Risk in energy development

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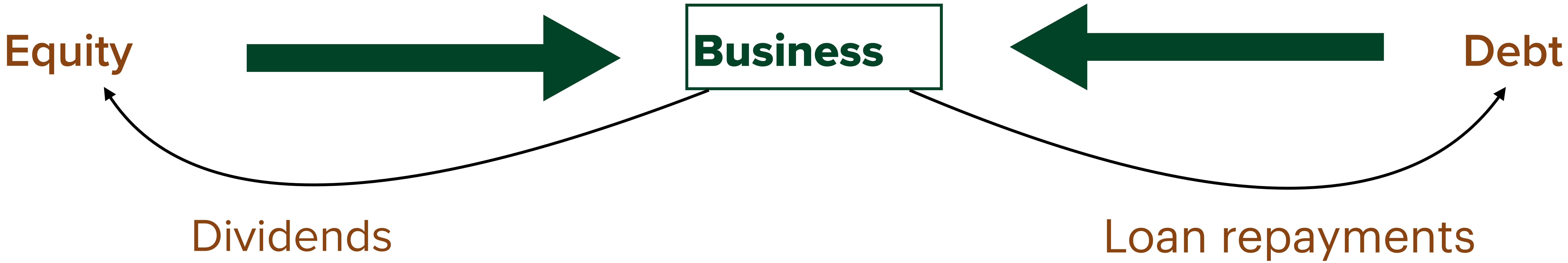
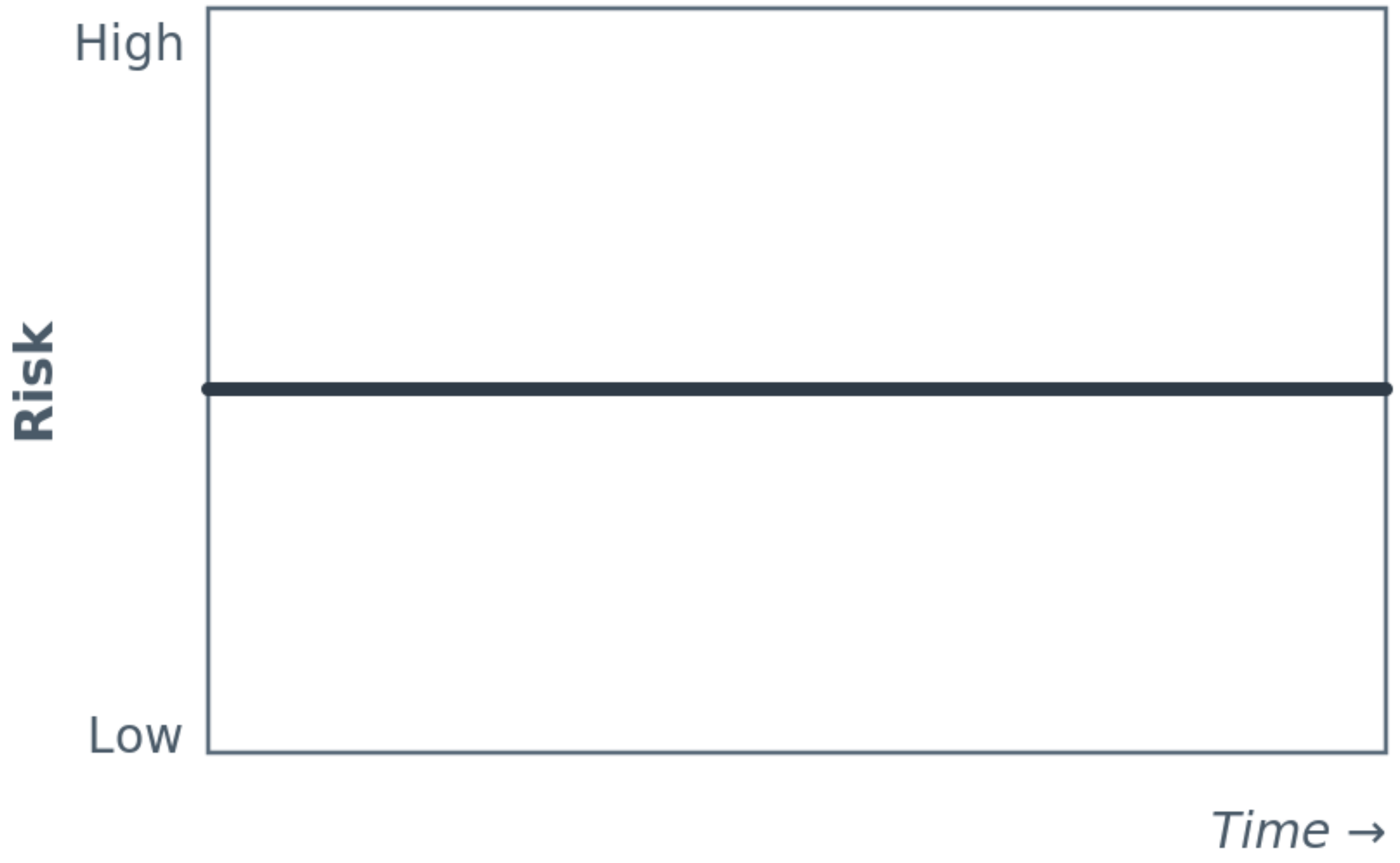
Simple financing model



