

16 January 2018

Dear King Country Energy Limited shareholder,

ADDENDUM TO TARGET COMPANY STATEMENT

This document is an addendum to King Country Energy Limited's ("KCE") Target Company Statement dated 5 January 2018. The Target Company Statement is KCE's response to KCE JV's full takeover offer for KCE.

The Target Company Statement includes an Independent Adviser's Report on the merits of KCE JV's full takeover offer. Section 2.7 of the Independent Adviser's Report states that if KCE JV's takeover offer receives acceptances of 90% or more, KCE JV will compulsorily acquire the remaining shares for \$5.00 per share. The purpose of this addendum is to clarify that statement.

The compulsory acquisition price depends on the level of acceptances to KCE JV's offer:

1. If KCE JV receives acceptances to the offer for more than 92.525% of KCE's shares, the compulsory acquisition price will be the offer price (\$5.00 per share).¹
2. If KCE JV receives acceptances to the offer for between 90% and 92.525% of KCE's shares, the compulsory acquisition price will be a cash sum certified as fair and reasonable by an independent adviser approved by the Takeovers Panel. If the compulsory acquisition price is determined under this method, then shareholders together holding at least 2% of the total number of KCE's shares, or 10% of the outstanding shares (i.e. the shares not accepted into the offer), may within a prescribed period object to the compulsory acquisition price, in which case the compulsory acquisition price will be determined by an independent expert appointed by the Takeovers Panel.²

The Independent Committee cannot predict the compulsory acquisition price that would result from the process described in paragraph 2 above. **That price may be higher or lower than the offer price.**

The Independent Committee confirms its unanimous recommendation that shareholders should accept the offer.

Yours faithfully



Toby Stevenson

Chairman of the Board and of the Independent Committee

¹ Rule 56 of the Takeovers Code provides that the compulsory acquisition price will be the offer price if offer acceptances exceed 50% of the shares the subject of the offer (excluding the shares held by the offeror). In this case, the offeror, KCE JV, holds 85.05% of KCE's shares. Excluding those shares, 14.95% of KCE's shares are subject to the offer. 50% of 14.95% is 7.475%. Accordingly, for the compulsory acquisition price to be the offer price, KCE JV must receive acceptances to the offer (excluding KCE JV's shares) for more than 7.475% of KCE's shares. Put another way, when KCE JV's existing shareholding (85.05%) is taken into account, for the compulsory acquisition price to be the offer price, KCE JV must receive acceptances to the offer for more than 92.525% of KCE's shares (85.05% + 7.475% = 92.525%).

² Rule 57 of the Takeovers Code.