Nido Petroleum Limited

2013 ANNUAL REPORT

Development and Production

The Galoc oil field Phase II project was completed safely, on schedule and within the Project Budget by the Operator, Galoc Production Company WLL.

Production from the Galoc 5-H and 6-H wells commenced on 5 December 2013 with a combined initial rate from the producing wells of 14,500 bopd (gross).

Exploration and Appraisal

Gaffney Cline & Associates ('GCA') completed the West Linapacan 'A' oil field reserve assessment in September 2013, with 1P, 2P and 3P reserves estimated at 9.6, 16.51 and 21.03 mmstb respectively on a gross basis (1.94 mmstb, 3.2 mmstb and 3.93 mmstb net to Nido).

The Baragatan prospect in SC 63 was approved by the Joint Venture and in December 2013 the 'UMW Naga 5' jack-up rig was contracted to drill the Baragatan well in mid-2014.

Health, Safety, Security and Environment (HSSE)

The Company achieved excellent HSSE performance across all assets and activities during 2013 and the Total Recordable Injury Frequency Rate (TRIFR) for 2013 was zero compared with the Australian National Offshore Petroleum Safety and Environment Management Authority (NOPSEMA) benchmark of 6.7.

Solicitors

Clayton Utz
QV1
250 St Georges Terrace
Perth WA 6000
T +61 8 9426 8000
F +61 8 9481 3095

Romulo Mabanta Law Office
30th Floor, Citibank Tower
8741 Paseo de Roxas
Makati City
Philippines
T +63 2 848 0114
F +63 2 810 3110

Share Registry

Computershare Limited
Level 2
45 St George's Terrace
Perth WA 6000
T +61 8 9323 2000
F +61 8 9323 2033

Securities Exchange Listing

The Company's securities are listed on the official list of the ASX Limited.

Auditors

Ernst & Young
The Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000
T +61 8 9429 2222
F +61 8 9429 2436

Nido Petroleum Limited

ABN 65 086 630 373

Directors

William Bloking
Non-Executive Chairman

Philip Byrne
Managing Director

Eduardo Mañalac
Non-Executive Director

Andrew Edwards
Non-Executive Director

Michael Ollis
Non-Executive Director

Company Secretary

John Newman

Officers

Ashley Gilbert
Chief Financial Officer

Registered and Principal Office

Aquila Centre
Level 3
1 Preston Street
COMO WA 6152
T +61 8 9474 0000
F +61 8 9474 0099
E nido@nido.com.au
W www.nido.com.au

2013 ANNUAL REPORT

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2013 SUMMARY

PRODUCTION

- The Galoc Phase II Project was successfully completed with production from the Galoc 5-H and 6-H wells commencing on 5 December, with a combined initial rate from the 4 producing wells of 14,500 bopd (gross).
- A total of 1,723,063 bbls (gross) (394,229 bbls net to Nido) were produced from the Galoc oil field in 2013 with an average uptime of 98%.
- Revenue from crude oil sales increased by 12.7% from the previous year to $40.912 million.
- Nido's remaining net entitlement interest share of 1P reserves at the Galoc oil field was 2.2mmstb as at year-end 2013[1].
- The Nido and Matinloc oil fields continued to produce oil on a cyclical basis. Oil production from these fields during the year totalled 150,682 bbls of oil (37,721 bbls net to Nido).

DEVELOPMENT

- The "Ocean Patriot" semi-submersible drilling rig mobilised to the Galoc oil field in late May 2013 and commenced drilling of the G-5H and G-6H Galoc development wells on 4 June 2013.
- The Galoc oil field Phase II project was completed safely, on schedule and within the Project Budget by the Operator, Galoc Production Company WLL.

EXPLORATION AND APPRAISAL

- Gaffney Cline & Associates ('GCA') completed the West Linapacan 'A' oil field reserve assessment in September 2013, with 1P, 2P and 3P reserves estimated at 9.6, 16.51 and 21.03 mmstb respectively on a gross basis (1.94 mmstb, 3.2 mmstb and 3.93 mmstb net to Nido)[2].
- Nido expanded its exploration portfolio into Indonesia by farming into three blocks operated by Lundin Petroleum B.V. in July 2013 which will lead to the drilling of 2 wells and an exploration side-track well in 2014.
- The Baragatan prospect in SC 63 was approved by the Joint Venture and in December 2013 the 'UMW Naga 5' jack-up rig was contracted to drill the Baragatan well in mid-2014.
- The Operator of the Galoc oil field completed a review of the exploration potential of the area to the north of the main producing area of the Galoc oil field, with two attractive near-field exploration prospects defined.

HEALTH, SAFETY, SECURITY AND ENVIRONMENT (HSSE)

- The Company achieved excellent HSSE performance across all assets and activities during 2013 and the Total Recordable Injury Frequency Rate (TRIFR) for 2013 was zero compared with the Australian National Offshore Petroleum Safety and Environment Management Authority (NOPSEMA) benchmark of 6.7.

CORPORATE AND FINANCIAL

- Cash on hand at year end was $25.354 million and debt drawn under the reserves based lending facility was $21.729 million during the year.
- Gross profit from continuing operations for the 2013 year was $16.544 million, and net profit was $20.017 million.
- Employee benefits and other overhead costs for the year were $7.520 million ($8.959 million for the year-ended 31 December 2012).
- In the first quarter of 2013 the $6.0 million Share Purchase Plan (and Share Purchase Plan Shortfall) and the $5.984 million Conditional Tranche of the November 2012 placement were successfully completed.
- On 31 January 2013 the reserves based debt facility with Standard Bank converted from a maximum US$15.0 million (Tranche 1) to a maximum of US$30.0 million (Tranche 2). During the year Credit Suisse AG syndicated into the facility and Raiffeisen Bank, a leading Austrian financial institution, assumed Standard Bank's share of the debt.

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[1] Refer to the Annual Reserves Statement on page 5.

[2] Refer to the Annual Reserves Statement on page 5.

CHAIRMAN'S LETTER

Dear Shareholder,

I am pleased to present to you the Company's 2013 Annual Report.

The highlight of the year was the successful completion of the Galoc Phase II project and the commencement of production from the Galoc-5H and Galoc-6H wells in December 2013. This resulted in Nido's net oil production increasing from around 900 barrels of oil per day (bopd) to over 2,700 bopd.

Importantly the project was completed safely, on schedule and within the project budget by the Operator, Galoc Production Company W.L.L. This achievement should be viewed in the context of a number of challenges faced by the SC 14C1 Joint Venture, including the passage of Super Typhoon Haiyan directly over the Galoc oil field during the Phase II commissioning stage.

The commencement of Galoc Phase II production was a significant milestone for the Company and puts Nido on a sound footing to fund its extensive work programme for the 2014 year, which includes four exploration wells.

During the year, the SC 63 Joint Venture and the Philippines Department of Energy approved the Baragatan prospect as the drilling candidate to meet the sub-phase 2b commitment well. The Company commenced planning and procurement for the drilling campaign, culminating in the execution by Nido, as technical operator on behalf of the SC 63 Joint Venture, of a binding rig contract with UMW Standard Drilling Sdn Bhd for the jack up rig "UMW Naga 5". Nido expects the Baragatan prospect to be drilled in the second quarter of 2014.

Subsequent to year-end, the Company concluded a farm-in agreement with Dragon Oil Limited with respect to the Baragatan prospect. Subject to the finalisation of the various conditions precedent, the farm-in agreement will ensure that the Company is carried for the majority of the costs of the Baragatan well, and it also delivers on our strategy to retain more manageable levels of interest in our contract areas.

> "The highlight of the year was the successful completion of the Galoc Phase II project and the commencement of production from the Galoc-5H and Galoc-6H wells in December 2013. This resulted in Nido's net oil production increasing from around 900 barrels of oil per day (bopd) to over 2,700 bopd."

Nido continued to consider new petroleum interests and acreage in the South-East Asia region with a view to augmenting the Company's current portfolio of exploration, development and production assets. To this end, the Company farmed into three Production Sharing Contracts (PSCs) in Indonesia operated by Lundin Petroleum, namely the Baronang, Cakalang and Gurita PSCs, in June 2013. These farmins will see Nido participate in three near-term exploration wells in 2014, including an exploration well and a side-track targeting the Balqis and Boni prospects in the Baronang PSC, and an exploration well targeting the Gobi prospect in the Gurita PSC.

In relation to West Linapacan A, the Operator of the field, RMA West Linapacan Pte Ltd, progressed front end engineering and design (FEED) work during the year and Gaffney Cline & Associates completed an independent assessment of Nido's net entitlement share of reserves. As at 31 December 2013, Nido's share of 1P (Proven) and 2P (Probable) reserves stand at 1.94 million stock tank barrels (mmstb) and 3.20 mmstb, respectively. The Company looks forward to an investment decision being made in 2014 in relation to a re-development of the field.

Consistent with the Company's strategy to rationalise its exploration portfolio, Nido entered into sale and purchase agreements with Colossal Petroleum Corporation for the divestment of the Company's entire interest in Blocks A, B, B Retention and D of Service Contract 14 as well as Block A of Service Contract 54. As at year-end the sale remained subject to Joint Venture and Government approval.

During 2013, the Company also continued its longstanding tradition of supporting the communities in the countries in which it operates by contributing to the Philippines emergency relief efforts in the aftermath of Typhoon Haiyan. In this context, we provided financial support to the Philippines Red Cross.

Finally, I would like to thank my fellow Directors, our Leadership Team and our staff for their continued commitment to the Company. I would also like to thank the shareholders of Nido for their continued support of the Company and I look forward in particular to updating you further on the results of the four exploration wells that we will be drilling in Indonesia and the Philippines in 2014. Without doubt, 2014 will be a pivotal year for the Company.

Yours sincerely

William J. Bloking

WILLIAM BLOKING FAICD
CHAIRMAN
13 March 2014

ANNUAL RESERVES STATEMENT

During the year, the Company's Reserve position materially increased following an Independent Reserve and Resource assessment as at 30 June 2013 of the West Linapacan oil field in SC 14C2 completed by Gaffney Cline & Associates ("GCA"). The West Linapacan Independent Reserves and Resource assessment was released to the market in September 2013.

The West Linapacan oil field, which had produced 8.5 million barrels before being shut-in in 1996 due to low oil price and high water cut, is being considered by the SC 14C2 Joint Venture as a potential re-development project. The development concept being considered by the SC 14C2 Joint Venture includes the drilling of two horizontal wells in to the Linapacan Limestone reservoir tied back to a permanently moored FPSO. At the end of the year Operator RMA West Linapacan Pte Ltd was progressing Front End Engineering and Design (FEED) studies with an investment decision expected to be made by the SC 14C2 Joint Venture in the first half of 2014.

Another key milestone was reached at the Galoc oil field SC 14C1 during 2013 with the completion of the Galoc Phase II development project in late November with oil production from the Phase II development commencing on 5 December 2013. The Galoc Phase II development involved the drilling of two new horizontal wells (Galoc-5 and Galoc-6) into the central part of the field. These two wells were tied into the upgraded subsea production infrastructure and tied-back along with the existing Galoc-3ST1 and Galoc-4 production wells to the FPSO "Rubicon Intrepid".

With the commencement of Phase II production, the Company engaged GCA to undertake a year-end Independent Reserves assessment of the field incorporating all available subsurface data including a new 3D seismic interpretation of the field, a revised geological model, updated static and dynamic reservoir model and production history from the Phase I and Phase II development wells.

During the year, the Galoc field produced 1.72 million barrels of oil. After accounting for production, on a gross basis, the 1P Reserves as at 31 December 2013 are assessed by GCA to have increased by 1.57 million stock tank barrels (mmstb) with the 2P Reserves, on a gross basis, remaining essentially unchanged compared with 31 December 2012.

GCA has completed its Independent Reserves Assessment of the Galoc and West Linapacan oil fields in accordance with the SPE/WPC/AAPG/SPEE Petroleum Resource System (SPE PRMS) Definitions and Guidelines and the ASX Listing Rules including recently implemented Listings Rules 5.25 - 5.44 where applicable.

The Company also updated its governance arrangements during the 2013 year with respect to the reporting of reserves and resources. Specifically the Company amended the Charter of the Audit and Risk Management Committee so that the Committee is tasked with the responsibility of overseeing and reviewing on an annual basis the Company's compliance with the relevant standards applicable for reserves and resources reporting including oversight of the Company's Annual Reserves Statement.

In this context Dr Michael Ollis was appointed as a member of the Audit and Risk Management Committee in November 2013 so as to bolster the Committee's technical expertise with respect to reserves and resources reporting.

ANNUAL RESERVES STATEMENT

The table below summarises the Company's Reserve and Resource position for the Galoc and West Linapacan oil fields as at 31 December 2013 and compared with 31 December 2012 where applicable.

SC 14C1: GALOC OIL FIELD	Net Oil Reserves as at 31 December 2012 (MMstb)*	Oil Production (MMstb)	Revisions / Additions (MMstb)	Net Oil Reserves as at 31 December 2013 (MMstb)
DEVELOPED RESERVES				
Proved (1P)	0.91	(0.39)	1.68	2.20
Proved plus Probable (2P)	1.33	(0.39)	1.76	2.70
Proved plus Probable plus Possible (3P)	1.77	(0.39)	2.22	3.60
UN-DEVELOPED RESERVES				
Proved (1P)	1.03	-	(1.03)	-
Proved plus Probable (2P)	1.87	-	(1.87)	-
Proved plus Probable plus Possible(3P)	2.87	-	(2.87)	-

* Galoc Reserves Assessment as at 31 December 2012 by Odin Reservoir Consultants Pty Ltd.

SC 14C2: WEST LINAPACAN OIL FIELD

			UN-DEVELOPED RESERVES	
Proved (1P)	-	-	1.94	1.94
Proved plus Probable (2P)	-	-	3.20	3.20
Proved plus Probable plus Possible (3P)	-	-	3.93	3.93

SC 14C1 & SC 14C2

TOTAL RESERVES				
Proved (1P)	1.94	(0.39)	2.59	4.14
Proved plus Probable (2P)	3.20	(0.39)	3.09	5.90
Proved plus Probable plus Possible (3P)	4.64	(0.39)	3.28	7.53

SC 14 C2: WEST LINAPACAN OIL FIELD	Oil Contingent Resources as at 31 December 2012 (MMstb)		Revisions/ Additions (MMstb)	Oil Contingent Resources as at 31 December 2013 (MMstb)
OIL CONTINGENT RESOURCES – Intermediate Limestone (ILS) & Linapacan Limestone (LLS)				
1C	-	-	0.3	0.3
2C	-	-	1.0	1.0
3C	-	-	3.3	3.3

1. In accordance with ASX Listing Rule 5.44, the Company confirms that the hydrocarbon reserves information contained in this document in relation to the Galoc and West Linapacan oil fields is based on, and fairly represents, information and supporting documentation prepared by Gaffney, Cline & Associates under the supervision of Mr Stephen M. Lane. Mr Lane holds a B.Sc. (Hons.) degree in Geology, is a Technical Director of Gaffney Cline & Associates, is a member of the Society of Petroleum Engineers and has over thirty-five years' experience in the sector. Mr Lane is not an employee of the Company and consented in writing to the inclusion of the hydrocarbon reserves information in the form and context in which it appears in this Annual Report.
2. The hydrocarbon Reserves and Resource information outlined above does not comply with Canadian or US standards of disclosure for oil and gas.
3. Oil volumes are quoted in millions of stock tank barrels (mmstb) and no account has been taken of losses for fuel or shrinkage.
4. Oil Reserves estimates for Galoc and West Linapacan fields at 31 December 2013 are provided on the basis of Nido's Net Entitlement Share due to the subtraction of the Government's entitlement. Nido's Net Entitlement Share of oil Reserves for Galoc field were not estimated as part of the 31 December 2012 Reserves assessment by Odin Reservoir Consultants Pty Ltd.
5. Oil Reserves estimates for the Nido and Matinloc oil fields have not been undertaken as Nido's net entitlement share of these reserves is negligible and in any event the assets are the subject of sale and purchase agreements awaiting Government and partner approval.

COMPANY'S PERMIT INTEREST TABLE

The following table summarises the Company's equity interests in its permits as at 31 December 2013:

PHILIPPINES

Permit	Basin	Nido Interest (%)	Approx. Net Area (sq. km.)	Operator
SC 14 Block A	North West Palawan	22.49 [9]	5	Philodrill [1]
SC 14 Block B	North West Palawan	28.28 [9]	44	Philodrill [1]
SC 14 Block C-1 [2]	North West Palawan	22.88	40	GPC [3]
SC 14 Block C-2 [4]	North West Palawan	22.28	37	RMA [5]
SC 14 Block D	North West Palawan	31.42 [9]	55	Philodrill [1]
SC 6B	North West Palawan	7.81	43	Philodrill [1]
SC 54A	North West Palawan	42.40 [9]	441	Nido
SC 54B	North West Palawan	60.00	1,897	Nido
SC 58	North West Palawan	50.00 [6]	6,743	Nido [7]
SC 63	North West Palawan	50.00 [10]	5,336	PNOC [8]

[1] The Philodrill Corporation

[2] Galoc Block

[3] Galoc Production Company WLL

[4] West Linapacan Block

[5] RMA West Linapacan Pte Ltd (RMA (HK) Limited's interest was assigned to RMA West Linapacan Pte Lte during the year)

[6] Subject to Nido completing its obligation under its Farm-in Agreement with PNOC Exploration Corporation

[7] SC 58 operatorship reverts to PNOC Exploration Corporation upon completion of Nido's farm-in obligations

[8] PNOC Exploration Corporation

[9] Nido entered into a sale agreement with Colossal Petroleum on 25 November 2013 for the sale of its participating interests in Block A, Block B, Block B Retention and Block D Retention of Service Contract 14, together with its participating interest in Service Contract 54A. The sale remains subject to Joint Venture and Government approvals which were outstanding at 31 December 2013

[10] Subsequent to 31 December 2013, Nido entered into a farm-out agreement with Dragon Oil to divest a 40% interest in SC 63

INDONESIA

Permit	Basin	Nido Interest (%)	Approx. Net Area (sq. km.)	Operator
Baronang PSC	West Natuna Basin	10.00 [4]	283	Lundin Petroleum [1]
Cakalang PSC	West Natuna Basin	10.00	337	Lundin Petroleum [2]
Gurita PSC	Penyu Sub-Basin	10.00	802	Lundin Petroleum [3]

[1] Lundin Baronang BV

[2] Lundin Cakalang BV

[3] Lundin Gurita BV

[4] Subsequent to year-end Nido exercised its right to increase its participating interest to 15%. This increase remains subject to regulatory approval in Indonesia.

PRODUCTION AND DEVELOPMENT - PHILIPPINES

2013 PRODUCTION SUMMARY

FIELD	Gross Oil Production		Net Production to Nido	
	Year Total bbls	Average Daily bopd	Year Total bbls	Average Daily bopd
Galoc	1,723,063	4,721	394,229	1,080
Nido & Matinloc	150,682	413	37,721	103
TOTAL	**1,873,745**	**5,134**	**431,950**	**1,183**

GALOC – SC 14 BLOCK C1, NORTH WEST PALAWAN BASIN, PHILIPPINES

The Company's wholly owned subsidiary, Nido Production (Galoc) Pty Ltd holds a 22.879% interest in Service Contract SC 14C1 which contains the Galoc oil field development.

Production Activities

The average production uptime for the year was over 98% and the gross average daily production was 4,721 bopd, with total oil produced of 1.7 mmbbls (gross) and cumulative production from the initial start-up in 2008 to the end of the year of 11.7 mmbbls.

Revenue from crude oil sales relating to the Galoc oil field totalled $37.9 million for the year (2012: $33.9 million).

Phase II Development

During the year the SC 14C1 Joint Venture completed the Galoc Phase II development project which included the drilling of two new horizontal wells into the field (G-5H and G-6H). The "Ocean Patriot" semi-submersible drilling rig mobilised to the Galoc oil field in late May 2013, commenced drilling the G-5H and G-6H Galoc development wells on 4 June 2013 and was demobilised at the end of October 2013.

Production from Phase II commenced on 5 December 2013 at an initial rate of 14,500 bopd following the successful commissioning of the Galoc 5-H and Galoc 6-H production wells. At the end of the year, well testing was continuing in order to optimise production from the four producing wells. Average production from the commencement of Phase II production to the end of the year was 10,808 bopd.

The project was completed safely, on schedule and within budgetary expectations by the Operator, Galoc Production Company WLL, notwithstanding many challenges including the passage of Super Typhoon Haiyan directly over the field in November 2013.

During the year, the Operator completed a review of the exploration potential of the area to the north of the main Galoc field. Two attractive near-field exploration prospects were defined (Galoc-Mid and Galoc North prospects). Further work is being undertaken by the Operator to optimise drilling locations, defining rig operating criteria and timing of drilling.

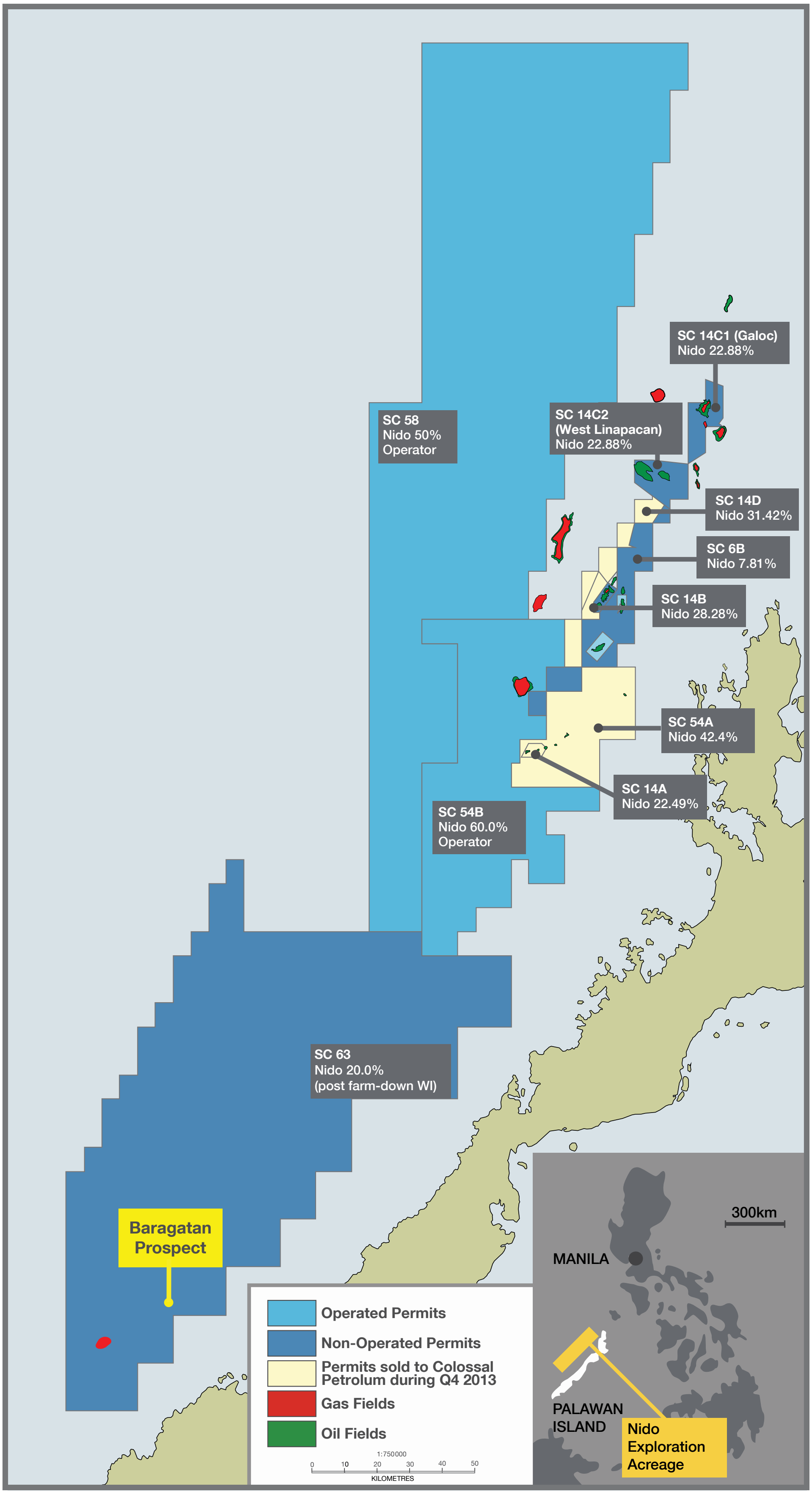
NIDO AND MATINLOC – SC 14 BLOCKS A & B, NORTH WEST PALAWAN BASIN, PHILIPPINES

During the year the Company entered into a sale and purchase agreement with Colossal Petroleum in order to divest its entire interest in Block A, Block B, Block B Retention and Block D Retention of Service Contract 14. The agreement was part of a series of transactions that will also see Colossal Petroleum acquire Nido's 42.4% working interest in the SC 54A block.