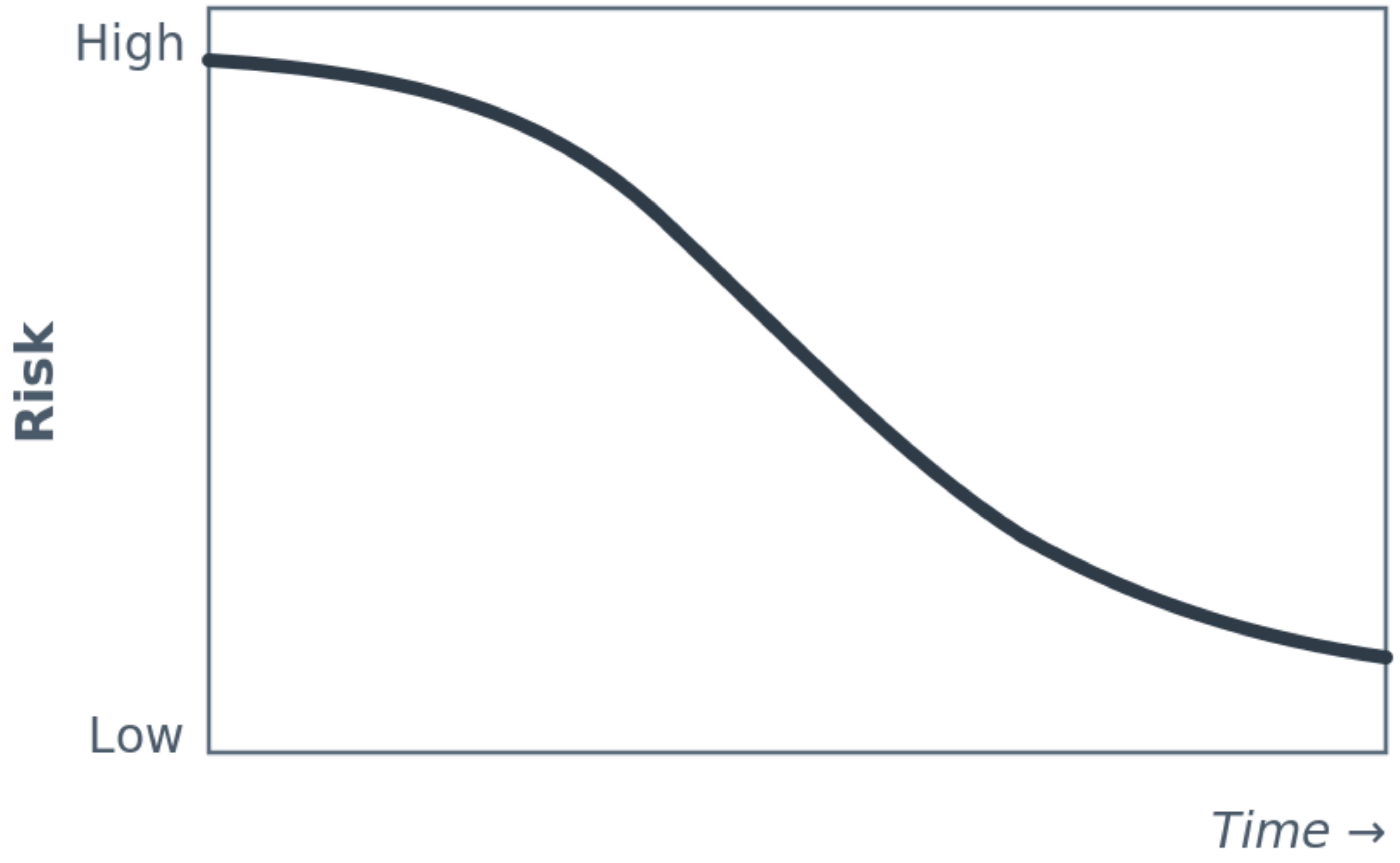
Operational risk

Steady over project life



Development risk

High early, falls as the project is de-risked



Examples of risks

Resource/Subsurface

Drilling cost & performance

Financing

Counterparty

Consenting

Regulatory

Community Views

Energy market

Capital cost escalation

Land access & tenure

Health, safety & environment (drilling)

