



KAIRIKI ENERGY LIMITED

ACN 002 527 906

Prospectus

For a renounceable entitlement issues of 9 (nine) New Shares for every 2 (two) Shares held by Eligible Shareholders at an issue price of \$0.001 per New Share to raise up to \$12,097,637 (based on the number of Shares on issue at the date of this Prospectus).

This Offer is partially and conditionally underwritten by Patersons Securities Limited to the amount of \$9,000,000. Refer to section 6.17 of this Prospectus for details regarding the terms of the Underwriting Agreement.

Completion of the Offer is subject to raising the minimum subscription amount of \$9,000,000 under the Offer.

ASX Code: KIK

This Prospectus provides important information about the Company. You should read the entire document including the Application Form. If you have any questions about the New Shares being offered under this Prospectus, or any other matter relating to an investment in the Company, you should consult your professional adviser. An investment in the New Shares offered under this Prospectus is highly speculative.

Important Notice

This is a prospectus dated 27 March 2013 and was lodged with the ASIC on that date.

The ASIC and its officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Shares may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

Nature of this Prospectus

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

It is important that investors read this Prospectus in its entirety and seek professional advice where necessary. The New Shares the subject of this Prospectus should be considered highly speculative.

Applications for New Shares offered pursuant to this Prospectus can only be submitted on an original Entitlement and Acceptance Form.

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

Prospectus availability

Shareholders with a registered address in Australia and New Zealand can obtain a copy of this Prospectus during the Offer period on the Company's website at www.kairikienergy.com or by contacting the Company. If you access an electronic copy of this Prospectus, you should ensure that you download and read the entire Prospectus.

The electronic copy of this Prospectus available from the Company's website will not include a personalised Entitlement and Acceptance Form. Eligible Shareholders will only be able to accept the Offer by completing the personalised Entitlement and Acceptance Form which accompanies this Prospectus or by making payment using BPAY® (refer to section 6 of this Prospectus for further information).

Foreign jurisdictions

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 of these restrictions. Failure to comply with these restrictions may violate securities laws. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it should not be lawful to make such an offer.

Forward-looking statements

This Prospectus contains forward-looking statements that, despite being based on the Company's current expectations about future events, are subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of the Company and the Directors. These known and unknown risks, uncertainties and assumptions, could cause actual results, performance or achievements to materially differ from future results, performance or achievements expressed or implied by forward-looking statements in this Prospectus. These risks, uncertainties and assumptions include, but are not limited to, the risks outlined in section 5 of this Prospectus. Forward-looking statements include those containing such words as "anticipate", "estimate", "opportunity", "plan", "intend", "aim", "seek", "believe", "should", "will", "may" and similar expressions.

Privacy

Please read the privacy information located in section 6.25 of this Prospectus. By submitting an Entitlement and Acceptance Form, you consent to the matters outlined in that section.

Definitions

Certain terms and abbreviations used in this Prospectus have defined meanings which are explained in the Glossary. The financial amounts in this Prospectus are expressed in Australian dollars (\$) unless stated otherwise.

Enquiries

If you have any questions please call the Company Secretary on +61 8 9388 6711 or Computershare Investor Services Pty Limited (the Company's Share Register) on 1300 850 505 (within Australia) at any time between 8.00am and 5.00pm (WST) Monday to Friday until the Closing Date. Alternatively, consult your broker, accountant or other professional advisor.

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Corporate Directory

Directors

Peter Cockcroft (Executive Chairman)
Robert Downey (Non-Executive Director)
Steven Wood (Non-Executive Director)
Stephen Harrison (Non-Executive Director)

Company Secretary

Neville Bassett

Registered Office and Business Office

'Churchill Court', Suite 3,
331 – 335 Hay St
Subiaco WA 6008
Tel: +61 8 9388 6711
Fax: +61 8 9388 6744
Email: info@kairikienergy.com

Share Registry*

Computershare Investor Services Pty Limited
Level 2, 45 St Georges Terrace
Perth WA 6000
Tel: 1300 850 505
Fax: +61 8 9325 2033

Underwriter and Lead Manager

Patersons Securities Limited
Level 23, Exchange Plaza
2 The Esplanade
Perth WA 6000

Nominee for Foreign Holders

Patersons Securities Limited
Level 23, Exchange Plaza
2 The Esplanade
Perth WA 6000

Auditors

Rothsay Chartered Accountants
Level 18, Central Park Building
152-158 St Georges Terrace
Perth WA 6000

Solicitors

Thompson Downey Cooper
Level 5, 251 Adelaide Terrace
Perth WA 6000

* This entity is included for information purposes only and has not been involved in the preparation of this Prospectus or consented to being named in this Prospectus

1 TIMETABLE TO THE OFFER

Lodgement of Prospectus with the ASIC	27 March 2013
Notice sent to Shareholders	2 April 2013
Ex date	3 April 2013
Rights start trading	3 April 2013
Record Date for determining Entitlements	9 April 2013
Prospectus dispatched to Shareholders and Company announces dispatch has been completed	15 April 2013
Rights stop trading	22 April 2013
Shares quoted on a deferred settlement basis	23 April 2013
Closing Date ¹	30 April 2013
ASX notified of under subscriptions	3 May 2013
Dispatch of holding statements	8 May 2013
Quotation of Shares issued under the Offer	9 May 2013

Note:

¹ The Directors may extend the Closing Date by giving at least 6 Business Days notice to ASX prior to the Closing Date. As such the date the New Shares are expected to commence trading on ASX may vary.

2 CHAIRMAN'S LETTER

Dear Shareholder

On behalf of Kairiki Energy Limited, I am pleased to invite you to participate in the partially underwritten 9 for 2 renounceable pro-rata entitlement offer at an issue price of \$0.001 per New Share to raise up to \$12 million (before costs).

The Company previously advised Shareholders that the Company's financial position required it to raise equity capital in the near term. The Board has actively explored a number of potential methods of capital raising and sources of capital over the last twelve months. The Board has decided that in all the circumstances a renounceable rights issue was the best method to raise the necessary capital to retire the outstanding debt.

Accordingly, as announced on 19 March 2013, the Directors have decided to offer all Shareholders the opportunity to participate in a partially underwritten 9 for 2 renounceable pro-rata entitlements issue of New Shares in the Company (**Offer**). Shareholders may also apply for New Shares in excess of their entitlement.

I refer shareholders to the Company's website (www.kairikienergy.com), and in particular to its most recent presentation (announced 27 March 2013) which sets out further information on the Company's existing assets, new Board appointments and the Company's strategy to build a viable oil and gas company. As part of this new strategy, the Board will seek to reduce exploration risk by concentrating on assets which are either undeveloped discoveries or mature oilfields. The Company will focus on onshore and shallow offshore assets in the Asian region.

All Shareholders registered as at 5.00pm WST on 9 April 2013 will be entitled to participate in an offer of New Shares on the basis of 9 New Shares for every 2 Shares then held at an issue price of \$0.001 per New Share in order to raise up to \$12,097,637.

The Offer is partially underwritten by Patersons Securities Limited to the extent of \$9,000,000. IMC, holder of the Convertible Note, has agreed to sub-underwrite up to \$7,700,000 worth of New Shares under the Offer.

The Board feels that Shareholders should consider the commitment by IMC to sub-underwrite the Offer to be very positive for the Company's future. IMC have indicated that they are enthusiastic and supportive of the Board's future plans.

The Closing Date for acceptances is 5.00pm WST on 30 April 2013.

Shareholders who do not wish to take up all or part of their entitlement are permitted to trade their rights on the ASX between 3 April 2013 and 22 April 2013.

The proceeds from the Offer will be used as follows:

- (a) retire the Company's existing debt with IMC;
- (b) provide additional working capital to fund the Company's existing assets and for due diligence on possible acquisitions; and
- (c) fund the costs of the Offer.

This Prospectus contains important information about the Offer, including:

- (a) details of the Offer, including key dates, and its effect on the Company;

- (b) actions to be taken by Eligible Shareholders;
- (c) additional information such as the key risks to Shareholders in taking up this Offer; and
- (d) a personalised Entitlement and Acceptance Form which details your Entitlement.

This Prospectus and personalised Entitlement and Acceptance Form should be read carefully and in their entirety before deciding whether or not to participate in this Offer. In particular Eligible Shareholders should consider the key risk factors outlined in section 5 of this Prospectus.

On behalf of your Board, I invite you to consider this investment opportunity and thank you for your ongoing support for our Company.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Peter Cockcroft', written in a cursive style.

Peter Cockcroft
Chairman

3 INVESTMENT OVERVIEW AND KEY RISKS

This information is a selective overview only. Prospective investors should read the Prospectus in full before deciding to invest in New Shares.

3.1 The Offer

Under this Prospectus up to 12,097,637,267 New Shares are being offered to Eligible Shareholders (assuming no Options are exercised) at an issue price of \$0.001 on the basis of 9 New Shares for every 2 Shares held.

Eligible Shareholders can, in addition to their Entitlement, also apply for Shortfall Shares.

3.2 Key Offer Terms and Capital Structure

Shares currently on issue	2,688,363,837
Options currently on issue	2,081,923,471
Shares offered under this Prospectus ¹	12,097,637,267
Amount raised under this Prospectus (before costs) ¹	\$12,097,637
Total Shares on issue following the Offer	14,786,001,104

Note:

¹ This assumes no further Shares are issued (including by way of exercise of Options) prior to the Record Date and the Offer is fully subscribed.

