Nido Petroleum Limited

ABN 65 086 630 373

Nido Petroleum Limited Reports Strong Half Year 2010 Profit

Key Points

- **Net profit of A$20.6 million (2009: loss of A$18.5 million)**
- **Revenue from crude oil sales increased by 32% to A$34.1 million (2009: A$25.8 million)**
- **Increased oil production (net to Nido) from Galoc, Nido and Matinloc oil fields to 372,539 barrels (2009: 343,659 barrels)**
- **Tindalo oil field production to 30 June 2010 (net to Nido) of over 40,000 barrels of oil**
- **Reduction in office and other expenditures by 35% to $A1.3m (2009: A$2.0m)**
- **Employee benefits expense were slightly lower at A$ 2.8 million (2009 : A$ 2.9 million)**
- **Cash on hand at 30 June 2010 A$ 18.2 million (31 December 2009: A$ 17.1 million)**
- **Underlying debt repayable relating to the Merrill Lynch convertible note reduced by US$ 2 million to US$ 17.3 million (31 December 2009: US$ 19.3 million)**

Nido (ASX:NDO) today released its half-yearly financial results for the six months ending 30 June 2010, reporting a total net profit before tax for the Group of $24.6 million (30 June 2009: loss of $18.4 million).

The result primarily reflect a higher and more consistent production up time from the Galoc field as well as higher average oil prices received from crude oil sales over the same period in 2009. In addition the half year results demonstrate Nido's continuing commitment to contain and reduce where possible administrative and operating overheads.

This improved performance from the Galoc field has provided Nido with strong and stable cash flows over the first half of the year, supporting the Company's exploration and development operations across all of its Service Contracts.

In addition, Nido's balance sheet has remained strong over the half year with an improved closing cash balance of $18.2 million and a reduction in outstanding debt to US$ 17.3 million.

In the second half of the year, the Company will continue to focus on the extended well test program at the Tindalo oil field, as well as planning for the Company's exploration drilling program announced at the Annual General Meeting in May 2010.

Ashley Gilbert
Chief Financial Officer
10 September 2010

NIDO PETROLEUM LIMITED

ABN 65 086 630 373

HALF-YEAR FINANCIAL REPORT
FOR THE PERIOD ENDED
30 June 2010

CONTENTS

Your Directors submit their report for the half-year ended 30 June 2010.

DIRECTORS

The Directors of the Company in office during the half-year and until the date of this report are listed below. Directors were in office for this entire period, unless otherwise stated.

William Bloking	Chairman
J.V. Emmanuel Araullo de Dios (Jocot)	President and CEO
David Whitby	Non-Executive Director
Vincent Pérez	Non-Executive Director
Eduardo V. Mañalac	Non-Executive Director
Andrew Edwards	Non-Executive Director

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the half-year, which occurred primarily in the Philippines, included:

- Exploration for oil and gas,
- Development of oil properties, and
- Production and sale of oil.

REVIEW AND RESULTS OF OPERATIONS

During the half-year, the Company experienced a substantial movement in its share price from an intra-day low of $0.12 in March 2010 to an intra-day high in June 2010 of $0.235. At 30 June 2010 the Company's closing share price was $0.15 with an associated market capitalisation of $162.1 million.

Summary of Financial Performance

A summary of key financial indicators for the Group, with prior period half year comparison, is set out in the following table:

	Consolidated 30 June 2010 $'000	Consolidated 30 June 2009 $'000
Revenue from sale of crude oil	34,125	25,813
Gross profit	18,312	11,352
Net profit/(loss) for the half-year after tax	20,566	(18,518)
Basic profit / (loss) per share (cents) from continuing operations	1.73	(1.76)
Net cash from/(used in) operating activities	14,652	1,559
Net cash (used in) investing activities	(13,871)	(4,161)
Net cash from/(used in) financing activities	-	(11)

The profit from continuing operations before income tax, finance costs, foreign currency gains/(losses) and fair value gain/(loss) on embedded derivative of the Group for the half-year ended 30 June 2010 was $17.4 million (30 June 2009: profit of $5.9 million).

The total net profit before tax of the Group for the half-year ended 30 June 2010 of $24.6 million (30 June 2009: loss of $18.4 million), was impacted by the following significant items:

- Oil revenue from the Galoc oil field for the half-year was $33.2 million (30 June 2009: $24.9 million) while revenue from the Nido and Matinloc oil fields for the half-year was $0.9 million (30 June 2009: $0.9 million). Nido's net share of oil production from the Galoc, Nido and Matinloc producing fields was 372,539 barrels of oil for the half-year (343,659 barrels for the same period last year);

- Cost of sales for the half-year was $15.8 million (30 June 2009: $14.5 million) due to steady Galoc field production and higher up time rates in 2010 than in the first six months of 2009;
- Crude oil produced from the Tindalo field was 100,067 barrels of oil gross (97,883stb at 60oF), net to Nido volumes were 41,502stb at 60oF, which was recognised as inventory in the balance sheet at cost. At 30 June 2010 the Tindalo oil field had minimal impact on the consolidated gross profit result.
- Total finance cost for the half-year of $1.2 million (30 June 2009: $1.9 million) relates to the convertible note interest. Underlying debt relating to the convertible note was reduced by US$ 2.0 million in June 2010 to US$ 17.3 million, due to the conversion of convertible notes into 29.8 million ordinary shares;
- The fair value gain on embedded derivative relates to the non-cash fair value movement of $4.9 million (30 June 2009: loss of $8.0 million) in relation to the convertible note call option embedded derivative;
- Share based payments expense totalled $0.3 million for the half-year (30 June 2009: $0.6 million). During the half-year 8,028,521 performance rights were issued to employees of the Company, including the Chief Executive Officer.
- Employee benefits expense excluding share based payments were slightly lower in the half-year at $2.8 million (30 June 2009: $2.9 million);
- Office and other expenses decreased by 35% to $1.3 million (30 June 2009: $2.0 million) due to the Company's continued targeted reduction in general and administration costs;
- Net foreign currency gains of $3.5 million (30 June 2009: loss of $14.3 million) resulted from the weakening of the Australian dollar which had a positive impact on net US dollar balances predominately from AUD denominated parent company loans to subsidiaries (with USD functional currencies), offset by the impact of the USD Convertible Note debt in the parent company (with AUD functional currency).