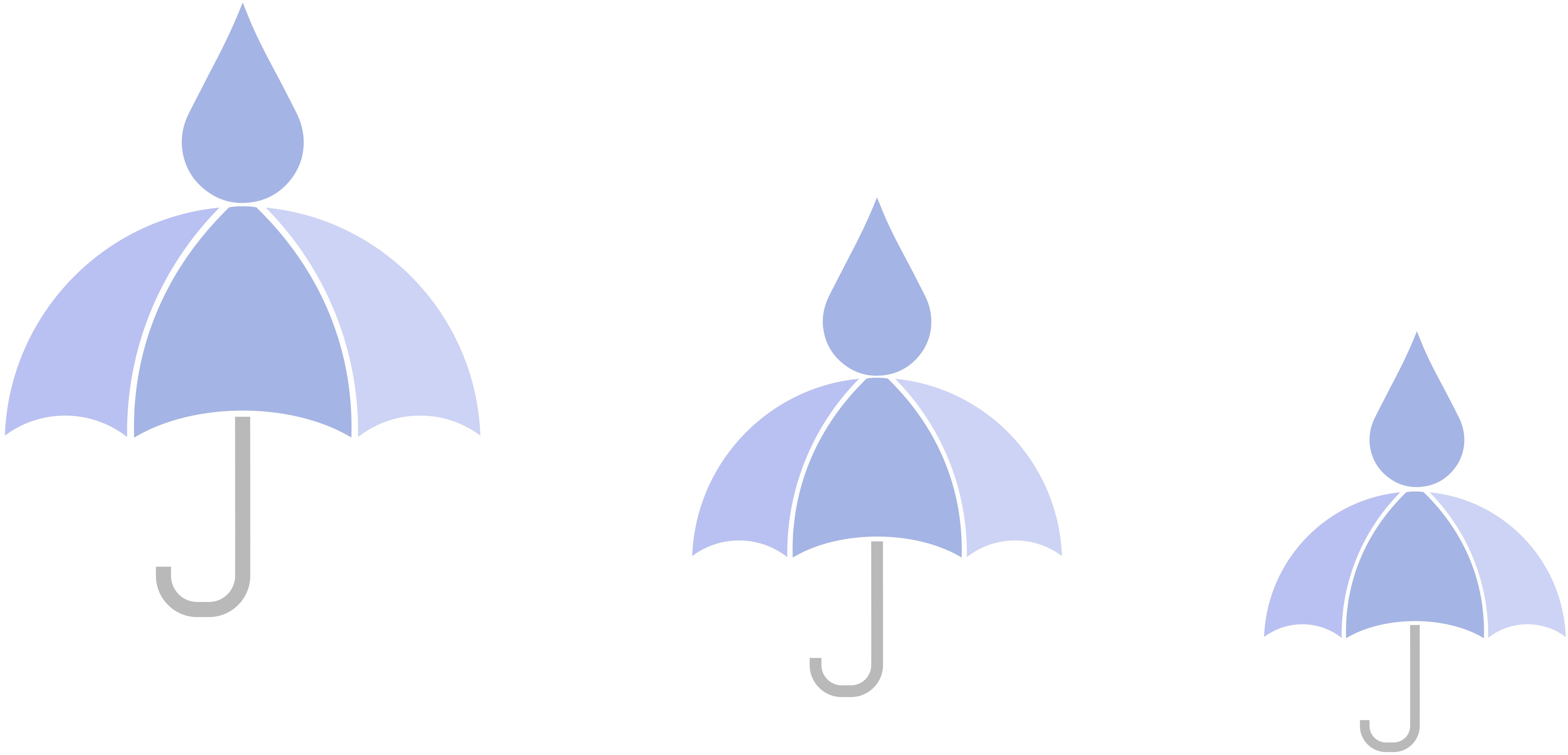
Team & capability

Equipment delays

Operational events

What is the chance that one of these risks will occur?

If there is only a 10% chance of rain each day next week...



What is the chance of rain next week?

10% chance of rain each day next week…

52% CHANCE OF RAIN

10% chance of each of these occurring...

