or value of securities of the Company.

Copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an office of ASIC.

The Company will provide a copy of the Annual Report for financial year ended 30 June 2011 to any person on request.

The Company will provide a copy of all documents used to notify ASX of information relating to the Company under the provisions of the Listing Rules since the Company lodged its most recent Annual Financial Report on 29 September 2011 free of charge to any investor who so requests. A list of those documents for the period from 29 September 2011 to the time of lodging this Prospectus is set out in Section 6. The Company will also provide a copy of the Annual Financial Report for the period ended 30 June 2011 free of charge upon request.

### **5.3 Market Price of Shares**

The highest and lowest recorded closing market sale prices of the Shares quoted on ASX during the three (3) month period immediately prior the date of this Prospectus were \$0.009 (on 19, 20, 21, 22 and 25 July 2011) and \$0.002 (on 23, 27, 28, 29, 30 September and 4, 11, 18, and 19 October 2011) respectively. The last closing market

sale price of the Shares quoted on ASX on the last day that trading took place in the Shares prior to the date of this Prospectus was \$0.003.

## 5.4 Litigation

The Directors are not aware of any legal proceedings which have been threatened or actually commenced against the Company.

## 5.5 Material Contracts

As at the date of this Prospectus, the Company has not entered into any new material contracts that have not been disclosed to ASX.

## 5.6 Directors' Interests

Other than as set out below or elsewhere in this Prospectus, no Director has, or had within two years before lodgement of this Prospectus with ASIC, any interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- the Offer,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) and no benefits have been given or agreed to be given to any Director:

- to induce him to become, or to qualify him as, a Director; or
- for services rendered by him in connection with the formation or promotion of the Company or the Offer.

The direct and indirect interests of the Directors in the Securities of the Company as at the date of this Prospectus are as follows:

| Director       | Shares     | Options    |
|----------------|------------|------------|
| Paul Fry       | 10,725,518 | 12,500,000 |
| Mark Fenton    | 107,000    | 20,000,000 |
| Duncan Maclean | 7,995,000  | 8,699,250  |

| Secretary       | Shares  | Options   |
|-----------------|---------|-----------|
| Neville Bassett | 600,000 | 7,500,000 |

### Notes:

1. The Constitution of the Company provides that the non-executive Directors may be paid for their services as Directors, a sum not exceeding such fixed sum per annum as may be determined by the Company in general meeting to be divided between the Directors as agreed.
2. The Company incurred remuneration costs relating to its current and previous Directors of \$972,848 for the year ended 30 June 2010 and \$676,315 for the year ended 30 June 2011 (includes salary, fees, superannuation and options received as compensation).
3. If a Director, at the request of the Board of Directors, performs extra services, the Company may pay that Director a fixed sum set by the Board of Directors for doing so. Directors are

also reimbursed for out of pocket expenses incurred as a result of the directorship or any special duties.

## **5.7 Related Party Transactions**

There are no related party transactions entered into that have not otherwise been disclosed in this Prospectus other than as set out below.

IMC Oil & Gas Investments, an entity which two previous directors of the Company were associated with (Ms Jyn Sim Baker and Mr John Morton) is the holder of the Convertible Note.

## **5.8 Interests and Consents of Advisers**

Other than as set out below or elsewhere in this Prospectus, no underwriter, promoter or any other person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of the Prospectus holds, or has held within two years before lodgement of this Prospectus with ASIC, any interest in:

1. the formation or promotion of the Company; or
2. property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
3. the Offer,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any underwriter, promoter or any other person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, for services rendered by that person in connection with the formation or promotion of the Company or the Offer.

Pursuant to Section 716 of the Corporations Act, Price Sierakowski Corporate has given, and has not withdrawn its consent to being named as Solicitors to the Company in the Corporate Directory of this Prospectus in the form and context in which it is named. Price Sierakowski has not caused or authorised the issue of this Prospectus, does not make or purport to make any statement in this Prospectus and takes no responsibility for any part of this Prospectus. Price Sierakowski will be paid approximately \$12,000 for services in relation to this Prospectus. Price Sierakowski are legal advisers to the Company and have been paid fees totalling approximately \$97,781 (exclusive of GST) for services provided to the Company in relation to legal matters over the past two years. Any further services required will be charged in accordance with its normal hourly rates and on commercial terms.

## **5.9 Electronic Prospectus**

Pursuant to Class Order 00/44, ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus on the basis of a paper prospectus lodged with ASIC, and the publication of notices referring to an electronic prospectus, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus. If you have not, please contact the Company and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus or both.

