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

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



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