The following table summarises the Company's equity interests in its permits as at 30 June 2010:

Philippines

Permit	Basin	Nido Interest (%)	Approx Net Area (sq km)	Operator
SC 14 Block A	North West Palawan	22.49	5	Philodrill (1)
SC 14 Block B	North West Palawan	28.28	44	Philodrill (1)
SC 14 Block C-1 (2)	North West Palawan	22.88(10)	40	GPC (4)
SC 14 Block C-2 (3)	North West Palawan	22.28	37	Philodrill (1)
SC 14 Block D	North West Palawan	31.42	55	Philodrill (1)
SC 6B	North West Palawan	7.81	43	Philodrill (1)
SC 54A(7)	North West Palawan	42.4 (9)	441(8)	Nido
SC 54B(7)	North West Palawan	60.00	1,897(8)	Nido
SC 58	North West Palawan	50.00	6,743	Nido (5)
SC 63	North West Palawan	50.00	5,336	PNOC (6)
		Total	**14,641**	

(1) The Philodrill Corporation
(2) Galoc
(3) West Linapacan
(4) Galoc Production Company WLL
(5) SC 58 operatorship reverts to PNOC upon completion of Nido's farm-in obligations
(6) PNOC Exploration Corporation

(7) On 27 July 2009 Service Contract 54 was partitioned into two areas being SC 54A (Block A) and SC 54B (Block B).

(8) While in 2008, the net contract area remained at 3,226 sq km, a 25% mandatory relinquishment proposal was submitted to the Philippine DOE at the end of 2008, which was subsequently approved on 8 January 2009. The net contract area provided above reflects this relinquishment.

(9) Nido Petroleum Philippines Pty Ltd entered into an agreement with Trafigura Ventures III B.V. to share costs and risks associated with the exploration and evaluation activities within Service Contract 54A. Trafigura Ventures III B.V. contributed US$7.6 million (A$ 8.1 million) on signing of the farm-in agreement and in return received a 10% working interest. In addition, Nido Petroleum Philippines Pty Ltd entered into a further agreement with TG World Energy Corporation to share costs and risks associated with the exploration, evaluation, development and production activities within Service Contract 54A. TGW World Energy Corporation will contribute US$6.79 million (~A$ 7.9 million) and in return receive a 7.6% working interest in SC 54A.

(10) On 30 June 2009, the Company acquired an additional 0.6% interest in the Galoc project (SC 14 Block C-1), thereby increasing Nido's working interest to 22.879%.

EXPLORATION SUMMARY

Service Contract 54

SC 54 Entry into Next Sub-Phase and Contract Area Changes

The Joint Venture entered into Sub-Phase 5 on 5 February 2010.

The work commitments for this sub-phase are the conduct of geological and geophysical studies and the drilling of one well. The well commitment was fulfilled in 2008 with the drilling of the Yakal-1 and Tindalo-1 wells. These wells fulfilled the well commitments in Sub-Phase 4 and Sub-Phase 5. The geological and geophysical components of the sub-phase are described below.

SC 54 Block A

The Joint Venture has undertaken the reprocessing of 3D seismic data covering an area of 140 sq. km within the central portion of the contract area which includes the Tindalo, Nido-1X1 and Yakal discoveries.

The reprocessed seismic data is scheduled for delivery in 3Q 2010 and will produce a pre-stack depth migrated (PSDM) product that will enhance Nido's ability to further mature an area development strategy. In parallel with the reprocessing, Nido has commenced a review of the SC 54A prospects and leads inventory which includes the Lawaan Prospect.

SC 54 Block B

The work program strategy for Sub-Phase 5 has continued to focus on a subsurface review of the area south of the Abukay 3D seismic survey. This work has involved building the seismic database by creating digital seismic lines from paper sections that are archived at the Philippine Department of Energy (DOE). Interpretation of this data is planned over the coming months.

Following the announcement of the five well exploration drilling program at the Company's Annual General Meeting in May tendering for long lead item drilling materials (casing/wellhead) for the Gindara well has commenced. A Gindara-1 well location has been selected to test the primary target of the Nido Limestone.

Service Contract 58

Multi-beam and Sea-bed Coring Survey

The deepwater multi-beam and sea-bed coring survey which commenced in March was completed on 7 May 2010. Approximately 161 gravity cores were acquired and have been shipped to Trondheim, Norway for detailed geochemical analysis. Initial screening results have been completed with a number of anomalous samples selected for more detailed analysis. Results will be integrated into the subsurface understanding of the deepwater grabens identified in the block.

Reprocessing Talusi 2D Seismic

Reprocessing of the Talusi 2D seismic survey has continued during the half-year. This reprocessing project has been undertaken to better image deepwater grabens and the distribution of mature source rock within the block. The reprocessing will also provide improved velocity control and imaging of the Nido Limestone reservoir interval. Final deliverables will be integrated with the seabed coring geochemical results.