In consideration for the sale of these assets Nido will receive $3.0 million and Colossal Petroleum is required to assume the abandonment obligations and liabilities with respect to the relevant blocks in SC 14 including the Nido and Matinloc oil fields.

During 2013, both fields produced a combined total of 150,682 bbls (37,721 net to Nido), averaging 413 bopd (approximately 103 bopd net to Nido). Revenue from crude oil sales relating to the Nido and Matinloc fields totalled $3.0 million for the year (2012: $2.4 million).

As part of the terms of the sales and purchase agreement Nido is entitled to receive the revenue derived from sales of oil inventories held by the SC 14 Blocks A & B Joint Venture's prior to Government approval of the transfer of the relevant interests.


SC 14C1 (Galoc)
Nido 22.88%
SC 58
Nido 50%
Operator
SC 14C2
(West Linapacan)
Nido 22.88%
SC 14D
Nido 31.42%
SC 6B
Nido 7.81%
SC 14B
Nido 28.28%
SC 54A
Nido 42.4%
SC 14A
Nido 22.49%
SC 54B
Nido 60.0%
Operator
SC 63
Nido 20.0%
(post farm-down WI)
Baragatan
Prospect
Operated Permits
Non-Operated Permits
Permits sold to Colossal
Petrolum during Q4 2013
Gas Fields
Oil Fields
KILOMETRES
300km
MANILA
PALAWAN
ISLAND
Nido
Exploration
Acreage

EXPLORATION & APPRAISAL

Significant progress was made in a number of key areas of the Company's exploration and appraisal program in 2013. In particular the following were of note:

- The West Linapacan 'A' oil field in SC 14C2 received an independent reserves and resources assessment from Gaffney Cline & Associates ('GCA') as at 30 June 2013;
- Nido expanded its exploration portfolio into Indonesia by farming into three blocks operated by Lundin Petroleum B.V. in July 2013 which will lead to the drilling of 2 wells and an exploration side-track well in 2014;
- The Baragatan-1 exploration prospect in SC 63 was approved by the Joint Venture and the 'UMW Naga 5' jack-up rig was contracted in December 2013 to drill the well in mid-2014; and
- Nido commenced a farm-out initiative with respect to SC 63 in the second half of 2013 which subsequent to year end resulted in the Company announcing in January 2014 the signing of a farm-out agreement with Dragon Oil.

The key outcomes from the Company's 2013 activities were the delivery of a four well exploration drilling program for 2014 as well as the advancement of the re-development of the West Linapacan oil field which is currently in the front end engineering and design work (FEED) stage of the project.

The Company plans to continue to evaluate selective New Venture opportunities during 2014 as part of its longer term strategy to replenish and grow its asset base primarily within the South East Asian region, but also in other areas where material value can be identified.

SC 14 BLOCK C2 – WEST LINAPACAN, NORTH WEST PALAWAN BASIN, PHILIPPINES

The Company's wholly owned subsidiary Nido Production (Galoc) Pty Ltd holds a 22.279% working interest in the West Linapacan block.

During the year the Operator, RMA West Linapacan Pte Ltd completed its extensive detailed reservoir simulation modelling studies of the West Linapacan oil field culminating in the finalisation by Gaffney Cline & Associates ('GCA') of a reserves and resources assessment for the West Linapacan 'A' field as at 30 June 2013.

GCA estimates the field's 1P reserves at 9.6 mmstb on a gross basis (1.94 mmstb net to Nido). These reserves are all sub-classified as undeveloped. The 2P and 3P reserves are estimated at 16.51 and 21.03 mmstb respectively on a gross basis (3.2 mmstb and 3.93 mmstb net to Nido)*.

With the booking of the West Linapacan 'A' reserves in 2013, this has significantly increased the Company's net entitlement reserves position at the 1P and 2P level.

Following the completion of the reserves report the SC 14C2 Joint Venture continued with front end engineering and design work (FEED) in respect of the re-development of the West Linapacan 'A' field in order to reach an investment decision in 2014.

SC 54 BLOCK A – SC 54A, NORTH WEST PALAWAN BASIN, PHILIPPINES

During the year the Company entered into a sale and purchase agreement with Colossal Petroleum Corporation to divest its entire 42.4% working interest in the SC 54A block.

The agreement was part of a series of transactions that will see Colossal acquire Nido's interest in SC 54A and Block A, Block B, Block B Retention and Block D Retention of Service Contract 14.

In consideration for the sale of these assets Nido will receive $3.0 million and Colossal is required to assume the significant abandonment obligations and liabilities with respect to the relevant blocks in SC 14 including the Nido and Matinloc oil fields.

As at year-end, the sale remained subject to Government and Joint Venture approvals.

During the year the Philippine Department of Energy (DOE) also agreed to extend Sub-Phase 6 by a further period of 12 months, with Sub-Phase 6 now expiring on 4 August 2014.

SC 54B, NORTH WEST PALAWAN BASIN, PHILIPPINES

The Company's wholly owned subsidiary Nido Petroleum Philippines Pty Ltd holds a 60% working interest in this block.

During the year work was undertaken to better constrain depth conversion sensitivities at the Top Nido stratigraphic level across the greater Pawikan area. This work was completed in the second half of 2013.

There is no firm work commitment related to the SC 54B block in either the current Sub-Phase 6 or in Sub-Phase 7.

SC 58, NORTH WEST PALAWAN BASIN, PHILIPPINES

The Company's wholly owned subsidiary, Nido Petroleum Philippines Pty Ltd, holds a 50% working interest in the SC 58 block.

Nido's working interest is dependent upon the completion of its obligations under the Farm-in Agreement with PNOC Exploration Corporation (PNOC-EC) dated 17 July 2006 (which includes payment of 100% of the costs of drilling an exploration well in Sub-Phase 3).

In December 2013, the Department of Energy (DOE) approved an 18 month extension of Sub-Phase 3, which now expires on 19 July 2015.

*Refer to the Annual Reserves Statement on page 5.

SC 63, NORTH WEST PALAWAN BASIN, PHILIPPINES

The Company's wholly owned subsidiary Nido Petroleum Philippines Pty Ltd currently holds a 50% working interest in the SC 63 block.

During the year, work continued on maturing drilling prospects within the block. In this context the Baragatan prospect was presented to the Joint Venture as the leading candidate for the SC 63 commitment well and was approved by the Joint Venture and the DOE as the drilling target.

The Baragatan prospect is a large well defined fault block with the objective reservoir being Pagasa sandstones which are analogous to the producing reservoir at the Galoc oil field.

By year-end the Joint Venture was actively preparing for the drilling of the Baragatan well with the Joint Venture securing the "UMW Naga 5" to drill the Baragatan well in the first half of 2014.

The DOE also granted the SC 63 Joint Venture a further 12 month extension of Sub-Phase 2b and Sub-Phase 2b as amended expires on 24 November 2014 allowing the Joint Venture ample time to drill the commitment well prior to making a decision as to whether to enter Sub-Phase 3.

The Company commenced a farm-out initiative with respect to its acreage in SC 63 in the second half of 2013, with the Company in advanced discussion with an interested party at year end. Subsequent to year end the Company signed a farm-out agreement with Dragon Oil which remains subject to Government and other Joint Venture approvals.

SC 6 BLOCK B - BONITA, NORTH WEST PALAWAN BASIN, PHILIPPINES

The Company's wholly owned subsidiary Nido Petroleum Philippines Pty Ltd holds a 7.81% working interest in Block B of SC 6. This block contains the East Cadlao prospect, a possible extension of the Cadlao oil field, located in the adjacent SC 6 block which Nido is not a participant in, and a number of Nido Pinnacle reef exploration targets.

During the year the SC 6B Joint Venture commenced a geological and geophysical review of the block including the re-interpretation of seismic and available well data. The results of the review are expected to provide an assessment of the resource potential of the block.

EXPLORATION & APPRAISAL - INDONESIA

During the year the Company acquired a 10% participating interest in 3 separate Production Sharing Contracts (PSCs), offshore Indonesia, from Lundin Petroleum.

Under the agreements, the Company will earn a 10% participating interest in the 3 PSCs in the Penyu and West Natuna basins and will participate in a work program in 2014 with 2 wells and an additional side track.

Nido has the right to increase its stake up to 20% in each PSC provided the Company exercises its right no later on completion of the running of the 13 3/8" casing point for the first well to be drilled in each of the contract areas.

BARONANG PRODUCTIONS SHARING CONTRACT

The Company's wholly owned subsidiary Nido Petroleum Indonesia (Baronang) Pty Ltd holds a 10% working interest in the Baronang PSC.

The key prospects in the Baronang PSC, located in shallow water depths of 80m or less, are directly analogous with the producing fields in the adjacent Kakap PSC that were originally discovered by Marathon in 1978. In 2010 the K-fields in the Kakap PSC produced at around 4,300 barrels of oil and condensate per day and 60 million cubic feet of natural gas.

Lundin Petroleum has identified a portfolio of structural and stratigraphic traps located adjacent to a proven oil generating kitchen that will be targeted by the drilling of Balqis and Boni prospects in early 2014.

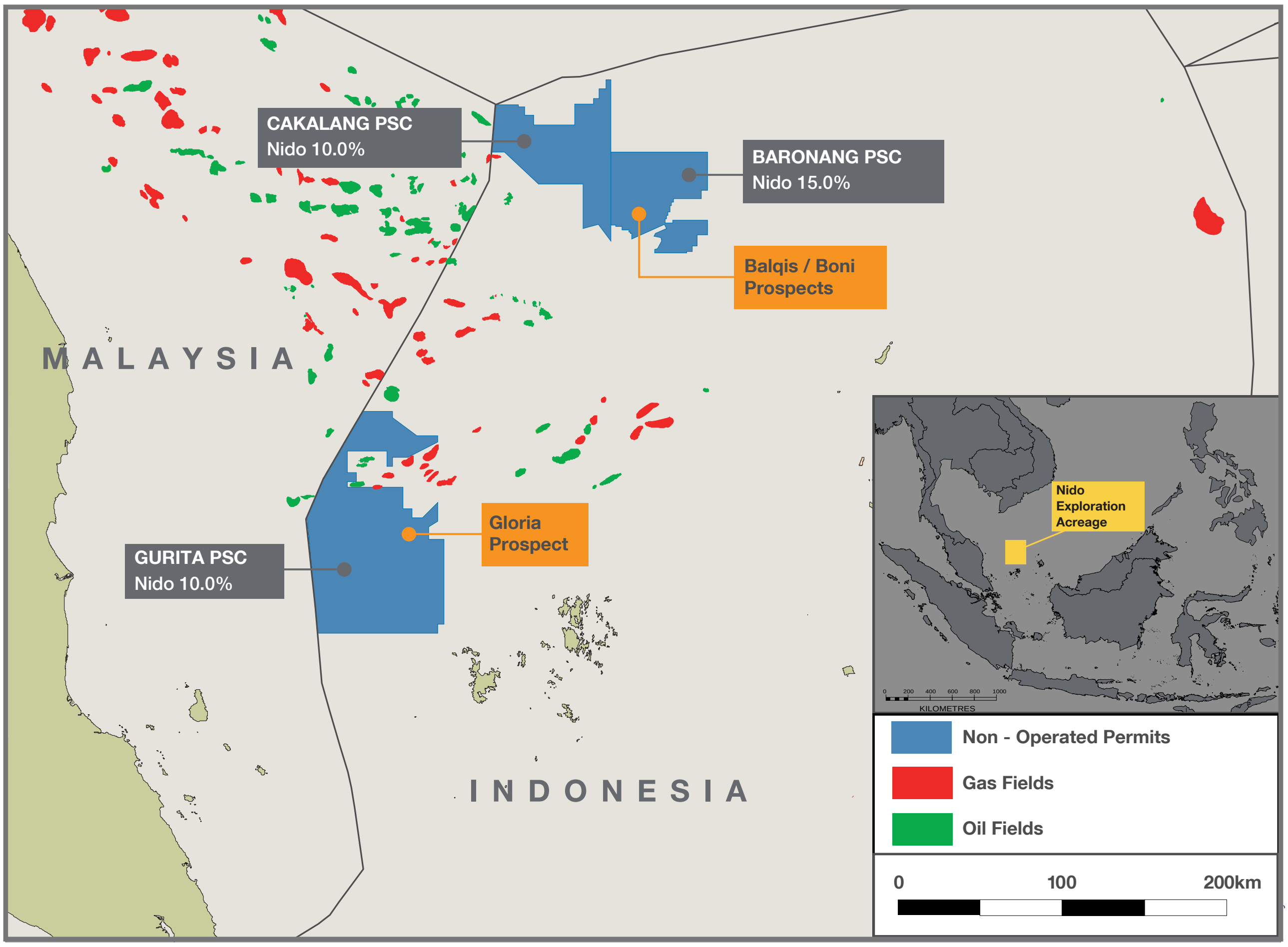
Subsequent to year-end the Hakuryu 11 jack-up rig was mobilised to the Baronang PSC from Vietnam. The Balqis-1 well was spudded on 17 February 2014 and the results of the well were released to the market on 4 March 2014. The Company also exercised its right to increase its participating interest from 10% to 15%. The increase in participating interest remains subject to regulatory approval in Indonesia.

CAKALANG PRODUCTIONS SHARING CONTRACT

The Company's wholly owned subsidiary Nido Petroleum Indonesia (Cakalang) Pty Ltd holds a 10% working interest in the Cakalang PSC.

The Cakalang PSC covers an area of 3,371 km^2 and is adjacent to the Baronang PSC. Water depths range from 50 to 80 m. Although there has been no drilling in the block to date, several oil and gas discoveries have been made nearby (in Indonesia, Malaysia and Vietnam) confirming the presence of active petroleum systems in the area.

The JV's current focus is on upgrading the prospects and leads portfolio identified from earlier 2D seismic.



GURITA PRODUCTIONS SHARING CONTRACT

The Company's wholly owned subsidiary Nido Petroleum Indonesia (Gurita) Pty Ltd holds a 10% working interest in the Gurita PSC.

The Gurita PSC, located in shallow water depths of 80m or less, has a number of major oil and gas discoveries adjacent to it such as the Belida Field to the north east which had ~350MMbbl reserves and reached peak production of around 140,000 bopd.

Lundin Petroleum has identified a large number of potential targets in the Gurita PSC and the Joint Venture will drill the Gobi-1 prospect in the second half of 2014.

HEALTH, SAFETY, SECURITY AND ENVIRONMENT (HSSE)

HSSE performance for 2013 based on 49,912 man hours resulted in zero fatalities, zero Lost Time Injuries and a Total Recordable Injury Frequency Rate ('TRIFR') of zero.

DIRECTORS' REPORT

The Directors of Nido Petroleum Limited are pleased to present the Annual Financial Report for the year ended 31 December 2013.

DIRECTORS

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

WILLIAM BLOKING
FAICD

Bachelor of Science, Mechanical Engineering (Summa cum Laude) (University of South Carolina)
Chairman (Appointed 15 May 2009, previously Non-Executive Director appointed 6 February 2008)
Member and former Chairman, Remuneration and Nomination Committee (Appointed as Chairman on 21 January 2010 and resigned as Chairman on 7 March 2013)
Member, Audit & Risk Management Committee (Appointed 6 September 2010)

Bill has over 40 years of experience in the energy sector, 33 of those with ExxonMobil and the BHP Billiton Group, holding senior executive positions in Australia, Asia, South America and the United States. Until his retirement in January 2007, Bill was President of Australia/Asia Gas at BHP Billiton Petroleum, where he had overall strategic, commercial and corporate accountability for BHP Billiton's international LNG business and its domestic gas business in Australia.

Bill is currently the Managing Director of Gunson Resources Limited (appointed 1 August 2013), Executive Chairman and President of KAL Energy, Inc. (appointed 26 June 2007), he is a Non-Executive Director of Challenger Energy Limited (appointed 27 February 2014) and the West Australian Symphony Orchestra (appointed 19 August 2005). He is also a Fellow of the Australian Institute of Company Directors.

Bill was formerly the Managing Director of Eureka Energy Limited (appointed 22 February 2012, resigned 20 June 2012), a Non-Executive Director of the Lions Eye Institute (appointed 1 October 2003 and resigned 17 April 2013) and Chairman of Transerv Energy Limited (appointed 14 March 2011 and resigned 19 November 2013).

He was also formerly a Non-Executive Director of the John Holland Group (appointed 1 January 2007, resigned 7 November 2012) and Miclyn Express Offshore Limited (appointed 19 February 2010, resigned 29 October 2012).

PHILIP BYRNE
MAICD

MA, MSc, DIC. Petroleum Geology (Trinity College, Dublin/Imperial College, London)
Managing Director (Appointed 1 June 2012)
Formerly COO until promoted to CEO on 20 January 2012 and Managing Director on 1 June 2012

Phil has over 30 years of experience in the oil and gas industry. Prior to joining Nido Petroleum in January 2012, Phil was President, North West Shelf Australia LNG (ALNG) - the organisation responsible for marketing more than 16 million tonnes of LNG per annum on behalf of the six North West Shelf Project participants. Immediately prior to joining ALNG, Phil was the Australian Country Head of BHP Billiton Petroleum and Head of Production.

Phil commenced his career with Hamilton Brothers Oil and Gas as an Exploration Geologist and subsequently joined the BG Group where he held a number of senior exploration, business development, commercial, and leadership roles in Bulgaria, the UK, Tunisia, and India. Following BG Phil joined BHP Billiton Petroleum and was appointed General Manager of the company's operations in Pakistan. In this role, he had full management accountability for all aspects of gas and condensate production from the Zamzama field, which produces more than 15% of Pakistan's total energy needs.

Upon reassignment to Australia, Phil became BHP Billiton Petroleum's Vice President of Gas Marketing for Australia/Asia and subsequently became Australian Country Head and Head of Production. In this latter role, Phil was responsible for all aspects of the company's production and operational activities.

Phil is a past Director of the Australian Petroleum Production and Exploration Association (APPEA) and the Australian Japanese Business Co-operation Council (AJBCC). Phil is a member of the Australian Institute of Company Directors.

EDUARDO V. MAÑALAC
AAICD

B.S. Geology, Post Graduate Petroleum Geology (Uni. of the Philippines)
Non-Executive Director, Independent (Appointed 20 February 2009)
Member, Audit and Risk Management Committee (Appointed 20 February 2009)
Member, Remuneration and Nomination Committee (Appointed 20 February 2009)

Ed has more than 35 years of experience in international petroleum exploration and production management, acreage acquisition, production sharing contracts and Joint Operation negotiations. During his early career he joined a national oil company and started the first geological mapping of the Palawan Basin in the Philippines.

For the majority of his international career Ed worked with Phillips Petroleum (now Conoco Phillips) including a period in China where he encouraged Phillips' initial entry into the Palawan Basin and similar areas in Indonesia. From 2003 to 2004, Ed was Undersecretary of the Department of Energy in the Philippines, where he introduced the first public bidding round for exploration acreage targeting the Palawan Basin.

From 2004 to 2006 he was President and CEO of the Philippine National Oil Company (appointed 20 August 2004, resigned 31 October 2006) and its subsidiary PNOC Exploration Corporation (appointed 24 September 2004, resigned 31 October 2006), and was Chairman of PNOC Energy Development Corporation (appointed 13 September 2004, resigned 31 October 2006). Ed was a Non-Executive Director of Wellex Industries (appointed 7 January 2008, resigned 1 April 2010) a publicly listed energy, mining and exploration company in the Philippines of which he was Chairman up to January 2009.

He is the President of TransEnergy International Limited (appointed 28 November 2006), a Hong Kong based private Energy consulting firm, where he has been the principal consultant since December 2006. More recently, in November 2009, Eduardo was appointed Non-Executive Director of Basic Energy Corporation (appointed 1 October 2009), a listed energy company in the Philippines. He is a member of the Australian Institute of Company Directors.

ANDREW EDWARDS
FAICD

B.Com (University of Western Australia)
Non-Executive Director, Independent (Appointed 11 December 2009)
Member and Chair, Audit and Risk Management Committee (Appointed 11 December 2009)

Andrew is a former Managing Partner of PriceWaterhouseCoopers, Perth Office (PWC), past National Vice President of the (then) Securities Institute of Australia (now the Financial Services Institute of Australasia) and past President of the Western Australian division of that Institute, past State Chairman of the Institute of Chartered Accountants local Education Committee and a past member of its National Education Committee.

Andrew is a current Board member of Mermaid Marine Australia Limited (appointed 18 December 2009), Aspire Mining Limited (appointed 1 July 2011), Activ Foundation Inc (appointed 27 October 2008) and is Chairman of MACA Limited (appointed 1 October 2010). He is also a Fellow of the Australian Institute of Company Directors.

MICHAEL OLLIS
GAICD

PhD Fluids (University of Bristol)
BSc Civil Engineering (University of Birmingham)
Non-Executive Director, Independent (Appointed 1 October 2011)
Member and Chair, Remuneration and Nomination Committee (Appointed as a Member 1 June 2012 and Chairman on 7 March 2013)
Member of the Audit and Risk Management Committee (Appointed 23 November 2013)

Dr. Ollis has over 33 years of oil and gas experience including 16 years with BHP Billiton Petroleum in a variety of senior executive roles. Prior to his retirement from BHP Billiton Petroleum, Dr. Ollis held the position of Vice President, Australia Operated Assets, in which he had overall management accountability for all of BHP Billiton Petroleum's operated exploration, appraisal, and development activities at the Stybarrow and Pyrenees oil fields.

Dr. Ollis commenced his career as a Wellsite Petroleum Engineer and then Operations Engineer in the Petroleum Engineering Department of Shell Expro in the United Kingdom. Senior positions held by him during his career included Senior Operations Engineer for Brunei Shell Petroleum, Senior Drilling and Completions Engineering Supervisor for Hamilton Oil, Drilling Technology Manager (based in Melbourne) and Drilling Manager Americas (based in Houston) for BHP Petroleum.

Dr. Ollis is a member of the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA) Advisory Board (appointed March 2009). The NOPSEMA Advisory Board is responsible for giving advice on matters pertaining to the offshore safety regime to the CEO of NOPSEMA, the Commonwealth Minister for Department of Resources, Energy and Tourism, and relevant State and Territory Ministers. Dr. Ollis is a member of the Australian Institute of Company Directors.

COMPANY SECRETARY
JOHN NEWMAN
MAICD

BEc,LLB (Monash University)
(Appointed 4 November 2009)

John is a lawyer with over 22 years of experience, 13 of which have been in the energy and resources sector. John manages the Company group's legal, insurance, compliance and company secretarial affairs.

John's previous experience includes senior positions with the Timor Sea Designated Authority and Cridlands Lawyers where he negotiated the project agreements for the Bootu Creek Manganese Mine. John also worked for the Northern Land Council where he represented traditional Aboriginal owners in relation to resource development projects.

John is currently a member of the Law Society of Western Australia, Australian Institute of Company Directors (AICD), the Resources and Energy Law Association (AMPLA), the Association of International Petroleum Negotiators (AIPN) and an affiliate of Governance Institute of Australia.

DIRECTORS' INTERESTS IN SECURITIES OF THE COMPANY

As at the date of this Report, the interests of the Directors in the shares, options and performance rights of Nido Petroleum Limited were:

				Performance Rights	
Director	Ordinary Shares	Options Over Ordinary Shares	Unissued Ordinary Share Rights	Expiry/ Vesting Date 1 June 2015	Expiry/ Vesting Date 5 June 2016*
W Bloking	6,305,556	Nil	Nil	Nil	Nil
P Byrne	10,370,372	Nil	3,333,332	3,285,446	25,846,154
E Mañalac	1,000,000	Nil	Nil	Nil	Nil
A Edwards	1,470,000	Nil	Nil	Nil	Nil
M Ollis	1,000,000	Nil	Nil	Nil	Nil

* Managing Director Performance Rights issued on the same terms and conditions as the Employee Performance Rights Plan but not under the Employee Performance Rights Plan.

