

24 May 2011

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

Dear Shareholders

By any measure, 2011 will be a very exciting year for your company. We have been working for years to build an outstanding exploration portfolio – and to mature the key prospects to the point of drill readiness – and we have now arrived at that point.

You will recall that, at last year's AGM, we announced that we would be pursuing a 5 well drilling campaign in the Palawan Basin. I am very pleased to report that the first well in the campaign – the Gindara prospect in Service Contract 54B – was spudded on the 20th of May 2011 and is currently drilling ahead. This is a very exciting exploration prospect and we expect to complete the drilling program within 25 days.

I am also pleased to report that Nido and its partner in Service Contract 63 – PNOC EC – have committed to drilling a well in that contract area. This second well for Nido could be drilled as early as December 2011, although it is more likely that drilling will take place within the first few months of 2012.

Success in any one of these wells will certainly be transformational for Nido. That said, we must also bear in mind that these are exploration prospects and, whilst technically quite robust, outcomes are still subject to risk. That is why it's so important to drill a statistically significant exploration program – not a one well wonder.

Looking back on 2010, it was a year of highly mixed results. Despite the key successes with improved Galoc performance, the strategically important farmout to Shell in SC 54B, the Kawayan 3D seismic survey in SC 63, the sea bed coring program in SC 58, and the reduction in our external debt, these great results were largely overshadowed by our failure to produce oil at economic rates from the Extended Well Test at Tindalo. This was a major disappointment for all of us.

Tindalo was to be a significant element of our exploration funding strategy, so its absence will likely have an impact on the timing of our program. However, production is not our only form of currency, and our resolve to carry out the program remains undiminished. We will continue moving forward as quickly as we can.

I mentioned in my Chairman's letter in the recently released Annual Report that we would be commissioning an independent review of the Tindalo Extended Well Test, aimed at identifying and capturing any lessons to be learned for future projects.

Projects such as Tindalo are highly complex, and it takes time – no doubt more than some might like or expect – to conduct a comprehensive review. Nevertheless, it is critical that we do it right if we are to identify accurately the root causes of issues and avoid recurrences.

The Board received a briefing on the independent review this morning. Whilst we are still digesting the results, there are a few key findings that I'd like to share with you today.

Some have questioned whether it was prudent to commence a drilling program at Gindara whilst there were lingering questions about the Tindalo Extended Well Test. Firstly, I believe it's important to remember that Nido drilled the exploration wells at Yakal and Tindalo on time, on budget, without environmental incident, and with an exemplary safety record. I would also add that our partners in the SC 54B joint venture have thoroughly reviewed the Gindara drilling program – including well engineering details, drilling plans and procedures, logistical arrangements, Health, Safety, and Environmental procedures, emergency response preparedness, and the drilling kit itself – and they have expressed a high level of comfort with our readiness to drill. And finally, with respect to Tindalo, the independent review found that, in that particular instance, our preparedness to drill was at, and in some respects even somewhat better than, industry best practice.

For all of these reasons, we are confident in our ability to run this campaign successfully.

Where we could have done better on Tindalo, in retrospect, was on pre-development appraisal of the reservoir. As those who followed the drilling of Tindalo may recall, we lost circulation in the well and were unable to acquire pressure data, fluid samples, or confirm the oil/water contact. This lack of data meant that the reservoir interpretation was subject to a wide range of uncertainty, and it was for this reason that we undertook an Extended Well Test – to obtain additional data to improve our understanding of the reservoir and enable us to optimise its development.

We have also found that, whilst the overall complexity of the Tindalo reservoir is similar to that normally encountered by the industry, there were certain areas of complexity that were extreme, such as the highly fractured nature of the reservoir.

The key risk of early water breakthrough was identified prior to commencing the EWT, and it occurred within the date range predicted by the project team. Unfortunately, it occurred at the very front end of the date range and to an extent that was not anticipated.

The review also identified some areas for improvement around project team organisation, joint venture decision-making processes, and communications among stakeholders. These issues were not fatal to the Tindalo Project, but nevertheless represent important take-away lessons that we have incorporated into plans for Gindara and future activities.

At Nido, we strive to learn from every setback, and to apply these lessons learned as we move forward. This was true in respect of commissioning delays and early under-performance at Galoc, which is now performing very well, and it applies equally to the early water breakthrough at Tindalo. The important thing now is to forge ahead with our exploration drilling campaign, starting with successfully drilling the Gindara well – without safety or environmental incidents, as well as on time and within budget.

Yours faithfully



William Bloking
Chairman



AGM

May 2011



Bill Bloking

Chairman



Jocot de Dios
Chief Executive Officer

Challenging and Rewarding 2010

- Impressive Galoc performance resulted in record production and revenues
- Tindalo EWT failed to produce at economic rates and was abandoned
- Multiple farm-out successes in 2010 particularly with Shell for SC 54B
- Progressed 5 well high impact exploration program, Gindara drilling commenced in May 2011
- Healthy Balance Sheet at year end



2010 Full Year Results

- Record revenues of \$60.1 million
- Full year loss of \$43.4 million
- Strong Galoc performance - uptime of 84%
- Tindalo EWT failed to produce oil at economic rates
- Successfully farmed-out 27% interest in SC 54B* and 7.6% interest in SC 54A**
- SC 58 deepwater multi-beam & sea-bed coring program completed
- SC 63 PSDM processing of the Kawayan 3D completed
- Excellent 2010 HSSE performance across all assets and activities

** to Shell Philippines Exploration B.V.*

*** to TG World (BVI) Corporation*

Year-to-date Production Results

Galoc

- Actual YTD Production exceeds Nido's forecast expectations
- 3 cargoes lifted YTD totalling 1.037 MMbbls (0.237MMbbls Nido share)
- Production uptime 98% in Q1 2011
- 4th lifting scheduled in June

Tindalo

- Equipment demobilised
- Residual cargo sold



Forward Exploration Program

SC 54B - Gindara

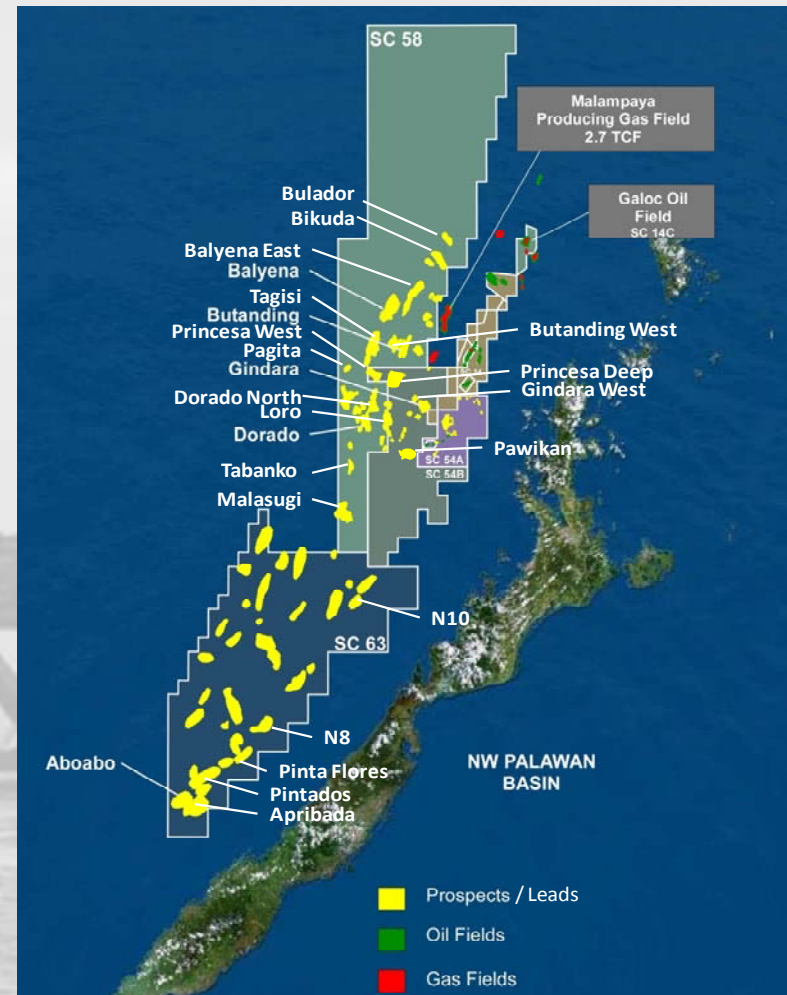
- High impact 1 billion barrel target¹
- DOE approved Shell farmin
- Drilling campaign accelerated
- First in five-well program

SC 63 – Aboabo and Pinta Flores

- Second well in program to be drilled Dec 2011 – Mar 2012
- Farmin interest continues

SC 58 - Balyena

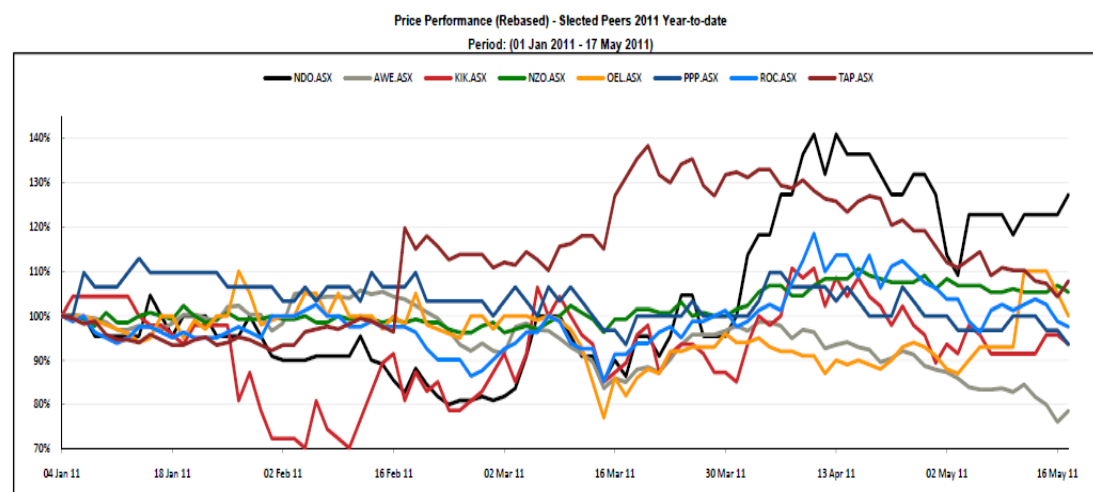
- High impact 1.3 billion barrel target¹
- 12 month extension approved
- Technical work ongoing to improve understanding



1. Most likely, gross, unrisks volumes

2011 Year-to-date Financial & Corporate Summary

- Cash at end Q1 of AUD\$7.6 million (Proceeds from 2 Galoc cargoes and final Tindalo cargo due in the second quarter of 2011).
- Outstanding debt of US\$3.1m (Debt to be fully repaid by September 2011).
- Maximum number of shares remaining that can be issued on conversion of Notes as at 31 March was 24,379,746 (at a strike price of AUD \$0.08 maximum proceeds on conversion would be AUD \$1.95 million, and applied against any debt outstanding on the Notes).



