

# Kairiki Energy Limited

An offshore oil rig is visible in the background, situated in the middle of the ocean. The rig is illuminated with lights, and its complex structure of towers and cranes is clearly visible against the sky. The water is dark and textured with small waves.

## Company Update

22nd August 2011

Kairiki Energy Limited is an Australian listed oil & gas company focussed on the Philippines.

# Disclaimer

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- This presentation contains forward looking statements that are subject to risk factors associated with the oil and gas industry. It is believed that the expectations reflected in these statements are reasonable, but they may be effected by a variety of variables which could cause actual results or trends to differ materially, including but not limited to: price fluctuations, actual demand, currency fluctuations, drilling and production results, commercialisation, development progress, operating results, reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial markets conditions in various countries, approvals and cost estimates.
- All references to dollars, cents or \$ in this document are to Australian currency, unless otherwise stated.
- Kairiki Energy is an oil and gas exploration company. Accordingly, there is no certainty that its exploration prospects will be economically successful. Oil in place (OIP) and contingent resources are not reserves and have not demonstrated economic viability.
- Resources Estimates: All potential hydrocarbon resource estimates in this presentation have been compiled by Dr M Fenton, the Executive Director of Kairiki. Dr Fenton is qualified with a PhD in Geology from University of Melbourne and more than 25 years relevant experience. Quoted resource estimates are provided by Nido Petroleum Limited, Operator of SC 54A & SC 54B Permits.

# Kairiki Energy Summary

## Company Profile

Kairiki Energy is a Philippines focused oil & gas company with interests in the Palawan Basin, Philippines. Kairiki is listed on the Australian Securities Exchange.

## Assets

SC 54A - 30.1%

SC 54B - 22.0%

## Capital Structure

Shares on Issue: 1,187,522,664

Listed Options\*: 305,192,095

(Options Expire 31<sup>st</sup> August 2011, @ \$0.04)

## Debt

IMC Convertible Note: US\$7.5 mln

## Major Shareholders as of 15 August 2011

1. Yandal Investments Pty Ltd
2. HSBC Custody Nominees (Australia) Limited – A/C 3
3. HSBC Custody Nominees (Australia) Limited
4. NEFCO Nominees Pty Ltd
5. Warbler Investments Limited



# Current Rights Issue Financing

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## Rights Issue Terms

- Rights Issue of three (3) new shares for every two (2) existing shares held with a 1 for 4 “piggy pack” option to raise a minimum of \$6.0 m and up to \$7.1m.
- Piggy pack option is exercisable at 0.4 cents and expires on 30 June 2013. This option is exercisable into one share and a secondary option which is exercisable at 0.4 cents and expires on 30 June 2015.
- Subject to shareholder approval, 445.3m Sub-Underwriter Commitment options to be issued on the same terms as the piggy back options on the basis of one (1) Commitment Option for every four (4) shares sub-underwritten.

## Loyalty Bonus Option

- Subject to remaining the holder of new shares on a record date to be determined, but approximately 6 weeks after the Closing Date, a holder will be entitled to one (1) loyalty option for every two (2) shares held. The loyalty option will be issued on the same terms as the piggy back option.

***Details of Offer provided in Prospectus sent to shareholders and also available on KIK website***

# Rights Issue – Remaining Timetable and Important Dates

<b>EVENT</b>	<b>DATE</b>
General Meeting	25 Aug 2011
Closing Date of Offers	26 Aug 2011
Notification of under-subscriptions to Underwriter and ASX	30 Aug 2011
Shortfall Settled	1 Sept 2011
Despatch date/Shares and Options	5 Sept 2011
Bonus Issue Record Date	Mid Oct 2011

# Convertible Note Amendment

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Company has negotiated a number of amendments to the Convertible Note agreement resulting in the following principle variations:

- The repayment date extended by two years to September/October 2013;
- The interest rate reduced from 12% to 4% with the remaining 8% capitalised;
- The conversion price based on a 10% discount to the 20 day VWAP with a minimum conversion price of 0.4 cents;

These amendments are subject to shareholder approval and the successful completion of the Right Issue.

