

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 (the **Company**) will be held on Tuesday 21st October 2008 commencing at 10.00am in the King Street Room, Rydges Perth Hotel, Cnr Hay & King Streets, 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:

Resolution 1: Approval of Conditional Note Offer

“That the issue by the Company of up to US\$1.5 million convertible notes to IMC Oil & Gas Investments Ltd under the ‘Conditional Note Offer’, the terms of which are summarised in the Explanatory Statement accompanying the notice of this meeting, be and is hereby approved for all purposes including Rule 7.1 of the ASX Listing Rules.”

The Company will disregard any votes cast on this resolution by IMC Oil & Gas Investments Ltd and any of its 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 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: Approval of Unconditional Note Offer

“That the issue by the Company of US\$8.5 million convertible notes to IMC Oil & Gas Investments Ltd under the ‘Unconditional Note Offer’, the terms of which are summarised in the Explanatory Statement accompanying the notice of this meeting, be and is hereby ratified for all purposes including Rule 7.4 of the ASX Listing Rules.”

The Company will disregard any votes cast on this resolution by IMC Oil & Gas Investments Ltd and any of its 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 person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Voting Entitlements and Proxies

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 5.00pm (Perth, Western Australia time) on 19 October 2008. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the general meeting.

A Shareholder entitled to attend and vote has a right to appoint a proxy to attend and vote instead of the Shareholder. A proxy need not be a Shareholder and can be either an individual or a body corporate. If a Shareholder appoints a body corporate as a proxy, that body corporate will need to ensure that it:

- appoints an individual as its corporate representative to exercise its powers at the meeting, in accordance with section 250D of the Corporations Act; and
- provides satisfactory evidence of the appointment of its corporate representative prior to commencement of the meeting.

If such evidence is not received before the meeting, then the body corporate (through its representative) will not be permitted to act as a proxy.

A Shareholder that is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, each proxy may exercise half of the Shareholder's votes.

A Proxy Form accompanies this Notice and to be effective must be received at the company's registered office:

Suite 3, Churchill Court, 331-335 Hay Street, Subiaco WA 6008

OR by facsimile: +61 8 9388 6744

by no later than 10.00am on 19 October 2008, being 48 hours before commencement of the meeting.

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

By Order of the Board

Neville Bassett
Company Secretary
16 SEPTEMBER 2008

EXPLANATORY STATEMENT

The purpose of this Explanatory Statement is to provide information to explain the proposed resolutions in order to assist Shareholders to determine how to vote on them.

Words used in this Explanatory Statement have the meanings given to them in the Definitions in section 4 of this Explanatory Statement.

1. Introduction

The purpose of the Meeting is to consider resolutions that will enable the Company to raise up to US\$10 million in additional funds through the issue of convertible notes.

On 8 September 2008, the Company entered into a Convertible Note Deed with IMC Oil & Gas Investments Ltd (**IMC**), which provides for that company to subscribe for:

- US\$8.5 million Notes (the **Unconditional Note Offer**); and
- a further US\$1.5 million Notes, subject to Shareholder approval (the **Conditional Note Offer**).

Shareholder approval for the issue of Notes under the Conditional Note Offer is being sought under Resolution 1 and ratification of the issue of Notes under the Unconditional Note Offer is being sought under Resolution 2.

Further information on each of the resolutions is set out below.

The Corporations Act and the ASX Listing Rules require certain information to be provided to Shareholders when seeking the necessary approvals for each of the resolutions. This is set out in this Explanatory Statement.

2. Resolution 1 - Approval of Conditional Note Offer

Under the Conditional Note Offer, the Company will issue up to US\$1.5 million Notes to IMC within 2 business days of obtaining shareholder approval under Resolution 1.

The maximum number of Shares which the Company will issue on conversion of Notes issued under the Conditional Note Offer will be equal to the outstanding amount on the Notes divided by the conversion price. The conversion price on which this maximum number of shares is based on is the lower of:

- A\$0.185; and
- the closing price of the Shares on ASX on the Conversion Date, provided that, if this price is lower than A\$0.16, the Conversion Price will be A\$0.16.

