

Kairiki Energy Limited
ABN 34 002 527 906

Notice of General Meeting

Explanatory Statement

and

Proxy Form

KAIRIKI ENERGY LIMITED
ABN 34 002 527 906

NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting of members of Kairiki Energy Limited (**Kairiki** or the **Company**) will be held on Thursday, 14th August 2008 commencing at 10.00am in the Helena Room, Medina Grand Perth, 33 Mounts Bay Road, Perth, WA.

The Explanatory Statement that accompanies and forms part of this Notice of General Meeting describes in more detail the matters to be considered as Special Business.

AGENDA

SPECIAL BUSINESS

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

1. Issue of Incentive Options to Craig Gumley

“That, for the purposes of ASX Listing Rule 10.11 and Chapter 2E of the Corporations Act and for all other purposes, the Company approves the issue and allotment of:

*2,500,000 Tranche A Incentive Options;
2,500,000 Tranche B Incentive Options; and
2,500,000 Tranche C incentive Options,*

by way of remuneration to Mr Craig Gumley or nominee on the terms and conditions as set out in the Explanatory Statement accompanying this Notice of General Meeting.”

For the purposes of Listing Rule 10.13.6, the Company will disregard any votes cast on this resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of an ordinary security holder, if the resolution is passed, and any associate of them. However, the Company need not disregard a vote if it is cast by a person as 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.

2. Issue of Incentive Options to Employee

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, the directors be authorised to grant a total of 500,000 Tranche C Incentive Options to an Employee or their nominee on the terms and conditions set out in the Explanatory Statement accompanying this Notice of General Meeting.”

The Company will disregard any votes cast on this resolution by or on behalf of the employee that may participate in the proposed issue or any of their associates. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or it is cast by the chairperson of 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.

3. Ratification of Placement - 23 June 2008

“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, the Company approves and ratifies the prior issue and allotment of 49,949,730 fully paid ordinary shares, at an issue price of 23 cents per share, to institutional and other exempt investors.”

The Company will disregard any votes cast on this resolution by the parties who participated in the issue as listed in the Explanatory Statement and any associate of them. However, the Company need not disregard a vote if it is cast by a person as 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.

4. Ratification of Issue of Options - 23 June 2008

“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, the Company approves and ratifies the prior issue of:

*1,250,000 Tranche D Incentive Options; and
1,250,000 Tranche E Incentive Options,*

to an employee on the terms and conditions as set out in the Explanatory Statement accompanying this Notice of General Meeting.”

The Company will disregard any votes cast on this resolution by or on behalf of the employee who participated in the issue as listed in the Explanatory Statement and any associate of them. However, the Company need not disregard a vote if it is cast by a person as 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.

For the purposes of determining voting entitlements at the general meeting, Shares will be taken to be held by persons who are registered as holding Shares at 10.00am on Tuesday, 12th August 2008. 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 General Meeting.

By Order of the Board

Neville Bassett
Company Secretary
4 JULY 2008

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the General Meeting of members to be held at the Medina Grand Perth, 33 Mounts Bay Road, Perth, WA on Thursday, 14th August 2008 at 10.00am.

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

Shareholders should note that all the directors approved the proposal to put the resolutions to shareholders as outlined in the Notice of General Meeting and to prepare this Explanatory Statement.

1. RESOLUTION 1 – ISSUE OF INCENTIVE OPTIONS TO DIRECTOR

Chapter 2E of the Corporations Act ("the Act") regulates the provision of financial benefits to related parties by a public company. Section 208 of the Act prohibits, subject to certain exceptions, a company from giving a financial benefit to a related party of the company without prior shareholder approval.

A "financial benefit" is defined in the Act in broad terms and includes a public company issuing securities.

For the purpose of this meeting, a "related party" includes a director of the Company. Accordingly, the proposed grant of Incentive Options to the specified director involves the provision of a financial benefit to a related party of the Company.

Where no exception is applicable (as is the case in these circumstances), Section 208 of the Act provides that for a public company to give a financial benefit to a related party of that Company, the public company must

- (a) obtain the approval of members in the way set out in Sections 217 to 227 of the Act; and
- (b) give the benefit within 15 months after the approval is obtained.