The principal amount outstanding on the Convertible Note is currently \$US7.5 million.

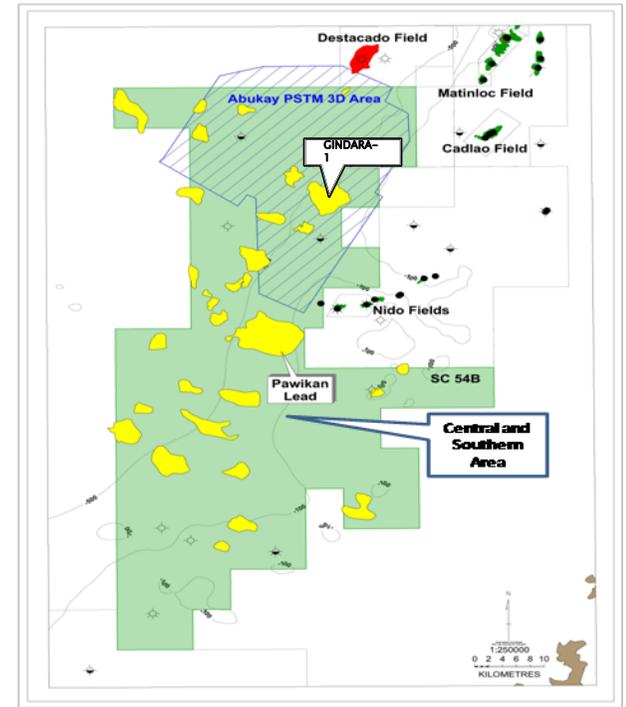
# Kairiki Energy

Exploration Upside  
Philippines – SC 54B



# Asset Overview – Philippines SC 54B (KIK 22%)

- Joint Venture: Shell 45%, NDO 33%, KIK 22%;
- Gindara-1 drilled in May-June 2011;
- Although the Gindara-1 well was a gas – oil discovery with a column height 187m, the hydrocarbons occur in poor quality reservoir resulting in the discovery being considered non-commercial;
- Gindara results demonstrate an active hydrocarbon system in SC 54B.

