



KAIRIKI ENERGY LIMITED

ACN 002 527 906

OFFER DOCUMENT

For a pro rata renounceable rights issue of one (1) New Share for every five (5) Shares held by Shareholders registered at 5.00pm (WST) on 8 November 2010 at an issue price of 4 cents per Share to raise up to approximately \$5,159,280 (Offer).

CLOSING DATE: 5.00pm (WST), 26 November 2010

Underwriter

Patersons Securities Limited

IMPORTANT NOTICE

This document is not a prospectus. It does not contain all of the information that an investor would find in a prospectus or which may be required in order to make an informed investment decision regarding, or about the rights attaching to, the New Shares offered by this document.

This document is important and requires your immediate attention. It should be read in its entirety. If you do not understand its content or are in doubt as to the course you should follow, you should consult your stockbroker or professional adviser without delay.

The New Shares offered by this Offer Document should be considered speculative.

This offer opens on 12 November 2010 and closes at 5.00pm (WST) on 26 November 2010. Valid acceptances must be received before that time.

Please read the instructions in this document and on the accompanying Entitlement and Acceptance Form regarding the acceptance of your Entitlement.

IMPORTANT NOTES

This Offer Document is dated 27 October 2010.

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

The Offer is an offer of quoted securities (as defined in the Corporations Act) of the Company and has been prepared in accordance with section 708AA of the Corporations Act. In broad terms, section 708AA relates to rights issues by certain companies that do not require the provision of a prospectus or other disclosure document. Accordingly, the level of disclosure in this Offer Document is significantly less than that required in a prospectus. Eligible Shareholders should therefore rely upon their own knowledge of the Company, refer to the disclosures made by it to the ASX, and refer to their professional advisers before deciding whether to accept the Offer.

Capitalised terms in this Offer Document are generally defined terms. Their meaning is set out in Section 5 of this Offer Document.

Eligibility

Applications for New Shares by Eligible Shareholders can only be made on an original Entitlement and Acceptance Form, as sent with this Offer Document. The Entitlement and Acceptance Forms sets out an Eligible Shareholder's Entitlement to participate in the Offer.

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 Offer Document.

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 the New Shares these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction.

Shareholders resident outside Australia should consult their professional advisers as to whether any government or other consents are required, or other formalities need to be observed, to enable them to take up their Entitlements under the Offer.

Privacy Act

If you complete an application for New Shares, you will be providing personal information to the Company (directly or by the Company's Share Registry). The Company collects, holds and uses that information to assess your application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's Share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Offer Document.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1998 (Cth) (as amended), the Corporations Act and certain rules such as the ASTC Settlement Rules. You should note that if you do not provide the information required on the application for Securities, the Company may not be able to accept or process your application.

CORPORATE DIRECTORY

Directors

Paul Damien John Fry
Mark Walker Fenton
Neville John Bassett

Company Secretary

Neville John Bassett

Registered and Principal Office

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

Telephone: (08) 9388 6711

Facsimile: (08) 9388 6744

Website: www.kairikienergy.com

Underwriter and Lead Manager

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

Share Registry

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

Investor enquiries:

Telephone: 1300 557 010

(08) 9323 2000

Facsimile: (08) 9323 2033

Auditor

Rothsay
Chartered Accountants
96 Parry Street
Perth WA 6000

Securities Exchange Listing

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

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1 DETAILS OF THE OFFER

1.1 The Offer

The Company is making a renounceable pro-rata offer of New Shares at an issue price of 4 cents each on the basis of one (1) New Share for every five (5) Shares held on the Record Date (the Offer).

The Company intends to apply the funds raised from the Offer towards the ongoing participation of the Company's interest in the Philippines Offshore Exploration Service Contract SC54A and SC54B, costs of the Offer and for additional working capital. The cash costs of the Offer will be approximately \$400,000.

As at 25 October 2010, the date of announcement of the Offer, the Company had on issue:

- 560,909,998 listed Shares; and
- 500,000 unlisted Options exercisable at 30 cents each by 31 May 2011.

A further 84,000,000 Shares will be allotted and issued prior to the Record Date, pursuant to the placement announced by the Company on 25 October 2010.

