



**XIAOXIAO EDUCATION LIMITED**

ACN 140 573 762

Suite 801 | Level 8 | 5 Elizabeth Street | Sydney NSW 2000 | Australia

29 March 2012

Mr Styn Timmermans  
Australian Securities Exchange  
20 Bridge Street  
Sydney NSW 2000

By Email

Dear Mr Timmermans

**Re: Details of Offer - Xiaoxiao Education Limited  
(ASX: XXL)**

I refer to recent communications with the ASX regarding an approach by a third party to acquire a majority of the ordinary shares in Xiaoxiao Education Limited (**XXL**).

This letter seeks to provide the ASX and the market with details of the Offer as currently known to the Xiaoxiao Board.

Xiaoxiao has received an Offer from representatives of Mr Xu Zi who, we are advised, will be the Managing Director and owner of Australia China Mining Limited which, through a subsidiary, controls Qijiang Pingdong Mining Company Limited (PRC), a China based company intending to enter into iron ore mining production in the Chongqing province of the Peoples Republic of China.

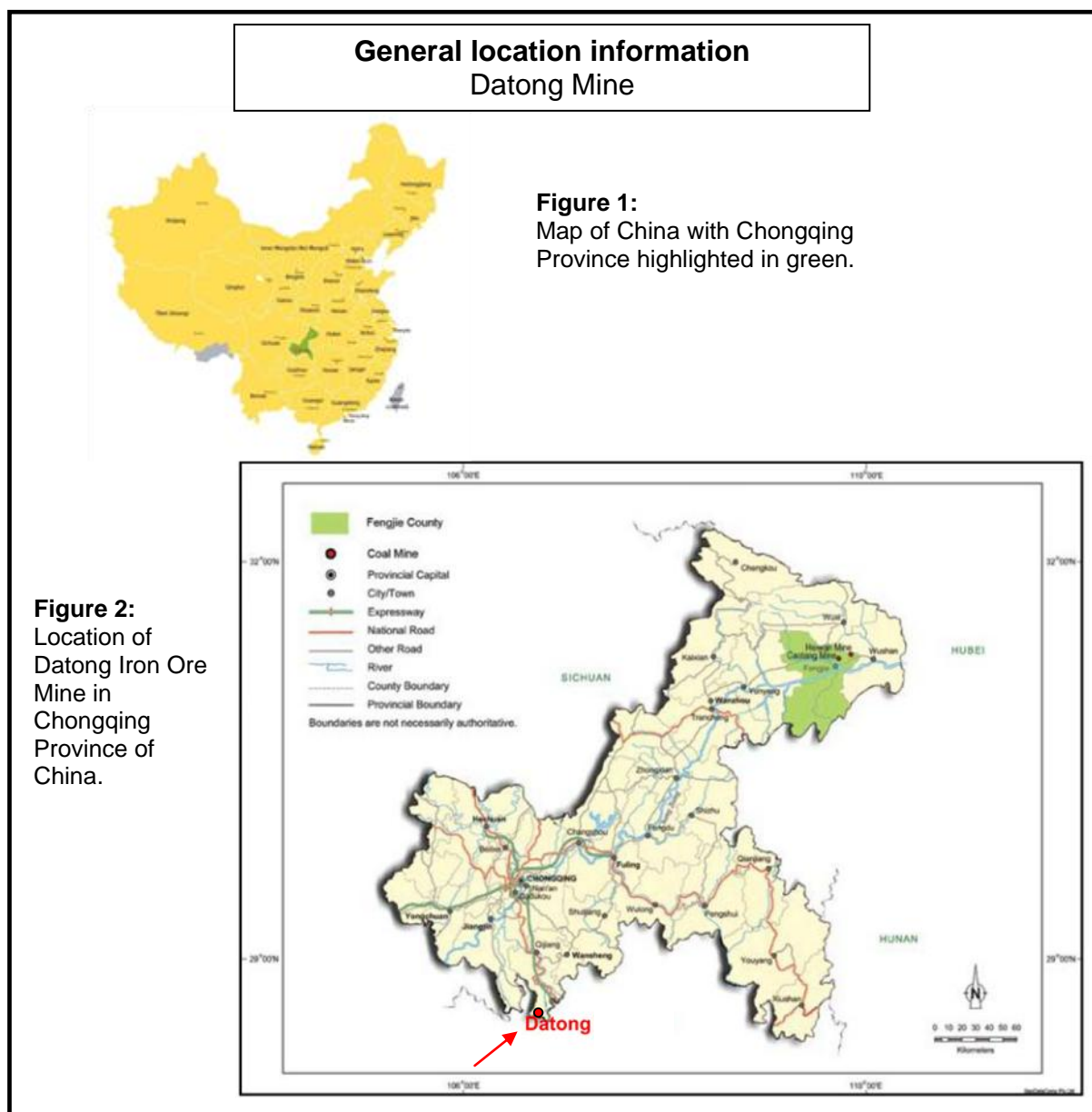
The Offer states that Mr Xu: “wishes to offer to purchase all of the issued ordinary shares in the capital of Xiaoxiao Education Ltd ('XXL') held by Madam Tong”. The offer further states that:

*subject to the approval of the minority shareholders, Mr Xu intends to change the business nature of XXL to involvement in the Chinese and Australian mining sector, delivering assets in that sector to the company, and to consequently dispose of the existing education assets.*

*In consideration for the abovementioned, Mr Xu offers the assets being the Datong Daluo iron ore mine ('Datong') situated in the Chongqing Province, PRC.*

Please note that the XXL Board is informed that Datong is an iron ore mine that, despite historical production (by a company other than Qijiang Pingdong Mining Company Limited (PRC)), is not currently in production. Details of the mine's previous production output have not yet been made available to XXL at this time.

