



8 June 2015

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 terminated the binding term sheet with Focus Oil and Gas Limited (**Focus**) for the disposal of its entire interest in the share capital of Yilgarn Petroleum Philippines Pty Ltd (**Yilgarn**) due to the non-satisfaction of conditions precedent.

In contemplation of the likely non-satisfaction of the conditions precedent on the Focus agreement, Kairiki recently entered into discussions with its secured creditor IMC Oil & Gas Investments Ltd (**IMC**) (the Company's major shareholder and holder of a fixed and floating charge over the Company and Yilgarn) with respect to a restructure of the existing debt facility.

Kairiki advises that it has entered into a Share Purchase Agreement with IMC for the disposal of its entire interest in the share capital of Yilgarn (**Disposal**). Yilgarn is the holder of the Company's interest in Service Contract 54A and 54B in the Philippines, being the main undertaking of the Company.

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

As previously announced, 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 through until August 2017.

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 number of matters, including:
 - (a) The Company obtaining shareholder approval for the Disposal pursuant to ASX Listing Rule 10.1 and 11.2; and



- (b) Kairiki having notified the other joint venture partners of the change of control of Yilgarn pursuant to the joint operating agreement relevant to each joint venture interest; and
 - (c) Kairiki providing IMC with the proposed work program and budget from the operator for the current year.
- (ii) The consideration to be paid by IMC for the Disposal comprises:
- (a) forgiveness of debt due to IMC of an amount of \$488,000 under a Finance Facility Agreement;
 - (b) the payment of an amount of \$221,000 to cover the Company's existing indebtedness; and
 - (c) an amount of \$75,000 to cover the costs of implementing the proposed Disposal.

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	31 July 2015
Completion of Disposal	31 July 2015

Financial effect of the Disposal on the Company

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

1. The extinguishment of all debt, including secured loan facilities;
2. The release of all security obligations; and
3. Other than minimal cash, the company will have no assets.

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

ASX Requirements

ASX Listing Rule 10.1 provides that an entity must not dispose of a substantial asset to a related party or a substantial holder in the entity without obtaining the approval of shareholders.

IMC is a related party by virtue of section 228 of the Corporations Act and is a substantial holder in the Company.

For the purpose of satisfying the requirements for shareholder approval under ASX Listing Rule 10.1, the Company will obtain a report on the transaction from an independent expert to report on whether the transaction is fair and reasonable to the holders of the Company's ordinary shares who votes are not to be disregarded in respect to the Disposal.

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 purposes of Listing Rules 10.1 and 11.2 at a general meeting of shareholders to be convened as soon as practicable.



Following the proposed disposal of the Company's main undertaking, ASX may require the Company to seek shareholder approval pursuant to ASX Listing Rule 11.1.2 and/or re-comply with Chapters 1 and 2 of the Listing Rules pursuant to ASX Listing Rule 11.1.3 with respect of any future transaction the Company may enter into.

A disposal by a listed entity of its main undertaking can also raise issues under Listing Rule 12.1 and 12.2, which oblige a listed entity to satisfy ASX on an ongoing basis that the level of its operations is sufficient, and its financial condition adequate, to warrant its continued listing and continued quotation of its securities.

ASX Guidance Note 12 states, *the disposal by a listed entity of its main undertaking may be a precursor to the entity embarking on a new business venture, either immediately or once a suitable business has been identified and acquired. In the latter case, notwithstanding Listing Rule 12.3, ASX will, in the absence of any other reason to suspend the quotation of the entity's securities, generally continue the quotation of its securities for up to six months to allow it time to identify, and make an announcement of its intention to acquire, a suitable new business.*

If an entity is not able to make an announcement of its intention to acquire a new business, within six months of completing the disposal of its main undertaking, ASX will generally exercise its discretion under Listing Rule 12.3 to suspend the quotation of its securities at the end of that six month period. The suspension will continue until the entity makes an announcement acceptable to ASX about its future activities.

N J Bassett
Company Secretary