



KAIRIKI ENERGY LIMITED
ABN 34 002 527 906

**NOTICE OF GENERAL MEETING AND
EXPLANATORY STATEMENT**

**General Meeting to be held at the Medina Grand Hotel, 33 Mounts Bay Road, Perth, WA on
Thursday, 10 March 2011 commencing at 10.00am (WST).**

This Notice of General Meeting and Explanatory Statement should be read in its entirety.
If Shareholders are in doubt as to how to vote, they should seek advice from their accountant,
solicitor or other professional adviser without delay.

NOTICE OF GENERAL MEETING

Notice is given that a General Meeting of Shareholders of Kairiki Energy Limited (“**Company**”) will be held at the Medina Grand Hotel, 33 Mounts Bay Road, Perth, WA on Thursday, 10 March, 2011 commencing at 10.00am (WST).

SPECIAL BUSINESS

Resolution 1 – Ratification of Placement

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

*“That, for the purposes of Listing Rule 7.4 and for all other purposes, the Company approves and ratifies the prior issue and allotment on 31 January 2011 of 116,000,000 fully paid ordinary shares (“**Placement Shares**”) at an issue price of \$0.03 per share, to professional and sophisticated investors, on the terms and conditions set out in the Explanatory Statement.”*

Voting exclusion: In accordance with ASX Listing Rule 7.5.6 the Company will disregard any votes cast on Resolution 1 by any person who participated in the issue the subject of this resolution and any person associated with those persons. However, the Company will not disregard a vote if it is cast by such a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form or if 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.

Resolution 2 – Issue of Commitment Options

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

“That, for the purposes of Listing Rule 7.1 and for all other purposes, approval be and is hereby given for the issue of up to 156,900,000 Commitment Options to the persons and on the terms and conditions set out in the Explanatory Statement.”

Voting exclusion: In accordance with ASX Listing Rule 7.3.8 the Company will disregard any votes cast on Resolution 2 by a person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity as the holder of a Share, if the Resolution is passed. However, the Company will not disregard a vote if it is cast by such a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form or if 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.

Explanatory Statement

The accompanying Explanatory Statement forms part of this Notice of General Meeting and should be read in conjunction with it.

Shareholders are specifically referred to the Glossary in the Explanatory Statement which contains definitions of capitalized terms used in this notice of General Meeting and the Explanatory Statement.

Proxies

Please note that:

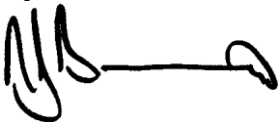
- (a) a Shareholder entitled to attend and vote at the General Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company;
- (c) a Shareholder may appoint a body corporate or an individual as its proxy;
- (d) a body corporate appointed as a Shareholder's proxy may appoint an individual as its representative to exercise any of the powers that the body may exercise as the Shareholder's proxy; and
- (e) Shareholders entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed proxy form provides further details on appointing proxies and lodging proxy forms. If a Shareholder appoints a body corporate as its proxy and the body corporate wishes to appoint an individual as its representative, the body corporate should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company or its share registry in advance of the General Meeting or handed in at the General Meeting when registering as a corporate representative.

Voting Entitlements

In accordance with Regulations 7.11.37 and 7.11.38 of the Corporations Regulations 2001, the Board has determined that a person's entitlement to vote at the General Meeting will be the entitlement of that person set out in the register of Shareholders as at 10.00am (WST) on 8 March 2011. Accordingly, transactions registered after that time will be disregarded in determining a Shareholder's entitlement to attend and vote at the General Meeting.

By Order of the Board

A handwritten signature in black ink, appearing to be 'NB', followed by a horizontal line and a small loop at the end.

Neville Bassett
Company Secretary
Kairiki Energy Limited
4 February 2011

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of Shareholders in relation to the business to be conducted at the Company's General Meeting to be held at the Medina Grand Hotel, 33 Mounts Bay Road, Perth, WA on Thursday, 10 March 2011 commencing at 10.00am (WST).

The purpose of this Explanatory Statement is to provide Shareholders with all information known to the Company which is material to a decision on how to vote on the Resolutions in the accompanying Notice of General Meeting.