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

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

The maximum number of ordinary fully paid shares that IMC Oil and Gas Investments Limited may receive on converting the Notes as at the date of this offer is 70,073,390 shares.

The capital structure outlined above may change if any existing Options are exercised or Notes converted before the Record Date. Any increase to the number of Shares on issue will increase the number of New Shares which may be issued under the Offer by a corresponding amount. New Shares are fully paid ordinary shares which upon issue will rank equally with existing Shares on issue.

Option holders and Note holders who do not hold Shares on the Record Date are not entitled to participate in the Offer. Where the determination of the Entitlement of any Eligible Shareholder results in a fraction such fraction will be rounded down to the nearest whole number.

The Offer is renounceable. This provides Eligible Shareholders who do not wish to subscribe for some or all of their Rights an opportunity to sell their Rights. Shareholders who do not exercise their Rights will be diluted with respect to their interest in the Company.

1.2 Effect of the Offer on the Capital Structure and Financial Position of the Company

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

Shares	Number
Shares on issue at the date of the Offer ¹	560,909,998
Shares to be issued pursuant to private placement (as announced to ASX on 25 October 2010)	84,000,000
New Shares now offered under the Offer ²	128,982,000
Total Shares on issue at completion of the Offer	773,891,998
Options	Number
Options on issue at the date of the Offer ¹	500,000

1. *The Shares on issue at the date of the Offer may increase if existing Options are exercised or Notes are converted before the Record Date, and the Options on issue will correspondingly decrease.*
2. *The New Shares to be offered may increase if existing Options are exercised or Notes are converted before the Record Date.*

The Company's cash reserves following completion of the Offer, assuming the Offer, or the Shortfall offer if any, is fully subscribed, will increase by approximately \$4,759,280, being the gross proceeds of the Offer, less the costs of the Offer.

At the date of this Offer Document, subject to settlement of the placement of 84,000,000 Shares at 4 cents each as announced to ASX on 25 October 2010, the Company will have cash reserves of \$4,959,165.

1.3 Timetable

Announcement of Offer	25 October 2010
Lodgement of Offer Document & Appendix 3B & Section 708AA (2) (f) Notice	27 October 2010
Notice of Rights Issue sent to Shareholders	29 October 2010
"Ex" Date (date from which Shares commence trading without the entitlement to participate in the Rights Issue)	1 November 2010
Rights trading commences on ASX	1 November 2010
Record Date (date for determining entitlements of eligible shareholders to participate in the Rights Issue)	8 November 2010
Offer Document dispatched to Shareholders (expected date of dispatch of offer document, entitlement and acceptance forms)	12 November 2010
Rights Issue opens	12 November 2010
Rights trading on ASX ends	19 November 2010
Closing Date* (5.00pm WST)	26 November 2010
Notification of under-subscriptions to Underwriter and ASX	1 December 2010
Allotment Date**	6 December 2010
Dispatch Holding Statements**	6 December 2010

* Subject to the Listing Rules, the Directors, in conjunction with the Underwriter, reserve the right to extend the Closing Date for the Offer at their discretion. Should this occur the extension will have a consequential effect on the anticipated date of issue for the New Shares.

** Dates are indicative only

1.4 Entitlements and acceptance

The Entitlement of Eligible Shareholders to participate in the Offer is determined on the Record Date. Your Entitlement is shown on the Entitlement and Acceptance form accompanying this Offer Document.

Acceptances must not exceed your maximum Entitlement (as shown on the Entitlement and Acceptance Form) although you may accept a lesser number of New Shares should you wish to take up only part of your Entitlement. If your acceptance exceeds your Entitlement, acceptance will be deemed to be for your maximum Entitlement and any surplus application monies will be returned to you.

1.5 Rights trading

The Offer is renounceable. This provides Eligible Shareholders who do not wish to subscribe for some or all of their Rights an opportunity to sell those Rights on the ASX. The Rights trading period on the ASX commences on 1 November 2010 and ends on 19 November 2010. Details on how to sell your rights are set out in Section 2.2 and 2.3.

1.6 Underwriting

The Offer is fully underwritten by Patersons Securities Limited. The Underwriting Agreement is subject to certain conditions including circumstances under which the Underwriter may terminate its obligations. The terms and conditions of the Underwriting Agreement, including underwriting fees, are summarised in Section 4.1 of this Offer Document.

