

# Kairiki Energy Limited

## Good Oil Conference

### 7 September 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.

# Presentation Outline

## Kairiki Energy Limited (KIK)

- Overview & corporate strategy

## Tindalo-1

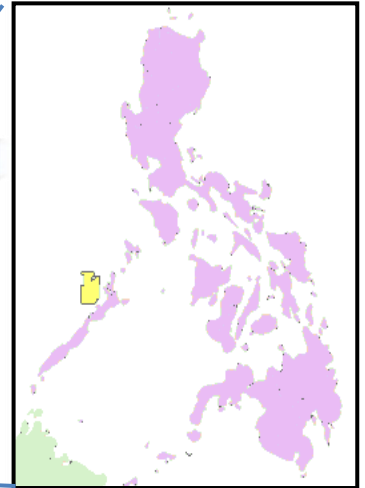
- An overview of the Tindalo-1 project

## The Tindalo-1 Well Remediation

## Future Plans

- Our portfolio of SC 54A projects
- SC 54B

## Summary

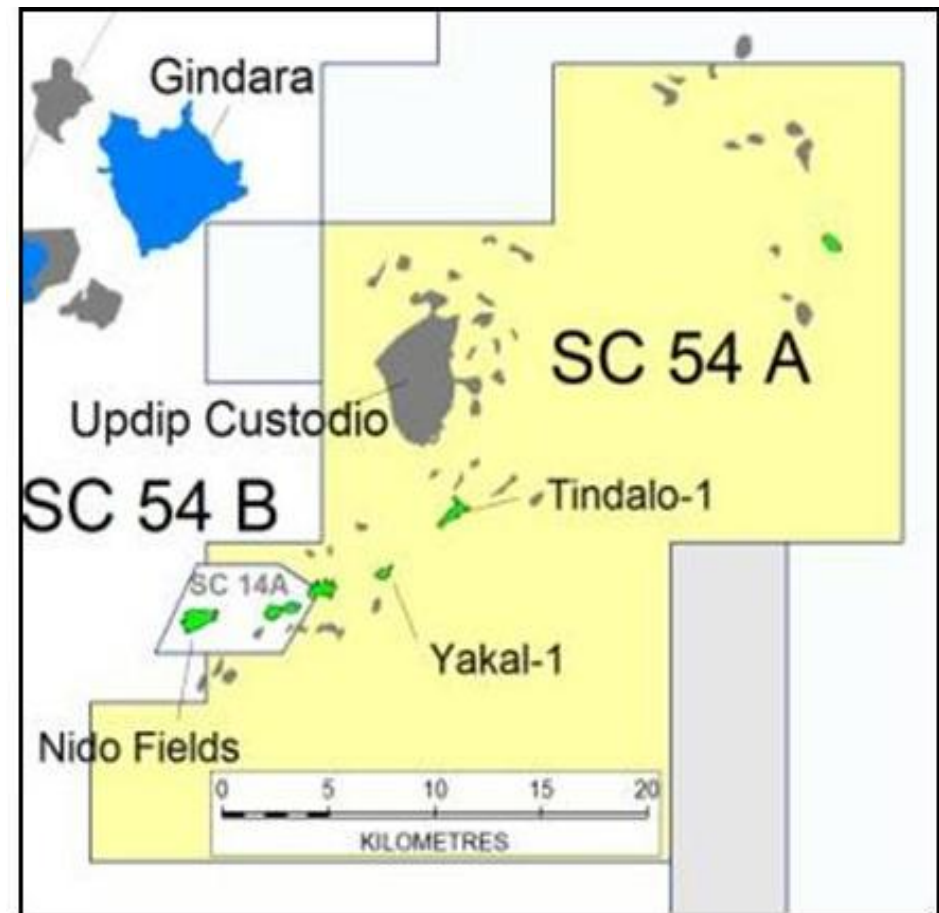


# Kairiki Energy – Overview & Corporate Strategy

## Cash Flow

### SC 54A (KIK 30.1%)

- ▶ Tindalo currently under EWT.
- ▶ Generate cash flow post workover at Tindalo.
- ▶ Re-invest cash into multiple follow up SC 54A discoveries.
- ▶ Pay down existing con-note debt (US\$9.5m).
- ▶ Exploit SC 54A resources to maximise production for several years.

