

An offshore oil rig is visible on the left side of the image, illuminated with lights. The rig has a tall derrick and various platforms. The background is a calm sea under a twilight sky with soft orange and blue hues.

# Kairiki Energy Limited

## Annual General Meeting

30th November 2010

# Disclaimer

- ▶ 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 & B Permits.

# Kairiki Overview

- ▶ Kairiki Energy Limited (ASX:KIK) is an ASX-listed oil & gas company focussed on the Philippines.
- ▶ Asset base is comprised of Service Contract 54A and Service Contract 54B in the Philippines.
- ▶ SC 54A (KIK 30.1%). contains the Tindalo and Yakal discoveries (~6–7 mln bbls OIIP Certified) and a remaining exploration portfolio of ~40mmbbl risked.
- ▶ Tindalo has produced ~250k barrels to 26th November 2010 (100%).
- ▶ SC 54B contains drill-ready Gindara exploration opportunity – On completion of shell farmin KIK 22%.
- ▶ Experienced board and management team with global contact base.
- ▶ Excellent shareholder base with top 20 and management holding approximately 59%.

# Board of Directors



Paul Fry, Chairman

- Former oil and gas industry partner with **Ernst & Young** and **PwC** with >20 yrs experience, advising oil & gas companies in North America & Australia in financial, commercial and regulatory matters.



Mark Fenton, Managing Director

- Extensive experience in the oil and gas industry both offshore and onshore oil field developments particularly in SE Asia and the Middle East. Mark has over 24 years in operating oil and gas companies, including several years in executive management roles.



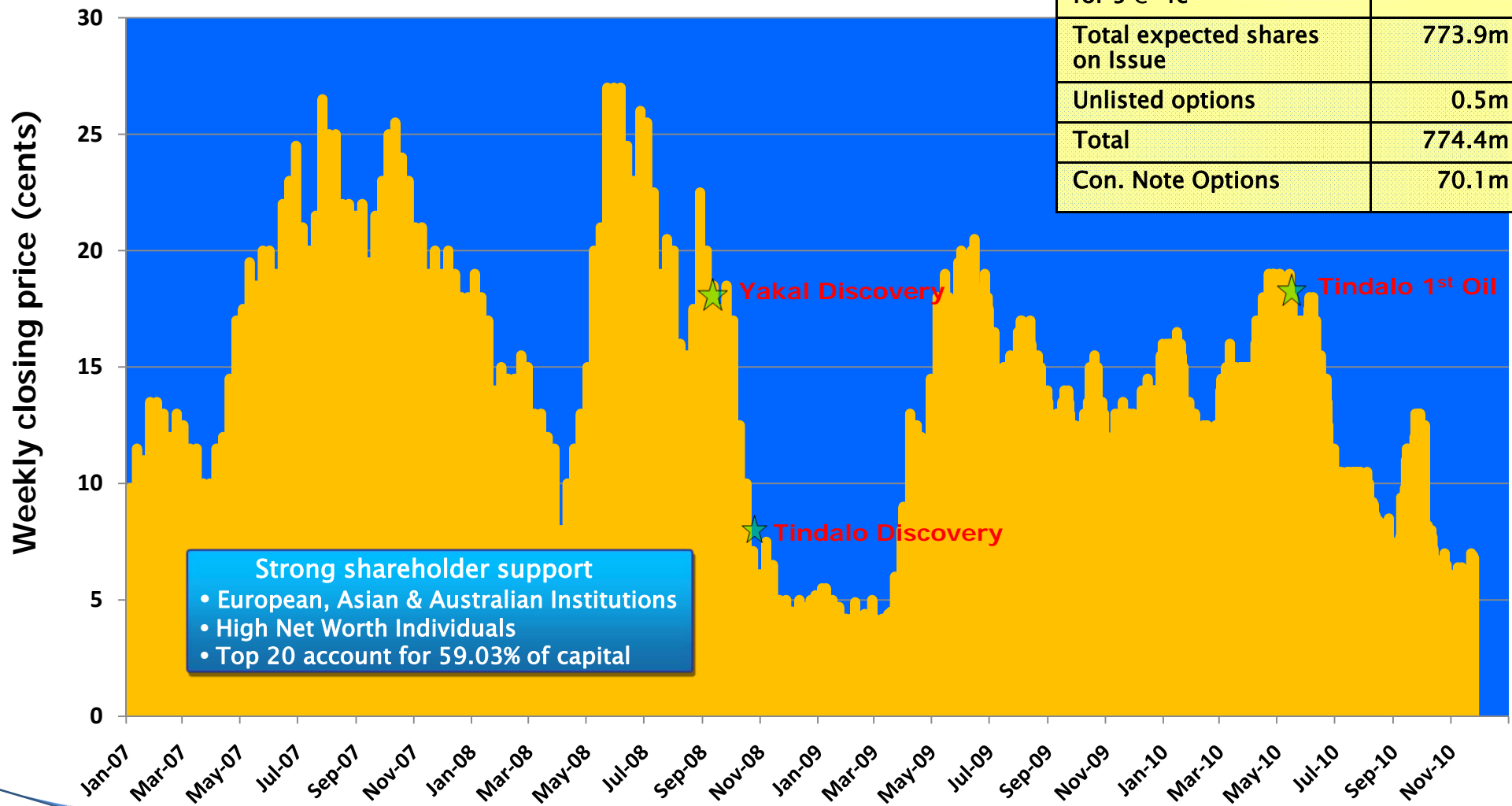
Neville Bassett, Director/Company Secretary.

- Mr Bassett specialises in the area of corporate consulting, financial management and advisory services, consulting to a number of publicly listed and private companies in a diverse range of industry sectors. He has experience in company listings, capital raisings and mergers and acquisitions. Through his exposure to Australian financial markets, he has a wealth of understanding of matters pertaining to the Corporations Act, ASX listing requirements, corporate taxation and finance.