As the outstanding amount on the Notes is denominated in US dollars and the conversion price is in Australian dollars, a US\$/A\$ exchange rate will be used. Details of the exchange rate that will be used are set out in the summary of the terms of the Notes set out in the Attachment.

The existing issued capital of the Company is 418,872,490 Shares. The percentage of the Company's issued Shares that would be required to be issued on conversion of the Notes will depend on the conversion price and exchange rate. Assuming a conversion price of

A\$0.16 and an exchange rate of 0.85, 2.6% of the Company's issued Shares will be issued on conversion of all the Notes under the Conditional Note Offer.

As part of the raising of funds through the issue of convertible notes to IMC, the Company has entered into a binding term sheet with IMC dated 29 August 2008 (**Term Sheet**). Under the Term Sheet, the Company and IMC have agreed to enter into the following agreements:

- an 'Agreement in relation to Service Contract 54'; and
- an 'Alliance Agreement'.

A summary of the Term Sheet's requirements for these agreements is set out in the Attachment.

Approval is required under the ASX Listing Rules

Listing Rule 7.1 requires a company that wishes to issue more than 15% of its securities in any 12 month period to obtain Shareholder approval by way of ordinary resolution (unless the issue is exempted under Listing Rule 7.2).

The issue of the Shares that would be required on conversion of the Notes under the Conditional Note Offer, taken together with the Shares that would be required on conversion of the Notes under the Unconditional Note Offer, would involve the issue of securities in excess of the 15% capital threshold specified by Listing Rule 7.1. Therefore, Shareholder approval is being sought prior to the issue of the Notes under Resolution 1. If Resolution 1 is not passed the Conditional Note Offer will not proceed.

The following additional information in relation to Resolution 1 is required under Listing Rule 7.3.

Issue price of the Notes

The Notes will be issued in principal amounts of US\$1 at 100% of their principal amount.

The Notes may be converted to Shares at the option of the holder, subject to the terms and conditions of the Convertible Note Deed, at any time after their issue date and prior to close of business on their maturity date of 8 September 2011.

This conversion is subject to adjustment for changes in the capital structure of the Company in accordance with the terms of the Notes, as summarised in the Attachment.

Terms of the Notes

A summary of the terms of the Notes is set out in the Attachment.

Intended use of funds raised

The funds raised will be used by the Company for exploration and development of the Company's acreage in the Philippines, and for general corporate purposes.

3. Resolution 2 - Ratification of Unconditional Note Offer

Under the Unconditional Note Offer, the Company issued US\$8.5 million Notes to IMC on 8 September 2008.

The maximum number of Shares which the Company will issue on conversion of Notes issued under the Unconditional Note Offer will be equal to the outstanding amount on the Notes divided by the conversion price. These Notes have the same conversion price as the Notes under the Conditional Note Offer, subject to possible differences in the exchange rate as explained in the Attachment.

The existing issued capital of the Company is 418,872,490 Shares. As noted above, the percentage of the Company's issued Shares that would be required to be issued on conversion of the Notes will depend on the conversion price and exchange rate. Assuming a conversion price of A\$0.16 and an exchange rate of 0.85, approximately 15% of the Company's issued Shares will be issued on conversion of all the Notes under the Unconditional Note Offer.

Approval under the ASX Listing Rules is not required, but desirable

The Unconditional Note Offer will not involve the issue of securities in excess of the 15% threshold specified by Listing Rule 7.1, and therefore Shareholder approval is not required to issue the Notes, or the Shares pursuant to the conversion of the Notes, under the Unconditional Note Offer.

As the Unconditional Note Offer has already occurred prior to the date of the meeting, if Resolution 2 is not passed, the Unconditional Note Offer will not be affected.

However, Shareholder approval is being sought to ratify the issue of the Notes under Resolution 2 to "refresh" the Company's ability to issue securities up to the capital thresholds specified by Listing Rule 7.1.

The impact of passing Resolution 2 is that the issue of the US\$8.5 million Notes will be regarded as having been issued with Shareholder approval under Listing Rule 7.1. Therefore, in the future the US\$8.5 million Notes and Shares issued on conversion of these notes would be not counted towards the 15% cap on the Company's capacity to issue additional equity securities under Listing Rule 7.1. This has the effect of increasing the Company's ability to issue further securities in the 12 months after the Meeting.

