

25th January 2013

PHILIPPINES – UPDATE ON WORKOVER OF MALOLOS-1

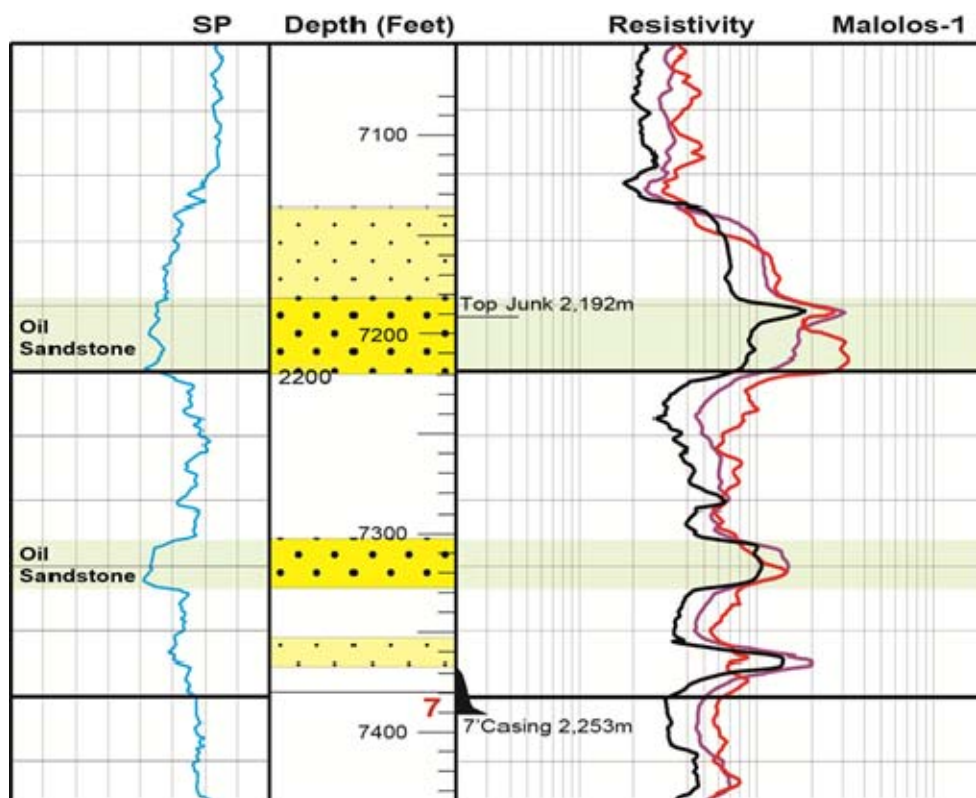
SERVICE CONTRACT 44 (100%), Onshore Cebu, Philippines

WORKOVER: Malolos-1

We are pleased to advise that Rig-1 conducted workover operations without incident yesterday and at 9 pm yesterday (DST) was at a depth of 7,228.65 feet (2,203.3 m) after milling 4.5 feet (1.37 m) of “junk”. The junk appears to contain rubber and metal. Rig-1 will continue milling the junk until we access the prognosed oil zone below the obstruction, it is not known how long this procedure will take. Rig-1 is working for 12 hour each day.

Oil (39° API) was recovered on several drill stem tests conducted over the gross interval 2,185-2,233 metres when the Malolos-1 well was originally drilled and tested in 1960. Sustained production from these oil bearing sandstones was not established at that time. We are attempting to access these same oil reservoirs and conduct tests to try and establish commercial oil production.

Malolos-1: Oil Targets for Workover and Testing Operations



Malolos-1 workover operations were suspended in late 2011 when junk was encountered at the bottom of the hole precluding testing of the main oil bearing sandstone intervals. The forward plan is to perforate and flow test the lower oil bearing sandstone intervals followed by the shallower sandstone reservoir intervals that have been interpreted as being gas bearing, based on both the cased-hole and open-hole wireline logs. We estimate these procedures will take 4 to 6 weeks to complete.

Depending on the progress of the current workover and with the aim to speed up the procedures we are considering the option of replacing Rig-1 with the much bigger Rig-2 in a couple of weeks' time when the maintenance work on the electrical generator of Rig-2 has been completed. Rig-1 may then be redeployed to Jacob-1 to carry the swabbing of that well.

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