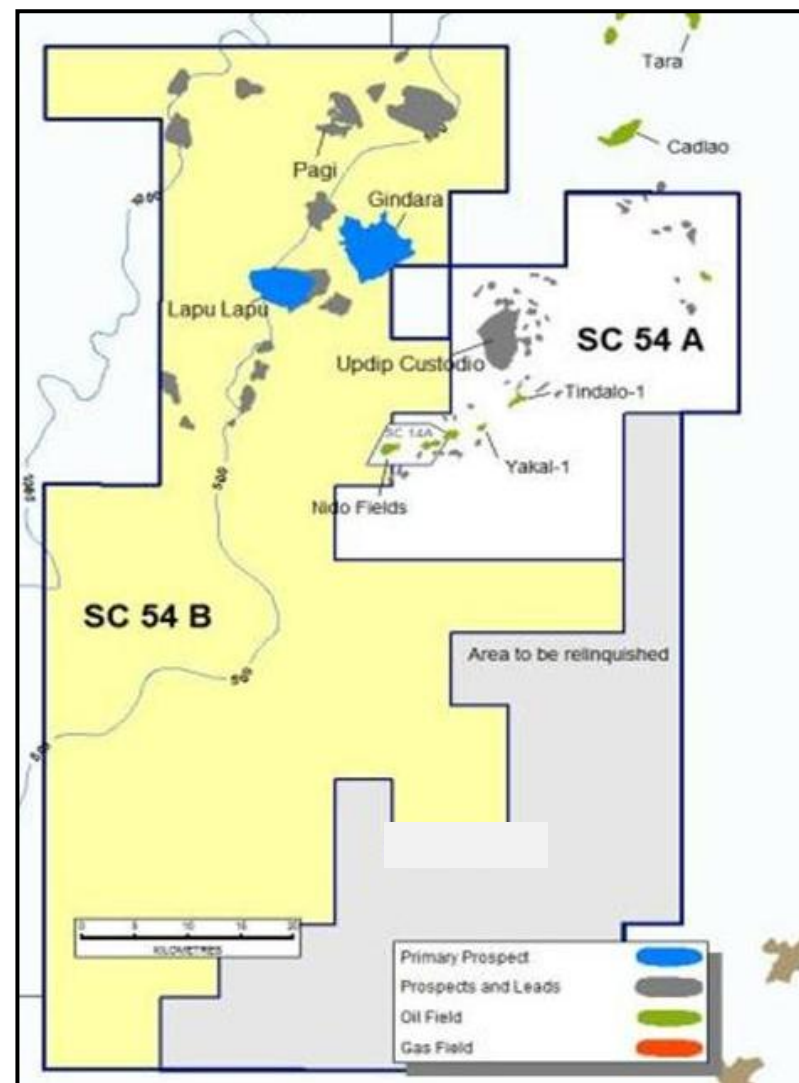


# Kairiki Energy – Overview & Corporate Strategy

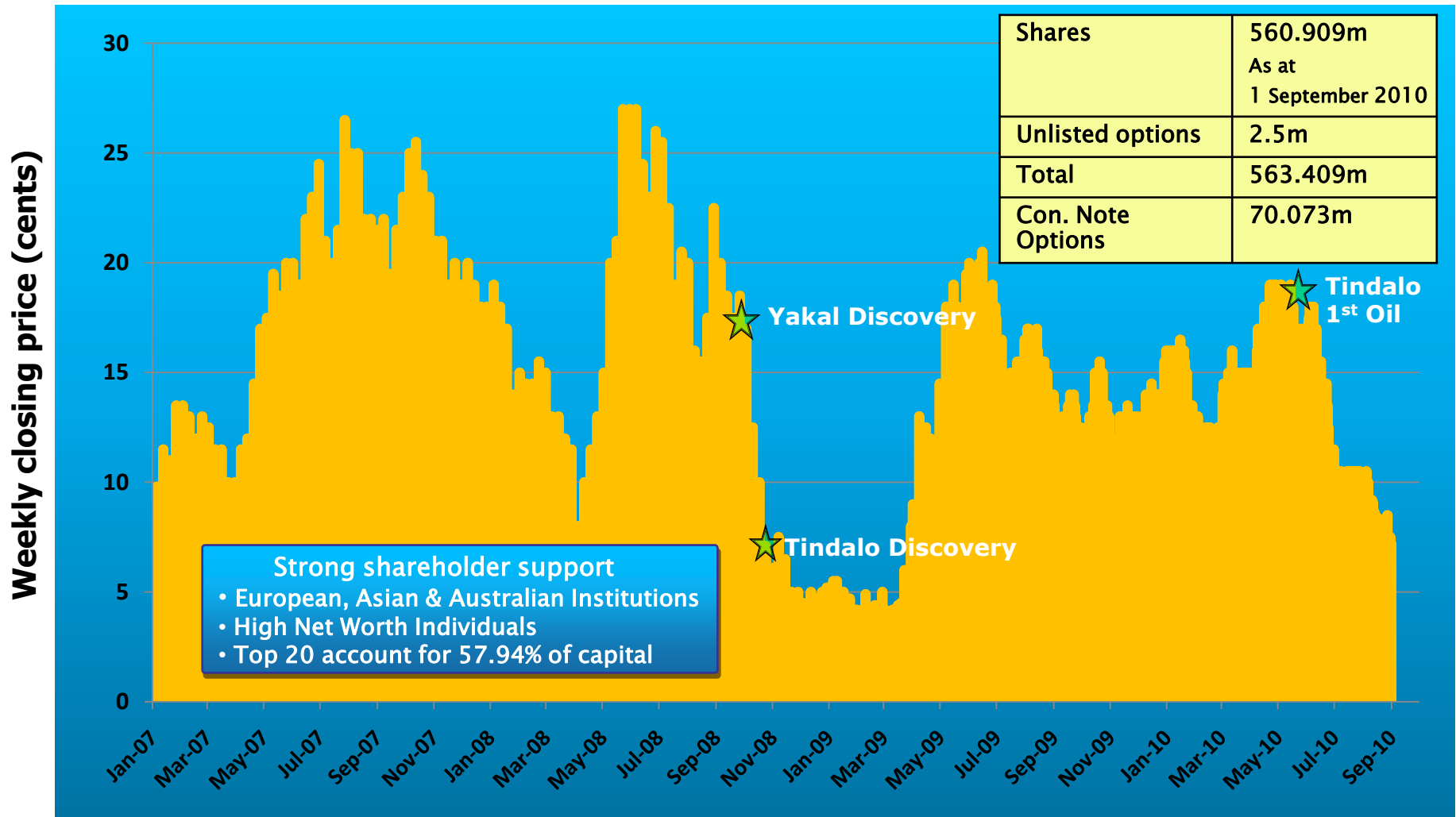
## Exploration Upside

### SC 54B (KIK 40%)

- ▶ Leverage strong equity position in SC 54B (KIK 40%) to minimise future drilling cost.
- ▶ Multi-hundred million bbl drill-ready outboard exploration potential.
- ▶ Drill Gindara in the near term – 2011.



