



KINETIKO

ENERGY LTD

ACN 141 647 529

NOTICE OF GENERAL MEETING AND EXPLANATORY STATEMENT

**General Meeting to be held at Barrington House, 283 Rokeby Road
Subiaco, Western Australia
on 25 September 2012 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 the General Meeting of Shareholders of Kinetiko Energy Limited (ACN 141 647 529) ("**Company**") will be held at Barrington House, 283 Rokeby Road Subiaco, Western Australia on 25 September 2012 commencing at 10.00am (WST).

BUSINESS

1. Resolution 1: Issue of Shares and Options to Andrew Lambert

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of section 208 of the Corporations Act, Listing Rule 10.11 and for all other purposes, approval be and is hereby given to issue the following securities to Andrew Lambert (and/or his nominee):

- (a) 1,000,000 Shares;*
- (b) 500,000 Options exercisable at 25 cents per Share on or before 30 June 2014, but only vesting after 12 months service with the Company;*
- (c) 750,000 Options but only exercisable at 50 cents per Share on or before 30 June 2015, but only vesting after 24 months service with the Company;*
- (d) 1,000,000 Options exercisable at 75 cents per Share on or before 30 June 2016, but only vesting after 36 months service with the Company,*

on the terms and conditions as outlined in the Explanatory Statement."

Voting Exclusion Statement

In accordance with Listing Rule 10.13.6, the Company will disregard any votes cast on Resolution 1 by Andrew Lambert (and/or his nominee) or any of their associates.

However, the Company will not disregard a vote if it is cast by Andrew Lambert (and/or his nominee) or any of their associates 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 capitalised 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 5:00pm (WST) on 23 September 2012. Accordingly, transactions registered after that time will be disregarded in determining Shareholder's entitlement to attend and vote at the General Meeting.

By Order of the Board of Directors



Stephen Hewitt-Dutton
Company Secretary
Kinetiko Energy Limited

16 August 2012

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.

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 resolution 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.

Resolution 1 – Issue of Shares and Options to Andrew Lambert

1. Background

Resolution 1 seeks Shareholder approval pursuant to section 208 of the Corporations Act and Listing Rule 10.11 for the issue of 1,000,000 Shares ("**Director Shares**") and 2,250,000 Options ("**Director Options**") to Andrew Lambert (and/or his nominee) pursuant to the Mr Lambert's contract of employment with the Company dated 1 June 2011 ("**Employment Contract**").

Director Shares

The Employment Contract (the key terms of which were outlined in the Company's IPO Prospectus dated 2 June 2011) provides the Company must issue 1,000,000 Shares upon the completion of 12 months of service under the Employment Contract. As at the date of the Meeting, Mr Lambert has completed over 12 months of service with the Company and satisfied the condition of the performance rights under the Employment Contract. Accordingly, the Company seeks Shareholder approval for the purpose of issuing the Director Shares under Resolution 1 and pursuant to the Employment Contract.

Director Options

The Employment Contract provides that, subject to Shareholder approval, the Company will issue Options to Mr Lambert on the following conditions:

- (a) 500,000 Options exercisable at 25 cents per Share on or before 30 June 2014, vesting after 12 months service;
- (b) 750,000 Options exercisable at 50 cents per Share on or before 30 June 2015, vesting after 24 months service;
- (c) 1,000,000 Options exercisable at 75 cents per Share on or before 30 June 2016, vesting after 36 months service.

The full terms and conditions of the Director Options are provided at Annexure A. The Company seeks Shareholder approval for the purpose of issuing the Director Options under Resolution 1 and pursuant to the Employment Contract. Although the total 2,250,000 Director Options are being issued under Resolution 1, the Company notes that the Director Options under sub-paragraph (b) and (c) above will not be able to be exercised by Mr Lambert until the vesting condition has been satisfied.

2. Chapter 2E of the Corporations Act

Under Chapter 2E of the Corporations Act, a public company cannot give a “financial benefit” (including an issue of shares and options) to a “Related Party” of the Company, unless one of the exception set out in section 210 to 216 of the Corporations Act apply, or the holders of ordinary securities have approved the giving of the financial benefit to the Related Party in a general meeting.

Andrew Lambert, being a Director of the Company, is a Related Party under section 228 of the Corporations Act.

Accordingly, the Company is seeking Shareholder approval under section 208 of the Corporations Act to permit the issue of the Director Shares and Director Options to Andrew Lambert as a Related Party of the Company.