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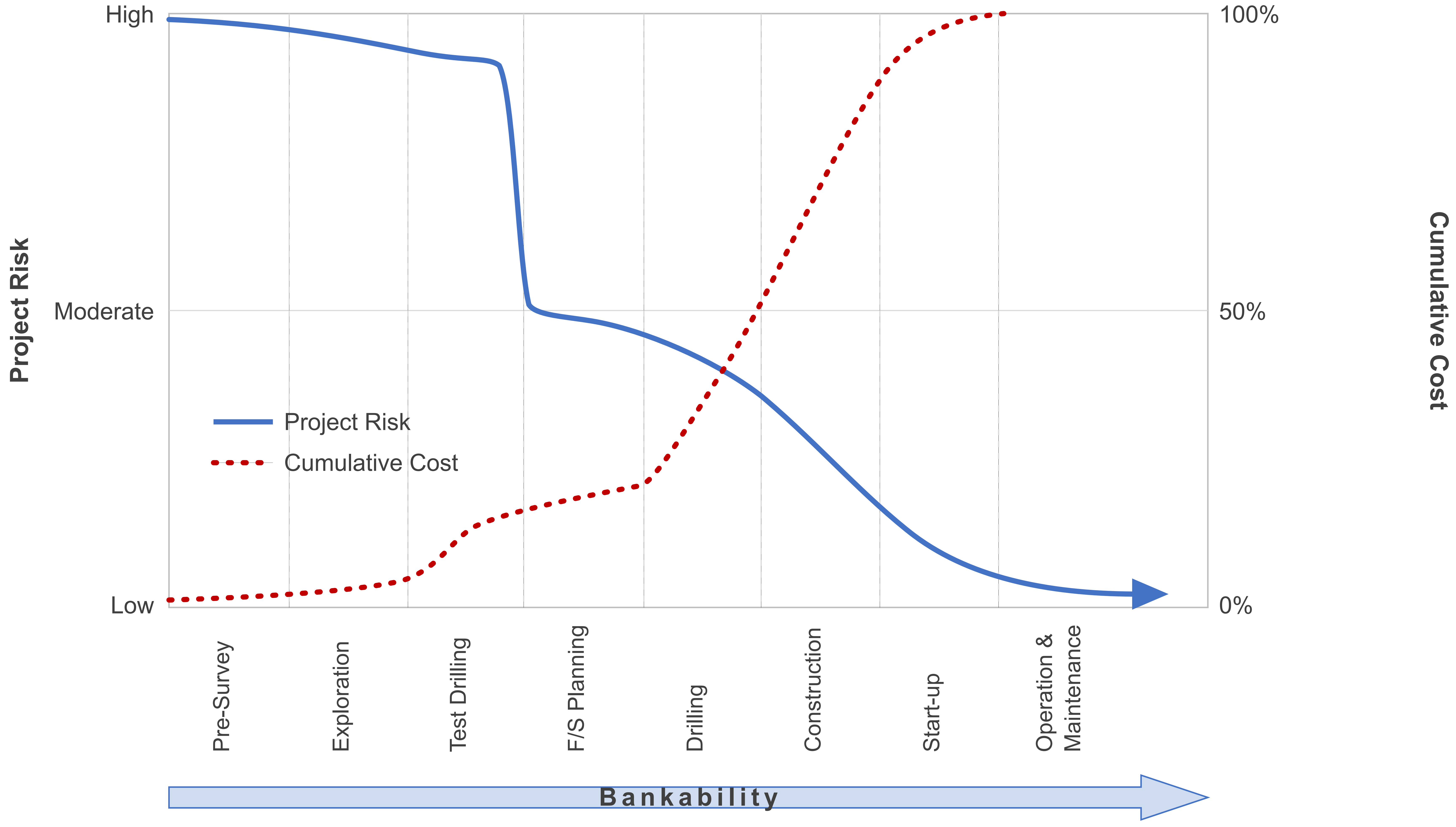
75% CHANCE OF RAIN