The information required by Chapter 2E of the Act to be provided to shareholders is contained within this Explanatory Statement and the Notice of General Meeting

In accordance with the requirements of Sections 217 to 227 of the Act, the following information is provided to allow shareholders to assess the proposed grant of the Incentive Options to the related party:

- (a) the related party to whom the financial benefits will be given is Mr Craig Gumley;
- (b) the maximum number of Incentive Options (being the nature of the financial benefit to be provided) to be granted to Mr Gumley is 7,500,000;
- (c) the Incentive Options will be granted for no consideration and otherwise on the terms and conditions set out in Annexures "A", "B" and "C";

- (d) as at the date of this Notice the annual remuneration (inclusive of superannuation where applicable) payable to Mr Gumley is \$327,000;
- (e) as at the date of this Notice, Mr Gumley had notifiable interests in the securities of the Company as set out below:

Name	Shares	Options
Craig Gumley	Nil	Nil

- (f) Other than as set out above, Mr Gumley receives no other emoluments from the Company;
- (g) If shareholders approve the grant of the Incentive Options to Mr Gumley, and all of the Incentive Options are exercised, the effect will be to dilute the shareholding of existing shareholders by approximately 1.80% (based on the number of Shares currently on issue and assuming no other options are exercised). If the other existing options on issue held by third parties were also to be exercised, the dilution effect would be 1.28%.

The Directors do not consider that there are any opportunity costs to the Company or benefits foregone by the Company in respect of the proposed issue of Incentive Options other than, if the Incentive Options are exercised at a time when the market price of the Company's shares is greater than the exercise price of the Incentive Options, there will be a detriment insofar as the Company will be required to issue shares at a price lower than it might otherwise have been able to, with the result that less funds will be raised.

- (h) The market price for Shares during the term of the Incentive Options would normally determine whether or not the Incentive Options are exercised. If, at the time any of the Incentive Options are exercised, the Shares are trading on ASX at a price that is higher than the exercise price of the Incentive Options, there may be a perceived cost to the Company. In the 12 months before the date of this Notice, the highest, lowest and last trading price of shares on the ASX are as set out below:

	Shares	
	Date	Price
Low	4 April 2008	7.8 cents
High	22 May 2008	33.0 cents
Latest Available Price	3 July 2008	25.5 cents

- (i) the ASIC in reviewing documents lodged under Section 218 of the Act relating to the giving of financial benefits to related parties of public companies requires explanatory information regarding the options proposed to be granted. The value of the Incentive Options and pricing methodology is set out in section 1.2 below; and
- (j) The independent Directors (with respect to Resolutions that they do not have a material personal interest in) recommend that Shareholders vote in favour of Resolution 1 and they are of the view that the issue of Incentive Options to Mr Gumley is an appropriate form of remuneration to provide him with an incentive to maximise returns to Shareholders. The Directors are not aware of any further information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution.

1.1 PURPOSE OF ISSUE OF INCENTIVE OPTIONS

The purpose of the issue is to remunerate the specified director, or his nominees as an incentive for future services. The Directors believe that the future success of the Company will depend in large measure on the skills and motivation of the people engaged in and overseeing the management of the Company's operations. It is therefore important that the Company is able to attract and retain people of the highest calibre.

The Directors consider that the most appropriate means of achieving this is to provide the directors with an opportunity to participate in the Company's future growth and give them an incentive to contribute to that growth.

Issue of options as part of the remuneration packages of directors and key consultants is a well established practice of junior public listed companies and, in the case of the Company, has the benefit of conserving cash whilst properly rewarding directors and consultants.

In determining the number of securities to be issued and the terms, consideration was given to the relevant experience and role of Mr Gumley, the respective overall remuneration terms, the market price of the Company's shares for the 3 months preceding the date of his appointment, and the terms of the options. Mr Gumley was appointed to the position of Managing Director on 17 December 2007 when the share price the preceding day closed at 19 cents.

The securities will be issued for no cash consideration. The Incentive Options will be issued on the terms and conditions set out in Annexures "A", "B" and "C" to this Explanatory Statement.

The proposed related party participant in the issue of Incentive Options and the number of Incentive Options to be issued are as detailed in section 1.2.

1.2 VALUATION OF OPTIONS

The value of Incentive Options to be issued has been calculated by an independent consultant using the Binomial Option Pricing Model ("the Binomial Model") as of 19 June 2008. The value of an option calculated by the Binomial Model is a function of a number of variables. The indicative value of the Incentive Options has been calculated using the following variables:

	Tranche A	Tranche B	Tranche C
Valuation Date	18 June 2008	18 June 2008	18 June 2008
Expiry Date	31 May 2011	31 May 2011	31 May 2011
Underlying Share Price	\$0.26	\$0.26	\$0.26
Exercise Price	\$0.20	\$0.25	\$0.30
Vesting Date	31 May 2009	31 May 2010	31 May 2010
Expected Life	3 years	3 years	3 years
Risk Free Rate	6.78%	6.75%	6.75%
Volatility	79.31%	77.79%	77.79%

The underlying share price of 26 cents is based on the closing price of the shares on 18 June 2008.

