



27 October 2014

ASX Market Announcements
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

NOTICE OF ANNUAL GENERAL MEETING AND ANNUAL REPORT

Please find attached the company's Notice of Annual General Meeting to be held on Friday, 28 November 2014 at 3.00pm.

The company advises that the Annual Report comprises only the documents previously lodged with ASX.

Yours faithfully

Neville Bassett
Company Secretary

Kairiki Energy Limited

ABN 34 002 527 906

Notice of Annual General Meeting

Explanatory Statement

and

Proxy Form

Date of Meeting

Friday, 28 November 2014

Time of Meeting

3.00 pm (WST)

Place of Meeting

Mecure Perth Hotel
10 Irwin Street
Perth WA 6000

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Shareholders of Kairiki Energy Limited (**Kairiki** or the **Company**) will be held on Friday, 28 November 2014, commencing at 3.00pm (WST) at Mecure Perth Hotel, 10 Irwin Street, Perth, Western Australia.

The enclosed Explanatory Statement accompanies and forms part of this Notice of Meeting.

AGENDA

ORDINARY BUSINESS

Accounts and Reports

To receive and consider the annual financial report for the financial year ended 30 June 2014, together with the reports by directors and auditors thereon.

To consider and, if thought fit, pass the following resolutions as ordinary resolutions:

Resolution 1: Adoption of Remuneration Report

That for the purpose of section 250R(2) of the Corporations Act and for all other purposes, the Remuneration Report set out in the Company's 2014 Annual Report for the financial year ended 30 June 2014 be adopted.

Note: *The vote on this resolution is advisory only and does not bind the directors of the Company.*

Voting Exclusion Statement:

Pursuant to section 250R(4) of the Corporations Act, the Company is required to disregard any votes cast on Resolution 1 (in any capacity) by or on behalf of any of the following persons:

- (a) member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member (together "prohibited persons").

However, the Company will not disregard a vote if:

- (c) the prohibited person does so as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and
- (d) the vote is not cast on behalf of a prohibited person.

Resolution 2: Re-election of Director (Mr R Downey)

That Mr Robert Downey, being a Director of the Company who retires by rotation in accordance with Clause 3.6 of the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a director of the Company.

SPECIAL BUSINESS

Resolution 3: Disposal of Company's Main Undertaking

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

That, for the purposes of ASX Listing Rule 11.2 and for all other purposes, approval is given for the disposal by the Company of its interest in the share capital of Yilgarn Petroleum Philippines Pty Ltd on the terms and conditions set out in the Explanatory Statement.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting at General Meeting

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the General Meeting are those who are registered Shareholders of the Company at 4.00pm (WST) on 26 November 2014. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the general meeting.

Proxy and Voting Entitlement Instructions are included on the Proxy Form accompanying this Notice of Meeting.

BY ORDER OF THE BOARD

N J Bassett
Company Secretary
20 October 2014

EXPLANATORY STATEMENT

1. INTRODUCTION

This Explanatory Statement has been prepared for the information of Shareholders of Kairiki Energy Limited (“the Company”) in connection with the business to be conducted at the annual general meeting of Shareholders to be held at Mecure Perth Hotel, 10 Irwin Street, Perth, Western Australia on Friday, 28 November 2014 at 3.00pm (WST).

This Explanatory Statement forms part of and should be read in conjunction with the accompanying Notice of Meeting.

2. 2014 ANNUAL REPORT

In accordance with the requirements of the Company’s Constitution and the Corporations Act, the 2014 Annual Report will be tabled at the annual general meeting. Shareholders will have the opportunity of discussing the Annual Report and making comments and raising queries in relation to the Report. There is no requirement for a formal resolution on this item.

Representatives from the Company’s auditors, Rothsay, will be present to take shareholders’ questions and comments about the conduct of the audit and the preparation and content of the audit report.

