

20 October 2014

ASX Market Announcements  
Level 4  
20 Bridge Street  
SYDNEY NSW 2000

### Disposal of Philippines Assets

Kairiki Energy Limited (**Kairiki** or **the Company**) advises that it has entered into a binding term sheet with Focus Oil and Gas Limited (**Focus**) (**Agreement**) for the disposal of its entire interest in the share capital of Yilgarn Petroleum Philippines Pty Ltd (**Yilgarn**), the holder of the Company's interest in Service Contract 54A and 54B in the Philippines, being the main undertaking of the Company (**Disposal**).

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

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

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

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

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

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

### Key Terms

The key terms of the Disposal are as follows:

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



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

### Indicative Timetable

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

Event	Date
General Meeting to approve Disposal	28 November 2014
Completion of Disposal	12 December 2014

### Financial effect of the Disposal on the Company

The impact of the Disposal on the Company's financial position will be:

1. On completion provide net cash of approximately \$1.3 million;
2. The extinguishment of all debt, including secured loan facilities;
3. The release of all security obligations; and
4. Other than cash, the company will have no assets.

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

### ASX Requirements

ASX Listing Rule 11.2 provides that where a company proposes to make a significant change in the nature or scale of its activities which involves the disposal of its main undertaking, it must first obtain the approval of its shareholders.

The Company proposes to seek shareholder approval for the purpose of Listing Rule 11.2 at the upcoming annual general meeting.

N J Bassett  
Company Secretary