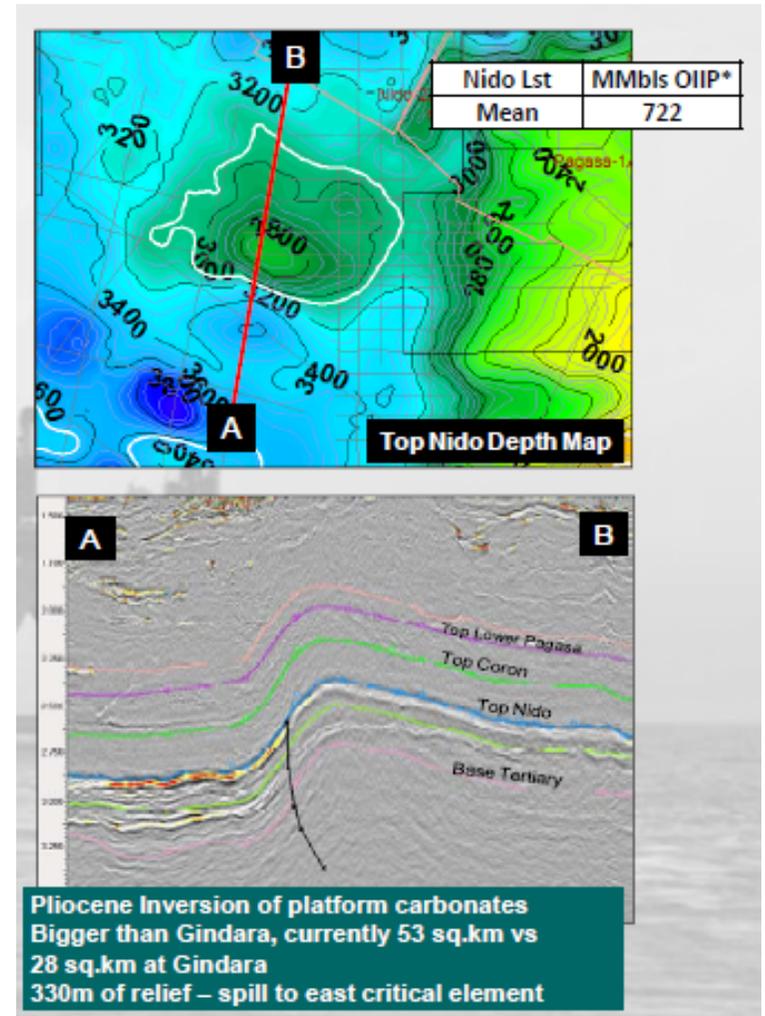


## Follow-up Lead

- Pawikan lead recently identified on regional 2D seismic. Extremely large lead (700+ mln bbl in-place, unrisks – Operator estimate);
- Preliminary evidence from reprocessed 2D seismic of possible southern extension of Malampaya Trough adjacent to Pawikan. Malampaya Trough generated all hydrocarbons for oil/gas fields in the area.

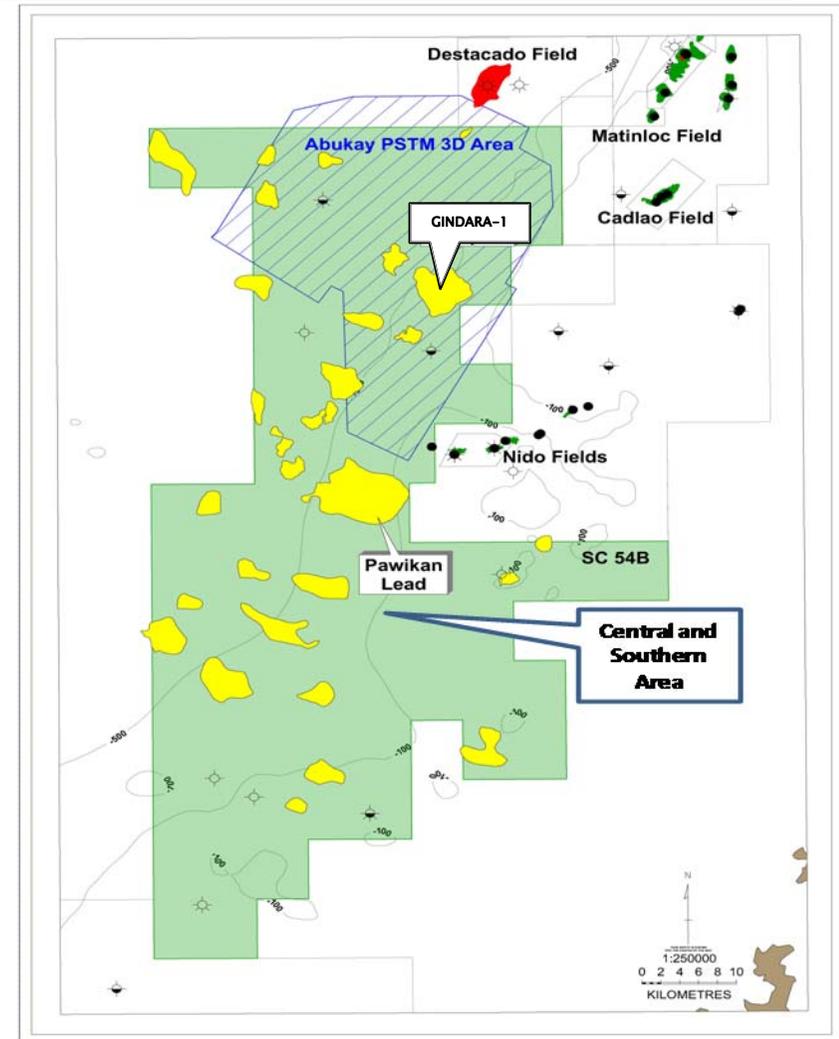
# SC 54B: Pawikan Exploration Lead

- Pawikan
  - 53 km<sup>2</sup> in size
  - ~ 300m relief
  - Larger in size than Gindara
  - Potentially more oil-prone than Gindara
  - ***In-place oil estimated approx. 700 mln bbls (unrisked estimate by Operator)***
- Further seismic required to define Pawikan prospect.
- Possible 2D seismic survey over Pawikan in the coming months currently under consideration by Operator.