DIRECTORS' AND COMMITTEE MEETINGS

The following table details the number of Directors' and Committee meetings held during the financial year and the number of meetings attended by each Director.

Board of Directors Meetings 2013

Directors	Held[(1)]	Attended
W Bloking	5	5
P Byrne	5	5
E Mañalac	5	5
A Edwards	5	5
M Ollis	5	5

Audit & Risk Management Committee Meetings 2013

Directors	Held[(1)]	Attended
A Edwards	3	3
W Bloking	3	3
E Mañalac	3	3
M Ollis	1	1

Remuneration & Nomination Committee Meetings 2013

Directors	Held[(1)]	Attended
W Bloking	3	3
E Mañalac	3	3
M Ollis	3	3

(1) Number of meetings held during term of office.

SHARE AND OPTION SCHEMES

Unissued shares

As at the date of this Report 94,611,094 performance rights were on issue (25,717,826 as at 31 December 2012). There were also 3,333,332 unissued ordinary share rights outstanding under Mr Byrne's Sign-On and Retention Bonus. Refer to Note 23 of the Financial Statements for further details of the outstanding unissued shares and performance rights as at 31 December 2013. Performance rights holders and the Managing Director under his Sign-On and Retention Bonus do not have any right to participate in any share issue of the Company or any related body corporate, unless they are already shareholders of the Company.

Shares issued as a result of the exercise of options and performance rights

During the financial year and up to the date of this Report, employees and Directors did not exercise any options or performance rights to acquire any fully paid ordinary shares (2012: nil), however 1,666,667 ordinary shares were issued to the Managing Director under his Sign-On and Retention Bonus (2012: 3,333,334 ordinary shares).

CORPORATE GOVERNANCE

Recognising the need for the highest standards of corporate behaviour and accountability to shareholders, the Directors of the Company support the Principles of Corporate Governance which are detailed in the Company's Corporate Governance Statement and set out in this Annual Report.

PRINCIPAL ACTIVITIES

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

- Production and sale of oil;
- Development of its oil assets; and
- Exploration for oil and gas.

There were no significant changes in the nature of the principal activities during the year.

OPERATING AND FINANCIAL REVIEW

A full review of operations of the consolidated entity during the year ended 31 December 2013 is included in the section entitled "Operations Review" preceding this Directors' Report.

SUMMARY OF FINANCIAL PERFORMANCE

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

	Consolidated 2013 $'000	Consolidated 2012 $'000
Revenue from sale of crude oil	40,912	36,294
Gross profit	16,544	14,945
Net profit/(loss) for the year after tax	20,017	8,361
Basic earnings/(loss) per share (cents) from continuing operations	1.00	0.60
Net cash from/(used in) operating activities	22,204	(978)
Net cash from/(used in) investing activities	(47,706)	(14,888)
Net cash from/(used in) financing activities	29,168	13,202

The net profit of the Group for the year ended 31 December 2013 of $20.017 million (2012: $8.361 million), was impacted by the following significant items:

- Oil revenue totalled $40.912 million, of which revenue from the Galoc oil field for the year was $37.861 million (2012: $33.945 million) arising from four liftings during the year. Revenue from the Nido and Matinloc oil fields for the year was $3.051 million (2012: $2.349 million);
- Cost of sales for the year increased by $2.98 million to $24.405 million (2012: $21.421 million);
- Total financing costs relating to the debt facility for the year was $2.480 million, of which $2.149 million have been capitalised to the O&G asset category, and the remaining $0.331 million was expensed through the profit and loss primarily for financing costs incurred subsequent to first oil from the Galoc oil field (2012: $0.875 million which related primarily to the debt facility);
- A loss of $0.449 million on de-recognition of financial liabilities relates to the conversion of the Galoc Phase II debt facility held in Nido Production (Galoc) Pty Ltd and the extinguishment of the embedded derivative. During the year, the debt facility converted from a maximum of US$15 million available facility (Tranche 1) to a maximum of US$30 million available facility (Tranche 2). The terms and conditions contained in an agreement with Standard Bank which included an oil price premium fee and associated embedded derivative were terminated on Standard Bank's exit from the facility;
- Income tax expense of $3.809 million primarily relates to the unwinding of the deferred tax asset recognised in 2012 (2012: tax benefit of $5.108 million);
- Impairment of exploration and evaluation expenditure asset of $0.813 million relates to Nido's share in SC 54A with the carrying value of the assets reduced to their estimated fair value less costs of disposal. The remaining amount of $1.741 million relates to SC 54B, which has been impaired to nil value as a result of an assessment of the extent to which the carried forward balances are expected to be recouped through the successful exploration and development of the area of interest (or alternatively by its sale).
- Total administrative and other expenses (net of impairment of exploration and evaluation expenditure) of $8.441 million (2012: $9.990 million), primarily resulted from the following:
  - Employee benefits expense (net of share based payments expense) of $4.855 million (2012: $5.213 million) with the decrease due to a reduction in staff numbers and underlying base salary payments as a result of a redundancy program;
  - Share based payments of $0.592 million (2012: $0.723 million); and
  - Office and other expenses of $2.073 million (2012: $3.023 million). The decrease relates to the company's implementation of the planned cost reduction program targeting a 20% overall reduction in general and administrative expenditure for 2013; and
- Net foreign currency gain of $18.574 million (2012: loss of $1.733 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), which are not considered to be part of the net investment in the subsidiary.

SUMMARY OF FINANCIAL POSITION

The Company's cash reserves at the end of 2013 totalled $25.354 million compared to $18.099 million as at 31 December 2012.

The movement in cash reserves was due primarily to:

- Net proceeds from oil production of $28.028 million;
- Proceeds of $10.766 million (net of capital raising costs) resulting from the issuance of capital;
- Cash inflow from drawdown on senior secured debt facility of $21.729 million;

offset by:

- Development expenditure of $40.823 million relating to the Galoc Phase II oil field development;
- Exploration expenditure of $5.739 million primarily comprising of well pre-planning activities for SC 63, FEED and pre-FID activities in SC 14C2 (West Linapacan) and farm-in into the Indonesian PSC's (Baronang, Gurita and Cakalang);
- Debt principal repayments of $1.581 million, interest expense of $1.389 million and other financing costs of $1.746 million relating to the senior secured debt facility; and
- Overheads and other expenditures of $5.613 million offset by foreign exchange movements and other minor items of $3.623 million.

OPERATING AND FINANCIAL REVIEW - CONTINUED

PRODUCTION ACTIVITIES

In 2013, the following key production milestones occurred:

- 1,723,063 bbls gross (394,229 bbls net to Nido) were produced from the Galoc oil field;
- Production uptime at Galoc averaged 98% during the year; and
- The Nido and Matinloc oil fields continued to produce oil on a cyclical basis. Oil production from these fields in the year totalled 150,682 bbls of oil (37,721 bbls net to Nido).

DEVELOPMENT ACTIVITIES

In 2013, the following key development activities occurred:

- Galoc Phase II was completed successfully by the SC 14C1 Joint Venture with production from the Phase II wells commencing in December 2013.

EXPLORATION & APPRAISAL ACTIVITIES

In 2013, Nido undertook the following key exploration activities:

- The Company booked reserves with respect to the West Linapacan A field with Nido's net share of reserves on a 1P and 2P basis being 1.94 mmstb and 3.20 mmstb respectively;
- The Baragatan prospect was approved by the SC 63 Joint Venture and the DOE as the drilling candidate for the Sub-Phase 3 commitment well;
- The Company executed a rig contract in November 2013 on behalf of the SC 63 Joint Venture to drill the Baragatan prospect in the first half of 2014;
- The Company farmed-in to 3 Production Sharing Contracts in Indonesia which will see 2 exploration wells and an exploration side track well drilled in Indonesia in 2014; and
- Nido entered into sales and purchase agreements with Colossal Petroleum Corporation to divest its interests in SC 54A as well as Block A, Block B, Block B Retention and Block D Retention of Service Contract 14. Under the terms of the agreements Nido will receive A$3.0 million and Colossal Petroleum will assume the abandonment liabilities associated with the relevant blocks in Service Contract 14 including the abandonment obligations associated with the Nido and Matinloc oil fields.

CORPORATE ACTIVITIES

In 2013, the following key corporate activities occurred:

$6.0 Million Share Purchase Plan (and Share Purchase Plan Shortfall) and Placement of Conditional Tranche

- In November 2012, the Company placed a total of 430,265,594 ordinary fully paid shares to sophisticated and professional investors at $0.027 per share to raise a total $11.617 million (before costs) (the November 2012 Placement). The placement was split into unconditional and conditional tranches of $5.633 million and $5.984 million respectively. The conditional tranche was subject to Shareholder approval at an Extraordinary General Meeting held on 25 January 2013.
- As part of the capital raising the Company also offered existing Shareholders the opportunity to participate in a Share Purchase Plan in which the Company was seeking to raise $6 million. Shareholders were able to purchase up to $15,000 worth of Shares at the same price as the placement.
- On 4 January 2013, the Share Purchase Plan offer closed raising gross proceeds of $2.25 million (with a shortfall of approximately $3.75 million from the original target of $6 million). 83,611,262 ordinary shares were allotted at an issue price of $0.027 per share on 11 January 2013.
- At the Company's Extraordinary General Meeting held on 25 January 2013 the Company sought and received approval to:
  - place the $3.75 million shortfall from the Share Purchase Plan; and
  - place the conditional tranche of 221,641,122 ordinary shares at $0.027 per shares forming part of the November 2012 Placement and totalling $5.984 million.
- The conditional tranche of 221,641,122 ordinary shares and the 138,610,960 Share Purchase Plan shortfall shares were subsequently allotted on 4 February 2013 and 27 February 2013 respectively.

Debt Facility

- During the year, the debt facility converted from up to a maximum US$15 million available facility (Tranche 1) to a maximum of US$30 million available facility (Tranche 2) with Credit Suisse AG syndicated into the facility on 31 January 2013.
- On 28 June 2013 Raiffeisen Bank, a leading Austrian financial institution, assumed Standard Bank's share of the debt.

Annual General Meeting

- The Company's Annual General Meeting was held on 24 May 2013. Resolutions approving the adoption of the remuneration report, the re-election of Mr William Bloking and Andrew Edwards as Directors, renewed approval for the Company to operate its existing Employee Performance Rights plan and the approval of the issue of Performance Rights to Mr Philip Byrne were all approved. Resolutions to hold a spill meeting and to elect Mr Michael Pope as a Director were defeated.

Requisitioned General Meeting

- On 15 May 2013 Shareholders representing just over 5% of the ordinary shares of the Company requested that the Directors convene a meeting of all Shareholders pursuant to section 249D of the Corporations Act.
- The Directors duly convened a meeting of all Shareholders which was held on 3 July 2013 at 2.00 pm. Resolutions seeking to reduce the aggregate fees payable to Non-Executive Directors and to remove Dr Michael Ollis, Mr Philip Byrne and Mr William Bloking as Directors were defeated. A resolution seeking to appoint Mr Michael Pope as a Director of the Company was also defeated.

DIVIDENDS

No dividends were paid or declared by the consolidated entity during the financial year.

CORPORATE STRUCTURE

The Company is limited by shares and is incorporated and domiciled in Australia.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the Company during the financial year are detailed in the financial and activities review in this Report.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company continues to pursue strategic opportunities with respect to its assets and is in discussions with a number of potential partners concerning possible farm-out transactions.

CORPORATE SOCIAL RESPONSIBILITY

Nido is committed to enhancing shareholder value by conducting international oil and gas exploration, development and production in a manner that, through its Corporate Social Responsibility Programs, shares part of the benefits of this activity with the communities in which it operates.

Nido has adopted a two pronged approach to its Corporate Social Responsibility Programs. This involves the Nido Petroleum Foundation, Inc. (Nido Foundation) in the Philippines and the Company's Charitable Donations Committee, which actively encourages and supports staff as they work in a range of community organisations in Australia and the Philippines.

Our community sponsorship program provides opportunities for our company and employees to become involved and support initiatives that can make a positive difference in the community. In this context the Company made a donation to the Lions Eye Institute which conducts research into, and advances the standard of, eye care through the promotion of research and eye health awareness.

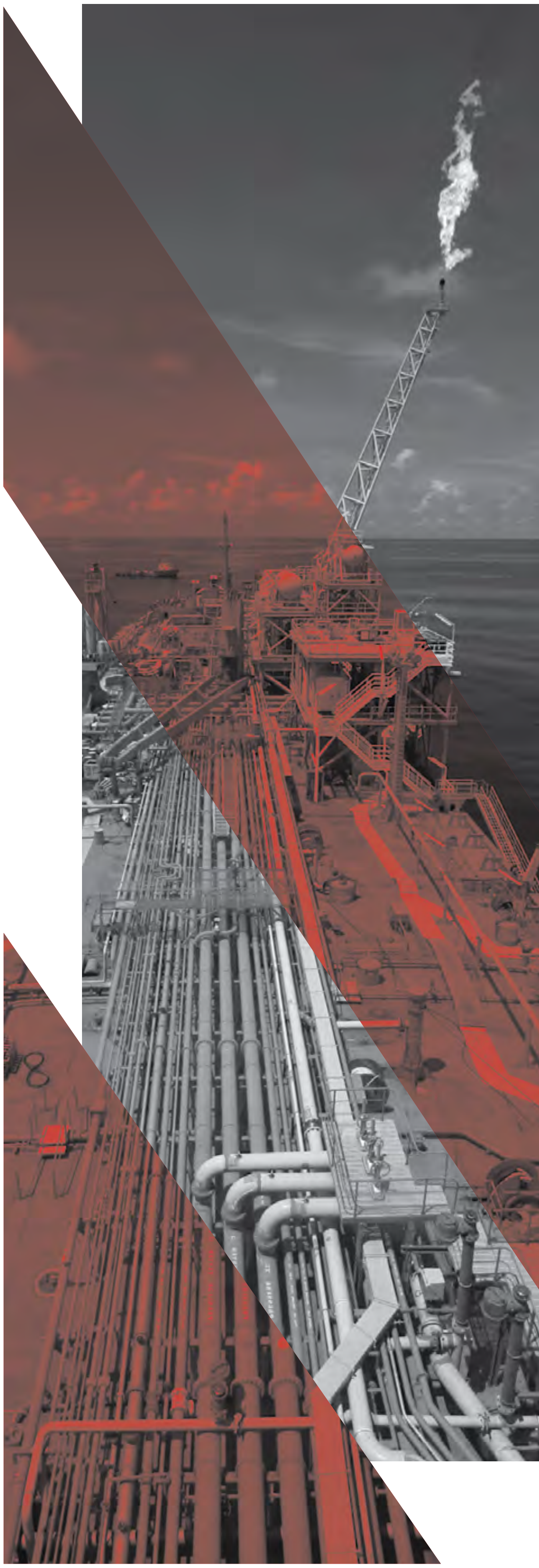
During 2013, Nido donated funds to the Philippines Red Cross to assist with the aftermath of Typhoon Haiyan which devastated the Philippines in November 2013 and also provided funds in support of the 'Adopt a School Program'.

Further details on the Company's Corporate Social Responsibility activities can be accessed from the Company's website.

HEALTH, SAFETY, SECURITY AND THE ENVIRONMENT (HSSE)

The safety of the Company's people and our interaction with the environment are accorded the highest priority throughout the organisation. Since commencing offshore seismic and drilling operational activity in 2007 the Company has maintained an excellent safety record of zero fatalities, zero Lost Time Injuries (LTIs). The Total Recordable Injury Frequency Rate (TRIFR) for 2013 was zero.

The Company recognises that while it is a small exploration and production company, it should strive to attain the highest levels of HSSE standards and practices in every facet of its current operational activities and business culture. In this context, the Company has established an HSSE System comprising 16 Standards which provide comprehensive guidelines for managing all HSSE aspects of the Company's business activities.



REMUNERATION REPORT (AUDITED)

For the purposes of this report the term "Executive" includes those Key Management Personnel who are not Directors of the parent company or did not act in that capacity during the reporting period.

DETAILS OF KEY MANAGEMENT PERSONNEL

(i) Directors

W Bloking	Chairman (Non-Executive)
P Byrne	Managing Director
E Mañalac	Director (Non-Executive)
A Edwards	Director (Non-Executive)
M Ollis	Director (Non-Executive)

(ii) Executives

J Pattillo	Head of Exploration
A Gilbert	Chief Financial Officer
J Newman	General Counsel and Company Secretary

REMUNERATION POLICY

At the AGM in May 2013, the Company received a second strike (in excess of 25% negative votes) against the adoption of its 2012 Remuneration Report. No specific questions were raised at the AGM in relation to the remuneration policy and framework, nor specifically in relation to the remuneration of Directors or Executives. The spill resolution that was activated by the receipt of the second strike was defeated.

Notwithstanding there were no specific questions directed to the Company concerning its remuneration practices at the AGM in 2013, the Company during the course of 2013 completed a review of its remuneration policies and implemented changes to its remuneration arrangements to ensure that Executives received a greater proportion of at risk remuneration. Details of the changes to these remuneration arrangements are provided in this Remuneration Report.

Furthermore, a rigorous review of the Company's general and administrative expenditure was undertaken, including staffing and salary levels, to ensure expenditure was appropriate given the nature and level of operational activity and market capitalisation. In this context the Company achieved a significant reduction in general and administrative expenditure from 2012 levels during the year.

COMPANY PERFORMANCE & REMUNERATION

The Company share price and earnings per share (EPS), shown in the table below, reflect Company performance during the previous four financial years and for the current year ended 31 December 2013.

	31 Dec 2013	31 Dec 2012	31 Dec 2011	31 Dec 2010	31 Dec 2009
EPS(cents)	1.00	0.60	0.27	(3.92)	(2.69)
Share Price	0.036	0.027	0.04	0.115	0.185

REMUNERATION PRINCIPLES

The Company has adopted the following principles in its remuneration framework:

Non-Executive Directors	Managing Director & Executives
• The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain Directors of the highest calibre whilst incurring a cost which is acceptable to shareholders.	• Providing fair, consistent and competitive compensation and rewards to attract and retain high calibre employees; • Ensuring that total remuneration is competitive by market standards; • Incorporating in the remuneration framework both short and long term incentives linked to the strategic goals and performance of the Company and total shareholder return; • Demonstrating a clear relationship between individual performance and remuneration; and • Motivating employees to pursue and achieve the long term growth and success of the Company.

REMUNERATION STRUCTURE

In accordance with the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations (ASX Principles and Recommendations) the structure of the Company's Non-Executive and Executive remuneration is clearly distinguished.

NON-EXECUTIVE REMUNERATION STRUCTURE

The Company's Constitution and the ASX Listing Rules specify that the aggregate fees to be paid to Non-Executive Directors are to be approved by shareholders at a General Meeting. The latest determination was made at the Company's Annual General Meeting held on 9 May 2008 where shareholders approved an aggregate amount of $450,000 per year (all inclusive).

The fee structure for Non-Executive Directors is reviewed annually which includes analyses of the fees paid to Non-Executive Directors of comparable companies, when undertaking the annual review process, and may include the use of external consultants. The Company has taken the position that independent external advice will generally be sought every second year.

In late 2012 the Board received remuneration advice directly from independent external consultants, Godfrey Remuneration Group (GRG) in relation to the remuneration of Non-Executive Directors and Executives.

In accordance with the Company's Remuneration Policy, the Board was presented with a proposal by GRG outlining its independence of the Company's Key Management Personnel and confirming that no other work had been undertaken in the last three years in relation to the Company. The Board, based on that information, was satisfied that GRG were independent and therefore resolved to approve the entry into a remuneration consultancy with GRG to provide independent remuneration recommendations to the Company.

REMUNERATION REPORT (AUDITED) CONTINUED

Following GRG's appointment, any remuneration recommendations were provided directly to the Chair of Remuneration and Nomination Committee. Based upon these arrangements the Board was satisfied that any remuneration recommendations provided by GRG were made free from any undue influence of the members of the KMP to whom the advice relates. GRG charged the Company in 2012 $21,000 for the independent remuneration recommendations provided.

Over the course of the 2013 year the Company sought to implement the changes recommended by GRG in late 2012.

Effective as at 1 January 2013 the Company abolished the fees that the Chairman of the Board received for membership of the Audit and Risk Management Committee as well as the fees the Chairman received as Chair of the Remuneration and Nomination Committee. The Company also reduced the uplift that the Chairman of the Audit and Risk Management Committee received for that role from $26,000 to $13,000 (20 per cent of the base fee).

As a consequence of these changes, during the 2013 year Non-Executive Directors were paid fees associated with their duties as Directors, including their membership of Board committees as follows: Each Director was paid a base fee of $65,000 per year (this base fee has not increased since 2008), with the Chairman of the Board receiving an additional $45,000 for his role, the Chair of the Audit & Risk Management Committee receiving an additional $13,000 (20 per cent of the base fee) for his role, members of the Audit & Risk Management Committee, apart from Mr Bloking, receiving an additional $6,500 (10 per cent of the base fee) for their roles, and the Chair of the Remuneration and Nomination Committee receiving an additional $6,500 (10 per cent of the base fee) apart from the relevant period where the Chairman of the Board, Mr Bloking, was also the Chairman of this Committee.

The Board has recently resolved that this Non-Executive Director fee restructure will remain unchanged for the 2014 year.

In relation to other benefits, the Non-Executive Directors have no entitlement to retirement benefits and are not entitled to the grant of options or performance rights in accordance with the Company's policy prohibiting grants of options or performance rights to Non-Executive Directors.

Apart from their duties as Directors, some Non-Executive Directors from time to time undertake work for the Company on a consultancy basis pursuant to the terms of consultancy services agreements.

The nature of consultancy work varies depending on the expertise of the relevant Non-Executive Director. Under the terms of these consultancy agreements, Non-Executive Directors receive a daily rate for the work performed and such rate is comparable to market rates that they would otherwise receive for their consultancy services in the open market.

Before any consultancy is entered into the Company carries out a rigorous arm's length assessment process to ensure the arm's length nature of the relevant consultancy services agreement. This arm's length assessment is conducted each time a request for services is initiated by the Managing Director, which is then required to be approved by the Chairman of the Audit and Risk Management Committee if the fees for the relevant services are $20,000 or less. If the fees are in excess of $20,000 then the Board must endorse the request.

The remuneration of Non-Executive Directors for the periods ending 31 December 2013 and 31 December 2012 is detailed further in this Remuneration Report. The amounts listed under 'Salary & Fees' represent Director fees only (totalling $302,240, including superannuation) as no consultancy fees were received by Non-Executive Directors during 2013.

ALTERNATE DIRECTORS

No separate remuneration is offered to or received by Alternate Directors for the performance of their roles as Alternate Directors. At present the Company does not have any Alternate Directors.

MANAGING DIRECTOR AND EXECUTIVE REMUNERATION STRUCTURE

The Company maintained its performance management procedure for Executives and staff and as part of such procedure each Executive undertakes an annual performance appraisal with the Managing Director. The Managing Director's performance is in turn reviewed by the Board.

Executive Remuneration consists of the following key elements:

- Fixed remuneration; and
- Variable remuneration, comprising Short Term Incentives (STI) and Long Term Incentives (LTI).

The proportion of fixed remuneration and variable remuneration is established for each Executive by the Remuneration and Nomination Committee and approved by the Board in accordance with the Remuneration Policy and the STI and LTI Plans having regard to the Company and individual performance, and relevant comparable remuneration in the oil and gas industry. The Company has taken the position that independent external advice will generally be sought every second year.

During the 2013 year, and in accordance with the GRG recommendations, the Company commenced the process of re-orienting Executive remuneration so that there is a greater emphasis on variable or 'at risk' remuneration. This was achieved by freezing base remuneration at 2012 levels and increasing the Long Term Incentive components for Executives.

In relation to LTIs the Company adjusted the annual allocation to Executives (other than the Managing Director) so that Executives received an 'at target' level of LTI award at 30% of base remuneration which translates to an annual award of Performance Rights equivalent to 60% of base remuneration.

In relation to the Managing Director, GRG recommended that the level of LTI award be increased to 60% at target which translates to an annual award of Performance Rights equivalent to 120% of the Managing Director's base remuneration.