# KIK Capital Structure & Price Performance

Shares As at 30 November 2010	644.9m
Current Rights Issue 1 for 5 @ 4c	129.0m
Total expected shares on Issue	773.9m
Unlisted options	0.5m
Total	774.4m
Con. Note Options	70.1m



# KIK – Year's Events

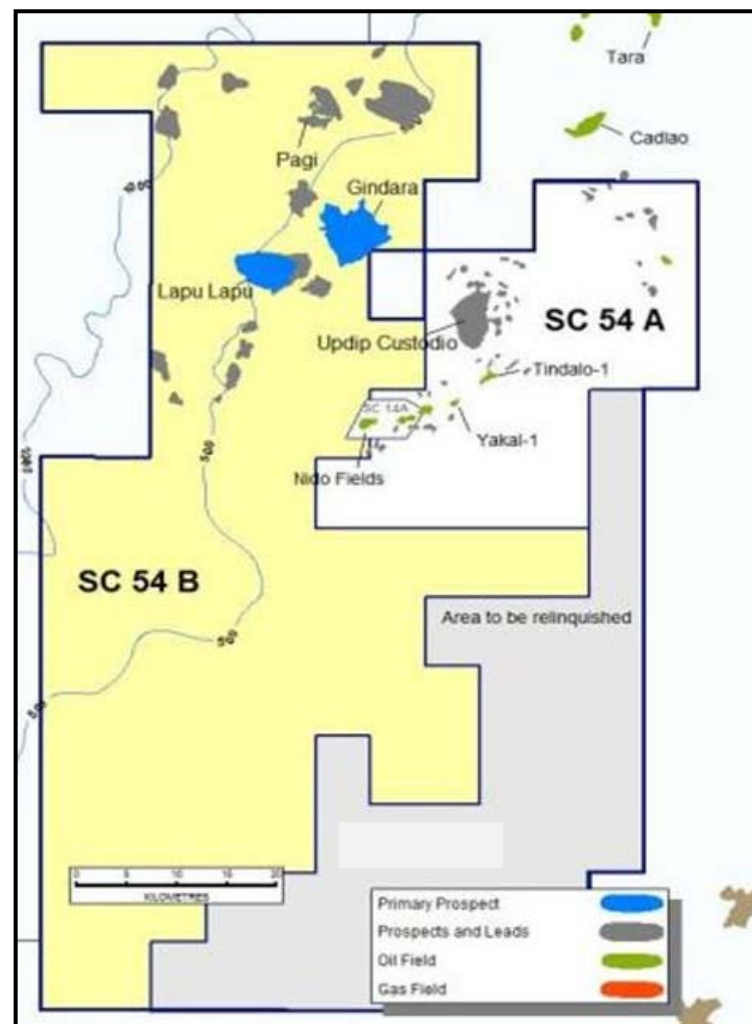
- ▶ Tindalo Financial Investment Decision to develop field made in December 2009
- ▶ Farm-down of 5.0% to Trafigura for consideration of \$3.8 million
- ▶ Farm-down of 4.9% to TG World Corp for consideration of up to U\$3.8 million
- ▶ Tindalo Development
  - First oil flowed from Tindalo-1 on 30 May 2010 (~19k bbls/d oil)
  - Tindalo Sidetrack undertaken mid September 2010 as a result of early water break through on Tindalo-1
  - Sidetrack workover undertaken November 2010 – currently testing Tindalo sidetrack
  - First revenue received in September 2010 resulting from sale of xx barrels of crude oil (KIK's share 58,495bbls)
- ▶ SC 54B Shell Farm-down in October 2010
- ▶ Capital Placements:
  - June 2010 – \$6.54m
  - October 2010 – \$3.36m
  - Rights issue Nov/Dec 2010 – \$5.16m

# Kairiki Energy – Overview & Corporate Strategy

## Exploration Upside

### PHILIPPINES SC 54B (KIK 40%)

- ▶ Shell to acquire 18% (KIK to reduce to 22%).
- ▶ Gindara: very large drill-ready exploration opportunity with follow-up in event of success.
- ▶ Drill Gindara in the near term – March to May 2011.