This Explanatory Statement should be read in conjunction with the Notice of General Meeting. Capitalised terms in this Explanatory Statement are defined in the Glossary.

1. RESOLUTIONS

1.1 Resolution 1 – Ratification of Placement

(a) Background

Resolution 1 seeks Shareholder ratification of the allotment and the issue of 116,000,000 Placement Shares to professional and sophisticated investors at \$0.03 each pursuant to the Placement announced to the ASX on 25 January 2011 and subsequently completed on 31 January 2011, for the purposes of satisfying Listing Rule 7.4.

The funds raised under the Placement (\$3,480,000 before expenses) will be applied towards the Company's obligations under the Tindalo Project, the Gindara Prospect and additional working capital.

The Placement was arranged by Patersons Securities Limited.

(b) Listing Rule 7.4

Listing Rule 7.1 provides that (subject to certain exceptions, none of which are relevant here) prior approval of shareholders is required for an issue of securities by a company if the securities will, when aggregated with the securities issued by the company during the previous 12 months, exceed 15% of the number of the Shares on issue at the commencement of that 12 month period.

Listing Rule 7.4 provides that where a company ratifies a prior issue of securities, the issue will be treated as having been made with approval for the purpose of Listing Rule 7.1, thereby replenishing the company's 15% capacity and enabling it to issue further securities up to that limit.

If Resolution 1 is approved, the Placement Shares will not be included in the Company's 15% calculation for the purposes of Listing Rule 7.1.

(c) **Listing Rule 7.5**

The information required to be provided to shareholders to satisfy Listing Rule 7.4 is specified in Listing Rule 7.5. In compliance with the information requirements of Listing Rule 7.5, Shareholders are advised of the following particulars in relation to the allotment and issue pursuant to Resolution 1:

(i) **Number of securities allotted and issued**

116,000,000 Placement Shares.

(ii) **Price at which securities were allotted and issued**

\$0.03 per Placement Share.

(iii) **The terms of the securities**

The Placement Shares are ordinary fully paid shares which rank equally with existing Shares on issue.

(iv) **The basis on which allottees were determined**

The Placement Shares were issued to a number of professional and sophisticated investors pursuant to section 708 of the Corporations Act.

No related party participated in the allotment of the Placement Shares.

(v) **The use (or intended use) of the funds raised**

The funds raised (\$3,480,000 before expenses) pursuant to the allotment and issue of the Placement Shares will be applied towards the following:

- (A) the Company's portion of the demobilisation and decommissioning costs for the Tindalo Project;
- (B) the Company's portion of the costs related to the Gindara Prospect; and
- (C) additional working capital of the Company.

1.2 Resolution 2 – Issue of Commitment Options

(a) Background

On 25 January 2011 the Company announced to the ASX a renounceable rights issue of 296,630,666 Shares on the basis of one (1) new Share for every three (3) Shares held at an issue price of \$0.03 per Share to raise approximately \$8,898,920 together with one (1) free attaching option for every two (2) Shares allotted (“Rights Issue”). This free option is to be a “piggyback” option whereby the primary option is exercised into a Share and a secondary option.

The Rights Issue is to be fully underwritten by Patersons Securities Limited (“Underwriter”).

Pursuant to the underwriting agreement and corporate mandate between the Company and the Underwriter, the Company has agreed to issue up to 156,900,000 options (“Commitment Options”) in order to induce sub-underwriting commitments in relation to the Rights Issue and subscriptions for the Placement.

Accordingly, Resolution 2 seeks Shareholder approval for the issue of up to 156,900,000 Commitment Options to be issued to:

- (i) the allottees of Placement Shares under Resolution 1 on the basis of one (1) Commitment Option for every two (2) Placement Shares subscribed for and issued; and
- (ii) the Underwriter/sub-underwriters to the proposed Rights Issue on the basis of one (1) Commitment Option for every three (3) shares underwritten/sub-underwritten.