In relation to the allocation of STIs, the Company, on the basis of GRG's advice, intends to increase the amount over time to an 'at target' level of 30% for Executives (other than the Managing Director) and an at target level of 40% for the Managing Director but these increases will be delayed until such time as total Executive remuneration is aligned with companies of a similar market capitalisation.

REMUNERATION REPORT (AUDITED) CONTINUED

The overall aim of the Company's changes to Executive remuneration is to adjust Executive remuneration over time so that Executives (other than the Managing Director) receive approximately 30% of total remuneration in the form of variable performance based remuneration and the Managing Director receives 50% of total remuneration in the form of variable performance based remuneration.

FIXED REMUNERATION

Executives receive their fixed remuneration in the form of cash and varying fringe benefits. The specific amount of fixed remuneration for each Executive is detailed further in this Report.

As noted above, the Board during the annual salary review process in late 2013, resolved for the second year in a row that there would be no increase in base salaries awarded to Executives for the 2014 year and Executive salaries would therefore continue to remain at the level set for the 2012 year.

In relation to staff other than Executives, the Board resolved to award an average increase of approximately 5% compared with 2013 levels.

VARIABLE REMUNERATION – SHORT TERM INCENTIVE

Under the Company's STI Plan, STI payments are granted annually to staff, Executives and Executive Directors depending on the Company's annual performance goals and individual performance targets over the preceding year. The Remuneration and Nomination Committee retains the discretion to adjust individual bonuses to reward outstanding individual performance.

In determining the amount of the STI pool each year, the Company sets a number of performance criteria and assigns a weighting to each criterion. As against each criterion there are three levels of performance which can attract an award to the pool: threshold, target and stretch.

If the Company achieves the threshold level of performance, the Company awards 80% of the target pool for that criterion. If the Company achieves the target level of performance the Company awards 100% of the target pool for that criterion and if the Company achieves the stretch level of performance, the Company awards 120% of the target pool for that criterion.

To the extent that the Company achieves less than the threshold level there is no award for this criterion and the pool is reduced accordingly.

The overall target STI pool available is 15% of the gross base salary of the Company's staff. The Board, however, retains discretion to withhold the award of any payments depending on the Company's closing cash position and its ability to comply with its commitments for the following year after bonuses are paid.

Key performance indicators (KPI's) under the STI Plan are chosen from financial metrics in terms of budgetary performance, share price performance, operational metrics in terms of project progress, exploration activities and production activities, health and safety metrics as well as professional service metrics for the timeliness and accuracy of advice and support provided to the technical and operational parts of the business. These KPIs are chosen because they align individual performance with the achievement of Nido's strategic plan.

Subject to the overall pool that the Company has available for distribution, which is dependent on the Company's performance against the Company targets, if an individual achieves target on all of the relevant KPIs, the bonus such individual receives is 15% of his or her base (gross) salary. This applies to all staff and Executives including the Managing Director.

As reported in the 2012 Annual Report, the Board determined a set of STI targets for the 2012 year reflecting the Company's strategy, business plan and budget. The specific 2012 targets were performance against budget (10%), HSSE performance (5%), metrics in relation to Galoc production and the financing of the Galoc Phase II project (25%), obtaining approval to drill an exploration well in SC 54A and SC 63 (20%), portfolio optimisation and farm-out initiatives (30%) as well as staff development objectives and investor relations (10%).

Against this weighted group of performance targets, the Company performed at stretch in relation to budget and HSSE, at target in relation to the metrics for Galoc production and securing Phase II financing and at threshold or below with respect to farm-out initiatives and obtaining approval to drill an exploration well in SC 54A and SC 63, staff development objectives and investor relations.

The total STI bonus pool calculated in accordance with the STI policy notionally amounted to 10% of the gross base salary of the Company's staff. However, given the Company's overall share price performance during the 2012 year, the Board resolved to make no STI award to the Company's Executives in 2013 for their respective performance against the targets that were set in 2012.

In view of the decision to withhold STI payments, the Board resolved to increase each Executive's allocation of performance rights under the LTI program for 2013 by 10% as a further incentive for Executives to create longer term value for shareholders by way of share price appreciation.

In this context, the Company mindful of the decisions made with respect to Executive remuneration in 2012, set KPIs for the 2013 year to primarily encourage share price appreciation. The specific targets were therefore a share price performance metric (90%) and HSSE performance (10%). These KPIs were chosen in order to align individual performance with the achievement of value creation for the Company's shareholders.

Against this weighted group of performance targets, the Company performed at threshold in relation to the share price performance metric and at stretch with respect to HSSE. The total STI bonus pool calculated in accordance with the STI policy amounted to 12.6% of the gross base salary of the Company's staff and each Executive has been awarded a gross payment representing 12.6% of their base salary for the Company's performance against the targets set in 2013. These bonuses are reflected in this Report.

In addition to the STI Plan, the Managing Director has the discretion to award cash bonuses on an "ad hoc" basis of up to a maximum net amount of $1,500 per project or task to any employee for exceptional work rendered. During the 2013 year, the Managing Director did not grant any such cash bonuses (2012:$nil).

REMUNERATION REPORT (AUDITED) CONTINUED

VARIABLE REMUNERATION – LONG TERM INCENTIVE

The Company's Employee Performance Rights Plan (Plan) was originally approved by Shareholders at the 2010 Annual General Meeting. During the 2013 year the Company renewed Shareholder approval of the Plan at the Annual General Meeting held on 24 May 2013.

The objectives of the Plan are to:

- align employee incentives with shareholder interests;
- balance the short term with the long term Company focus; and
- attract and retain high calibre employees by providing an attractive long term retention tool that builds an ownership of the Company mindset.

Under the Plan and the Company's LTI Policy, the Board makes annual awards of performance rights to employees. The level of the award of performance rights is dependent on an employee's position within the Company.

Subject to the Company achieving the performance criteria set out in the terms of the Plan, performance rights held by an employee may convert into shares in the Company. In the event the Company fails to achieve the performance criteria, all of the employee's performance rights lapse with no shares being issued. Furthermore, in the event that an employee leaves the Company prior to the expiration of the relevant vesting period for a particular award of performance rights, such performance rights also lapse.

The key performance criterion of the Performance Rights Plan is Nido's relative total shareholder return performance over a three year testing period when compared against the total shareholder return of a peer group of ASX listed oil and gas companies over the same period. The Board believes the three year performance period is an important design feature of the Plan as it allows time to ensure that any award is aligned with shareholder interests.

The peer group of the Plan currently comprises the following companies:

Woodside Petroleum Limited, Otto Energy Limited, Kairiki Energy Limited, AWE Limited, Horizon Oil Limited, Karoon Gas Limited, Senex Energy Limited, Nexus Energy Limited, New Zealand Oil and Gas Limited, Tap Oil Limited, Oilex Limited, Oil Search Limited, Pan Pacific Petroleum NL, Roc Oil Limited, AED Oil Limited, Carnarvon Petroleum Limited, Cue Energy Resources Limited, Rialto Energy Limited, Transerv Energy Limited, Neon Energy Limited, Samson Oil & Gas Limited, MEO Australia Limited, Austex Oil Limited and Santos Limited or such other group of companies that the Board in its absolute discretion determines.

Nido's relative total shareholder return ranking against this peer group over the three year period determines the number of performance rights in a particular award that an employee becomes entitled to convert into shares as follows:

Performance Ranking Range Compared to Peer Group	Number of Performance Rights Exercisable
Below 50th percentile of relative total shareholder return as compared against the peer group	No performance rights exercisable
50th percentile of relative total shareholder return as compared against the peer group	50% of the rights in the Offer available to be exercised and converted into shares
51st percentile to 74th percentile of relative total shareholder return as compared against the peer group	For each Performance Ranking Range percentile increase above 50%, the number of Performance Rights exercisable and converted into shares in the Offer increases by 2% For example, if the Performance Ranking Range is at the 52nd percentile, 54% of the Rights in the Offer are available to be exercised and converted into shares.
75th percentile or higher of relative total shareholder return as compared against the peer group	100% of Rights in the Offer available to be exercised and converted into shares

By way of example, if an employee is offered 500,000 performance rights and Nido performs at the 50th percentile against its peer group over the relevant 3 year testing period following the award of the performance rights, the relevant employee would be entitled to convert 50% of the performance rights into shares namely, 250,000 shares, following the completion of the testing period. The LTI performance rights granted to Executives during the year are listed in this Report.

REMUNERATION REPORT (AUDITED) - CONTINUED

MANAGING DIRECTOR AND EXECUTIVE EMPLOYMENT CONTRACTS

MANAGING DIRECTOR

A summary of Mr Philip Byrne's employment contract is as follows:

- Base Salary - $500,000 per annum;
- Superannuation 12% - $60,000 per annum;
- Short term incentive – Mr Byrne will participate in the Company's performance based Short Term Incentive Scheme;
- Long term incentive – Mr Byrne will participate in Nido's Employee Performance Rights Plan (subject to shareholder approval);
- A Sign on and Retention Bonus was granted of 10,000,000 fully paid Ordinary Shares in total issued in six (6) equal tranches at six (6) month intervals commencing six (6) months after the commencement of employment. The first five (5) tranches will be 1,666,667 Ordinary Shares with the final tranche being 1,666,665 Ordinary Shares; and
- Termination - In the event of termination of the Employment Contract by the Company (other than for cause in which case no further shares shall be issued) a maximum of 1,666,667 of any of the unvested shares shall be issued and the Company is required to pay a sum equivalent to 6 months of his base salary. In the event of termination by the employee the Company is not obliged to issue any unvested shares.

REMUNERATION REPORT (AUDITED) - CONTINUED

The table below sets out the Sign on and Retention Bonus granted to Mr Byrne as part of his employment contract. The share rights were issued free of charge and entitle the holder to subscribe for one fully paid ordinary share in the Company.

	Terms and Conditions of Each Grant							
	Number of Shares Granted	Number of Shares Vesting in the Year [15]	Percentage of Cumulative Shares Vested (%)	Grant Date	Value each at Grant Date $	Number of Shares Forfeited	Percentage of Shares Forfeited (%)	Exercise Price
2013								
Director								
P Byrne	-	3,333,334	66.67%	8/10/2011	0.045	Nil	Nil	Nil
Total	-	3,333,334						
2012								
Executive								
P Byrne	-	3,333,334	33.33%	8/10/2011	0.045	Nil	Nil	Nil
Total	-	3,333,334						

15. For accounting purposes under AASB 2 "Share Based Payments" treated as vested for the year ending 31 December 2013 and 31 December 2012 respectively. Note, the total number of shares vested during the year ended 31 December 2013 for P Byrne was 3,333,334 (33.33% of shares vested) and for the year ended 31 December 2012 was 3,333,334 (33.33% of shares vested). Total cumulative number of shares vested from the initial grant was 6,666,668 (67% of shares vested).

The contracts with Executives specified under the Remuneration of Directors and Executives table have no termination date and under the terms of the contracts:

- The Executive may resign from his or her position and thus terminate his or her contract by giving one month's written notice; and
- In the event that the Company wishes to terminate an Executive's employment, except in circumstances of misconduct or material breaches of their contract and, with the exception of the Company Secretary and the Managing Director, the Company will pay the Executive a sum equivalent to 12 months of his or her fixed remuneration package. Mr Newman's (Company Secretary) employment contract does not provide a termination benefit but provides for a 12 month notice period in the event of termination by the Company.

REMUNERATION REPORT (AUDITED) - CONTINUED

REMUNERATION OF KEY MANAGEMENT PERSONNEL – DIRECTORS

	Short Term			Post Employment	Long-term Benefits	Share Based Payments (LTI)				
	Salary & Fees	Cash Bonus (STI)***	Other(#)	Superannuation	Long Service Leave	Performance Rights*	Shares*	Total	% Comprising Share and Performance Rights**	% Performance Related**
W Bloking										
• 2013	100,802	-	-	9,198	-	-	-	110,000	-	-
• 2012	112,844	-	-	10,156	-	-	-	123,000	-	-
D Whitby (1)										
• 2013	-	-	-	-	-	-	-	-	-	-
• 2012	170,566	-	-	2,256	-	-	-	172,822	-	-
J de Dios (2)										
• 2013	-	-	-	-	-	-	-	-	-	-
• 2012	109,915	-	53,201	-	-	-	-	163,116	-	-
P Byrne (3)										
• 2013	504,967	63,000	21,427	60,327	5,446	117,278	82,428	854,873	23.4%	21.1%
• 2012	495,913	-	15,388	59,538	3,435	20,403	277,131	871,808	34.1%	2.3%
E Mañalac										
• 2013	65,521	-	-	5,979	-	-	-	71,500	-	-
• 2012	65,596	-	-	5,904	-	-	-	71,500	-	-
A Edwards										
• 2013	71,478	-	-	6,522	-	-	-	78,000	-	-
• 2012	83,486	-	-	7,514	-	-	-	91,000	-	-
M Ollis										
• 2013	64,439	-	-	5,881	-	-	-	70,320	-	-
• 2012	59,633	-	-	5,367	-	-	-	65,000	-	-
Total Remuneration: Directors										
• 2013	**807,207**	**63,000**	**21,427**	**87,907**	**5,446**	**117,278**	**82,428**	**1,184,693**	**16.9%**	**15.2%**
• 2012	1,097,953	-	68,589	90,735	3,435	20,403	277,131	1,558,246	19.1%	1.3%

The amounts disclosed above do not include insurance premiums paid in relation to directors' and officers' liability insurance as the terms of the insurance policy preclude disclosure of these amounts.

Includes non-cash benefits paid.

1. D Whitby - Resigned on 1 June 2012 as Non-Executive Director.
2. J de Dios - Resigned on 20 January 2012 as Chief Executive Officer.
3. P Byrne – Formerly Chief Operating Officer, appointed on 20 January 2012 as Chief Executive Officer and on 1 June 2012 as Managing Director.

* The amount included as remuneration relating to options and performance rights is not related to or indicative of the benefit (if any) that the individual may ultimately realise. The fair value of these instruments as at their date of grant was determined in accordance with AASB 2 "Share Based Payments" applying valuation models. Details of the assumptions underlying the valuations are set out in Note 23 to the Financial Statements.

** Share-based payments forfeiture excluded from calculation.

*** The details for cash bonuses paid are set out in the table immediately below. The bonuses to be paid in 2014 reflect each Executive's performance against the STI targets that were chosen in 2013. Executives did not receive any STI payment in 2013 for the targets that were set in 2012.

REMUNERATION REPORT (AUDITED) - CONTINUED

REMUNERATION OF KEY MANAGEMENT PERSONNEL – EXECUTIVES

	Short Term			Post Employment	Long-term Benefits	Share Based Payments (LTI)				
	Salary & Fees	Cash Bonus (STI)***	Other(#)	Superannuation	Long Service Leave	Performance Rights*	Shares*	Total	% Comprising Share and Performance Rights**	% Performance Related**
J Pattillo										
• 2013	439,528	55,072	9,034	55,094	14,553	145,235	-	718,516	20.2%	27.9%
• 2012	442,674	19,789	10,475	48,635	20,778	95,298	-	637,649	14.9%	18.0%
A Gilbert										
• 2013	332,553	40,320	7,716	29,071	11,550	104,843	-	526,053	19.9%	27.6%
• 2012	333,336	16,634	7,376	25,683	17,168	67,738	-	467,935	14.5%	18.0%
J Newman										
• 2013	283,041	34,693	8,570	28,309	7,246	89,850	-	451,709	19.9%	27.6%
• 2012	284,190	13,875	6,196	25,200	9,129	55,940	-	394,530	14.2%	17.7%
Total Remuneration: Executives										
• 2013	1,055,122	130,085	25,320	112,474	33,349	339,928	-	1,696,278	20.0%	27.7%
• 2012	1,060,200	50,298	24,047	99,518	47,075	218,976	-	1,500,114	14.6%	18.0%

The amounts disclosed above do not include insurance premiums paid in relation to directors' and officers' liability insurance as the terms of the insurance policy preclude disclosure of these amounts.

Includes non-cash benefits paid.

* The amount included as remuneration relating to options and performance rights is not related to or indicative of the benefit (if any) that the individual may ultimately realise. The fair value of these instruments as at their date of grant was determined in accordance with AASB 2 "Share Based Payments" applying valuation models. Details of the assumptions underlying the valuations are set out in Note 23 to the Financial Statements.

** Share-based payments forfeiture excluded from calculation.

*** The details for cash bonuses paid are set out in the table immediately below. The bonuses to be paid in 2014 reflect each Executive's performance against the STI targets that were chosen in 2013. Executives did not receive any STI payment in 2013 for the targets that were set in 2012.

REMUNERATION REPORT (AUDITED) - CONTINUED

REMUNERATION OF KEY MANAGEMENT PERSONNEL – NOTES

Details of cash bonuses paid and included in the remuneration tables preceding this table:

Key Management Personnel	Vesting Date	Date Paid	Amount Paid	Nature	Max. Potential Entitlement*	Percentage Granted	Percentage Forfeited
2013 (2013 performance year)*							
P Byrne	6/1/2014	15/1/2014	63,000	Cash	18%	12.6%	5.4%
J Pattillo	6/1/2014	15/1/2014	55,072	Cash	18%	12.6%	5.4%
A Gilbert	6/1/2014	15/1/2014	40,320	Cash	18%	12.6%	5.4%
J Newman	6/1/2014	15/1/2014	34,693	Cash	18%	12.6%	5.4%
2013 (2012 performance year)**							
P Byrne	N/A	N/A	Nil	N/A	18%	Nil	18%
J Pattillo	N/A	N/A	Nil	N/A	18%	Nil	18%
A Gilbert	N/A	N/A	Nil	N/A	18%	Nil	18%
J Newman	N/A	N/A	Nil	N/A	18%	Nil	18%
2012 (2011 performance year)							
P Byrne	-	-	-	-	-	-	-
J Pattillo	23/3/2012	23/3/2012	19,789	Cash	18%	5%	13%
A Gilbert	23/3/2012	23/3/2012	16,634	Cash	18%	5%	13%
J Newman	23/3/2012	23/3/2012	13,875	Cash	18%	5%	13%

* Under the Company's STI Policy, the maximum potential entitlement is 18% of an individual's base salary.

** The Company did not award Key Management Personnel any STI payments in 2013 in respect of their performance against the 2012 targets (refer to page 22 for commentary).

REMUNERATION REPORT (AUDITED) - CONTINUED

COMPENSATION PERFORMANCE RIGHTS TO DIRECTORS – GRANTED AND VESTED DURING THE YEAR

The table below sets out performance rights granted during the year to Directors. The performance rights were issued free of charge and entitle the holder to subscribe for one fully paid ordinary share in the Company subject to the relevant vesting criteria in the Employee Performance Rights Plan.

	Terms and Conditions of Each Grant							
	Number of Performance Rights Granted	Grant Date	Value of each Right at Grant Date $	Exercise Price $	First Exercise Date	Last Exercise Date/ Expiry Date	Number of Performance Rights Vested During the Year	% of Performance Rights Vested During the Year
2013								
Directors								
P Byrne	25,846,154	5/6/2013	0.021	Nil	5/6/2016	5/6/2016	-	-
2012								
Directors								
P Byrne	3,285,446	1/6/2012	0.032	Nil	1/6/2015	1/6/2015	-	-

For vesting conditions refer to Note 23(b) for details.

COMPENSATION PERFORMANCE RIGHTS TO EXECUTIVES – GRANTED AND VESTED DURING THE YEAR

The table below sets out performance rights granted to Executives during the year. The performance rights were issued free of charge and entitle the holder to subscribe for one fully paid ordinary share in the Company subject to the relevant vesting criteria in the Employee Performance Rights Plan.

	Terms and Conditions of Each Grant							
	Number of Performance Rights Granted	Grant Date	Value each at Grant Date $	Exercise Price $	First Exercise Date	Last Exercise Date/ Expiry Date	Number of Performance Rights Vested During the Year	% of Performance Rights Vested During the Year
2013								
Executives								
J Pattillo	15,062,400	23/4/2013	0.016	Nil	23/4/2016	23/4/2016	-	-
A Gilbert	11,027,692	23/4/2013	0.016	Nil	23/4/2016	23/4/2016	-	-
J Newman	9,488,646	23/4/2013	0.016	Nil	23/4/2016	23/4/2016	-	-
	35,578,738							
2012								
Executives								
J Pattillo	2,871,999	5/4/2012	0.044	Nil	5/4/2015	5/4/2015	-	-
A Gilbert	2,102,686	5/4/2012	0.044	Nil	5/4/2015	5/4/2015	-	-
J Newman	1,809,230	5/4/2012	0.044	Nil	5/4/2015	5/4/2015	-	-
	6,783,915							

REMUNERATION REPORT (AUDITED) - CONTINUED

VALUE OF OPTIONS AND PERFORMANCE RIGHTS GRANTED AS PART OF REMUNERATION

	Value of Performance Rights Granted during the Year[1] $	Value of Performance Rights Exercised during the Year $	Remuneration Consisting of Performance Rights during the Year %
2013			
Directors			
P Byrne	408,369	-	13.7%
Executives			
J Pattillo	237,986	-	20.2%
A Gilbert	174,238	-	19.9%
J Newman	149,921	-	19.9%
2012			
Directors			
P Byrne	105,134	-	27.5%
Executives			
J Pattillo	126,368	-	15.4%
J Newman	79,606	-	14.5%
A Gilbert	92,518	-	15.0%

1 The assessed fair values of the performance rights is estimated at date of grant using a Monte Carlo simulation model, taking into account the exercise price (if applicable), term of right, the share price at grant date and expected price volatility of the underlying share, expected dividend yield and the risk-free interest rate for the term of the right.

2 Value calculated on share price on date of forfeiture.

There were no options granted as part of remuneration to Directors or Executives in 2013 or 2012.

SHARES ISSUED ON EXERCISE OF COMPENSATION PERFORMANCE RIGHTS

	Shares Issued Number	Paid per Share $	Unpaid per Share $
2013			
Directors and Executives			
None	-	-	-
2012			
Directors and Executives			
None	-	-	-

End of Remuneration Report.

INDEMNIFICATION OF DIRECTORS AND OFFICERS

During the year the Company paid premiums in respect of a contract insuring all Directors and Officers of the Company and its controlled entities against liabilities incurred while performing duties as Directors or Officers to the extent permitted by the *Corporations Act 2001*. Due to a confidentiality clause in the contract, the amount of the premium has not been disclosed.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company's environmental obligations are regulated under the laws of the countries in which Nido has operations. It is the Company's policy to comply with its environmental performance obligations and, where possible, adhere to higher standards than what is required.

As set out in the Company's Health, Safety, Security and Environment Policy, the Company is committed to enhancing shareholder value through international oil and gas exploration, development and production activities in a manner that protects health, safety, security and the environment. The Company is committed to conducting its business in a manner that minimises the adverse impact on employees, contractors, the community and the environment that may be affected by its work activities.

To achieve this, the Company:

- Demonstrates a strong commitment to health, safety, security and environmental care through its behaviour;
- Complies with health, safety, security and environmental obligations and regulations of the country of operations whilst striving for higher standards;
- Commits to the continuous improvement of its health and safety behaviour and environmental culture;
- Respects local culture and is proactive in recognising its responsibility to meet and exceed community expectations; and
- Designs local solutions for local issues, creating positive change.

The Company believes that no task is so urgent that it cannot be done safely and that health, safety, security and the environment are of paramount concern in planning and carrying out every task. The Company is committed to caring for the people and the environment connected with its work.

The Company has also adopted an emergency response plan and health, safety, security and environmental procedures which have been the subject of information dissemination and training to staff and contractors. Environmental liability risks are also managed through contract terms and insurance policies. The above measures represent prudent risk management controls designed to minimise the risk of negative environmental impacts.

No environmental breaches have been notified by any applicable government agency as at the date of this Report.

Details in relation to the abandonment and restoration obligations of the Company in the Philippines associated with its existing operations and facilities are set out in Notes 16 and 17 of the Notes to the Financial Statements.

The Company regularly reviews changes to environmental regulations that may affect or pose a risk to the Company's business activities and where appropriate, amends such policies and procedures as necessary.