# KIK Capital Structure & Price Performance





# Tindalo Project



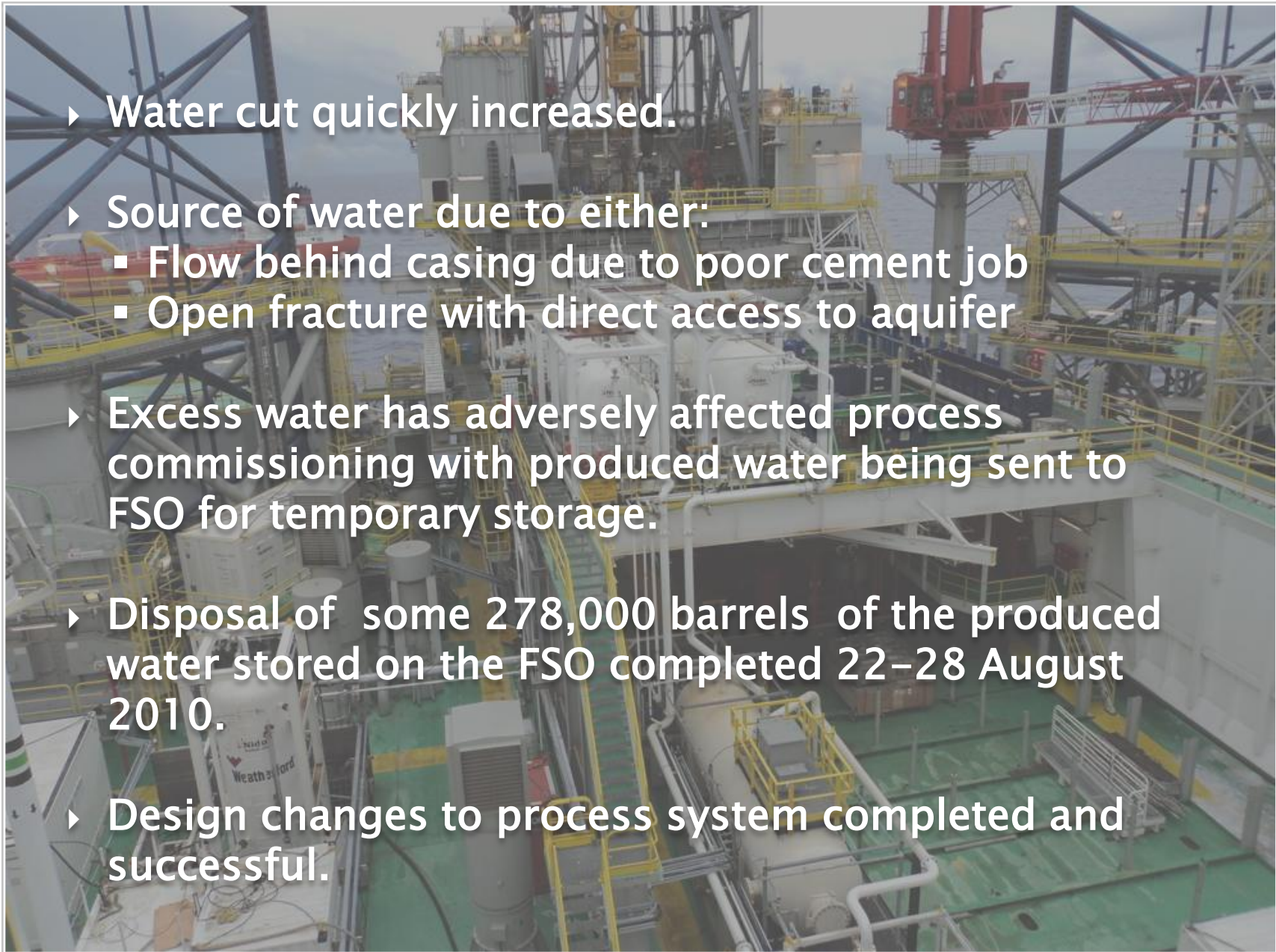
# Tindalo Project

The Tindalo project utilises a jack-up rig and a dynamically positioned storage vessel (FSO) to develop the field.

- ▶ Oil in Place Volumes (100%): 5.6 – 23.9 mln bbls.
- ▶ Perforated upper 44 metres of 140–145m oil column.
- ▶ First oil from Tindalo–1 on 30 May 2010 .
- ▶ Maximum oil flow rate of 18,689 bopd during DST of 26.4 API oil.
- ▶ Production commenced on 6 June at approx 15,000 bbls/d.
- ▶ Water production appeared shortly after initial DST.
- ▶ Some 196,000 barrels of oil (@60°F) are now in the storage tanks of the FSO at 6<sup>th</sup> September.