Share price ⁽¹⁾	\$0.135
Shares outstanding ⁽¹⁾	1,373,822,119
Options (unlisted) ⁽¹⁾	2,150,000
Performance rights (unlisted) ⁽¹⁾	16,328,117
Market capitalisation ⁽¹⁾	A\$ 185.4 million
Cash and cash equivalents ⁽²⁾	A\$ 7.6 million
Debt ⁽²⁾	US\$ 3.1 million

⁽¹⁾ As at 15 May 2011

⁽²⁾ As at 31 March 2011

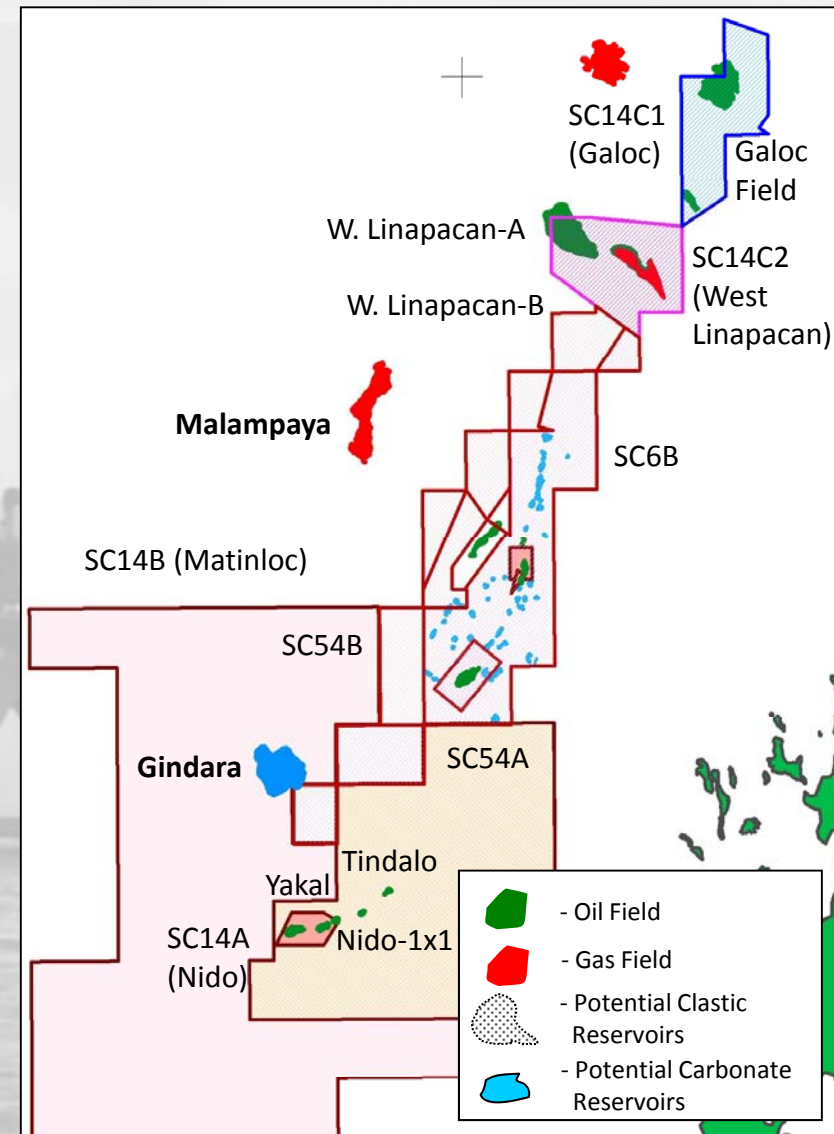
Looking Forward

- Drilling of Gindara-1 in May 2011
- Planning for and drilling of SC 63 commitment well within Dec 2011 and Mar 2012 window
- Portfolio optimisation from a full review and evaluation of Nido's suite of assets
- Continue to study development opportunities in (i) SC 14 including Galoc Phase 2 and development of West Linapacan field; and (ii) Nido 1x1 in SC 54A/SC 14
- Full repayment of Convertible Note



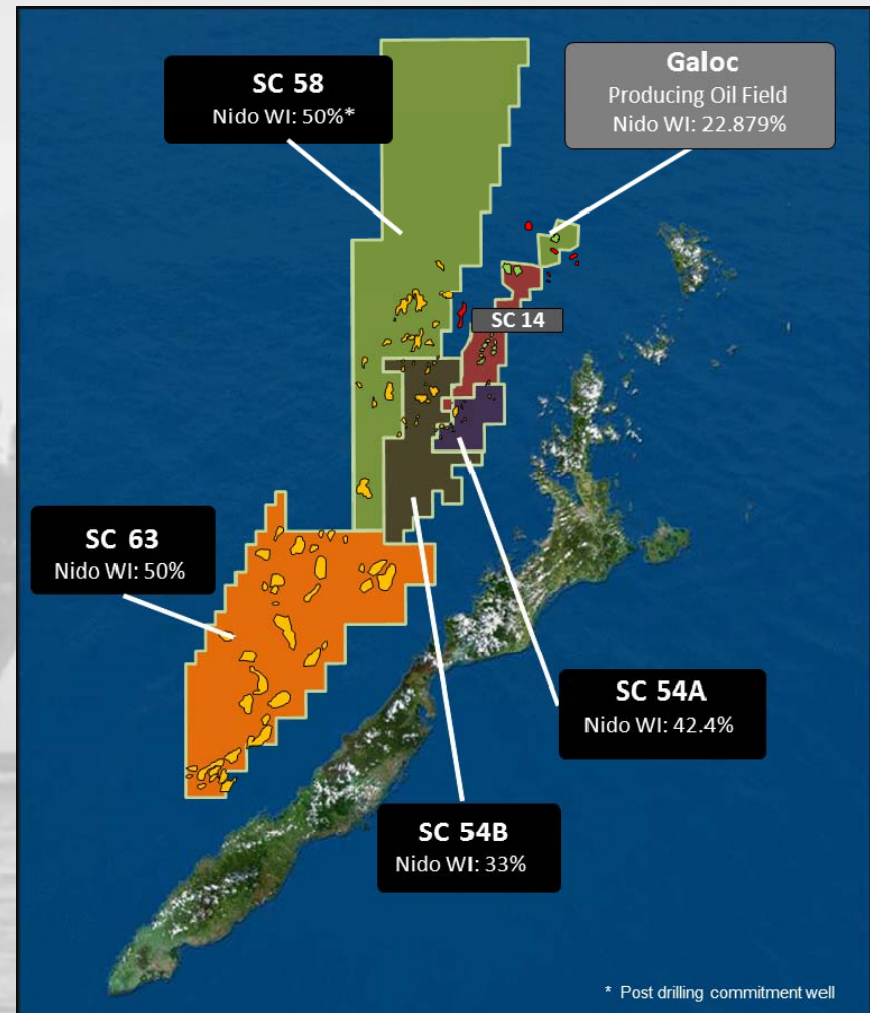
Portfolio Optimisation

- Current producing assets and other shallow water opportunities will be evaluated and pursued or divested as appropriate.
- Continuing to seek strategic opportunities for our assets and discussions ongoing with potential partners concerning farm-outs.
- High oil price has brought focus on development opportunities such as:
 - West Linapacan field in SC 14C2
 - Nido 1x1 field in SC 54A/SC 14A
 - Galoc Phase 2 in SC 14C1



Funding Opportunities

- Existing cash reserves and low debt
- Cash flow from Galoc oil field
- Farm-out potential:
 - high equity levels across all acreage;
 - global majors scrambling for Philippine exposure and interest continues for SC 58 and SC 63 where Nido has 50% working interest;
 - historical success (e.g. Shell farmin).



Major Industry Players Invested

- Commitment to NW Palawan Basin remains strong
- Underexplored but prospective play fairway
- Major industry players confirm potential of the region
- Nido's continuing strategy is to unlock the value of this potential





Operations Update

Jon Pattillo

Head of Exploration

Operations Overview

Achievements since last AGM

- **Improved Galoc performance:**
 - 8 liftings versus 7 budgeted in 2010 due to improved uptimes
- **Completed Shell Philippines Exploration B.V.'s farmin to SC 54B in 4Q'10:**
 - Reduced Nido's cost exposure to well but retained material 33% WI
 - Operating exploration well on behalf of JV
- **Commenced first well in 5 well drilling program in May'11:**
 - SC 54B well Gindara-1 (currently drilling)
- **Announced next well in program to be drilled in SC 63:**
 - Candidate to be selected from a number of Leads including Aboabo area
 - Dec'11 – Mar'12 drilling window being firmed up
- **Commenced Tindalo EWT project late May 2011:**
 - EWT terminated 4Q'10 and field abandoned due to the field failing to produce oil at economic rates

Operations Overview

Achievements since last AGM

- **Completed SC 58 sea-bed coring program:**
 - Micro-seepage of hydrocarbons evident from geochemical analysis
 - De-risks deepwater charge concerns; reduces prospect risk
- **Augmented P & L with new Leads in SC 54B, SC 58 and SC 63:**
 - Large Pawikan Lead in SC 54B; Large Bulador & Bikuda Leads in SC 58
 - Multiple Leads identified on Kawayan 3D seismic in SC 63
- **Permit Management:**
 - Secured DOE approval to extend SC 58 sub-phase 3 by a further 12 months
- **Excellent 2010 HSSE record from all operations:**
 - Nido 2010 TRIFR 2.05
 - NOPSAs 2010 TRIFR 7.87

Operations Overview

Exploration



SC 54B: Gindara-1 spudded
20 May 2011, drilling ahead

SC 63: well to be drilled between
Dec'11 & Mar'12; extensive portfolio
delineated from 3D seismic

SC 58: sea-bed coring results
upgrade deepwater prospectivity;
new leads identified

Developments



Shallow water exploration &
development portfolio being
optimised

SC 54A Nido 1X1, Signal Head-2,
Yakal-1, and exploration targets under
review

SC 14C-2 West Linapacan
redevelopment; possible well in 2012

SC 6B exploration program ongoing

Production



Galoc Field:
22.88% Working Interest

7 millionth barrel produced in April
2011

Turret mooring system under
consideration

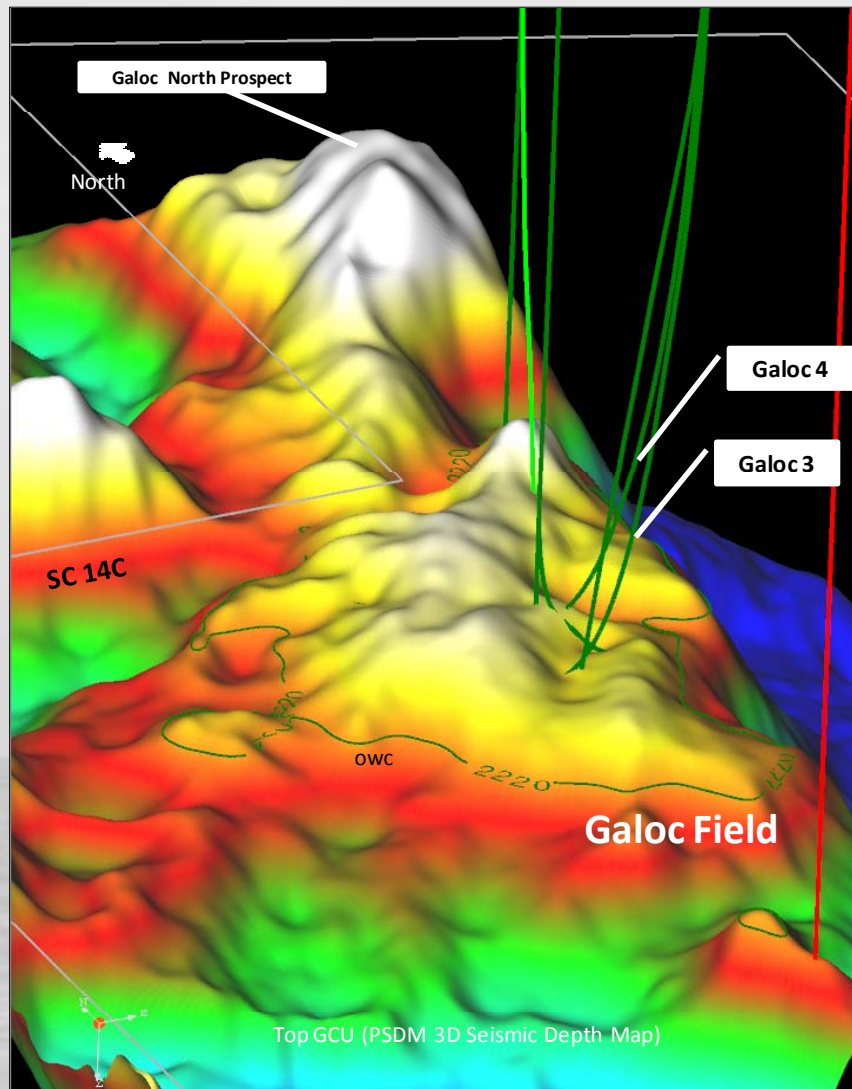
Phase 2 development under
evaluation by JV



Production

Production SC 14C-1 Galoc Field

*7 millionth barrel milestone
achieved in April'11*



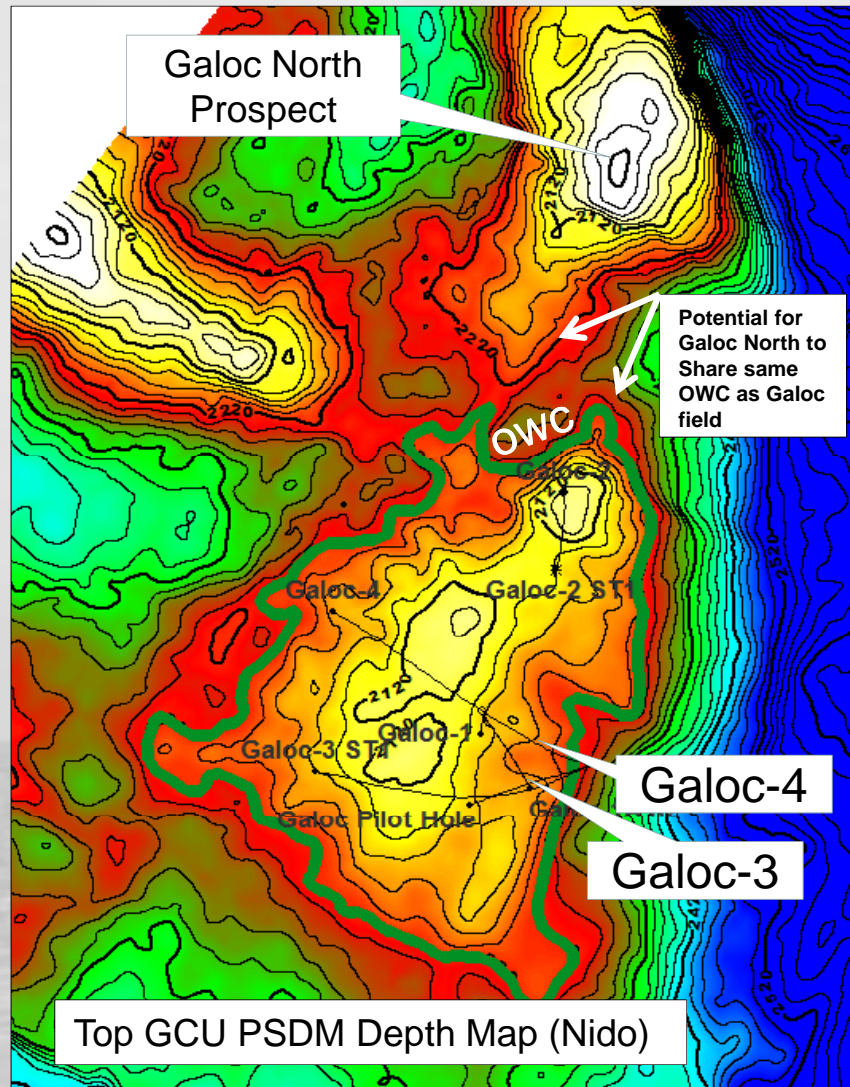
KEY FACTS	SC 14C1
Service Contact	SC 14C1
Nido W.1.	22.88%
Operator	Galoc Production Company (GPC)
Water Depth	320 metres
Start-up	October 2008
Reservoir	Miocene sandstones – Galoc Clastic Unit
Production	Cumulative 7.1MMstb (Gross) as at end April 2011
Development	2 horizontal wells; sub-sea tie back to FPSO