SUBSEQUENT EVENTS

The Company has identified the following as events occurring after year end:

1. In January 2014 the Company signed a farm-out agreement with Dragon Oil in relation to Service Contract 63. A summary of the terms of the farm-out agreement were released to the ASX on 16 January 2014.
2. Subsequent to year-end the Hakuryu 11 jack-up rig was mobilised to the Baronang PSC from Vietnam. The Balqis-1 well was spudded on 17 February 2014 by the Operator, Lundin Petroleum and the results of the well were released to the ASX on 4 March 2014.
3. In February 2014 the Company exercised its right to increase its participating interest from 10% to 15% in the Baronang Production Sharing Contract. The increase in interest remains subject to regulatory approval in Indonesia.

ROUNDING

The amounts contained in this Report and in the Financial Statements 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 AND NON-AUDIT SERVICES

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration is included in the next page of this report.

NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, Ernst & Young. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised. Ernst & Young received, or are due to receive, the following amounts for the provision of non-audit services:

Tax compliance and advice services	$46,900

Signed in accordance with a Resolution of the Directors

William J. Bloking

WILLIAM BLOKING FAICD
CHAIRMAN
13 March 2014

AUDITOR'S INDEPENDENCE DECLARATION

Building a better working world

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax:+61 8 9429 2436
ey.com/au

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF NIDO PETROLEUM LIMITED

In relation to our audit of the financial report of Nido Petroleum Limited for the financial year ended 31 December 2013, 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

ROBERT KIRKBY
PARTNER
13 March 2014

CORPORATE GOVERNANCE STATEMENT

Since the introduction of the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Best Practice Recommendations* (ASX Principles and Recommendations) and the revised second edition of the ASX Principles and Recommendations, Nido Petroleum Limited has made it a priority to adopt appropriate systems of control and accountability as the basis for the administration of corporate governance. The Company's corporate governance practices for the year ended 31 December 2013 and as at the date of this report are outlined in this corporate governance statement.

The Company has considered each recommendation provided in the ASX Principles and Recommendations, taking into account factors such as the size of the Company and the Board, resources available and activities of the Company. Where, after due consideration, the Company's corporate governance practices depart from the ASX Principles and Recommendations, the Board has offered full disclosure of the nature of, and reason for, the adoption of its own practice.

Further information about the Company's corporate governance practices is provided on the Company's website at **www.nido.com.au**. Information published on the Company's website includes charters (for the Board and its sub-committees), the Company's code of conduct and other policies and procedures relating to the Board and its responsibilities.

The Company's corporate governance practices are structured with reference to the ASX Principles and Recommendations as follows:

Principle 1	Lay solid foundations for management and oversight;
Principle 2	Structure the Board to add value;
Principle 3	Promote ethical and responsible decision-making;
Principle 4	Safeguard integrity in financial reporting;
Principle 5	Make timely and balanced disclosure;
Principle 6	Respect the rights of shareholders;
Principle 7	Recognise and manage risk; and
Principle 8	Remunerate fairly and responsibly.

COMPLIANCE WITH BEST PRACTICE RECOMMENDATIONS

Principle 1: Lay solid foundations for management and oversight

Recommendations:

1.1 Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

1.2 Companies should disclose the process for evaluating the performance of senior executives.

1.3 Companies should provide the information indicated in the Guide to Reporting on Principle 1.

The Managing Director is responsible to the Board for the day-to-day management of the Company and its subsidiaries. The Board is responsible for the overall performance of the Company and accordingly takes accountability for monitoring the Company's business and affairs and setting its strategic direction, establishing policies and overseeing the Company's financial position.

The Board has a charter which establishes the relationship between the Board and management and describes their respective functions and responsibilities. The powers reserved for the Board include:

(a) Oversight of the Company and the Company's group members' control and accountability systems;

(b) Appointment and, where appropriate, removal of the Managing Director of the Company;

(c) Appointment and, where appropriate, removal of the Chief Financial Officer and the Company Secretary;

(d) Input into and final approval of management's development of corporate strategy and performance objectives, reserves and financial plans;

(e) Reviewing, ratifying and monitoring systems of risk management and internal compliance and control, codes of conduct and legal compliance;

(f) Monitoring senior management's performance in implementing strategies, achieving objectives and observing budgets and ensuring that appropriate resources are available for these purposes;

(g) Encouraging a culture that promotes ethical and responsible decision making, compliance with regulatory responsibilities and transparency through effective and timely reporting;

(h) Keeping under review management succession plans and development activities;

(i) Reviewing procedures and practices employed in relation to health, safety and the environment and assessing their adequacy;

(j) Approving policies of Company-wide or general application;

(k) Formulating and adopting appropriate Board policies;

(l) Adopting a continuous disclosure policy and monitoring its operation;

(m) Approving the issue of any shares, options, equity instruments or other securities in the Company;

(n) Approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;

(o) Monitoring the financial performance of the Company;

(p) Approving and monitoring financial and other reporting including the annual and half year financial reports and review of quarterly reports;

(q) Approving borrowings other than in the ordinary course of business and the granting of security over, or interests in, the Company or its assets;

(r) Approving the annual budget and strategic plan;

(s) Approving any matters that might significantly impact the reputation of the Company;

(t) Approving the engagement of auditors to review and report to the Board on the Company's financial results and reporting systems, internal controls and compliance with statutory and regulatory requirements; and

(u) Assessing the appropriateness of, and monitoring compliance with, corporate governance policies and ethical standards.

COMPLIANCE WITH BEST PRACTICE RECOMMENDATIONS - CONTINUED

A copy of the Board Charter is available from the corporate governance section of the Company's website.

In relation to Recommendation 1.2, details of the performance review process for senior executives are set out in the Remuneration Report which forms part of the Directors' Report.

Principle 2: Structure the Board to add value

Recommendations:

2.1 A majority of the Board should be independent Directors;

2.2 The Chair should be an independent Director;

2.3 The roles of the Chair and Managing Director should not be exercised by the same individual;

2.4 The Board should establish a Nomination Committee;

2.5 Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors; and

2.6 Companies should provide the information indicated in the *Guide to Reporting on Principle 2*.

Board Structure

As at the date of this report, the Board is comprised of four independent Non-Executive Directors and one Executive Director. The names of the Directors in office as at the date of this report, the year of each Director's appointment and each Director's status as independent, Non-Executive or Executive Director, are set out in the Directors' Report. There have been no changes to the Board during the reporting period.

Independence

All Directors are expected to bring independent views and judgment to the Board's deliberations. The Board has reviewed the position and associations of all Directors in office at the date of this Report and considers that a majority of the Directors are independent in accordance with recommendation 2.1.

In determining whether a Director is independent, the Board has considered the relationships affecting independent status described in ASX Principle 2 and other information, facts and circumstances that the Board considers relevant. The Board assesses the independence of new Directors upon appointment and reviews their independence, and the independence of the other Directors, as appropriate.

The test of whether a relationship is material is based on the nature of the relationship and the circumstances of the Director. Materiality is considered from the perspective of the Company, the Director and the person or entity with which the Director has a relationship.

The Directors who served the Company during the 2013 year who are not considered to be independent are:

- Mr Philip Byrne, (Managing Director).

Mr Byrne was employed in an executive capacity for the 2013 year as Managing Director. Mr Byrne is an Executive Director to date, and is therefore deemed not to be independent.

The Board considers that Messrs Bloking, Mañalac, Edwards and Dr. Ollis are independent Directors in accordance with ASX Principle 2.

In reaching this view, the Board has considered any consultancy agreements existing between Messrs Bloking, Mañalac, Edwards and Dr. Ollis and the Company and has determined that the level of consultancy fees (if any) are neither material to the Company nor material to any of the Directors in the context of their overall income and are comparable to commercial rates available for comparable services and are therefore equivalent to consultancies entered into on an arm's length basis.

Retirement and Re-election

The Company's constitution requires that one third of the Directors except for the Managing Director retire from office at each Annual General Meeting. Directors who have been appointed by the Board during the year (as a casual vacancy or as an addition to the Board) are required to retire from office at the next Annual General Meeting.

Directors cannot hold office for a period in excess of three years or beyond the third Annual General Meeting following their appointment without submitting themselves for re-election. Retiring Directors are eligible for re-election by shareholders.

Board support for Directors retiring by rotation and seeking re-election is not automatic and is subject to the recommendation of the Remuneration and Nomination Committee and the views of the remaining members of the Board.

Nomination and Appointment of Directors

Since 8 September 2008, recommendations of candidates for appointment as new Directors have been made by the Board's Remuneration and Nomination Committee for consideration by the Board as a whole. If it is necessary to appoint a new Director to fill a vacancy on the Board or to complement the existing Board, a wide potential base of candidates is considered with the assistance of an independent consultant. Shortlisted candidates undergo an interview process with member(s) of the Remuneration and Nomination Committee and are subject to due diligence reference checking.

If a candidate is recommended by the Remuneration and Nomination Committee, or a candidate is nominated by a member in accordance with the Constitution, the Board assesses the qualifications of the proposed individual in terms of the skills and diversity that he or she may bring to the Board. The availability of the candidate to devote sufficient time to the Board is also considered.

A copy of the Procedure for Selection and Appointment of New Board Appointees is available from the corporate governance section of the Company's website.

Induction

New Directors are provided with a formal letter of appointment which sets out the key terms and conditions of appointment including duties, rights and responsibilities, the time commitment envisaged and the Board's expectations regarding involvement in committee work. The Director meets all members of the Board and, as appropriate, key executives. The Director is encouraged to visit the head office in Perth and operations office in Manila to become acquainted with the Company's activities.

Knowledge, Skills and Experience

All Directors are expected to maintain the skills required to discharge their obligations to the Company. Directors are provided with papers, presentations and briefings about the Company's business and operations. Directors are encouraged to undertake continuing education and training relevant to the discharge of their duties to the Company and are required to undertake the Australian Institute of Company Directors (AICD) Course or an equivalent course. Subject to prior approval by the Board, the cost of continuing education is met by the Company.

Access to Information and Independent Advice

All Directors have unrestricted access to employees of the Company and, subject to the law, access to all Company records and information held by the Company's employees. The Board receives regular financial and operational reports from management to enable it to carry out its duties. Consistent with ASX Principle 2, each Director may, with the prior approval of the Chairman, obtain independent professional advice to assist the Director in the proper exercise of powers and discharge of duties as a Director or as a member of a Board committee. The Company will reimburse the Director for the reasonable expenses of obtaining that advice.

Conflicts of Interest

Directors are required to avoid conflicts of interest and immediately inform their fellow Directors should a conflict of interest arise. Directors are also required to advise the Company of any relevant interests that may result in a conflict.

Where a matter in which a Director has a material personal interest is being considered by the Board, that Director must not be present when the matter is being considered or vote on the matter, unless all the other Directors have passed a resolution to enable that Director to do so or the matter comes within a category of exception under the *Corporations Act 2001*.

Committees

Audit and Risk Management Committee

The Board has established an Audit and Risk Management Committee as a standing committee to assist it in the discharge of its responsibilities. The Audit and Risk Management Committee comprises Mr Andrew Edwards as Chairman, and Messrs William Bloking, Eduardo Mañalac and Michael Ollis (Appointed 23 November 2013) as members. Further information in relation to the Audit and Risk Management Committee's role is contained in its charter and set out on the Company's website and under Principle 4 of this Corporate Governance Statement.

Remuneration and Nomination Committee

The Board has established a Remuneration and Nomination Committee with Dr Michael Ollis as Chairman (appointed 7 March 2013), Mr Eduardo Mañalac and Mr William Bloking (served as Chairman of the Committee until 7 March 2013) as members. Further details of the remuneration functions of the Remuneration and Nomination Committee are contained under Principle 8 of this Corporate Governance Statement. The charter of the Remuneration and Nomination Committee is available on the Company's website.

Board Evaluation

The Board completed an evaluation during the year by way of an internal evaluation questionnaire and the Board met as a group to discuss the results of the survey.

Details of the performance review process for Executive Directors are set out in the Remuneration Report which forms part of the Directors' Report.

Principle 3: Promote ethical and responsible decision-making

Recommendations:

3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to:

- The practices necessary to maintain confidence in the company's integrity;
- The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and
- The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

3.2 Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.

3.3 Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.

3.4 Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.

3.5 Companies should provide the information indicated in the Guide to Reporting on Principle 3.

Code of Conduct

The Board has adopted a Code of Conduct to guide the Directors and promote high ethical and professional standards and responsible decision-making. In particular, it addresses the Company's responsibilities to shareholders, the community and individuals, and the obligations of Directors and staff to act with integrity and honesty, engage in fair trading practices, comply with the law, avoid conflicts of interest, protect the assets of the Company, maintain the confidentiality of confidential information and comply with the code of conduct. The Code of Conduct also outlines the process by which breaches of the code may be reported and dealt with. The Board's code of conduct is consistent with ASX Principle 3. A copy of the Code of Conduct is available from the corporate governance section of the Company's website.

COMPLIANCE WITH BEST PRACTICE RECOMMENDATIONS - CONTINUED

Diversity

The Company's workforce is made up of many individuals with diverse skills, values, experiences, backgrounds and attributes including those gained on account of their gender, age, ethnicity and culture.

The Diversity Policy seeks to provide and promote a corporate culture which embraces diversity, and aims to do so via:

- promoting the principles of merit and fairness when making decisions about recruitment, development, promotion, remuneration and flexible work arrangements;
- having an overall transparent process for the review and appointment of senior management positions and Board members;
- recruiting from a diverse pool of qualified candidates, engaging a professional search/recruitment firm, advertising vacancies widely and making efforts to identify prospective employees who have diversity attributes;
- embedding the importance of diversity within the Company's culture by encouraging and fostering a commitment to diversity by leaders at all levels whilst recognising that diversity is the responsibility of all employees;
- recognising that employees may have domestic responsibilities; and
- continuing to review and develop policies and procedures to ensure diversity within the organisation.

A copy of the Diversity Policy is available from the corporate governance section of the Company's website.

The Measurable Objectives adopted for the 2013 year and an update on their status is set out in the table below:

Objective	Status
Annually review policies and procedures to ensure alignment with Diversity Policy and to encourage female participation and progression through workplace flexibility.	Completed –The Company agreed to flexible work arrangements for an employee that returned to work from maternity leave in 2013.
Formal career development plans in place for all employees.	It is expected that career plans will be completed in 2014 as part of the annual performance review process.
Annually review pay equity to address any gender gaps.	Completed – the Company reviews pay equity in the context of remuneration reviews.
Ensure that the Company's commitment to diversity is advised to all external agencies engaged to provide recruitment services.	Completed – Routinely advised to all external agencies engaged.
Engage with employees on parental leave on a quarterly basis.	Completed – Satisfied with respect to employees on maternity leave.
Specific Target – Provide flexible work arrangements to a returning staff member from maternity leave if requested.	The Company provided flexible work arrangements to a staff member that returned from maternity leave in 2013.

The proportion of women employees in the entire organisation, in senior executive positions and on the Board is set out in the table below:

Proportion of Women	
Organisation as a whole (employees).	48% as at 31 December 2013.
Senior Executive Positions.	Nil.
Board.	Nil.

SHARE TRADING

The Company's share trading policy reinforces the requirements of the *Corporations Act 2001* in relation to insider trading. The policy prohibits all employees and Key Management Personnel of the Company from trading the Company's securities if they are in possession of insider information. The policy also prohibits Key Management Personnel and employees who participate in a Company equity-based incentive plan from entering into arrangements which would have the effect of hedging. The Company's share trading policy complies with ASX Listing Rule 12.12 and has been provided to the ASX in accordance with Listing Rule 12.9. The Company's share trading policy is provided on the Company's website.

In addition to the prohibition contained in the Company's Share Trading Policy, the Company's Remuneration Policy also prohibits Key Management Personnel (and their closely related parties) who participate in a Company equity-based incentive plan from entering into transactions which would have the effect of hedging.

Key Management Personnel of the Company who intend to buy or sell shares or exercise options must advise the Company Secretary in advance of their intention to trade, confirm that they do not hold inside information and secure written approval from the Chairman of the Board or two Directors prior to undertaking any trade.

Key Management Personnel, employees, contractors and consultants are required to confirm any dealings in writing to the Company Secretary within two business days after the dealing.

DISCLOSURE

Details of the Company's continuous disclosure practices and procedures are referred to under ASX Principle 5.

Principle 4: Safeguard integrity of financial reporting

Recommendations:

4.1 The Board should establish an Audit Committee;

4.2 The Audit Committee should be structured so that it:

- Consists only of Non-Executive Directors;
- Consists of a majority of independent Directors;
- Is chaired by an independent Chairman who is not the Chairman of the Board; and
- Has at least three members.

4.3 The Audit Committee should have a formal charter; and

4.4 Companies should provide the information indicated in the Guide to Reporting on Principle 4.

AUDIT AND RISK MANAGEMENT COMMITTEE

During the year the Board updated the Audit and Risk Management Committee Charter so as to ensure the Company's governance framework specifically addressed reserves and resources reporting. In this context Michael Ollis was appointed a member of the Audit and Risk Management Committee given his background and experience as a petroleum engineer.

The Audit and Risk Management Committee monitors internal control policies and procedures designed to safeguard Company assets and maintain the integrity of financial reporting. The Audit and Risk Management Committee (as amended) has the following responsibilities:

(a) Monitor the integrity of the Financial Statements of the Company, and review significant financial reporting judgments;

(b) Review the Company's internal financial control system and, unless expressly addressed by the Board itself, the Company's risk management systems;

(c) the Company's procedures for evaluating and reporting petroleum reserves and resources;

(d) Monitor and review the external audit function including matters concerning appointment and remuneration, independence and non-audit services;

(e) Review and assess the corporate risk management framework for identifying, monitoring and managing significant business risks; and

(f) Perform such other functions as assigned by law, the Company's constitution or the Board.

The members of the Audit and Risk Management Committee at the date of this report are:

- Andrew Edwards, Chairman;
- William Bloking, Member;
- Eduardo Mañalac, Member; and
- Michael Ollis (Appointed 23 November 2013), Member.

Each of the members of the Audit and Risk Management Committee is considered to be independent.

Mr Edwards as a chartered accountant possesses the "financial expertise" required of at least one member of the Audit and Risk Management Committee. Messrs Mañalac, Ollis and Bloking are financially experienced and are otherwise qualified to be members of the Audit and Risk Management Committee by virtue of their industry experience. Details of each Director's qualifications are included in the Directors' Report. The Company Secretary is also the Secretary of the Committee and attends the meetings.

The Managing Director, the Chief Financial Officer and other members of the Leadership Team are also invited to attend the meetings as appropriate. The composition, operations and responsibilities of the Committee are consistent with ASX Principle 4.

The Committee met three times during the year ended 31 December 2013. The external auditor was in attendance at the March and August meetings with respect to the approval of the full year 2012 accounts and the half year accounts for 2013.

Details of meeting attendance for Committee members are set out in the Directors' Report. The Audit and Risk Management Committee's Charter is available from the corporate governance section of the Company's website.

COMPLIANCE WITH BEST PRACTICE RECOMMENDATIONS - CONTINUED

Independence of the external auditor

The Company's external auditor is Ernst & Young. The effectiveness, performance and independence of the external auditor are reviewed by the Audit and Risk Management Committee. The procedure for the selection, appointment and rotation of the external auditor is summarised on the Company's website.

The *Corporations Act 2001* requires the external auditor to make an annual independence declaration, addressed to the Board, declaring that the auditor has maintained its independence in accordance with the *Corporations Act 2001* and the rules of the professional accounting bodies. Ernst & Young has provided an independence declaration to the Board for the financial year ended 31 December 2013 which forms part of the Directors' Report on *page 32*. The Company's lead external audit partner is Robert Kirkby who was appointed in 2011.

As part of the Company's commitment to safeguarding integrity in financial reporting, the Company monitors the independence and competence of the external auditor. The provision of non-audit services by the external auditor is monitored by the Audit and Risk Management Committee. Details of fees paid or payable to Ernst & Young for non-audit services provided to the Company in the year ended 31 December 2013 are set out in the Directors' Report.

The Board has considered the nature of the non-audit services provided by the external auditor during the year and has determined that the services provided and the amount paid for those services are compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* and that the auditor's independence has not been compromised.

In accordance with ASX Principle 6 and the *Corporations Act 2001*, Ernst & Young attend and are available to answer questions at the Company's Annual General Meetings.

Principle 5: Make timely and balanced disclosure

Recommendations:

5.1 Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies; and

5.2 Companies should provide the information indicated in the Guide to Reporting on Principle 5.

Disclosure

The Company understands that timely disclosure of price sensitive information is central to the efficient operation of the securities market and has adopted a Continuous Disclosure Policy in relation to compliance with the ASX Listing Rule disclosure requirements.

The Company Secretary has responsibility for compliance oversight and coordination of the disclosure of information by the Company to the ASX and for administering the Policy. A summary of the Company's Continuous Disclosure Policy appears on the Company's website.

Principle 6: Respect the rights of shareholders

Recommendations:

6.1 Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy; and

6.2 Companies should provide the information indicated in Guide to Reporting on Principle 6.

The Company prioritises effective communications with shareholders. All shareholders receive the Company's annual report (either in hard copy or electronically), and may also request copies of the Company's half-yearly and quarterly reports. The Company's annual general meeting (AGM) is a major forum for shareholders to ask questions about the performance of the Company and provides an opportunity for shareholders to provide feedback to the Company about information provided to shareholders. The Company encourages full shareholder participation at the annual general meeting.

In addition, the Company maintains a website at www.nido.com.au, on which the Company makes the following information available on a regular and up to date basis:

- Company announcements released to the ASX (for the last two years);
- Most recent information briefings to the media and analysts;
- Notices of meetings and explanatory materials;
- Financial information (for last three years); and
- Annual reports (for last three years).

The Company regularly reviews its communication policy and processes to ensure that effective communication with shareholders is maintained. A summary of the Company's communication policy appears on the Company's website.

Principle 7: Recognise and manage risk

Recommendations:

7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies;

7.2 The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks;

7.3 The Board should disclose whether it has received assurance from the Managing Director (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the *Corporations Act 2001* is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks; and

7.4 Companies should provide the information indicated in Guide to Reporting on Principle 7.

COMPLIANCE WITH BEST PRACTICE RECOMMENDATIONS - CONTINUED

Risk management

The Company has a program in place to identify, monitor and manage material risks associated with its business activities and has adopted and continually reviews its risk management controls. The Board determines the Company's risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. The Audit and Risk Management Committee provides assistance and support to the Board in its review and oversight of the adequacy and integrity of Nido's risk management framework and the effectiveness of Nido's internal control structure.

The Audit and Risk Management Committee is specifically tasked with the responsibility for:

- reviewing and assessing the corporate risk management framework for identifying, monitoring and managing significant business risks;
- reviewing the effectiveness of the system for monitoring compliance with laws, regulations, internal policies and industry standards;
- considering the effectiveness of the Company's internal control structure;
- reviewing the adequacy of Nido's insurance program; and
- receiving and referring to the Board any reports and recommendations from Nido's management on significant legal, compliance or regulatory matters that may have a material effect on the Company's risk framework and internal control structure, or its strategy, operations or reputation.

The tasks of undertaking and assessing risk management and internal control effectiveness are delegated to management through the Managing Director, including responsibility for the day to day design and implementation of the Company's risk management and internal control system.

Management reports to the Audit and Risk Management Committee and ultimately the Board on the Company's key risks and the extent to which it believes these risks are being adequately managed.

The risk management controls adopted by the Company currently include:

- A risk register identifying the material risks facing the Company and the mitigation strategies in place to reduce or limit those risks;
- A health, safety, security and environment policy, a comprehensive HSSE Management System and associated procedures, including emergency response procedures;
- Limits for approval of capital expenditure and investments;
- Limits on authorities applicable to the execution of contracts and other instruments;
- Compliance processes in relation to legal liability, financial controls and treasury matters;
- An insurance program to address insurable risks associated with corporate and operational activities including the periodic review and audit of the insurance program to ensure its integrity;
- Strategic and business planning;
- Annual budgeting and monthly reporting systems enabling the monitoring of progress and cashflows;
- A designated member of the Leadership Team responsible for each risk; and
- Appropriate due diligence procedures for acquisitions, divestments and financing.

The Company's risk management policy appears on the Company's website.

Role of the Audit and Risk Management Committee

The Audit and Risk Management Committee assists the Board in relation to risk management issues. Further details in relation to the Audit and Risk Management Committee's role appear under ASX Principle 4.

Managing Director and CFO Declaration

Consistent with ASX Principle 7 and section 295A of the *Corporations Act 2001*, the Managing Director and Chief Financial Officer provided a written statement to the Board that, in their opinion:

- The Company's financial report presents a true and fair view of the Company's financial condition and operating results and are in accordance with applicable accounting standards; and
- The Company's financial records for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*.