Annual Report Online

Shareholders who have not elected to receive a hard copy of the Annual Report can access the report on the company’s website at www.kairikienergy.com

2. ADOPTION OF REMUNERATION REPORT – Resolution 1

2.1 General

The Corporations Act requires that at a listed company’s annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the Directors of the Company.

Pursuant to the Corporations Act, if at least 25% of the votes cast on Resolution 1 are voted against adoption of the Remuneration Report at the Annual General Meeting, and then again at the Company’s 2015 annual general meeting, the Company will be required to put to Shareholders a resolution proposing the calling of an extraordinary general meeting to consider the appointment of directors of the Company (**Spill Resolution**).

If more than 50% of the Shareholders vote in favour of the Spill Resolution, the Company must convene the extraordinary general meeting (**Spill Meeting**) within 90 days of the Company’s 2015 annual general meeting. All of the Directors who were in office when the Company’s 2015 Directors Report was approved, other than the managing director of the Company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting. Following the Spill Meeting those persons whose election or re-election as Directors is approved will be the Directors of the Company.

At the Company’s previous annual general meeting the votes cast against the remuneration report considered at that annual general meeting were less than 25%. Accordingly, the Spill Resolution is not relevant for this annual general meeting.

The Remuneration Report sets out the Company’s remuneration arrangements for the Directors and senior management of the Company. The Remuneration Report is part of the Directors’ report contained in the annual financial report of the Company for the financial year ended 30 June 2014.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the annual general meeting.

2.2 Proxy Restrictions

Pursuant to the Corporations Act, if you elect to appoint the Chair, or another member of the Key Management Personnel or any Closely Related Party as your proxy to vote on this Resolution 1, ***you must direct the proxy how they are to vote***. Where you do not direct the Chair, or another member of the Key Management Personnel or Closely Related Party on how to vote on this Resolution 1, the proxy is prevented by the Corporations Act from exercising your vote and your vote will not be counted in relation to Resolution 1.

2.3 Definitions

Key Management Personnel has the same meaning as in the accounting standards and broadly includes those person having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

Closely Related Party of a member of the Key Management Personnel means:

- (a) A spouse or child of the member;
- (b) A child of the members spouse;
- (c) A dependent of the member or the members spouse;
- (d) Anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) A company the member controls; or
- (f) A person prescribed by the Corporations Regulations 2001 (Cth).

Remuneration Report means the remuneration report set out in the Directors' report section of the Company's annual financial report for the year ended 30 June 2014.

3. RE-ELECTION OF DIRECTOR: Resolution 2

Resolution 2 relates to the re-election of Mr Downey as a Director.

In accordance with the requirements of clause 3.6 of the Company's Constitution and the Corporations Act, one-third of the directors of the Company retire from office at this annual general meeting of the Company. Mr Robert Downey retires by rotation and, being eligible, offers himself for re-election.

A summary of the qualifications and experience of Mr Downey is provided in the Annual Report.

4. DISPOSAL OF COMPANY'S MAIN UNDERTAKING: Resolution 3

4.1 Background

On 20 October 2014, the Company announced to ASX that it had entered into a binding term sheet with Focus Oil and Gas Limited (**Focus**) (**Agreement**) for the disposal of its entire interest in the share capital of Yilgarn Petroleum Philippines Pty Ltd (**Yilgarn**), the holder of the Company's interest in Service Contract 54A and 54B in the Philippines, being the main undertaking of the Company (**Disposal**).

Yilgarn holds joint venture interests in the following Philippines Offshore Oil and Gas Permits:

- Service Contract 54A - 30.1% Participating Interest
- Service Contract 54B - 40% Participating Interest

In August 2014, the Philippines Department of Energy (**DOE**) approved a request for a moratorium on Service Contract 54 from 5 August 2014 to 5 August 2017 to give the joint venture sufficient time to study the development of the discovered marginal resources in the block. At the end of the moratorium period, the joint venture should elect to enter sub-phase 7 with a commitment to drill one well. If the joint venture elects to continue into the production period, the 3 year moratorium period will be automatically deducted to the initial production period.