1.7 Shortfall

If you do not wish to take up any part of your Entitlement or trade your Rights under the Offer, you are not required to take any action. That part of your Entitlement not taken up will form part of the Shortfall and dealt with by the Underwriter as outlined in Section 1.6 and 4.1.

In the event that the Shortfall or part of the Shortfall is not dealt with by the Underwriter for any reason, the Directors reserve the right to issue the Shortfall at their discretion.

1.8 Opening and Closing Dates

The Offer opens on the Opening Date, being 12 November 2010. The Company will accept Entitlement and Acceptance Forms until 5.00pm WST on the Closing Date or such other date as the Directors, in conjunction with the Underwriter, in their absolute discretion shall determine, subject to the Listing Rules.

1.9 Issue and Dispatch

The expected dates for issue of New Shares offered by this Offer Document and dispatch of holding statements is expected to occur on the dates specified in the Timetable set out in Section 1.3 of this Offer Document.

It is the responsibility of applicants to determine their allocation prior to trading in the New Shares. Applicants who sell Shares before they receive their holding statements will do so at their own risk.

1.10 ASX Listing

Application has been made to the ASX for quotation of the New Shares. 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. Issues of New Shares under the Offer will only be made after permission for their quotation on the ASX has been granted.

1.11 CHESS

The Company will apply to ASX to participate in CHESS, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHESS will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation. Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of New Shares allotted to them under this Offer Document. The notice will also advise holders of their Holder Identification Number (HIN) and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

1.12 Overseas Eligible Shareholders

This Offer Document and accompanying Entitlement and Acceptance Form do not, nor are they intended to, constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. Shareholders resident outside Australia should consult their professional advisors as to whether any government or other consents are required, or other formalities need to be observed, to enable them to take up their Entitlements under the Offer.

1.13 Taxation Implications

The Directors do not consider it appropriate to give Shareholders advice regarding the taxation consequences of subscribing for New Shares under this Offer Document. The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Shareholders.

Shareholders should consult their professional tax advisor in connection with subscribing for New Shares under this Offer Document.

1.14 Rights and Liabilities attaching to New Shares

The New Shares will rank equally in respect of dividends and have the same rights in all other respects (e.g. voting, bonus issues) as existing Shares. Full details of the rights and liabilities attaching to Shares are set out in the Company's Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

1.15 Risk Factors

An investment in New Shares should be regarded as speculative. In addition to the general risks applicable to all investments in listed securities, there are specific risks associated with an investment in the Company which are described in Section 3 of this Offer Document.

1.16 Withdrawal of Offer

The Directors may at any time, in conjunction with the Underwriter, decide to withdraw this Offer Document and the offer of New Shares made under this Offer Document in which case the Company will return all application monies (without interest) within 28 days of giving such notice of withdrawal.

1.17 Enquiries concerning Offer Document

Enquiries concerning the Entitlement and Acceptance Form can be made by contacting Computershare Investor Services Pty Ltd by telephone on 1300 557 010.

Enquiries relating to this Offer Document should be directed to the Company by telephone on (08) 9388 6711 or by fax on (08) 9388 6744.

2 ACTION REQUIRED BY SHAREHOLDERS

2.1 If you wish to take up your Rights

If you are an Eligible Shareholder and you wish to take up all or part of your Rights, you must accept the Offer by completing the personalised Entitlement and Acceptance Form mailed to you with this Offer Document. Your personalised Entitlement and Acceptance Form will detail your entitlement to New Shares under the Offer. You should complete the form in accordance with the instructions set out on the reverse side of the form.

Your completed Entitlement and Acceptance Form must be accompanied by the requisite Application Monies calculated at four (4) cents in aggregate for each New Share or payment must be made via Bpay® following the instructions on your personalised Entitlement and Acceptance Form. Please ensure that the completed Entitlement and Acceptance Form, together with your Application Monies is received by the Share Registry by not later than 5.00pm WST on 26 November 2010 or such later date as the Directors advise.

2.2 If you wish to sell your Rights in full on ASX

If you wish to sell all of your Rights on ASX, follow the instructions on the back of the accompanying Entitlement and Acceptance Form headed "***Sale of your Entitlement in full by your Stockbroker/Agent***".