## SECTION 6 INFORMATION AVAILABLE TO SHAREHOLDERS

The Company will provide a copy of each of the following documents, free of charge, to any Shareholder who so requests:

- (a) the Annual Financial Report for the Company for the period ended 30 June 2011; and
- (b) the following documents used to notify ASX of information relating to the Company during the period after lodgement of the Annual Financial Report of the Company for the period ended 30 June 2011 and prior to the date of this Prospectus.

| Date       | ASX Announcement |
|------------|------------------|
| 29/09/2011 | Annual Report    |
|            |                  |

## **SECTION 7 DIRECTORS' CONSENT**

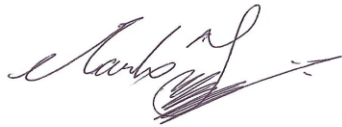
This Prospectus is dated 20 October 2011 and is issued by Kairiki Energy Limited.

The Directors have made all reasonable enquires and on that basis have reasonable grounds to believe that any statements made by the Directors in this Prospectus are not misleading or deceptive.

This Prospectus is prepared on the basis that certain matters may reasonably be expected to be known to likely investors or their professional advisors.

Each of the Directors of Kairiki Energy Limited has consented to the lodgement of this Prospectus in accordance with Section 720 of the Corporations Act and has not withdrawn that consent.

Signed for and on behalf of Kairiki Energy Limited.

A handwritten signature in dark ink, appearing to read 'Mark Fenton', with a stylized flourish at the end.

**Mark Fenton**

**Director**

**Date: 20 October 2011**



## SECTION 8 DEFINITIONS

**Applicant** means a person who applies for Securities pursuant to the Offer.

**ASIC** means the Australian Securities and Investments Commission.

**ASTC** means ASX Settlement Pty Ltd ACN 008 504 532.

**ASX** means ASX Limited (ACN 008 624 691).

**Bonus Options** means an Option issued pursuant to the Bonus Issue.

**Bonus Issue** means up to 1,344,181,918 Bonus Options to be issued for no consideration to all Eligible Shareholders under this Prospectus on the basis of one (1) Bonus Option for every two (2) Shares held, on the terms set out in section 4.2.

**Business Day** means any day which is defined to be a Business Day pursuant to Listing Rule 19.12.

**CHES** means Clearing House Electronic Sub-register System of ASX Settlement Pty Ltd (ACN 008 504 532).

**Company** means Kairiki Energy Limited (ACN 002 527 906).

**Constitution** means the Company's constitution as at the date of this Prospectus.

**Convertible Note** or **Notes** means a convertible note under the Convertible Note Deed.

**Convertible Note Deed** means the convertible note deed between the Company and IMC Oil and Gas Investment Limited dated 8 September 2008 as amended from time to time.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Cth** means the Commonwealth of Australia.

**Directors** means directors of the Company.

**Dollars** or **\$** means dollars in Australian currency.

**Eligible Shareholder** means a Shareholder who has a registered address in Australia or New Zealand and who held Shares as at the Record Date.

**Entitlement** means the entitlement of a Shareholder who is eligible to participate in the Bonus Issue.

**Gindara Project** means the Gindara oil exploration and production joint venture carried on by Yilgarn and Nido pursuant to Services Contract 54B in the Philippines.

**GST** means goods and service tax levied in Australia pursuant to A New Tax System (Goods and Services Tax) Act 1999 (Cth).

**Kairiki** means the Company.

**Listing Rules** means the Listing Rules of the ASX.

**Lodgement Date** means 20 October 2011.

**Nido** means Nido Petroleum Limited (ACN 086 630 373) and its subsidiaries, including Nido Petroleum Philippines Pty Ltd (ACN 008 607 976).

**Note Holder** means IMC Oil and Gas Investments Limited.

**Offer** means the Bonus Issue under this Prospectus.

**Official List** means the official list of ASX.

**Option** means an option to acquire a Share in the capital of the Company.

**Optionholder** means the holder of an Option.

**Prospectus** means this prospectus dated 20 October 2011.

**Quotation** and **Official Quotation** means official quotation on ASX.

**Record Date** means 5pm WST on 2 November 2011.

**Secondary Option** means an Option, issued on the conversion of a Bonus Option offered pursuant to this Prospectus on the terms set out in Section 4.3.

**Securities** means a Share or Option.

**Share** means a fully paid ordinary share in the Company.

**Shareholder** means the holder of a Share as recorded in the register of the Company.

**Share Registry** means Computershare Investor Services Pty Ltd.

**Timetable** means the timetable (as varied from time to time) of the Bonus Issue under this Prospectus as outlined on page 4.

**Tindalo Project** means the Tindalo oil exploration and production joint venture carried on by Yilgarn and Nido pursuant to Services Contract 54A in the Philippines.

**WST** means Western Standard Time, Perth, Western Australia.

**Yilgarn** means Yilgarn Petroleum Philippines Pty Ltd (ACN 119 507 265), a wholly owned subsidiary of the Company.