

7 October 2010

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

Market Update

Nido Petroleum Limited (Nido) is pleased to provide the following update on the current activities of the Company.

Galoc Production

Over the past three months, the Galoc oilfield continued to produce oil at an average rate of about 8000 barrels of oil per day with a year to date uptime of approximately 91%. For the current year, seven cargoes have been lifted from the FPSO with the last lifting occurring on 20 September 2010. As at end September, the field has produced a total of 5.8 million barrels of oil, gross. The next lifting is scheduled within the first half of November.

Tindalo Sidetrack Program

As previously advised, Nido commenced drilling the Tindalo-1ST1 well on 13 September 2010. The sidetrack well was completed on 25 September 2010 and following initial testing and stimulation, which included three separate acid soaks, a maximum flow rate of 9,000 barrels of fluid per day was recorded, natural flow, with an average water cut of about 50%. Nido's technical team comprising in-house personnel and external advisers, is monitoring production rates and evaluating the results of the sidetrack.

The electric submersible pump (ESP) has been deployed following a brief shutin period, and has been switched on to increase fluid production. The joint venture is assessing other options to mitigate water production.

Service Contract 54B

Preparations are progressing for the drilling of the Gindara prospect within the first half of 2011 even though Nido is not required to drill a well in SC 54 until August 2011. Long lead items for the drilling campaign are being acquired and a search for drill rigs has commenced.

Service Contract 58

The Company has just released the preliminary results of the seabed coring program which was completed in May 2010. The preliminary results are positive with numerous cores exhibiting micro-seepage of mature hydrocarbons. The majority of cores exhibiting micro-seepage are located above the most prospective areas of the block, indicating the presence

For personal use only

of mature and generative source rocks in close proximity to the main prospects identified by seismic work. Work is ongoing to finalize the results of the geochemical analysis in the coming weeks.

Service Contract 63

The Company is continuing its work on the interpretation of the Kayawan 3D seismic data with the purpose of identifying the most likely drilling candidates in next year. The SC 63 Joint Venture has commissioned UK based structural geology experts Midland Valley to assist with the subsurface structural interpretation of the 3D seismic area. Nido is also working closely with the Philippine National Oil Company Exploration Corporation to plan for the drilling of a well in this Block.

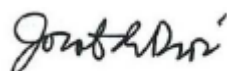
Potential Farmout Update

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

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

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

Yours sincerely,



Jocot de Dios
President & CEO

SC 54A Working Interests

Company	Working Interest
Nido Petroleum Philippines Pty Ltd (Nido, ASX: NDO) - Operator	42.4%
Yilgarn Petroleum Philippines Pty Ltd, (Kairiki, ASX: KIK)	30.1%
Trafigura Ventures III BV (Trafigura)	15.0%
TG World (BVI) Corporation (TG World)	12.5%

SC 54B Working Interests

Company	Working Interest
Nido Petroleum Philippines Pty Ltd (Nido, ASX: NDO) - Operator	60%
Yilgarn Petroleum Philippines Pty Ltd, (Kairiki, ASX: KIK)	40%