Nido Petroleum Limited
ABN 65 086 630 373

31 August 2012

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

Half-Year Financial Report

We are pleased to provide the Half-Year Financial Report for the Period Ended 30 June 2012.

Yours sincerely

Phil Byrne
Managing Director

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NIDO PETROLEUM LIMITED

ABN 65 086 630 373

HALF-YEAR FINANCIAL REPORT
FOR THE PERIOD ENDED
30 June 2012

CONTENTS

Your Directors submit their report for the half-year ended 30 June 2012.

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
Philip Byrne	Executive Director (Appointed 1 June 2012)
Eduardo V. Mañalac	Non-Executive Director
Andrew Edwards	Non-Executive Director
Michael Ollis	Non-Executive Director
David Whitby	Non-Executive Director (Resigned 1 June 2012)

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

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	Consolidated
	30 June 2012 $'000	30 June 2011 $'000
Revenue from sale of crude oil	9,941	35,899
Gross profit	3,793	19,388
Net profit/(loss) for the half-year after tax	(1,753)	(6,110)
Basic profit/(loss) per share (cents) from continuing operations	(0.13) cents	(0.44) cents
Net cash (used in) operating activities	(3,223)	(4,426)
Net cash (used in) investing activities	(5,653)	(3,873)
Net cash (used in) financing activities	Nil	(5,079)

The total net loss after tax of the Group for the half-year ended 30 June 2012 is $1.753 million (30 June 2011: loss of $6.110 million), which included the following significant items:

- Oil revenue for the half-year totalled $9.941 million (30 June 2011: $35.899 million), comprised of revenue from the Galoc oil field of $8.533 million (30 June 2011: $32.117 million), and revenue from the Nido and Matinloc oil fields of $1.408 million (30 June 2011: $0.836 million). There was no revenue from the Tindalo oil field during the period as the field was abandoned in 2011 (30 June 2011: $2.946 million). The decrease in oil revenues relating to the Galoc oil field was primarily due to the planned shutdown to install the bow mounted, non-disconnectable turret Mooring and Riser System (M&RS) to the Galoc FPSO;
- Cost of sales for the half-year was $6.187 million (30 June 2011: $16.640 million), the decrease in cost of sales relates to the Galoc oil field being shut in to install the upgraded M&RS to the Galoc FPSO in the period;
- Employee benefits expense excluding share based payments were slightly lower in the half-year at $2.756 million (30 June 2011: $2.899 million);
- Share based payments expense totalled $0.434 million for the half-year (30 June 2011: $0.171 million). The expense relates to the 22,384,251 (2011: 10,695,939) performance rights issued to employees of the Company in accordance with the Company's Long Term Incentive Policy during the half-year, and the share based payment expense relating to the sign on retention bonus of 10,000,000 shares granted to Mr Philip Byrne, Managing Director as part of his employment contract;
- Office and other expenditure totalled $1.350 million (30 June 2011: $1.980 million). The decrease predominantly relates to the company's ongoing focus on lowering administrative costs;
- Total finance cost for the half-year was nil (30 June 2011: $2.631 million which related primarily to a convertible note that was fully repaid by 30 June 2011);
- For the half year there was no fair value movement on embedded derivative (30 June 2011: gain of $1.775 million). The embedded derivative related to the Convertible Note repaid in June 2011;
- There was no impairment of exploration and evaluation expenditure for the half-year (30 June 2011: $6.798 million, which related to the drilling of the Gindara-1 well);
- There was no abandonment field expenditure for the half-year (30 June 2011: $2.737 million relating to the abandonment of the Tindalo oil field); and
- Net foreign currency gains of $0.501 million (30 June 2011: loss of $5.264 million) resulted from the weakening of the Australian dollar which had a positive impact on net US dollar balances, predominantly from AUD denominated parent company loans to subsidiaries (with USD functional currencies).