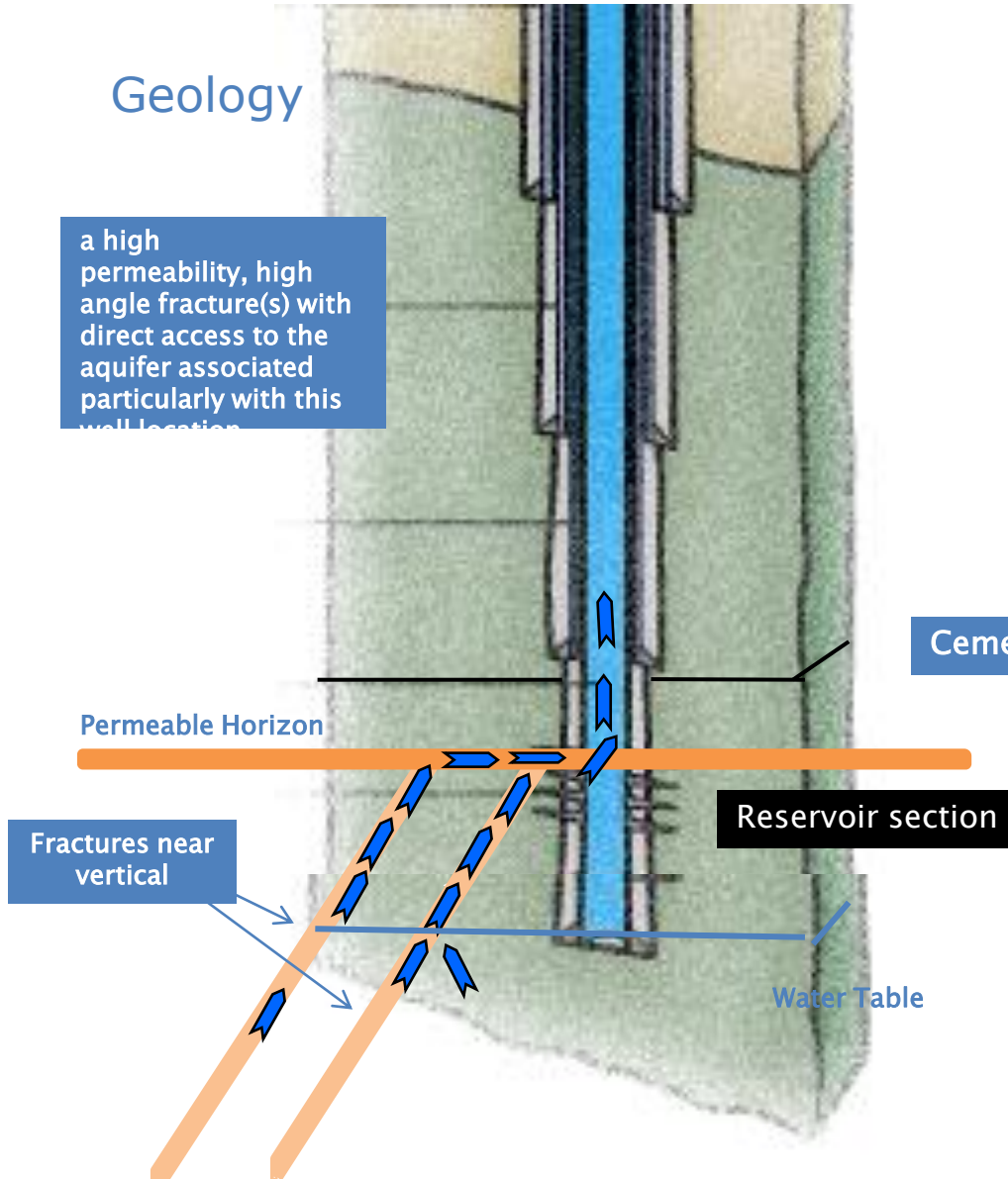
# Tindalo-1 EWT & Process Issues

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- ▶ 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 has adversely affected process commissioning with produced water being sent to FSO for temporary storage.