You can sell your Rights on ASX from 1 November 2010. All sales on ASX must be effected by close of trading on 19 November 2010, when Rights trading ends on the ASX.

Kairiki Energy does not accept any responsibility for any failure by your stockbroker to carry out your instructions.

2.3 If you wish to sell part of your Rights on ASX and take up the balance

If you wish to sell part of your Rights on ASX and take up the balance, follow the instructions on the back of the accompanying Entitlement and Acceptance Form headed "***Sale of your Entitlement in part by your Stockbroker/Agent and acceptance of the balance***".

You can sell your Rights on ASX from 1 November 2010. Any sale of part of your Rights on ASX must be effected by the close of trading on 19 November 2010, when Rights trading ends on ASX.

To take up the remaining part of your Rights, your stockbroker will need to ensure that the completed Entitlement and Acceptance Form together with the requisite Application Monies reaches the Share Registry by not later than 5.00pm WST on 26 November 2010 or such later date as the Directors advise.

Kairiki Energy does not accept any responsibility for any failure by your stockbroker to carry out your instructions.

2.4 If you wish to transfer all or part of your Rights to another person other than on ASX

If you hold Shares on the issuer-sponsored register and you wish to transfer all or part of your Rights to another person other than on ASX, forward a completed standard renunciation form (which can be obtained from your Stockbroker or the Share Registry) signed by you (as the seller) and the buyer by not later than 5.00pm WST on 19 November 2010, together with your Entitlement and Acceptance Form completed by the buyer and the buyer's cheque or bank draft for the appropriate Application Monies to reach the Share Registry by not later than 5.00pm WST on 26 November 2010 or such later date as the Directors advise.

If you are an Eligible Shareholder holding Shares on CHESS and you wish to transfer all or part of your Rights to another person other than on ASX, you should contact your sponsoring participant.

If the Share Registry receives both a completed renunciation form and a completed Entitlement and Acceptance Form in favour of the same Shareholder in respect of the same Rights, the renunciation will be given effect in priority to the acceptance.

2.5 If you do nothing

If you are an Eligible Shareholder and you do nothing by 5.00pm WST on 26 November 2010, being the Closing Date, your Rights will form part of the Shortfall which will be dealt with by the Underwriter as outlined in Section 1.7.

2.6 Form of Payment

All cheques must be drawn on an Australian Bank or Bank Draft made payable in Australian currency to "Kairiki Energy Limited Share Issue" and crossed "Not Negotiable".

Your completed Entitlement and Acceptance Form, together with your cheque, must be forwarded to:

By Mail:

Kairiki Energy Limited
Computershare Investor Services Pty Ltd
GPO Box D182
Perth WA 6840

In Person:

Kairiki Energy Limited
Computershare Investor Services Pty Ltd
Level 2, 45 St Georges Terrace
Perth WA 6000

Those who elect to pay via BPAY must follow the instructions for BPAY set out in the Entitlement and Acceptance Form. Investors who elect to pay via BPAY will not need to return their completed Entitlement and Acceptance Form.

Completed Entitlement and Acceptance Forms or payment by BPAY must be received no later than 5.00pm (WST) on the Closing Date.

3 RISK FACTORS

3.1 General

The New Shares offered under this Offer Document should be considered speculative because of the nature of the Company's business.

Whilst the Directors recommend that Shareholders take up their Entitlement, there are however numerous risk factors involved. Some of these risks can be mitigated by the use of safeguards and appropriate systems and controls, but some are outside the control of the Company and cannot be mitigated. Accordingly, an investment in the Company carries no guarantee with respect to the payment of dividends, return of capital or price at which New Shares will trade.

The following is a summary of the more material matters to be considered and should be read in conjunction with specific matters referred to in the Company's announcements and reports. However, the summary is not exhaustive and potential investors should examine the contents of this Offer Document in its entirety and consult their professional advisors before deciding whether to apply for the New Shares.

3.2 General Economic Climate

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

3.3 Operational Risks

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

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

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

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.

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.

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.