Prospect and Leads Inventory

Further maturation of the prospect and lead inventory has continued with depth mapping and volumetric analysis. This analysis has further matured the large multi-reservoir targets at the Balyena, Butanding and Dorado Prospects and a number of surrounding structures that provide potential follow up targets.

Together with the seabed coring results, this work will contribute to the selection of the best candidate to complete the drilling commitment for Sub-Phase 3.

Service Contract 63

Kawayan 3D Seismic Survey

The Kawayan 3D Seismic Survey was completed in July and interpretation is underway. Data quality is substantially improved over the greater Aboabo-1 area with evidence for additional leads in toe-thrust plays along the leading edge of the deepwater thrust/fold belt.

The SC 63 Joint Venture has engaged structural geology specialists to assist with the initial interpretation of this structurally complex block using the newly reprocessed 3D PSDM Seismic data. We anticipate that this work will be completed in Q4 2010 and will be used to high-grade the remaining SC 63 Prospects and mature already high ranked leads at Aboabo and Kalapato to drill-ready status.

PRODUCTION SUMMARY

Service Contract 14 C1 Galoc Oil Field – Production

Production

Production from the Galoc oil field has been steady.

The gross average daily production rate from the field for the half year was 8,642 barrels of oil per day, with an average up-time of 91%. Total production from the field has now passed 5.143 million barrels (1.163 million barrels, net to Nido.)

Crude Oil Marketing

A total crude oil volume of 1.675 million barrels (383,214 barrels net to Nido) was offloaded from the FPSO during the first half of 2010. This generated gross revenue to Nido from oil sales of A$33.2 million (US$29.6 million) which was received directly from the buyer.

The following cargoes were lifted from the Galoc field during the half-year:

Cargo No.	BL Date	Destination	Total Offtake Volume bbl	Net Offtake Volume to Nido Bbl
11	16 January	Korea	336,027	76,881
12	22 February	Korea	311,716	71,319
13	7 April	Japan	352,722	80,701
14	10 May	Korea	324,811	74,315
15	19 June	Korea	349,647	79,998
		TOTAL	**1,674,923**	**383,214**

Development and Reserves

SC 14C Operator Galoc Production Company (GPC) continues to review options for further development of the Galoc field. The reprocessed PSDM version of the Galoc 3D seismic has been integrated into the subsurface and preliminary new Top Nido depth maps generated by GPC and Nido. Further depth sensitivities are being reviewed in conjunction with biostratigraphic studies on a number of wells. Once this work is concluded the Joint Venture will be in a position to consider options for further development of the Galoc field.

Service Contract 14 A (Nido Oil Field) & B (Matinloc Oil Field)

The Nido and Matinloc oil fields continued to produce on a cyclical basis. Oil production from the fields during the half-year totalled 19,697 barrels of oil net to the Company (approximately 109 barrels of oil per day).

DEVELOPMENT SUMMARY

Service Contract 54 Area 'A' – Tindalo Oil Field

Project Execution

During the half-year Nido, as Operator of SC 54A, commenced in-field operations at the Tindalo oil field. As disclosed to the Australian Stock Exchange, first oil from the Tindalo-1 well flowed to surface at 1108 hours (Manila time) on 30 May 2010. Highlights of that programme were:

- Some 44 metres of the Nido limestone reservoir were perforated and stimulated with acid;
- Maximum flow rate of 18,689 bopd was attained of 27% API oil with choke size 136/64th and a flowing tubing head pressure of 59 psig;
- Maximum oil rate was achieved on natural flow and was hardware limited;
- The Extended Well Test (EWT) commenced on 6 June 2010;
- A 10 month option on the Aquamarine Driller has been exercised; and
- There were no LTI's recorded.

Extended Well Testing Continues

A series of well tests have been conducted to assess the productivity of the carbonate reservoir and during this testing period water production commenced.

As at the end of the half-year Nido was continuing to evaluate the longer-term water cut development and well performance of the Tindalo-1 well and had commenced planning activities for a well intervention and remediation programme aimed at increasing oil production by reducing or eliminating water cut.

As at 30 June 2010 there were approximately 100,067 barrels of oil (gross) in the FSO Tove Knutsen.

Service Contract 14 C2 West Linapacan

The block operator, Pitkin Petroleum, reported that the reprocessing of the existing seismic data over the field had been completed and that interpretation of the new data was approaching completion. In addition, work was well advanced on concept studies for the field.

CORPORATE ACTIVITIES

Annual General Meeting

The Annual General Meeting was held on 21 May 2010 and resulted in the following resolutions being passed:

- Re-election of Mr William Bloking;
- Election of Mr Andrew Edwards;
- Approval of Employee Performance Rights Plan; and
- Issue of Performance Rights to Mr Jocot de Dios.

A highlight of the meeting was the unveiling of the Company's five well exploration drilling program.

This five well program is designed to delivery on a number of key strategic objectives including maximising the chances of making a significant commercial discovery by drilling a balanced mix of both low, medium and high risk/value prospects, testing key play types across the basin which will provide additional technical data to further de-risk the portfolio, meeting future service contract work program obligations and securing land tenure over our existing acreage. Planning for the program has commenced with the tending for long lead items for the initial wells in SC 54B (Gindara), SC 63 (Aboabo) and SC 54A (Laawan). Subject to rig availability, the program is anticipated to commence in 1Q'11.