  - ▶ Disposal of some 278,000 barrels of the produced water stored on the FSO completed 22–28 August 2010.
  - ▶ Design changes to process system completed and successful.

# Reasons for Well Remediation

## Geology

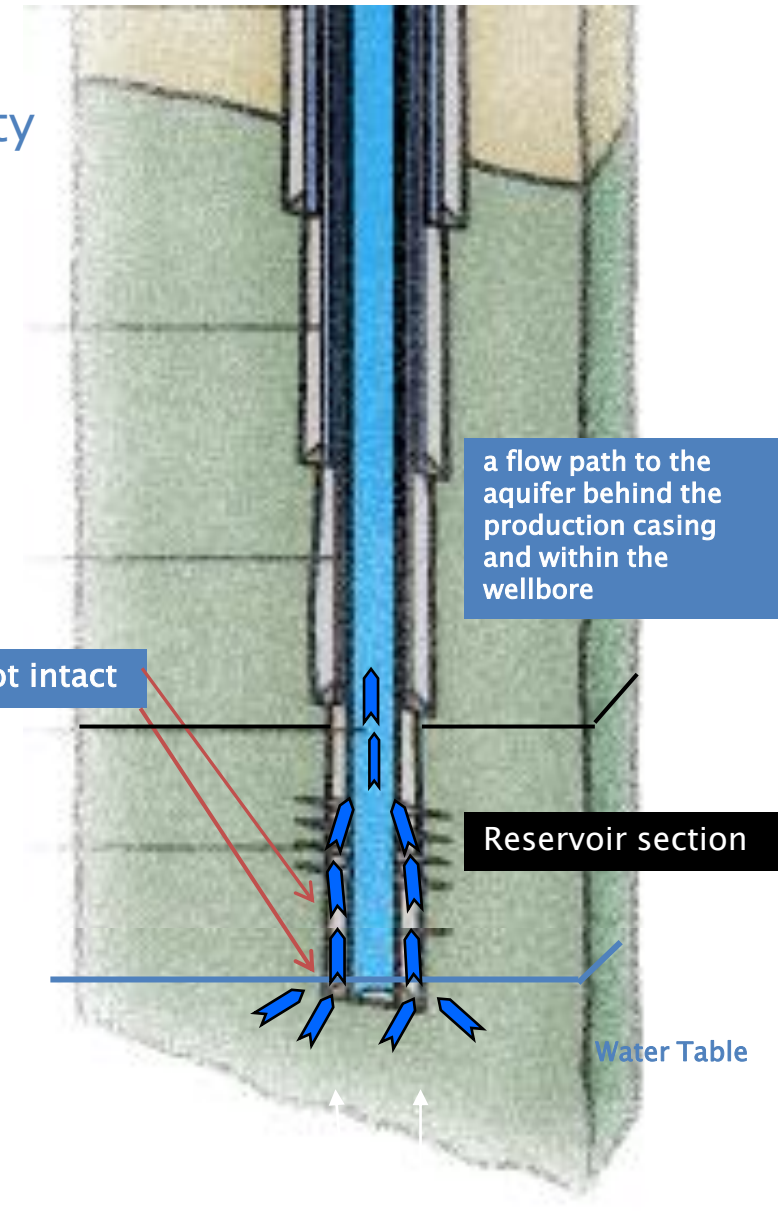
a high permeability, high angle fracture(s) with direct access to the aquifer associated particularly with this well location