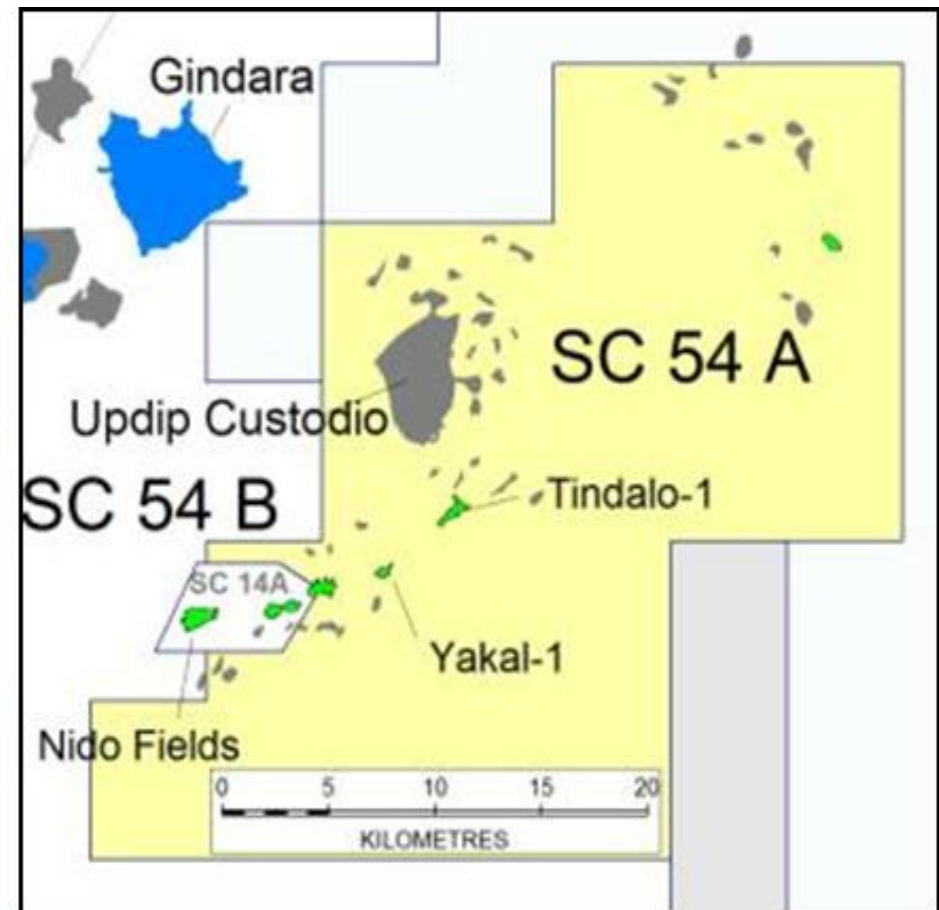


# Kairiki Energy – Overview & Corporate Strategy

## Generate Cash Flow

### PHILIPPINES SC 54A (KIK 30.1%)

- ▶ Generate cash flow post workover at Tindalo.
- ▶ Re-invest cash into multiple follow up SC 54A discoveries.
- ▶ Exploit SC 54A resources to maximise production.



# Kairiki Energy

Exploration Upside  
Philippines – SC 54B





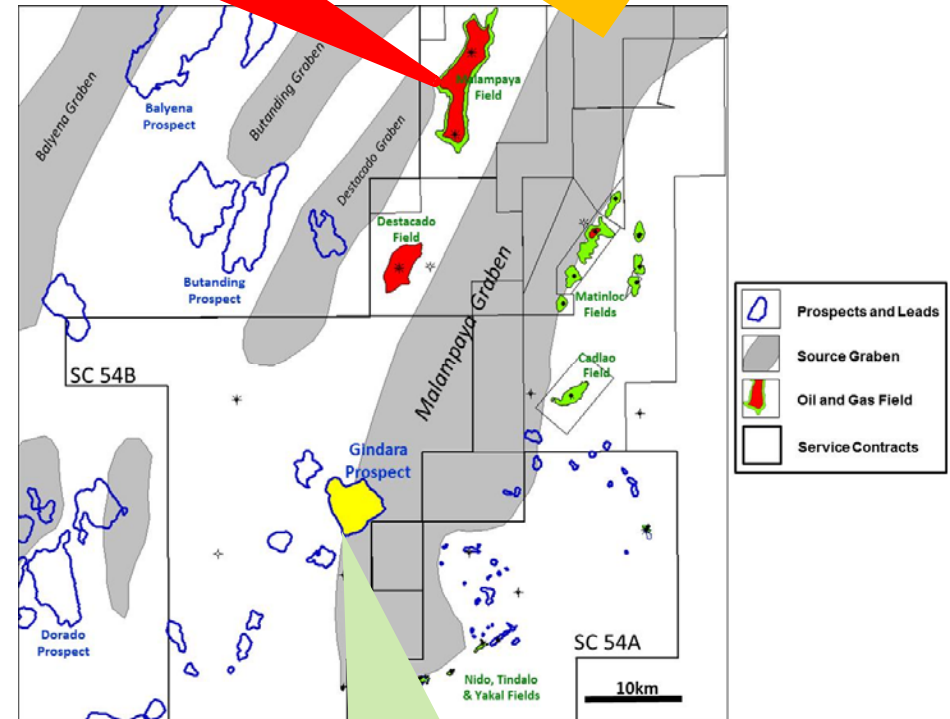
# Gindara Prospect

## Shell Farm-in

- ▶ Shell Farm-in validates Gindara prospect;
- ▶ Shell to contribute 75% of Gindara-1 exploration well cost up to maximum of US24million;
- ▶ Shell Farm-in expedites drilling of Gindara to March-May 2011;
- ▶ If oil discovery – possible standalone development;
- ▶ If gas discovery, commercial advantage of partnering with Shell.

Shell Operated Malampaya giant gas/condensate/oil field (prod ~ 25kboe/d – Shell source)

Malampaya Graben: 200km proven hydrocarbon charge system

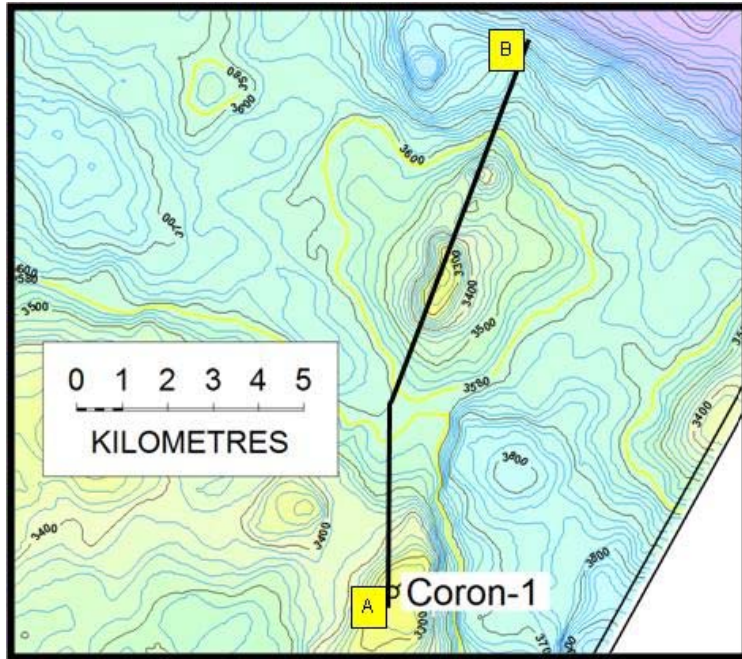


### Gindara Prospect

- Ideally located to receive hydrocarbons
- ~50km south and along trend from Malampaya