Based on the above variables the indicative value of the Incentive options proposed to be issued to the related party is as detailed below in 1.2.1.

- 1.2.1 On the basis of the indicative option value, as detailed herein, the value of options proposed to be issued to the related party, is as follows:

Director	Option Type	Number of Options	Indicative Value \$
Craig Gumley	Tranche A Incentive	2,500,000	376,305
	Tranche B Incentive	2,500,000	348,286
	Tranche C Incentive	2,500,000	317,621
			1,042,212

The options are unlisted and non transferable. The options must be exercised by their respective expiry dates, after which date such options automatically lapse.

- 1.2.2 The Company announced the proposal to issue the Incentive Options to Mr Gumley at the date of his appointment on 17 December 2007. The issue of the Incentive Options was subject to shareholder approval at the next general meeting of the Company. If the value of the options was determined as at 17 December 2007, the date the director was appointed, using applicable variables at that time the indicative value of the options would have been:

Director	Option Type	Number of Options	Indicative Value \$
Craig Gumley	Tranche A Incentive	2,500,000	235,000
	Tranche B Incentive	2,500,000	215,000
	Tranche C Incentive	2,500,000	192,500
			642,500

1.3 Potential Benefits

If the options are issued pursuant to the proposed resolutions, the Company considers the following benefits arise:

- Mr Gumley will have a vested interest in the affairs of the Company. As options are a performance based incentive, he will have that incentive to ensure the market price of the shares of the Company increases to create value in the options and this will benefit all shareholders.
- The issue of options is a non-cash form of remuneration, thus conserving liquid funds.
- The exercise of the options will provide working capital for the company at no significant cost. If all the options proposed to be issued pursuant to resolution 1 are ultimately exercised, an amount of \$1,875,000 would be raised.

1.4 ASX Listing Rule 10.11

ASX Requirements

ASX Listing Rule 10.11 relevantly provides that the prior approval of shareholders of Kairiki is required for the issue of equity securities to a related party. If approval is given for the issue of securities under ASX Listing Rule 10.11, approval is not required under ASX Listing Rule 7.1. ASX Listing Rule 10.13 sets out the information to be provided to shareholders in the notice of general meeting. The company is seeking shareholder approval to the proposed allotment to the related party pursuant to resolution 1.

In compliance with the information requirements of ASX Listing Rule 10.13 members are advised of the following particulars in relation to the proposed issue of options under resolution 1:

(a) Maximum number of options to be issued:

2,500,000 Tranche A Incentive Options
2,500,000 Tranche B Incentive Options
2,500,000 Tranche C Incentive Options

(b) Date by which the Company will issue options:

No later than one month after the date of the meeting.

(c) Price at which options to be issued:

The options are being issued to remunerate the specified director as an incentive for future services.

(d) Name of the allottee:

Craig Gumley

(e) Terms of issue:

The Options will be issued on the terms and conditions as outlined in Annexure "A", Annexure "B" and Annexure "C".

(f) Intended use of funds raised:

The options will be issued for no consideration. There are no funds being raised from the allotment as the options will be issued as an incentive for future services.

(g) Dates of allotment:

Allotment will occur on one date.

2. RESOLUTION 2 - ISSUE OF OPTIONS TO EMPLOYEE

Resolution 2 of the Notice of General Meeting proposes the grant of 500,000 Tranche C Incentive Options to an employee.

The Incentive Options will be issued for no consideration. No directors or their associates will participate in the allotment of Incentive Options approved under Resolution 2.

Listing Rule 7.1 provides a formula which limits the number of equity securities the Company may issue to 15% of each class of securities issued within a 12 month period without shareholder approval.

Resolution 2 seeks Shareholder approval pursuant to ASX Listing Rule 7.1 for the issue of Incentive Options to the employee to allow that number of securities not to be included in the calculation under ASX Listing Rule 7.1. This will allow the company to have the flexibility to issue equity securities in the future up to the 15% threshold without the requirement to obtain Shareholder approval.

The information required by ASX Listing Rules 7.1 and 7.3 to be provided to shareholders is contained within this Explanatory Statement and the Notice of General Meeting.