3.4 Oil and gas price volatility

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

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

3.5 Foreign exchange risk

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

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

3.6 Joint Venture Parties, Agents and Contractors

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

3.7 Environmental

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

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

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

3.8 Future capital needs and additional funding

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

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

3.9 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.

3.10 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.

3.11 Sharemarket Conditions

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

3.12 Speculative Nature of Investment

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

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for New Shares.

4 ADDITIONAL INFORMATION

4.1 Underwriting Agreement

The Offer is fully underwritten by Patersons Securities Limited. Pursuant to the Underwriting Agreement, the Underwriter will be entitled to a maximum fee of 6% (exclusive of GST) of the dollar amount underwritten. In addition, the Underwriter will be paid a Lead Manager fee of \$60,000 (exclusive of GST) in respect to the Offer under this Offer Document and the private placement of 84,000,000 Shares as announced to ASX on 25 October 2010.

The Underwriting Agreement is conditional upon a legal sign off letter being provided to the Company by the Company's solicitors, to the satisfaction of the Underwriter, which confirms that the Offer may be made without disclosure under Chapter 6D of the Corporations Act, and that the Offer will comply with the Constitution of the Company, the Corporations Act, the Listing Rules and any other relevant legislation and policy, by the Record Date.

The Underwriting Agreement provides that:

- a) the Underwriter must ensure that no party will receive Shortfall Shares that in itself (ie. the amount of the shortfall) would result in a voting power in the Company equal to or greater than 10%; and
- b) the Underwriter may terminate the Underwriting Agreement and be relieved of its obligations if certain events occur, which are usual and appropriate for agreements of this nature in the circumstances.

The effect on control of the Company will be as follows:

- a) If all shareholders of the Company on the record date of 8 November 2010 take up their entitlements under the Offer, then the issue of New Shares under the Offer will have no effect on the control of the Company.
- b) If the shareholders take up none or only some of their entitlements under the Offer then the issue of New Shares under the Offer will have limited effect on control of the Company. As indicated above, the Underwriter must ensure that no party will receive Shortfall Shares that in itself (ie. the amount of the shortfall) would result in a voting power in the Company equal to or greater than 10%.

4.2 Section 708AA (2) (f) Notice

The Company has lodged with ASX a notice in accordance with section 708AA of the Corporations Act which sets out, amongst other information, the effect of the Offer on the control of the Company, taking into account the identity and current shareholdings of the sub-underwriters to the Offer. This notice may be reviewed on the websites of the Company and ASX.

5 DEFINED TERMS

Applicant refers to a person who submits an Entitlement and Acceptance Form.

Application refers to the submission of an Entitlement and Acceptance Form.

Application Monies means monies received from persons applying for New Shares.

ASX means ASX Limited (ACN 008 624 691) or, where the context permits, the Australian Securities Exchange operated by ASX Limited.

Closing Date means 5.00pm WST on 26 November 2010.

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

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the directors of the Company.

Eligible Shareholder means a Shareholder whose details appear on the Company's register of Shareholders as at the Record Date.

Entitlement means the entitlement to subscribe for New Shares under this Offer, and Entitlements has a corresponding meaning.

Entitlement and Acceptance Form means the Entitlement and Acceptance Form accompanying this Offer Document.

Listing Rules means the Listing Rules of the ASX.

New Share means a new Share proposed to be issued pursuant to this Offer.

Offer means the offer of New Shares offered under this Offer Document.

Offer Document means this Offer Document dated 27 October 2010.

Opening Date means 12 November 2010.

Options means an option to acquire a Share.

Record Date means 8 November 2010.

Rights means the number of New Shares that an Eligible Shareholder is entitled under this Offer.

Rights Issue means the issue of New Shares under the Offer to Eligible Shareholders on the basis of one (1) New Share for every five (5) Shares held on the Record Date.

Share means an ordinary fully paid share in the capital of the Company.

Share Registry means Computershare Investor Services Pty Ltd, GPO Box D182, Perth WA 6840.

Shortfall means those New Shares under the Offer not applied for by Shareholders under their Entitlement.

Shareholder means a holder of Shares.

Underwriter means Patersons Securities Limited (ABN 69 008 896 311).

Underwriting Agreement means the underwriting agreement dated 27 October 2010 between the Underwriter and the Company.

WST means Australian Western Standard Time.