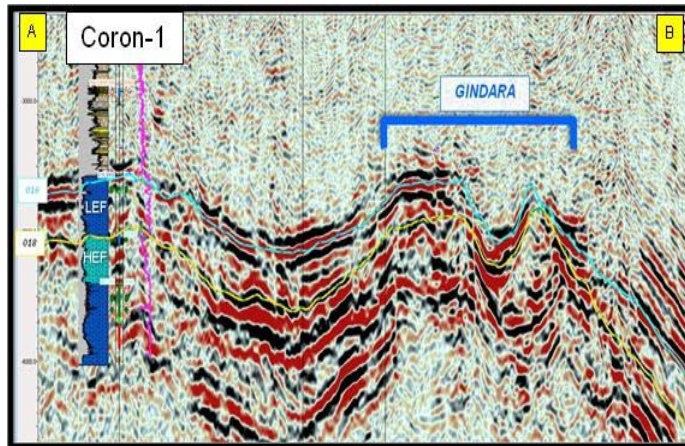


# Exploration Upside Exposure Strategy – Gindara



## Gindara Prospect Headline Stats – (Nido Estimates)

- ▶ 28 km<sup>2</sup> in area
- ▶ Closure 320 m
- ▶ Excellent location
- ▶ Probability of containing HC's ~ 40%
- ▶ Mean in-place Nido Limestone reservoir oil volume 600+ mln (unrisked)



## Gindara Plan

- ▶ Opportunity to use “Frontier Phoenix” drill ship
- ▶ Drill-ready. Plan to drill March to May 2011

*Excellent shareholder exposure to large exploration upside*



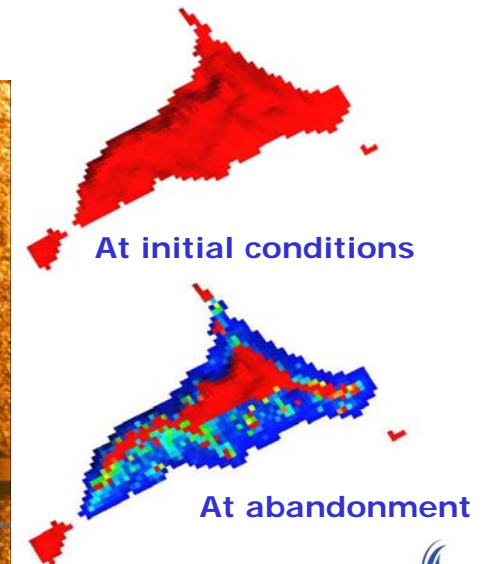
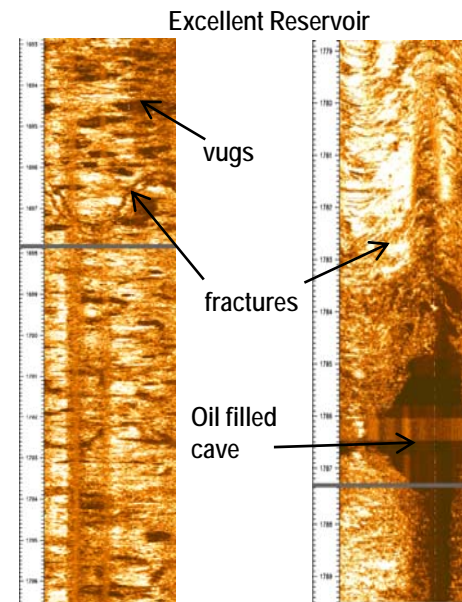
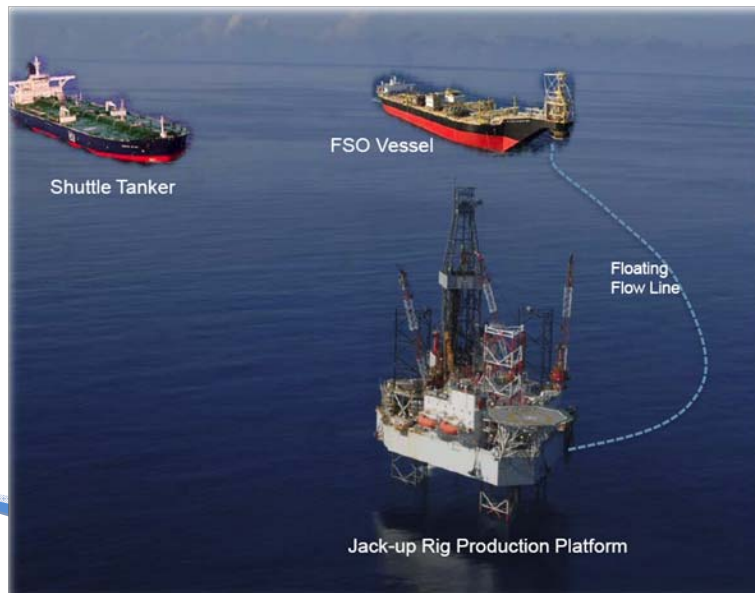
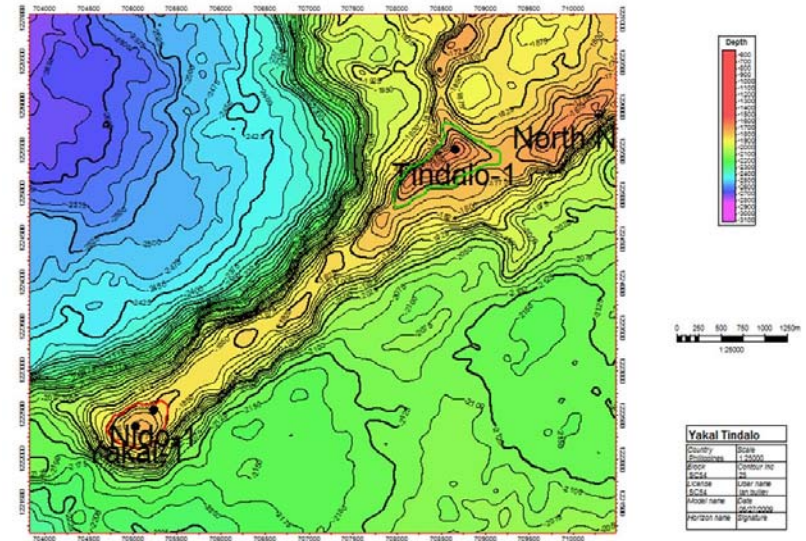
# Tindalo Project



