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19th December, 2005

**Update on Drilling Activity -
Malolos-1 and Nuevo Malolos-1, SC44, Cebu Island, Philippines**

**Re-entry Malolos 1 Daily Status Report (Day 9)
Rig Move to - Nuevo Malolos 1**

Time of report: 6 am (Philippines = GMT + 8), 19th December 2005

Current depth: 3,320 ft (1,011.9 m)

Current operation: Rig Released at 24:00, 18th December

Forward operation: Rigging down, moving to Nuevo Malolos 1 location (10 metres north of Malolos 1.

Comment: Malolos 1 was successfully perforated over an 80 ft (24.4 m) interval in the Maingit sand sequence. However, although gas flowed to surface the amount was too small to measure which indicates either that the formation is tight or damaged. On balance, there is a high probability that the formation was damaged at the time of drilling 45 years ago.

The well has been suspended, with the option for further work-over once data on the reservoir characteristics have been collected from Nuevo Malolos 1.

The rig is moving to the new location to start drilling Nuevo Malolos 1. Anticipated spud-date is the 23rd December 2005.

Background

Gas2Grid owns 100% of the 100,000 hectare onshore licence SC44 on Cebu Island in the Philippines. The licence contains two 1960's gas discoveries, Malolos-1 and Zaragosa-1. Gas2Grid's objective is to appraise the Malolos feature with a view to establishing a sustainable gas flow. In 1960, the well flowed gas from drill stem tests at rates of 5 mmscfd and 12.6 mmscfd from zones at 850m and 1850m respectively. If the aggregate flow of 17.6 mmscfd flow could be sustained, it would be sufficient to fire a 40MW power plant.

The objective of the current campaign is collect modern reservoir data and establish if the gas flow can be sustained and if, at what rates and pressure. A longer term (6 – 8 week) production test is scheduled to be carried out following the drilling campaign, should the result of the well be sufficiently encouraging.

The Malolos feature alone has potential gas resources of 50 bcf. It is on trend with three other culminations (Butak, Barili and Esperanza) which have a combined area of closure of 24 sq. km and estimated gas resources of 240 bcf based on simple assumptions derived from the Malolos-1 discovery. There are another 10 leads in the licence, the most attractive of which have potential gas resources in the order of 150 bcf. The tax regime in the Philippines is benign and affords returns similar to those achieved in Australia.



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In the 60's, gas had no commercial value, as gas-fired power generation as it is now used was not yet developed. Furthermore, an electricity-hungry market has developed some 30 km north of SC44 where Cebu City has 1.5 million inhabitants, and is the 2nd largest city in the Philippines and a significant manufacturing centre. Gas2Grid will be appraising the Malolos discovery with the aim to produce gas for electricity generation. A deed of agreement has been entered into with Marubeni who would operate any power installation.

A handwritten signature in black ink, appearing to read "Gundi Royle", is positioned to the left of the printed name.

Gundi Royle
Managing Director