- **Strong YTD production performance**
- **Average YTD uptime 98%***
- **Average YTD daily production 6,757 bopd***
- **Cumulative YTD production 854,269*:**
 - 195,453 bbls net Nido
- **Focus now on field optimisation:**
 - Improving mooring system to mitigate operational risks; ensure high uptimes
 - Phase 2 Development

* end April'11

Production

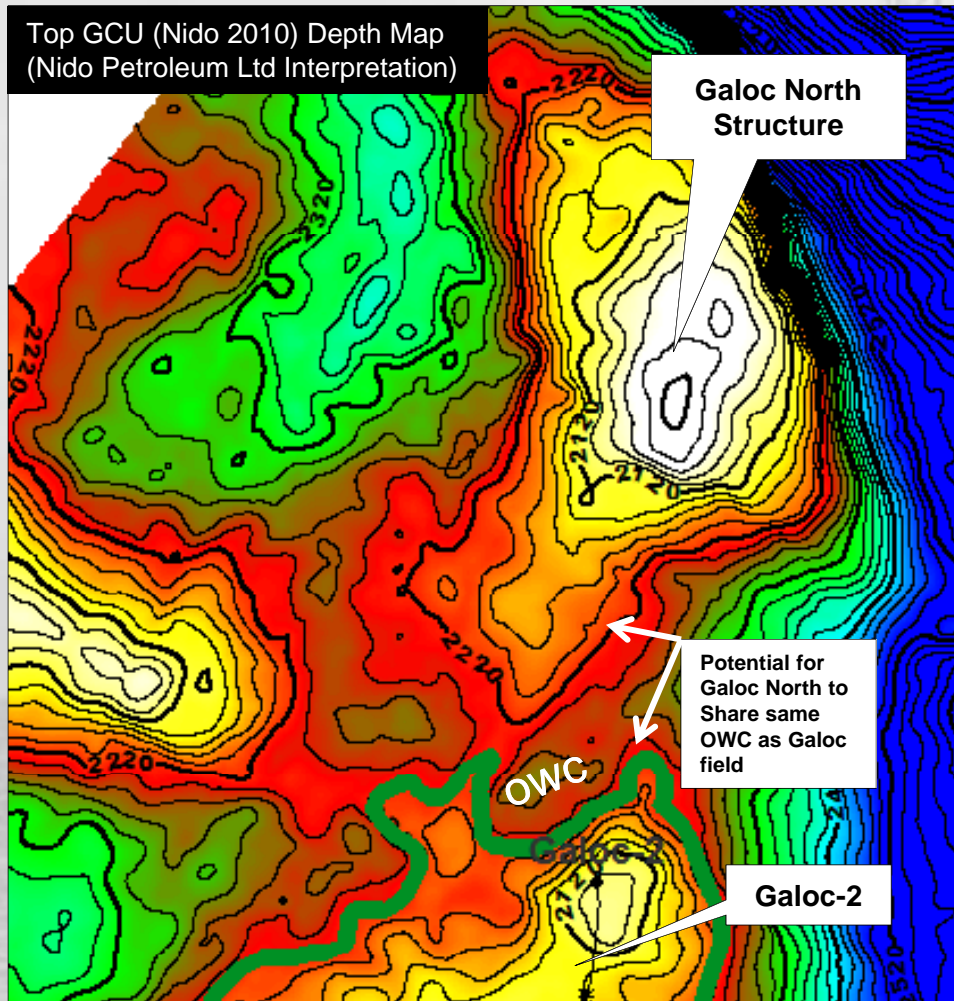
Galoc Phase 2 Development



- Field currently drained by two horizontal wells (G-3 and G-4)
- Phase 1 development economic field life – 2013/14
- PSDM 3D seismic mapping at Top GCU indicates potential for further development drilling within the field
- Key risk – reservoir distribution
- JV considering further development of the field in 2011/12

Production

SC14C-2 Galoc North Prospect



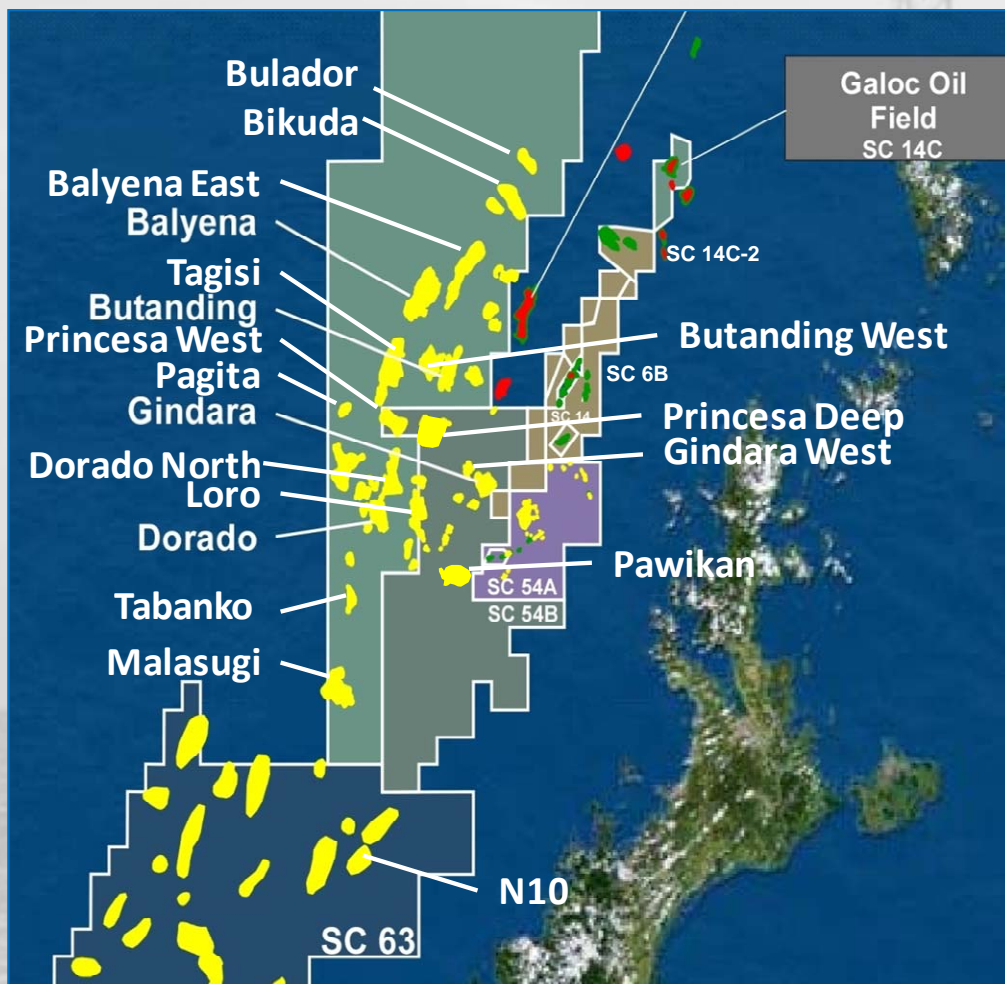
- Near-field tie-in opportunity to main Galoc Field 5.5 km to the south
- Galoc Clastic Unit (GCU) primary reservoir target
- Underlying Nido Limestone also in closure and offers potential for additional reserves
- Vertical closure ~200m
- OIIP 37MMbbls (gross, mean, unrisks volumes)



Developments

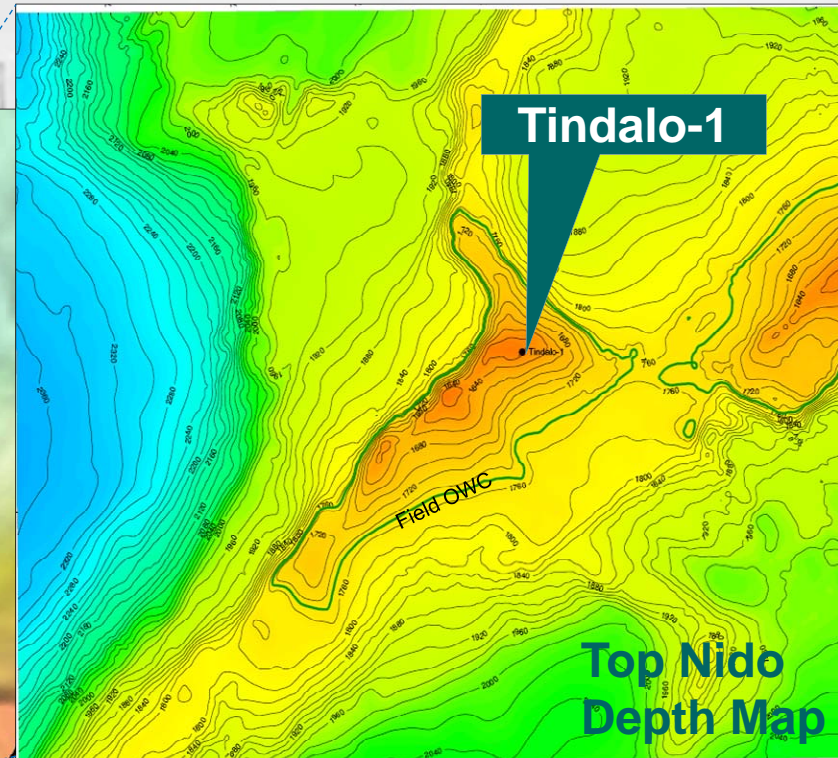
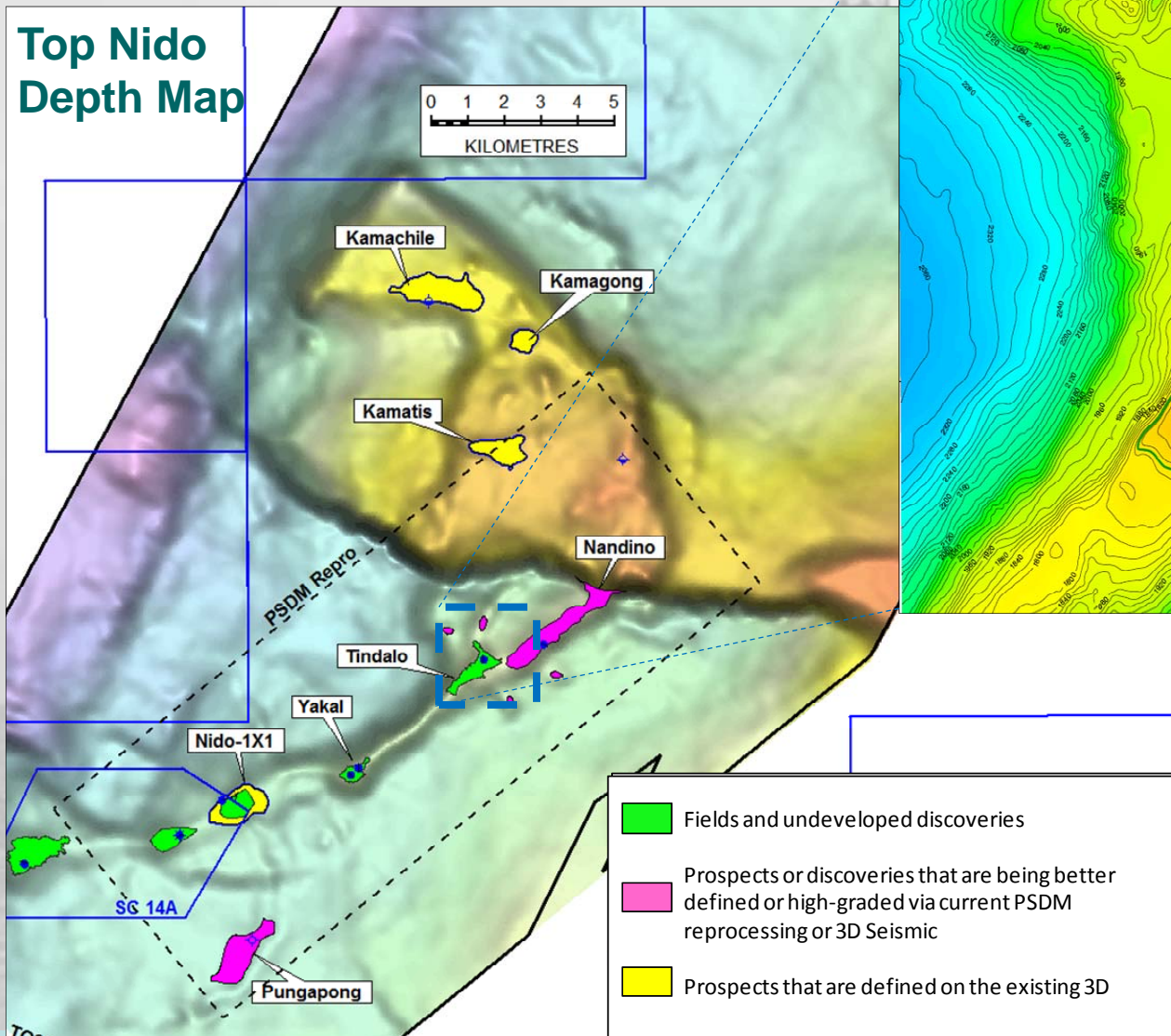
Developments