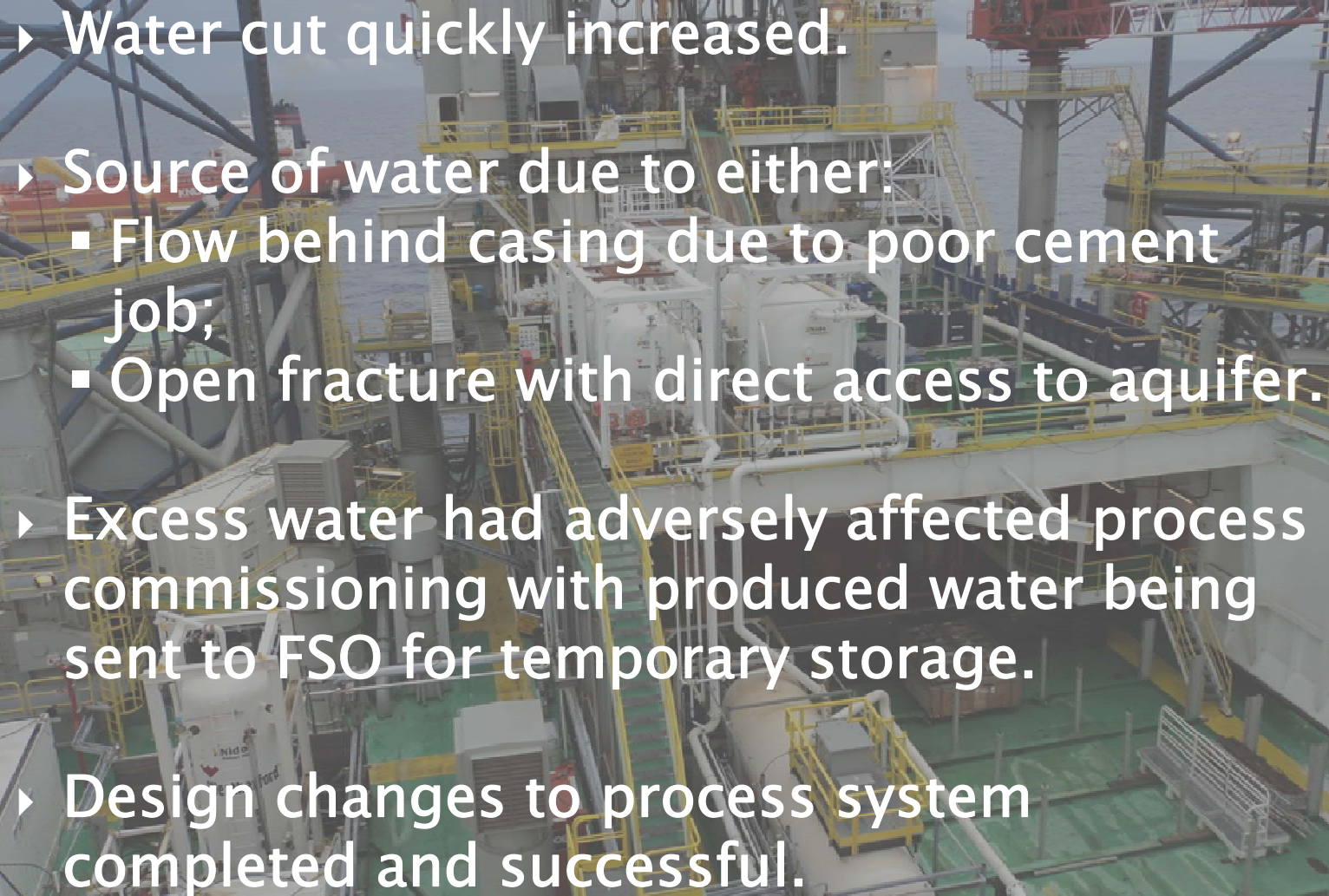


# Tindalo Project History

- ▶ JV Financial Investment Decision to develop field made in December 2009
- ▶ Tindalo-1 discovery well re-entered and completed for production during May 2010
- ▶ Well Characteristics:
  - 100m water depth.
  - 124–144m oil column.
  - Excellent reservoir.
  - Low cost development (leased rig based system + floating storage and offtake vessel).
  - Oil In Place Volumes (100%) 5.6 – 23.9 MM bbls



## Tindalo-1 EWT & Process Issues

- 
- ▶ Water cut quickly increased.
  - ▶ Source of water due to either:
    - Flow behind casing due to poor cement job;
    - Open fracture with direct access to aquifer.
  - ▶ Excess water had adversely affected process commissioning with produced water being sent to FSO for temporary storage.
  - ▶ Design changes to process system completed and successful.