The following table summarises the Company's equity interests in its permits as at 30 June 2012:

Philippines

Permit	Basin	Nido Interest (%)	Gross Area Hectares ('000)	Operator
SC 14 Block A	North West Palawan	22.49	2	Philodrill (1)
SC 14 Block B	North West Palawan	28.28	16	Philodrill (1)
SC 14 Block C-1 (2)	North West Palawan	22.88	16	GPC (3)
SC 14 Block C-2 (4)	North West Palawan	22.28	18	RMA (10)
SC 14 Block D	North West Palawan	31.42	17	Philodrill (1)
SC 6B	North West Palawan	7.81	55	Philodrill (1)
SC 54A	North West Palawan	42.40	88	Nido
SC 54B	North West Palawan	60.00 (5)	316	Nido
SC 58	North West Palawan	50.00 (6)	1,349	Nido (7)
SC 63	North West Palawan	50.00	1,067	PNOC (8) (9)

(1) The Philodrill Corporation
(2) Galoc Block
(3) Galoc Production Company WLL
(4) West Linapacan Block
(5) Nido's interest reduced to 33% on 25 January 2011 when Shell Philippines Exploration B.V. farmed into SC 54B and reverted back to 60% on 30 December 2011 as a result of Shell Philippines Exploration B.V. withdrawing from the block
(6) Subject to Nido competing its obligation under its Farm-in Agreement with PNOC Exploration Corporation (PNOC-EC)
(7) SC 58 operatorship reverts to PNOC-EC upon completion of Nido's farm-in obligations
(8) PNOC Exploration Corporation
(9) PNOC-EC has agreed to assign to Nido Technical Operatorship for the duration of the drilling of the commitment well in Sub-Phase 2b
(10) Operatorship transferred to RMA (HK) Limited in April 2012

PRODUCTION AND DEVELOPMENT SUMMARY

Volumes - Lifted & Sold (bbls)[1]	Half-year total 30 June 2012	Half-year total 30 June 2011
Service Contract 14		
Galoc oil field (net to Nido)	74,484	318,269
Nido & Matinloc oil fields[2] (net to Nido)	15,426	14,529
Subtotal: Service Contract 14	*89,910*	*332,798*
Service Contract 54A		
Tindalo oil field (net to Nido)	-	31,130
TOTAL VOLUMES LIFTED & SOLD	**89,910**	**363,928**

(1) Volumes reported are metered volumes not stock tank barrels.
(2) Updated Q2-2012 reported volumes due to delayed adjustments from Operator.

<u>Service Contract 14 C1 (Galoc Oil Field)</u>

Production

During the first half of 2012, the installation of a bow mounted, non-disconnectable turret M&RS to the Galoc FPSO "Rubicon Intrepid" was completed. The upgraded FPSO is expected to increase the reliability and uptime of the FPSO and is a crucial component of the infrastructure to enable the Galoc Joint Venture to move forward with the potential Phase 2 development of this oil field. In addition to the installation of the turret, the FPSO "Rubicon Intrepid" underwent planned re-certification, maintenance and inspections.

Production at the Galoc oil field recommenced on 2 April 2012 following the completion of the planned shutdown to install the M&RS to the Galoc FPSO. The field performed strongly over the period to 30 June 2012, with average production uptime of over 95% (average uptime of 99% registered in 2011 over the full six months to 30 June 2011).

Following re-commencement of production on 2 April 2012, the gross average daily production rate from the field was 5,872 bopd, with total oil produced in the period of 534,405 million barrels gross and cumulative production from initial field start-up in 2008 to period end of 8.99 million barrels.

One cargo was sold to a Korean buyer during the half-year. Revenue from crude oil sales relating to the Galoc field totalled $8.533 million for the half-year ended 30 June 2012.

Development

During the half-year ending 30 June 2012, the Operator continued to progress work on Galoc Phase 2 Front End Engineering and Design (FEED). The scope of FEED work includes: subsurface modelling of the reservoir, drilling and completion design, and subsea engineering and tie back design for the new wells.

The Joint Venture also considered pre-investment in required infrastructure, including well heads, flow lines and umbilical lines during the FEED stage. Subsequent to 30 June 2012, the Joint Venture approved the pre-investment in long lead items (LLI's), ahead of the anticipated Final Investment Decision "FID" which is targeted for the second half of 2012.

During the half-year, the interpretation of the 3D seismic survey data acquired in 2011 over the Galoc oil field and the Galoc North prospect continued. As well as supporting the placement of the new development wells, the data will allow full evaluation of the Galoc North exploration prospect, considered a potential near-field drilling opportunity to the Galoc field.

