



## Kairiki Energy Limited

### ASX Announcement

### Kairiki Energy to acquire Biofiba Limited in all scrip transaction

- Biofiba is a global leader in the development of sustainable biodegradable simulated timber products applicable for a broad range of commercial applications.
- Biofiba's® application is in logistics as a replacement for timber and plastic pallets in a circa \$80 billion global market.
- Intellectual Property (IP) is 100% owned and patented by Biofiba.
- First manufacturing plant located in Zhoushan China and currently producing Biofiba® products.
- Further production facilities to be established in China and other selected jurisdictions.
- Biofiba concept is proven and ready for global commercialisation with sales orders currently being filled.
- In advanced discussions to develop additional products using patented Biofiba Technology®.

**15 May 2017, Sydney:** The Directors of Kairiki Energy Limited (**Kairiki** or the **Company**) (ASX: KIK) are pleased to announce the Company has executed a conditional agreement to acquire 100% of the issued share capital of Biofiba Limited (**Biofiba**) [www.biofiba.com](http://www.biofiba.com) an unlisted Australian public company headquartered in Sydney, New South Wales.

The Company will require shareholder approval for the transaction under Chapter 11 of the ASX Listing Rules as it is a significant change in the nature and scale of the Company's activities. The Company will also need to re-comply with the ASX's requirements for admission and quotation of its securities. The ASX retains absolute discretion in deciding whether or not to re-admit the Company to the official list and to quote its securities. If any of these requirements are not met or the ASX exercises its discretion not to re-admit the Company's shares to trading on the ASX then the transaction may not proceed.

The Company will despatch a Notice of General Meeting to shareholders for approval of the transaction in due course.

- Consideration for the acquisition of Biofiba will be the issue of ordinary shares in Kairiki.
- The all scrip transaction is subject to the successful completion of due diligence by both parties.
- Appointment of Biofiba Directors to the board of Kairiki.

- Acquisition of Biofiba will convert Kairiki into the sole hemp technology development company listed on the ASX.
- Capital-raising of \$5 million to fund growth, including marketing and sales.
- Mr Paul Sanbrook will join the Company as Chief Executive Officer.

### Acquisition Consideration

- In consideration for the acquisition of 100% of the ordinary shares held in Biofiba, Kairiki will issue 555,833,677 fully paid ordinary shares in Kairiki to Biofiba's shareholders and convertible noteholders (Consideration Shares).
- In addition to the Consideration Shares, Kairiki will issue a further maximum of 370,549,118 shares (Earnout Shares) to Biofiba's shareholders if projected revenues are met in the 2018 and 2019 financial years.
- The Consideration Shares will be subject to voluntary escrow for 12 or 24 months following the commencement of trading in the Company's securities on the ASX.

### Overview of Biofiba

Incorporated in 2009, Biofiba is an Australian company committed to developing products utilising innovative, environmentally friendly, low emission manufacturing processes and patented technology. Biofiba® is an extruded product made from commercially grown, industrial hemp, designed to biodegrade into harmless environmental compost.



*Biofiba® profile extrusion line at production facility in Zhoushan, China.*

Technical development and testing of the Biofiba Technology® and manufacturing processes were conducted pursuant to a series of Research & License Agreements with the Australian Commonwealth Scientific and Industrial Research Organisation (“**CSIRO**”). The project was carried out as a collaborative proof of concept, proto-type project between Biofiba and the Material Engineering and Science Division of the CSIRO, an eminent and renowned global research and testing laboratory, for the development of bio-polymer and bio-composite products.

Biofiba capitalises on a large, addressable and growing global market including, and not limited to, the packaging, building and construction industries by understanding the need for alternative products. Biofiba has identified the export pallet market, in particular the single use, disposable market as the initial best fit for the Biofiba® product representing the next generation alternative to timber and a replacement for plastic and polystyrene, the most commonly used materials in this market.

Biopallets® are a simple one way, one use, disposable, packaging item designed and manufactured by existing third party pallet manufacturers to meet any size, design, load rating or application.