3.3 Use of the Offer Proceeds

The Company intends to use the funds raised from the Offer broadly as follows:

- (a) retire the Company's existing debt arising under the Convertible Note with IMC;
- (b) provide additional working capital to fund the Company's existing assets and for due diligence on possible acquisitions; and
- (c) fund the costs of the Offer.

3.4 Rationale for the Offer

On 8 September 2008, the Company entered into a Convertible Note Deed with IMC.

Under the Convertible Note Deed, IMC could subscribe for:

- (a) Convertible Notes to the value of US\$8,500,000; and
- (b) further Convertible Notes to the value of US\$1,500,000, subject to Shareholder approval.

Shareholders subsequently approved the issue of Convertible Notes on 21 October 2008.

In July 2009, the Company received notice from IMC that they would seek repayment of the funds held in an escrow account of \$1,022,000 relating to the conversion of options at 31 December 2008 in

accordance with the Convertible Note Deed. The repayment reduced the amount owing under the Convertible Notes at maturity by US\$839,852 to US\$9,529,981.

In March 2011, the Company repaid US\$2,000,000 of the Convertible Notes from the proceeds of an equity raising, reducing the amount owing under the Convertible Notes to US\$7,529,981.

The outstanding balance of the Convertible Notes, being US\$7,529,981, was due to be repaid by the Company in September/October 2011. The Company agreed terms with IMC for a two-year extension to the repayment date under the Convertible Note Deed to September/October 2013.

The Company undertook and assessed alternative debt financing options and advanced discussions on a possible conversion of the IMC debt.

With the debt at an unacceptable level in February 2013, the Board resolved to proceed with an entitlements issue which will retire the IMC debt and provide the Company with funding certainty within a definite timeframe on the terms as documented within this Prospectus.

The anticipated outstanding balance of the debt under the Convertible Notes as at 30th of April 2013 is \$7,734,978.45. The Company has agreed with IMC that IMC will sub-underwrite up to a maximum of 7,700,000,000 New Shares under the Offer, being to the total value of \$7,700,000. The total amount payable for the subscription of New Shares sub-underwritten by IMC will be offset against the debt owed under the Convertible Note and the balance of the debt will be repaid in cash. For further information please refer to sections 3.7, 3.10 and 3.11.

3.5 Risk Factors

Potential investors should be aware that subscribing for New Shares in the Company involves a number of risks. The key risk factors of which investors should be aware are set out in Section 5 of this Prospectus. These risks together with other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of the Shares in the future. Accordingly, an investment in the Company should be considered highly speculative. Investors should consider consulting their professional advisers before deciding whether to apply for New Shares pursuant to this Prospectus.

Risk	Description	Reference in Prospectus
Continuation as a going concern	As at 31 December 2012, the Company had net current liabilities of \$7.196 million, including a carrying amount of the Convertible Note of \$7.749 million. The ability of the Company to be able to continue as a going concern is principally dependent upon the Company raising additional capital to fund its ongoing exploration and working capital requirements. This condition indicates a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.	5.1
Potential for dilution	Upon implementation of the Offer, assuming no Options are exercised prior to the Record Date, the number of Shares in the Company may increase from 2,688,363,837 currently on issue to a maximum of 14,786,001,104 if the Offer is fully subscribed. This means that each current Share will represent a significantly lower proportion of the ownership of the Company.	3.8, 5.2(a)

Change in control	Shareholders should be aware that the Offer, and in particular the sub-underwriting arrangements relating to the Offer, may result in IMC increasing its relevant interest in the voting shares of the Company to a level that would give it control of the Company.	3.8, 5.2(b)
Exploration, development, and operating risks	<p>The business of oil and gas exploration, project development and production by its nature contains elements of significant risk with no guarantee of success.</p> <p>Ultimate and continuous success of these activities is dependent on many factors such as: successful exploration and definition and/or acquisition of recoverable and economic reserves; successful conclusions to feasibility studies; access to adequate capital for project development; design and construction of efficient infrastructure; and competent operation.</p>	5.2(c)-(i)
Additional Requirements for Capital	The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company will require further financing in addition to amounts raised under the Offer. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration and development programmes as the case may be. There is however no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company.	5.2(j)

3.6 Underwriting by Patersons Securities Limited

The Offer is partially underwritten by Patersons Securities Limited (**Underwriter**) up to the minimum subscription amount under the Offer, being \$9,000,000 on the condition that \$1,300,000 is raised under the Offer from Eligible Shareholders or other Applicants. The Company has agreed to pay the Underwriter the following fees for its services:

- (a) 6% of the total underwritten amount, less IMC's Sub-Underwriting Commitment (refer to section 6.17);
- (b) 0.5% of the IMC Sub-Underwriting Commitment;
- (c) 6% on amounts raised in excess of the underwritten amount; and
- (d) \$100,000 by way of a management fee.

The Company will also reimburse the Underwriter for all reasonable costs and expenses incidental to the Offer. Refer to section 6.17 for a summary of the material terms of the Underwriting Agreement.

3.7 Sub-Underwriting by IMC and other sub-underwriting arrangements

IMC has entered into a sub-underwriting agreement with the Underwriter (**Sub-Underwriting Agreement**) whereby IMC has agreed to sub-underwrite up to a maximum of 7,700,000,000 New Shares under the Offer, being to the total value of \$7,700,000 (**Sub-Underwriting Commitment**). IMC's Sub-Underwriting Commitment is subordinate to all Applications from Eligible Shareholders for Shortfall Shares. All applications from Eligible Shareholders for Shortfall Shares will be allotted prior to any call under the Sub-Underwriting Commitment.

IMC will not receive a sub-underwriting fee on the amount IMC is required to subscribe under its Sub-Underwriting Commitment.

IMC currently does not hold any Shares in the Company. Please refer to section 3.8(b) of this Prospectus for further details in relation to the potential effects of the Sub-Underwriting Agreement on the voting power of IMC.

IMC reserves the right to allocate its Sub-Underwriting Commitment to third parties.

IMC is a privately owned enterprise with a shipping heritage dating back to the early 1900s. IMC is a diversified group with interests in the strategic business areas of industries (IMC Industrial Group), investments (IMC Investments Group), lifestyle and real estate (IMC Octave) and active citizenship (East West). IMC is based in Singapore and currently has more than 9,000 employees in 15 countries worldwide.

3.8 Effect on Control of the Company and Potential Dilution to Shareholders

(a) Underwriter

The Underwriter has represented to the Company that neither it nor any of its associates or subscribers (other than IMC) will hold that number of Shortfall Shares which will result in any person acquiring a relevant interest in voting shares of the Company of 20% or more.

The Underwriter is neither a shareholder nor related party of the Company.

(b) IMC

IMC currently does not hold any Shares in the Company. Pursuant to the terms of the Sub-Underwriting Agreement, IMC has agreed to sub-underwrite up to \$7,700,000 under the Offer (being up to 7,700,000,000 New Shares).

The potential effect that the issue of New Shares under the Offer will have on the control of the Company is as follows:

- (i) if all Shareholders take up all of their Entitlements under the Offer, the percentage interest in the Shares of the Company held by IMC, which is nil, (and any other Shareholders) would not change and there would not be any effect on the control of the Company; and
- (ii) if some or all of the Shareholders do not take up their Entitlement under the Offer, and there is a Shortfall, then the Offer may have an effect on the control of the Company as detailed in the table below.

To comply with the requirement to fully disclose IMC's potential voting power in the Company, the table below sets out various scenarios to indicate the effect on the Company's shareholding depending on the Shortfall (if any).

The potential increase in the voting power of IMC is set out in the table below and assumes IMC takes up all of its Sub-Underwriting Commitment under the Offer and only the minimum subscription

amount of \$9,000,000 is raised. The calculation in the table also assumes that no Options are exercised prior to the Record Date.

Event/Date	Number of Shares held by IMC	Voting power of IMC (%)
Date of Prospectus	Nil	-
After Issue of New Shares assuming maximum Shortfall (being 100%)	7,700,000,000	65.88
After Issue of New Shares assuming 75% Shortfall	7,700,000,000	57.41
After Issue of New Shares assuming 50% Shortfall	6,048,818,634	40.91
After Issue of New Shares assuming 25% Shortfall	3,024,409,317	20.45
After Issue of New Shares assuming 0% Shortfall	Nil	-

(c) General

In addition, Shareholders should note that if they do not participate in the Offer, their holdings are likely to be diluted (as compared to their holdings and number of Shares on issue as at the date of the Prospectus). Examples of how the dilution may impact Shareholders are set out in the table below:

Holder	Holding as at Record Date	% at Record Date	Entitlements under the Offer	Holdings if Offer not taken up	% post Offer
Shareholder 1	20,000,000	0.7439	90,000,000	20,000,000	0.1353
Shareholder 2	10,000,000	0.3720	45,000,000	10,000,000	0.0676
Shareholder 3	2,500,000	0.0930	11,250,000	2,500,000	0.0169
Shareholder 4	750,000	0.0279	3,375,000	750,000	0.0051
Shareholder 5	150,000	0.0056	675,000	150,000	0.0010

Note: The dilutionary effect shown in the table is the maximum percentage on the assumption that those Entitlements not accepted by Eligible Shareholders are placed under the Shortfall Offer. In the event all Entitlements are not accepted, the dilution effect for each Shareholder not accepting their Entitlement would be a lesser percentage.