Typical energy project risks and bankability



Investors manage risk through diversification

One large position

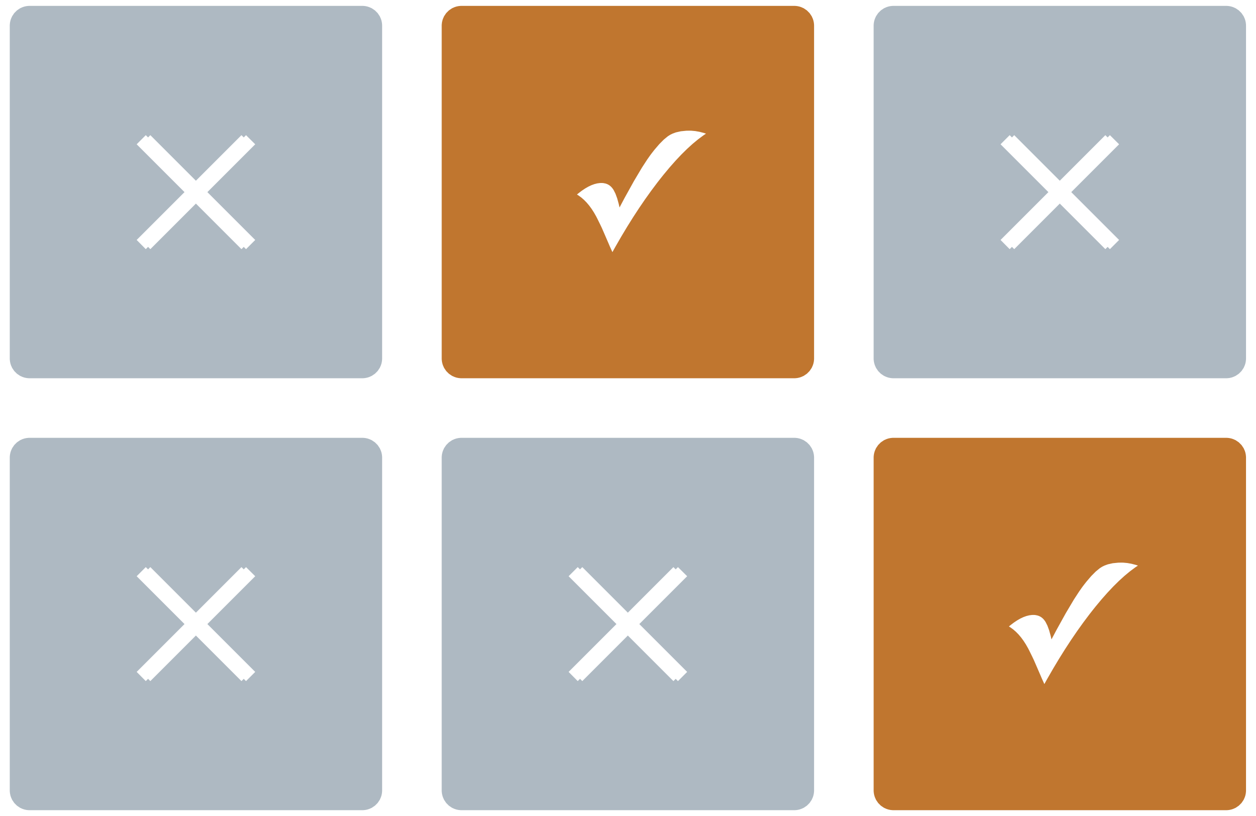
Concentrated risk

All-or-nothing

Total loss more likely