In compliance with the information requirements of ASX Listing Rule 7.3 members are advised of the following particulars in relation to the proposed issue of options:

(a) Maximum number of options to be issued:

500,000 Tranche C Incentive Options

(b) Date by which the Company will issue options:

No later than three months after the date of the meeting.

(c) Price at which options to be issued:

The options are being issued free as an incentive for work to be performed for the Company.

(d) Names of the allottee:

Alice Chaplin (who is not a related party)

(e) Terms of issue:

The Options will be issued on the terms and conditions as outlined in Annexure "C".

(f) Intended use of funds raised:

The options will be issued for no consideration. There are no funds being raised from the allotment as the options will be issued as an incentive for work done for the Company.

(g) Dates of allotment:

Allotment will occur on one date.

3. RESOLUTION 3 - RATIFICATION OF SHARE ISSUE

Resolution 3 has been included so that shareholders may approve and ratify pursuant to Listing Rule 7.4 the issue on 24 June 2008 of 49,949,730 Shares to institutional and other exempt investors pursuant to a placement that was announced to the market on 16 June 2008.

Listing Rule 7.1 provides a formula which limits the number of equity securities the Company may issue to 15% of each class of securities issued within a 12 month period without shareholder approval. While the Shares issued above are within this 15% limit, the purpose of the Resolution is to ratify the above issue within the 15% limit to provide the Company with the flexibility to issue further securities in accordance with the Listing Rules should the need arise.

Listing Rule 7.4 provides that an issue of securities made without the approval under Listing Rule 7.1 is treated as having been made with shareholder approval for the purpose of Listing Rule 7.1 if the shareholders subsequently approve it. This enables the company to issue further equity securities without exceeding the 15% in 12 months limitation.

The terms of the Shares issued are the same as the existing ordinary Shares on issue and, accordingly, rank equally in all respects with the existing ordinary Shares on issue.

Resolution 3 of the Notice of General Meeting proposes the ratification for the issue and allotment of 49,949,730 Shares, thereby satisfying the requirements of ASX Listing Rule 7.4.

On 16 June 2008 the Company announced that it had reached agreement to place up to 49,949,730 ordinary fully paid shares at \$0.23 per share to raise \$11,488,438 before expenses, to a number of institutional and other exempt investors.

The allotment and issue of Shares was completed on 24 June 2008.

In compliance with the information requirements of ASX Listing Rule 7.5 members are advised of the following particulars in relation to the placement:

(a) Number of securities allotted:

49,949,730 Shares.

(b) Price at which the securities were issued:

23 cents per Share.

(c) Terms of the securities:

The Shares rank equally in all respects with the existing Shares on issue.

(d) Basis on which allottees were determined:

The shares were issued to a number of institutional and other exempt investors, pursuant to section 708 of the Corporations Act.

No related party participated in the allotment of Shares.

(e) Intended use of funds raised:

The funds raised (\$11,488,438 before expenses of issue) will be used to fund the company's Philippine's drilling program and for working capital purposes.

4. RESOLUTION 4 - RATIFICATION OF OPTION ISSUE

Resolution 4 has been included so that shareholders may approve and ratify pursuant to Listing Rule 7.4 the issue on 16 May 2008 of 2,500,000 Incentive Options to an employee as part of his remuneration package announced to the market on 14 May 2008.

Listing Rule 7.1 provides a formula which limits the number of equity securities the Company may issue to 15% of each class of securities issued within a 12 month period without shareholder approval. While the Incentive Options issued above are within this 15% limit, the purpose of the Resolution is to ratify the above issue within the 15% limit to provide the

Company with the flexibility to issue further securities in accordance with the Listing Rules should the need arise.

Listing Rule 7.4 provides that an issue of securities made without the approval under Listing Rule 7.1 is treated as having been made with shareholder approval for the purpose of Listing Rule 7.1 if the shareholders subsequently approve it. This enables the company to issue further equity securities without exceeding the 15% in 12 months limitation.

Resolution 4 of the Notice of General Meeting proposes the ratification for the issue of 2,500,000 Options, thereby satisfying the requirements of ASX Listing Rule 7.4.

In compliance with the information requirements of ASX Listing Rule 7.5 members are advised of the following particulars in relation to the placement:

(a) Number of securities allotted:

1,250,000 Tranche D Incentive Options
1,250,000 Tranche E Incentive Options

(b) Price at which the securities were issued:

The Incentive Options were issued free as an incentive for work to be performed for the Company.

