
19th May, 2014

**PHILIPPINE DEPARTMENT OF ENERGY – OIL TESTING
MALOLOS-1 OIL PRODUCTION TEST PROGRAM
SERVICE CONTRACT 44 (100%), Onshore Cebu, Philippines**

Gas2Grid Limited is pleased to advise that swabbing operations at the Malolos-1 well have resulted in almost 100% oil recoveries but in the process the perforations in the wellbore through which the oil is produced have become clogged. Remedial work is currently being undertaken to unblock the perforations.

Swabbing fluid from the production tubing and lowering the fluid level reduces the back-pressure on the oil bearing formations and it has resulted in the percentage of oil being recovered increasing to almost 100%. This result has confirmed that the Malolos-1 sandstones being tested are oil reservoirs.

During the swabbing operations small amounts of fine grained clay has also been produced with the oil and this clay has plugged the perforations through which the oil is produced, from the reservoir sandstone into the wellbore. This situation is a common condition with some sandstone reservoirs and it is technically termed “migration of fines”*.

Current operations at the well are focused on clearing the plugged perforations. Once the perforations are cleared oil testing will resume.

The extended oil production testing program aims to gather sufficient technical information to confirm commerciality of the Malolos Oil Field to justify the Department of Energy awarding a 25 year production period and leading to full field appraisal and development. Proving commercial production at Malolos Oil Field will have a very significant impact on the value of the Company and will benefit the Philippine economy.

On the 29th January, 2014 the Company reported a “Contingent Resource” of oil in the two productive sandstones for the Malolos Oil Field between a “Low Estimate” (1C) of **6.8 million**

barrels and a “High Estimate” (3C) of **68.1 million** barrels, with a “Best Estimate” (2C) of **20.4 million** barrels of “Total Oil Initially in Place”. This Contingent Resource is in addition to the Unrisked Prospective Resources released to the ASX on the 29th January, 2014.

MIGRATION OF FINES

“Fines migration refers to the motion of naturally existing particulates in the pore system caused by high fluid shear rates. Generally this is more of a problem in clastic formations (sandstone), due to the higher concentration of potentially transportable materials (such as clay). Fines migration is usually only apparent when the wetting phase (*in our case oil*) of the reservoir (which wets and encapsulates the fines) is in motion.

Reservoirs displaying severe fines migration problems may be treated by either, reducing production rates (not often a popular choice), increasing flow area by high density perforating, open hole completions, horizontal wells or fracturing to reduce interstitial velocities or chemical stabilisers to adhere the mobile clays to the pore surfaces to reduce the propensity for mobilisation.”

Bennion, B, 1999; Journal of Canadian Petroleum Technology, Distinguished Author Series, Volume 38 (2)

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The Resources assessment follows guidelines set forth by the Society of Petroleum Engineers – Petroleum Resource Management System (SPE-PRMS). The Resource estimates used in this presentation were compiled by Mr Len Diekman (Member SPE), Energetica Consulting, who is a qualified person as defined under the ASX Listing Rule 5.11 and has consented to the use of Resource figures in the form and context in which they appear in this presentation. The information in this release has been compiled by Dennis Morton, Managing Director of Gas2Grid Limited, who graduated with First Class Honours in Geology (Macquarie University) and has 38 years’ experience in the oil and gas industry.