3.9 Future Intentions of IMC

IMC has informed the Company that on the facts and circumstances presently known to it, it is supportive of the Company's current direction. IMC has indicated that it is presently willing to consider any proposals the Company's Board and management may put forward as to how IMC could support and assist the Company to achieve its objectives. IMC has advised the Company that since it is presently supportive of the Company's current direction, IMC does not currently intend to seek any changes to the direction and objectives of the Company, and that other than as disclosed in this Prospectus, IMC does not currently intend:

- (a) to make any significant changes to the existing businesses of the Company;
- (b) to inject further capital into the Company other than participating in the Offer by sub-underwriting the Offer;
- (c) to become involved in decisions regarding the future employment of the Company's present employees and contemplates that they will continue in the ordinary course of business;

- (d) for any property to be transferred between the Company and IMC or any person associated with IMC;
- (e) to redeploy the fixed assets of the Company; or
- (f) to change the Company's existing financial or dividend policies.

IMC has indicated that the intentions disclosed in this section are based on the facts and information regarding the Company and the general business environment that are known to IMC as at the date of this Prospectus. The above statements therefore reflect current intentions only as at the date of this Prospectus and IMC's intentions may change as new information becomes available or circumstances change or with the passage of time.

Any decisions that IMC may make on its course of action going forward will be made in light of material facts and circumstances at the relevant times and after IMC receives appropriate legal and financial advice on such matters, where required, including in relation to any requirement for Shareholder approvals.

3.10 Convertible Note with IMC

The Company is indebted to IMC for the amount of \$7,734,978.45 (anticipated outstanding balance at 30 April 2013), secured by the Convertible Note (**IMC Debt**).

For further background on the Convertible Note Deed please refer to section 3.4.

3.11 Settlement and Offset Deed

By a deed dated 26 March 2013 (**Settlement and Offset Deed**), the Company and IMC have agreed that the IMC Debt shall be applied towards IMC's commitment to sub-underwrite up to 7,700,000,000 New Shares pursuant to the Sub-Underwriting Agreement, being to the value of up to \$7,700,000 (**Subscription Amount**).

Any remaining balance outstanding after the IMC Debt has been applied towards the Subscription Amount shall be repaid by the Company to IMC in cash on successful completion of the Offer (or on a date otherwise agreed by the parties). If IMC is not required to subscribe for any New Shares under the Sub-Underwriting Agreement and no Subscription Amount is payable by IMC, then the full amount of the IMC Debt will be repaid by the Company to IMC in cash on the successful completion of the Offer (or on a date otherwise agreed by the parties).

On completion of the offset of the Subscription Amount and the repayment of the balance remaining outstanding or the full amount of the IMC Debt, as the case may be, IMC will release the securities it holds over the assets of the Company.

3.12 Recent Appointments

On 15 February 2013, Mr Mark Fenton and Mr Duncan Maclean resigned as directors and Mr Stephen Harrison and Mr Robert Downey were appointed non-executive directors.

As announced on 24 January 2013, Mr Steven Wood was appointed as a Non-Executive Director as a nominee of IMC.

3.13 Directors Interests in Securities

The relevant interest of each of the Directors in the securities of the Company as at the date of this Prospectus, together with their respective Entitlement, is set out in the table below.

Director	Shares	Options	Entitlement	\$
Peter Cockcroft	150,000	Nil	675,000	675
Robert Downey	Nil	Nil	Nil	Nil
Steven Wood	Nil	Nil	Nil	Nil
Stephen Harrison	Nil	Nil	Nil	Nil

3.14 Substantial Holders

Based on publicly available information as at the date of this Prospectus, those persons which (together with their associates) have a relevant interest in 5% or more of the Shares on issue are set out below:

Shareholder	Shares	%
Yandal Investments Pty Ltd	188,410,000	7.01

3.15 Applying for Shares

Applications can be made by Eligible Shareholders completing the Entitlement and Acceptance Form and sending it to the Company's Share Registry.

Eligible Shareholders may also apply for Shortfall Shares by following the instructions in section 6.13.

3.16 Allocation of Shortfall Shares

The Directors will allocate any Shortfall Shares as follows:

- (a) firstly, to Minimum Parcel Shareholders who apply for Shortfall Shares, so that they will have a minimum parcel of Shares tradable on ASX; and then
- (b) to Eligible Shareholders who apply for Shortfall Shares; and then
- (c) at the discretion of the Directors and in consultation with the Underwriters provided that IMC will not be allocated any Shortfall Shares pursuant to the Sub-Underwriting Commitment until all Minimum Parcel Shareholder and Eligible Shareholder applications are satisfied in full .

3.17 Successful Applications

A holding statement confirming allocation under the Offer will be sent to Shareholders on or about 8 May 2013.

3.18 Expenses of the Offer

In the event that all Entitlements are accepted, the total expenses of the Offer are estimated to be approximately \$292,143 (excluding GST) and are expected to be applied towards the items set out in the table below:

Expense	Minimum Subscription \$	Full Subscription \$
ASIC fees	2,171	2,171
ASX fees	16,650	19,272
Underwriting and management fees ¹	216,500	216,500
Legal fees	20,000	20,000
Printing and distribution	19,200	19,200
Miscellaneous	15,000	15,000
Total	289,521	292,143

- 1 In the event of a Shortfall Patersons will be paid a fee of 6% on amounts raised in excess of the underwritten amount. Refer section 3.6.

3.19 Appointment of Nominee for Foreign Holders

Patersons Securities Limited has been appointed as the Company's nominee for foreign shareholders in accordance with section 615 of the Corporations Act and for the purposes of Listing Rule 7.7 for those foreign shareholders who have been deemed ineligible to participate under the Offer (**Nominee**). The Company has applied to the ASIC to approve the appointment of the Nominee pursuant to section 615 of the Corporations Act. However, as at the date of the Prospectus, ASIC has not approved the appointment of the Nominee. Please refer to section 6.16 for further details in relation to restrictions placed on the Company in making offers to overseas shareholders.

Pursuant to the arrangement with the Nominee, the Company will transfer to the Nominee the rights that would otherwise be issued to the foreign holders who either accept the offer or are otherwise entitled to acquire such rights under the Offer. The Nominee will then sell those rights and distribute to each of those foreign holders their proportion of the proceeds of the sale net of expenses.

The Company will pay the Nominee a brokerage fee of 1% (subject to a minimum charge of \$80) on the execution of the sale of any rights.

4 PURPOSE AND EFFECT OF THE OFFER

4.1 Purpose of the Offer

The purpose of the Offer is to raise up to \$12,097,637.

The funds raised from the Offer are planned to be used in accordance with the table set out below:

Proceeds of the Offer	Minimum Subscription (\$)	Full Subscription (\$)
Repayment of outstanding debt to IMC	7,734,978	7,734,978
Expenses of the Offer ¹	289,521	292,143
Working capital ²	975,501	4,070,516
Total	9,000,000	12,097,637³

Note:

- ¹ Refer to section 3.18 of this Prospectus for further details relating to the estimated expenses of the Offer.
- ² Working capital includes budgeted expenditure on existing assets and for the review of new projects as well as general expenses.
- ³ In the event that more than the minimum and less than the full subscription is raised, the Company intends to allocate the funds raised primarily towards the Company's working capital position (after expenses of the Offer).

The above table is a statement of current intentions as of the date of this Prospectus. As with any budget, intervening events (including exploration success or failure) and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.

4.2 Effect of the Offer

The principal effect of the Offer, assuming all Entitlements are accepted and no Options are exercised prior to the Record Date, will be to:

- (a) increase the cash reserves by \$4,070,516 (after deducting the estimated expenses of the Offer and repayment of the Convertible Note) immediately after completion of the Offer; and
- (b) increase the number of Shares on issue from 2,688,363,837 as at the date of this Prospectus to 14,786,001,104 Shares.

4.3 Statement of Financial Position (Audit Reviewed)

Set out below is the Consolidated Statement of Financial Position of the Company (audit reviewed) and the Consolidated Pro-Forma Statements of Financial Position, as at 31 December 2012 and on the basis of the following assumptions:

- (a) the Offer was effective as at 31 December 2012;
- (b) no further Shares are issued (including by way of exercise of Options);
- (c) completion of the Offer to raise \$12,097,637 (full subscription) and \$9,000,000 (minimum subscription), before expenses of the Offer; and
- (d) expenses of the Offer of approximately \$292,143 (full subscription) and \$289,521 (minimum subscription) which have been offset against proceeds of the issue.

The significant accounting policies upon which the Statement of Financial Position and the Pro-Forma Statement of Financial Position are based are contained in the audited financial report for the year ended 30 June 2012.

Consolidated Statement of Financial Position

	Audit Reviewed 31 Dec 2012 \$'000	Pro forma 31 Dec 2012 Based on minimum subscription \$'000	Pro forma 31 Dec 2012 Based on full subscription \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	706	1,667	4,763
Trade and other receivables	74	74	74
Total Current Assets	780	1,741	4,837
Non-Current Assets			
Deferred exploration and evaluation expenditure	15,575	15,575	15,575
Total Non-Current Assets	15,575	15,575	15,575
TOTAL ASSETS	16,355	17,316	20,412
LIABILITIES			
Current Liabilities			
Trade and other payables	223	223	223
Provisions	4	4	4
Convertible notes	7,749	-	-
Total Current Liabilities	7,976	227	227
TOTAL LIABILITIES	7,976	227	227
NET ASSETS	8,379	17,089	20,185
EQUITY			
Contributed equity	75,700	84,410	87,506
Reserves	(3,152)	(3,152)	(3,152)
Accumulated losses	(64,169)	(64,169)	(64,169)
TOTAL EQUITY	8,379	17,089	20,185

4.4 Consolidated capital structure

Assuming no further Shares are issued (including by way of exercise of Options) prior to the Record Date, at the close of the Offer, the capital structure of the Company will be:

Shares	Minimum Subscription (Number)	Full Subscription (Number)
Existing Shares	2,688,363,837	2,688,363,837
New Shares issued under this Prospectus	9,000,000,000	12,097,637,267
Total Shares	11,688,363,837	14,786,001,104

Options	Minimum Subscription (Number)	Full Subscription (Number)
Options exercisable at \$0.004 between 1 June 2013 and 30 June 2013	2,045,923,471	2,045,923,471
Options exercisable at \$0.065 on or before 16 May 2014	36,000,000	36,000,000
Total Options	2,081,923,471	2,081,923,471

The capital structure on a fully diluted basis as at the date of this Prospectus would be 4,770,287,308 Shares and on completion of the offer (assuming all entitlements are accepted and no Options are exercised prior to the Record Date) would be 16,867,924,575 Shares.