(c) Terms of the securities:

The Incentive Options were issued on the terms and conditions as outlined in Annexure "D" and Annexure "E".

(d) Name of the allottee:

Ciaran John Lavin (who is not a related party)

(e) Intended use of funds raised:

The Incentive Options were issued for no consideration. No funds were raised from the allotment as the Incentive Options were issued as an incentive for future services.

7. DEFINITIONS

ASIC	means the Australian Securities and Investments Commission.
ASX	means ASX Limited.
ASX Listing Rules	means the official listing rules of ASX.
Corporations Act	means the Corporations Act 2001 (Cth).
Director	means a director of the Company.
Incentive Option	means a Tranche A Incentive Option, Tranche B Incentive Option, Tranche C Incentive Option, Tranche D Incentive Options or Tranche E Incentive Option individually or in combination, as the circumstance requires.

Kairiki or the Company	means Kairiki Energy Limited (ABN 34 002 527 906)
Tranche A Incentive Option	means an option to acquire a Share at an exercise price of \$0.20 per share expiring 31 May 2011 and otherwise on the terms and conditions as outlined in Annexure "A".
Tranche B Incentive Option	means an option to acquire a Share at an exercise price of \$0.25 per share expiring 31 May 2011 and otherwise on the terms and conditions as outlined in Annexure "B".
Tranche C Incentive Option	means an option to acquire a Share at an exercise price of \$0.30 per share expiring 31 May 2011 and otherwise on the terms and conditions as outlined in Annexure "C".
Tranche D Incentive Option	means an option to acquire a Share at an exercise price of \$0.20 per share expiring 31 May 2011 and otherwise on the terms and conditions as outlined in Annexure "D".
Tranche E Incentive Option	means an option to acquire a Share at an exercise price of \$0.25 per share expiring 31 May 2011 and otherwise on the terms and conditions as outlined in Annexure "E".
Share	means a fully paid ordinary share in the capital of the Company and Shares has a corresponding meaning.
Shareholder	means a holder of Shares in the Company.

ANNEXURE "A"

Terms and Conditions of Tranche A Incentive Options

The terms and conditions of the Tranche A Incentive Options are as follows:

- (a) Each option entitles the holder to subscribe for and be allotted one ordinary fully paid share in the capital of the company.
- (b) The options are exercisable at 20 cents each.
- (c) The options will expire on 31 May 2011 (the "**Expiry Date**").
- (d) Subject to condition (g), the options are exercisable at any time on or prior to the Expiry Date by notice in writing to the director of the company accompanied by payment of the exercise price.
- (e) The options are non transferable.
- (f) Should the option holder cease to be a director or employee of the Company for whatever reason during the vesting period then the Options will automatically be extinguished and the option holder will have no further rights in relation to the Options.
- (g) An option that has not lapsed may be exercised at any time after 31 May 2009. If the Company is the subject of change of control (being a trade sale, a takeover or merger) then the Options will automatically vest, and the option holder will then have 14 days in which to subscribe for and to be allotted one share in the capital of the Company upon exercise of each Option and payment to the Company of the Exercise Price.
- (h) All shares issued upon exercise of the options will rank pari passu in all respects with the company's then existing ordinary fully paid shares. The company will apply for Official Quotation by the ASX of all shares issued upon exercise of the options.
- (i) There are no participating rights or entitlements inherent in the options and holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the options. However, if from time to time on or prior to the Expiry Date the company makes an issue of new shares to the holders of ordinary fully paid shares, the company will send a notice to each holder of options at least nine (9) Business Days before the record date referable to that issue. This will give Optionholders the opportunity to exercise their options prior to the date for determining entitlements to participate in any such issue.
- (j) If from time to time on or prior to the Expiry Date the company makes an issue of shares to the holders of ordinary fully paid shares in the company by way of capitalisation of profits or reserves (a **bonus issue**), then upon exercise of their options, Optionholders will be entitled to have issued to them (in addition to the shares which would otherwise be issued to them upon such exercise) the number of shares of the class which would have been issued to them under that bonus issue (**bonus shares**) if on the record date for the bonus issue they had been registered as the holder of the number of shares of which they would have been registered as holder if, immediately prior to that date, they had duly exercised their Options and the shares the subject of such exercise had been duly allotted and issued to them. The bonus shares will be paid up by the company out of profits or reserves (as the case may be) in the same manner as was applied in relation to the bonus issue and upon issue will rank pari passu in all respects with the other shares allotted upon exercise of the Options.
- (k) There is no right to a change in the exercise price of the options or to the number of shares over which the Options are exercisable in the event of a new issue of capital (other than a bonus issue) during the currency of the Options.
- (l) In the event of any reorganisation of the issued capital of the company on or prior to the Expiry Date, the rights of an Optionholder will be changed to the extent necessary to comply with the applicable ASX Listing Rules in force at the time of the reorganisation.