Reserves

Subsequent to 30 June 2012, Nido has commissioned Gaffney Cline and Associates (GCA) to conduct a reserves certification of the Galoc oil field for the period 1 January to 30 June 2012 based on the latest subsurface information and production data provided by Operator GPC. GCA is expected to complete the reserves certification by the end of September 2012.

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

The Nido and Matinloc oil fields produced a combined total of 72,285 barrels gross, averaging 397 bopd (approximately 100 bopd net to Nido) during the half-year. Revenue from crude oil sales relating to the Nido and Matinloc fields totalled $1.408 million for the half-year.

EXPLORATION & EVALUATION SUMMARY

Service Contract 54

SC 54 - Block A

The processing of the 2D seismic survey data acquired in late 2011 covering 73 full-fold line kilometres over the Lawaan-Libas prospect area was completed during the half-year, with interpretation of results ongoing as at the end of the reporting period.

The objective of the survey was to determine whether the Lawaan and Libas prospects represent one large prospect at the Nido Limestone level. Confirmation that the two prospects are structurally connected would further upgrade the potential of the Lawaan prospect. Prospective resource oil-in-place estimates for Lawaan and Libas are currently 34.7 mmbbls and 12.0 mmbbls respectively (gross, unrisked, mean volume).

On 1 June 2012, Nido in conjunction with its SC 54A Joint Venture partners signed a Memorandum of Agreement (MoA) with Viking Energy Holdings 2 Ltd (Viking) to develop existing oil fields in SC 54A. The MoA is subject to negotiation and execution of a formal farm-out agreement between the parties. Under the MoA, Nido is to assign 25.44% of its working interest and Operatorship of the SC 54A sub-block to Viking. Viking envisages bringing the Yakal and Tindalo discoveries into production in the first instance.

SC 54 - Block B

During the half-year ended 30 June 2012, the processing of the 2D seismic survey data acquired in late 2011 covering 430 full-fold line kilometres over the Pawikan lead was completed, with interpretation of results ongoing as at the end of the reporting period.

The Pawikan lead is a large inversion structure about 56 sq.km in size that is on trend with the non-commercial oil and gas discovery well Gindara-1 located 30 km to the north, and Malampaya gas field located 60km to the north in adjacent SC 38.

On 22 June 2012 Nido announced that the Philippine Department of Energy (DOE) agreed to extend Sub-Phase 6 of SC 54 by 12 months from 4 August 2012 to 4 August 2013. This extension will allow Nido time to fully integrate the results and implications of the new seismic data into the subsurface geological models.

Service Contract 58

During the half-year ended 30 June 2012, the acquisition of the new 2D seismic survey data in SC 58 covering 864 full-fold line kilometres over greater Bikuda - Bulador prospect area in the northern sector of SC 58 was completed.

The objective of the survey is to mature these prospects to drillable status so they can be considered as candidates to meet the Sub-Phase 3 commitment well due before 12 January 2014. Processing of the 2D seismic data was continued during the half-year, with interpretation of results to follow.

In January 2012, the DOE approved a 12-month extension of Sub-Phase 3 which will now expire on 12 January 2014. PNOC Exploration Corporation (PNOC-EC) also agreed to defer the election to drill date under the Farm-in Agreement to 30 June 2013.

Service Contract 63

During the half-year ended 30 June 2012 the re-processing of the Kawayan 3D seismic survey data was undertaken in an attempt to further improve 3D seismic imaging of the complex geology within the block and assist with subsurface risk reduction. The reprocessing was completed in the first quarter of the year and interpretation has continued through to the end of the reporting period.

The reprocessing of the 3D data has assisted in better imaging the subsurface and improved the understanding of prospect and lead risks. A number of new leads have emerged from this work and will be matured during the second half of the year.

In the second quarter of 2012 PNOC-EC agreed to assign Technical Operatorship to Nido for the duration of the drilling of the commitment well. The Joint Venture also continued pre-planning work activities including Basis of Design well planning for the Sub-Phase 2b commitment well.