# SC 54B (KIK 22%): Forward Strategy

- Exploration Upside
  - Agree future work programme with Joint Venture
  - Possible 2D seismic programme over Pawikan in the coming months
  - Following evaluation of seismic results, a Joint Venture decision will be made whether to drill Pawikan

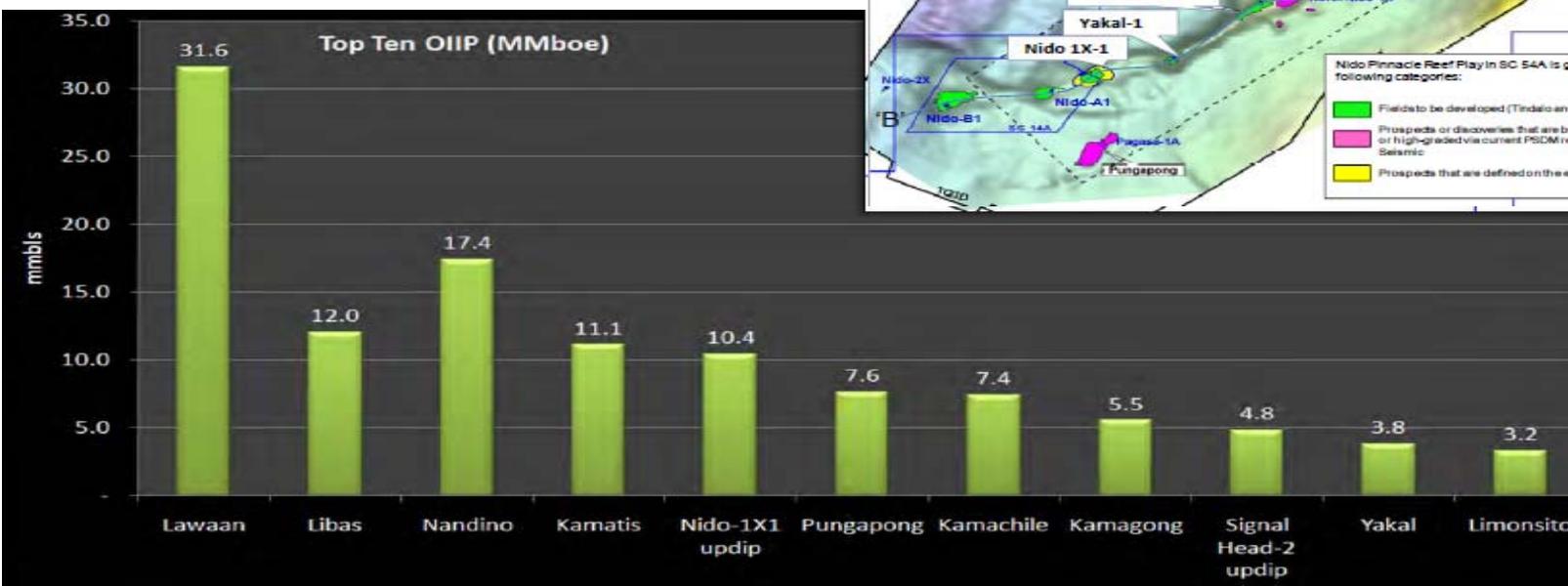
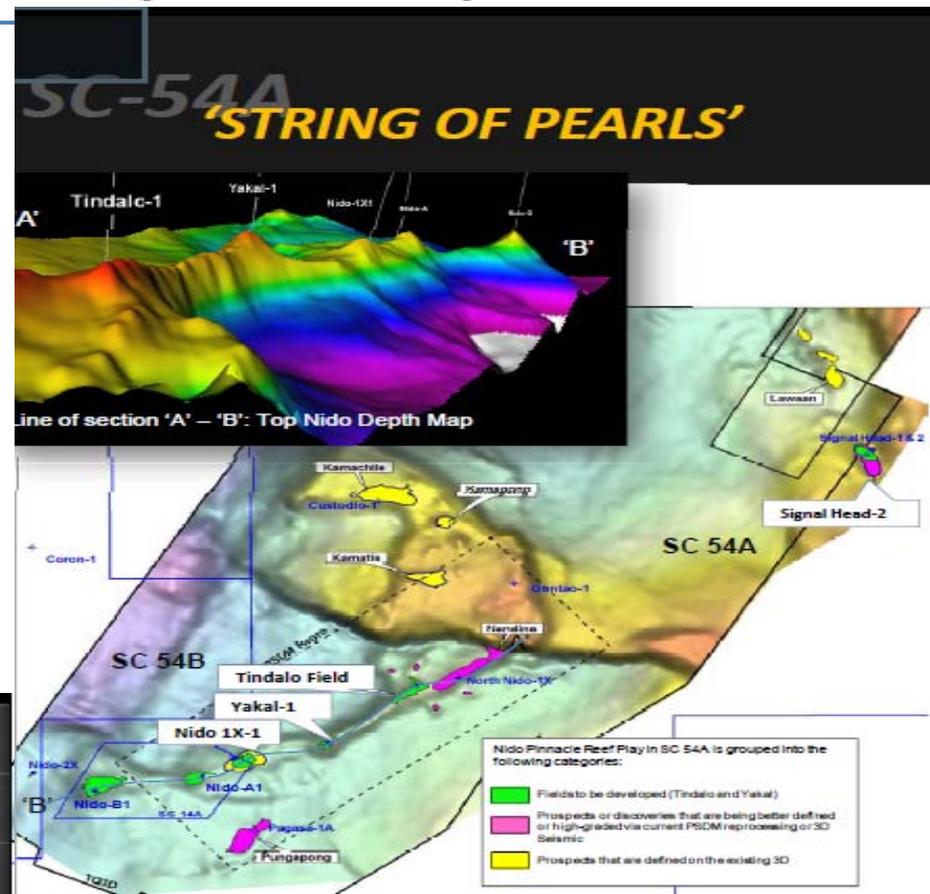


