



13 October, 2010

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

## Market Update

The Directors of Kairiki Energy Limited ("Kairiki") is pleased to provide the following update on the current activities of the Company.

### Tindalo Sidetrack Program

As previously announced by the Operator, Nido Petroleum (Nido), the following has been advised:

- an initial acid soak was completed following which flow rates of approximately 3,000 barrels of oil per day were observed at less than 1% water cut and a flowing tubing head pressure (FTHP) of 27psi;
- a second acid soak was undertaken and demonstrated a productivity increase to approximately 5,000 barrels of oil per day at less than 1% water cut and a FTHP of 57psi; and
- a further third acid soak was completed on the Tindalo-1ST1 well using the coiled tubing unit. Following this stimulation, well productivity increased further with maximum flow rates of 9,000 barrels of fluid per day, on natural flow, with an average water cut of approximately 50%.

Nido has now provided the Company an update as follows:

- equipment and personnel are being mobilised to determine the source of the water into the sidetrack completion and prepare for any remediation to follow. The actual remedial activities undertaken will depend on the results of the diagnostic tests which are expected to be undertaken in the coming days. If remedial action is unsuccessful the Joint Venture has a number of further options available to it within SC54A including moving the rig to Yakal, but has not yet made any decision;

#### Capital Structure

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

Convertible Notes	70.073 m
-------------------	----------

#### Board of Directors

Paul Fry	Non Exec Chairman
Mark Fenton	Managing Director
Neville Basset	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**  
Suite 3, Churchill Court  
331 – 335 Hay Street  
SUBIACO WA 6008  
AUSTRALIA

Phone: +61 8 9388 6711  
Fax: +61 8 9388 6744  
Website: [www.kairikienergy.com](http://www.kairikienergy.com)  
ABN: 34 002 527 906



- the well is currently producing on natural flow due to the current unavailability of the ESP pump at between 4,000 to 6,000 barrels of fluid per day with an average water cut of 70%. In the event that the remedial work is successful and water ingress is significantly reduced, testing of the sidetrack may resume at a natural flow rate; and
- The crude inventory stored in the FSO as of 11 October 2010 is 32,451 barrels (net share – 9,768 barrels).

### **Service Contract 54B**

Nido has advised that preparations are progressing for the drilling of the Gindara prospect within the first half of 2011. Long lead items for the drilling campaign are being acquired and a search for drill rigs has commenced.

### **Potential Farmout Update**

Kairiki refers to previous announcements on its search for a strategic partner to farm out its interest in SC54B. As an update to that strategy, Kairiki advises that it is in advanced discussions with a significant oil and gas company in relation to Service Contract 54 Block B. The discussions whilst advanced remain confidential and incomplete.

Kairiki stresses that there is no guarantee that any final agreement will be reached despite these ongoing discussions. Furthermore if any agreement is entered into it will be conditional upon any necessary third party consents and approvals from the Department of Energy in the Philippines.

Kairiki will keep the market informed of any material development concerning this matter and in relation to its strategy generally.

### **For further information please contact:**

Mark Fenton  
Managing Director  
Phone: +61 8 9388 6711



## **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. 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.