Subsequent to the end of the reporting period, the Joint Venture sought, and was granted, an extension from the DOE of Sub-Phase 2b for a period of twelve (12) months from 24 November 2012 to 24 November 2013. An extension of time was requested due to the Joint Venture being unable to secure a rig on acceptable commercial terms.

The Sub-Phase extension will enable the Joint Venture to coordinate the SC 63 programme with other drilling operations being planned in the NW Palawan Basin during 2013 and will allow the Joint Venture to beneficially share the costs of mobilisation of a drilling rig.

Service Contract 6B (Bonita)

The block contains the East Cadlao exploration prospect, a possible extension of the Cadlao oil field which is located in the adjacent SC 6 block (which Nido is not a participant in) and a number of Nido Pinnacle reef exploration targets.

There are currently no plans by the SC 6B Joint Venture to acquire additional seismic or consider further exploration drilling within the block during 2012.

Service Contract 14 C2 (West Linapacan)

During the half-year ended 30 June 2012, the SC 14C2 Joint Venture continued to focus on evaluating the potential re-development of the West Linapacan 'A' field, with detailed reservoir modelling over the West Linapacan fields being undertaken by an industry leading consultant.

During the half-year, the DOE approved the transfer of operatorship from Pitkin Petroleum Philippines PLC (Pitkin) to RMA (HK) Limited (RMA).

CORPORATE ACTIVITIES

Mandating of Standard Bank for Galoc Phase 2 Debt Facility

On 1 May 2012, Nido mandated Standard Bank to commence documentation and negotiation of a reserve based debt facility of up to USD$ 30 million.

Appointment of new Chief Executive Officer & Managing Director

On 17 January 2012 Philip Byrne was appointed to the position of Chief Executive Officer and subsequently on 1 June 2012 he was appointed as the Managing Director of the Company.

SUBSEQUENT EVENTS

Subsequent to 30 June 2012 the following occurred:

a) The Galoc Joint Venture approved the pre-investment in Phase 2 Long Lead Items (wellheads/sub-sea and well construction material);

b) Nido signed a senior secured debt facility with Standard Bank Plc for up to US$30 million for a term of three years. The facility will provide a significant portion of Nido's share of funding for the Galoc oil field Phase 2 development, located in the offshore North West Palawan Basin, Philippines, in which Nido has a 22.879% working interest;

The Standard Bank facility is reserves' based with a LIBOR plus premium interest rate, and will be available in two tranches:

- First tranche: up to US$15 million available pre Galoc Phase 2 development Final Investment Decision (FID), subject to conditions precedent and determination of the available facility amount; and
- Second tranche: increases the facility up to US$30 million available post FID, subject to approvals and determination of the available facility amount;

c) Nido has commissioned Gaffney Cline and Associates (GCA) to conduct a reserves certification of the Galoc oil field based on the latest subsurface information and production data provided by Operator GPC. GCA is expected to complete the reserves certification by the end of September 2012; and

d) The SC 63 Joint Venture secured a 12 month extension to the Sub-Phase 2b expiry date. Sub-Phase 2b as amended now expires on 24 November 2013.

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

31 August 2012

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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 2012, 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

RA Kirkby
Partner
31 August 2012

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 2012 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

31 August 2012

NIDO PETROLEUM LIMITED
CONSOLIDATED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 30 JUNE 2012

	Notes	30 June 2012 $'000	30 June 2011 $'000
Revenue from sale of crude oil		9,941	35,899
Other revenue	2(a)	39	129
Total revenue		**9,980**	**36,028**
Cost of sales	3(a)	(6,187)	(16,640)
Gross profit		3,793	19,388
Other income	2(b)	15	485
Administrative and other expenses	3(b)	(4,943)	(14,958)
Foreign currency gains/(losses)		501	(5,264)
Finance costs	3(c)	-	(2,631)
Fair value gain/(loss) on embedded derivative		-	1,775
Loss before income tax		**(634)**	**(1,205)**
Income tax expense		(1,119)	(4,905)
Net loss for the period		**(1,753)**	**(6,110)**
Other comprehensive income/(loss)			
Exchange differences on translation of foreign operations		(253)	2,514
Income tax relating to items of other comprehensive income/(loss)		-	-
Other comprehensive income/(loss) for the period, net of tax		**(253)**	**2,514**
Total comprehensive loss for the period		**(2,006)**	**(3,596)**
		Cents	**Cents**
Earnings per share for profit/(loss) attributable to the ordinary equity holders of the Company:			
Basic earnings/(loss) per share		(0.13)	(0.44)
Diluted earnings/(loss) per share		(0.13)	(0.44)