Restructure of Convertible Bond

The Company negotiated and successfully completed the restructuring of the convertible bond held by Merrill Lynch International (Australia) Limited (Bond). The key amendments to the terms of the Bond include:

- Option to defer principal repayments of US$ 2.75 million due on 1 March 2010 and / or 1 June 2010 (total potential deferral of US$ 5.5 million);
- Repayment of any principal amounts deferred will be six months after the original due date (1 September and 1 December 2010);
- Interest rate specifically relating to the deferred principal repayments of 10.95%. All other amounts payable under the Bond continue to accrue interest at 8.5%.

During the half year ending 30 June 2010, the Company elected to defer both the March and June 2010 principal repayments of US$ 2.75 million each.

Convertible Note Conversions

Merrill Lynch converted US$1 million worth of convertible bonds on 9 June 2010 resulting in the issuance of 15,247,621 ordinary shares. Merrill Lynch again converted another US$1 million worth of convertible bonds on 16 June 2010 resulting in the issuance of an additional 14,595,983 ordinary shares. These convertible note conversions reduced the underlying debt repayable by US$2 million during the half-year to US$17.3 million.

TG World Farm-in Approved

On 25 March 2010 the DOE approved the farm-out to TG World (BVI) Corporation (TG World) of 7.6% of Nido's working interest in the SC 54A Block (which includes the Tindalo development and Yakal discovery).

Following the farm-out to TG World, Nido retains a 42.4% participating interest and Operator status. Total consideration due for Nido's interest was US$6.79 million (~A$7.6 million).

In conjunction with the signing of the farm-out agreement, Joint Venture partner Yilgarn Petroleum Philippines Pty Ltd advised Nido that it had also reached a similar agreement with TG World to farm-out 4.9% of Kairiki's 35% interest in SC 54A.

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration is included on page 9 of the report.

Signed in accordance with a resolution of the Directors.

William Bloking
Chairman
10 September 2010

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Auditor's independence declaration to the Directors of Nido Petroleum Limited

In relation to our review of the financial report of Nido Petroleum Limited for the half-year ended 30 June 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

R J Curtin
Partner
Perth
10 September 2010

RC:EA:NIDO:018

NIDO PETROLEUM LIMITED

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Nido Petroleum Limited, I state that:

In the opinion of the Directors:

(a) The financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:

(1) giving a true and fair view of the financial position as at 30 June 2010 and the performance for the half-year ended on that date of the consolidated entity; and

(2) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and

(b) There are reasonable grounds to believe the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

William Bloking
Chairman

10 September 2010

NIDO PETROLEUM LIMITED
CONSOLIDATED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 30 JUNE 2010

	Notes	30 June 2010 $'000	30 June 2009 $'000
Revenue from sale of crude oil		34,125	25,813
Other revenue	3(a)	29	87
Total revenue		**34,154**	**25,900**
Cost of sales	4(a)	(15,842)	(14,548)
Gross profit		18,312	11,352
Other income	3(b)	3,973	1,038
Other expenses	4(b)	(4,870)	(6,530)
Profit from continuing operations before income tax, finance costs, foreign currency gains/(losses) and fair value gain/(loss) on embedded derivative		**17,415**	**5,860**
Foreign currency gains/(losses)		3,498	(14,316)
Profit/(loss) from continuing operations before income tax, finance costs and fair value gain/(loss) on embedded derivative		**20,913**	**(8,456)**
Finance costs	4(c)	(1,242)	(1,910)
Fair value gain/(loss) on embedded derivative		4,941	(7,990)
Profit/(loss) from continuing operations before income tax		**24,612**	**(18,356)**
Income tax expense	5	(4,046)	(162)
Net profit/(loss) for the period		**20,566**	**(18,518)**
Other comprehensive income/(loss)			
Exchange differences on translation of foreign operations		(464)	3,055
Income tax relating to items of other comprehensive income/(loss)		-	-
Other comprehensive income/(loss) for the period, net of tax		**(464)**	**3,055**
Total comprehensive income/(loss) for the period		**20,102**	**(15,463)**
		Cents	**Cents**
Earnings per share for profit/(loss) attributable to the ordinary equity holders of the Company:			
Basic earnings/(loss) per share		1.73	(1.76)
Diluted earnings/(loss) per share		1.73	(1.76)

NIDO PETROLEUM LIMITED
CONSOLIDATED
BALANCE SHEET
AS AT 30 JUNE 2010

	Notes	30 June 2010 $'000	31 December 2009 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	6	18,177	17,091
Trade and other receivables		26,564	7,705
Inventories		6,495	2,169
Other financial assets		46	50
Deferred tax asset		1,096	-
Total Current Assets		52,378	27,015
Non-Current Assets			
Plant and equipment		491	651
Oil and gas properties		52,837	45,127
Exploration and evaluation expenditure		30,204	26,142
Other financial assets		4,343	140
Total Non-Current Assets		87,875	72,060
Total Assets		140,253	99,075
LIABILITIES			
Current Liabilities			
Trade and other payables		26,849	5,907
Income tax payable		3,103	724
Provisions		445	292
Convertible note	7	20,269	21,217
Total Current Liabilities		50,666	28,140
Non-Current Liabilities			
Provisions		7,551	5,468
Convertible note	7	575	6,766
Total Non-Current Liabilities		8,126	12,234
Total Liabilities		58,792	40,374
Net Assets		**81,461**	**58,701**
EQUITY			
Contributed equity	8	119,623	117,236
Other reserves		9,077	9,270
Accumulated losses		(47,239)	(67,805)
Total Equity		**81,461**	**58,701**

