



PRESS RELEASE

VERY SUBSTANTIAL ACQUISITION

**Pearl Oriental is going to invest US\$407 Million for
Acquisition of up to 63.05% Equity Interest in a Russian Oilfield Project**

Pearl Oriental Oil Limited (“Pearl Oriental”, stock code: 0632.hk) announces that on 7 June 2013, it signed a sale and purchase agreement to invest US\$407 million for acquisition of a total equity interest of up to 63.05% in a Russian oilfield project (the “Oilfield Project”) by stages with following major terms and conditions:

1. To invest US\$105,636,001 for acquisition of 23.79% equity interest in the Oilfield Project at Phase I, which include a cash payment of US\$21,000,000; issuance of new shares of Pearl Oriental of value equivalent to US\$42,318,000 to be issued at a price of HK\$0.55 per share at a premium of 14.58% to the closing price of HK\$0.48 with the new issued shares accounting for 15.62% of the enlarged share capital of Pearl Oriental; the balance of US\$42,318,001 to be paid in any combination of cash and convertible notes of Pearl Oriental to be determined at the Pearl Oriental’s sole discretion with a conversion price of HK\$0.55 per share.
2. Pearl Oriental is entitled to exercise options within a period of one year from completion of the Phase I acquisition by investing a total amount of US\$300,978,500 in Phase II and Phase III and the equity interest in the Oilfield Project to be held by Pearl Oriental shall increase to up to 63.05%. The payment shall be 50% in cash and 50% in convertible notes of Pearl Oriental at a conversion price of HK\$0.55. The transactions for Phase II and Phase III are subject to approval of the Russian government.

Currently, the Oilfield Project has four major oil assets, including two onshore oilfields and two offshore exploration blocks located in the Caspian Sea of Russia. According to the technical report issued by an international expert, Nizhnechutinskoy Field, one of the two onshore oilfields, has a license area of 215 square kilometers with 3P oil reserves of 609 million barrels (including 2P (proved and probable) oil reserves of 284 million barrels). The oilfield is in production of oil and ready to go into full field development. Another onshore oilfield Khudayelskoye Field has 3C contingent oil resources of 157 million barrels. According to valuation made by an independent international valuer, the market value of Nizhnechutinskoy Field is not less than US\$1 billion, to which the total consideration of US\$407 million to be paid by Pearl Oriental for acquisition of an equity interest of 63.05% of the Oilfield Project represents a discount of 35.4% without considering the value of development potentials of Khudayelskoye Field and the two offshore exploration blocks. After completion of the whole transactions, the Oilfield Project shall have a cash reserve of US\$45 million which can be used for drilling new wells and field development.



The Board of Pearl Oriental has the view that although economy of Europe and USA has been in slow recovery, economy of China is continuously growing and accordingly, demand for oil and gas is consistently increasing. It is forecasted that the import of crude oil by China shall increase to 60% of the total consumption of crude oil in China, which shall have a positive impact on the stability of the international oil price. Therefore, the Board of Pearl Oriental is optimistic to the long term prospect of the petroleum industry.

Russia is one of the top ten largest oil reserve countries in the world and has become the largest crude oil production country since 2011 with an average daily production of 10.37 million barrels in 2012. China imported approximately 170 million barrels of crude oil from Russia in 2012, which ranked as the third largest oil supply country of China. President Xi Jinping signed the “Sino-Russia Joint Statement” with Russia President Vladimir Putin in March 2013, and it is expected that the strategic partnership as well as oil and gas trading between China and Russia will be expedited. Under such good environment, the successful acquisition of the Oilfield Project will bring good opportunity to the Company.

Mr. Wong Kwan, Chairman of Pearl Oriental, indicates that the Board has decided to focus the Company’s resources and exert every effort on the business of oilfield development since Pearl Oriental has successfully acquired the Utah gas and oil field in USA. The Oilfield Project to be acquired this time has at least 3P oil reserves of 609 million barrels and 3C contingent oil resources of 157 million barrels, being classified as strategic oil resources in Russia and having great development potentials, which shall rapidly upgrade the oil asset portfolio and significantly increase oil reserves of Pearl Oriental. Therefore, it is a rare opportunity of business which shall enhance the Group’s revenue and thus create value to the Shareholders in the long run. After a comprehensive restructuring of the Board of Pearl Oriental in March this year, the new management team is in close cooperation and is trying their best to gain better investment return for the Company and the Shareholders through further acquisitions and good operations.

The Board of Directors
Pearl Oriental Oil Limited

1 July 2013