*Biopallet®*

Biofiba® products replace current raw materials with an environmentally friendly, cost effective, durable and sustainable alternative lowering the “Use Cost” of the pallet and removing current impediments imposed by existing materials.

#### **Biofiba® commercial credentials**

- Eliminates international bio-security risks and compliance costs.
- Significantly reduces disposal costs.
- Lowers harmful emissions.
- Physical attributes enable use across multiple applications.

150 million tonnes of timber are consumed globally for disposable export pallets and this is growing at circa 4.9% annually. Timber pallets require heat treatment or must be fumigated with methyl bromide, a known carcinogen.

## Biofiba® environmental credentials

- Bio-security compliant with ISPM15 international quarantine regulations.
- Tested to ISO14855 & AS4736-2006 as a 100% biodegradable material.
- Compliant with global environmental recycling and waste disposal regulations.
- Reduces the use of harmful chemicals in the treatment or fumigation of pallets.
- Reduces the destruction of native timber forests.
- Reduces the use of petroleum based plastics.

The production facility in Zhoushan houses a state of the art patented single line extrusion system and is controlled and managed by qualified and experienced Australian engineers and local personnel. The facility has all relevant Chinese Environmental Protection Agency approvals and is currently producing Biofiba® products.

## Transaction Summary

- Kairiki to consolidate its shares at 1:6.
- The issue of 555,833,677 shares to Biofiba shareholders and noteholders representing total consideration of \$16,675,010 at \$0.03 per share.
- A capital-raising for a minimum of \$5,000,000 at \$0.03 per share to fund the business of Biofiba.

## Indicative Capital Structure

The indicative capital structure of the Company following completion of Biofiba acquisition is set out in the table below.

Indicative Capital Structure	Shares	Percent
Kairiki current issued capital	349,122,480	
Share consolidation 1:6	58,187,080	7.5%
Consideration shares to Biofiba shareholders/noteholders	555,833,677	71.2%
Capital raising of \$5 million	166,666,667	21.3%
<b>Total estimate of Kairiki's issued shares on completion of Biofiba acquisition</b>	<b>780,687,424</b>	<b>100%</b>

In addition, there is 370,549,118 earn out shares that may be issued should certain sales hurdles be achieved in the financial years for the years ending 30 June 2018 and 30 June 2019.

## Board Changes

The transaction will see a change in the Company's Board composition. Mr Scott Brown will become Chairman. Mr Robert Downey and Mr Campbell Welch will retire and the directors identified below will join the Board of the Company.

### **Mr Laurence Dummett**

Laurence invented and patented the Biofiba® process. He holds a Diploma of Production Engineering and has extensive experience in engineering design and extrusion methods developed to produce bio-composites, with more than 30 years' experience in the pallet industry with previous operations in Australia, China, Asia, USA and India. Laurence is the Chief Technical Officer for Biofiba.

***Mr Sean Ritchie***

Sean holds a Diploma Eng and is an Australian citizen now residing in Vancouver, Canada. Sean has extensive experience in the industrial sector including global logistics and warehousing where he has managed pallet marketing, manufacturing and environmental product development.

***Mr Carlo Moretti***

Carlo is a partner with BDO, Chartered Accountants and considered to be one of Australia's leading taxation advisers. He is a trusted business adviser to a number of high net worth private family groups and large company groups. He is a longstanding Director and Officer of Quality Brands International (Aust) Pty Ltd (Bacardi Martini Group) and Merlin Capital.

Also the appointment of Chief Executive Officer, **Mr Paul Sanbrook**

Paul understands that businesses today need logical, economic and environmentally acceptable solutions to the challenges faced in global markets by current products. Owning a market leading "Industrial Packaging" business with a pallet manufacturing and distribution division for over 21 years, Paul's vast experience covers all aspects of managing a successful business from production and distribution through to customer and investor relations.

The parties will make further announcements on the proposed acquisition in due course.

**For further information, please contact:**

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**Mr Paul Sanbrook**

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