No Shares or Options on issue are subject to escrow restrictions, either voluntary or ASX imposed.

5 RISK FACTORS

An investment in the New Shares the subject of this Prospectus is highly speculative as the Company is an oil and gas exploration company. Please consider the risks described below and the information contained in other sections of this Prospectus. You should also consider consulting with your professional advisers before deciding whether or not to apply for the New Shares.

The following is a list of the material risks that may affect the financial position of the Company, the value of an investment in the Company, as well as the Company's operations.

5.1 Ability to Continue as a Going Concern

The Company's ability to continue as a going concern is dependent on a number of assumptions. Should these assumptions not be achieved, there is significant uncertainty as to whether the Company will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business.

The Company's half yearly report for the year ended 31 December 2012 contained a note to the following effect:

"As at 31 December 2012, the Group had net current liabilities of \$7.196 million, including the carrying amount of the Convertible Note of \$7.749 million, and various exploration and joint venture commitments as detailed in Note 7.

The ability of the Group to continue as a going concern is principally dependent upon the following:

- *The successful commercial exploitation of the Group's oil and gas resources;*
- *A farm-down or sale of its interest in SC 54A and SC 54B;*
- *Raising additional capital to fund the Group's ongoing exploration and development program and working capital requirements, as and when required; and*
- *Meeting the terms of its convertible note agreement as outlined in note 5.*

These conditions indicate a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern.

Subsequent to 31 December the following events occurred (refer to Note 8):

- *The Company has announced its intention to undertake a capital raising. The convertible note holder, IMC Oil & Gas Investments Limited ("IMC"), has offered to support a capital raising on terms and conditions acceptable to all parties and subject to their internal approval process;*
- *IMC has agreed to the deferral of interest payments pursuant to the convertible note agreement, with all interest due and future interest payable to be capitalised until the date the convertible note is fully repaid and/or converted; and*
- *The Company and IMC have commenced discussion on the terms of the proposed capital raising, including the terms for repayment or conversion of the convertible note.*

The Directors are satisfied that the going concern basis of preparation is appropriate. In particular, given the Company's history of being successful in raising capital to date, the Directors are confident of the Company's ability to raise additional funds as and when they are required. The financial report has therefore been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Should the consolidated entity be unable to raise the funding referred to above, there is a material uncertainty whether the consolidated entity will be able to continue as a going concern and, therefore, whether it will be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial report.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should the consolidated entity be unable to continue as a going concern."

5.2 Company and Industry Risks

The risks outlined below are specific to the Company's operations and to the oil and gas industry in which the Company operates.

(a) Potential for Significant Dilution

Upon implementation of the Offer, assuming all Entitlements are accepted and no Options are exercised prior to the Record Date, the number of Shares in the Company will increase from 2,688,363,837 currently on issue to 14,786,001,104. This means that each Share will represent a significantly lower proportion of the ownership of the Company. It is not possible to predict what the value of the Company or a Share will be following the completion of the Offer being implemented and the Directors do not make any representation as to such matters. The last trading price of Shares on ASX prior to the Prospectus being lodged at \$0.001 is not a reliable indicator as to the potential trading price of Shares after completion of the Offer.

(b) Change in Control

Shareholders should be aware that the Offer, and in particular the sub-underwriting arrangements relating to the Offer, may result in IMC increasing its relevant interest in the voting shares of the Company. Please refer to section 3.8(b) for further details in relation to the potential change in control effects on the Company.

(c) Exploration

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:

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

In the event that the Company (or joint venture) is unable to meet its obligations in relation to exploratory work programs, the Company (or joint venture) may decide to seek a variation or an extension of the work program. However, there is a risk that an extension or variation is not approved in which case the Company (or joint venture) may be required to relinquish exploration licences.

Further, the Company (or joint venture) may decide to surrender or relinquish areas subject to explorations licences as priorities change in order to meet budgetary requirements.

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.

(d) 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 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.

(e) 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.

(f) Regulation in the Philippines

Operations by the Company (including any change of control of 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 continue as a contractor under any service contract, develop or operate any project, or possibly acquire any project, may be limited or restricted either in part or absolutely.

(g) Oil, Gas and Other Commodity Prices

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.

(h) 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.

(i) 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.

In the event of a change of control of the Company arising from the Sub-Underwriting Commitment, the Company will be required under its joint operating agreement to provide sufficient information to the other joint venture parties for them to verify the continued financial and technical capacity of the Company. There can be no guarantee that this process will be completed in a timely and satisfactory manner.

(j) Future Capital Needs and Additional Funding

The funds raised by the Offer will primarily be used to fund exploration on the Company's projects. There is a risk that these funds will not be sufficient to complete the proposed exploration and that further funding will be required.

The Company's ability to raise further capital (equity or debt) within an acceptable time, of a sufficient amount and on terms acceptable to the Company will vary according to a number of factors, including prospectivity of projects (existing and future), the results of exploration, subsequent feasibility studies, development and mining, stock market and industry conditions and the price of relevant commodities and exchange rates.

No assurance can be given that future funding will be available to the Company on favourable terms, or at all. If adequate funds are not available on acceptable terms the Company may not be able to further develop its projects and it may impact on the Company's ability to continue as a going concern.

(k) 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.

(l) 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 service contracts SC54A and SC54B 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.

5.3 General Investment Risks

The risks outlined below are some of the general risks that may affect an investment in the Company.

(a) Securities Investments and Share Market Conditions

There are risks associated with any securities investment. The prices at which the securities trade may fluctuate in response to a number of factors.

Furthermore, the stock market, and in particular the market for exploration and oil and gas companies may experience extreme price and volume fluctuations that may be unrelated or disproportionate to the operating performance of such companies. These factors may materially adversely affect the market price of the securities of the Company regardless of the Company's operational performance. Neither the Company nor the Directors warrant the future performance of the Company, or any return of an investment in the Company.

(b) Liquidity Risk

The market for the Company's Shares may be illiquid. As a consequence investors may be unable to readily exit or realise their investment.

(c) Economic Risk

Changes in both Australia and world economic conditions may adversely affect the financial performance of the Company. Factors such as inflation, currency fluctuations, interest rates, industrial disruption and economic growth may impact on future operations and earnings.

(d) Changes in Legislation and Government Regulation

Changes in 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.

(e) 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.

(f) 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.

(g) 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.

6 DETAILS OF THE OFFER

6.1 The Offer

The Offer is being made as a renounceable entitlement issue of nine (9) New Shares for every two (2) Shares held by Shareholders registered at the Record Date at an issue price of \$0.001 per New Share. Fractional entitlements will be rounded up to the nearest whole number.

Based on the capital structure of the Company as at the date of this Prospectus and assuming all Entitlements are accepted, a maximum of 12,097,637,267 New Shares will be issued pursuant to this Offer to raise \$12,097,637.

As at the date of this Prospectus, the Company has 2,081,923,471 Options on issue, some of which may be exercised prior to the Record Date in order to participate in the Offer. Please refer to section 4.4 of this Prospectus for information on the exercise price and expiry date of the Options on issue.

All of the New Shares offered under this Prospectus will rank equally with the Shares on issue at the date of this Prospectus. Please refer to section 7 for further information regarding the rights and liabilities attaching to the Shares.

The purpose of the Offer and the intended use of funds raised are set out in section 4.1 of this Prospectus.

6.2 What Eligible Shareholders may do

The number of New Shares to which Eligible Shareholders are entitled is shown on the accompanying personalised Entitlement and Acceptance Form. Eligible Shareholders may:

- (a) take up all of their Entitlement (refer to section 6.3);
- (b) take up all of their Entitlement and apply for additional New Shares under the Shortfall Offer (refer to sections 6.3 and 6.13);
- (c) sell all of their Entitlement on ASX (refer to section 6.4);
- (d) take up a proportion of their Entitlement and sell the balance on ASX (refer to section 6.5);
- (e) take up a proportion of their Entitlement and allow the balance to lapse (refer to section 6.6);
- (f) sell all or a proportion of their Entitlement other than on ASX (refer to section 6.7); or
- (g) allow all or part of their Entitlement to lapse (refer to section 6.8).

6.3 Taking up all of your Entitlement

Should you wish to accept all of your Entitlement, then applications for New Shares under this Prospectus must be made on the Entitlement and Acceptance Form which accompanies this Prospectus or by completing a BPAY® payment, in accordance with the instructions referred to on your personalised Entitlement and Acceptance Form. Please read the instructions carefully.

Please complete the Entitlement and Acceptance Form by filling in the details in the spaces provided and attach a cheque for the Application Monies indicated on the Entitlement and Acceptance Form.