# Reasons for Well Remediation

## Geology

a high permeability, high angle fracture(s) with direct access to the aquifer associated particularly with this well location

Permeable Horizon

Reservoir section

Fractures near vertical

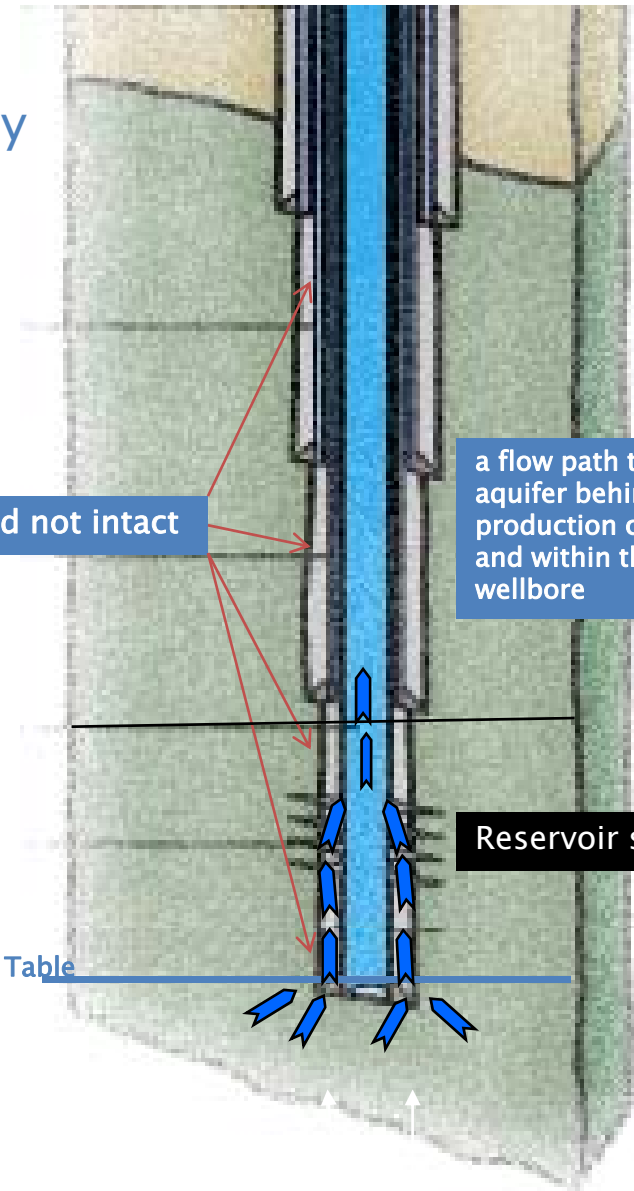
## Integrity

Cement bond not intact

a flow path to the aquifer behind the production casing and within the wellbore

Reservoir section

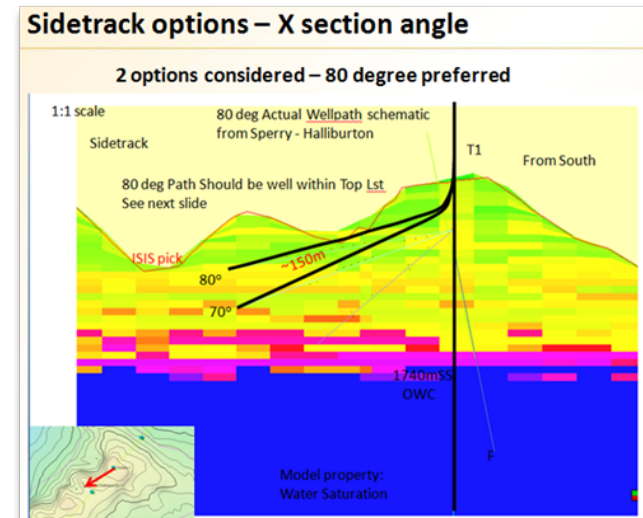
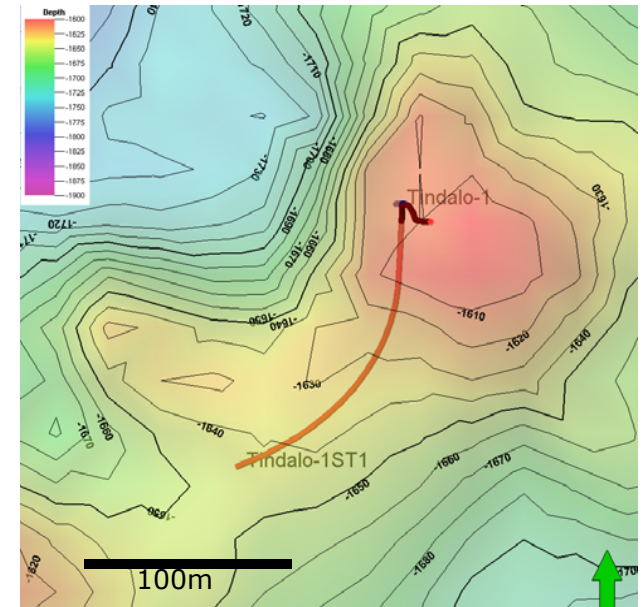
Water Table





# The Tindalo-1 Sidetrack

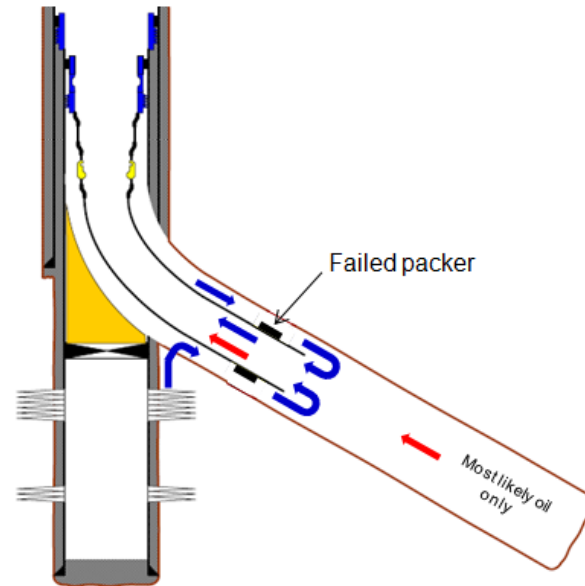
- ▶ Objective: reduce or eliminate water production;
- ▶ Undertaken September 2010;
- ▶ Original vertical well bore plugged back;
- ▶ Drilled ~180m sidetrack;
- ▶ Three acid stimulation jobs completed using a coil tubing unit;
- ▶ Initial production under natural flow of ~5,000 bopd <1% watercut.