Shallow water strategy



- Nido participates in three key shallow water blocks:
 - SC 54A (42.4% Operator)
 - SC 14C-2 (22.28%)
 - SC 6B (7.81%)
- Blocks contain currently undeveloped oil discoveries and exploration upside
 - Limited activity in recent years
- Proven Nido Limestone play fairway
- High oil price environment providing catalyst for increased interest in shallow water NW Palawan potential:
 - New participants in blocks via farm-ins
 - Potential for near-term oil production
 - Simple, low-cost development concepts
 - Advanced completion technology

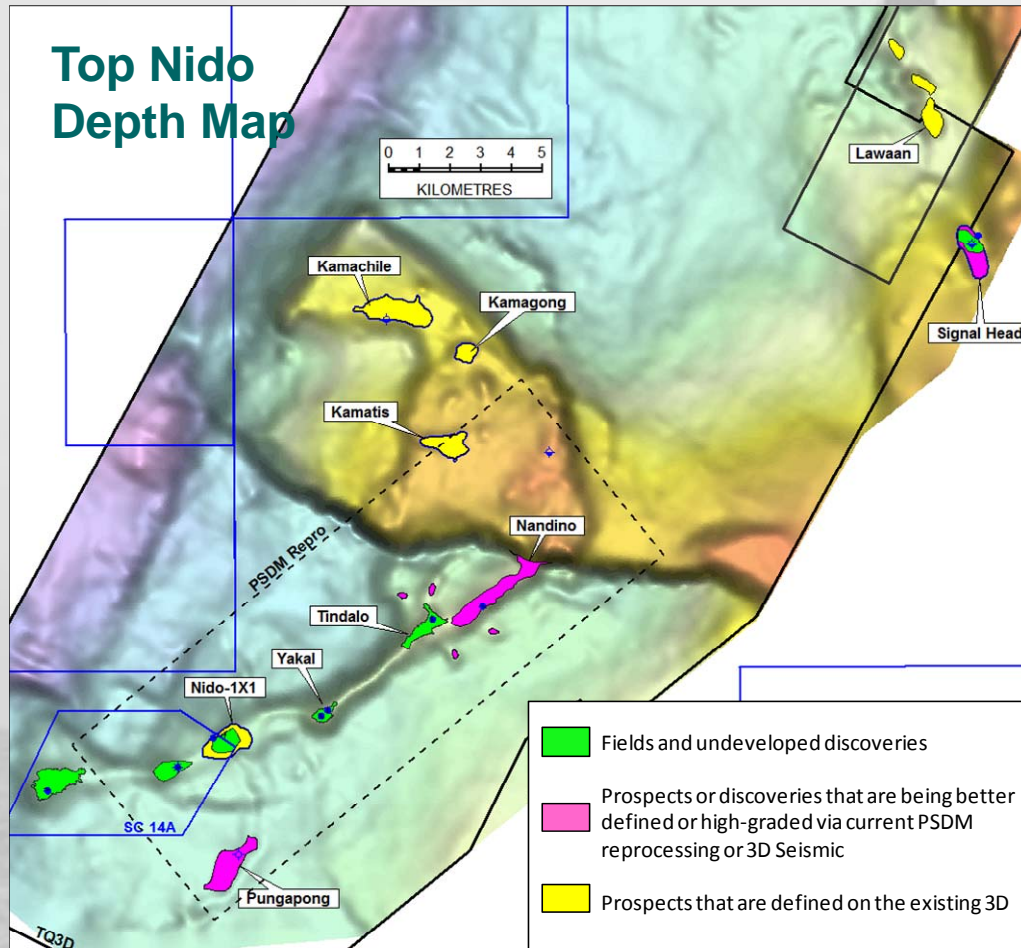
Developments Tindalo EWT



- EWT commenced late May'10
- Field failed to produce oil at economic rates and abandonment was completed Q1'11

Developments

SC 54A



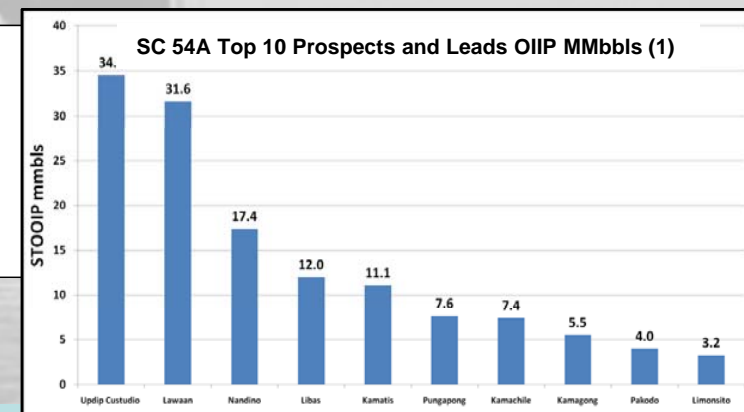
(1) Gross, un-risked, most likely volumes

3 undeveloped discoveries with combined OIIP ~25 MMbbl (1)

- Yakal-1
- Nido-1X1 (focus area)
- Signal Head-2

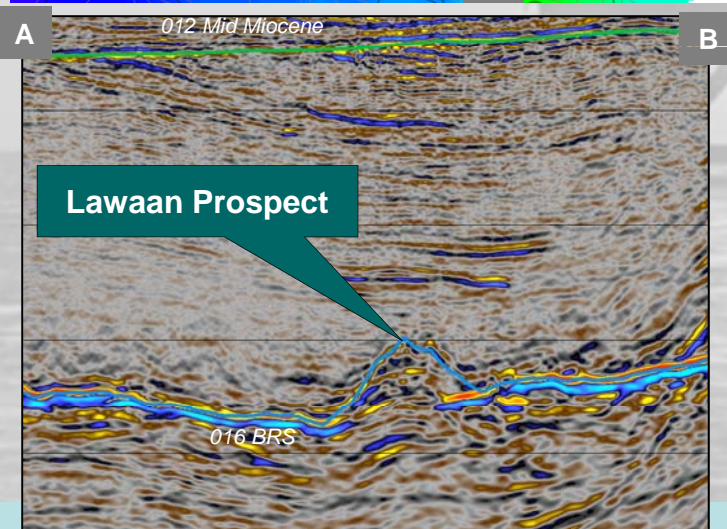
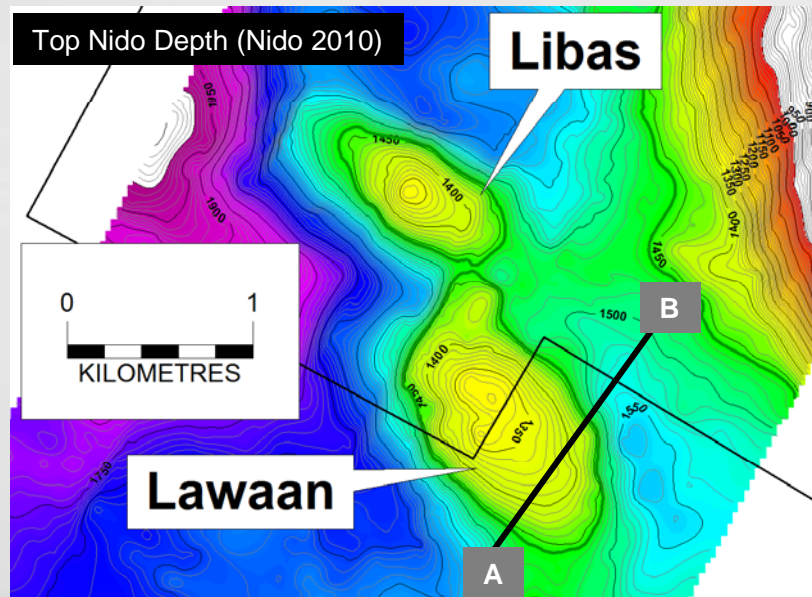
Numerous exploration targets identified with combined OIIP ~145MMbbl OIIP (1)

- Lawaan is the highest ranked Nido Limestone exploration target
- Reprocessing 3D seismic over Nido 1X1



Developments

SC 54A – Lawaan Prospect



KEY FACTS	
Service Contract	SC 54A - Lawaan Prospect
Nido W.I.	42.4%
Operator	Nido Petroleum
Water Depth	84 metres
Status	'Drill ready' prospect
Reservoir	Nido Limestone pinnacle reef

Located in NE corner of SC 54A:

- Nearby Signal Head and Cadlao discoveries

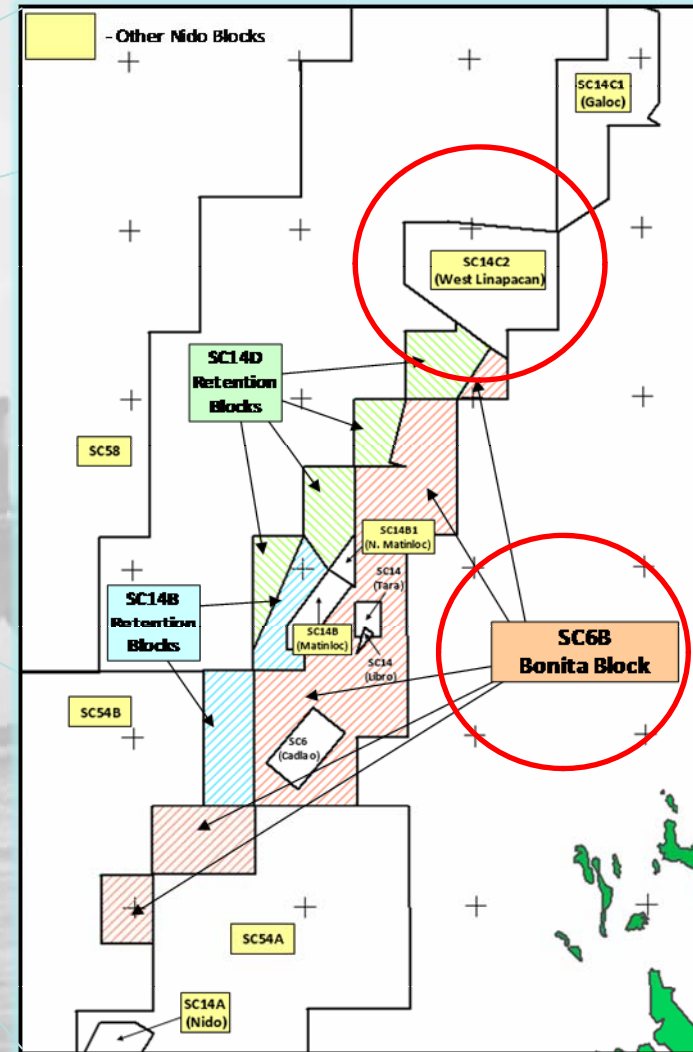
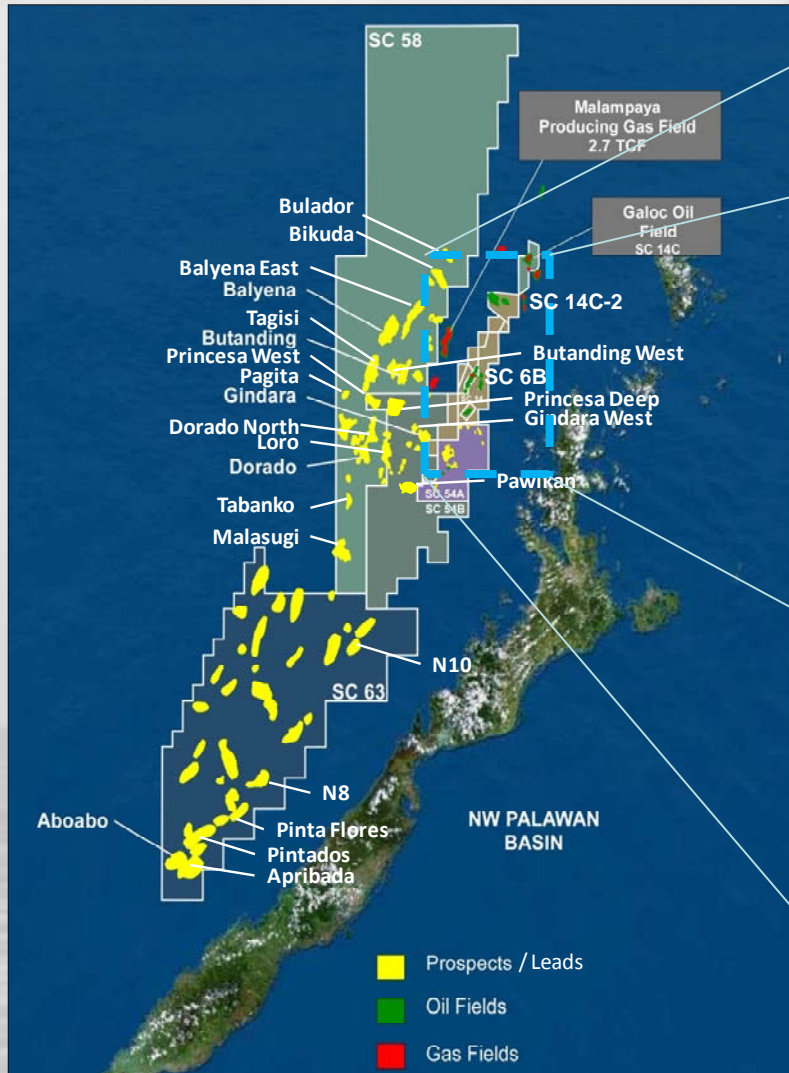
Estimated OIIP 14.2 – 53.6 MMbbl OIIP⁽¹⁾