Completed Entitlement and Acceptance Forms must be accompanied by a cheque in Australian dollars, crossed "Not Negotiable" and made payable to "Kairiki Energy Limited" and lodged and received at any time after the issue of this Prospectus and on or before the Closing Date at the Company's Share Registry (by post) at:

Kairiki Energy Limited
C/- Computershare Investor Service Pty Limited
GPO Box 505
Melbourne VIC 3001

If you wish to pay via BPAY® you must follow the instructions in your personalised Entitlement and Acceptance Form. Make sure that you use the specific Biller Code and unique Customer Reference Number (CRN) on your personalised Entitlement and Acceptance Form. You do not need to return a completed Entitlement and Acceptance Form but are taken to have made the declarations in the Entitlement and Acceptance Form and the representations outlined below in section 6.9. If you have more than one shareholding of Shares and consequently receive more than one Entitlement and Acceptance Form, when taking up your Entitlement in respect of one of those Shareholdings only use the CRN specific to that Shareholding as set out in the applicable Entitlement and Acceptance Form. Do not use the same CRN for more than one of your Shareholdings. This can result in your Application Monies being applied to your Entitlement in respect of only one of your Shareholdings (with the result that any application in respect of your remaining Shareholdings will not be valid).

You should be aware that your own financial institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration when making payment. It is your responsibility to ensure that funds submitted through BPAY® are received by 3.00pm (WST) on the Closing Date.

The Company shall not be responsible for any postal or delivery delays or delay in the receipt of the BPAY® payment.

6.4 Selling all your Entitlement on ASX

The Entitlements under the Offer are renounceable, which means that all or part of an Eligible Shareholder's rights to subscribe for New Shares under the Offer may be traded on ASX. If you wish to sell all of your Entitlement on ASX, provide instructions to your stockbroker regarding the Entitlement you wish to sell on ASX. Trading of Entitlements will commence on ASX on 3 April 2013 and will cease on 22 April 2013.

There is no guarantee that an Eligible Shareholder will be able to sell all or any part of their Entitlement on ASX or that any particular price will be paid for the Entitlements sold on ASX.

6.5 Taking up a proportion of your Entitlement and selling the balance on ASX

If you wish to take up only part of your Entitlement, complete the accompanying personalised Entitlement and Acceptance Form for the number of New Shares you wish to take up and follow the steps in section 6.7, or make a payment by BPAY® in accordance with section 6.12.

Subsequently, provide instructions to your stockbroker regarding the proportion of your Entitlement you wish to sell on ASX.

6.6 Taking up a proportion of your Entitlement and allowing the balance to lapse

If you wish to take up only part of your Entitlement and allow the balance to lapse, complete the accompanying personalised Entitlement and Acceptance Form for the number of New Shares you wish to take up and follow the steps in section 6.3. If you take no further action, the balance of your

Entitlement will lapse and you will have forfeited any potential benefit to be gained from taking up or selling that part of your Entitlement.

6.7 Selling all or a proportion of your Entitlement other than on ASX

You may elect to transfer all or a proportion of your Entitlement to another person other than on ASX. If the purchaser of your Entitlement is an Ineligible Shareholder or a person that would be an Ineligible Shareholder if they were a registered holder of Shares, that purchaser will not be able to take up the Entitlement they have purchased.

If you are a shareholder on the issuer sponsored subregister and you wish to transfer all or a proportion of your Entitlement to another person other than on ASX, forward a completed standard renunciation and transfer form (obtainable from the Share Registry) and the applicable transferee's cheque for the New Shares they wish to subscribe for payable to "**Kairiki Energy Limited**" and crossed "Not Negotiable" to the Share Registry (by post at any time after the issue of this Prospectus and on or before the Closing Date) at the following address:

Kairiki Energy Limited
C/- Computershare Investor Service Pty Limited
GPO Box 505
Melbourne VIC 3001

If you wish to transfer all or a proportion of your Entitlement to or from another person on the CHESS subregister you must engage your CHESS controlling participant (usually your stockbroker). If the transferee wants to exercise some or all of the Entitlement, you should follow your stockbroker's instructions as to the most appropriate way to take up the Entitlement on their behalf. The Application Monies for New Shares the transferee of the Entitlement wants to acquire must be received by Share Registry in accordance with section 6.3.

6.8 Allow all or part of your Entitlement to lapse

Shareholders should be aware that their Entitlement may have value. Your Entitlement is renounceable, which enables Eligible Shareholders who do not wish to take up part or all of their Entitlement to seek to sell or trade all or some of their Entitlement on ASX. If you do not wish to accept or trade any part of your Entitlement, you are not obliged to do anything. If you do not take up your Entitlement or dispose of your Entitlement by the Closing Date, the Offer to you will lapse.

6.9 Implications of an acceptance

Returning a completed Entitlement and Acceptance Form or paying any Application Monies by BPAY® will be taken to constitute a representation by you that:

- (a) you have received a copy of this Prospectus and the accompanying Entitlement and Acceptance Form, and read them both in their entirety;
- (b) you acknowledge that once the Entitlement and Acceptance Form is returned, or a BPAY® payment instruction is given in relation to any Application Monies, the application may not be varied or withdrawn except as required by law.

6.10 Minimum subscription

The minimum subscription under the Offer is \$9,000,000. No shares will be allotted or issued until the minimum subscription has been received. If the minimum subscription is not achieved within 4

months after the date of issue of this Prospectus, the Company will either repay the Application monies to the Applicants or issue a supplementary prospectus or replacement prospectus and allow Applicants one month to withdraw their Application and be repaid their Application monies.

6.11 Payment by cheque/bank draft

All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to “**Kairiki Energy Limited**” and crossed “Not Negotiable”.

Your completed Entitlement and Acceptance Form and cheque must reach the Company’s share registry no later than 5.00pm WST on the Closing Date (by post) at:

Kairiki Energy Limited
C/- Computershare Investor Service Pty Limited
GPO Box 505
Melbourne VIC 3001

6.12 Payment by BPAY®

For payment by BPAY®, please follow the instructions on the personalised Entitlement and Acceptance Form. You can only make a payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions. Please note that should you choose to pay by BPAY®:

- (a) you do not need to submit the Entitlement and Acceptance Form but are taken to have made the declarations on that Entitlement and Acceptance Form; and
- (b) if you do not pay for your Entitlement in full, you are deemed to have taken up your Entitlement in respect of such whole number of New Shares which is covered in full by your application monies.

It is your responsibility to ensure that your BPAY® payment is received by the share registry

by no later than 3.00pm (WST) on the Closing Date. You should be aware that your financial institution may implement cut-off times with regards to electronic payment and you should therefore take this into consideration when making payment. Any Application Monies received for more than your final allocation of New Shares (only where the amount is \$1.00 or greater) will be applied toward an application for Shortfall Shares and where such Shortfall Shares are not allotted, shall be refunded. No interest will be paid on any application monies received or refunded.

6.13 Shortfall Offer

The offer of the Shortfall is a separate offer pursuant to this Prospectus. New Shares not taken up by Eligible Shareholders will form part of the Shortfall Offer. The issue price of any New Shares offered pursuant to the Shortfall Offer will be \$0.001 each, which is the issue price at which the Offer has been made to Eligible Shareholders.

Eligible Shareholders

Eligible Shareholders may, in addition to their Entitlement, apply under the Shortfall Offer, regardless of the size of their present holding.

Eligible Shareholders who wish to apply for Shortfall Shares above their Entitlement can complete the appropriate boxes on the Entitlement and Acceptance Form accompanying this Prospectus and return

it together with a cheque for the value of those Shortfall Shares (at \$0.001 per Shortfall Share) to the Share Registry or make a BPAY® in excess of the total value of your Entitlement.

Other Investors

Other investors identified by the Underwriter can apply for Shortfall Shares by completing the Shortfall Application Form attached to this Prospectus and returning it together with a cheque for the value of those Shortfall Shares (at \$0.001 per Shortfall Share) to the Share Registry.

Allocation of the Shortfall Shares is at the discretion of the Underwriter and is subject to the terms of the Underwriting Agreement and Sub-Underwriting Agreements. There is no guarantee that Eligible Shareholders will receive the Shortfall Shares applied for.

Shortfall Shares will only be issued if the Offer is undersubscribed and will only be issued to the extent necessary to make up any shortfall in subscriptions. The Directors and the Underwriter reserve the right to reject any application for Shortfall Shares or to allot a lesser number of Shortfall Shares than applied for or not proceed with the issuing of the Shortfall Shares or part thereof. If the number of Shares issued is less than the number applied for in an Entitlement and Acceptance Form or Shortfall Application Form, surplus Application Monies will be refunded in full as soon as practicable after the closing date of the Shortfall Offer. Interest will not be paid on Application Monies refunded.

The Directors reserve the right to place the Shortfall at their discretion within 3 months after the close of the Offer subject to the Listing Rules and any restrictions under any applicable law. The Company reserves the right to allot to an Applicant a lesser number of Shortfall Shares than the number for which the Applicant applies, or to reject an Application, or to not proceed with the Shortfall Offer or issue of any Shortfall Shares.

6.14 ASX listing

Application for Official Quotation of the New Shares offered pursuant to this Prospectus will be made in accordance with the timetable set out at the commencement of this Prospectus. If ASX does not grant Official Quotation of the New Shares offered pursuant to this Prospectus before the expiration of 3 months after the date of issue of the Prospectus (or such period as varied by the ASIC), the Company will not issue any New Shares and will repay all Application Monies for the New Shares within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the New Shares is not to be taken in any way as an indication of the merits of the Company or the New Shares now offered for subscription.