In addition, if Resolution 2 is passed, the exchange rate applicable to the conversion of Notes under the Unconditional Note Offer may change from a fixed rate of 0.85 to a floating rate set on the day before the date of conversion. The exchange rate will only change to a floating rate if the Company also elects to repay at least 2.5 million notes before 31 January 2008. A floating rate will have the effect that the Company may be obliged to issue a greater number of Shares on conversion – or a lesser number – depending on movements in the rate over the term.

The additional information in relation to Resolution 2 required under Listing Rule 7.5 in respect of the terms of the Notes (including the additional rights in relation to the Notes under the Term Sheet) and intended use of funds raised is the same as for the Notes that may be issued under the Conditional Note Offer.

4. Definitions

ASX	means ASX Limited.
ASX Listing Rules	means the official listing rules of ASX.
Board	means the Board of Directors of the Company.
Notes	means the convertible notes issued or to be issued by the Company under the Note Offers the terms of which are set out in the Explanatory Statement and the Attachment.
Company	means Kairiki Energy Limited (ABN 34 002 527 906).
Conditional Note Offer	means the offer of up to US\$1.5 million Notes to IMC, the issue of which requires Shareholder approval.
Corporations Act	means the Corporations Act 2001 (Cth).
Explanatory Statement	means the explanatory statement which forms part of the Notice.
IMC	IMC Oil & Gas Investments Ltd (BVI Company Number 1034991) of Nerine Chambers, PO Box 905, Road Town, Tortola, British Virgin Islands.
Notice	means the notice of general meeting of which this Explanatory Statement forms part.
Resolution	means a resolution referred to in the Notice.
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.
Unconditional Note Offer	means the offer of US\$8.5 million Notes to IMC, the issue of which does not require Shareholder approval.
YPP	Yilgarn Petroleum Philippines Pty Ltd (ACN 119 507 265), a wholly owned subsidiary of the Company.

Attachment

1. Summary of the terms of the Notes

Issuer	Kairiki Energy Limited.
Allottee	IMC Oil & Gas Investments Ltd
Issue	US\$10 million 12.0% secured convertible notes due 8 September 2011. The issue of US\$1.5 million of these Notes is conditional on approval of Resolution 1 referred to in the Notice.
Issue Price	The Notes under the Unconditional Note Offer will be issued at 100% of their principal amount. The Notes under the Conditional Note Offer will be issued at 100% of their principal amount.
Issue Date	8 September 2008 for the Unconditional Note Offer. Within 2 business days after the date of this meeting for the Conditional Note Offer.
Maturity Date	8 September 2011.
Interest Rate	The Notes will bear interest at a rate of 12.0% per annum. Interest is payable monthly in arrears on the last day of each month and (where that day is not a business day) on the next business day, with the interest payable accruing until and including 31 December 2008 to be capitalised. Accordingly, the first interest payment will be made on 2 February 2009.
Status of the Notes	<p>The Notes will constitute direct, and secured obligations of the Company and will at all times rank pari passu and without any preference or priority among themselves. The payment obligations of the Company under the Notes shall, save for such exceptions as may be provided by mandatory provisions of applicable law, at all times rank at least equally with all of its other present and future direct, unsubordinated, unconditional and unsecured obligations.</p> <p>The debts and monetary liabilities of the Company to IMC under the Convertible Note Deed are secured over all of the present and future undertaking, assets and rights of:</p> <ul style="list-style-type: none">• the Company, except for certain “Excluded Property”, pursuant to a Deed of Charge between the Company and IMC; and• YPP, except for certain “Excluded Property”, pursuant to a Deed of Charge between IMC and YPP. <p>“Excluded Property” in each case includes such assets that are released by IMC (such release not to be unreasonably withheld) for Company or YPP (as the case may be) Board approved purposes.</p>
Conversion Right	The Notes are convertible by holders of the Notes into Shares at any time after their issue date, unless previously redeemed, converted or cancelled, on a maximum of three occasions with a minimum of 10 million shares on each occasion.