	Notes	30 June 2010 $'000	30 June 2009 $'000
Cash flows from operating activities			
Receipts from customers		31,789	20,456
Payments to suppliers and employees		(12,962)	(17,681)
Interest received		29	83
Interest paid		(1,810)	(1,299)
Proceeds from insurance		472	-
Income tax paid		(2,866)	-
Net cash from/(used in) operating activities		14,652	1,559
Cash flows from investment activities			
Expenditure on oil and gas properties		(10,687)	(1,496)
Expenditure on exploration and evaluation		(4,307)	(3,691)
Proceeds from farm-out		5,147	-
Payments for plant and equipment		(16)	(12)
Payments for security deposits and bonds		(4,008)	-
Proceeds from sale of investment in associate		-	1,038
Net cash (used in) investing activities		(13,871)	(4,161)
Cash flows from financing activities			
Proceeds from issue of equity securities		-	-
Payments for equity issue costs		-	(11)
Repayment of interest bearing securities		-	-
Net cash from/(used in) financing activities		-	(11)
Net increase/(decrease) in cash and cash equivalents		781	(2,613)
Cash and cash equivalents at beginning of the period		17,091	12,273
Effect of foreign exchange rates		305	(532)
Cash and cash equivalents at end of period		**18,177**	**9,128**

NIDO PETROLEUM LIMITED
CONSOLIDATED
STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 30 JUNE 2010

	Contributed Equity $'000	Option Reserve $'000	Foreign Currency Translation Reserve $'000	Accumulated Losses $'000	Total Equity $'000
At 1 January 2009	117,247	6,584	(3,676)	(39,553)	80,602
Profit/(loss) for the period	-	-		(18,518)	(18,518)
Other comprehensive income/(loss)	-	-	3,055	-	3,055
Total comprehensive loss for the period, net of tax	-	-	3,055	(18,518)	(15,463)
Transactions with owners in their capacity as owners:					
Issue of share capital	-	-	-	-	-
Exercise of options	-	-	-	-	-
Cost of issue of share capital	(11)	-	-	-	(11)
Share based payments	-	647	-	-	647
	(11)	647	-	-	636
At 30 June 2009	**117,236**	**7,231**	**(621)**	**(58,071)**	**65,775**
At 1 January 2010	117,236	7,605	1,665	(67,805)	58,701
Profit/(loss) for the period	-	-	-	20,566	20,566
Other comprehensive income/(loss)	-	-	(464)	-	(464)
Total comprehensive profit/(loss) for the period, net of tax	-	-	(464)	20,566	20,102
Transactions with owners in their capacity as owners:					
Issue of share capital	2,387	-	-	-	2,387
Exercise of options	-	-	-	-	-
Cost of issue of share capital	-	-	-	-	-
Share based payments	-	271	-	-	271
	2,387	271	-	-	2,658
At 30 June 2010	**119,623**	**7,876**	**1,201**	**(47,239)**	**81,461**

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This general purpose condensed financial report for the half-year ended 30 June 2010 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report does not include all notes of the type normally included within the Annual Financial Report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The financial statements have been prepared on the basis that the Company will continue to meet its commitments and can therefore continue normal business activities and realise assets and settle liabilities in the ordinary course of business.

The ability of the Company to do so is dependent on its funding from operational cash flows from the Galoc field as well as positive operational cash flows from the Tindalo oil field. An extended well testing program is currently being carried out in relation to the Tindalo oil field, and as part of this testing program the Company has committed to undertake a work over of the Tindalo-1 well which is expected to improve oil production flow rates.

If, however, the work over of the Tindalo-1 well results in lower than expected oil production rates such that at the end of the extended well test program the field is considered non-commercial and is abandoned, the Company considers it has the ability to generate the required level of operational cash inflows.

In addition the Company is pursuing opportunities to reduce its working interests in its deep water acreage through a farm-out program thereby lowering its financial exposure to future exploration commitments in its various service contracts.

Accordingly, at the date of the signing of the financial statements, the Directors are confident that the necessary level of operational cash flows will be achieved and as such the going concern basis is appropriate.

The half-year financial report should be read in conjunction with the Annual Financial Report of Nido Petroleum Limited as at 31 December 2009.

It is also recommended that the half-year financial report be considered together with any public announcements made by Nido Petroleum Limited during the half-year ended 30 June 2010 in accordance with the continuous disclosure obligations arising under the ASX Listing Rules.

Apart from the adoption of new or revised standards noted below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

Adoption of New or Revised Standards

Since 1 January 2010 the Group has adopted the following Standards and Interpretations, mandatory for annual periods beginning on or after 1 January 2010. Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Group.

- AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project effective 1 January 2010

  The amendments relate to AASB 5, AASB 8, AASB 101, AASB 117, AASB118, AASB 136 and AASB 139. The Group adopted this amendment as of 1 January 2010. The amendment had no impact on the application or wording of the Group’s accounting policies.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES - CONTINUED

- AASB 2009-7 Amendments to Australian Accounting Standards effective 1 July 2009

  The amendments are editorial amendments to AASB 5, AASB 7, AASB 107, AASB 112, AASB 136, AASB 139 and AASB Interpretation 17 that have no major impact on the requirements of the amended pronouncements. The Group adopted this amendment as of 1 January 2010. The amendment had no impact on the application or wording of the Group's accounting policies.
- AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions effective 1 January 2010

  The amendments clarify the scope of AASB 2 by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash.

The Group has not elected to early adopt any new standards or amendments.