# The Tindalo-1 Sidetrack Remediation

- ▶ Water-cut increased to ~80%;
- ▶ Extensive diagnostic survey to determine origin of water which indicated most fluid production coming from vicinity of liner shoe;
- ▶ Water ingress probably due to swell packer failing to completely seal – resulting in communication with Tindalo-1 vertical well;
- ▶ Remediation: re-run liner with improved packer/isolation system;

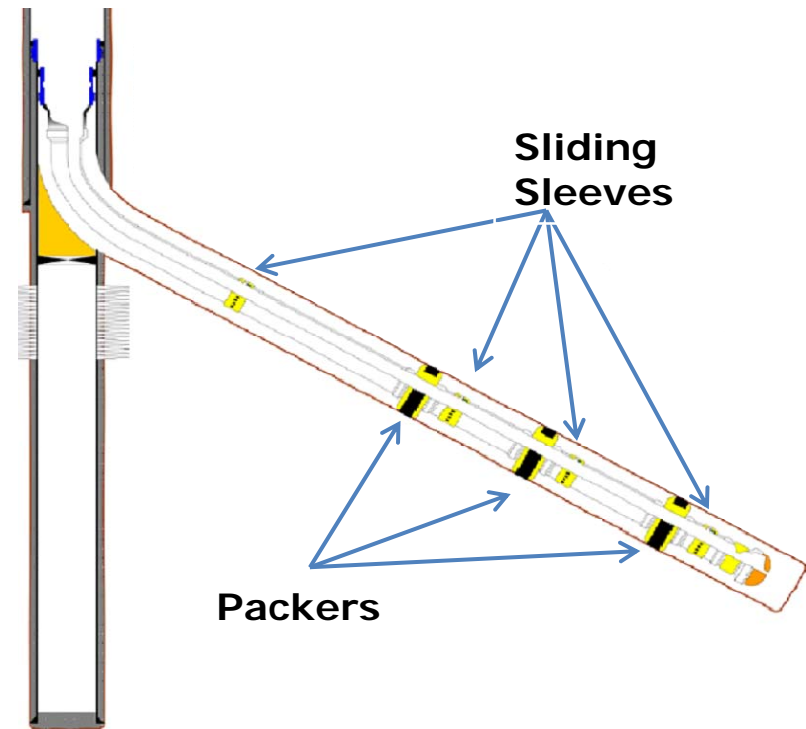


Key:

- Water
- Most likely oil only

# The Tindalo-1 Sidetrack Reinstalled Completion

- ▶ Fully selective completion;
- ▶ Four separate zones for testing;
- ▶ Sliding sleeves allow selective production and hence water shutoff capability;
- ▶ Selectivity useful for maximising oil production once water coning occurs later in field life;
- ▶ Well currently being tested.

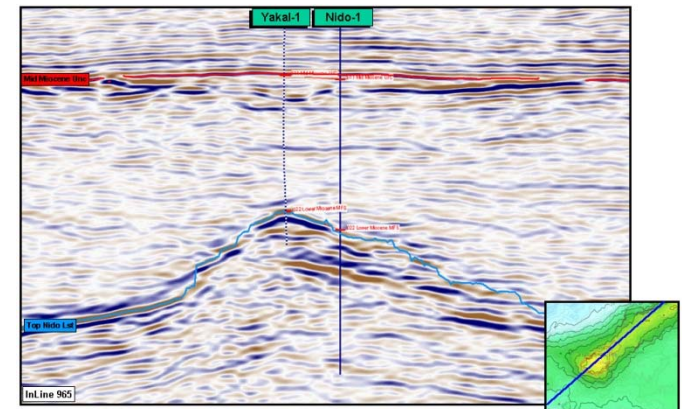
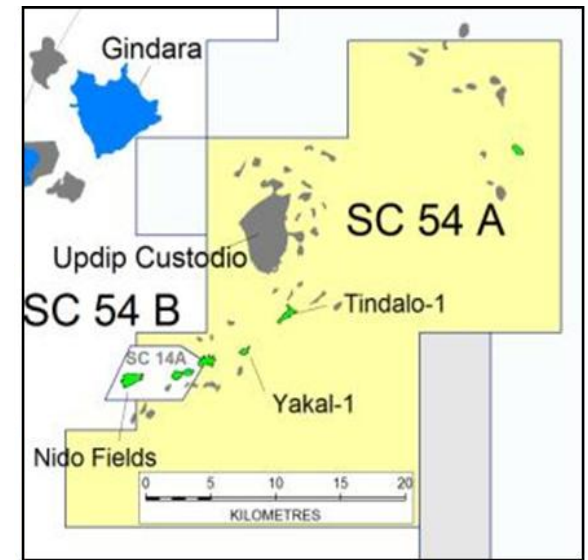


# Tindalo Project Summary

- ▶ Project has experienced significant water production issues since inception;
- ▶ Substantial drilling & operational effort to eliminate water production including drilling of new sidetrack;
- ▶ Selective completion now installed to isolate water production;
- ▶ Testing of sidetrack commenced.

# SC 54A Yakal – Possible Follow-Up to Tindalo

- ▶ Drilled and suspended for production in Sept 2008;
- ▶ ~ 85m oil column discovered;
- ▶ 28.9 degree API oil;
- ▶ Oil In Place: 2.4 – 10.7 MM bbls;
- ▶ Plan Of Development Approved by Philippine Government;
- ▶ Ready to complete and produce at short notice if required.



