



9<sup>th</sup> August 2010

Australian Securities Exchange Limited  
Company Announcements Office  
Level 4, Exchange Centre  
20 Bridge Street  
SYDNEY NSW 2000

## SC 54A Tindalo Operations Update

Please refer to the attached ASX release of Nido Petroleum Limited, SC 54A Operator, for further details.

**For further information please contact:**  
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Managing Director  
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### Capital Structure

Shares	560.909 m
Unlisted Options	2.500 m
Total:	<b>563.409 m</b>

Convertible Notes	70.073 m
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### Board of Directors

Paul Fry	Non-Executive Chairman
Mark Fenton	Managing Director
Laurie Brown	Executive Director
Jyn Baker	Non Exec Director

### Assets

Philippines:

- SC 54A - KIK: 30.1%

*Current Status:*

- Tindalo oilfield currently producing under EWT

- SC 54B - KIK: 40%

*Current Status:*

- Gindara prospect drill ready;
- Seeking farminee.

### Kairiki Energy Limited

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## Tindalo Operations Update

Nido Petroleum Limited (Nido), as Operator of Service Contract 54A (SC 54A), is pleased to provide an operations update on Extended Well Testing (EWT) activities at Tindalo. Well testing is continuing and the following can be confirmed since the last update:

- Approximately 165,000 barrels of oil (@ 60°F) is now in the storage tanks of the FSO giving an average daily net oil production since the last update of approximately 1,700 barrels of oil per day;
- First proceeds from Tindalo crude oil produced are expected mid-August;
- The Tindalo-1 workover is planned to increase oil production by decreasing or eliminating the water cut;
- Mobilisation of equipment, services and personnel is scheduled to take 3-4 weeks after Joint Venture approval and in-field operations are expected to take 10-14 days to complete; and
- Until the commencement of workover operations, the well will be produced at the maximum production rate allowable following a processing system upgrade.

The production processing system at Tindalo is currently operating at sub-optimal efficiency, particularly with respect to water separation and treatment. Initial separator design and the current high watercuts (currently 80%+) at Tindalo have contributed to this.

Produced water at Tindalo is designed to be discharged overboard once separated and treated to international and Philippine standards. However, the majority of the water treated to date has not met the criteria for overboard discharge and has instead been exported to the FSO for later treatment, also resulting in limitations to the well's total fluid production rate. A number of options are under consideration for removing the produced water that is currently stored in the FSO and this activity will most probably be undertaken during the production shut-down associated with the forthcoming workover of the well.

Significant recent improvements to water separation efficiency have been achieved with the use of a specialised water clarifier; however, further efficiencies are required to consistently meet the criteria for water discharge overboard. The well is currently shut in whilst a system upgrade is being installed for this purpose.

Crude oil marketing efforts are continuing with a positive response from potential buyers. Oil samples have been delivered to refiners in the Philippines, South Korea, Japan, Singapore

and Thailand following a number of requests. The final assay results have been received and the marketing agent indicates that the crude should trade well against regional and Middle East crudes.

Yours sincerely



**Joanne Williams**  
Deputy Managing Director

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## Corporate Profile

Kairiki Energy is an Australian Based junior international oil and gas exploration and production company focussed on the Philippines. Kairiki holds a 30.1% interest in Service Contract 54A and a 40% interest in Service Contract 54B.

SC 54A measures 862 km<sup>2</sup> and contains the Tindalo, Yakal, Nido 1X1 and Signal Head oil discoveries and a substantial portfolio of similar low-risk reefal prospects. In December 2009, Kairiki announced that the SC 54A Joint Venture had approved the development of the Tindalo field with first oil expected in 2Q 2010 and an expected initial oil production rate of between 7,000-15,000 barrels of oil per day (2,450 – 5,250 bopd net to Kairiki.) The Tindalo development utilises a jack-up rig and a dynamically positioned storage vessel and is now in production. Based on a successful development at Tindalo a number of follow-up developments may be considered in SC 54A.

SC 54B measures 3184 km<sup>2</sup> and contains the Gindara prospect which has a mean unrisks oil in place volume estimated by the Operator, of 634 million barrels. The Gindara prospect is a very large simple four-way closure at the Top Nido Limestone reservoir objective with an areal extent of 28 km<sup>2</sup>, a vertical closure of over 300m and is well located to receive hydrocarbon charge from the Palawan Trough. Kairiki is seeking to farm down its interest in SC 54B to accelerate drilling of the Gindara prospect.