3. Section 219 of the Corporations Act

Pursuant to and in accordance with the requirements of section 219 of the Corporations Act, the following information is provided to enable Shareholders to assess the proposed issue of the Director Shares and Director Options to Andrew Lambert (and/or his nominee):

(a) The Related Party to whom the financial benefit will be given

Andrew Lambert (and/or his nominee).

(b) The nature of the financial benefit

1,000,000 Shares and 2,250,000 Options.

Applying the closing Share price as at 16 August 2012 of \$0.23 per Share, the benefit from the issue of the Director Shares is valued at \$230,000.

For the valuation of the Director Options please see paragraph 4 below.

(c) Directors Recommendations

Andrew Lambert has a material personal interest in the outcome of Resolution 1 being passed. Accordingly, Andrew Lambert declines to make a recommendation in respect of Resolution 1. The remaining Directors of the Company recommend the Shareholders approve Resolution 1 for the following reasons:

- (i) the grant of the Director Options and Director Shares to Andrew Lambert will align the interests of Andrew Lambert with those of Shareholders;
- (ii) the grant of the Director Options and Director Shares is a reasonable and appropriate method to provide cost effective remuneration as the non-cash form of this benefit will allow the Company to spend a greater proportion of its cash reserves on its operations than it would if alternative cash forms of remuneration were given to Andrew Lambert; and
- (iii) the issue of the Director Options and Director Shares is in accordance with the terms of the Employment Contract.

(d) **Directors' interests in the proposed resolution**

The Directors (other than Andrew Lambert) do not have any interest in the outcome of Resolution 1.

(e) **Related Party's current interest in the Company**

As at the date of this Notice of Meeting, Andrew Lambert and his associates hold nil Shares and nil Options in the Company.

(f) **Funds raised**

The Director Options and Director Shares will be issued for no cash consideration. Funds may be raised on exercise of the Director Options. However, there is no certainty that any of the Director Options will be exercised.

(g) **Terms of the Securities**

The terms and conditions of the Director Options are set out in Annexure A. The Director Shares issued under Resolution 1 are ordinary fully paid shares which rank equally with the Company's existing Shares on issue.

(h) **Current Remuneration**

The remuneration and emoluments from the Company to Andrew Lambert for the previous financial year were \$250,000 and emoluments for the current financial year are \$250,000.

(i) **Dilution**

If Shareholders approve the grant of Director Options and Director Shares to Andrew Lambert, and the 500,000 Director Options that are able to be exercised, are exercised, the effect will be to dilute the shareholding of existing Shareholders by approximately 1.35% on an undiluted basis based on the number of Shares on issue as at the date of this Notice. The market price for Shares during the term of the Director Options would normally determine whether or not Andrew Lambert exercises the Director Options. If, at the time any of the Director Options are exercised, the Shares are trading on ASX at a price that is higher than the exercise price of the Director Options, there may be a perceived cost to the Company.

(j) **Trading History**

As at the date of this Notice, the Company had 110,000,000 Shares on issue. The trading history of Shares on ASX during the last 12 months are as set out below:

	Date	Price
Highest	15 August 2012	\$0.245
Lowest	17 February 2012	\$0.15
Last	15 August 2012	\$0.245

(k) **Accounting**

The Company's adoption of Australian equivalents to International Financial Reporting Standards for reporting periods means that, under AASB2 Share-based Payment, equity-based compensation (such as the Director Options under Resolution 1) will be recognised as an expense in respect of the services received.

(l) **Opportunity Cost**

The Directors do not consider that there are any opportunity costs to the Company or benefits foregone by the Company in issuing the Director Shares and Director Options.

Other than as set out in this Explanatory Statement, there is no further information which the Shareholders would reasonably require in order to decide whether or not it is in the Company's best interests to pass Resolution 1.

4. Valuation of the Director Options

ASIC requires that a dollar value be placed on the Director Options proposed to be issued to the related parties under Resolution 1 for inclusion in this Explanatory Statement. The Black-Scholes method is designed to value listed securities that are freely tradeable and hence it is not entirely appropriate or reliable in this instance. Nevertheless, values for the Director Options have been estimated using the Black-Scholes method. ASIC has indicated that the Black-Scholes option pricing model is acceptable for this purpose.