The disposal of the Xiaoxiao educational assets and the acquisition of the Datong Mine would be subject to the Listing Rules, in particular Listing Rule 10.1 and Chapter 11.



The XXL Board understands that the Datong mine requires final PRC Government approval before production can commence. XXL is advised by Mr Xu's representatives that approval in the form of a production licence is expected in May 2012. This production licence will allow the Datong mine to be brought back into production, having previously been a producing mine.

A valuation report of Datong prepared by Australian based Salva Resources dated March 2012 has been supplied to XXL and contains a valuation range. The XXL Board understands that the Datong mine is not currently JORC compliant. Further, XXL understands that the Salva Resources geologist's Report, its valuation and the valuation process was conducted with rigour, but the mine has not been subject to a feasibility study. The Salva Resources report states the median valuation for the Datong Mine (as is) as \$USD 8.1 million. However, it is important that the market understands that XXL has only just received the report and therefore has not had an opportunity to have its own experts test the valuation, validity, methods or conclusions.

In the Board's view, the Offer is incomplete in that it does not contain a number of details, which the Board requires to make an informed recommendation to Shareholders. Mr Xu's advisors have indicated that he will provide further documents to support his Offer shortly, including; an Implementation Agreement; a copy of the Share Sale Agreement between he or his company, and Madam Tong; the funding of the mine's development and an Information Memorandum incorporating Mr Xu's business plan for the development of the Datong mine.

As the XXL board currently understands, the effect of the Offer, if approved by XXL's minority shareholders would see:

1. The sale of all educational assets presently held by XXL to Madam Tong the Chairperson and majority shareholder of XXL;
2. The vend-in of the Datong mine by Mr Xu to XXL by the transfer of Madam Tong's shares to Mr Xu;
3. The reconciliation of loans and a possible cash payment by Madam Tong to XXL to pay for the balance of the educational assets owned by XXL;
4. The purchase by Mr Xu of Sunflower (CHINA) Investment Limited the company owned by Madam Tong which holds her shares in XXL;
5. The resignation of Madam Tong and other XXL executive directors from the XXL Board; and
6. Once a production licence was granted to Datong, the production and sale of iron ore to Chinese refineries, from the Datong mine.

The XXL Board understands that, subject to the Offer being approved by Xiaoxiao Shareholders and all regulatory requirements and approvals being achieved, the Company is expected to change its name from Xiaoxiao Education Limited to Australia China Mining Limited. In the meantime, Xiaoxiao has appointed BDO Corporate Finance (NSW-VIC) Pty Ltd to act as Independent Expert to provide the Minority Shareholders and non-executive Directors with advice on the merits, or otherwise, of the Offer. The Board will appoint other advisors, as required, to provide a recommendation to Shareholders on the Offer.

A General Meeting of Shareholders will be called to consider the Offer and the advice received by the Independent Expert. It should be noted that, as the Offer is to acquire the Shares of the Majority Shareholder Madam Yongrong Tong, only Minority Shareholders in Xiaoxiao Education Limited will be eligible to vote on the acceptance or otherwise of the Offer. A Notice of Meeting and other supporting documents will be issued shortly.

Xiaoxiao's Chairman, Madam Yongrong Tong has agreed that, as the Offer involves the sale of Shares that she owns in the Company, she will absent herself from any and all considerations and discussions on the Offer. On these occasions, as Deputy Chairman and an independent Director of the Company, I will Chair the Board on any discussions relating to the Offer.

The XXL Board construes that the reference to "subject to approval of the Minority Shareholders" in the Offer, as meaning that the Offer is conditional upon approval at a general meeting. This approval is required under item (7) s611 of the *Corporations Act 2001* (Cth) such that the takeover provisions of the *Corporations Act 2001* (Cth) are not triggered. It should be noted that the transaction is an off-market agreement between Madam Tong and Mr Xu.

The XXL Board will ensure that any proposal put to the Minority Shareholders will be compliant with the relevant sections of the Listing Rules and the Corporations Act and that the interests of the minority shareholders in any proposed transaction will be the primary focus of our Board.

I can assure all Xiaoxiao Shareholders and the market that further information will be provided as, and when, it is available.

Yours Sincerely

A handwritten signature in black ink, appearing to read 'Roger Smeed', with a long horizontal line extending from the bottom of the signature.

Roger Smeed  
Deputy Chairman