Many small positions

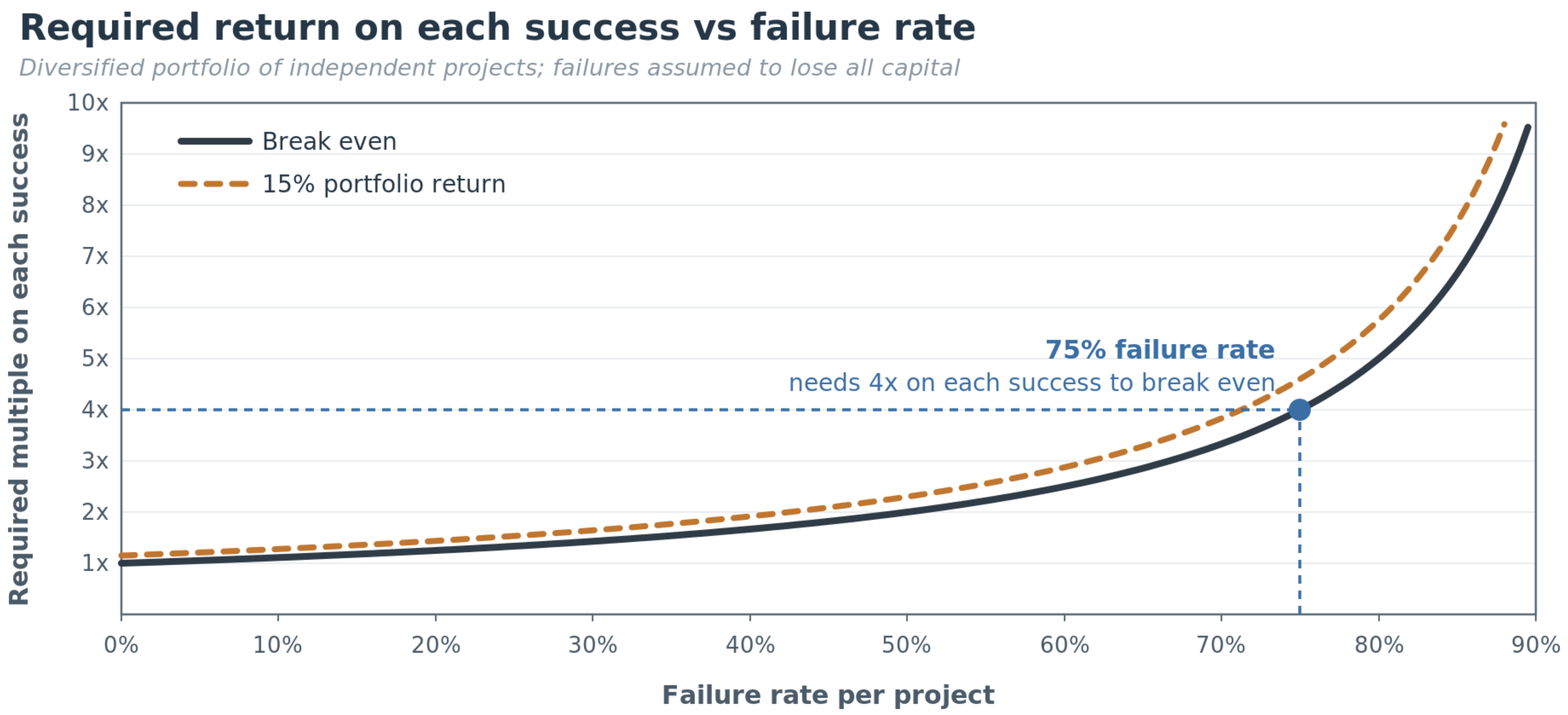
Diversified risk



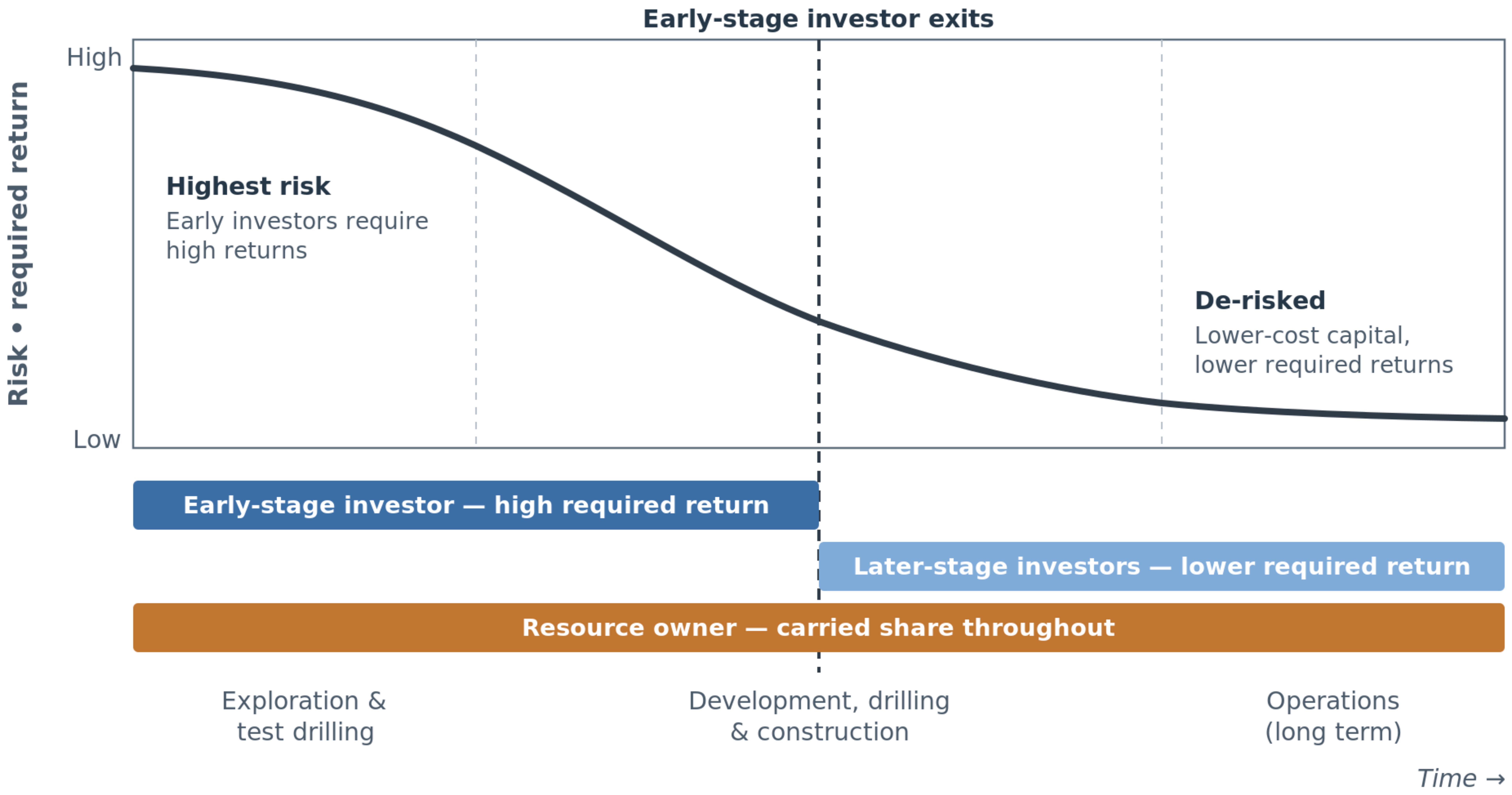
Failures are survivable

A few successes (orange) more than cover the failures (gray)