The Company has obtained an independent valuation of the Director Options to be issued to Andrew Lambert pursuant to Resolution 1. The Director Options have been valued using the Black-Scholes option pricing model based upon the following assumptions:

	25c Options	50c Options	75c Options
Market Price at 14 August 2012	\$0.23	\$0.23	\$0.23
Exercise Price	25c	50c	75c
Expiry Date	30 June 2014	30 June 2015	30 June 2016
Risk Free Rate	2.89%	2.75%	2.75%
Volatility	75%	75%	75%
Value per Director Option	\$0.088	\$0.068	\$0.068

Subject to the satisfaction of the vesting conditions, the Director Options are exercisable at any time, but it is assumed that they will be exercised on their expiry date;

Accordingly the total value of the Director Options to be issued to Andrew Lambert is \$163,000.

5. ASX Listing Rule 10.11

Listing Rule 10.11 provides that a company must not issue equity securities to a "Related Party" without the approval of holders of ordinary securities, or to a person whose relationship with the company or a Related Party of the company is, in

ASX's opinion, such that approval should be obtained. Further, Listing Rule 7.2 (Exception 14) states that approval pursuant to Listing Rule 7.1 is not required if shareholder approval is obtained under Listing Rule 10.11.

Andrew Lambert is a Related Party by virtue of being a Director of the Company. The Directors have determined to seek Shareholder approval under Listing Rule 10.11 to permit the issue of the Director Shares and Director Options to Andrew Lambert (and/or his nominee) as a Related Party of the Company on the terms in Resolution 1.

The issue of the Director Shares and Director Options under Resolution 1 will not affect the capacity of the Company to issue securities in the next 12 months under Listing Rule 7.1, as those Director Shares and Director Options (once issued) will be excluded from the calculations under Listing Rule 7.1.

6. ASX Listing Rule 10.13

Listing Rule 10.13 requires the following information to be provided to the Shareholders in relation to Resolution 1 to satisfy Listing Rule 10.11:

(a) **Name of the allottee of the securities**

Andrew Lambert (and/or his nominee) who is a Director of the Company.

(b) **The maximum number of securities to be allotted**

(i) 1,000,000 Shares; and

(ii) 2,250,000 Options.

(c) **The date of allotment and issue of the securities**

The Director Shares and Director Options under Resolution 1 will be issued as soon as possible after the General Meeting and in any event, no later than 1 month after the General Meeting (or such later date to the extent permitted by any ASX waiver of the Listing Rules).

(d) **Issue price of the securities**

The Director Shares and the Director Options will be issued for no cash consideration.

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

The Director Shares issued under Resolution 1 are ordinary fully paid shares which rank equally with the Company's existing Shares on issue.

The full terms and conditions of the Director Options issued under Resolution 1 are provided at Annexure A.

(f) **Intended use of funds**

No funds will be raised from the issue of the Director Shares or Director Options under Resolution 1. Funds may be raised on exercise of the Director Options. However, there is no certainty that an option holder will exercise the Options.

Glossary

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

ASX	ASX Limited (ACN 008 624 691) trading as the Australian Securities Exchange.
Board	the board of Directors.
Chairman	Mr Adam Sierakowski.
Constitution	the constitution of the Company.
Company	Kinetiko Energy Limited ACN 141 647 529.
Corporations Act	Corporations Act 2001 (Cth).
Director	a director of the Company.
Director Options	has the meaning specified in section 1 of the Explanatory Statement.
Director Shares	has the meaning specified in section 1 of the Explanatory Statement.
Employment Contract	has the meaning specified in section 1 of the Explanatory Statement.
Explanatory Statement	the explanatory statement accompanying the Notice of General Meeting.
Glossary	means this glossary of defined terms.
Listing Rules	the listing rules of ASX.
Notice or Notice of General Meeting	the notice of general meeting accompanying the Explanatory Statement.
Option	means an option to acquire a Share.
Related Party	means a party so defined by section 228 of the Corporations Act.
Share	a fully paid ordinary share in the capital of the Company.
Shareholder	a holder of Shares.
WST	Western Standard Time in Australia.

Annexure A

Terms and Conditions of Options

The terms and conditions of the Options to be approved and issued as proposed by Resolution 1 are as follows:

The Options to be approved and issued to Mr Andrew Lambert (or his nominee(s)) pursuant to Resolution 2 have the following conditions:

- (i) 500,000 Options exercisable at \$0.25 on or before the expiry date of 30 June 2014, with deferred vesting based on continuity of employment with the Company of 12 months;
- (ii) 750,000 Options exercisable at \$0.50 on or before the expiry date of 30 June 2015, with deferred vesting based on continuity of employment with the Company of 24 months;
- (iii) 1,000,000 Options exercisable at \$0.75 on or before the expiry date of 30 June 2016, with deferred vesting based on continuity of employment with the Company of 36 months.