6.15 Allotment

New Shares issued pursuant to the Offer will be allotted in accordance with the Listing Rules and timetable set out at the commencement of this Prospectus.

New Shares issued pursuant to the Shortfall Offer will be allotted on a progressive basis. Where the number of New Shares issued is less than the number applied for, or where no allotment is made, surplus Application Monies will be refunded without any interest to the Applicant as soon as practicable after the closing date of the Shortfall Offer.

Pending the allotment and issue of the New Shares or payment of refunds pursuant to this Prospectus, all Application Monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to

retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

Holding statements for New Shares issued under the Offer will be mailed in accordance with the ASX Listing Rules and timetable set out at the commencement of this Prospectus and for Shortfall Shares as soon as practicable after their issue.

6.16 Overseas shareholders

This Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

It is not practicable for the Company to comply with the securities laws of overseas jurisdictions having regard to the number of overseas Shareholders, the number and value of Shares these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction. Accordingly, the Offer is not being extended, and Shares will not be issued, to Shareholders with a registered address which is outside Australia or New Zealand.

The Offer is being made in New Zealand pursuant to the Securities Act (Overseas Companies) Exemption Notice 2002.

However, pursuant to ASX Listing Rule 7.7 and Section 615 of the Corporations Act, the Company has appointed the Nominee to sell the Entitlements to which Ineligible Shareholders are entitled. The Nominee will have the absolute and sole discretion to determine the timing and price at which the Entitlements will be sold and the manner of any such sale. The Company has applied to the ASIC to approve the appointment of the Nominee pursuant to section 615 of the Corporations Act. However, as at the date of the Prospectus, ASIC has not approved the appointment of the Nominee.

Any interest earned on the proceeds of the sale of these Entitlements will firstly be applied against expenses of such sale, including brokerage, and any balance will accrue to the relevant Ineligible Shareholders as described below.

The net proceeds of the sale of these Entitlements will then be forwarded by the Company as soon as practicable to the Ineligible Shareholders, in proportion to their share of such Entitlements (after deducting brokerage commission and other expenses). If any such net proceeds of sale are less than the reasonable costs that would be incurred by the Company for distributing those proceeds, such proceeds may be retained by the Company.

Notwithstanding that the nominee must sell Entitlements, Ineligible Shareholders may nevertheless receive no net proceeds if the costs of the sale are greater than the sale proceeds. In this regard, the Nominee will not be required to sell Ineligible Shareholders' Entitlements at a particular price.

Shareholders resident in Australia or New Zealand holding Shares on behalf of persons who are resident overseas are responsible for ensuring that taking up an Entitlement under the Offer does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

6.17 Underwriting Agreement

By an agreement between the Underwriter and the Company dated 26 March 2013 (**Underwriting Agreement**), the Underwriter has agreed to manage and partially underwrite the Offer up to the amount of \$9,000,000.

The Company has agreed to pay the Underwriter the following fees for its services:

- (a) 6% of the total underwritten amount, less IMC's Sub-Underwriting Commitment (as defined in section 3.7);
- (b) 0.5% of the IMC Sub-Underwriting Commitment;
- (c) 6% on amounts raised in excess of the underwritten amount; and
- (d) \$100,000 by way of a management fee.

The Company will also reimburse the Underwriter for all reasonable costs and expenses incidental to the Offer.

The obligation of the Underwriter to underwrite the Offer is subject to certain conditions precedent and events of termination. The obligation of the Underwriter to subscribe for Shortfall Shares is subject to and conditional upon the Underwriter entering into sub-underwriting agreements on terms satisfactory to the Underwriter as well as Eligible Shareholders or other Applicants subscribing for at least 1,300,000,000 New Shares by the Closing Date.

The Underwriter may terminate its obligations under the Underwriting Agreement if:

- (a) **(Indices fall)**: any of the S&P/ASX 200 Index or the S&P/ASX 200 Energy and Mining Index as published by ASX is at any time after the date of the Underwriting Agreement 10% or more below its respective level as at the close of business on the Business Day prior to the date of the Underwriting Agreement;
- (b) **(Oil Price fall)**: Spot Oil price as quoted on NYMEX WTI is at any time after the date of the Underwriting Agreement 10% or more below its price as at the close of business on the Business Day prior to the date of the Underwriting Agreement;
- (c) **(Breach of Material Contracts)**: any of the material contracts or contracts described in the Prospectus (other than the Underwriting Agreement) is breached, not complied with according to its terms, terminated or substantially modified;
- (d) **(Convertible Note)**: the Convertible Note is breached by any party or it is revoked, rescinded, avoided, amended, varied, superseded or replaced in any way or if the lender(s) seeks to enforce any security granted;
- (e) **(Prospectus)**: the Company does not lodge the Prospectus on the Lodgement Date or the Prospectus or the Offer is withdrawn by the Company;
- (f) **(No Official Quotation)**: Official Quotation has not been granted by the date the Company is required to give the Underwriter notice of the Shortfall or, having been granted, is subsequently withdrawn, withheld or qualified;
- (g) **(Supplementary prospectus)**:
 - (i) the Underwriter, having elected not to exercise its right to terminate its obligations under the Underwriting Agreement as a result of an occurrence as described in paragraph (r)(iv) below, forms the view on reasonable grounds that a supplementary or replacement prospectus should be lodged with the ASIC for any of the reasons referred to in section 719 of the Corporations Act and the Company fails to lodge a supplementary or replacement prospectus in such form and content and within such time as the Underwriter may reasonably require;

- (ii) the Company lodges a supplementary or replacement prospectus without the prior written agreement of the Underwriter;
- (h) **(Non compliance with disclosure requirements)**: it transpires that the Prospectus does not contain all the information that investors and their professional advisers would reasonably require to make an informed assessment of:
 - (i) the effect of the Offer on the Company; and
 - (ii) the rights and liabilities attaching to the Shares;
- (i) **(Misleading Prospectus)**: it transpires that there is a statement in the Prospectus that is misleading or deceptive or likely to mislead or deceive, or that there is an omission from the Prospectus (having regard to the provisions of sections 711, 713 and 716 of the Corporations Act) or if any statement in the Prospectus becomes misleading or deceptive or likely to mislead or deceive or if the issue of the Prospectus is or becomes misleading or deceptive or likely to mislead or deceive;
- (j) **(Restriction on allotment)**: the Company is prevented from allotting the Shares within the time required by the Underwriting Agreement, the Corporations Act, the Listing Rules, any statute, regulation or order of a court of competent jurisdiction by the ASIC, ASX or any court of competent jurisdiction or any governmental or semi governmental agency or authority;
- (k) **(Withdrawal of consent to Prospectus)**: any person (other than the Underwriter) who has previously consented to the inclusion of its, his or her name in the Prospectus or to be named in the Prospectus, withdraws that consent;
- (l) **(ASIC application)**: an application is made by the ASIC for an order under section 1324B or any other provision of the Corporations Act in relation to the Prospectus, the date by which the Company is required to notify the Underwriter of the Shortfall has arrived, and that application has not been dismissed or withdrawn;
- (m) **(ASIC hearing)**: The ASIC gives notice of its intention to hold a hearing under section 739 of the Corporations Act in relation to the Prospectus to determine if it should make a stop order in relation to the Prospectus or the ASIC makes an interim or final stop order in relation to the Prospectus under section 739 of the Corporations Act;
- (n) **(Takeovers Panel)**: the Takeovers Panel makes a declaration that circumstances in relation to the affairs of the Company are unacceptable circumstances under Pt 6.10 of the Corporations Act, or an application for such a declaration is made to the Takeovers Panel;
- (o) **(Hostilities)**: there is an outbreak of hostilities or a material escalation of hostilities (whether or not war has been declared) after the date of the Underwriting Agreement involving one or more of Australia, New Zealand, Indonesia, Japan, Russia, the United Kingdom, the United States of America, India, Pakistan, or the People's Republic of China, Israel or any member of the European Union, or a terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world;
- (p) **(Authorisation)**: any Authorisation which is material to anything referred to in the Prospectus is repealed, revoked or terminated or expires, or is modified or amended in a manner unacceptable to the Underwriter;
- (q) **(Indictable offence)**: a director or senior manager of the Company or any of its subsidiaries is charged with an indictable offence; or