Considered front-runner prospect in SC 54A:

- 2D and 3D seismic coverage
- Planning and design work for the well has commenced
- Part of 5 well program

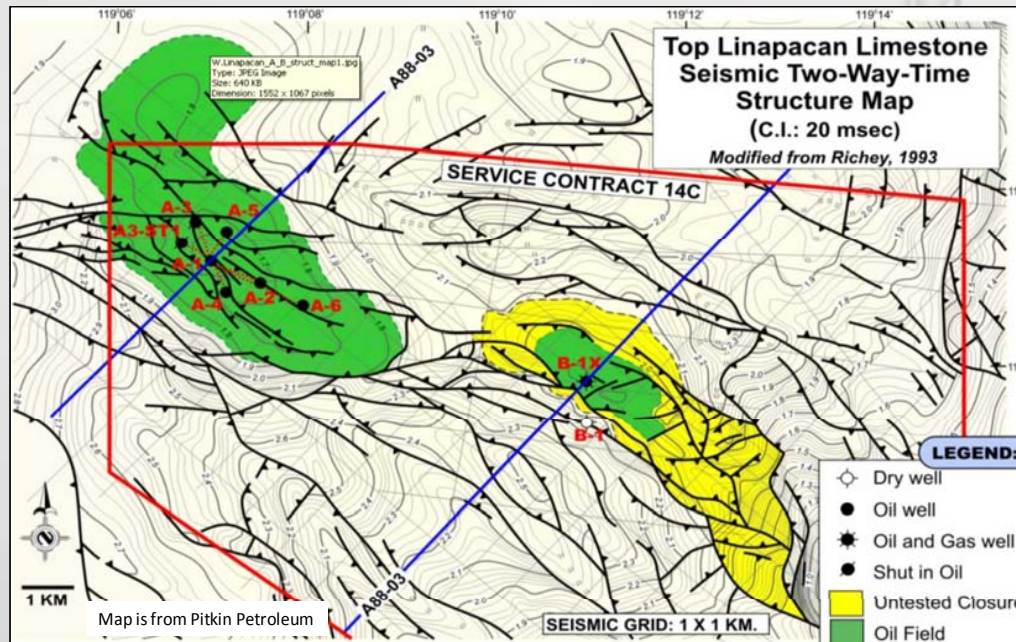
(1) Gross, un-risked, most likely volumes

Developments SC 14C-2 and SC 6B



Developments

SC 14C-2 West Linapacan 'A' oil field redevelopment

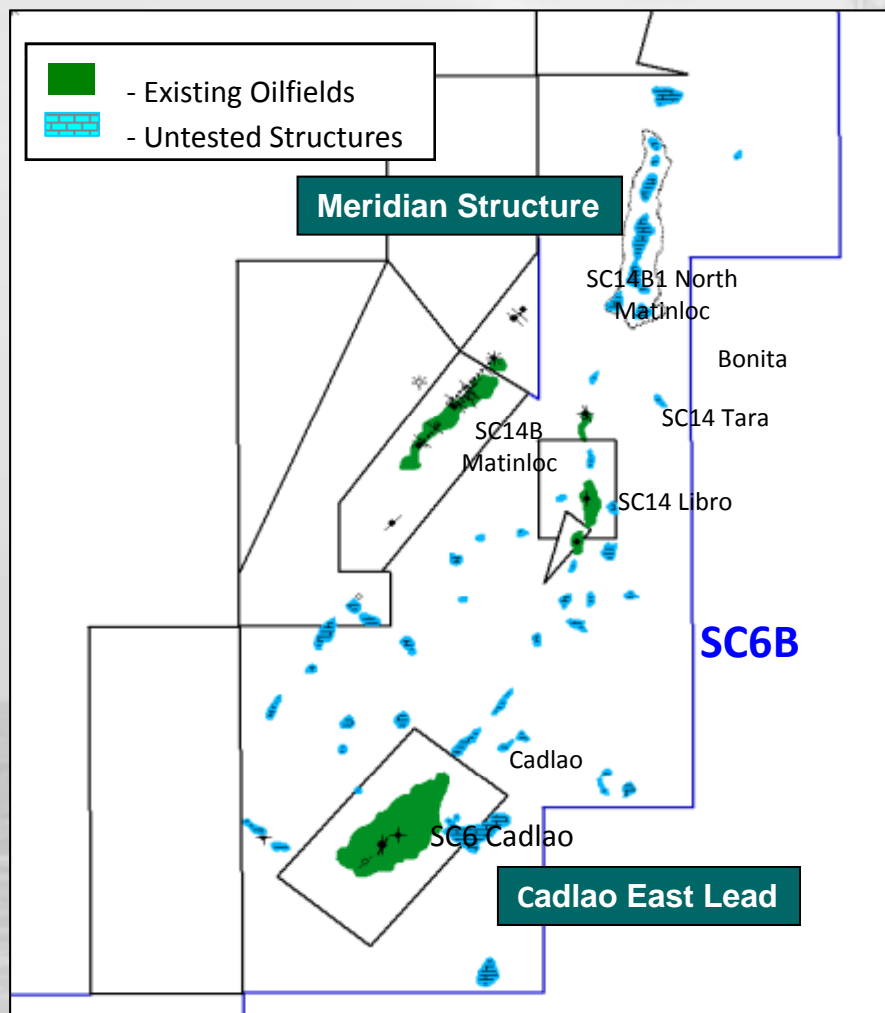


KEY FACTS	SC 14C-2
Service Contract	SC 14C-2
Nido W.I.	22.28% (non-operator)
Operator	Pitkin Petroleum Plc 58.29%
Water Depth	< 100 meters
Reservoirs	Primary – Nido Limestone Secondary – Miocene sandstones
Exploration Status	Potential oil field redevelopment
Activity	2011 work program of reservoir simulation/modelling study
	Subject to results, JV considering well in 2012

- West Linapacan 'A' produced 8.5 MMbbls prior to being shut-in in 1996
- Operator Pitkin Petroleum (Philippines) Plc proposing to redevelop West Linapacan 'A' field; field expected to have returned to pre-production state
- West Linapacan 'B' has not been developed

Developments

SC 6B Bonita Block



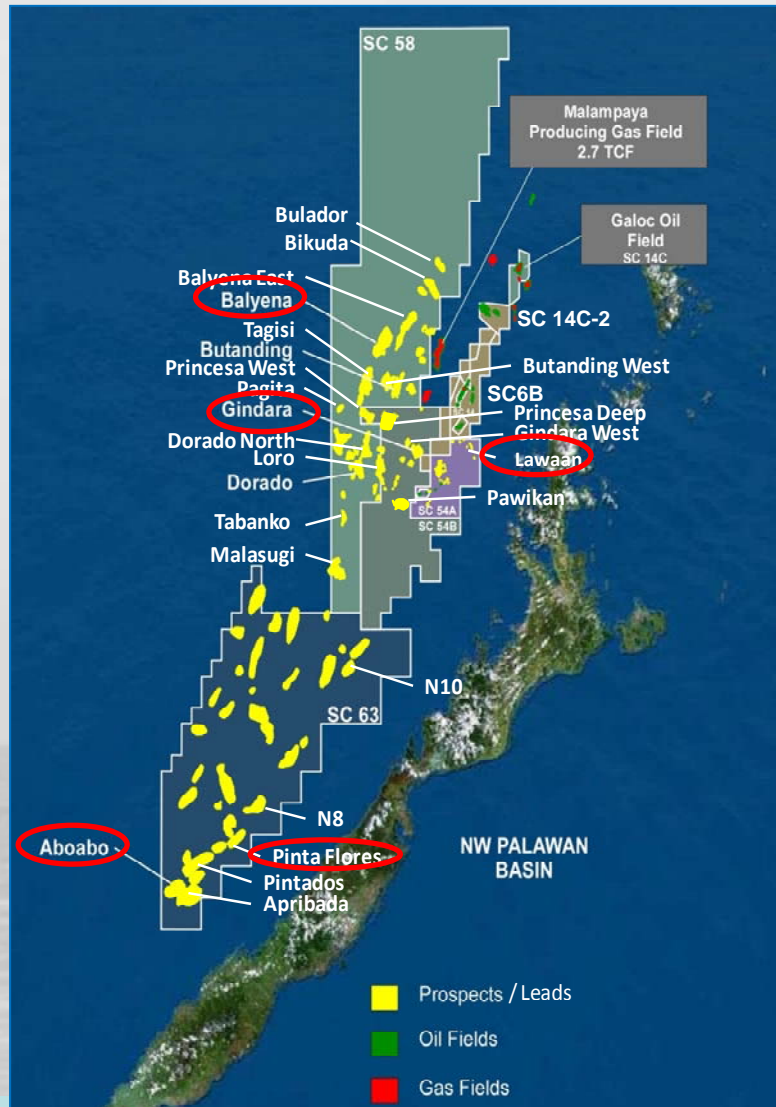
KEY FACTS	SC 6B
Service Contract	SC 6B
Nido W.I.	7.81% (non-operator)
Operator	Philodrill 31.87%
Water Depth	< 100 meters
Reservoirs	Primary – Nido Limestone Secondary – Miocene sandstones
Exploration Status	G & G Evaluation
Activity	Subsurface evaluation program being implemented following farmin to block by Raisama. Prospect and Lead portfolio definition by end 2011 Subject to results, possible well in 2012