NIDO PETROLEUM LIMITED
CONSOLIDATED
BALANCE SHEET
AS AT 30 JUNE 2012

	Notes	30 June 2012 $'000	31 December 2011 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	4	12,440	21,561
Trade and other receivables		7,796	6,964
Inventories		3,594	1,227
Other financial assets		32	28
Total Current Assets		23,862	29,780
Non-Current Assets			
Plant and equipment		472	378
Oil and gas properties		13,056	14,003
Exploration and evaluation expenditure		32,225	28,187
Other financial assets		140	140
Total Non-Current Assets		45,893	42,708
Total Assets		69,755	72,488
LIABILITIES			
Current Liabilities			
Trade and other payables		4,571	4,332
Income tax payable		1,106	2,511
Provisions		292	306
Total Current Liabilities		5,969	7,149
Non-Current Liabilities			
Provisions		5,101	5,084
Deferred tax liabilities		682	680
Total Non-Current Liabilities		5,783	5,764
Total Liabilities		11,752	12,913
Net Assets		**58,003**	**59,575**
EQUITY			
Contributed equity	5	153,688	153,688
Other reserves		13,452	13,271
Accumulated losses		(109,137)	(107,384)
Total Equity		**58,003**	**59,575**

NIDO PETROLEUM LIMITED
CONSOLIDATED
STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 30 JUNE 2012

	Notes	30 June 2012 $'000	30 June 2011 $'000
Cash flows from operating activities			
Receipts from customers		9,898	27,088
Payments to suppliers and employees		(11,479)	(29,262)
Interest received		39	124
Interest paid		-	(933)
Proceeds from insurance		494	424
Income tax paid		(2,175)	(1,867)
Net cash (used in) operating activities		(3,223)	(4,426)
Cash flows from investing activities			
Expenditure on oil and gas properties		(322)	-
Expenditure on exploration and evaluation assets		(5,162)	(3,805)
Payments for plant and equipment		(169)	(68)
Net cash (used in) investing activities		(5,653)	(3,873)
Cash flows from financing activities			
Repayment of borrowings		-	(5,079)
Net cash (used in) financing activities		-	(5,079)
Net (decrease) in cash and cash equivalents		(8,876)	(13,378)
Effect of foreign exchange rates		(245)	2
Cash and cash equivalents at beginning of the period		21,561	24,216
Cash and cash equivalents at end of period		**12,440**	**10,840**

NIDO PETROLEUM LIMITED
CONSOLIDATED
STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 30 JUNE 2012

	Contributed Equity $'000	Share Based Payment Reserve $'000	Foreign Currency Translation $'000	Accumulated Losses $'000	Total Equity $'000
At 1 January 2011	149,805	7,714	5,251	(111,179)	51,591
Profit/(loss) for the period	-	-	-	(6,110)	(6,110)
Other comprehensive income/(loss)	-	-	2,514	-	2,514
Total comprehensive profit/(loss) for the period, net of tax	-	-	2,514	(6,110)	(3,596)
Transactions with owners in their capacity as owners:					
Issue of share capital	3,883	-	-	-	3,883
Share based payments	-	171	-	-	171
	3,883	171	-	-	4,054
At 30 June 2011	**153,688**	**7,885**	**7,765**	**(117,289)**	**52,049**
At 1 January 2012	153,688	8,045	5,226	(107,384)	59,575
Profit/(loss) for the period	-	-	-	(1,753)	(1,753)
Other comprehensive income/(loss)	-	-	(253)	-	(253)
Total comprehensive profit/(loss) for the period, net of tax	-	-	(253)	(1,753)	(2,006)
Transactions with owners in their capacity as owners:					
Share based payments	-	434	-	-	434
	-	434	-	-	434
At 30 June 2012	**153,688**	**8,479**	**4,973**	**(109,137)**	**58,003**

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This general purpose condensed consolidated financial report for the half-year ended 30 June 2012 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 half-year financial report should be read in conjunction with the Annual Financial Report of Nido Petroleum Limited as at 31 December 2011.