Same capital, same odds per project — but spread across many projects, returns become predictable and no single failure is fatal


Required return on each success vs failure rate
Diversified portfolio of independent projects; failures assumed to lose all capital
Break even
15% portfolio return
75% failure rate
needs 4x on each success to break even
10x
9x
8x
7x
6x
5x
4x
3x
2x
1x
0%
10%
20%
30%
40%
50%
60%
70%
80%
90%
Required multiple on each success
Failure rate per project

Investment risk and investor staging over the project lifecycle



Illustrative — investor mix, required returns, and exit timing set by project agreements

How to unlock investment?

Risks may not suit Maori capital

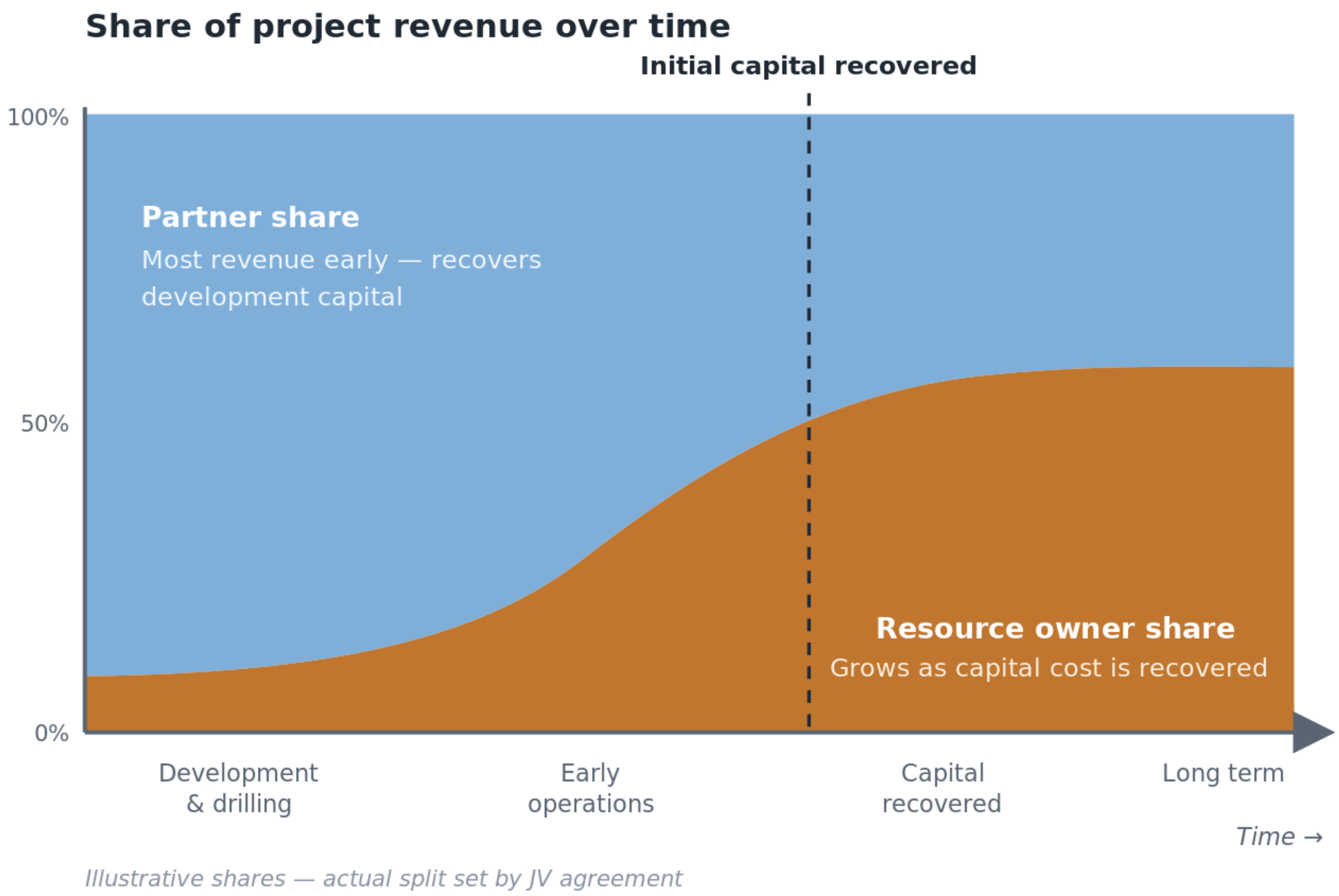
Awkward to spread capital across projects