## Integrity

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

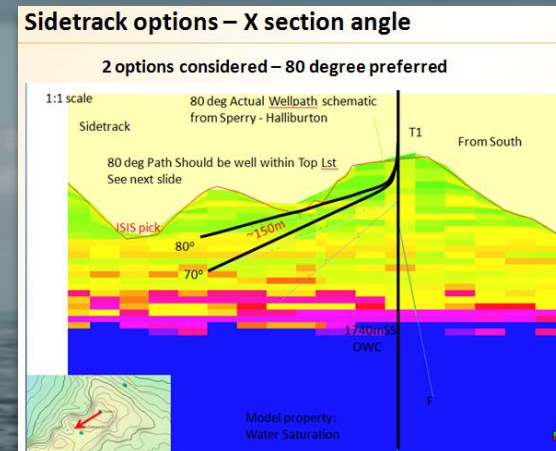
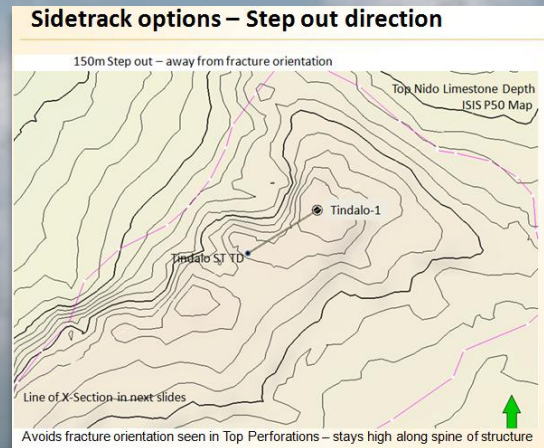
Cement bond not intact





# The Tindalo-1 Remediation

- ▶ The well intervention commenced 6<sup>th</sup> September and is expected to take 10–17 days to complete.
- ▶ Pull production tubing and downhole equipment.
- ▶ Log the well determine source of water.
- ▶ Cement integrity issue
  - Cement squeeze and perf same interval
- ▶ Geological fracture issue
  - Isolate current perforations
  - Drill a new sidetrack
- ▶ Run production tubing and downhole equipment.