(b) Listing Rule 7.1

Listing Rule 7.1 provides that (subject to certain exceptions, none of which are relevant here) prior approval of shareholders is required for an issue of securities by a company if the securities will, when aggregated with the securities issued by the company during the previous 12 months, exceed 15% of the number of the shares on issue at the commencement of that 12 month period.

The securities proposed to be issued under Resolution 2 will not be included in the Company’s 15% calculation for the purposes of Listing Rule 7.1.

(c) Listing Rule 7.3

Listing Rule 7.3 sets out a number of matters which must be included in a Notice of Meeting proposing an approval of an issue of securities under Listing Rule 7.1. For the purposes of Listing Rule 7.3, the following information is provided in relation to Resolution 2:

(i) **The maximum number of securities to be issued**

Up to 156,900,000 Commitment Options.

(ii) **The date by which the entity will issue the securities**

The Commitment Options will be issued as soon as possible after the General Meeting and in any event no later than 3 months after the date of the General Meeting (or such later date to the extent permitted by any ASX waiver of the Listing Rules).

(iii) **The issue price of the securities**

The Commitment Options will not be issued for cash consideration. Each Commitment Option will be issued as:

- (a) a free attaching option to the allottees of Placement Shares under Resolution 1 on the basis of one (1) Commitment Option for every two (2) Placement Shares subscribed for and issued; or
- (b) a fee to the Underwriter/sub-underwriters to the proposed Rights Issue on the basis of one (1) Commitment Option for every three (3) shares underwritten/sub-underwritten.

(iv) **The names of the allottees or the basis upon which the allottees will be determined**

The allottees of the Commitment Options in respect of Resolution 2 will be:

- (a) the allottees as described in Resolution 1; and
- (b) the Underwriter/sub-underwriters to the proposed Rights Issue.

The allottees will be persons who fall within one of the exemptions contained in section 708 of the Corporations Act and will not be related parties of the Company unless approved by the Shareholders.

(v) **The terms of the securities**

The Commitment Options have an exercise price of \$0.04 and expire on 31 August 2011.

On the exercise of each Commitment Option, the holder will be issued one share in the Company and granted a further option ("**Secondary Option**") which has an exercise price of \$0.05 and an expiry date of 31 August 2013.

The Commitment Options and Secondary Options are otherwise issued on the terms and conditions set out in Annexure A.

(vi) **The intended use of funds**

No funds will be raised from the issue of the Commitment Options as the Commitment Options will be issued to allottees as described in (iii) above.

The funds raised upon exercise of the Commitment Options and Secondary Options will be applied towards the following:

- (A) the Company's portion of the costs related to the Gindara Prospect; and
- (B) repayment of the principal and interest under the Convertible Note; and
- (C) additional working capital of the Company.

(vii) **Date of allotment**

Allotment will occur on one date, anticipated to be within 7 business days of the date of the meeting, and in any event will occur no later than three months after the date of the meeting.

Glossary

In this Explanatory Statement, the following terms have the following meaning unless the context otherwise requires:

Annexure	annexure to this Explanatory Statement.
ASIC	Australian Securities and Investments Commission.
ASX	means ASX Limited (ACN 008 624 691) trading as the Australian Securities Exchange.
Board	the Company's Board of Directors.
Company	Kairiki Energy Limited ABN 34 002 527 906.
Commitment Option	means an option to acquire a Share, issued pursuant to Resolution 2, on the terms and conditions contained in Item 1 of Annexure A.
Constitution	constitution of the Company.
Convertible Note	means the Convertible Loan Note Agreement between the Company and IMC Oil and Gas Investments Ltd dated 8 September 2008, for a principal amount of US\$9.53 million and including interest on the principal amount of 12% per annum payable monthly.
Corporations Act	Corporations Act 2001 (Cth).
Director	Director of the Company.
Gindara Prospect	means the Gindara oil exploration and production joint venture carried on by Yilgarn and Nido pursuant to Services Contract 54B in the Philippines.
Listing Rules	means the Listing Rules of the ASX.
Nido	means Nido Petroleum Limited (ACN 086 630 373) and its subsidiaries, including Nido Petroleum Philippines Pty Ltd (ACN 008 607 976).
Placement	means the placement of 116,000,000 Shares.
Placement Share	means a Share issued pursuant to the Placement.
Rights Issue	means the renounceable rights issue by the Company on a 1 for 3 basis with a free attaching option on a 1 for 2 basis, announced to the ASX on 25 January 2011.
Secondary Option	means an option to acquire a Share, issued on the exercise of a Commitment Option, on the terms and conditions specified in Item 2 of Annexure A.
Share	fully paid ordinary share in the capital of the Company.
Shareholder	shareholder of the Company.
Tindalo Project	means the Tindalo oil exploration and production joint venture carried on by Yilgarn and Nido pursuant to Services Contract 54A in the Philippines.