- (r) **(Termination Events)**: any one or a combination of the following events occurs, which result is materially adverse in the reasonable opinion of the Underwriter:
- (i) **(Default)**: default or breach by the Company under the Underwriting Agreement of any terms, condition, covenant or undertaking;
 - (ii) **(Incorrect or untrue representation)**: any representation, warranty or undertaking given by the Company in the Underwriting Agreement is or becomes untrue or incorrect;
 - (iii) **(Contravention of Constitution or Act)**: a contravention by the Company or any of its subsidiaries of any provision of its Constitution, the Corporations Act, the Listing Rules or any other applicable legislation or any policy or requirement of the ASIC or ASX;
 - (iv) **(Adverse change)**: an event occurs which gives rise to a material adverse effect or any adverse change or any development including a prospective adverse change after the date of the Underwriting Agreement in the assets, liabilities, financial position, trading results, profits, forecasts, losses, prospects, business or operations of the Company or any of its subsidiaries including, without limitation, if any forecast in the Prospectus becomes incapable of being met or in the Underwriter's reasonable opinion, unlikely to be met in the projected time;
 - (v) **(Error in Due Diligence Results)**: it transpires that any of the due diligence results or any part of the verification material was false, misleading or deceptive or that there was an omission from them;
 - (vi) **(Significant change)**: a "new circumstance" as referred to in section 719(1) of the Corporations Act arises that is materially adverse from the point of view of an investor;
 - (vii) **(Public Statements)**: without the prior approval of the Underwriter a public statement is made by the Company in relation to the Offer, the issue of Shares or the Prospectus except as required by law or the ASX Listing Rules;
 - (viii) **(Misleading information)**: any information supplied at any time by the Company or any person on its behalf to the Underwriter in respect of any aspect of the Offer or the Issue or the affairs of the Company or a subsidiary of the Company is or becomes misleading or deceptive or likely to mislead or deceive;
 - (ix) **(Official Quotation qualified)**: the Official Quotation is qualified or conditional other than being conditional upon the issue of Shares under the Prospectus;
 - (x) **(Change in Act or policy)**: there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any of its States or Territories any Act or prospective Act or budget or the Reserve Bank of Australia or any Commonwealth or State authority adopts or announces a proposal to adopt any new, or any major change in existing monetary, taxation, exchange or fiscal policy;
 - (xi) **(Prescribed Occurrence)**: a prescribed occurrence under the Underwriting Agreement occurs, other than as disclosed in the Prospectus;
 - (xii) **(Suspension of debt payments)**: the Company suspends payment of its debts generally;
 - (xiii) **(Event of Insolvency)**: an event of insolvency occurs in respect of the Company or any of its subsidiaries;

- (xiv) **(Judgment against the Company or a Subsidiary)**: a judgment in an amount exceeding \$100,000 is obtained against the Company or any of its subsidiaries and is not set aside or satisfied within 7 days;
- (xv) **(Litigation)**: litigation, arbitration, administrative or industrial proceedings are after the date of the Underwriting Agreement commenced or threatened against the Company or any of its subsidiaries, other than any claims foreshadowed in the Prospectus;
- (xvi) **(Board and Senior Management composition)**: there is a change in the composition of the Board or a change in the senior management of the Company before completion of the Offer without the prior written consent of the Underwriter which consent is not to be unreasonably withheld;
- (xvii) **(Change in shareholdings)**: there is a material change in the major or controlling shareholdings of the Company or any of its subsidiaries or a takeover offer or scheme of arrangement pursuant to Chapter 5 or 6 of the Corporations Act is publicly announced in relation to a Relevant Company;
- (xviii) **(Timetable)**: there is a delay in any specified date in the Offer timetable which is greater than 3 Business Days;
- (xix) **(Force Majeure)**: a force majeure affecting the Company's business or any obligation under the Agreement lasting in excess of 7 days occurs;
- (xx) **(Certain resolutions passed)**: the Company or any of its subsidiaries passes or takes any steps to pass a resolution under section 254N, section 257A or section 260B of the Corporations Act or a resolution to amend its Constitution without the prior written consent of the Underwriter;
- (xxi) **(Capital Structure)**: the Company or any of its subsidiaries alters its capital structure in any manner not contemplated by the Prospectus;
- (xxii) **(Investigation)**: any person is appointed under any legislation in respect of companies to investigate the affairs of the Company or any of its subsidiaries; or
- (xxiii) **(Market Conditions)**: a suspension or material limitation in trading generally on ASX occurs or any material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, Japan, the United Kingdom, the United States of America or other international financial markets.

The Underwriting Agreement also contains a number of indemnities, representations and warranties from the Company to the Underwriter that are considered standard for an agreement of this type.

6.18 Patersons Lead Manager Mandate

On 25 February 2013 the Company entered into a mandate with Patersons for the appointment of Patersons as Underwriter and Lead Manager to the Offer. In addition to the services provided by Patersons as Underwriter and Nominee, Patersons has agreed to act as Lead Manager of the Offer.

For any amounts raised by Patersons above the minimum subscription the Company will pay brokerage of 6%.

6.19 IMC Sub-Underwriting Agreement

Please refer to the summary provided in section 3.7.

6.20 Settlement and Offset Deed

Please refer to the summary provided in section 3.11.

6.21 Arrangement with Nominee for Foreign Holders

Please refer to the summary provided in section 3.19.

6.22 Market Prices of Existing Shares on ASX

The highest and lowest market sale price of the Existing Shares, which are on the same terms and conditions as the New Shares being offered under this Prospectus, during the three months immediately preceding the lodgement of this Prospectus with the ASIC, and the last market sale price on the date before the lodgement date of this Prospectus, are set out below.

	3 month high	3 month low	Last market sale price
Price	0.002	0.001	0.001

6.23 CHESS

The Company participates in the Clearing House Electronic Subregister System (**CHESS**). CHESS is operated by ASX Settlement Pty Ltd (**ASPL**), a wholly owned subsidiary of ASX.

Under CHESS, the Company does not issue certificates to investors. Instead, security holders will receive a statement of their holdings in the Company, including New Shares issued under this Prospectus. If an investor is broker sponsored, ASPL will send a CHESS statement.

6.24 Taxation and duty implications

The Directors do not consider that it is appropriate to give Shareholders advice regarding the taxation consequences of the Company conducting the Offer or Shareholders applying for New Shares under this Prospectus, as it is not possible to provide a comprehensive summary of the possible taxation positions of Shareholders. The Company, its advisers and officers, do not accept any responsibility or liability for any taxation consequences to Shareholders in the Offer. Shareholders should, therefore, consult their own professional tax adviser in connection with the taxation implications of the Offer.

No brokerage or duty is payable by Applicants in respect of Applications for New Shares under this Prospectus.

6.25 Privacy

The Company collects information about each Applicant provided on an Entitlement and Acceptance Form for the purposes of processing the Application and, if the Application is successful, to administer the Applicant's security holding in the Company.

By submitting an Entitlement and Acceptance Form, each Applicant agrees that the Company may use the information provided by an Applicant on the Entitlement and Acceptance Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the Share Registry, the Company's related body corporates, agents, contractors and third party service providers, including mailing houses and professional advisors, and to ASX and regulatory authorities.

If an Applicant becomes a Shareholder, the Corporations Act requires the Company to include information about the Shareholder (including name, address and details of the Shares held) in its public register. The information contained in the Company's public register must remain there even if that person ceases to be a Shareholder. Information contained in the Company's register is also used

to facilitate distribution payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its security holders) and compliance by the Company with legal and regulatory requirements.

If you do not provide the information required on the Entitlement and Acceptance Form, the Company may not be able to accept or process your Application. An Applicant has the right to gain access to the information that the Company holds about that person subject to certain exceptions under law. A fee may be charged for access. Such requests must be made in writing to the Company's registered office.

6.26 Enquiries

Any queries regarding the Offer should be directed to Mr Neville Bassett, on +61 08 9388 6711.

Any queries regarding the Entitlement and Acceptance Form should be directed to the Share Registry on 1300 850 505.

You can also contact your stockbroker or professional adviser with any queries in relation to the Offer.

7 RIGHTS AND LIABILITIES ATTACHING TO SHARES

Full details of the rights and liabilities attaching to the Shares are:

- detailed in the Constitution, a copy of which can be inspected, free of charge, at the registered office of the Company during normal business hours; and
- in certain circumstances, regulated by the Corporations Act, the Listing Rules and the general law.

The following is a summary of the more significant rights and liabilities attaching to the Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

(a) Voting Rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at a general meeting of members every member has one vote on a show of hands and one vote per Share on a poll. Voting may be in person or by proxy, attorney or representative.

(b) Dividends

Subject to the rights of holders of shares issued with any special rights (at present there are none), the profits of the Company which the Board may from time to time determine to distribute by way of dividend are divisible to each share of a class on which the Board resolves to pay a dividend in proportion to the amount for the time being paid on a share bears to the total issue price of the share. All Shares currently on issue and the shares to be issued under this Prospectus are fully paid Shares.

(c) Future Issues of Securities

Subject to the Corporations Act and the Listing Rules, the Directors may issue, grant options over, or otherwise dispose of unissued shares in the Company at the times and on the terms that the Directors think proper and a share may be issued with preferential or special rights.

(d) Transfer of Shares

A shareholder may transfer Shares by a market transfer in accordance with any computerised or electronic system established or recognised by ASX for the purpose of facilitating transfers in Shares or by an instrument in writing in a form approved by ASX or the Board.

(e) Meetings and Notices

Each shareholder is entitled to receive notice of, and to attend, general meetings for the Company and to receive all notices, accounts and other documents required to be sent to shareholders under the Constitution, the Corporations Act or the Listing Rules.

Shareholders may requisition meetings in accordance with the Corporations Act.

(f) Election of Directors

There must be a minimum of 3 Directors. At every annual general meeting one third of the Directors (rounded to the nearest whole number) must retire from office. If the Company has less than 3 Directors, one Director must retire from office together with any Director who would have held office for more than 3 years if that Director remains in office until the next general meeting. These retirement rules do not apply to certain appointments including the managing director.

(g) Indemnities

To the extent permitted by law the Company must indemnify each past and present Director and secretary against any liability incurred by that person as an officer of the Company and any legal costs incurred in defending an action in respect of such liability.

(h) Winding Up

If the Company is wound up, the liquidator may, with the sanction of a special resolution of the shareholders:

- divide the assets of the Company among the members in kind;
- for that purpose fix the value of assets and decide how the division is to be carried out as between the members and different class of members; and
- vest assets of the Company in trustees on any trusts for the benefit of the members as the liquidator thinks appropriate.