As non-operator of Service Contract 54A and 54B the Company has minimal control (other than through its minority participating interest) over future activities within the licences and therefore any future financial obligations, including timing. In addition, the moratorium approved by the DOE could potentially result in the Company being relatively inactive over the next 3 years.

The Company has limited cash resources to undertake any potential exploration programme and limited opportunity to raise new capital without certainty over the future direction of service contract 54A and 54B.

Based on the Company's current position, the Directors consider that the proposed Disposal is in the best interests of the Company and will allow it to seek new opportunities to add Shareholder value.

The Company does not currently have any proposals under consideration, however in the first instance is actively pursuing projects in the oil and gas sector. Shareholders should note that, as part of the ongoing review process, the Company may look at possible investment opportunities outside of the Company's existing principal activity of oil and gas exploration.

A summary of the key terms of the Agreement are set out in Section 4.3 below.

4.2 ASX Requirements

ASX Listing Rule 11.2 provides that where a company proposes to make a significant change in the nature or scale of its activities which involves the disposal of its main undertaking, it must first obtain the approval of its shareholders. Shareholders should be aware that following the proposed disposal of the Company's main undertaking, ASX may require the Company to seek shareholder approval pursuant to ASX Listing Rule 11.1.2 and/or re-comply with Chapters 1 and 2 of the Listing Rules pursuant to ASX Listing Rule 11.1.3 with respect of any future transaction the Company may enter into.

A disposal by a listed entity of its main undertaking can also raise issues under Listing Rule 12.1 and 12.2, which oblige a listed entity to satisfy ASX on an ongoing basis that the level of its operations is sufficient, and its financial condition adequate, to warrant its continued listing and continued quotation of its securities.

ASX Guidance Note 12 states, the disposal by a listed entity of its main undertaking may be a precursor to the entity embarking on a new business venture, either immediately or once a suitable business has been identified and acquired. In the latter case, notwithstanding Listing Rule 12.3, ASX will, in the absence of any other reason to suspend the quotation of the entity's securities, generally continue the quotation of its securities for up to six months to allow it time to identify, and make an announcement of its intention to acquire, a suitable new business.

If an entity is not able to make an announcement of its intention to acquire a new business, within six months of completing the disposal of its main undertaking, ASX will generally exercise its discretion under Listing Rule 12.3 to suspend the quotation of its securities at the end of that six month period. The suspension will continue until the entity makes an announcement acceptable to ASX about its future activities.

Resolution 3 seeks Shareholder approval for the Disposal.

4.3 Key Terms

The key terms of the Disposal are as follows:

- (i) Completion of the Disposal is subject to and conditional on:
 - (a) The Company obtaining shareholder approval for the Disposal pursuant to ASX Listing Rule 11.2; and
 - (b) Focus conducting financial, technical and legal due diligence enquiries with respect to Yilgarn and the Service Contracts and being satisfied with the results of those enquiries in its absolute discretion;
 - (c) Execution of a formal share purchase agreement and royalty agreement on terms reasonably acceptable to Kairiki and Focus;

- (d) Focus concluding an investor contract with its financier (dependent upon completion of a number of conditions precedent therein);
 - (e) The approval of the other joint venture partners to service contract 54A and service contract 54B, to the extent required pursuant to each Joint Operating agreement, of the change of control of Yilgarn;
 - (f) The approval of the Philippines Department of Energy to the Disposal and to the extension of the term of the service contracts on terms satisfactory to Focus acting reasonably; and
 - (g) The approval of the General Investment Committee of IMC Oil & Gas Investments Ltd (**IMC**) to the discharge of Yilgarn's secured obligations to IMC.
- (ii) The consideration to be paid by Focus for the Disposal comprises:
- (a) A cash payment of US\$1,500,000 on completion of the Disposal; and
 - (b) A royalty of US\$0.50 per barrel of oil or condensate sold from the Service Contracts up to a maximum of 35,000,000 barrels of oil or condensate cumulative, based upon Yilgarn allocated barrels.

