

7 June 2016

Rob Foster
King Country Energy Limited
14 Manuaute Street
Taumarunui 3920

Email: rfoster@kce.co.nz

Dear Rob,

NOTICE OF SHAREHOLDER PROPOSALS

As you are aware, King Country Energy Limited's ("**KCE**") current constitution is not a "standard" constitution. Rather, it more closely resembles a constitution for a listed company and many of its clauses reflect provisions of the NZX Listing Rules as were in effect at the time the current constitution was adopted.

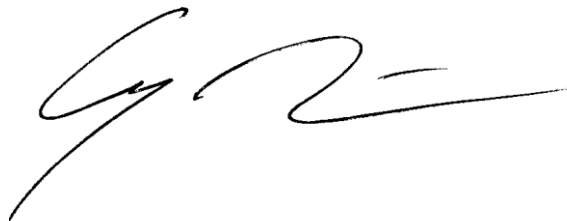
We are aware of the work previously undertaken to review the constitution with an NZX listing in mind. Even though the decision has been taken not to list on the NZX, we feel that the constitution requires refreshing to meet the current and future needs of the business.

As such, it is proposed that the current constitution be replaced with a new constitution ("**New Constitution**") **attached** to the covering email. The New Constitution is relatively "standard form" for a widely held company such as KCE. We have set out in a table below certain key differences between the current constitution, the New Constitution and, given that shareholders had already voted to approve it, the constitution that was to take effect upon KCE entering into a listing agreement with NZX Limited ("**NZX Constitution**").

In addition, **attached** are the Shareholders proposals from King Country Energy Holdings Limited requesting that special resolutions be put at the next annual meeting of the Company ("**Meeting**") to replace the current constitution with the New Constitution and to buyback those shareholders who are "gone no address".

If you wish to discuss any aspect of this please do not hesitate to contact me.

Kind regards

A handwritten signature in black ink, appearing to read 'G. Neustroski', with a long horizontal stroke extending to the right.

Craig Neustroski

SCHEDULE

DIFFERENCES BETWEEN CONSTITUTIONS

Issue	New Constitution	NZX Constitution	Current Constitution
Share issues – general power for Board	<p>The Board may, without shareholder approval, issue new shares proportionally to existing shareholders.</p> <p>The Board may also, with shareholder approval by special resolution, issue new shares to any person.</p>	The Board may, without shareholder approval, issue to any persons during any 12 month period up to 20% of the shares on issue at the beginning of that period (with certain adjustments).	No equivalent provision.
Share issues-time limits	No equivalent provision.	Share issues approved by shareholders must take place within 36 months after that approval if the issue is solely to employees, and otherwise within 12 months after that approval.	12 months (for issues to employees) and otherwise 6 months.
Share purchase plans	No equivalent provision.	The Board may introduce a share purchase plan allowing each shareholder to take up to \$15,000 worth of new shares, so long as the number of new shares is not greater than 30% of the shares already on issue.	No equivalent provision.
Issues to employees	No equivalent provision.	The Board may, without shareholder approval, issue to employees in any 12 month period up to 3% of the shares on issue at the beginning of that period (with certain adjustments).	The equivalent figure is 2%. There is also an absolute limit on all share issues to employees of 5% of total shares on issue.
Issue of shares in takeovers	No equivalent provision.	The Board may, without shareholder	No equivalent provision.

Issue	New Constitution	NZX Constitution	Current Constitution
		approval, issue shares as consideration in a takeover offer under the Takeovers Code, and certain other sorts of takeover offers.	
Share buybacks	No equivalent provision.	The Board may, without shareholder approval: (a) buy back shares on the NZX Market or another share market; and (b) buy back in any 12 month period up to 15% of the total number of shares on issue at the beginning of that period.	No equivalent provision.
Share buybacks - no address shareholders	The Board may, without shareholder approval, buy back shares of shareholders who cannot be located or contacted by the Board using reasonable endeavours.	No equivalent provision.	No equivalent provision.
Minimum Holdings	The Board may, without shareholder approval, buy back or require the sale of shares of shareholders who hold a minimum holding in the Company (as determined by the Board).	The Board may, without shareholder approval, require the sale of shares of shareholders who hold a minimum holding in the Company (as determined by the Listing Rules).	The Board may, without shareholder approval, require the sale of shares of shareholders who hold a minimum holding in the Company (as determined by the Listing Rules).
Financial assistance	No equivalent provision. Provisions of the Companies Act 1993 would apply.	The Board may, without shareholder approval, give financial assistance for the purpose of or in connection with the acquisition of shares of the Company, during	The equivalent figure is 5% of the shareholders' funds of the Company.