Covenants	The Terms and Conditions of the Notes contain limitations on certain activities of the Company, including a negative covenant on further borrowings except for specified purposes.
Conversion Price	<p>The conversion price at which the Notes may be converted into Shares (subject to adjustment in the manner summarised below) will be the lower of:</p> <ul style="list-style-type: none"> - A\$0.185; and - the closing price of the Shares on ASX on the Conversion Date, provided that, if this price is lower than A\$0.16, the Conversion Price will be A\$0.16.
Exchange Rate	<p>As the outstanding amount on the Notes is denominated in US dollars and the conversion price is in Australian dollars, a US\$/A\$ exchange rate will be used.</p> <p>This exchange rate will be 1.17647 (being the equivalent of an Australian dollar to US dollar exchange rate of 0.85) or:</p> <ul style="list-style-type: none"> - in respect of a Note issued under the Conditional Note Offer, if the Tranche 2 Threshold Condition has been satisfied, the exchange rate will be the Floating Rate. - in respect of a Note issued under the Unconditional Note Offer, if the Tranche 1 Threshold Condition has been satisfied, the exchange rate will be the Floating Rate. <p>The 'Tranche 2 Threshold Condition' means if the Company has exercised its right of redemption, as described below under 'Redemption at the Option of the Company' in respect of at least 2.5 million Notes.</p> <p>The 'Tranche 1 Threshold Condition' means if the following events have occurred:</p> <ul style="list-style-type: none"> - the Company has exercised its right of redemption, as described below under 'Redemption at the Option of the Company' in respect of at least 2.5 million Notes; and - the Company's shareholders have approved Resolution 2. <p>The 'Floating Rate' is the interbank rate for exchanging US dollars to Australian dollars for the day prior to the relevant Conversion Date as published on www.oanda.com/convert/fxhistory or, if that rate is no longer published on that website on the Conversion Date, then the wholesale market US\$ 'sell' exchange rate as published in the Australian Financial Review.</p>

Adjustment to Conversion Price	The Conversion Price of the Notes will be adjusted for changes in the capital structure of the Company.
Redemption at the Option of the Company	The Notes may be redeemed up to 50%, at the option of the Company on or before 31 January 2009, at the par value of the Notes together with all accrued but unpaid interest on the Notes.
Redemption at the Option of IMC	<p>The Company must pay the net proceeds derived from sales of petroleum recovered from the “SC54 Inboard Area” and cash from the exercise of the Company’s options expiring on 31 December 2008 into a separate account.</p> <p>IMC has the option to elect to require the Company to use any or all of the balance in that account to redeem the Notes, by way of a pro rata partial repayment of the outstanding amount of the Notes.</p>
Events of Default	The Convertible Note Deed contains customary events of default which will permit acceleration of repayment the Notes.
Form and Denomination of Notes	The Notes will be issued in registered form in denominations of US\$1 each.
Share Ranking	Shares issued upon conversion of the Notes will be fully paid with full voting rights and will rank pari passu with the Shares in issue on the relevant Conversion Date.
Listing for the Shares	The Shares issued on conversion of the Notes will be listed on the ASX.
Payments	All payments in respect of the Notes made by the Company will be made in US\$ and without any set-off, counterclaim or condition, or any deduction or withholding for any tax to the extent permitted by law.
Governing Law	The Notes will be governed by, and construed in accordance with, the law of Western Australia.
Use of Proceeds	The net proceeds of the issue of the Notes (after the deduction of fees, and expenses) are expected to be approximately US\$9.9 million and will be used by the Company for exploration and development activities in respect of its Philippines acreage and general corporate purposes.

2. Summary of the terms of the Agreement in relation to Service Contract 54 and the Alliance Agreement and other agreed matters under the Term Sheet

Binding Term Sheet

As part of the raising of funds through the issue of convertible notes to IMC, the Company has entered into a binding term sheet with IMC dated 29 August 2008 (**Term Sheet**). Under the Term Sheet, the Company and IMC have agreed to enter into the following agreements:

- an 'Agreement in relation to Service Contract 54'; and
- an 'Alliance Agreement.

A summary of the proposed terms of these agreements is set out below.