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 2012 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

All new and amended Accounting Standards and Interpretations effective from 1 January 2012 have been adopted, including:

- AASB 1054 Australian Additional Disclosures
  This Standard is a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB. This standard with AASB 2011-1 relocates all Australian specific disclosures from other standards and revises disclosures in Compliance with Australian Accounting Standards, the statutory basis or reporting framework for financial statements, whether the financial statements are general purpose or special purpose, audit fees, and Imputation credits. The standard has had no impact on the financial position or performance of the Group.

- AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets
  The amendments increase the disclosure requirements for transactions involving transfers of financial assets. Disclosures require enhancements to the existing disclosures in IFRS 7 where an asset is transferred but is not derecognised and introduce new disclosures for assets that are derecognised but the entity continues to have a continuing exposure to the asset after the sale. The amendments have no impact on the financial position or performance of the Group.

Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Group.

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

	Consolidated 30 June 2012 $'000	Consolidated 30 June 2011 $'000
2. REVENUES		
(a) **Other Revenue**		
Interest revenue – other parties	39	129
(b) **Other Income**		
Insurance proceeds	15	424
Other	-	61
Total Other Income	15	485
3. EXPENSES		
(a) **Cost of Sales**		
Amortisation of oil and gas properties	1,598	3,070
Other production costs net of inventory movement	4,589	13,570
	6,187	16,640

Other production costs expense includes SC 14C1 Galoc oil field payments for the FPSO of $3,514,000 (2011: $4,767,000). It is impractical to split the non-lease components from the operating lease component.

Other production costs in the 2011 comparatives included SC 54A Tindalo oil field expenditure totalling $2,812,000 which related to expenditure associated with production activities that occurred prior to the commencement of the abandonment of the field.

	Consolidated	
	30 June 2012	30 June 2011
	$'000	$'000
3. EXPENSES - CONTINUED		
(b) **Administrative and Other Expenses**		
(i) Administrative expenses		
Employee benefits		
Wages and salaries	2,468	2,537
Defined contribution superannuation expense	204	188
Share based payments expense	434	171
Other employee benefits	84	174
Total employee benefits	3,190	3,070
Office and other expenses		
Office and other expenses	1,350	1,980
Depreciation, amortisation and impairment expenses		
Depreciation of plant and equipment	74	135
Impairment of exploration and evaluation expenditure[1]	-	6,798
Amortisation of oil and gas properties	1,598	3,070
Total Depreciation, amortisation and impairment	1,672	10,003
Less: amortisation included in cost of sales	(1,598)	(3,070)
Total Depreciation, amortisation and impairment included in other expenses	74	6,933
Lease payments		
Operating lease rental	256	238
Total Administrative Expenses	4,870	12,221
(ii) Other		
Exploration and evaluation expenditure expensed	73	-
Abandonment field expenditure[2]	-	2,737
Total other	73	2,737
Total Administrative and Other Expenses	4,943	14,958

[1] Impairment of exploration and evaluation expenditure in 2011, relates to Nido's share of SC 54B Gindara-1 well drilling and associated costs. The expenditure was impaired due to the well being deemed non-commercial.

[2] Abandonment field expenditure in 2011, relates to the abandonment of Tindalo oil field in SC 54A.

	Consolidated	
	30 June 2012	**30 June 2011**
	$'000	**$'000**

3. EXPENSES - CONTINUED

(c) Finance Costs

(i) Convertible note finance costs		
Interest expense	-	2,624
(ii) Other finance costs		
Unwind of the effect of discounting on provisions	-	7
Total finance costs	-	2,631

	Consolidated	
	30 June 2012	**31 December 2011**
	$'000	**$'000**

4. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents

Cash at bank and in hand	11,815	20,948
Short term deposits	625	613
	12,440	21,561

(b) Non-cash financing and investing activities

Proceeds from issues of equity securities from conversion of loans	-	3,883
Settlement of borrowings upon conversion	-	(3,883)