With regard to the financial records and systems of risk management and internal compliance in this written statement, the Board received assurance from the Managing Director and Chief Financial Officer that their declaration was founded on a sound system of risk management and internal controls and that the system was operating effectively in all material aspects in relation to the reporting of financial risks.

Principle 8: Remunerate fairly and responsibly

Recommendations:

8.1 The Board should establish a Remuneration Committee;

8.2 The remuneration committee should be structured so that it:

- consists of a majority of independent Directors;
- is chaired by an independent chair; and
- has at least three members.

8.3 Companies should clearly distinguish the structure of non-executive Directors' remuneration from that of executive Directors and senior executives; and

8.4 Companies should provide the information indicated in Guide to Reporting on Principle 8.

COMPLIANCE WITH BEST PRACTICE RECOMMENDATIONS - CONTINUED

Remuneration Committee

The Remuneration and Nomination Committee's role with respect to remuneration is to make recommendations to the Board to assist the Board in fulfilling its responsibilities with respect to the Company's remuneration, recruitment, retention and termination policies.

The members of the Remuneration and Nomination Committee at the date of this report are:

- Michael Ollis, Chairman;
- William Bloking; Member and
- Eduardo Mañalac, Member.

Messrs Bloking and Mañalac and Dr. Ollis are considered to be independent.

The composition, operation and responsibilities of the Remuneration and Nomination Committee, where they relate to remuneration matters, are consistent with ASX Principle 8.

The Committee met three times during the year ended 31 December 2013. Details of meeting attendance for Committee members are set out in the Directors' Report on *page 16*. The Remuneration and Nomination Committee's Charter is available on the Company's website.

Non-Executive Director Remuneration

Details of the remuneration of Non-Executive Directors are set out in the Remuneration Report which forms part of the Directors' Report.

Remuneration of Managing Director and Senior Executives

Details of the remuneration of the Managing Director and senior Executives are set out in the Remuneration Report which forms part of the Directors' Report.

CORPORATE GOVERNANCE DOCUMENTS

Please visit our website (www.nido.com.au) to view our corporate governance documents including our Board Charter, Audit and Risk Management Committee Charter, Remuneration and Nomination Committee Charter, Code of Conduct, Share Trading Policy, Continuous Disclosure Policy, Communications Strategy and Compliance Procedures.

OTHER

Skills, Experience, Expertise and Term of Office of each Director

A profile of each Director containing the skills, experience, expertise and term of office of each Director is set out in the Directors' Report.

Existence and Terms of any Schemes for Retirement Benefits for Non-Executive Directors

There are no termination or retirement benefits for Non-Executive Directors.

DIRECTORS' DECLARATION

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

(a) the Financial Statements, Notes and additional disclosures included in the Directors' Report designated as audited, of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the year ended on that date; and

(ii) complying with Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001.

(b) the Financial Statements and Notes also comply with International Financial Reporting Standards as disclosed in note 1; and

(c) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due and payable.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the *Corporations Act 2001* for the financial year ended 31 December 2013.

For and on behalf of the Board

William F. Bloking

WILLIAM BLOKING FAICD
CHAIRMAN
13 March 2014

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	Consolidated 2013 $'000	Consolidated 2012 $'000
Revenue from sale of crude oil		40,912	36,294
Other revenue	2(a)	37	72
Total revenue		40,949	36,366
Cost of sales	3(a)	(24,405)	(21,421)
Gross profit		16,544	14,945
Other income	2(b)	533	21
Administrative and other expenses	3(b)	(10,995)	(9,990)
Foreign currency gains/(losses)		18,574	(1,733)
Finance costs	3(d)	(381)	-
Loss on derecognition of financial liabilities	3(c)	(449)	-
Fair value gain/(loss) on embedded derivatives		-	10
Profit/(loss) before income tax from continuing operations		23,826	3,253
Income tax benefit / (expense)	4	(3,809)	5,108
Net Profit/(loss) for the year from continuing operations		20,017	8,361
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(4,312)	929
Income tax relating to items of other comprehensive income/(loss)		-	-
Other comprehensive income/(loss) for the year, net of tax		(4,312)	929
Total comprehensive income/(loss) for the year		15,705	9,290
		Cents	**Cents**
Earnings per share for profit/(loss) attributable to the ordinary equity holders of the Company:			
Basic profit per share	20	1.00	0.60
Diluted profit per share	20	1.00	0.59

BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	Consolidated 2013 $'000	2012 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	5	25,354	18,099
Trade and other receivables	6	3,460	13,876
Current tax asset	4	1,934	-
Inventories	7	4,320	2,522
Other financial assets	8	23	33
		35,091	34,530
Disposal Group held for sale	13	4,133	-
Total Current Assets		39,224	34,530
Non-Current Assets			
Plant and equipment	9	261	392
Oil and gas properties	10	63,404	19,661
Exploration and evaluation expenditure	11	44,448	30,587
Deferred tax asset	4	1,334	4,536
Other financial assets	8	3,046	140
Total Non-Current Assets		112,493	55,316
Total Assets		151,717	89,846
LIABILITIES			
Current Liabilities			
Trade and other payables	14	5,046	1,663
Provisions	16	437	309
Financial liabilities	15	18,339	-
Total Current Liabilities		23,822	1,972
Liabilities directly associated with Disposal Group classified as held for sale	13	4,013	-
Total Current Liabilities		27,835	1,972
Non-Current Liabilities			
Provisions	17	10,496	5,036
Financial liabilities	15	11,566	8,081
Total Non-Current Liabilities		22,062	13,117
Total Liabilities		49,897	15,089
Net Assets		101,820	74,757
EQUITY			
Contributed equity	18	169,623	158,857
Other reserves	19	11,203	14,923
Accumulated losses		(79,006)	(99,023)
Total Equity		101,820	74,757

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	Consolidated 2013 $'000	2012 $'000
Cash Flows From Operating Activities			
Receipts from customers		49,136	28,689
Payments to suppliers and employees		(26,721)	(26,396)
Interest received		38	62
Interest paid		(249)	(307)
Proceeds from insurance		-	575
Income tax paid		-	(3,601)
Net cash from operating activities	25(a)	22,204	(978)
Cash Flows From Investing Activities			
Expenditure on oil and gas properties		(40,823)	(8,257)
Expenditure on exploration and evaluation assets		(5,739)	(6,440)
Interest paid		(1,140)	-
Payments for plant and equipment		(4)	(192)
Proceeds from disposal of plant and equipment		-	1
Net cash used in investing activities		(47,706)	(14,888)
Cash Flows From Financing Activities			
Proceeds from issues of equity securities		11,984	5,633
Payments for equity issue costs		(1,218)	(464)
Proceeds from borrowings		21,729	9,096
Payments for financing costs		(1,746)	(702)
Repayment of borrowings		(1,581)	(361)
Net cash from/(used in) financing activities		29,168	13,202
Net (decrease)/increase in cash and cash equivalents		3,666	(2,664)
Effect of foreign exchange rates		3,589	(798)
Cash and cash equivalents at beginning of year		18,099	21,561
Cash and cash equivalents at end of year	5	25,354	18,099

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

	Contributed Equity $'000	Share Based Payment Reserve $'000	Foreign Currency Translation Reserve $'000	Accumulated Losses $'000	Total Equity $'000
Consolidated					
At 1 January 2012	153,688	8,045	5,226	(107,384)	59,575
Profit/(loss) for the year	-	-	-	8,361	8,361
Other comprehensive income/(loss)	-	-	929	-	929
Total comprehensive loss for the period, net of tax	-	-	929	8,361	9,290
Transactions with owners in their capacity as owners:					
Issue of share capital	5,633	-	-	-	5,633
Cost of issue of share capital	(464)	-	-	-	(464)
Share based payments	-	723	-	-	723
	5,169	723	-	-	5,892
As at 31 December 2012	158,857	8,768	6,155	(99,023)	74,757
At 1 January 2013	158,857	8,768	6,155	(99,023)	74,757
Profit/(loss) for the year	-	-	-	20,017	20,017
Other comprehensive income/(loss)	-	-	(4,312)	-	(4,312)
Total comprehensive loss for the period, net of tax	-	-	(4,312)	20,017	15,705
Transactions with owners in their capacity as owners:					
Issue of share capital	11,984	-	-	-	11,984
Cost of issue of share capital	(1,218)	-	-	-	(1,218)
Share based payments	-	592	-	-	592
	10,766	592	-	-	11,358
As at 31 December 2013	169,623	9,360	1,843	(79,006)	101,820

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Corporate Information

This financial report of Nido Petroleum Limited for the year ended 31 December 2013 was authorised for issue in accordance with a resolution of the Directors on 7 March 2014.

Nido Petroleum Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange and the entity is a for profit entity.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

(a) Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, with the exception of derivative financial instruments and non-current assets held for sale which have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated.

Except as noted below, the accounting policies set out below have been consistently applied to all periods presented in the financial report.

The Group has adopted all new and amended Australian Accounting Standards and AASB Interpretations effective as of 1 January 2013, including:

- **AASB 10 Consolidated Financial Statements**
  AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and UIG-112 *Consolidation – Special Purpose Entities*. The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. Consequential amendments were also made to other standards via AASB 2011-7. The adoption of AASB 10 had no effect on the financial position or performance of the Group.

- **AASB 11 Joint Arrangements**
  AASB 11 replaces AASB 131 *Interests in Joint Ventures* and UIG-113 *Jointly- controlled Entities – Nonmonetary Contributions by Venturers*. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. Consequential amendments were also made to other standards via AASB 2011-7 and amendments to AASB 128. The adoption of AASB 11 had no effect on the financial position or performance of the Group.

- **AASB 12 Disclosure of Interests in Other Entities**
  AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced regarding the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests. The adoption of AASB 12 resulted in additional disclosures in the notes to the financial statements.

- **AASB 13 Fair Value Measurement**
  AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. Consequential amendments were also made to other standards via AASB 2011-8 which has resulted in additional disclosures around the fair values of financial instruments. The adoption of AASB 13 had no effect on the financial position or performance of the Group.

- **AASB 19 Employee Benefits**
  The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. The adoption of AASB 19 had no effect on the financial position or the performance of the Group.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(b) Statement of Compliance

The Financial Report complies with Australian Accounting Standard as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(c) New Accounting Standards Not Yet Effective

Applicable Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ended 31 December 2013.

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. (b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. (d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: • The change attributable to changes in credit risk are presented in other comprehensive income (OCI); • The remaining change is presented in profit or loss	1 January 2017	The Group has not yet determined the extent of the impact of the amendments, if any.	1 January 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 9 - continued	Financial Instruments	If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10. The AASB issued a revised version of AASB 9 (AASB 2013-9) during December 2013. The revised standard incorporates three primary changes: 1. New hedge accounting requirements including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures; 2. Entities may elect to apply only the accounting for gains and losses from own credit risk without applying the other requirements of AASB 9 at the same time; and 3. The mandatory effective date moved to 1 January 2017.	1 January 2017	The Group has not yet determined the extent of the impact of the amendments, if any.	1 January 2017
AASB 2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	This Standard makes amendments to remove individual key management personnel disclosure requirements from AASB 124.	1 July 2013	Reduced disclosure of KMP information.	1 January 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 1053	Application of Tiers of Australian Accounting Standards	This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements: (a) Tier 1: Australian Accounting Standards (b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements. Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements. Consequential amendments to other standards to implement the regime were introduced by AASB 2010-2, 2011-2, 2011-6, 2011-11, 2012-1 and 2012-7.	1 July 2013	No impact as Nido will not apply reduced reporting.	1 January 2014
AASB 2012-3	Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities	AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	The Group has not yet determined the extent of the impact of the amendments, if any.	1 January 2014
Interpretation 21	Levies	This Interpretation confirms that a liability to pay a levy is only recognised when the activity that triggers the payment occurs. Applying the going concern assumption does not create a constructive obligation.	1 January 2014		1 January 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(d) Basis of Consolidation

The consolidated Financial Statements comprise the Financial Statements of Nido Petroleum Limited and its subsidiaries as at 31 December each year (the Group or Consolidated Entity).

The Financial Statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intercompany balances and transactions have been eliminated in full.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Where there is a loss of control of a subsidiary, the consolidated Financial Statements include the results of the part of the reporting period during which Nido Petroleum Limited has had control.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting.

(e) Significant Accounting Judgments, Estimates and Assumptions

Significant accounting judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Financial Statements.

(i) Exploration and evaluation assets and oil and gas properties

The Group's accounting policy for exploration and evaluation expenditure and oil and gas properties is set out at Note 1(m) and Note 1(l) respectively. The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves have been found. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under the policy, it is concluded that the expenditures are unlikely to be recovered by future exploitation or sale, then the relevant capitalised amount will be written off through profit or loss.

(ii) Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences where management considers that it is probable that future taxable profits will be available to utilise those temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set-off current income tax assets against current income tax liabilities and deferred income taxes relate to the same taxable entity and the same taxation authority.

Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

(i) Impairment of assets

In determining the recoverable amount of assets, estimations are made regarding the present value of future cash flows using asset-specific discount rates and a "value in use" discounting cash flow methodology. Additional disclosures are provided about the discount rate and any other significant assumptions in the Notes. For oil and gas properties, expected future cash flow estimation is based on reserves, future production profiles, commodity prices and costs.

(ii) Restoration obligations

Where a restoration obligation exists, the Group estimates the future removal costs of offshore oil and gas platforms, production facilities, wells and pipelines at the time of installation of the assets. In most instances, removal of assets occurs many years into the future. This requires judgmental assumptions regarding removal date, future environmental legislation, the extent of reclamation activities required, the engineering methodology for estimating cost, future removal technologies in determining the removal cost and liability specific discount rates to determine the present value of these cash flows. For more detail regarding the policy in respect of the provision for restoration refer to Note 1(r).

(iii) Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of options is determined using a Black Scholes model, and the fair value of performance rights is determined using a Monte Carlo simulation model.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(iv) *Estimates of reserves quantities*

The estimated quantities of Proved plus Probable hydrocarbon reserves reported by the Company are integral to the calculation of depletion and depreciation expense and to assessment of possible impairment of assets. Estimated reserve quantities are based upon interpretation of geological and geo-physical models and assessments of technical feasibility and commercial viability of producing the reserves. These assessments require assumptions to be made regarding future development and production costs, commodity prices, exchange rates and fiscal regimes. The estimates of reserves may change from period to period as the economic assumptions used to estimate the reserves can change from period to period, and as additional geological data is generated during the course of operations. Reserves estimates are prepared in accordance with the Company's policies and procedures for reserve estimation which conform to guidelines prepared by the Society of Petroleum Engineers.

(v) *Valuation of embedded derivative*

The debt facility held by Nido Production (Galoc) Pty Ltd (NPG) had two components being the debt component and embedded derivative component. The embedded derivative component related to an oil price premium fee within the debt facility agreement which specifies a fee to be paid by NPG to Standard Bank plc should the price of oil per barrel increase and hold over defined price ranges for a specified time.

During the year certain specific terms and conditions relating to Standard Bank participation in the facility were cancelled, which included the oil price premium fee and the associated embedded derivative. A loss on derecognition was recognised as a result of the conversion during the year ended 31 December 2013.

For the year ended 31 December 2012, the embedded derivative was carried at its fair value. The value of the embedded derivative component had been determined using a Monte Carlo pricing approach taking into account factors such as underlying commodity reference price, volatility of the commodity, term of the facility and discount rates.

Over the term of the facility, the embedded derivative was fair valued at each balance date and the movement in the fair value recorded through the income statement.

(vi) *Taxes*

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

In 2012, the Group has recognised Deferred Tax Assets ('DTA') of $4.5 million. The DTA predominantly related to the write-off of an intercompany loan not considered recoverable by management and considered connected to the trade or business of the Philippine Branches, which is expected to be claimed as a tax deduction against profits of the Nido Production (Galoc) Pty Ltd (Branch). Management has used significant judgement as to determining the deductibility of the write-off of the intercompany loan and has confirmed its judgement through independent legal and taxation advice that it is in accordance with the provisions of the Philippine tax code.

(f) Foreign Currency Translation

Both the functional and presentation currency of Nido Petroleum Limited and its Australian subsidiaries is Australian Dollars, while for the subsidiaries with operations overseas, namely Nido Petroleum Philippines Pty Ltd, it is United States Dollars.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted at the rate of exchange prevailing at the Balance Sheet date.

As at the reporting date the assets and liabilities of the subsidiaries operating overseas are translated into the presentation currency of Nido Petroleum Limited at the rate of exchange prevailing at the balance sheet date and the items of income or expenditure are translated at the average exchange rates for the period.

The exchange differences arising on the retranslation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(g) Interests in Joint Operations

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement.

In relation to its interest in joint operations, the Group recognises:

- Assets, including its share of any assets held jointly
- Liabilities, including its share of any liabilities incurred jointly
- Revenue from the sale of its share of the output arising from the joint operation
- Share of the revenue from the sale of the output by the joint operation
- Expenses, including its share of any expenses incurred jointly

(h) Cash and Cash Equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand, short-term deposits with an original maturity of three months or less and money market investments readily convertible to cash within two working days.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(i) Trade and Other Receivables

Trade receivables are carried at the amounts due. Specific allowance is made for any amounts when collection is considered doubtful. Bad debts are written off when identified.

Receivables from related parties are recognised and carried at amortised cost.

Collectability of trade and other receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An impairment allowance is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 90 days overdue are considered objective evidence of impairment. The amount of impairment loss is the receivable carrying amount compared to the present value of estimated cash flow, discounted at the original effective interest rate.

(j) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined as follows:

(i) Materials, which include drilling and maintenance stocks, are valued at cost; and

(ii) Petroleum products, comprising extracted crude oil stored in FPSO tanks, are valued at cost.

Inventories and material stocks are accounted for on a FIFO (first in, first out) basis.

(k) Plant and Equipment

Plant and equipment are stated at cost less accumulated depreciation and any impairment in value.

Depreciation of plant and equipment is calculated on a straight line basis over the expected useful life to estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation

- Plant and Equipment 2 – 3 years

Disposal

Any item of property, plant and equipment is derecognised upon disposal or when no further economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognising of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

(l) Oil and Gas Properties

Assets in Development

When the technical and commercial feasibility of an undeveloped oil or gas field has been demonstrated the field enters its development phase. The costs of oil and gas assets are transferred from exploration and evaluation expenditure and reclassified into development phase and include past exploration and evaluation costs, development drilling and other subsurface expenditures, surface plant and equipment, and any associated land and buildings.

Producing assets

The costs of oil and gas assets in production are separately accounted for as tangible assets, and include past exploration and evaluation costs, pre-production development costs and the ongoing costs of continuing to develop reserves for production and to expand or replace plant and equipment and any associated land and buildings.

Depletion charges are calculated using a unit of production method which will amortise the cost of carried forward exploration, evaluation and development expenditure over the life of the estimated Proved plus Probable reserves (2P), in a cash generating unit.

Provisions for future restoration are made where there is a present obligation as a result of development and are capitalised as a component of the cost of those activities. The provision for restoration policy is discussed in full at Note 1(r).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(m) Exploration and Evaluation Expenditure

Deferred Expenditure

Costs related to the acquisition of properties that contain resources are allocated separately to specific areas of interest. These costs are capitalised until the viability of the area of interest is determined.

Exploration and evaluation expenditure is stated at cost and is accumulated in respect of each identifiable area of interest.

Such costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area of interest (or alternatively by its sale), or where activities in the area have not yet reached a stage which permits a reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off through profit or loss in the period in which the decision to abandon the area is made.

The Directors review the carrying value of each area of interest as at the balance date and any exploration expenditure which no longer satisfies the above policy is written off.

Once an area of interest enters the development phase, all capitalised acquisition, exploration and evaluation expenditures are transferred to oil and gas properties.

Farm-outs

The Group does not record any expenditure made by the farmee on its account. It also does not recognise any gain or loss on its exploration and evaluation farm out arrangements but redesignates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained and any consideration received directly from the farmee is credited against costs previously capitalised.

(n) Impairment of Non-Financial Assets

On each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

(o) Investments and Other Financial Assets

Investments and financial assets within the scope of AASB 139 Financial Instruments: Recognition and Measurement are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired.

When financial assets are recognised initially, they are measured at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Recognition and De-recognition

All regular way purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or have been transferred.

(p) Trade and Other Payables

Trade and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(q) Borrowings

Borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(r) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reasonable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is recognised through profit or loss net of any reimbursement.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Restoration Provisions

The Group recognises any legal or constructive restoration obligation as a liability at its present value at the time a legal liability or constructive obligation exists and when a reliable estimate of the amount of the obligation can be made. The carrying amount of the long lived assets to which the obligation relates is increased by the asset retirement obligation costs and amortised over the producing life of the asset. Restoration provisions are based on the estimated cost of restoration work required at the end of the useful life of the producing fields, including removal of facilities and equipment required or intended to be removed, together with abandonment of producing wells. These estimates of the asset retirement obligations are based on current technology, legal requirements and future costs, which have been discounted to their present value. In determining the asset retirement obligations, the Company has assumed no significant changes will occur in the relevant legislation in relation to restoration of sites in the future.

Where a restoration obligation is assumed as part of the acquisition of an asset or obligation, the liability is initially measured at the present value of the future cash flows to settle the present obligation as at the acquisition date.

Over time, the liability is accreted to its present value each period based on a risk adjusted pre-tax discount rate appropriate to the risks inherent in the liability. The unwinding of the discount is recorded within finance costs. Upon settlement of the liability, the Company either settles the obligation for its recorded amount or incurs a gain or loss upon settlement.

(s) Share Based Payment Transactions

The Group provides benefits to employees (and Executive Directors) of the Group in the form of share based payment transactions, whereby employees render services in exchange for shares or rights over shares (“equity-settled transactions”).

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employee becomes fully entitled to the award (vesting date).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

(i) The grant date fair value of the award;

(ii) The extent to which the vesting period has expired; and

(iii) The number of awards that, in the opinion of the Directors of the Group, will ultimately vest taking into account such factors as the likelihood of non-market performance conditions being met.

This opinion is formed based on the best available information at balance date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition. The dilutive effect, if any, of outstanding awards is reflected as additional share dilution in the computation of earnings per share.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

Equity settled awards granted by the Parent to employees of Subsidiaries are recognised in the Parent's separate Financial Statements. The expense recognised by the Group is the total expense associated with such award.

Performance Rights

Performance rights are issued under the 2010 Employee Performance Rights Plan. Subject to Shareholder approval, Executive Directors may be issued performance rights under the same terms and conditions as the plan.

The cost of these equity-settled transactions is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a Monte Carlo simulation model.

Managing Director (Former Chief Operating Officer) Sign on and Retention Bonus

As part of the employment contract entered into between Nido Petroleum Limited and the then Chief Operating Officer, now Managing Director, Mr Philip Byrne*, Nido will issue future grants of fully paid ordinary shares as a sign-on and retention bonus.

The cost of these equity-settled transactions is measured by reference to the fair value at the date at which they are granted. See Note 23(b)(iv) for further information.

* Mr Byrne was appointed CEO effective from 20 January 2012 and Managing Director effective from 1 June 2012.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(t) Employee Benefits

(i) Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. These are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

A liability for long service leave is recognised and measured as the present value of the estimated future cash outflow to be made in respect of employees' services up to the reporting date. The obligation is calculated using expected future increases in wage and salary rates, experience of employee departures and periods of service. Expected future payments are discounted using the rates attached to the Commonwealth Government bonds at the reporting date which have maturity dates approximating the terms of the Group's obligations.

(iii) Defined contribution plan

Contributions to employee superannuation funds, being defined contribution plans of choice, are expensed as incurred.

(u) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments.

Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

(v) Revenue

Revenue is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. Revenue is recognised and measured at the fair value of the consideration received or receivable, to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Sale of crude oil

Sales revenue is recognised on the basis of the Group's interest in a producing field ("entitlements" method), when the physical product and associated risks and rewards of ownership pass to the purchaser, which is generally at the time of ship or truck loading, or on the product entering the pipeline. Revenue earned under a service contract ("SC") is recognised on a net entitlements basis according to the terms of the SC and the farm-in agreements.

Interest

Revenue is recognised as interest accrues using the effective interest method.