Issue	New Constitution	NZX Constitution	Current Constitution
		any 12 month period, having an amount not greater than 10% of the average market capitalisation of the Company.	
Financial assistance to employees	No equivalent provision. Provisions of the Companies Act 1993 would apply.	<p>The Board may, without shareholder approval, give financial assistance to employees so long as either:</p> <p>(a) during a three year period the amount of the financial assistance does not exceed \$1 million; or</p> <p>(b) during a 12 month period the financial assistance does not exceed 5% of the market capitalisation of the Company,</p> <p>and the financial assistance during a 5 year period does not exceed 10% of the market capitalisation of the Company.</p>	The equivalent restriction is that the amount of the financial assistance during the previous 12 months does not exceed 2% of shareholders' funds of the Company.
Redemption of shares	No equivalent provision. Provisions of the Companies Act 1993 would apply.	The Board may buy back or redeem the shares that were issued to employees under the provisions of the listing rules allowing issues to employees.	No equivalent provision.
Minimum number of directors	Four	Three	Four
Maximum number of directors	Eight	No maximum	Eight or such number as is fixed by the shareholders by

Issue	New Constitution	NZX Constitution	Current Constitution
			ordinary resolution.
Nomination for appointment of Directors	Nobody other than a retiring director may be elected as a Director at an annual meeting unless that person is nominated by a shareholder at least two months before the meeting.	Nobody other than a retiring director may be elected as a Director at an annual meeting unless that person is nominated by a shareholder at least two months before the meeting.	A Director may be elected at a meeting so long as notice proposing that Director's election is given to shareholders at least 7 days before the meeting.
Interested Directors	A Director who is interested in a matter under consideration may vote on the matter as if the Director were not interested in the transaction.	A Director who is interested in a matter under consideration may vote if the matter is one in respect of which Directors are required to sign a certificate under the Companies Act, or one which relates to the grant of an indemnity to Directors.	Interested Directors may vote only if the matter is one in respect of which directors are required to sign a certificate under the Companies Act. The exception allowing voting in respect of the grant of an indemnity to Directors is not in the current constitution.
Notice of Directors' meetings	Two days notice of a meeting must be given to Directors.	Except in the case of urgency, two days notice of a meeting must be given to Directors.	Except in the case of urgency, seven days notice of a meeting must be given to Directors.
Disposal or acquisition of assets	No equivalent provision. Instead, major transaction restrictions in the Companies Act 1993 would apply, which require 75% shareholder approval.	Shareholder approval is required to an acquisition or disposition which (amongst other things) has a gross value more than 50% of the average market capitalisation of the Company.	The equivalent figure is 50% of the shareholders' funds of the Company.
Transactions with related parties	No equivalent provision.	Shareholder approval is required to a transaction with a "related party" which involves: (a) the acquisition or	The equivalent figure is 5% of shareholders' funds of the Company (rather than 10% of average market capitalisation of the Company). There is no

Issue	New Constitution	NZX Constitution	Current Constitution
		<p>disposal of assets having an aggregate net value in excess of 10% of market capitalisation of the Company;</p> <p>(b) the issue or buy back of securities having a market value in excess of 10% of the market capitalisation of the Company;</p> <p>(c) borrowing, lending, paying or receiving money, or incurring an obligation in excess of 10% of the market capitalisation of the Company;</p> <p>(d) entering into a guarantee, indemnity or similar obligation which could expose the company to liability in excess of 10% of the market capitalisation of the Company.</p>	equivalent to paragraph (b) in the second column.
Transactions with related parties	No equivalent provision.	Shareholder approval is required to a transaction with a relating party under which the Company provides or obtains services in respect of which the gross cost to the company in any financial year is likely to exceed 1% of average market capitalisation of the	The equivalent figure is 0.5% of shareholders' funds.

Issue	New Constitution	NZX Constitution	Current Constitution
		Company.	
Definition of related party	No equivalent provision.	A related party is defined to include (amongst other things) the holder of an interest in 10% or more of a class of shares of the Company.	The equivalent figure is 5% of a class of shares of the Company.
Exceptions to related party restrictions	No equivalent provision.	There are a number of exceptions to the concept that the approval of shareholders is required to transactions with related parties. Those which do not have an equivalent in the current constitution are contained in NZX Listing Rule 9.2.4(c) to 9.2.4(h)	No equivalent provision.
Quorum for shareholder meetings	Five shareholders (present in person or by representative)	Five shareholders (present in person or by representative)	10 shareholders representing 30% of the equity securities having the right to vote (present in person or by representative)
Quorum for board meetings	Three directors	Three directors (or any greater number determined by the board)	Three directors