Agreement in relation to Service Contract 54

Under the Term Sheet, the Company and YPP have agreed to enter into an 'Agreement in relation to Service Contract 54' with IMC.

YPP holds a 40% participating interest in a Service Contract 54 (**Service Contract**) entered with the government of the Philippines covering certain areas located in the Palawan Basin, offshore the Philippines and a joint operating agreement (**JOA**) between YPP and Nido Petroleum Philippines Pty Ltd (**Nido**). Under the 'Agreement in relation to Service Contract 54', the Company and YPP agree to grant IMC various rights in relation to the Service Contract, including:

- a step in right if Kairiki is unable to fund its share of the 2008 SC54 shallow water drilling program;
- an option to purchase Kairiki's participating interest in the SC54 (shallow water and deep water) at a price yet to be agreed, if Kairiki elect not to proceed or is unable to raise finance to proceed with a viable shallow water development; and
- right to back-in (deferred farm-in) up to a 20% interest as follows:
 - SC54 Inboard after:
 - (1) first 2 wells with no carry/promote;
 - (2) Inboard and Outboard partition issues resolved; and
 - (3) IMC to fund the forward program from the point of farm-in until the Company's shallow water program costs are met, this option being valid until and including 30 March 2009; and
 - SC54 Outboard under favourable but reasonable promoted terms, this option being valid from January 1 2009 until the later of 30 March 2009 or 6 months before spud of the first Outboard well.

Alliance Agreement

Under the Term Sheet, the Company has agreed to, no later than 1 December 2008, enter into an exploration and field development alliance agreement with IMC under principles to be mutually agreed through collective workshops to be organised by IMC, which shall include on a non-exhaustive basis, co-investment rights (by IMC and/or its affiliates), and IMC Services (including but not limited to, the right to provide services, floating assets, plant, and equipment of a nature to be agreed).

Under the Term Sheet the parties agreed that, no later than 31 January 2009, Kairiki shall approve, and by the exercise of its voting rights under the JOA, use its best endeavours to cause Nido to also approve and grant, IMC the right to provide the IMC Services on a commercially competitive basis in any development arising from the SC54 Shallow Water drilling program.

If through Kairiki's wilful breach the parties fail to execute an Alliance Agreement by 1 December 2008 or by 31 January 2009 IMC fails to be granted the right to provide the services set out in the paragraph above, then IMC may demand repayment of the Notes and a break fee of US\$1 million.

Proxy Form

Mark this box with an 'X' if you have made any changes to your address details (see reverse)

The Secretary
Kairiki Energy Limited
Suite 3, Churchill Court
331 - 335 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 21 October, 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 Approval of Conditional Note Offer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Ratification of Unconditional Note Offer	<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

Director/Secretary

Sole Director and Sole Secretary

Dated this _____ day of

2008

NOTES

1. The address set out in this Proxy Form is your address as it appears on the Company's share register. If this information is incorrect, please mark the box and make the correction on the form. Securityholders sponsored by a broker (in which case your reference number overleaf will commence with an 'x') should advise your broker of any changes. **Please note, you cannot change ownership of your securities using this form.**
2. If the individual or body corporate you wish to appoint as your proxy is someone other than the Chairperson of the meeting please write the full name of that individual or body corporate in the space provided. If you leave this section blank, or your named proxy does not attend the meeting, the Chairperson of the meeting will be your proxy. Do not write the name of the issuer company or the registered securityholder in the space.
3. A member entitled to attend and vote is entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form.

To appoint a second proxy you must:
 - (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. 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. Fractions shall be disregarded.
 - (b) return both forms together in the same envelope.
4. A proxy need not be a member of the Company.
5. 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 08 9388 6744 to be received not less than 48 hours prior to the time of the meeting. Any Proxy Form received after that time will not be valid for the scheduled meeting.
6. The proxy form must be signed personally by the member or their attorney, duly authorised in writing. If the member is a company it must execute under its Common Seal or otherwise in accordance with its Constitution. In the case of joint members, all of the security holders should sign the proxy form, personally or by a duly authorised attorney.
7. You may direct your proxy how to vote by placing a mark in one of the three boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.