# Future Plans



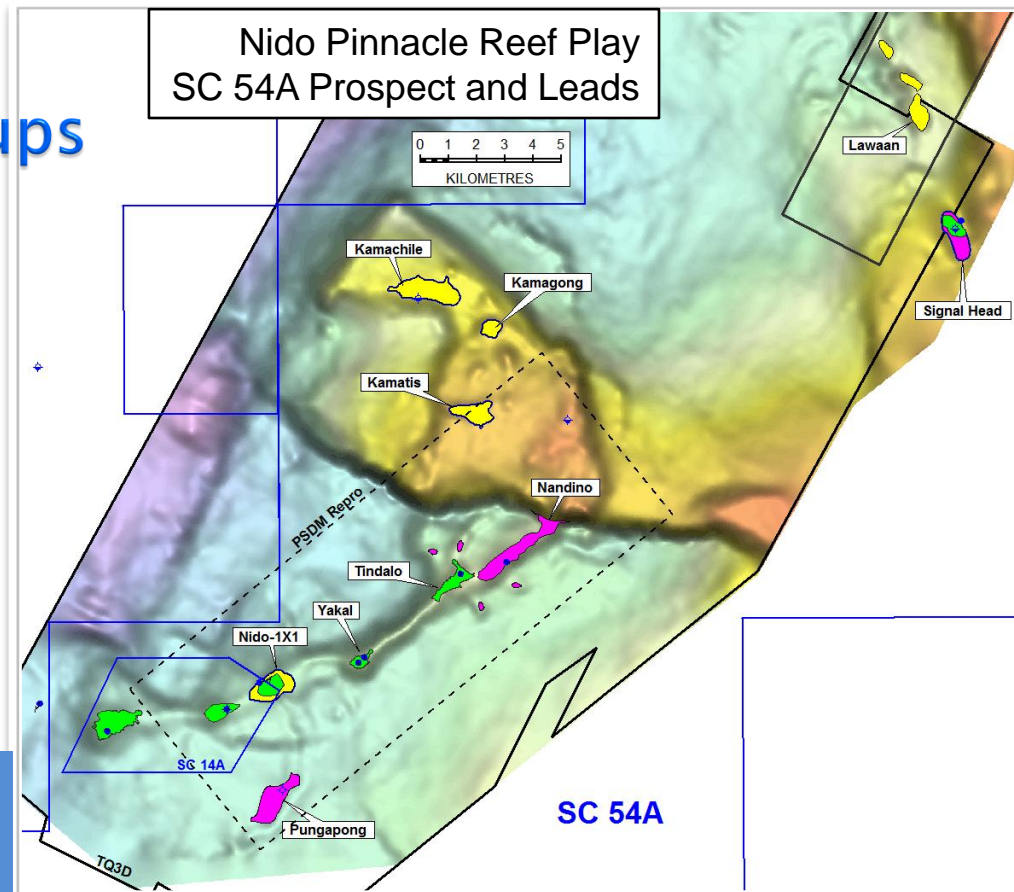
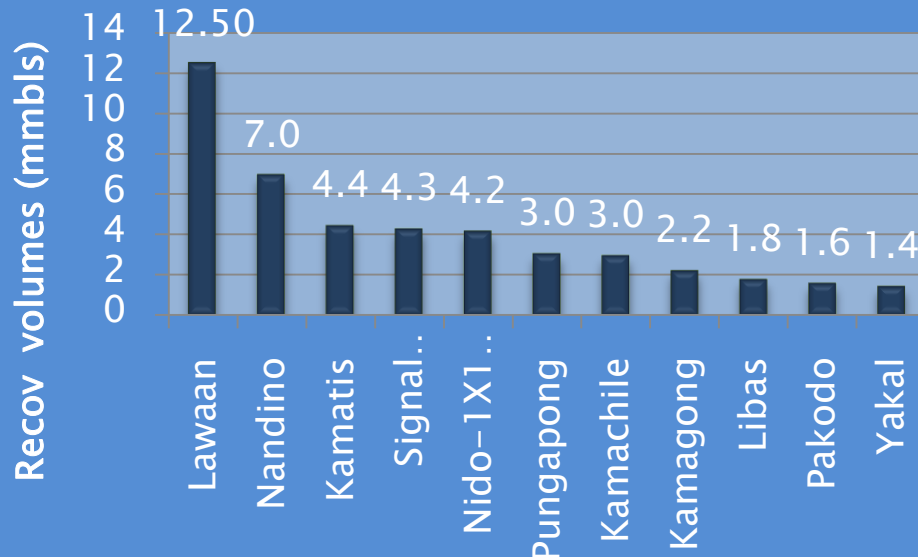


# SC 54A (KIK 30.1%) Cash Flow

## A portfolio of Tindalo follow-ups

Current prospects and leads portfolio top 11:

- ▶ Total mean recoverable of 45mmbls – estimated by Operator using a 40% estimated recovery factor.
- ▶ 3 existing discoveries.
- ▶ Sufficient portfolio depth to potentially generate several years of production and cash flow.