	Consolidated	
	30 June 2010	**30 June 2009**
	$'000	**$'000**
2. EARNINGS		
Earnings before interest, tax, depreciation, depletion, exploration and impairment ("EBITDAX") is calculated as follows:		
Profit/(loss) for the period from continuing operations before income tax	24,612	(18,356)
Add back:		
Finance costs	1,242	1,910
Interest received	(29)	(81)
Earnings before interest and tax ("EBIT")	25,825	(16,527)
Add back:		
Depreciation and depletion	182	222
Amortisation of oil and gas properties	4,403	2,461
Exploration and evaluation expensed	59	170
EBITDAX	30,469	(13,674)

The EBITDAX measure provides additional information that may be used to better understand Nido's operations. EBITDAX is one measure commonly used as a supplemental financial measurement in the evaluation of Oil & Gas operations and should not be considered as an alternative to, or more meaningful than, net income / (loss), as an indicator of the Company's operating performance. Certain items excluded from EBITDAX are significant components in understanding and assessing a company's financial performance, such as a company's cost of capital and tax structure, as well as the historic cost of depreciable assets, none of which are components of EBITDAX.

The EBITDAX profit for the period ended 30 June 2010 includes unrealised foreign exchange gains of $3,498,000 and non-cash fair value gain on embedded derivative of $4,941,000. EBITDAX (before foreign exchange gains/ (losses) and fair value gain/loss on embedded derivative) for the period ended 30 June 2010 is $22,030,000 (2009: profit of $8,632,000).

	Consolidated	
	30 June 2010	30 June 2009
	$'000	$'000
3. REVENUES		
(a) **Other Revenue**		
Interest revenue – other parties	29	81
Other	-	6
Total Other Revenue	29	87
(b) **Other Income**		
Net gain on farm-out	3,440	-
Insurance proceeds	472	-
Gain on disposal of investment in associate.	-	1,038
Gain on disposal of assets	3	-
Other	58	-
Total Other Income	3,973	1,038

	Consolidated 30 June 2010 $'000	Consolidated 30 June 2009 $'000
4. EXPENSES		
(a) **Cost of Sales**		
Amortisation of oil and gas properties	4,403	2,461
Other production costs net of inventory movement*	11,439	12,087
	15,842	14,548

** Other production costs expense includes payments for FPSO of $4.6 million (2009: $4.2 million). It is impracticable to split non-lease components from the operating lease payments.*

	Consolidated 30 June 2010 $'000	Consolidated 30 June 2009 $'000
(b) **Other Expenses**		
(i) General and administrative expenses		
Employee benefits expense		
Wages and salaries	2,221	2,238
Defined contribution superannuation expense	193	220
Share based payments expense	271	647
Other employee benefits	393	422
Total employee benefits	3,078	3,527
Office and other expenses		
Office and other expenses	1,301	2,026
Total general and administrative expenses	4,379	5,553
(ii) Depreciation, amortisation and impairment expenses		
Depreciation of plant and equipment	182	222
Amortisation of oil and gas properties	4,403	2,461
Total Depreciation, amortisation and impairment	4,585	2,683
Less: amortisation included in cost of sales	(4,403)	(2,461)
Total Depreciation, amortisation and impairment included in other expenses	182	222
(iii) Lease payments		
Operating lease rental	250	198
(iv) Other		
Loss on disposal of long lead item inventory	-	387
Exploration and evaluation expenditure expensed	59	170
Total other	59	557
Total Other Expenses	4,870	6,530

	Consolidated 30 June 2010 $'000	30 June 2009 $'000

4. EXPENSES - CONTINUED

(c) **Finance Costs**

	30 June 2010 $'000	30 June 2009 $'000
(i) Convertible note finance costs		
Interest expense	1,204	1,913
Total convertible note finance costs	1,204	1,913
(ii) Other finance costs		
Unwind of the effect of discounting on provisions	38	(3)
Total other finance costs	38	(3)
Total finance costs	1,242	1,910

(d) **Disposal of investment in associate**

Nido entered into a Sale and Purchase Agreement with Shell Technology Ventures Fund 1 B.V. dated 16 January 2009 to dispose of its 25.7% interest in Cool Energy Limited. The consideration for the sale of ordinary shares in Cool Energy Limited was $504,000 (3,600,000 ordinary shares at $0.14). The remaining 3,880,000 redeemable convertible preference shares were sold in February 2009, consideration being $543,200 (3,880,000 redeemable convertible preference shares at $0.14). Net proceeds (after selling costs) were $1,038,000.

	30 June 2010 $'000	30 June 2009 $'000
Investment acquisition – cost	-	-
Allowance for impairment	-	-
	-	-
Net proceeds on sale	-	1,038
Gain on sale of investment	-	1,038

5. INCOME TAX

The major components of income tax expense in the half year income statement are:

	30 June 2010 $'000	30 June 2009 $'000
Income tax expense	4,046	162

	Consolidated	
	30 June 2010	31 December 2009
	$'000	$'000
6. CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	17,406	16,331
Short term deposits	771	760
	18,177	17,091
7. CONVERTIBLE NOTE		
Current		
Accrued interest	156	153
Financial liability measured at amortised cost	15,315	11,324
Derivative financial instruments	4,798	9,740
	20,269	21,217
Non-Current		
Financial liability measured at amortised cost	575	6,766

The Company issued an unsecured, unsubordinated convertible note (Note) with a principal amount of US$22 million (A$28.8 million) and a term of five years at 8.5% interest pursuant to a private placement on 1 September 2006. The principal terms and conditions of the convertible note are as follows:

(i) Bond holder – Merrill Lynch International (Australia) Limited.