5. CONTRIBUTED EQUITY

Ordinary Shares

Issued and paid up capital: 1,390,829,818 ordinary shares (31 December 2011: 1,389,163,151 ordinary shares)	153,688	153,688

Movement of shares on issue

	Six Months Ended 30 June 2012		Year Ended 31 December 2011	
	$'000	**Number of Shares**	**$'000**	**Number of Shares**
Beginning of the period	153,688	1,389,163,151	149,805	1,340,630,321
Issued during the period				
• conversion of convertible bonds	-	-	3,883	48,532,830
• issues of new shares	-	1,666,667	-	-
End of the period	153,688	1,390,829,818	153,688	1,389,163,151

6. SHARE BASED PAYMENTS

The Company issues performance rights through the Employee Performance Rights Plan which was approved by Shareholders at the Company's Annual General Meeting in 2010. The fair value of the performance rights granted is estimated at the date of grant using a Monte Carlo simulation model taking into account the terms and conditions upon which the options and performance rights were granted. Prior to the inception of the Employee Performance Rights Plan the Company issued options pursuant to an Employee Share Option Plan although no options have been granted under that Plan since 2008.

The following performance rights were issued during the half-year:

6 Months to 30 June 2012

On 5 April 2012, 19,532,440 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. The fair value of the performance right at grant date was 4.4c.

On 1 June 2012, 3,285,446 performance rights were granted to Mr Philip Byrne, Managing Director, 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. The fair value of the performance right at grant date was 3.2c.

Rights to Future Shares - Sign on and Retention Bonus

On 29 June 2012, 1,666,667 ordinary shares (tranche #1) were issued to Mr Philip Byrne, Managing Director pursuant to a Sign-on and Retention Bonus which forms part of the employment contract entered into between Nido Petroleum Limited and Mr Philip Byrne.

Under the employment contract Mr Byrne is entitled to the grant of a total of 10,000,000 fully paid ordinary shares. The shares are to be issued in six (6) equal tranches at six (6) month intervals commencing six (6) months after the commencement of employment on 29 December 2011.

In the event of termination of Mr Byrne's employment contract by Nido (other than for cause in which case no further shares shall be issued) a maximum of 1,666,667 of any unvested shares shall be issued. In the event of termination by Mr Byrne, Nido is not obliged to issue any unvested shares.

6 Months to 30 June 2011

On 28 March 2011, 9,348,892 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) depending on the achievement of the performance hurdles during the performance period. The fair value of the performance right at grant date was 8.4c.

On 1 June 2011, 1,347,047 performance rights were granted to Mr Jocot de Dios under the Employee Performance Rights Plan. The fair value of the performance right at grant date was 10.3c. These performance rights have since been cancelled following Mr de Dios' resignation from the Company in January 2012.

7. 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 Managing Director and his leadership 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 Managing Director and his leadership 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.

7. SEGMENT INFORMATION Reportable Operating Segments Identified - continued

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; and

- 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); and
- Corporate costs.

7. SEGMENT INFORMATION - continued

The following table presents revenue and profit information for reportable segments for the half-years ended 30 June 2012 and 30 June 2011.

Operating Segments

	Production and Development $'000	Exploration and Evaluation $'000	Total Operations $'000
Half-year ended 30 June 2012			
Revenue			
Revenue from sale of crude oil - external customers	9,941	-	9,941
Total segment revenue			**9,941**
Result			
Segment result before:	5,183	(73)	5,110
Amortisation	(1,598)	-	(1,598)
Income tax expense	(1,119)	-	(1,119)
Total segment result	**2,466**	**(73)**	**2,393**
Reconciliation of segment result after tax to net profit/(loss) after tax			
Foreign currency gains/(losses)			501
Corporate costs			(4,701)
Other revenue and income			54
Net profit/(loss) after tax			**(1,753)**
Half-year ended 30 June 2011			
Revenue			
Revenue from sale of crude oil - external customers	35,899	-	35,899
Total segment revenue			**35,899**
Result			
Segment result before:	21,993	-	21,993
Amortisation	(3,070)	-	(3,070)
Impairment of exploration and evaluation expenditure	-	(6,798)	(6,798)
Abandonment field expenditure	(2,737)	-	(2,737)
Income tax expense	(4,905)	-	(4,905)
Total segment result	**11,281**	**(6,798)**	**4,483**
Reconciliation of segment result after tax to net profit/(loss) after tax			
Fair value gain/(loss) on embedded derivative			1,775
Finance costs			(2,631)
Foreign currency gains/(losses)			(5,264)
Corporate costs			(5,086)
Other revenue and income			613
Net profit/(loss) after tax			**(6,110)**

7. SEGMENT INFORMATION - continued

The following table presents segment assets.