Exploration

Exploration

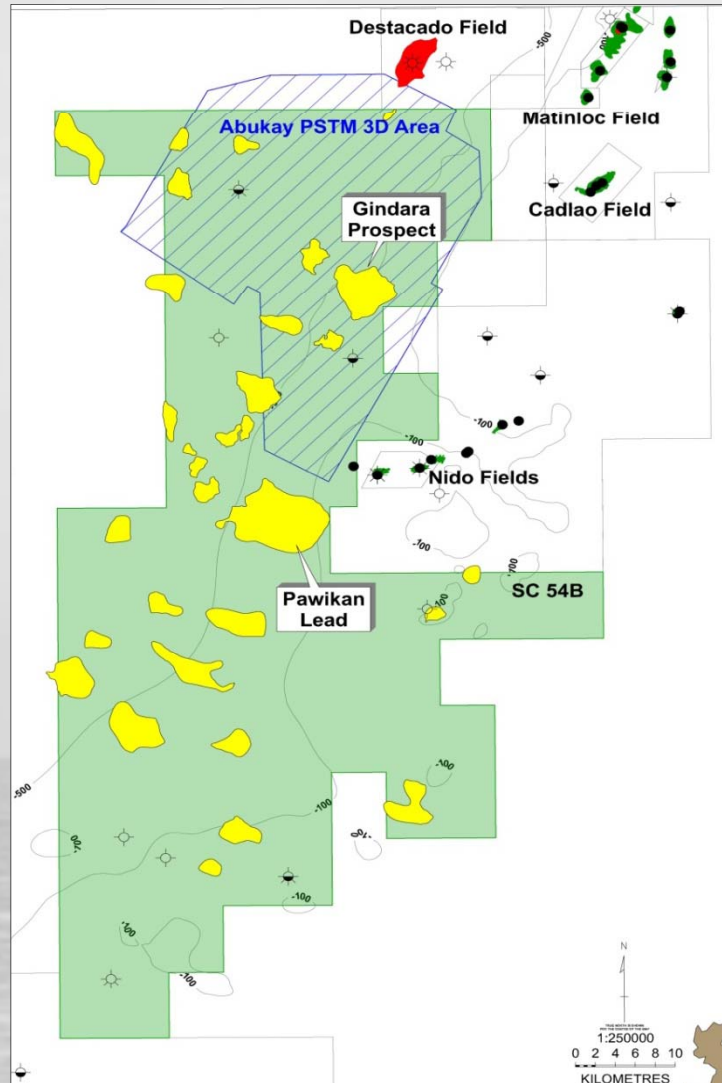
Transformational five well program



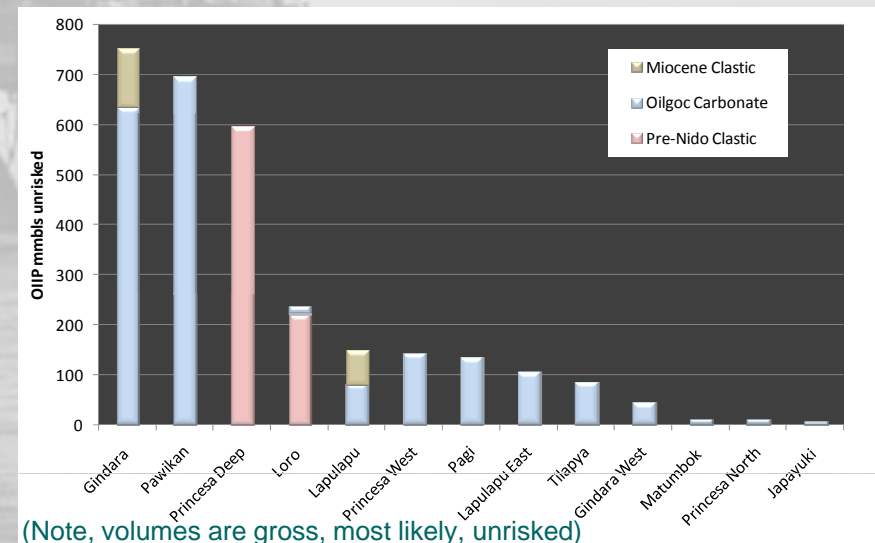
OIIP MMBOE (Gross, unrisks, most likely volumes)					
Water Depth	Gindara-1 SC 54B	Aboabo SC-63	Balyena SC-58	Pinta Flores SC 63	Lawaan SC 54A
Shallow Water <120m	-	222	-	239	21
Mid Water 120-500m	1,000	-			
Deepwater >500m			1,318		

- 5 well exploration drilling program announced at 2010 AGM
- Gindara-1 first well in program was spudded 20 May 2011 following farm-out to Shell Philippines Exploration B.V. in October 2010
- SC 63 well(s) next in program
 - December'11 – March'12

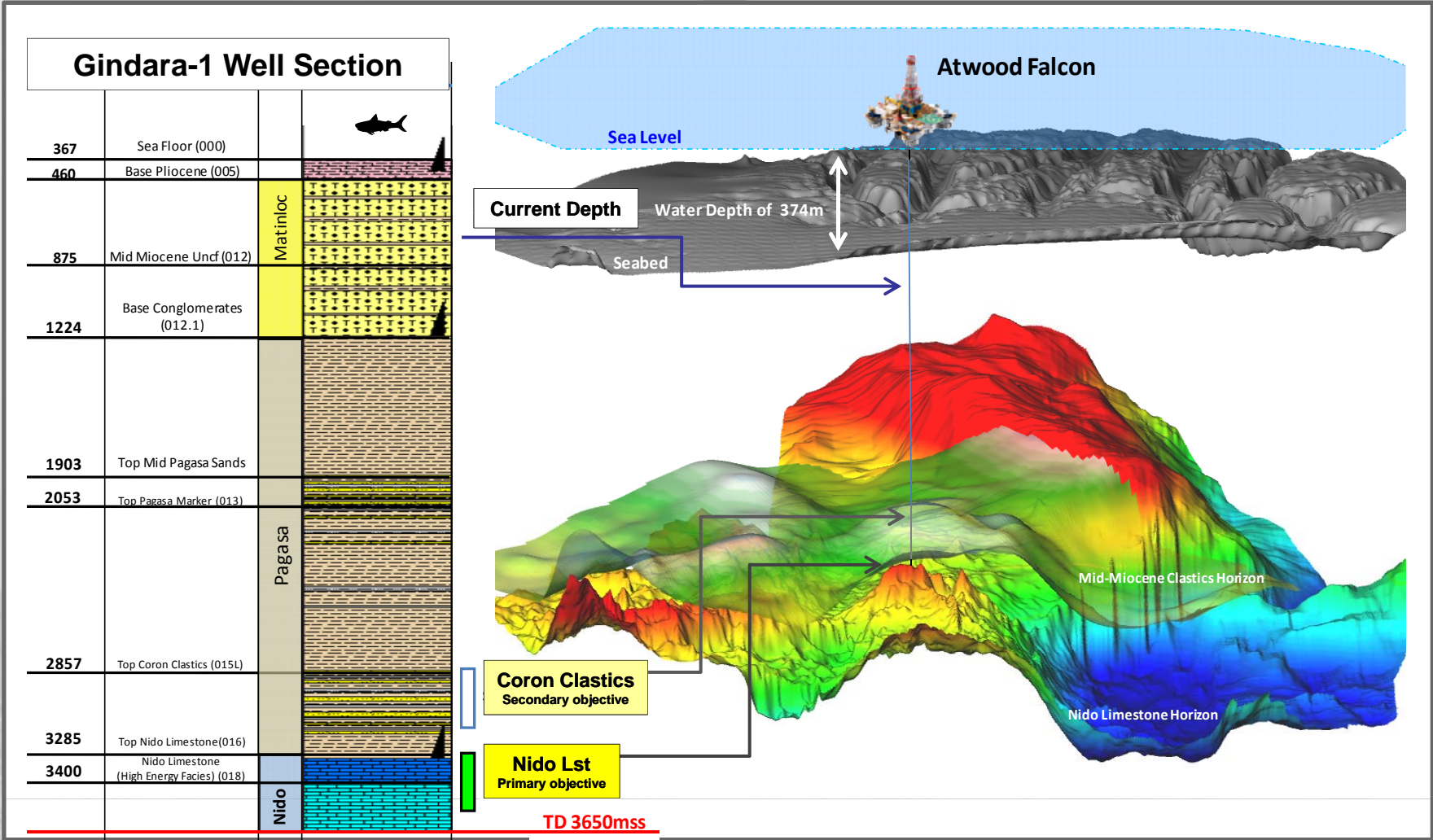
Exploration SC 54B



KEY FACTS	SC 54B
Service Contract	SC 54B
Nido W.I.	33%
Operator	Nido Petroleum
Water Depth	< 150 – 1,500 meters
Reservoir	Nido Limestone; Miocene Clastics; Pre rift
Exploration Status	Sub-Phase 6: well obligation by August '11
Activity	Drilling Gindara-1 well

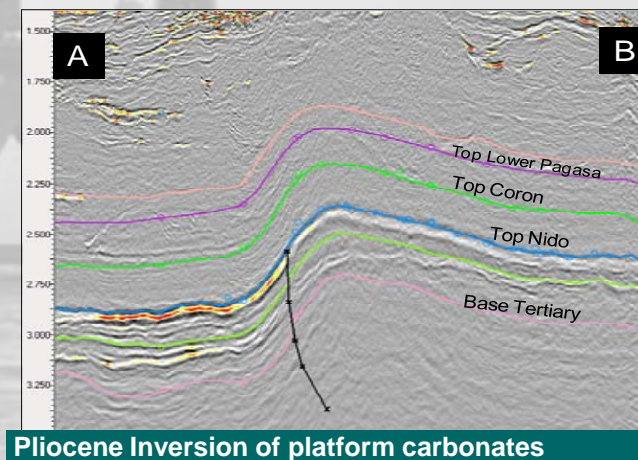
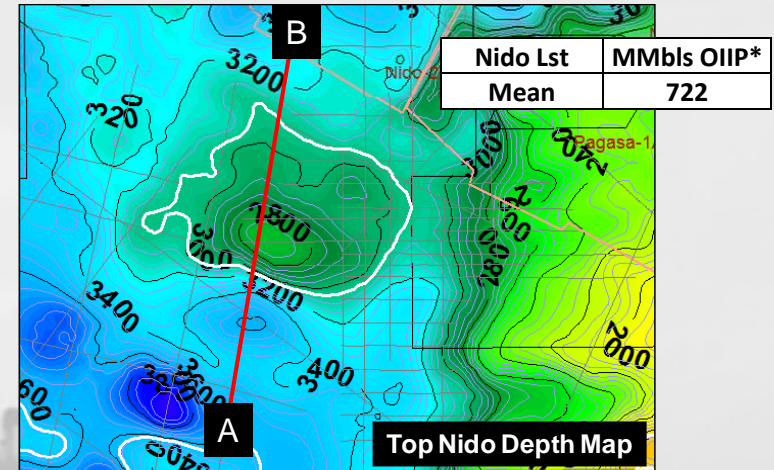
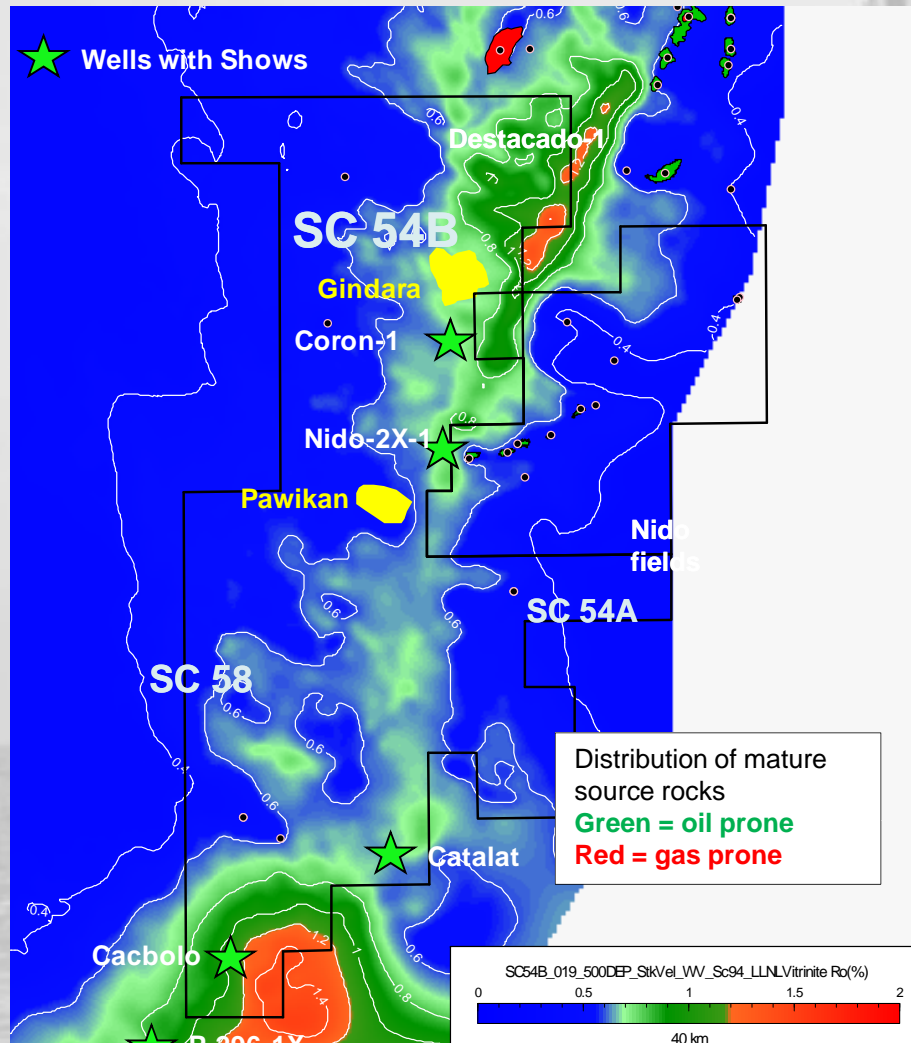