4.4 Indicative Timetable

Subject to ASX Listing Rule and Corporations Act requirements, the Company anticipates completion of the Disposal will be in accordance with the following timetable:

Event	Date
ASX announcement of Disposal	20 October 2014
General Meeting to approve Disposal	28 November 2014
Completion of Disposal	12 December 2014

4.5 Financial effect of the Disposal on the Company

The impact of the Disposal on the Company's balance sheet is set out in the pro-forma balance sheet contained in Schedule 1.

There will be no impact on the capital structure of the Company.

4.6 Reasons for the Disposal

The Directors believe that following an assessment of the advantages and disadvantages disclosed below the Disposal is in the best interests of the Company.

Advantages

The Directors believe that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on the proposed Disposal:

- (a) The Disposal allows the Company to reduce costs and provides otherwise unavailable capital to enable the Company to consider alternative asset acquisitions that the Directors believe will add value to Shareholders;
- (b) The Disposal provides the Company with potential future cash generation through the royalty agreement, at no ongoing cost to the Company;
- (c) The consideration from the Disposal will provide capital to the Company which will be used to repay its outstanding secured loan facilities of \$488,000, thereby releasing the Company from all security obligations; and
- (d) The Disposal will provide capital to the Company with no dilutionary impact on shareholders, in a current market environment where it is difficult to secure capital.

Disadvantages

The Directors believe that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on the proposed Disposal:

- (a) The Company will not be able to participate in or derive any direct future potential profits from the Service Contract joint venture interests, if any, should they be developed to production. The company retains a royalty as described in 4.1(ii)(b) above.
- (b) The Disposal involves the Company selling its principal, and only asset, which may not be consistent with the investment objectives of all Shareholders;
- (c) There is a risk that the Company may not be able to locate and complete the acquisition of other suitable investment opportunities within a reasonable time; and
- (d) In the event that the Company is not able to secure a new investment opportunity there is the risk that the Company's securities will be suspended from quotation in the circumstances outlined in 4.2 above.

4.7 Director Recommendations

The Directors do not have any material interest in the outcome of the Resolution other than as a result of their interest, if any, arising solely in the capacity as security holders.

The Board has approved the proposal to put the Resolution to Shareholders.

Each of the Directors intends to vote all of their Shares in favour of the Resolution.

Based on the information available, all of the Directors consider that the proposed Disposal is in the best interests of the Company and recommend that the Shareholders vote in favour of the Resolution.

5. DEFINITIONS

ASX	means ASX Limited ABN 98 008 624 691.
Constitution	means the Company's constitution.
Corporations Act	means the Corporations Act 2001 (Cth).
Directors	means the current directors of the Company.
Explanatory Statement	means this Explanatory Statement.
Kairiki or the Company	means Kairiki Energy Limited ACN 002 527 906.
Listing Rules	means the official listing rules of ASX.
Meeting	means the meeting convened by the Notice of Meeting.
Notice of Meeting	means the notice of annual general meeting which forms part of this Explanatory Statement.
Share	means a fully paid ordinary share in the capital of the Company.
Shareholder	means a holder of a Share.