Operating Segments	Production and Development $'000	Exploration and Evaluation $'000	Total Operations $'000
Segment Operating Assets			
30 June 2012	29,241	33,740	62,981
31 December 2011	38,146	30,617	68,763

8. DIVIDENDS PAID AND PROPOSED

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

9. CONTINGENT LIABILITIES

There have been no changes in Contingent Liabilities from those reported in the Financial Statements for the year ended 31 December 2011.

10. COMMITMENTS

Exploration Commitments:

Service Contract 54

The Philippines Department of Energy ('DOE') have agreed to extend Sub-phase 6 of Service Contract 54 for a period of twelve (12) months from 4 August 2012 to 4 August 2013.

The twelve (12) month extension will enable Nido to complete the ongoing 2D seismic processing projects over the Lawaan-Libas Prospects in SC 54A and the Pawikan Lead in SC 54B, and to fully integrate the results and implications of the new seismic data into the subsurface geological models and prospect maturation.

Service Contract 58

The DOE approved a 12-month extension of Sub-Phase 3 which now expires on 12 January 2014. PNOC Exploration Corporation (PNOC-EC) also agreed to defer the election to drill date under the Farm-in Agreement to 30 June 2013.

Service Contract 63

The SC 63 Joint Venture secured a 12 month extension to the Sub-Phase 2b expiry date. Sub-Phase 2b as amended now expires on 24 November 2013 and the Joint Venture has until 24 November 2013 to drill the relevant commitment well.

11. RELATED PARTY TRANSACTIONS

There have been no new related party transactions entered into since 31 December 2011.

12. SUBSEQUENT EVENTS

Subsequent to 30 June 2012 the following occurred:

a) The Galoc Joint Venture approved the pre-investment in Phase 2 Long Lead Items (wellheads/sub-sea and well construction material);

b) Nido signed a senior secured debt facility with Standard Bank Plc for up to US$30 million for a term of three years. The facility will provide a significant portion of Nido's share of funding for the Galoc oil field Phase 2 development, located in the offshore North West Palawan Basin, Philippines, in which Nido has a 22.879% working interest.

The Standard Bank facility is reserves based with a LIBOR plus premium interest rate, and will be available in two tranches:

- First tranche: up to US$15 million available pre Galoc Phase 2 development Final Investment Decision (FID), subject to conditions precedent and determination of the available facility amount; and
- Second tranche: increases the facility up to US$30 million available post FID, subject to approvals and determination of the available facility amount;

c) Nido has commissioned Gaffney Cline and Associates (GCA) to conduct a reserves certification of the Galoc oil field based on the latest subsurface information and production data provided by Operator GPC. GCA is expected to complete the reserves certification by the end of September 2012; and

d) The SC 63 Joint Venture secured a 12 month extension to the Sub-Phase 2b expiry date. Sub-Phase 2b as amended now expires on 24 November 2013.

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To the members of Nido Petroleum Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Nido Petroleum Limited, which comprises the balance sheet as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and 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 Half-Year 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 controls as the directors determine are 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 a Financial Report 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 2012 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, a copy of which is included in the Directors' Report.

ERNST & YOUNG

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 2012 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

RA Kirkby
Partner
Perth
31 August 2012

CORPORATE DIRECTORY

Directors

William Bloking	Chairman
David Whitby	Non-Executive Director (Resigned 1 June 2012)
Eduardo V. Mañalac	Non-Executive Director
Andrew Edwards	Non-Executive Director
Michael Ollis	Non-Executive Director
Philip Byrne	Executive Director (Appointed 1 June 2012)

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