(w) Borrowing Costs

Borrowing costs are expensed in the period in which they are incurred except borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset that necessarily takes a substantial period to get ready for its intended use or sale. In this case, borrowing costs are capitalised as part of the cost of such a qualifying asset.

(x) Income Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- When the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- When the taxable temporary differences are associated with investments in subsidiaries, associates and interests in Joint Operations, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses, can be utilised except:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- When the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- When the deductible temporary differences are associated with investments in subsidiaries, associates and interests in Joint Operations, in which case deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amounts of deferred income tax assets are reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

(y) Other Taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the amount of the GST incurred is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense; and
- Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority in included as a current asset or liability in the Balance Sheet.

Cash flows are included in the cash flow statement on a gross basis. The GST components of each cash flow arising from investing activities which are recoverable from or payable to the taxation authority are classed as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(z) Contributed Equity

Contributed equity is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the proceeds received.

(aa) Earnings per Share

Basic EPS is calculated as net profit / (loss) attributable to members, adjusted to include costs of servicing equity other than dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit / (loss) attributable to members, adjusted for:

(i) Costs of servicing equity (other than dividends);

(ii) The after tax effect of dividends and interest associated with the dilutive potential ordinary shares that have been recognised as expenses; and

(iii) Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares,

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(bb) Financial Instruments Issued by the Company

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs arising on the issue of equity instruments, net of associated tax, are recognised directly in equity as a reduction of the proceeds of the equity instrument to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Debt Facility

The debt facility held by Nido Production (Galoc) Pty Ltd (NPG) had two components being the debt component and embedded derivative component. The embedded derivative component related to an oil price premium fee within the debt facility agreement which specifies a fee to be paid by NPG to Standard Bank plc should the price of oil per barrel increase and hold over defined price ranges for a specified time.

During the year certain specific terms and conditions relating to Standard Bank participation in the facility were cancelled, which included the oil price premium fee and the associated embedded derivative. A loss on derecognition was recognised as a result of the conversion during the year ended 31 December 2013.

For the year ended 31 December 2012, the embedded derivative was carried at its fair value. The value of the embedded derivative component had been determined using a Monte Carlo pricing approach taking into account factors such as underlying commodity reference price, volatility of the commodity, term of the facility and discount rates.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Over the term of the facility, the embedded derivative was fair valued at each balance date and the movement in the fair value recorded through the income statement.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instrument or component parts of compound instruments.

(cc) Non-current Assets and Disposal Groups Held for Sale and Discontinued Operations

Non-current assets and disposal groups are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction. They are not depreciated or amortised. For an asset or disposal group to be classified as held for sale, it must be available for immediate sale in its present condition and its sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increase in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the income statement.

(dd) Derivative financial instrument

The Group uses derivative financial instruments, such as forward commodity contracts, to manage its commodity price risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Commodity contracts that are entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirements are held at cost.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss.

(ee) Operating Segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of Directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

The group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- nature of the products and services;
- nature of the production processes;
- type or class of customer for the products and services;
- methods used to distribute the products or provide the services, if applicable; and
- nature of the regulatory environment.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately.

However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the Financial Statements.

(ff) Fair Value Measurement

The Group measures financial instruments, such as derivatives, at fair value at each balance sheet date. Also, any fair values of financial instruments measured at amortised cost are disclosed.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Where applicable, a fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determine the policies and procedures for both recurring fair value measurement and for non-recurring measurement, such as assets held for distribution in discontinued operation.

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents are assessed. Comparison is made of each of the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

Management present the valuation results to the audit committee and the Group's independent auditors. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2. REVENUES

	Consolidated 2013 $'000	Consolidated 2012 $'000
(a) Other Revenue		
Interest revenue - other parties	37	72
(b) Other Income		
Municipal tax credits	392	-
Gain on disposal of assets	2	1
Other	139	20
Total Other Income	533	21

	Consolidated 2013 $'000	Consolidated 2012 $'000
3. EXPENSES		
(a) Cost of Sales		
Amortisation of oil and gas properties	6,689	4,977
Other production costs net of inventory movement	17,716	16,444
Total cost of sales	24,405	21,421

Other production costs expense includes SC 14C1 Galoc oil field payments for the FPSO of $11,054,000 (2012: $9,118,000). It is impracticable to split non-lease components from the operating lease payments.

	Consolidated 2013 $'000	Consolidated 2012 $'000
(b) Administrative and Other Expenses		
(i) Administrative expenses		
Employee Benefits		
Wages and salaries	4,403	4,610
Defined contribution superannuation expense	327	377
Share based payments expense	592	723
Other employee benefits	125	226
Total employee benefits	5,447	5,936
Office and other expenses		
Office and other expenses	2,073	3,023
Depreciation, amortisation and impairment expenses		
Depreciation of plant and equipment	144	187
Amortisation of oil and gas properties	6,689	4,977
Impairment write-down of exploration assets (note 11)	2,554	-
Total Depreciation, amortisation and impairment	9,387	5,164
Less: amortisation included in cost of sales	(6,689)	(4,977)
Total Depreciation, amortisation and impairment included in other expenses	2,698	187
Lease payments		
Operating lease rental	542	510
Total Administrative Expenses	10,760	9,656
(ii) Other		
Exploration and evaluation expenditure expensed	235	334
Total other	235	334
Total Administrative and Other Expenses	10,995	9,990
(c) Loss on derecognition of Financial Liabilities		
Loss on derecognition of financial liabilities	449	-

3. EXPENSES - CONTINUED

Upon conversion of Galoc Debt Facility from Tranche 1 to Tranche 2, the Tranche 1 loan was settled in full utilising funds from the Tranche 2 loan drawn down. This resulted in an extinguishment of the Tranche 1 loan and a resulting loss on derecognition through profit or loss. All terms and conditions of the facility remain unchanged after conversion, other than the specific terms and conditions contained in an agreement with Standard Bank which included the oil price premium fee and the associated embedded derivative which was cancelled on Standard Bank's exit from the facility.

	Consolidated	
	2013 $'000	2012 $'000
(d) Finance Costs		
(i) RBL facility finance costs		
Interest expense	331	-
(ii) Other finance costs		
Unwind of the effect of discounting on provisions	50	-
Total finance costs	381	-

4. INCOME TAX

	Consolidated	
	2013 $'000	2012 $'000
(a) Income tax expense		
The major components of income tax expense are:		
Current income tax		
Current income tax charge/(benefit)	(7,986)	(1,706)
Prior year under/(over) provision	(1,176)	1,814
Deferred income tax		
Temporary differences originating and reversing	10,041	(5,161)
Prior year under/(over) provision	2,930	(55)
Income tax expense/(benefit) reported in income statement	3,809	(5,108)

There is no income tax expense in relation to items charged or credited directly to equity.

	Consolidated	
	2013 $'000	2012 $'000
(b) Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate		
Total accounting profit/(loss) before income tax	23,826	3,253
At the Group's statutory income tax rate Australia 30%, Philippines 30% (2012: Australia 30%, Philippines 30%)	7,148	976
Adjustments in respect of current year income tax		
Non-deductible expenses	315	441
Non-assessable income	(1,185)	(8,352)
Prior year over/(under)-provision	1,753	1,759
Deferred tax assets not recognised	(4,222)	68
Income tax expense/(benefit) for the year	3,809	(5,108)
Aggregate income tax/(benefit) is attributed to:		
Continuing operations	3,809	(5,108)

4. INCOME TAX - CONTINUED

(c) Deferred tax assets and liabilities

	Balance Sheet 2013 $'000	Balance Sheet 2012 $'000	Profit or Loss 2013 $'000	Profit or Loss 2012 $'000
Consolidated				
(i) Deferred tax liabilities				
Oil and Gas Assets	14,581	2,892	11,689	(726)
Restoration Assets	2,813	-	2,813	-
Derivative Asset	1	-	1	-
Financial liabilities	368	184	184	(184)
Unrealised foreign exchange movement	5,580	50	5,530	(50)
Set-off of deferred tax assets	(23,343)	(3,126)	(20,217)	1,640
	-	-	-	680
(ii) Deferred tax assets				
Provisions	151	143	(8)	(12)
Other	204	158	(46)	71
Rehabilitation	4,323	1,458	(2,865)	28
Exploration Assets	2,254	3,551	1,297	(40)
Oil and Gas Assets	8,917	8,917	-	-
Unrealised foreign exchange movement	-	651	651	(651)
Revenue tax losses	34,102	28,907	(5,195)	(5,638)
Set-off against deferred tax liabilities	(23,343)	(3,126)	20,217	1,640
Unrecognised deferred tax asset	(25,274)	(36,123)	(10,849)	66
	1,334	4,536	3,202	(4,536)

The deferred tax assets not brought to account for the 2013 year will only be obtained if:

(iii) Future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;

(iv) The conditions for deductibility imposed by the tax legislation continue to be complied with; and

(v) The companies are able to meet the continuity of ownership and/or continuity of business tests.

Australian revenue tax losses of $54.1 million (2012: $48.5 million) are available indefinitely for offsetting against future Australian taxable profits subject to continuing to meet relevant statutory tests.

Revenue tax losses due to operations in the Philippines of $36.9 million (2012: $47.5 million) are available indefinitely for offset against future Philippine taxable profits subject to continuing to meet relevant statutory tests.

The Deferred Tax Asset includes the write off of an intercompany loan not considered recoverable by management and considered connected to the trade or business of the Philippine Branches, which is expected to be claimed as a deduction against profits of the Nido Production (Galoc) Pty Ltd (Branch). Management has used significant judgement as to determining the deductibility of the write-off of the intercompany loan and has confirmed its judgement through independent legal and taxation advice that it is in accordance with the provisions of the Philippine tax code.

(d) Current Tax Asset

The Current Tax Asset includes income tax credits of $1.934 million to be offset against future taxable profits of Nido Production (Galoc) Pty Ltd Branch.

(e) No Tax Consolidated Group

As at the reporting date, a consolidated group for tax purposes has not been formed.

	Consolidated 2013 $'000	Consolidated 2012 $'000

5. CASH AND CASH EQUIVALENTS

	2013 $'000	2012 $'000
Cash at bank and in hand [1]	25,300	18,045
Short term deposits	54	54
	25,354	18,099

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Group and earn interest at the respective short term deposit rates.

1 Cash at bank includes $10.0 million in funds held in accounts with Standard Bank plc at year-end. Usage of these funds is governed by the terms and conditions of the senior secured facility agreement.

6. RECEIVABLES

Trade and Other Receivables - Current	2013 $'000	2012 $'000
Receivables from Joint Operation partner	-	494
Crude oil receivables	292	8,294
Deposits held by Joint Operations	2,343	3,006
GST receivables	32	74
Other	793	2,008
	3,460	13,876

Fair Value and Risk Exposures

(i) Due to the short term nature of these receivables, their carrying value approximates their fair value;

(ii) The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security;

(iii) Details regarding foreign exchange and interest rate risk exposure are disclosed in Note 31; and

(iv) Other receivables generally have repayments between 30 and 90 days.

Ageing analysis of current receivables:	Total	0-30 days	31-60 days
2013	3,460	3,460	-
2012	13,876	13,802	74

There were no current receivables past due as at 31 December 2013. No impairment of assets was required as at 31 December 2013 (2012: Nil).

7. INVENTORIES

	2013 $'000	2012 $'000
Casing, pipe and drilling inventory	1,047	1,760
Oil in storage	3,273	762
Total inventories at lower of cost and net realisable value	4,320	2,522

There was no impairment of inventories during the year (2012: nil).

8. OTHER FINANCIAL ASSETS

	2013 $'000	2012 $'000
Current:		
Receivables - security deposits	23	33
Non-Current:		
Receivables - security deposits	3,046	140

Fair Value and Risk Exposures

(i) The maximum exposure to credit risk is limited to the carrying amount of the security deposits, which approximates the fair value;

(ii) Details regarding foreign exchange and interest rate risk exposure are disclosed in Note 31.

	Consolidated 2013 $'000	Consolidated 2012 $'000

9. PLANT AND EQUIPMENT

	2013 $'000	2012 $'000
Plant and equipment, at cost	2,368	2,300
Accumulated depreciation	(2,107)	(1,908)
	261	392
Reconciliation		
As at 1 January	392	378
Additions	4	212
Disposals	(3)	(10)
Depreciation expense	(144)	(187)
Currency translation differences	12	(1)
Net carrying value	261	392

10. OIL AND GAS PROPERTIES

	2013 $'000	2012 $'000
Production phase, at cost	127,855	66,411
Accumulated amortisation and impairment losses	(64,451)	(57,762)
Production phase, at cost	63,404	8,649
Development phase, at cost	-	11,012
	63,404	19,661
Reconciliations		
Production phase – net		
As at 1 January	8,649	13,845
Transfer from development	60,494	-
Amortisation of oil and gas properties	(6,689)	(4,977)
Currency translation differences	950	(219)
Net carrying value	63,404	8,649
Development phase – net		
As at 1 January	11,012	158
Additions	44,836	9,834
Transfer from exploration and evaluation[1]	-	1,004
Transfer to production	(60,494)	-
Currency translation differences	4,646	16
Net carrying value	-	11,012

Oil and gas properties capitalised in the production phase as at 31 December 2013 comprised only of the SC 14C1 Galoc oil field.

1 The transfer from Exploration and Evaluation into Oil and Gas Property Development relates specifically to the SC 14C1 Galoc oil field Phase II development. FID was achieved by the Joint Operation in September 2012.

	Consolidated	
	2013 $'000	2012 $'000

11. EXPLORATION AND EVALUATION EXPENDITURE

	2013 $'000	2012 $'000
Exploration and evaluation expenditure, at cost	44,448	30,587
Reconciliation		
As at 1 January	30,587	28,187
Additions	12,194	3,943
Transfer to oil and gas properties	-	(1,004)
Transfer to asset held for sale (note 13)	(1,613)	-
Impairment write-down of exploration assets	(2,554)	-
Currency translation differences	5,834	(539)
Net carrying value	44,448	30,587

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective oil and gas permits.

Impairment of exploration and evaluation expenditure asset of $0.81 million relates to Nido's share in SC 54A with the carrying value of the assets reduced to their estimated fair value less costs of disposal. The remaining amount of $1.74 million relates to Nido's acreage in SC 54B, which have been impaired to nil as a result of an assessment of the extent to which the carried forward balances are expected to be recouped through the successful exploration and development of the area of interest (or alternatively by its sale).

12. INFORMATION RELATING TO NIDO PETROLEUM LIMITED (PARENT ENTITY)

	Parent Company	
	2013 $'000	2012 $'000
Current assets	5,715	1,684
Non-current assets	91,100	90,115
Current liabilities	(972)	(652)
Non-current liabilities	(64)	(177)
Net assets	95,779	90,970
Contributed equity	169,623	158,857
Share based payments reserve	9,361	8,769
Accumulated losses	(83,205)	(76,656)
Total equity	95,779	90,970
Profit/(loss) of the parent entity for the year	(6,547)	(1,937)
Total comprehensive income/(loss) of the parent entity	(6,547)	(1,937)

Commitments and Contingencies

Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities, payable

Within one year	580	576

Amounts disclosed are remuneration commitments relating to termination payments arising from the employment agreements of employees other than Directors, Key Management Personnel and other Executives. The amounts are not recognised as liabilities and are not included in the Directors' or Key Management Personnel Remuneration.

Nido Petroleum Limited has provided a letter of undertaking dated 14 November 2006 to the Department of Energy in the Philippines to provide technical and financial support to Nido Petroleum Philippines Pty Ltd in relation to work obligations in the SC 58 Farm In Agreement executed between PNOC Exploration Corporation and Nido Petroleum Philippines Pty Ltd on 17 July 2006.

13. DISPOSAL GROUP HELD FOR SALE

(a) Details of non-current assets held for sale

On 21 November 2013, Nido entered into Sale and Purchase agreements with Colossal Petroleum Corporation to dispose of participating interests in Service Contract 54A (Exploration and Evaluation Operating Segment) together with its participating interest in Block A, Block B and Block D Retention of Service Contract 14 (Production and Operating Segment). The consideration for the disposal of the participating interest in SC 54A and Block A, Block B and Block D Retention of Service Contract 14, Nido will receive A$3 million and Colossal Petroleum Corporation is required to assume the abandonment obligations and liabilities with respect to the relevant blocks in SC 14 including the Nido and Matinloc oil fields. The Sale and Purchase Agreements are subject to Joint Venture and DOE approval. The disposal group formed part of the exploration and evaluation operating segment.

(b) Assets and liabilities held for sale

	Consolidated	
	2013 $'000	2012 $'000
Assets		
Receivables	1,288	-
Exploration and evaluation expenditure	1,613	-
Inventory	1,232	-
Assets classified as held for sale	4,133	-
Liabilities		
Payables	35	-
Provisions – restoration	3,978	-
Liabilities associated with assets classified as held for sale	4,013	-

14. TRADE AND OTHER PAYABLES

Trade Creditors	4,999	1,603
Other Creditors	47	60
	5,046	1,663

Fair Value and Risk Exposures

(i) Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

(ii) Details regarding foreign exchange, interest rate risk exposure and liquidity risk are disclosed in Note 31.

(iii) Trade and other payables are unsecured and usually paid within 60 days of recognition.

15. FINANCIAL LIABILITIES

Current		
Financial liability measured at amortised cost	18,311	-
Accrued interest	28	-
	18,339	-
Non-Current		
Financial liability measured at amortised cost	11,566	7,937
Derivative financial instrument – at fair value	-	144
	11,566	8,081

The debt component of the debt facility is recorded at amortised cost.

15. FINANCIAL LIABILITIES - CONTINUED

(a) Nature and Fair Value

On 19 July 2012, Nido's wholly owned subsidiary, Nido Production (Galoc) Pty Ltd signed a senior debt facility with Standard Bank plc for up to a maximum of US$30 million for a term of three years.

The principal terms and conditions of the debt facility are as follows:-

- The facility is a reserve-based lending facility and is available in two tranches;
- First tranche: up to a maximum of US$15 million available pre Galoc Phase II development FID, subject to conditions precedent and other terms of the facility;
- Second tranche: increases the facility up to a maximum of US$30 million available post FID, subject to approvals and other terms of the facility;
- Maturity date – 31 December 2015 (3 year term) and amortising on a quarterly basis in accordance with the facility available amount;
- Oil price hedging is required under the terms of the debt facility should the oil price fall below a certain threshold;
- Interest payable is based on US LIBOR plus fixed margin interest rate; and
- The facility is secured by a first charge over the assets of Nido Production (Galoc) Pty Ltd.

During the year, the debt facility converted from up to a maximum US$15 million available facility (Tranche 1) to a maximum of US$30 million available facility (Tranche 2) with Credit Suisse AG syndicated into the facility on 31 January 2013. Certain specific terms and conditions relating to Standard Bank participation in the facility were cancelled, which included the oil price premium fee and the associated embedded derivative. A loss on derecognition was recognised as a result of the conversion during the year ended 31 December 2013. On 28 June 2013 Raiffeisen Bank assumed Standard Bank's share of the debt.

Over the term of the facility, the carrying amount of the debt component will be accreted to the US$27.6 million principal amount using the effective interest rate method. Any future drawdowns will also be treated on the same basis and accreted using the effective interest rate method.

The fair value of the debt component is A$31.7 million.

(b) Risk exposures

Details regarding foreign exchange, interest rate risk exposure and liquidity risk are disclosed in Note 31.

	Consolidated	
	2013 $'000	2012 $'000
16. CURRENT PROVISIONS		
Employee benefits	437	309

	Consolidated	
	2013 $'000	2012 $'000
17. NON-CURRENT PROVISIONS		
Employee benefits	64	177
Restoration	10,432	4,859
	10,496	5,036
Movements in non-current restoration provision		
As at 1 January	4,859	4,953
Arising during the year	8,486	-
Unwinding and discount rate adjustment	4	-
Transfer to Assets and Liabilities Held for Sale. Refer note 13	(3,978)	-
Currency translation difference	1,061	(94)
Net carrying value	10,432	4,859

17. NON-CURRENT PROVISIONS - CONTINUED

Nature and timing of the restoration provision:

The Group has recognised a provision for restoration related to the estimated cost of restoration work required at the end of the useful life of the producing fields, including removal of facilities and equipment required or intended to be removed, together with abandonment of producing wells in Service Contract 14 in particular Galoc oil field (Phase 1 and Phase 2) in SC14 Block C-1 (which is expected to be abandoned in around 2020) and recognised a revised provision for restoration relating to the existing wells in SC14 Block C-2 (West Linapacan). The cost has been capitalised as the restoration obligation is recognised during the evaluation stage, with abandonment of the field to be completed before the expiration of the Service Contract term in 2025.

These provisions have been created based on field operator estimates provided to Nido. These estimates are reviewed regularly to take into account any material changes to the assumptions. However actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of the decommissioning is likely to depend on when the fields cease to produce at economically viable rates. This, in turn, will depend upon future oil prices, which are inherently uncertain. These estimates of restoration are subject to significant estimates and assumptions; refer Note 1(r).

The restoration provision which relates to the Nido and Matinloc oil fields in SC14 A and SC14 B were transferred to assets and liabilities held for sale; refer Note 13. On 21 November 2013, Nido entered into Sale and Purchase agreements with Colossal Petroleum Corporation to dispose of participating interests in Service Contract 54A together with its participating interest in Block A, Block B and Block D Retention of Service Contract 14. The Sale and Purchase Agreements remains subject to DOE and Joint Venture approvals.

18. CONTRIBUTED EQUITY

	Consolidated 2013 $'000	Consolidated 2012 $'000
Issued and fully paid ordinary shares	169,623	158,857

The Company's shares have no par value and there is no limit to the amount of authorised capital. Fully paid ordinary shares carry one vote per share and carry the right to dividends.

(a) Movement of shares on issue

	2013 Number of Shares	2013 $'000	2012 Number of Shares	2012 $'000
Beginning of the year	1,601,120,957	158,857	1,389,163,151	153,688
Issued during the year:				
• issues of new shares[(i)]	443,863,344	11,984	208,624,472	5,633
• issue of new shares under employment contract[(ii)]	1,666,667	-	3,333,334	-
• less transaction costs	-	(1,218)	-	(464)
End of the year	2,046,650,968	169,623	1,601,120,957	158,857

(i) New shares issued

2013

On 11 January 2013, Nido completed a Share Purchase Plan with a total of 83,611,262 ordinary shares being issued at 2.7 cents each.

On 25 January 2013 Nido held an EGM which sought approval of the conditional placement of 221,641,122 ordinary shares at 2.7 cents each which were subject of the 2012 placement referred to below.

On 27 February 2013, Nido completed a placement of 138,610,960 ordinary shares at 2.7 cents each (being the shortfall from the Share Purchase Plan).

2012

On 30 November 2012, Nido completed a placement of 430,265,594 shares. The placement was split into unconditional and conditional tranches. The unconditional tranche of 208,624,472 shares at 2.7 cents each was allotted on 7 December 2012.

The conditional tranche of 221,641,122 shares at 2.7 cents was subject to Nido shareholder approval and this was obtained at an Extraordinary General Meeting held on 25 January 2013. The Directors of Nido Petroleum Ltd participated in the conditional tranche of the placement and were issued a total of 8,703,704 ordinary fully paid shares at 2.7 cents each.

(ii) Shares issued under employment contract

18. CONTRIBUTED EQUITY - CONTINUED

2013

On 1 July 2013, 1,666,667 ordinary shares (Tranche 3) were issued to Mr 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 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 the employee, Nido is not obliged to issue any unvested shares.

2012

On 29 June 2012, 1,666,667 ordinary shares (Tranche 1), and on 31 December 2012 1,666,667 ordinary shares (Tranche 2) totalling 3,333,334 ordinary shares were issued to Mr Byrne, Managing Director pursuant to the Sign-on and Retention Bonus which forms part of the employment contract entered into between Nido Petroleum Limited and Mr Byrne referred to above.

(b) Performance rights on issue

The total number of performance rights on issue as at 31 December 2013 is 97,034,171 performance rights (2012: 29,320,104 performance rights). Refer to Note 23 for further details including information on the Sign On and Retention Bonus share entitlement.

(c) Capital Management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

Management may in the future adjust the capital structure to take advantage of favourable costs of capital and issue further shares in the market. Management has no current plans to adjust the capital structure. There are no plans to distribute dividends in the next year.

The Group is not subject to any externally imposed capital requirements.