(i) Shareholder Liability

As the Shares under the Prospectus are fully paid Shares, they are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(j) Alteration to the Constitution

The Constitution can only be amended by a special resolution passed by at least three quarters of shareholders present and voting at the general meeting. At least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

(k) Listing Rules

If the Company is admitted to trading on the Official List, then despite anything in the Constitution, if the Listing Rules prohibit an act being done, the act must not be done. Nothing in the Constitution prevents an act being done that the Listing Rules require to be done. If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the Listing Rules require the Constitution to contain a provision and it does not contain such a provision, the Constitution is deemed to contain that provision. If the Listing Rules require the Constitution not to contain a provision and it contains such a provision, the Constitution is deemed not to contain that provision. If a provision of the Constitution is inconsistent with the Listing Rules, the Constitution is deemed not to contain that provision to the extent of the inconsistency.

8 ADDITIONAL INFORMATION

8.1 Continuous Disclosure Obligations

The Company is a "disclosing entity" (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act and is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's 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 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. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the period from lodgement of the Company's annual financial statements of the Company for the financial year ended 30 June 2012 to the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act, states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
 - (i) the annual financial statements of the Company for the financial year ended 30 June 2012, being the last financial statements for a financial year, of the Company lodged with the ASIC before the issue of this Prospectus;
 - (ii) any half-year financial report lodged by the Company with the ASIC after the lodgement of the annual financial report referred to in (i) above and before the lodgement of this Prospectus with the ASIC; and
 - (iii) any continuous disclosure documents used to notify ASX of information relating to the Company in the period from lodgement of the financial statements referred to in paragraph (i) above until the issue of the Prospectus in accordance with the Listing Rules as referred to in section 674(1) of the Corporations Act.

Copies of all documents lodged with the ASIC in relation to the Company can be obtained free of charge from the Company's registered office during normal office hours.

The Company has lodged the following announcements with ASX since the 30 June 2012 audited financial statements:

Date	Description of announcement
31/10/2012	Quarterly Activities Report
31/10/2012	Quarterly Cashflow Report
29/11/2012	Results of Meeting
24/01/2013	Director Appointment
25/01/2013	Initial Director's Interest Notice
30/01/2013	Quarterly Activities Report
30/01/2013	Quarterly Cashflow Report
15/02/2013	Board Changes and Capital Raising Plans
15/02/2013	Initial Director's Interest Notice
15/02/2013	Initial Director's Interest Notice
15/02/2013	Final Director's Interest Notice
15/02/2013	Final Director's Interest Notice
05/03/2013	Viking Farm-in Negotiations Terminate
14/03/2013	Half-Year Report
14/03/2013	Trading Halt
19/03/2013	Rights Issue
27/03/2013	Company Presentation

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours or from www.asx.com.au.

8.2 Directors' Interests

As at the date of this Prospectus the Directors have a relevant interest in securities of the Company and remuneration as set out below.

Securities

Director	Shares	Options	Entitlement
Peter Cockcroft	150,000	Nil	675,000
Robert Downey	Nil	Nil	Nil
Steven Wood	Nil	Nil	Nil
Stephen Harrison	Nil	Nil	Nil

Remuneration

The remuneration of an executive Director is decided by the Board, without the affected executive Director participating in that decision-making process. The total maximum remuneration of non-executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director.

A Director may be paid fees or other amounts (i.e. non-cash performance incentives such as Options, subject to any necessary Shareholder approval) as the other Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. In addition, Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The following table shows the total (and proposed) annual remuneration paid to both executive and non-executive directors.

Director	2013	2012	2011
Peter Cockcroft	149,000	15,867	Nil
Robert Downey	18,000	Nil	Nil
Steven Wood	Nil	Nil	Nil
Stephen Harrison	18,000	Nil	Nil

Note:

The Chairman and non-executive Directors are entitled to annual directors' fees of \$240,000 and \$48,000 (inclusive of superannuation) respectively. Mr Wood as the appointed nominee of IMC does not receive any remuneration.

Other Interests

Other than as set out above or elsewhere in this Prospectus, no Director or proposed Director holds at the date of this Prospectus, or held at any time during the last two years before the date of lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company; or
- (b) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion of the Company or the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid by any person and no benefits have been given or agreed to be given by any person:

- (d) to a Director or proposed Director to induce him or her to become, or to qualify as, a Director; or
- (e) for services provided by a Director or proposed Director in connection with the formation or promotion of the Company or the Offer.

8.3 Interests of advisors

Except as disclosed in this Prospectus, no expert, 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, nor any firm in which any of those persons is or was a partner nor any company in which any of those persons is or was associated with, has now, or has had, in the two year period ending on the date of this Prospectus, any interest in:

- (a) the formation or promotion of the Company; or
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- (c) the Offer.

Thompson Downey Cooper has acted as solicitors to the Company for the purposes of this Prospectus. In respect of this work, the Company will pay approximately \$20,000 exclusive of GST. Subsequently fees will be paid in accordance with normal hourly rates. Robert Downey is a partner of Thompson Downey Cooper, Solicitors to the Company and which firm has been involved in the preparation of this Prospectus.

The Underwriter will be paid the fees set out in section 6.17. During the 24 months preceding lodgement of this Prospectus with the ASIC, the Underwriter has been paid a total of \$440,000 (exclusive of GST) for underwriting and placement services provided to the Company.

Patersons has been appointed as the Company's nominee under Listing Rule 7.7 (subject to approval by the ASIC).

IMC will not receive any fees from the Company in sub-underwriting the Offer.

8.4 Consents

Patersons has given its written consent to being named as Underwriter to the Offer, Nominee to the Company and Lead Manager in this Prospectus, in the form and context in which it is named. Patersons has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

IMC has given its written consent to being named as sub-underwriter to the Offer in this Prospectus, in the form and context in which it is named. IMC has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Thompson Downey Cooper has given its written consent to being named as the solicitors to the Company in this Prospectus. Thompson Downey Cooper has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Rothsay Chartered Accountants has given its written consent to being named as the auditors to the Company in this Prospectus and to inclusion of the audit reviewed accounts at section 4.3 of this Prospectus. Rothsay Chartered Accountants has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

8.5 Financial Forecasts

The Directors have considered the matters set out in the ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable estimate forecast or projection.

9 DIRECTORS' RESPONSIBILITY AND CONSENT

Each Director has consented to the lodgement of this Prospectus with the ASIC and has not withdrawn that consent.

Dated: 27 March 2013



.....
Signed for and on behalf of
Kairiki Energy Limited by Peter Cockcroft

10 GLOSSARY

Where the following terms are used in this Prospectus they have the following meanings:

\$, A\$ or Dollars	Australian dollars unless otherwise stated.
Applicant	a person who submits a valid Entitlement and Acceptance Form pursuant to this Prospectus.
Application	a valid application made on an Entitlement and Acceptance Form to subscribe for New Shares pursuant to this Prospectus.
Application Monies	means funds advanced to the Company with a valid Application.
ASIC	the Australian Securities & Investments Commission.
ASX	the ASX Limited ACN 008 624 691 and where the context permits the Australian Securities Exchange operated by ASX Limited.
Board	the board of Directors.
Closing Date	the closing date for receipt of Entitlement and Acceptance Forms under this Prospectus, estimated to be 5.00pm WST on 30 April 2013 or an amended time as set by the Board.
Company or Kairiki	Kairiki Energy Limited (ACN 002 527 906).
Constitution	the constitution of the Company.
Convertible Note Deed	the convertible note deed between the Company and IMC dated 5 September 2008 and as amended by deed dated 24 August 2011.
Convertible Note	convertible notes issued under the Convertible Note Deed.
Corporations Act	the <i>Corporations Act 2001</i> (Cth).
Director	a director of the Company.
Eligible Shareholders	a Shareholder as at the Record Date with a registered address in Australia or New Zealand.
Entitlement	a Shareholder's entitlement to subscribe for New Shares offered by this Prospectus.
Entitlement and Acceptance Form	the personalised entitlement and acceptance application form attached to this Prospectus.
Ex Date	3 April 2013.
IMC Debt	the Company's debt to IMC in the amount of \$7,734,978.45 (anticipated amount outstanding at 30 April 2013) secured by the Convertible Note.
IMC	IMC Oil & Gas Investments Ltd.
Ineligible Shareholder	a Shareholder who is not an Eligible Shareholder.

Listing Rules	the listing rules of the ASX.
Minimum Parcel Shareholder	a Shareholder that holds less than a marketable parcel (as defined in the Listing Rules) of Shares.
New Shares	Shares issued pursuant to this Prospectus.
Nominee	Patersons Securities Limited (ABN 69 008 896 311).
Offer	an invitation made in this Prospectus to subscribe for New Shares.
Official List	the official list of the ASX.
Official Quotation	Official quotation of the New Shares on ASX.
Option	an option to purchase a Share.
Patersons	Patersons Securities Limited (ABN 69 008 896 311)
Price	\$0.001 per New Share.
Prospectus	this Prospectus and includes the electronic version of this Prospectus.
Record Date	9 April 2013
Share	a fully paid ordinary share in the Company.
Share Registry	Computershare Investor Services Pty Limited.
Shareholder	the registered holder of Shares in the Company.
Shortfall	will occur if the Company does not hold successful valid Applications for all the New Shares offered by the Company under this Prospectus by the Closing Date.
Shortfall Shares	New Shares for which valid Applications have not been received by the Closing Date.
Sub-Underwriter	IMC
Sub-Underwriting Agreement	the agreement described at section 3.7 of this Prospectus.
Underwriter	Patersons Securities Limited
Underwriting Agreement	the underwriting agreement between the Company and the Underwriter executed on 26 March 2013.
WST	Western Standard Time, Western Australia.