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



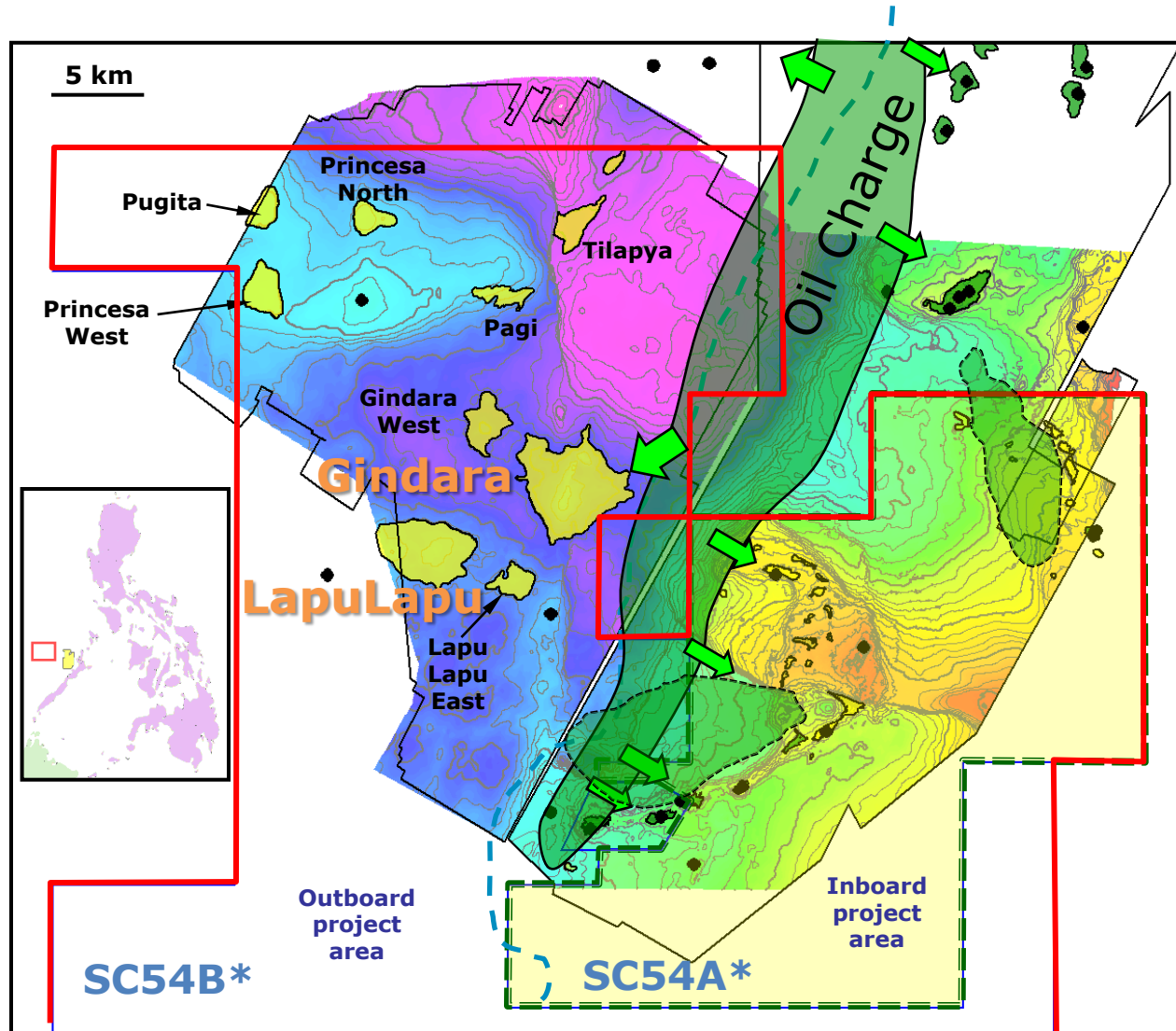
# SC 54B (KIK 40%)– Gindara Prospect – Exploration Upside Exposure

## Gindara Prospect

- ▶ Already defined by 3D seismic
- ▶ 28 km<sup>2</sup> in area
- ▶ Closure 320 m
- ▶ Oil-in-place volume ~ 0.5bln bbls
- ▶ Excellent location
- ▶ Probability containing HC's ~ 40%

## Strategy

- ▶ Leverage equity to reduce drill cost
- ▶ Drill ready for 2011



Gindara				
	P90	P50	P10	Mean
Oil in Place (MMbbls)	292	581	1022	634

# Summary

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- An offshore oil rig is visible in the background, situated in the middle of the ocean. The rig is a large, complex structure with multiple levels and cranes, illuminated by lights. The sky is a mix of blue and orange, suggesting a sunset or sunrise. The water is dark and textured with small waves.
- ▶ **KIK poised to generate cash flow from SC 54A**
    - Tindalo well remediation to be completed in 2nd half September 2010.
    - Portfolio of discoveries and prospects for potential cash flow over several years.
  - ▶ **Exploration Upside Exposure from SC54B**
    - Gindara – 500mmbbl prospect matured and ready to drill.
    - Shareholder exposure to large upside opportunity.
    - Seeking farmin partner to leverage equity
    - Targeting drilling in 2011.





Thank You



# Contacts

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