Apart from the above terms, the terms and conditions of the Options to be approved and issued the subject of Resolution 1 are as follows:

- a) Each Option entitles the holder to subscribe for one Share in the capital of the Company at the Exercise Price per Share.
- b) Subject to paragraph (c) below, the Options are exercisable at any time up to 5.00pm Perth time on the Expiry Date by completing an Option exercise form and delivering it together with the payment for the number of Shares in respect of which the Options are exercised to the registered office of the Company. A notice of exercise is only effective when the Company has received the full amount of the exercise price in cleared funds. Any Options not exercised by that time will lapse.
- c) An Option Holder may exercise only some of that person's Options, which does not affect that holder's right to exercise the remainder of their Options by the deadline in paragraph (b) above. Options must be exercised in multiples of 100 at a time, unless the Option Holder exercises all Options able to be exercised at that time.
- d) Subject to the Corporations Act, the ASX Listing Rules and the Company's Constitution, the Options are not transferable except that the holder may at any time transfer all or any of his Options to his spouse or to a company in which the majority of the issued shares are beneficially owned by the holder or to any trust that the holder is a beneficiary. Application will not be made to ASX for official quotation of the Options.
- e) All Shares issued upon exercise of the Options will, from the date they are issued, rank pari passu in all respects with the Company's then issued Shares. The Company will apply for official quotation by ASX of all Shares issued upon exercise of the Options.
- f) Option Holders cannot participate in new issues of capital offered to Shareholders of the Company during the currency of the Options without exercising the Options. However, the Company will ensure that for the purpose of determining entitlements to any such issue, the books closing date will be at least 10 business days after the issue is announced. This will give Option Holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
- g) Subject to paragraph (h), if the Company makes a bonus share issue, a rights issue or any other similar issue of rights or entitlements, there will be no adjustment to the exercise price, the number of Shares per Option or any other terms of those Options.
- h) In the event of any reorganisation (including consolidation, subdivision, reduction or return) of the issued capital of the Company prior to the Expiry Date the rights of Option Holders, including the number of Options or the exercise price of the Options or both will be changed to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation.
- i) Option Holders will be sent all communications sent to Shareholders of the Company, but Options do not confer any rights to attend or vote at meetings of Shareholders of the Company. Notice may be given by the Company to Option holders in the manner provided by the Company's Constitution for the giving of notices to Shareholders, and the relevant provisions of the Company's Constitution apply with all necessary modification to notices to Option Holders.

Kinetiko Energy Limited
ACN 141 647 529

PROXY FORM

Shareholder Details

Contact Telephone No:

Contact Name (if different from above):

STEP 1 – Appointment of Proxy

I/We being a shareholder/s of Kinetiko 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 Kinetiko Energy Limited to be held at Barrington House, 283 Rokeby Road, Subiaco, Western Australia on 25 September 2012 at 10.00am (WST) and at any adjournment of that meeting.

The Chairman
of the meeting

(mark with an 'X')

IMPORTANT:

In respect of Resolution 1 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 Resolution 1, 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 Resolution 1 (for which you have not given a direction) even if he/she has an interest in the outcome of Resolution 1 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 Resolution 1, the Chairman of the meeting will not cast your votes on Resolution 1 (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 Resolution 1.

OR

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 authorize your proxy to exercise if:

If you hold 2 or more Shares in Kinetiko 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 Kinetiko Energy Limited to be held at Barrington House, 283 Rokeby Road, Subiaco, Western Australia on 25 September 2012 at 10.00am (WST) and at any adjournment of that meeting.

STEP 2 – Voting directions to your proxy – Please mark only one of the boxes with an "X" for Resolution 1 to indicate your directions.

Ordinary Business

For Against Abstain

Resolution 1. Issue of Shares and Options to Andrew Lambert

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

STEP 3 – PLEASE SIGN HERE

directions to be implemented

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

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 ie. no later than 10.00am (WST) on 23 September 2012. 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 PO Box Z5183, Perth, Western Australia 6831 or sent by facsimile to the registered office on +61 8 9218 8875.