SC 54A (KIK 30.1%)



# Asset Overview – Philippines SC 54A (KIK 30.1%)

- Total oil in place (unrisked) resources of 112mmbls in top 10 prospects/discoveries (gross un-risked);
- 3 existing undeveloped discoveries;
- Strong portfolio depth;
- Opportunity to recommence inboard development campaign in short term (either Nido 1X1 – existing oil discovery, or Lawaan – largest exploration prospect);
- Lessons learnt from Tindalo project to be applied to next development.



# KIK - SC 54A Forward Plans

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- KIK has selected a preferred farminee to acquire 15.05% of KIK's interest (KIK retains a 15.05% interest) resulting in a funded drilling programme in the permit. The party has been granted an exclusive 60 day period to finalise its due diligence review and complete associated farmout agreements;
- Technical due diligence completed by preferred farminee. Legal due diligence in progress;
- Subject to Joint Venture approval, undertake a one or two well drilling programme as soon as possible with the highest ranked drilling candidates from the portfolio.
- In the event that drilling is successful, the generated cash flow can be used to fund an accelerated exploitation programme of the SC 54A portfolio.

# Summary



- **RIGHTS ISSUE**
  - Underway, closing date of offers 26<sup>th</sup> Aug 2011;
  - Rights Issue to raise a minimum of \$6m and a maximum of \$7.1m to fund further activity in SC 54B and SC 54A.
- **SC 54B EXPLORATION UPSIDE**
  - Pawikan lead identified – very large in size (700+\_mln bbls in place, unrisked);
  - Gindara well discovery demonstrates active hydrocarbon system in SC 54B;
  - Possible 2D seismic over Pawikan before Joint Venture decision to drill.
- **SC 54A CASH FLOW**
  - Substantial portfolio of discoveries and prospects to drill and consider developing;
  - Farminee selected and negotiations on documents and agreements underway;
  - Aim to have drilling programme with little or no cost to KIK (targetting immediate cashflow).



Thank You

# Contacts

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