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ASX Limited
ASX Market Announcements
Level 4, Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

KAIRIKI SIGNS MOU TO ACQUIRE TWO SIGNIFICANT OILFIELDS IN NORTHERN CHINA

Kairiki Energy Limited (**Kairiki** or the **Company**) is pleased to announce that it has entered into a Memorandum of Understanding (**MOU**) for the acquisition of two significant onshore oilfields in northern China.

The MOU between Kairiki, Beijing Junlun Runzhong Science & Technology Co Limited (**Junlun**) and Hefei Xinxin Petrochemical Limited (**Xinxin** or **the Operator**) contemplates the acquisition of Junlun's 100% interest in Xinxin, the holder of exclusive rights to explore and develop two oilfields, Daerqi and WengTe, in Inner Mongolia, China.

These fields were discovered by Sinopec in the mid 1990s, and Xinxin took over operation in 2008. Since that time, Xinxin has brought the Daerqi field on commercial production and carried out thermal and chemical pilots in this shallow oilfield. Current production is approximately 300 bopd, with the potential to increase production to at least 5,000 bopd within 3 years. With an oil in place estimated to be in excess of 200 million barrels¹, the potential for Kairiki is significant.

The terms of acquisition are to be negotiated at completion of a due diligence period, which is for a period of not greater than 45 days. It is anticipated that the purchase consideration will comprise a mix of Kairiki ordinary fully paid shares and cash.

Kairiki Chairman, Peter Cockcroft said: "This is a great opportunity for Kairiki to grow into a significant oil producing company. Through our relationship with IMC, who has been operating successfully in China for over 60 years, and our positive relationship with the Chairman of Xinxin, Henry Xie, we are confident that this project will be a game changer for Kairiki".

Subject to satisfactory completion of due diligence and agreement on sale terms, the transaction is conditional upon:

- (i) the transaction being approved by all of the competent and relevant PRC local government departments and any other required regulatory approvals, either at provincial level or at central government level;
- (ii) Kairiki being satisfied that there are no encumbrances over the Daerqi and WengTe fields, the Technology Service Production Sharing Contracts or any of Xinxin assets whatsoever;

¹ As part of any transaction a report will be prepared in accordance with the SPE-PRMS to advise shareholders of the historical and foreign estimates of the resources currently in place.

- (iii) Kairiki holding a general meeting of shareholders at which resolutions are passed approving the issue of the share consideration and any other regulatory approvals required under the ASX Listing Rules or the Corporations Act; and
- (iv) Junlun holding a general meeting of shareholders at which resolutions are passed approving the transaction and any other regulatory approvals that may be required.

On successful completion of the transaction it is intended that, for the remainder of 2013 Kairiki will work together with Xinxin to increase production and reserves. Kairiki anticipates a significant increase in 2P by Q1, 2014.

Yours faithfully,

Peter Cockcroft
Chairman