WST

Western Standard Time in Australia.

Yilgarn

means Yilgarn Petroleum Philippines Pty Ltd (ACN 119 507 265), a wholly owned subsidiary of the Company.

Annexure A

Item 1: Terms of Commitment Options

1. Each Commitment Option entitles the holder to, subject to any Shareholder approval under Item 7 of section 611 of the Corporations Act (if required):
 - a) subscribe for one (1) Share in the Company; and
 - b) be granted one (1) Secondary Option,at the exercise price of \$0.04.
2. The Commitment Options are exercisable on and from 1 August 2011 and expire at 5.00pm WST on 31 August 2011 ("**Expiry Date**"). Any Commitment Options not exercised on or before the Expiry Date will automatically lapse.
3. All Shares in the Company allotted on the exercise of Commitment Options rank equally in all respects with the then existing Shares.
4. The Commitment Options are transferable and it is intended that application will be made to ASX for quotation of the Commitment Options.
5. The Company must apply for quotation of all Shares allotted pursuant to the exercise of Commitment Options not later than 10 Business Days after the date of allotment.
6. Option Holders may only participate in new issues ("**Issue**") of securities to holders of Shares in the Company if the Commitment Options have been exercised and Shares are allotted in respect of the Commitment Options before the record date for determining entitlements to the Issue.
7. The Company must give Option Holders at least 7 business days notice of any Issue before the record date for determining entitlements to the Issue in accordance with the Listing Rules.
8. There will be no change to the exercise price of the Commitment Options or the number of Shares over which the Commitment Options are exercisable in the event of the Company making a pro-rata issue of Shares or other securities to the holders of Shares in the Company (other than a bonus issue).
9. If there is a bonus issue ("**Bonus Issue**") to the holders of Shares in the Company, the number of Shares over which the Commitment Options are exercisable will be increased by the number of Shares which the Option Holder would have received if the Commitment Option had been exercised before the record date for the Bonus Issue ("**Bonus Shares**"). The Bonus Shares must be paid up by the Company out of the profits or reserves (as the case may be) in the same manner as was applied in the Bonus Issue and upon issue rank equally in all respects with the other Shares on issue as the date of issue of the Bonus Shares.
10. If prior to the Expiry Date, there is a re-organisation of the issued capital of the Company, the Commitment Options are to be treated in the manner set out in the Listing Rules.

Item 2: Terms of Secondary Options

1. Each Secondary Option entitles the holder to, subject to any Shareholder approval under Item 7 of section 611 of the Corporations Act (if required), subscribe for one (1) Share in the Company at the exercise price of \$0.05.
2. The Secondary Options are exercisable on and from the date of issue and expire at 5.00pm WST on 31 August 2013. Any Secondary Options not exercised on or before that date will automatically lapse.
3. The Secondary Options will only be issued under a disclosure document to be lodged with the ASIC on or about 31 August 2011.
4. The terms and conditions of the Secondary Options are otherwise the same as the Commitment Options set out in Item 1 above, except that all references to the word "Commitment" in the terms and conditions of the Commitment Options shall be replaced with the word "Secondary".

Kairiki Energy Limited
Suite 3, Churchill Court
331 – 335 Hay Street
Subiaco WA 6008



PROXY FORM

Shareholder Details

Name:

Address:

Contact Telephone No:

Contact Name (if different from above):

Appointment of Proxy

I/We being a shareholder/s of Kairiki Energy Limited and entitled to attend and vote hereby appoint the following proxy/proxies to attend and act on my/our behalf and to vote in accordance with my/our following directions at the General Meeting of Kairiki Energy Limited to be held at the Medina Grand Hotel, 33 Mounts Bay Road, Perth, WA on 10 March 2011 at 10.00am (WST) and at any adjournment of that meeting.