ANNEXURE "B"

Terms and Conditions of Tranche B Incentive Options

The terms and conditions of the Tranche B Incentive Options are as follows:

- (l) Each option entitles the holder to subscribe for and be allotted one ordinary fully paid share in the capital of the company.
- (m) The options are exercisable at 25 cents each.
- (n) The options will expire on 31 May 2011 (the "**Expiry Date**").
- (o) Subject to condition (g), the options are exercisable at any time on or prior to the Expiry Date by notice in writing to the director of the company accompanied by payment of the exercise price.
- (p) The options are non transferable.
- (q) Should the option holder cease to be a director or employee of the Company for whatever reason during the vesting period then the Options will automatically be extinguished and the option holder will have no further rights in relation to the Options.
- (r) An option that has not lapsed may be exercised at any time after 31 May 2010. If the Company is the subject of change of control (being a trade sale, a takeover or merger) then the Options will automatically vest, and the option holder will then have 14 days in which to subscribe for and to be allotted one share in the capital of the Company upon exercise of the Option and payment to the Company of the Exercise Price.
- (s) All shares issued upon exercise of the options will rank pari passu in all respects with the company's then existing ordinary fully paid shares. The company will apply for Official Quotation by the ASX of all shares issued upon exercise of the options.
- (t) There are no participating rights or entitlements inherent in the options and holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the options. However, if from time to time on or prior to the Expiry Date the company makes an issue of new shares to the holders of ordinary fully paid shares, the company will send a notice to each holder of options at least nine (9) Business Days before the record date referable to that issue. This will give Optionholders the opportunity to exercise their options prior to the date for determining entitlements to participate in any such issue.
- (u) If from time to time on or prior to the Expiry Date the company makes an issue of shares to the holders of ordinary fully paid shares in the company by way of capitalisation of profits or reserves (a **bonus issue**), then upon exercise of their options, Optionholders will be entitled to have issued to them (in addition to the shares which would otherwise be issued to them upon such exercise) the number of shares of the class which would have been issued to them under that bonus issue (**bonus shares**) if on the record date for the bonus issue they had been registered as the holder of the number of shares of which they would have been registered as holder if, immediately prior to that date, they had duly exercised their Options and the shares the subject of such exercise had been duly allotted and issued to them. The bonus shares will be paid up by the company out of profits or reserves (as the case may be) in the same manner as was applied in relation to the bonus issue and upon issue will rank pari passu in all respects with the other shares allotted upon exercise of the Options.
- (v) There is no right to a change in the exercise price of the options or to the number of shares over which the Options are exercisable in the event of a new issue of capital (other than a bonus issue) during the currency of the Options.
- (l) In the event of any reorganisation of the issued capital of the company on or prior to the Expiry Date, the rights of an Optionholder will be changed to the extent necessary to comply with the applicable ASX Listing Rules in force at the time of the reorganisation.

ANNEXURE "C"

Terms and Conditions of Tranche C Incentive Options

The terms and conditions of the Tranche C Incentive Options are as follows:

- (a) Each option entitles the holder to subscribe for and be allotted one ordinary fully paid share in the capital of the company.
- (b) The options are exercisable at 30 cents each.
- (c) The options will expire on 31 May 2011 (the "**Expiry Date**").
- (d) Subject to condition (g), the options are exercisable at any time on or prior to the Expiry Date by notice in writing to the director or employee of the company accompanied by payment of the exercise price.
- (e) The options are non transferable.
- (f) Should the option holder cease to be a director or employee of the Company for whatever reason during the vesting period then the Options will automatically be extinguished and the option holder will have no further rights in relation to the Options.
- (g) An option that has not lapsed may be exercised at any time after 31 May 2010. If the Company is the subject of change of control (being a trade sale, a takeover or merger) then the Options will automatically vest, and the option holder will then have 14 days in which to subscribe for and to be allotted one share in the capital of the Company upon exercise of the Option and payment to the Company of the Exercise Price.
- (h) All shares issued upon exercise of the options will rank pari passu in all respects with the company's then existing ordinary fully paid shares. The company will apply for Official Quotation by the ASX of all shares issued upon exercise of the options.
- (i) There are no participating rights or entitlements inherent in the options and holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the options. However, if from time to time on or prior to the Expiry Date the company makes an issue of new shares to the holders of ordinary fully paid shares, the company will send a notice to each holder of options at least nine (9) Business Days before the record date referable to that issue. This will give Optionholders the opportunity to exercise their options prior to the date for determining entitlements to participate in any such issue.
- (j) If from time to time on or prior to the Expiry Date the company makes an issue of shares to the holders of ordinary fully paid shares in the company by way of capitalisation of profits or reserves (a **bonus issue**), then upon exercise of their options, Optionholders will be entitled to have issued to them (in addition to the shares which would otherwise be issued to them upon such exercise) the number of shares of the class which would have been issued to them under that bonus issue (**bonus shares**) if on the record date for the bonus issue they had been registered as the holder of the number of shares of which they would have been registered as holder if, immediately prior to that date, they had duly exercised their Options and the shares the subject of such exercise had been duly allotted and issued to them. The bonus shares will be paid up by the company out of profits or reserves (as the case may be) in the same manner as was applied in relation to the bonus issue and upon issue will rank pari passu in all respects with the other shares allotted upon exercise of the Options.
- (k) There is no right to a change in the exercise price of the options or to the number of shares over which the Options are exercisable in the event of a new issue of capital (other than a bonus issue) during the currency of the Options.
- (l) In the event of any reorganisation of the issued capital of the company on or prior to the Expiry Date, the rights of an Optionholder will be changed to the extent necessary to comply with the applicable ASX Listing Rules in force at the time of the reorganisation.

ANNEXURE "D"

Terms and Conditions of Tranche D Incentive Options

The terms and conditions of the Tranche D Incentive Options are as follows:

- (a) Each option entitles the holder to subscribe for and be allotted one ordinary fully paid share in the capital of the company.
- (b) The options are exercisable at 20 cents each.
- (c) The options will expire on 31 May 2011 (the "**Expiry Date**").
- (d) Subject to condition (g), the options are exercisable at any time on or prior to the Expiry Date by notice in writing to the director of the company accompanied by payment of the exercise price.
- (e) The options are non transferable.
- (f) Should the option holder cease to be a director or employee of the Company for whatever reason during the vesting period then the Options will automatically be extinguished and the option holder will have no further rights in relation to the Options.
- (g) An option that has not lapsed may be exercised at any time after 14 May 2009. If the Company is the subject of change of control (being a trade sale, a takeover or merger) then the Options will automatically vest, and the option holder will then have 14 days in which to subscribe for and to be allotted one share in the capital of the Company upon exercise of each Option and payment to the Company of the Exercise Price.
- (h) All shares issued upon exercise of the options will rank pari passu in all respects with the company's then existing ordinary fully paid shares. The company will apply for Official Quotation by the ASX of all shares issued upon exercise of the options.
- (i) There are no participating rights or entitlements inherent in the options and holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the options. However, if from time to time on or prior to the Expiry Date the company makes an issue of new shares to the holders of ordinary fully paid shares, the company will send a notice to each holder of options at least nine (9) Business Days before the record date referable to that issue. This will give Optionholders the opportunity to exercise their options prior to the date for determining entitlements to participate in any such issue.
- (j) If from time to time on or prior to the Expiry Date the company makes an issue of shares to the holders of ordinary fully paid shares in the company by way of capitalisation of profits or reserves (a **bonus issue**), then upon exercise of their options, Optionholders will be entitled to have issued to them (in addition to the shares which would otherwise be issued to them upon such exercise) the number of shares of the class which would have been issued to them under that bonus issue (**bonus shares**) if on the record date for the bonus issue they had been registered as the holder of the number of shares of which they would have been registered as holder if, immediately prior to that date, they had duly exercised their Options and the shares the subject of such exercise had been duly allotted and issued to them. The bonus shares will be paid up by the company out of profits or reserves (as the case may be) in the same manner as was applied in relation to the bonus issue and upon issue will rank pari passu in all respects with the other shares allotted upon exercise of the Options.
- (k) There is no right to a change in the exercise price of the options or to the number of shares over which the Options are exercisable in the event of a new issue of capital (other than a bonus issue) during the currency of the Options.
- (l) In the event of any reorganisation of the issued capital of the company on or prior to the Expiry Date, the rights of an Optionholder will be changed to the extent necessary to comply with the applicable ASX Listing Rules in force at the time of the reorganisation.