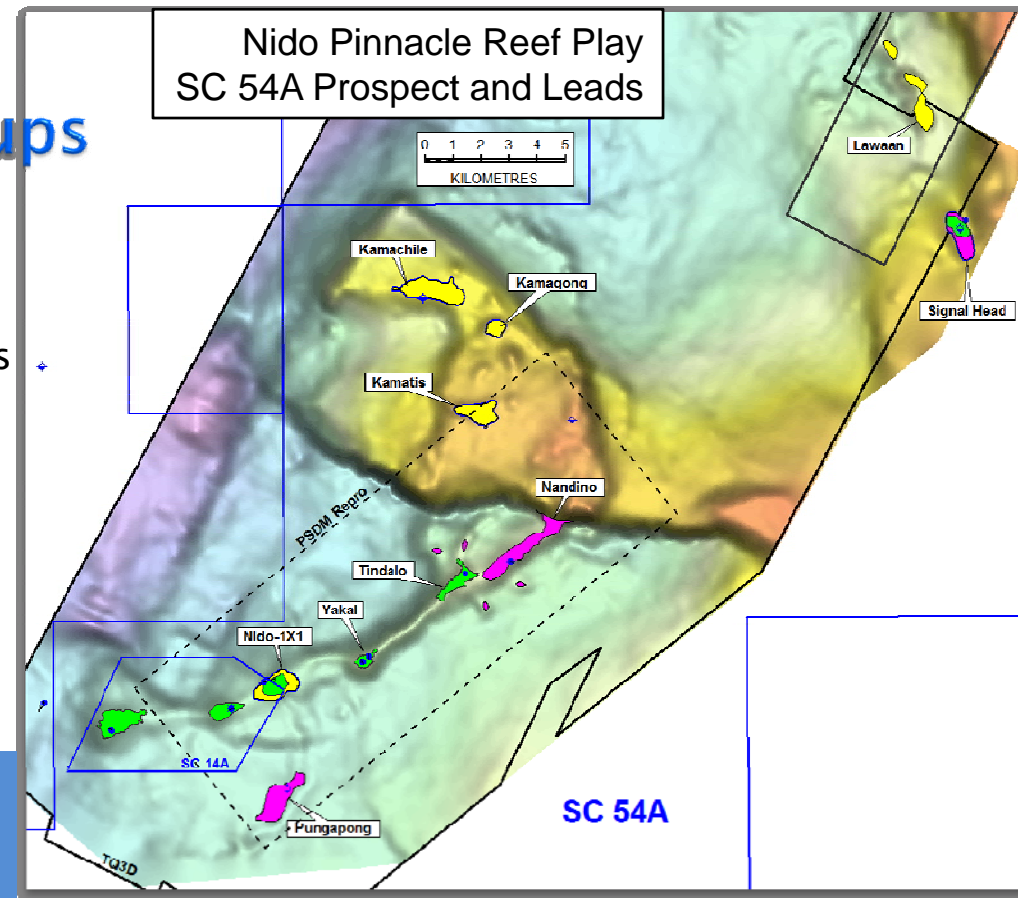
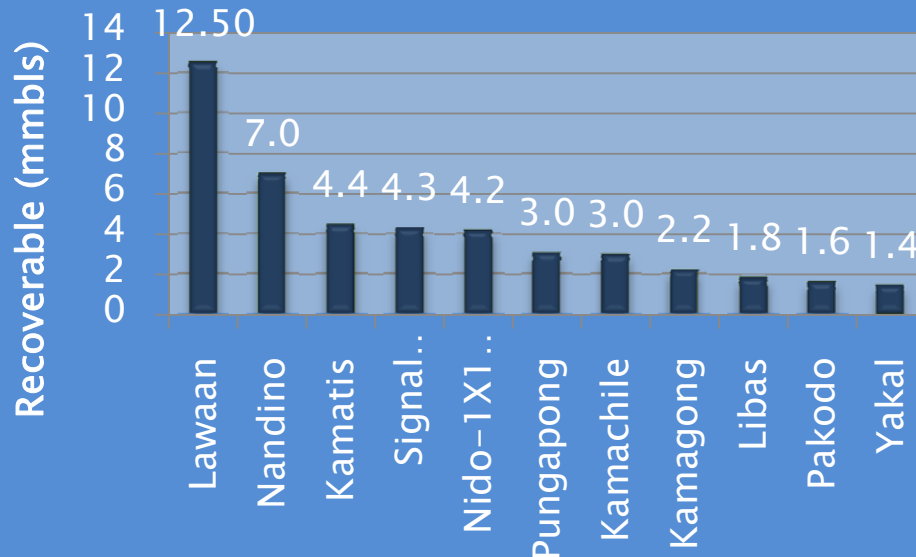


# SC 54A Cash Flow

## A portfolio of Tindalo follow-ups

Current prospects and leads portfolio top 10:

- ▶ Total mean recoverable resources of 45mmbls – estimated by Operator using a 40% estimated recovery factor.
- ▶ 3 existing discoveries.
- ▶ Strong portfolio depth.



Pinnacle Reef Play in SC 54A is grouped into the following categories:

- Fields to be developed (Tindalo and Yakal)
- Prospects or discoveries that are being better defined or high-graded via current PSDM reprocessing or 3D Seismic
- Prospects that are defined on the existing 3D

# Summary



## ▸ SC 54B Exploration Upside Exposure

- Gindara – very large mature prospect and ready to drill.
- Shareholder exposure to large upside opportunity.
- Shell farm-in announced (KIK 22%).
- Targeting drilling March – May 2011.

## ▸ SC 54A Commercialise Tindalo

- Disappointing results to date.
- Selective completion now installed to maximise oil production – currently testing.
- Yakal ready to develop at short notice if required.
- Remaining portfolio of discoveries and prospects to develop.





Thank You

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