Exploration Gindara 1 Update



Exploration

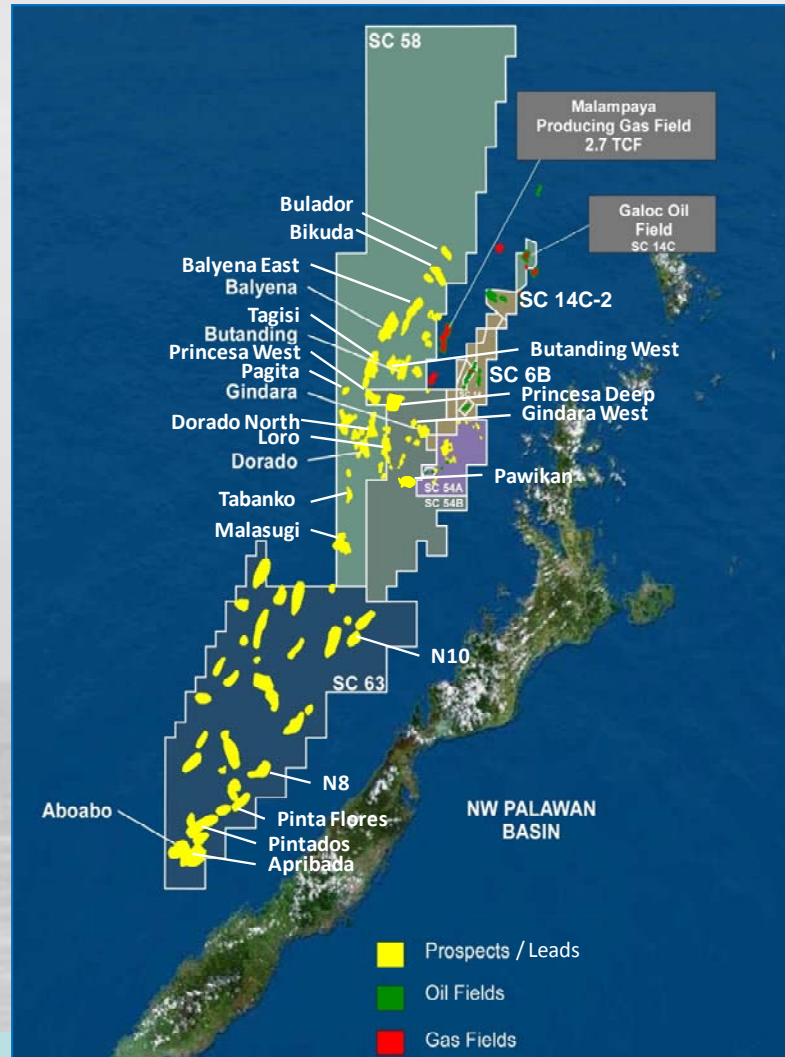
SC 54B: Pawikan Lead – Gindara follow-up target



Pliocene Inversion of platform carbonates
Bigger than Gindara, currently 53 sq.km vs 28 sq.km at Gindara
330m of relief – spill to east critical element
 (* Gross, unrisked, most likely volumes)

Exploration

SC 58 – Deepwater potential upgraded by sea-bed coring results



KEY FACTS	SC 58
Service Contract	SC 58
Nido W.I.	50.0% ⁽¹⁾
Operator	Nido ⁽²⁾
Water Depth	900 – 1,500 meters
Reservoir	Nido Limestone; Miocene Clastics
Exploration Status	Sub-Phase 3: well obligation by 12 Jan 2013
Activity	Sea Bed Coring & Multi-Beam Project completed May 10

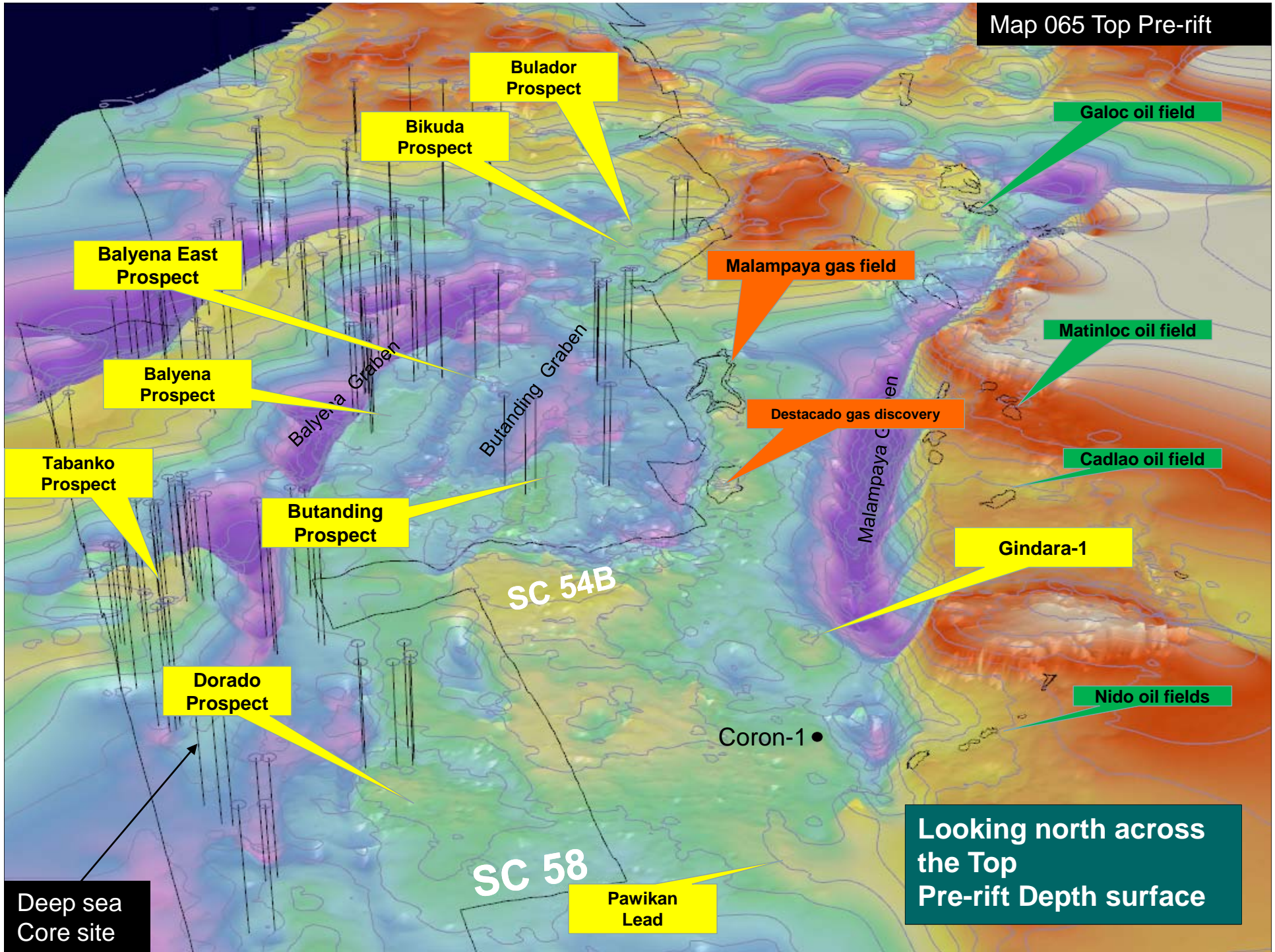
Top Drilling Candidates (Mean OIIP) ⁽³⁾

• Balyena	1,318 MMBOE
• Dorado	762 MMBOE
• Butanding	843 MMBOE
• Malaga	400 MMBOE
• Tagisi	357 MMBOE
TOTAL	3,680 MMBOE

⁽¹⁾ Subject to well commitment under farm-in agreement

⁽²⁾ Technical Operator

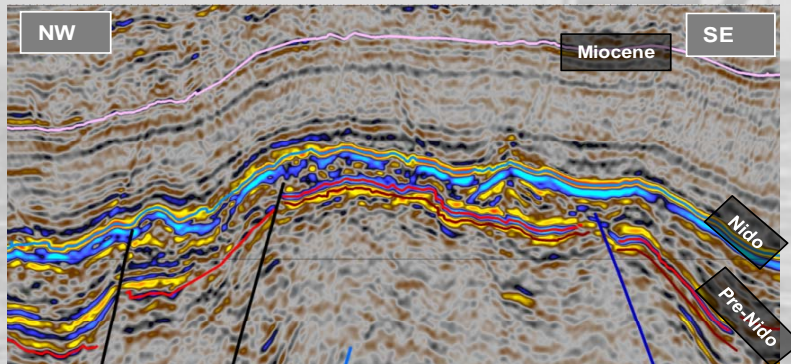
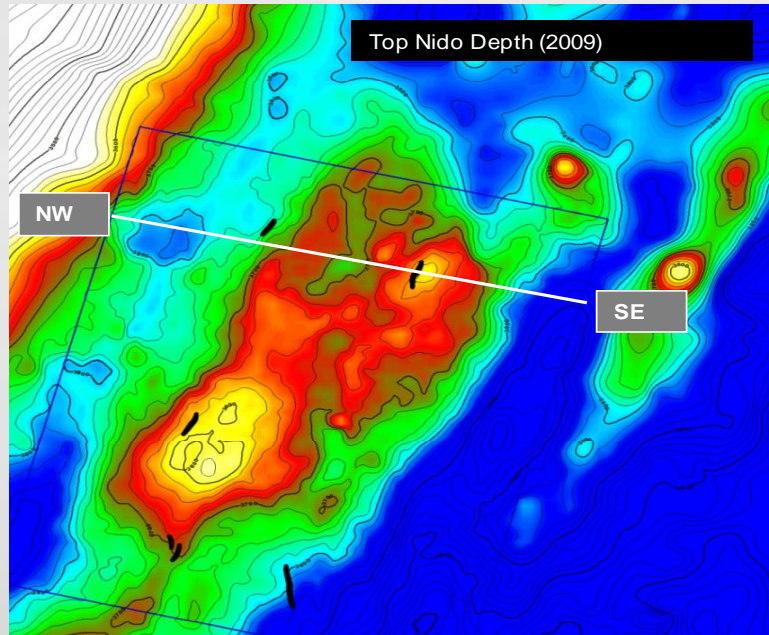
⁽³⁾ Gross un-risked, most likely volumes; combined total of all reservoir objectives



Looking north across the Top Pre-rift Depth surface

Exploration

SC 58 Balyena Prospect – leading deepwater target



- Broad, low relief closure created by inversion along the NE directed Mesozoic rift
- Primary reservoir is Nido carbonate closure with secondary Miocene and Pre-Nido clastic reservoirs.

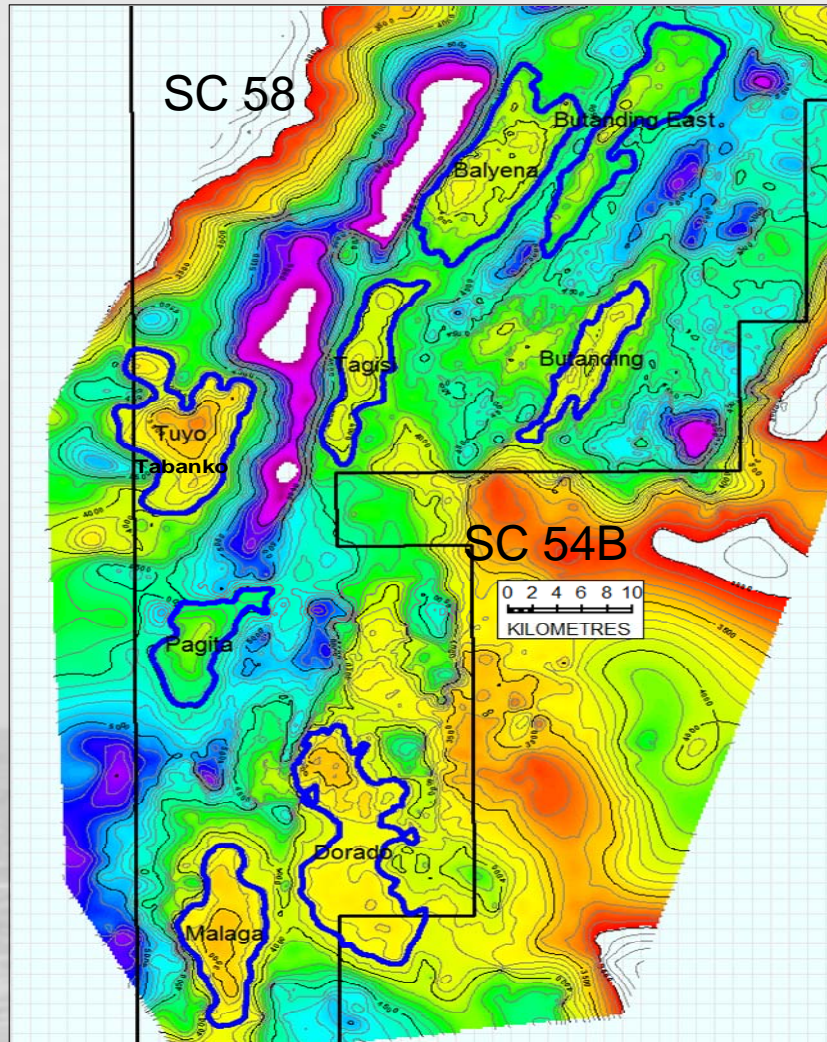
Crest (mss):	3570	Area (sq km):	66
Spill (mss):	3710	Water Depth (m):	1300
Closure (m):	140	Well Cost (MM):	US\$30-35

