



29 October 2010

Dear Shareholder

PRO-RATA RENOUNCEABLE RIGHTS ISSUE

Overview

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

Kairiki invites shareholders who are registered at 5.00pm WST on Monday, 8 November 2010 ("**Registered Shareholders**" at the "**Record Date**") to participate in a pro-rata renounceable rights issue on the basis of one (1) fully paid ordinary new share in the Company ("**Shares**") for every five (5) Shares held, at an issue price of 4 cents per Share ("**Rights Issue**").

The Rights Issue will result in the issue of up to approximately 128,982,000 new Shares ("**Rights Issue Shares**") and if fully subscribed will raise up to approximately \$5,159,280 before costs of the offer. The Rights Issue may be increased if holders of existing unlisted options exercise those options or the holder of a convertible note converts all or part of their note and are issued Shares on or prior to the Record Date.

Pursuant to provisions introduced into the Corporations Act 2001 ("Act") in 2007 (Section 708AA), the Company is not required to prepare a prospectus for the Rights Issue. A notice under section 708AA (2)(f) of the Corporations Act (Notice) and an Offer Document was lodged with the ASX on 27 October 2010 in respect of the Rights Issue and the Offer Document will be mailed to shareholders on or about 12 November 2010. The Offer Document will not constitute an offer in any place in which or to any person to whom it would be unlawful to make such an offer. Accordingly, it is the responsibility of non-resident applicants to obtain all necessary approvals for the allotment and issue to them of securities pursuant to the offer document.

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

Underwriting and Use of Proceeds

The Rights Issue is fully underwritten by Patersons Securities Limited. Proceeds from the Rights Issue will be applied towards the ongoing participation of the Company's interest in the Philippines Offshore Exploration Service Contract SC54A and SC54B, costs of the Offer and for additional working capital. The cash costs of the Offer will be approximately \$400,000.



Capital Structure

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
Unlisted 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.

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.

Timetable

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

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



As soon as practicable following the Record Date Kairiki will dispatch an Offer Document and also a personalised Entitlement and Acceptance Form to Registered Shareholders. If you are eligible and wish to participate in the Rights Issue, it will be necessary for you to complete this personalised Entitlement and Acceptance Form and return it, with the appropriate application monies to the companies share registry before 5.00pm WST on the anticipated closing date of 26 November 2010.

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

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

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

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

Neville Bassett
Company Secretary