☐

The Chairman
of the meeting

(mark with an 'X')

OR

IMPORTANT:

If the Chairman of the meeting is your proxy, or if appointed your proxy by default and you do **not** wish to direct him/her how to vote on any of these resolutions, you must mark this box with an "X". By marking this box, you acknowledge that the Chairman of the meeting may exercise your proxy on those resolutions (for which you have not given a direction) even if he/she has an interest in the outcome of the resolution and that votes cast by him/her, other than as proxy holder, will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote on any of these resolutions, the Chairman of the meeting will not cast your votes on the resolutions (for which you have not given a direction) on a show of hands or on a poll. The Chairman of the meeting intends to vote undirected proxies in favour of each resolution.

If the person you are appointing as your proxy is someone other than the Chairman of the meeting:

Write the name of that person in the box below.

 %

You must specify the % of your votes that you authorise your proxy to exercise if:

If you hold 2 or more Shares in Kairiki Energy Limited, you may appoint a second proxy:

Write the name of your second proxy in the box below.

 %

- (a) you have only appointed 1 proxy and do not want him/her to exercise all of your votes; or
(b) if you have appointed 2 proxies under this proxy form.

If you do not name a proxy or your named proxy fails to attend the meeting, the Chairman of the meeting will be appointed as your proxy to attend and act on your behalf and to vote in accordance with the following directions at the General Meeting of Kairiki Energy Limited to be held on 10 March 2011 at 10.00am (WST) and at any adjournment of that meeting.

Voting directions to your proxy - Please mark only one of the boxes with an "X" for each resolution to indicate your directions.

Special Business

- Resolution 1. Ratification of Placement
Resolution 2. Issue of Commitment Options

For Against Abstain

☐☐☐☐☐☐

1 If you mark the "Abstain" box with an "x" for a particular resolution, you are directing your proxy not to vote on your behalf on a show of hands or on a poll.

PLEASE SIGN HERE
implemented

This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented

Individual or Shareholder 1

Sole Director and
Sole Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

How to complete this Proxy Form

1 Your Name and Address

Please print your name and address as it appears on your holding statement and the Company's share register. If Shares are jointly held, please ensure the name and address of each joint shareholder is indicated. Shareholders should advise the Company of any changes. Shareholders sponsored by a broker should advise their broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

2 Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a shareholder of the Company.

3 Votes on Resolutions

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each Resolution. All your shareholding will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any Resolution by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given Resolution, your proxy may vote as he or she chooses. If you mark more than one box on a Resolution your vote on that Resolution will be invalid.

4 Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy please write the name of that person.

To appoint a second proxy you must state (in the appropriate box) the percentage of your voting rights which are the subject of the relevant proxy. If the Proxy Form does not specify a percentage, each proxy may exercise half your votes. Fractions of votes will be disregarded.

5 Signing Instructions

You must sign this form as follows in the spaces provided:

- | | |
|--------------------|--|
| Individual: | where the holding is in one name, the holder must sign. |
| Joint Holding: | where the holding is in more than one name, all of the shareholders should sign. |
| Power of Attorney: | to sign under Power of Attorney, you must have already lodged this document with the company's share registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it. |
| 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 can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place. |

If a representative of the corporation is to attend the meeting a "Certificate of Appointment of Corporate Representative" should be produced prior to admission.

6 Lodgment of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at the address given below not later than 48 hours before the commencement of the meeting (i.e. no later than 10.00am (WST) on 8 March 2011). Any Proxy Form received after that time will not be valid for the scheduled meeting.

This Proxy Form (and any Power of Attorney and/or second Proxy Form) may be sent or delivered to the Company's registered office at Suite 3, Churchill Court, 331 Hay Street, Subiaco, Western Australia 6008 or sent by facsimile to the registered office on (08) 9388 6744.