ANNEXURE "E"

Terms and Conditions of Tranche E Incentive Options

The terms and conditions of the Tranche E Incentive Options are as follows:

- (a) Each option entitles the holder to subscribe for and be allotted one ordinary fully paid share in the capital of the company.
- (b) The options are exercisable at 25 cents each.
- (c) The options will expire on 31 May 2011 (the "**Expiry Date**").
- (d) Subject to condition (g), the options are exercisable at any time on or prior to the Expiry Date by notice in writing to the director of the company accompanied by payment of the exercise price.
- (e) The options are non transferable.
- (f) Should the option holder cease to be a director or employee of the Company for whatever reason during the vesting period then the Options will automatically be extinguished and the option holder will have no further rights in relation to the Options.
- (g) An option that has not lapsed may be exercised at any time after 14 May 2010. If the Company is the subject of change of control (being a trade sale, a takeover or merger) then the Options will automatically vest, and the option holder will then have 14 days in which to subscribe for and to be allotted one share in the capital of the Company upon exercise of the Option and payment to the Company of the Exercise Price.
- (h) All shares issued upon exercise of the options will rank pari passu in all respects with the company's then existing ordinary fully paid shares. The company will apply for Official Quotation by the ASX of all shares issued upon exercise of the options.
- (i) There are no participating rights or entitlements inherent in the options and holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the options. However, if from time to time on or prior to the Expiry Date the company makes an issue of new shares to the holders of ordinary fully paid shares, the company will send a notice to each holder of options at least nine (9) Business Days before the record date referable to that issue. This will give Optionholders the opportunity to exercise their options prior to the date for determining entitlements to participate in any such issue.
- (j) If from time to time on or prior to the Expiry Date the company makes an issue of shares to the holders of ordinary fully paid shares in the company by way of capitalisation of profits or reserves (a **bonus issue**), then upon exercise of their options, Optionholders will be entitled to have issued to them (in addition to the shares which would otherwise be issued to them upon such exercise) the number of shares of the class which would have been issued to them under that bonus issue (**bonus shares**) if on the record date for the bonus issue they had been registered as the holder of the number of shares of which they would have been registered as holder if, immediately prior to that date, they had duly exercised their Options and the shares the subject of such exercise had been duly allotted and issued to them. The bonus shares will be paid up by the company out of profits or reserves (as the case may be) in the same manner as was applied in relation to the bonus issue and upon issue will rank pari passu in all respects with the other shares allotted upon exercise of the Options.
- (k) There is no right to a change in the exercise price of the options or to the number of shares over which the Options are exercisable in the event of a new issue of capital (other than a bonus issue) during the currency of the Options.
- (l) In the event of any reorganisation of the issued capital of the company on or prior to the Expiry Date, the rights of an Optionholder will be changed to the extent necessary to comply with the applicable ASX Listing Rules in force at the time of the reorganisation.

Proxy Form

The Secretary
Kairiki Energy Limited
Suite 3, Churchill Court
331 - 355 Hay Street
Subiaco WA 6008

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 10.00am on Thursday, 14th August, 2008 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.

The Chairman intends to vote all undirected proxies in favour of all resolutions.

RESOLUTIONS

	FOR	AGAINST	ABSTAIN
1 Issue of Incentive Options to Craig Gumley	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Issue of Incentive Options – Employee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Ratification of Share Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Ratification of Issue of Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If the member is an individual or joint holder:

Usual Signature

Dated this _____ day of _____

Usual Signature

2008

If the member is a Company:

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

Director/Sole Director

Dated this _____

Director/Secretary

day of _____

Sole Director and Sole Secretary

2008

INSTRUCTIONS AS TO VOTING

If the Chair of the meeting is appointed as your proxy, or may be appointed by default and you do not wish to direct your proxy how to vote as your proxy in respect to the resolution, please place a mark in the box.

By marking this box, you acknowledge that the Chair of the meeting may exercise your proxy even if he has an interest in the outcome of the resolution and that votes cast by the Chair of the meeting other than as proxy holder will be disregarded because of that interest.

If you do not mark the box, and you have not directed your proxy how to vote, the Chair will not cast your votes on the resolution and your votes will not be counted in calculating the required majority if a poll is called on the resolution.

NOTES

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 (Suite 3, Churchill Court, 331-335 Hay Street, Subiaco, WA 6008) or sent by facsimile to that office on Fax: 08 9388 6744 to be received not less than 48 hours prior to the time of the meeting.
5. If the member is a company it must execute under its Common Seal or otherwise in accordance with its Constitution.