SCHEDULE 1 – PRO-FORMA BALANCE SHEET

	Audited	Proforma
	30 June 2014	30 June 2014
	\$	
ASSETS		
Current Assets		
Cash and cash equivalents	91,575	1,379,610
Trade and other receivables	4,556	4,556
Total Current Assets	<u>96,131</u>	<u>1,384,166</u>
Non-Current Assets		
Financial assets classified as available for sale	1,260	1,260
Deferred exploration and evaluation expenditure	2,193,000	-
Total Non-Current Assets	<u>2,194,260</u>	<u>1,260</u>
Total Assets	<u>2,290,391</u>	<u>1,385,426</u>
LIABILITIES		
Current Liabilities		
Trade and other payables	77,454	66,559
Interest-bearing loans	340,000	-
Total Current Liabilities	<u>417,454</u>	<u>66,559</u>
Total Liabilities	<u>417,454</u>	<u>66,559</u>
Net Assets	<u>1,872,937</u>	<u>1,318,867</u>

Pro-Forma Adjustments

1. Assumes an exchange rate of A\$1 = US\$0.87402
2. The write off of all deferred exploration and evaluation expenditure in respect to the Service Contract 54 area of interest.
3. Funds received from loan drawdown of \$148,000.
4. Repayment of interest bearing loans of \$488,000.
5. Payment of administration costs (net) and trade and other payables of \$98,730.

PROXY FORM

The Secretary
Kairiki Energy Limited
PO Box 7315
Perth WA 6850

I/We (full name)

_____ of _____
being a member(s) of Kairiki Energy Limited, hereby appoint as my/our proxy

_____ of _____
or, failing him/her the Chairperson of the Meeting to attend and vote for me/us at the general meeting of the Company to be held at 3.00pm on Friday, 28 November 2014 and at an adjournment thereof in respect of _____% of my/our shares or, failing any number being specified, ALL of my/our shares in the Company.

RESOLUTIONS

	FOR	AGAINST	ABSTAIN
1 Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Re-election of Director – R Downey	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Disposal of Company's Main Undertaking	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Where permitted, the Chairman intends to vote all undirected proxies in favour of all resolutions.

If the member is an individual or joint holder:

Usual Signature

Dated this _____ day of

Usual Signature

2014.

If the member is a Company:

Signed in accordance with the
Constitution of the company
in the presence of:

Director/Sole Director

Director/Secretary

Sole Director and Sole Secretary

Dated this _____ day of _____ 2014.

INSTRUCTIONS FOR COMPLETING PROXY FORM

1. A member entitled to attend and vote is entitled to appoint not more than two proxies.
2. Where more than one proxy is appointed and that appointment does not specify the proportion or number of the member's votes, each proxy may exercise half of the votes.
3. A proxy need not be a member of the Company.
4. A proxy is not entitled to vote unless the instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed is either deposited at the registered office of the Company (refer below) or sent by facsimile to that office on Fax: 08 9486 8066 to be received not less than 48 hours prior to the time of the Meeting.
5. Signing Instructions

Individual: where the holding is one name, the Shareholder must sign.

Joint Holding: where the holding is in more than one name, all of the Shareholders must sign.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the Company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director may sign alone. Otherwise this form must be signed by a Director jointly with either another Director or Company Secretary. Please indicate the office held in the appropriate place.

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be lodged with the Company before the meeting or at the registration desk on the day of the meeting.

6. Important for Resolution 1:

If the Chair of the Meeting or any member of the Key Management Personnel of the Company or a Closely Related Party of a member of the Key Management Personnel of the Company is your proxy and you have not directed the proxy how to vote on Resolution 1, the proxy will be prevented from casting your votes on Resolution 1. If the Chair, another member of the Key Management Personnel of the Company or Closely Related Party of a member of the Key Management Personnel is your proxy, in order for your votes to be counted on Resolution 1, you must direct your proxy how to vote on Resolution 1.

LODGING YOUR PROXY FORM

To be valid, your proxy form (and any power of attorney under which it is signed) must be received at the address given below no later than 3.00pm (WST) on 26 November 2014. Any proxy form received after that time will not be valid for the scheduled meeting.

In person: Kairiki Energy Limited
Level 45
108 St George's Terrace
Perth WA 6000

By mail: Kairiki Energy Limited
PO Box 7315
Perth WA 6850

By fax: (08) 9486 8066