(ii) Maturity date – September 2011 (five years from issue) – US$22 million principal amount if not converted. Repaid in eight equal quarterly instalments in years four and five.

(iii) Interest payable at 8.5% per annum with interest accruing but unpaid in the first 18 months and thereafter payable quarterly.

(iv) Initial conversion price was A$0.26. The initial conversion price of A$0.26 can be reset downwards if the volume weighted average share price is below the conversion price on the reset date. The reset date occurs every six months. The reset is restricted to a maximum 114,307,091 shares.

(v) On 1 March 2009 the conversion price was reset from $0.23 to $0.08 per share, with the bond convertible into a maximum of 114,307,091 shares.

(vi) Early redemption is at the option of the Company - At any time after March 2008, the Company can redeem the convertible note if the share price is 190% above the initial conversion price. This option does not apply if Merrill Lynch elects to disapply the reset provision.

7. CONVERTIBLE NOTE - continued

During the first half of 2010 the Company negotiated and completed a restructuring of the Notes held by Merrill Lynch International (Australia) Limited. The key amendments to the terms of the Notes include:

- Option to defer principal repayments of US$ 2.75 million due on 1 March 2010 and / or 1 June 2010 (total potential deferral of US$ 5.5 million);
- Repayment of any principal amounts deferred will be six months after the original due date (1 September and 1 December 2010);
- Interest rate specifically relating to the deferred principal repayments of 10.95%. All other amounts payable under the Note still accrue interest at 8.5%.

The Company elected to defer both the March and June 2010 principal repayments of US$ 2.75 million each during the half year ending 30 June 2010.

In addition, Merrill Lynch converted US$1 million worth of Notes on 9 June 2010 resulting in the issuance of 15,247,621 ordinary shares, and a further US$1 million worth of Notes on 16 June 2010 resulting in the issuance of an additional 14,595,983 ordinary shares. The conversion proceeds were applied directly against the remaining underlying outstanding debt. The maximum number of shares remaining that can be issued on conversion of the notes at 30 June 2010 was 84,463,487.

The note has been classified into two components: a debt component (a contractual arrangement to deliver cash) and an embedded derivative call option component (a call option granting the holder the right, for a specified period of time, to convert it into a number of Nido ordinary shares, based on the outstanding balance at date of conversion).

The carrying value of the call option component is carried at its fair value. The value of the call option component has been determined using a Black Scholes option pricing model taking into account factors such as share price volatility, expected life, exercise price and current share price. The assumptions used were as follows:

	June 2010	December 2009
Dividend yield (%)	-	-
Expected volatility (%)	66%	80%
Risk-free interest rate (%)	4.5%	3.7 to 4.5%
Expected life of note (years)	0.4 to 1.7 years	0.4 to 1.7 years
Note exercise price ($)	0.08	0.08
Share price at year end ($)	0.15	0.185

Over the term of the Note, the call option will be fair valued at each balance date and the movement in fair value recorded through the income statement. For example, if the Company's share price increases, the value of the call option will increase, resulting in an increase to the liability reported in the balance sheet and an expense in the income statement.

Over the term of the Note, the carrying value of the debt component will be accreted using the effective interest rate method. This accretion and exchange rate differences between the US dollar and the Australian dollar will be charged or credited to the income statement.

At 30 June 2010 the underlying debt due to Merrill Lynch, assuming no further conversion of notes will occur or the remaining notes are not previously redeemed, is US$17.3 million plus interest, subject to terms and conditions detailed above.

	Consolidated 30 June 2010 $'000	Consolidated 31 December 2009 $'000

8. CONTRIBUTED EQUITY

Ordinary Shares

	30 June 2010 $'000	31 December 2009 $'000
Issued and paid up capital: 1,080,658,378 ordinary shares (31 December 2009: 1,050,814,774 ordinary shares)	119,623	117,236

Movement in ordinary shares on issue	**$'000**	**Number '000**
At 1 January 2010	117,236	1,050,815
Share issues pursuant to conversion of convertible bonds	2,387	29,844
At 30 June 2010	119,623	1,080,659

The Company conducted no placements during the period ending 30 June 2010.

9. SHARE BASED PAYMENTS

The Company issues options or performance rights either through the Employee Share Option Plan, Employee Performance Rights Plan or through direct approval by shareholders. The following options and performance rights were issued during the half-year:

6 Months to 30 June 2010

No were options granted during the half year ended 30 June 2010.

On 30 April 2010, 6,980,986 performance rights were granted to employees under the Employee Performance Rights Plan. The exercise price is nil and the performance rights will vest after 36 months from grant date (being the performance period) if the performance hurdle is achieved during the performance period.

On 28 May 2010, 1,047,535 performance rights were granted to an employee under the Employee Performance Rights Plan. The exercise price is nil and will vest after 36 months of grant date (being the performance period) if the performance hurdle is achieved during the performance period.

6 Months to 30 June 2009

No options or performance rights were granted during the half year ended 30 June 2009.

The fair value of the options and performance rights granted is estimated at the date of grant using a Black Scholes model and Monte Carlo simulation model, respectively taking into account the terms and conditions upon which the options and performance rights were granted.

10. SEGMENT INFORMATION

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Chief Executive Officer and his management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the phase of operation within the oil and gas industry. Discrete financial information about each of these operating businesses is reported to the Chief Executive Officer and his management team on at least a monthly basis.

The reportable segments are based on aggregated operating segments determined by the similarity of activity type and phase of operations, as these are the sources of the Group's major risks and have the most effect on the rates of return.