Partners want minority exposure

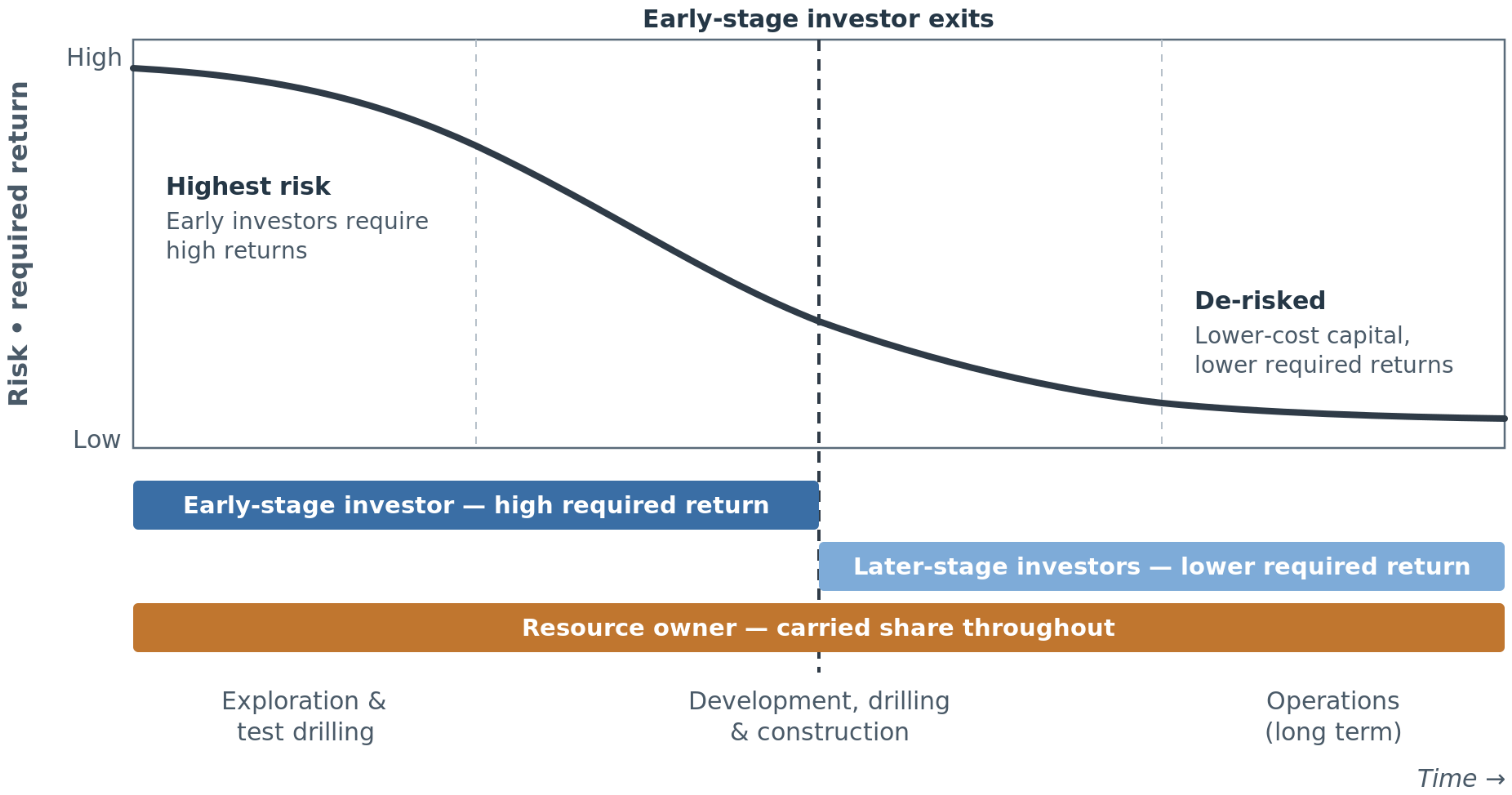
BUT

Long-term asset owner.

Simple financing model



Investment risk and investor staging over the project lifecycle



Illustrative — investor mix, required returns, and exit timing set by project agreements

Example of a model