

4 July 2013



ASX Market Announcements  
ASX Limited  
20 Bridge Street  
SYDNEY NSW 2000

## Convertible Note Conversion

Kairiki Energy Limited ("**Kairiki**" or "**the Company**") advises that, pursuant to the Convertible Note Deed ("**Note Deed**") between IMC Oil & Gas Investments Limited ("**IMC**") and Kairiki, IMC has issued a notice requesting Kairiki to seek shareholder approval with respect to the conversion of the 7,458,592 notes remaining in issue under the Note Deed.

To facilitate the conversion of the notes to ordinary fully paid shares in Kairiki ("**Shares**"), Kairiki and IMC have entered into an Implementation Agreement to provide certainty on the conversion amount and to provide for other matters agreed between the parties. Pursuant to the terms of the Note Deed the conversion price will be \$0.001 per Share.

The principle terms of the Implementation Agreement are:

1. Notwithstanding that the completion date will take place after 30 June 2013 the parties have agreed that the indebtedness to IMC:
  - (i) on the completion date will be US\$7,893,055.62;
  - (ii) is calculated on the basis of all amounts outstanding under the Note Deed as at 30 June 2013;
  - (iii) will not increase by way of outstanding interest or otherwise if the conditions precedent are satisfied or waived on or before 31 August 2013 and completion occurs under the Implementation Agreement;
  - (iv) will be converted from USD to AUD pursuant to the Oanda USD/AUD exchange rate applicable on the date of issue of the notice requesting Kairiki to seek shareholder approval in respect of the conversion of the remaining notes under the Note Deed.
2. In consideration for IMC paying its own legal costs and other expenses with respect to the rights issue undertaken by the Company pursuant to the Prospectus dated 8 April 2013, the Implementation Agreement and the note conversion, the Company has agreed to grant to IMC, options on the following terms:
  - (i) A total of 150,000,000 options to acquire Shares ("**Options**");
  - (ii) The Options will have an exercise price of \$0.002 each;
  - (iii) The Options will have an expiry date of 30 June 2015;
  - (iv) The Options will not be quoted on ASX; and
  - (v) The Options will be freely transferable.

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3. The Company has agreed to grant to IMC the right of first refusal (**Right of First Refusal**) to subscribe for or apply for one third of any offering of any securities for a period of two years. The Right of First Refusal does not include any offerings pursuant to any rights issues or any share purchase plan offered to all shareholders.

The matters contained within the Implementation Agreement are subject to and conditional on, inter alia:

- (a) the shareholders of the Company passing resolutions at a general meeting pursuant to:
  - (i) section 611 item 7 of the Corporations Act approving conversion of the Note Deed indebtedness to Shares and the issue of Shares to IMC and the exercise of the Options; and
  - (ii) Listing Rule 10.11 approving the grant of the Options to IMC and the grant of the Right of First Refusal to IMC.
- (b) any consents necessary relating to 'Change of Control' under Service Contract 54A and 54B.
- (c) the IMC parent group investment committee approving the terms of the Implementation Agreement.

Based on the current capital structure of the Company and the terms of conversion as outlined in 1 above and the Shares on issue, IMC's interest in the Company following conversion of the remaining notes under the Note Deed will be as follows:

	Pre-Conversion		Post-Conversion	
	Number	%	Number	%
<b>Shares</b>				
Current shareholders (excluding IMC)	2,688,363,837	90.1	2,688,363,837	23.1
IMC	295,000,000	9.9	8,970,210,000	76.9
Total	2,983,363,837	100	11,658,573,837	100
<b>Options</b>				
Current optionholders (16/5/2014; \$0.065)	36,000,000		36,000,000	
IMC (30/6/2015; \$0.002)	Nil		150,000,000	

The Company is in the process of obtaining the necessary independent expert reports required by section 611 of the Corporations Act and will dispatch meeting documents to all shareholders as soon as possible.

It is the intention of the Company to seek shareholder approval for a consolidation of the issued capital of the Company on a one (1) for fifty (50) basis.



The Board is also considering fundraising alternatives, such as a share purchase plan, given the recent termination of the rights issue offer and the desire of the Board to allow all shareholders to participate in any near term capital raisings.

Yours faithfully

N J Bassett  
Company Secretary