Reportable Operating Segments Identified

For management purposes, the Group has organised its operating segments into two reportable segments as follows:

- Production & Development Assets Segment: This segment includes oil producing assets and assets and activities that are in the development phase but have not yet achieved first oil and / or gas production.

- Exploration and Evaluation Assets Segment: This segment includes assets and activities that are associated with the determination and assessment of the existence of commercial economic reserves.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, the Group's financing (including finance costs, finance income and foreign exchange movements) are managed on a group basis and are not allocated to operating segments.

Accounting Policies

The accounting policies used by the Group in reporting segments internally are the same as those used to prepare the half-year financial report.

Income tax expense is allocated to the appropriate segments based on the taxable profits generated by each segment.

There have been no inter-segment transactions.

It is the Group's policy that if items of revenue and expense are not allocated to operating segments then any associated assets and liabilities are also not allocated to segments. This is to avoid asymmetrical allocations within segments which management believes would be inconsistent.

The following items are not allocated to segments as they are not considered part of core operations of any segment and are managed on a Group basis.

- Fair value gain/(loss) on embedded derivatives
- Net gains on disposal of available for sale assets
- Finance costs and revenues
- Interest revenue
- Foreign currency gains/(losses)
- Corporate costs

10. SEGMENTINFORMATION - continued

The following table presents revenue and profit information for reportable segments for the half-years ended 30 June 2010 and 30 June 2009.

Operating Segments

	Production and Development $'000	Exploration and Evaluation $'000	Total Operations $'000
Half-year ended 30 June 2010			
Revenue			
Revenue from sale of crude oil - external customers	34,125	-	34,125
Total segment revenue			**34,125**
Result			
Segment result	22,638	(59)	22,579
Amortisation	(4,403)	-	(4,403)
Income tax expense	(5,150)	-	(5,150)
Total segment profit/(loss)	**13,085**	**(59)**	**13,026**
Reconciliation of segment result after tax to net profit/(loss) after tax			
Fair value gain/(loss) on embedded derivative			4,941
Finance costs			(1,242)
Foreign currency gains/(losses)			3,498
Income tax expense – deferred tax asset			1,104
Corporate costs			(4,763)
Other revenue and income			4,002
Net profit/(loss) after tax			**20,566**
Half-year ended 30 June 2009			
Revenue			
Revenue from sale of crude oil - external customers	25,813	-	25,813
Total segment revenue			**25,813**
Result			
Segment result	13,167	(306)	12,861
Amortisation	(2,460)	-	(2,460)
Income tax expense	(162)	-	(162)
Total segment profit/(loss)	**10,545**	**(306)**	**10,239**
Reconciliation of segment result after tax to net loss after tax			
Fair value gain/(loss) on embedded derivative			(7,990)
Finance costs			(1,910)
Gain on sale of investment in associate			1,038
Foreign currency losses			(14,316)
Corporate costs			(5,275)
Other revenue and income			87
Other expenditure			(391)
Net loss after tax			**(18,518)**

10. SEGMENT INFORMATION - continued

Segment assets are as follows:

Operating Segments	Production and Development $'000	Exploration and Evaluation $'000	Total Operations $'000
Segment Operating Assets			
30 June 2010	100,019	31,149	131,168
Reconciliation of segment assets to total assets			
Unallocated other assets			9,085
Total Assets			140,253
31 December 2009	62,049	26,702	88,751
Reconciliation of segment assets to total assets			
Unallocated other assets			10,324
Total Assets			99,075

11. DIVIDENDS PAID AND PROPOSED

There were no dividends paid or proposed for the half-year on ordinary shares.

12. SUBSEQUENT EVENTS

Restructure of Convertible Bond

Subsequent to 30 June 2010 the Company negotiated a restructure of the remaining principal repayments of the convertible bond held by Merrill Lynch International (Australia) Limited (Bond). The key amendments are as follows:

- Each of the repayments due in September and December 2010 has been reduced to US$3.0 million (originally US$5.5 million for each payment);
- In 2011 the quarterly repayments will be restructured as follows: March 2011 US$3.5 million (originally US$2.75 million), June 2011 US$2.0 million (originally US$2.75 million) and September 2011 the balance due net after any further conversions made (following the conversion by Merrill Lynch in June 2010 of US$2.0 million worth of notes into 29,843,604 shares, there are still 84,463,487 shares remaining for conversion);
- Interest rate specifically relating to the deferred balance of principal repayments originally due of 10.95%. All other amounts payable under the Bond continue to accrue interest at 8.5%.

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Independent auditor's report to the members of Nido Petroleum Limited

Report on the financial report

We have reviewed the accompanying half year financial report of Nido Petroleum Limited, which comprises the condensed balance sheet as at 30 June 2010, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half year end or from time to time during the half year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the half year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Nido Petroleum Limited and the entities it controlled during the half year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration.

RC:EA:NIDO:017

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Nido Petroleum Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the half year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Ernst & Young

R J Curtin
Partner
Perth
10 September 2010

RC:EA:NIDO:017

CORPORATE DIRECTORY

Directors

William Bloking	Chairman
Jocot de Dios	President and CEO
David Whitby	Non-Executive Director
Vince Pérez	Non-Executive Director
Eduardo V. Mañalac	Non-Executive Director
Andrew Edwards	Non-Executive Director

Company Secretary
John Newman

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Stock Exchange Listing
The Company's securities are listed on the official list of the Australian Stock Exchange Limited.
ASX Code: NDO