<u>Reservoir Target</u>	<u>P50 OIIP MMbbls*</u>	<u>POS</u>
OIIP (Nido)	399	23%
OIIP (Mio Clastics)	604	5%
OIIP (Mesozoic)	315	5%

(* Gross, unrisked, most likely volumes)

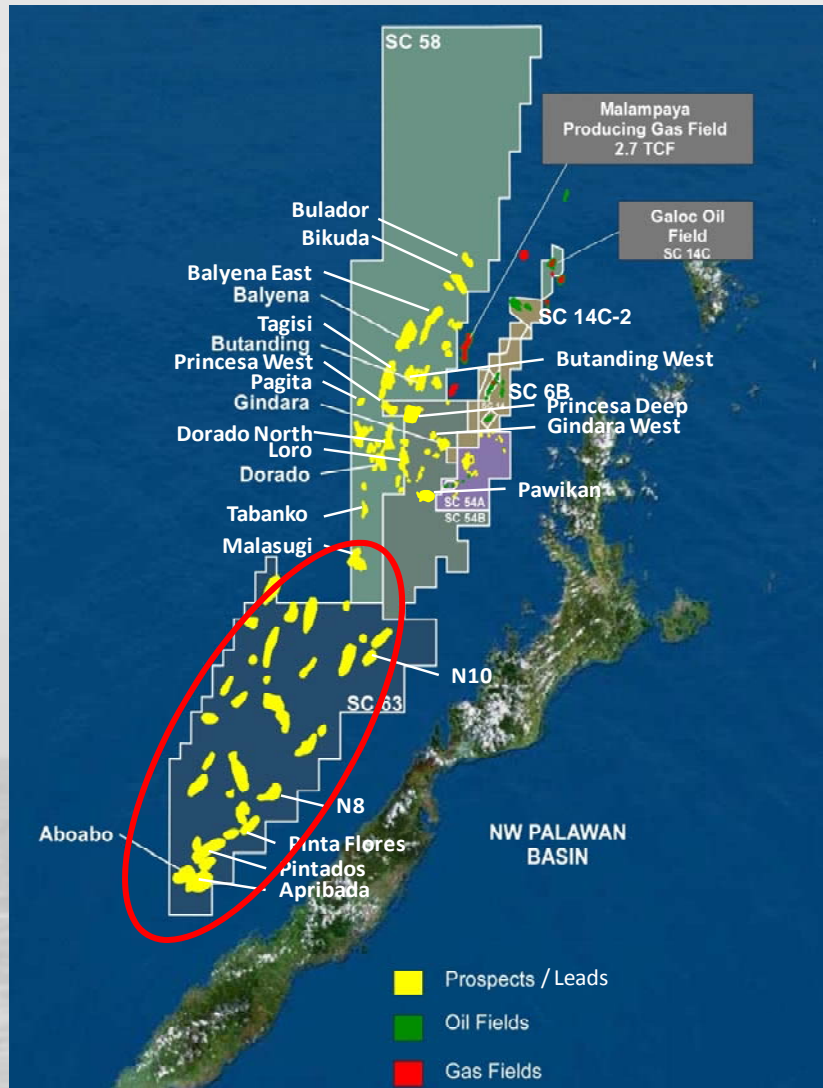
Exploration

SC 58 – Significant ‘running-room’ on success



- Success at Balyena opens up the entire deepwater NW Palawan continental margin
- SC 58 JV undertaking seismic inversion and AVO studies in 2H'11 to reduce reservoir risk further and detect potential fluid types in structure
- Election to drill required under Farmin Agreement with PNOC-EC to be made before 11 Jan 2012

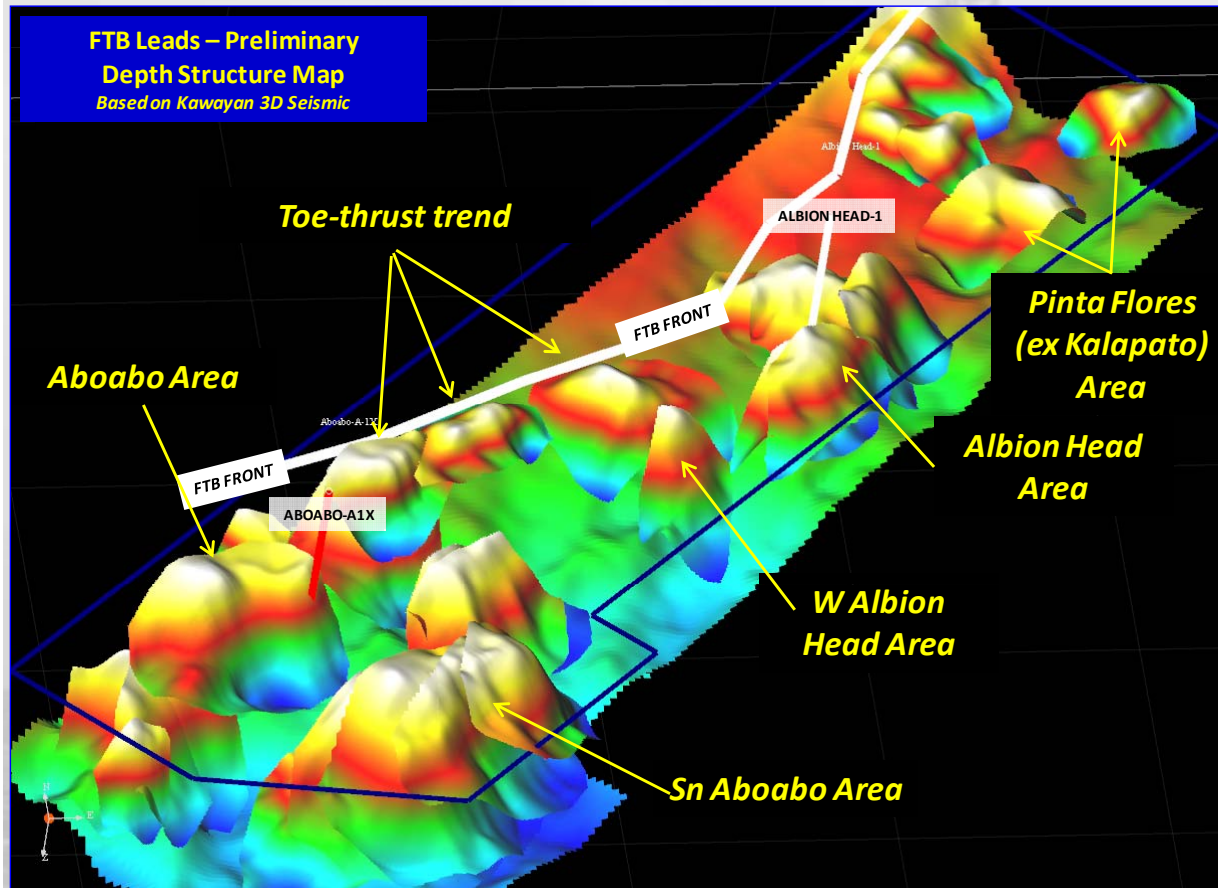
Exploration SC 63



KEY FACTS	SC 63 (Exploration)
Service Contract	SC 63 (Exploration)
Nido W.I.	50% (non-operator)
Operator	PNOC-EC 50%
Water Depth	< 100m - >1,500 meters
Reservoirs	Primary – Miocene sandstones Secondary – Nido Limestone
Exploration Status	Sub-Phase 2a: 3D seismic interpretation Sub-Phase 2b: 1 well obligation by Nov 2012
Activity	Finalising 3D seismic interpretation Mature P & L Select drilling targets in 4Q'11

Exploration

SC 63 Prospects and Leads



Focus on the Miocene Clastic Play:

- Large multi-target traps
- Fairway extends from <100m (jack-up rig) to ~500m water depths (semi-submersible)

Currently focused on the shallow-water area for the drilling target:

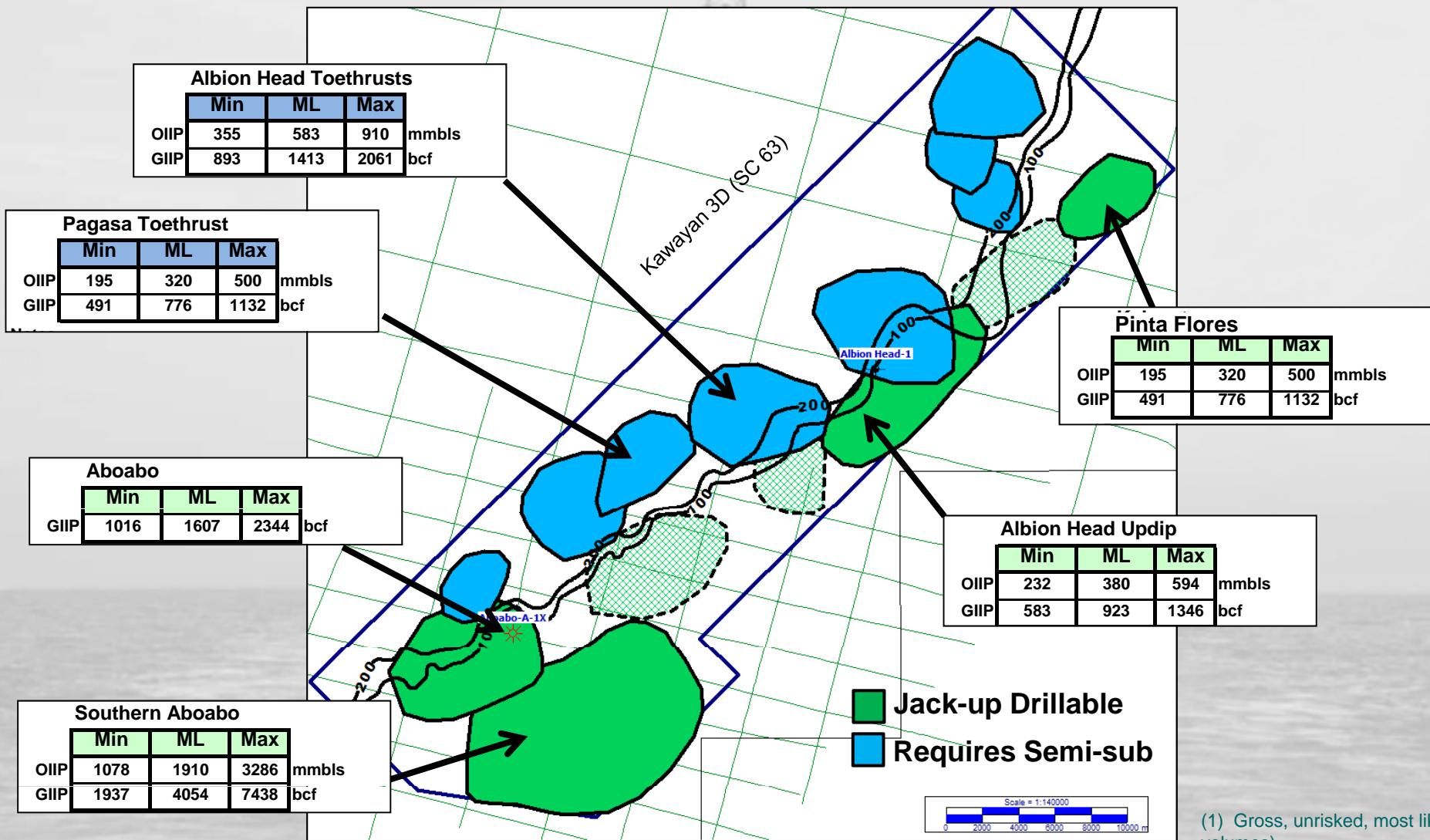
- Large, simple structures
- Jack-up drillable

Deeper Nido Limestone potential seen as secondary priority:

- Large closures at Pre-Nido are high risk
- 4,000 – 5,000 meters depths

Exploration

SC 63 Prospects and Leads (indicative volumes)⁽¹⁾



(1) Gross, unrisked, most likely volumes)

Operations Update

Outlook next 12 -18 months

- **Implementation of the 5 well exploration drilling campaign:**
 - Currently drilling Gindara-1 exploration well in SC 54B
 - SC 63 well(s) December '11 – March'12 drilling window
 - SC 58 well 2H'12, subject to election to drill
- **Progress optimisation of Galoc field with SC 14C-1 JV:**
 - JV Mooring and riser upgrade (turret) decision
 - JV Phase 2 development decision
- **Portfolio optimisation:**
 - Continue to augment exploration P & L from existing acreage
 - Progress shallow water development studies in SC 14C-2 and SC 54A
 - Continue to seek partners for SC 58 and other assets



Thank you

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