The gearing ratios based on operations at 31 December 2013 and 2012 were as follows:

	Consolidated	
	2013 $'000	2012 $'000
Total payables and borrowings*	34,951	9,744
Less cash and cash equivalents	(25,354)	(18,099)
Net debt	9,597	-
Total equity	101,820	74,757
Total capital	111,417	74,757

* Includes interest bearing loans and borrowings and trade and other payables. Trade and other payables for the group as at 31 December 2013 is $5,046,000 (2012: $1,663,000).

Gearing ratio**	8%	-

** Gearing excluding trade and other payables for the group is 4% (2012: nil).

	Consolidated	
	2013 $'000	2012 $'000

19. RESERVES

Share-based payment reserve	9,360	8,768
Foreign currency translation reserve	1,843	6,155
	11,203	14,923

Nature and purpose of reserves:

Share-based payment reserve

The share-based payment reserve is used to record the value of share based payments provided to employees, including Key Management Personnel, as part of their remuneration. Refer to Note 23 for further details of employee share based remuneration plans.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statement of foreign subsidiaries.

Movement in Share-based payment reserve:		
As at 1 January	8,768	8,045
Share based payments	592	723
	9,360	8,768
Movement in Foreign currency translation reserve:		
As at 1 January	6,155	5,226
Translation of foreign subsidiaries	(4,312)	929
	1,843	6,155

20. EARNINGS PER SHARE

The following reflects the income and share data used in the calculations of basic and diluted earnings per share. Details of performance rights are set out in Note 23.

(a) Earnings used in calculating earnings per share

	Consolidated	
	2013 $'000	2012 $'000
Profit/(loss) attributable to ordinary equity holders of the Company used in calculating:		
• basic profit/(loss)	20,017	8,361
• diluted profit/(loss)	20,017	8,361

(b) Weighted average number of shares

	2013 #	2012 #
Weighted average number of ordinary shares used in the calculation of the basic earnings per share.	1,997,635,228	1,404,868,821
Adjustment for calculation of diluted earnings per share		
• options and rights	6,648,401	9,155,251
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted earnings per share	2,004,283,629	1,414,024,072

There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these Financial Statements.

20. EARNINGS PER SHARE - CONTINUED

(c) Information on the classification of securities

(i) Performance Rights

Performance rights granted to employees (including key management personnel) as described in Note 23 are considered to be contingently issuable potential ordinary shares. Accordingly, the performance rights are excluded in the determination of diluted earnings per share.

21. DIVIDENDS PAID AND PROPOSED

No dividend has been paid or declared during the 2013 and 2012 financial years.

22. OPERATING SEGMENTS

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 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 Managing Director and his management team on at least a monthly basis.

The reportable segments are based on 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 and 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 contained in Note 1 to the accounts.

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 believe 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 of assets
- Finance costs and revenues
- Interest revenue
- Foreign currency gains/(losses)
- Corporate costs

22. OPERATING SEGMENTS – CONTINUED

The following table presents revenue and profit information for reportable segments for the years ended 31 December 2013 and 31 December 2012.

Operating Segments

	Production and Development $'000	Exploration and Evaluation $'000	Total Operations $'000
Year ended 31 December 2013			
Revenue			
Revenue from sale of crude oil – external customers	40,912	-	40,912
Total segment revenue			40,912
Reconciliation of segment revenue to total revenue			
Other revenue			37
Total revenue			40,949
Result			
Total segment result	12,772	(2,826)	9,946
Segment result includes:			
Amortisation	(6,689)	-	(6,689)
Income tax expense	(3,809)	-	(3,809)
Impairment of exploration and evaluation expenditure	-	(2,554)	(2,554)
Reconciliation of segment result after tax to net profit after tax			
Loss on derecognition of financial liabilities			(449)
Finance costs			(381)
Foreign currency gains			18,574
Corporate costs			(8,206)
Other revenue and income			533
Net profit after tax			20,017
Year ended 31 December 2012			
Revenue			
Revenue from sale of crude oil – external customers	36,294	-	36,294
Total segment revenue			36,294
Reconciliation of segment revenue to total revenue			
Other revenue			72
Total revenue			36,366
Result			
Total segment result	19,314	334	19,648
Segment result includes:			
Amortisation	(4,977)	-	(4,977)
Income tax benefit	5,108	-	5,108
Reconciliation of segment result after tax to net profit after tax			
Fair value gain/(loss) on embedded derivative			10
Foreign currency losses			(1,734)
Corporate costs			(9,656)
Other revenue and income			93
Net profit after tax			8,361

22. OPERATING SEGMENTS - CONTINUED

Major Customers and Geographical Areas

Revenue received from the sale of crude oil, which is attributable solely to the Production and Development Operating Segment, was comprised of four different buyers who each on a proportionate basis equated to greater than 10% of total sales of crude oil for the period.

Customer	2013 Revenue received from Sale of Crude Oil $'000	2012 Revenue received from Sale of Crude Oil $'000
# 1	18,844	16,843
# 2	10,701	9,087
# 3	8,316	8,016
# 4	3,051	2,348
Total	40,912	36,294

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

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

Revenue from external customers by geographical locations is detailed below. Revenue is attributed to geographic locations based on the location of customers. The company does not have external revenues from external customers that are attributable to any other foreign country other than as shown.

Country	2013 Revenue received from Sale of Crude Oil $'000	2012 Revenue received from Sale of Crude Oil $'000
South Korea	29,545	33,946
Philippines	3,051	2,348
Thailand	8,316	-
Total Revenue	40,912	36,294

22. OPERATING SEGMENTS – CONTINUED

2013

Segment assets, liabilities and capital expenditure were as follows:

Operating Segments	Production and Development $'000	Exploration and Evaluation $'000	Total Operations $'000
Segment Operating Assets			
31 December 2013	95,007	48,403	143,410
Reconciliation of segment assets to total assets			
Unallocated other assets			8,307
Total Assets			151,717
Segment Operating Liabilities			
31 December 2013	(48,084)	(832)	(48,916)
Reconciliation of segment liabilities to total liabilities			
Unallocated liabilities – other			(981)
Total Liabilities			(49,897)
Segment Capital Expenditure			
31 December 2013	44,836	12,194	57,030
Reconciliation of capital expenditure to total capital expenditure			
Unallocated additions			4
Total Capital Expenditure			57,034

Assets – 2013

For the year ended 31 December 2013 operating assets for the Production and Development segment amounting to $95,007,000 consisted primarily of oil properties $66,305,000, trade and other receivables $6,581,000 and cash and cash equivalents $18,847,000 and crude oil inventory $3,274,000.

Operating assets for the Exploration and Evaluation segment amounting to $48,403,000 consisted primarily of exploration and evaluation assets $47,357,000, and long lead item inventory $1,046,000.

Unallocated other assets amounting to $7,206,000 consisted primarily of cash and cash equivalents $6,401,000 and plant and equipment $261,000, trade and other receivables $403,000 and other non-current financial assets $141,000.

The percentage of the location of non-current assets other than financial instruments for the year ended 31 December 2013 is 99% within the Philippines and 1% within Australia.

22. OPERATING SEGMENTS – CONTINUED

2012

Segment assets, liabilities and capital expenditure were as follows:

Operating Segments	Production and Development $'000	Exploration and Evaluation $'000	Total Operations $'000
Segment Operating Assets			
31 December 2012	50,162	32,693	82,855
Reconciliation of segment assets to total assets			
Unallocated other assets			6,991
Total Assets			89,846
Segment Operating Liabilities			
31 December 2013	(13,947)	(140)	(14,087)
Reconciliation of segment liabilities to total liabilities			
Unallocated liabilities – other			(1,002)
Total Liabilities			(15,089)
Segment Capital Expenditure			
31 December 2013	11,012	3,943	14,955
Reconciliation of capital expenditure to total capital expenditure			
Unallocated additions			212
Total Capital Expenditure			15,167

Assets – 2012

For the year ended 31 December 2012 operating assets for the Production and Development segment amounting to $50,162,000 consisted primarily of oil properties $19,661,000, trade and other receivables $12,562,000 and cash and cash equivalents $17,176,000 and crude oil inventory $763,000.

Operating assets for the Exploration and Evaluation segment amounting to $32,693,000 consisted primarily of exploration and evaluation assets $30,587,000, trade and other receivables of $347,000 and long lead item inventory $1,759,000.

Unallocated other assets amounting to $2,422,000 consisted primarily of cash and cash equivalents $923,000 and plant and equipment $392,000, trade and other receivables $967,000 and other non-current financial assets $140,000.

The percentage of the location of non-current assets other than financial instruments for the year ended 31 December 2012 is 99% within the Philippines and 1% within Australia.

23. SHARE-BASED PAYMENTS

(a) Recognised Share Based Payments Expenses

The expenses recognised for employee services received during the year are as follows:

	Consolidated	
	2013 $'000	2012 $'000
Share based payments expensed	592	723

(b) Share-based Plans

(i) Performance Rights Plan

The Group has granted performance rights to staff members pursuant to the terms of the 2010 Employee Performance Rights Plan that was approved by shareholders on 21 May 2010. The Company renewed Shareholder approval of the Plan at the AGM held on 24 May 2013.

Performance rights issued under the plan vest as follows:

- Vest on such date following the end of the performance period as the Board has determined ('exercise date'); and
- The Board shall notify the exercise date to participants as soon as practicable after the end of the performance period.

Other relevant terms and conditions applicable to performance rights granted under the plan include:

- The number of performance rights exercisable on an exercise date will be solely determined by Nido's Performance Ranking over the Performance Period and to the extent that any performance rights do not become exercisable on an Exercise Date, those remaining Rights (in the Tranche) shall automatically lapse.
- The Performance Period will be the period commencing on the Commencement Date and ending 36 months later.
- Nido's Performance Ranking for a Performance Period is determined by reference to the Total Shareholder Return of Nido during the Performance Period as compared to the Total Shareholder Return for each company in the Peer Group of Companies. A Peer Group Company shall be excluded from the Peer Group if it is not listed on the ASX for the entire Performance Period. If the number of companies in the Peer Group of Companies falls below sixteen, the Board shall have discretion to nominate additional companies to be included in the Peer Group of Companies, provided that the number of companies in the Peer Group of Companies shall not exceed eighteen. Nido's ranking within that group of companies at the end of the relevant Performance Period determines the number of performance rights in the particular Tranche that become exercisable (if any) on the following basis:

Performance Ranking Range	Number of Performance Rights exercisable
Below 50th percentile	No Rights exercisable
50th percentile	50% of the Rights in the Tranche available to be exercised
51st percentile to 74th percentile	For each Performance Ranking Range percentile increase above 50%, the number of Performance Rights exercisable in the Tranche increases by 2% For example, if the Performance Ranking Range is at the 52nd percentile, 54% of the Rights in the Tranche are available to be exercised
75th percentile or higher	100% of Rights in the Tranche available to be exercised

The peer group currently comprises the following companies: Woodside Petroleum Limited, Otto Energy Limited, Kairiki Energy Limited, AWE Limited, Horizon Oil Limited, Karoon Gas Limited, Senex Energy Limited, Nexus Energy Limited, New Zealand Oil and Gas Limited, Tap Oil Limited, Oilex Limited, Oil Search Limited, Pan Pacific Petroleum NL, Roc Oil Limited, AED Oil Limited, Carnarvon Petroleum Limited, Cue Energy Resources Limited, Rialto Energy Limited, Transerv Energy Limited, Neon Energy Limited, Samson Oil & Gas Limited, MEO Australia Limited, Austex Oil Limited and Santos Limited.

23. SHARE-BASED PAYMENTS - CONTINUED

(i) Performance Rights Plan – continued

- Where an Employee ceases to be employed by a company within the Group (and is not immediately employed by another company within the Group) other than because of a qualifying reason (which includes total disability, or other circumstance determined by the Board), subject to the exceptions noted below, any Rights of the Employee and any Associate Performance Right Holder of the Employee relating to performance rights which have not already become exercisable will automatically lapse.
  - Where an Employee ceases to be employed by a company within the Group (and is not immediately employed by another company within the Group) for any reason after the Employee's Performance Rights have vested but before Shares have been allocated, Nido must allocate the number of Shares to which the Employee is entitled.
  - The Board may, in its absolute discretion, allocate Shares, or the cash equivalent, to Employees at the end of the Performance Period where, in the Board's view, there are special circumstances under which it would be unfair not to allocate Shares.

(ii) Managing Director Performance Rights

The Group has granted performance rights to the Managing Director on identical terms and conditions to the Employee Performance Rights Plan. These performance rights whilst having the same terms and conditions as the Employee Performance Rights Plan are not granted pursuant to the Employee Performance Rights Plan and do not therefore take up capacity under the Plan. These rights were granted subject to shareholder approval first being obtained pursuant to Listing Rule 10.11.

(iii) Managing Director (Former Chief Operating Officer) Sign On and Retention Bonus Share Entitlement

As part of the employment contract entered into between Nido Petroleum Limited and the former Chief Operating Officer, now Managing Director, Mr Philip Byrne*, Nido will issue 10,000,000 fully paid ordinary shares as a sign-on and retention bonus.

These shares are to be issued in six (6) equal tranches at six (6) monthly intervals commencing six (6) months after the commencement of employment on 29 December 2011. The first five tranches are for 1,666,667 ordinary Shares with the final tranche being 1,666,665 ordinary shares. The grant date of such rights to the issue of future shares is 8 October 2011 which is the date Mr Philip Byrne entered into his employment contract.

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 the employee, Nido is not obliged to issue any unvested shares.

* Mr Byrne was appointed CEO effective from 20 January 2012 and Managing Director effective 1 June 2012. 1,666,667 shares were issued during 2013 in respect of this sign-on and retention bonus.

(c) Summary of performance rights issued to employees

(i) Performance Rights

The following table summarises the number (No.) and movements in performance rights issued during the year to employees other than to key management personnel:

	2013 No.	2012 No.
Outstanding at the beginning of the year	14,304,800	6,692,028
Granted during the year	17,267,597	12,748,525
Forfeited / cancelled during the year	(8,902,818)	(5,135,753)
Exercised during the year	-	-
Outstanding at the end of the year	22,669,579	14,304,800
Exercisable at the end of the year	-	-

The outstanding balance as at 31 December 2013 is represented by the following performance shares, exercisable upon meeting the performance terms and conditions:

- Issued on 17 April 2013 – Outstanding were 14,782,126 performance rights with no exercise price, and an expiry date of 23 April 2016.
- Issued on 5 April 2012 – Outstanding were 5,985,045 performance rights with no exercise price, and an expiry date of 5 April 2015.
- Issued on 28 March 2011 - Outstanding were 1,902,408 performance rights with no exercise price, and an expiry date of 28 March 2014.

23. SHARE-BASED PAYMENTS - CONTINUED

(ii) Weighted average remaining contractual life

The weighted average remaining contractual life for the performance rights outstanding at the end of the year is 1.8 years (2012: 1.8 years).

(iii) Weighted average fair value of performance rights granted

The weighted average fair value for the performance rights outstanding at the end of the year is $0.03 (2012: $0.06).

(iv) Range of exercise prices

The Performance Rights have no exercise price.

(v) Valuation models

Performance Rights to employees (excluding Directors and Executives)

The fair value of the performance rights is estimated at the date of grant using a Monte Carlo simulation model. The following table gives the assumptions made in determining the fair value of the performance rights granted in the year.

2013

Grant date	17/4/2013
Dividend yield (%)	-
Expected volatility (%)	80-90%
Risk-free interest rate (%)	2.8%
Expected life of rights (years)	3
Exercise price ($)	Nil
Share price at grant date ($)	0.02

The risk free rate is the yield on Australian Government Bonds with a 3 year life which is the effective life of the performance rights at the assumed grant date.

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

2012

Grant date	5/4/2012
Dividend yield (%)	-
Expected volatility (%)	80-90%
Risk-free interest rate (%)	3.43%
Expected life of rights (years)	3
Exercise price ($)	Nil
Share price at grant date ($)	0.056

The risk free rate is the yield on Australian Government Bonds with a 3 year life which is the effective life of the performance rights at the assumed grant date.

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

23. SHARE-BASED PAYMENTS - CONTINUED

(d) Executive Director and Executive performance rights and share sign-on and retention bonus

In addition to the performance rights disclosed in (b) above, the Company has issued performance rights to Executive Directors and Executives from time to time.

Vesting conditions for the performance rights granted during the year to Executive Directors and Executives are the same as disclosed in (b) above.

As noted in (b)(iii) as part of the employment contract entered into between Nido Petroleum Limited and the Chief Operating Officer (now Managing Director), Mr Philip Byrne on 29 December 2011, Nido is to issue future grants of fully paid Ordinary Shares as a sign-on and retention bonus.

The fair value of these shares has been determined based on market prices prevailing on the 8 October 2011. The full fair value of the shares is $450,000 being 10,000,000 at 4.5c per share at grant date. Note an amount of $82,428 share based payments expense has been recognised for the year ended 31 December 2013 in accordance with Accounting Standard AASB 2 Share Based Payments.

(e) Summary of Sign-on and retention share rights issued to Managing Director

The following table illustrates the number (No.) of share rights issued to the Managing Director:

Managing Director	2013 No.	2012 No.
Outstanding at the beginning of the year	6,666,666	10,000,000
Granted during the year	-	-
Forfeited / cancelled during the year	-	-
Exercised during the year	(1,666,667)	(3,333,334)
Outstanding at the end of the year	4,999,999	6,666,666
Exercisable at the end of the year	1,666,667	-

(f) Summary of performance rights issued to Executive Directors and Executives

(i) Performance Rights

The following table illustrates the number (No.) of performance rights issued to Executive Directors and Executives:

Executive Directors and Executives	2013 No.	2012 No.
Outstanding at the beginning of the year	15,015,304	4,945,943
Granted during the year#	61,424,892	10,069,361
Forfeited / cancelled / lapsed during the year	(2,075,604)	-
Exercised during the year	-	-
Outstanding at the end of the year	74,364,592	15,015,304
Exercisable at the end of the year	-	-

The outstanding balance as at 31 December 2013 is represented by the following performance rights, exercisable upon meeting the performance terms and conditions:

- Issued on 24 May 2013 were 25,846,154 performance rights with no exercise price, and an expiry date of 5 June 2016.*
- Issued on 17 April 2013 were 35,578,738 performance rights with no exercise price, and an expiry date of 23 April 2016.
- Issued on 1 June 2012 were 3,285,446 performance rights with no exercise price, and an expiry date of 1 June 2015.*
- Issued on 5 April 2012 were 6,783,915 performance rights with no exercise price, and an expiry date of 5 April 2015.
- Issued on 28 March 2011 were 2,870,339 performance rights with no exercise price, and an expiry date of 28 March 2014.

*Refers to Managing Director Performance Rights granted on the same terms as the Company's Employee Performance Rights Plan but not pursuant to that Plan.

#Figure includes Managing Director Performance Rights and Performance Rights granted to Executives under the terms of the Employee Performance Rights Plan.

23. SHARE-BASED PAYMENTS - CONTINUED

(ii) Summary of weighted average remaining contract life of performance rights issued to Executive Directors and Executives

The weighted average remaining contractual life for performance rights outstanding at the end of the year is 2.1 years (2012: 1.8 years).

(iii) Weighted average fair value of performance rights granted to Executive Directors and Executives

The weighted average fair value for the performance rights outstanding at the end of the year is $0.024 (2012: $0.06).

(iv) Range of exercise price of performance rights issued to Executive Directors and Executives

The Performance Rights have no exercise price.

(v) Valuation models performance rights issued to Executive Directors and Executives

Performance Rights to Executive Directors and Executives

The fair value of the performance rights is estimated at the date of grant using a Monte Carlo simulation model. The following table gives the assumptions made in determining the fair value of the performance rights granted in the year.

2013

Grant date	17/4/2013	24/5/2013
Dividend yield (%)	-	-
Expected volatility (%)	80-90%	80-90%
Risk-free interest rate (%)	2.8%	2.6%
Expected life of rights (years)	3	3
Exercise price ($)	-	-
Share price at grant date ($)	0.02	0.027

The risk free rate is the yield on Australian Government Bonds with a 3 year life which is the effective life of the performance rights at the assumed grant date.

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

2012

Grant date	5/4/2012	1/6/2012
Dividend yield (%)	-	-
Expected volatility (%)	80-90%	80-90%
Risk-free interest rate (%)	3.43%	2.03%
Expected life of rights (years)	3	3
Exercise price ($)	-	-
Share price at grant date ($)	0.056	0.041

The risk free rate is the yield on Australian Government Bonds with a 3 year life which is the effective life of the performance rights at the assumed grant date.

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

24. AUDITOR'S REMUNERATION

	Consolidated 2013 $	Consolidated 2012 $
The auditor of Nido Petroleum Limited is Ernst & Young.		
Amounts received or due and receivable by Ernst & Young (Australia) for:		
• An audit or review of the financial report of the entity and any other entity in the consolidated entity	113,333	112,785
• Other services in relation to the entity and any other entity in the consolidated entity (tax and related services)	46,900	21,251
	160,233	134,036
Amounts received as due and receivable by related practices of Ernst & Young (Australia) for:		
• Audit services	-	-
• Tax and related services	-	-
	-	-
	160,233	134,036

25. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of profit/(loss) from ordinary activities:

	2013 $	2012 $
Profit/(loss) from ordinary activities after income tax	20,017	8,361
Adjustments for:		
Depreciation of plant and equipment	144	187
Amortisation of oil and gas properties	6,689	4,977
Accretion expense	50	-
Loss on derecognition of financial liabilities	449	10
Net exchange (gains)/losses	(18,574)	1,734
Share based payments	592	723
(Gain)/loss on disposal of plant and equipment	(1)	(1)
Exploration expenditure expensed	235	334
Impairment write-down of exploration assets	2,554	-
Changes in assets and liabilities:		
(Increase)/decrease in receivables	6,925	(8,106)
(Increase)/decrease in inventories	(2,511)	(763)
(Increase)/decrease in other assets	3,207	(4,540)
Increase/(decrease) in payables	2,557	(657)
Increase/(decrease) in other liabilities	(144)	(680)
Increase/(decrease) in provisions	15	(2,557)
Net cash from/(used in) operating activities	22,204	(978)

26. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Compensation of Key Management Personnel

	Consolidated 2013 $	Consolidated 2012 $
Short-term employment benefits	2,102,161	2,301,087
Post-employment benefits	200,382	190,253
Long-term	38,795	50,510
Share based payment	539,634	516,510
	2,880,972	3,058,360

(b) Rights Holdings of Key Management Personnel

2013	Balance at 1 January	Granted as remuneration	Rights exercised [2]	Cancelled/ Forfeited / Expired	Change due to appointment / (resignation)	Balance at 31 December	Vested [3]	Non Vested
Directors								
P Byrne [1]	9,952,112	25,846,154	(1,666,667)	-	-	34,131,599	3,333,334	30,798,265
Executives								
J Pattillo	5,040,380	15,062,400	-	(930,704)		19,172,076	-	19,172,076
J Newman	3,067,880	9,488,646	-	(492,958)		12,063,568	-	12,063,568
A Gilbert	3,621,598	11,027,692	-	(651,942)		13,997,348	-	13,997,348
	21,681,970	61,424,892	(1,666,667)	(2,075,604)		79,364,591	3,333,334	76,031,257

2012	Balance at 1 January	Granted as remuneration	Rights exercised [2]	Cancelled/ Forfeited / Expired	Change due to appointment / (resignation)	Balance at 31 December	Vested [3]	Non Vested
Directors								
P Byrne [1]	10,000,000	3,285,446	(3,333,334)	-	-	9,952,112	1,666,667	8,285,445
Executives								
J Pattillo	2,168,381	2,871,999	-	-	-	5,040,380	-	5,040,380
J Newman	1,258,650	1,809,230	-	-	-	3,067,880	-	3,067,880
A Gilbert	1,518,912	2,102,686	-	-	-	3,621,598	-	3,621,598
	14,945,943	10,069,361	(3,333,334)	-	-	21,681,970	1,666,667	20,015,303

1 Mr Byrne was appointed Managing Director on 1 June 2012.
2 The rights exercised for Mr Byrne relate to share rights based on his Sign-On and Retention Bonus for the year ended 31 December 2013.
3 In relation to Mr Byrne's Sign-On and Retention Bonus, for accounting purposes under AASB2 "Share Based Payments" the rights are treated as vested for the year end 31 December 2013 and 31 December 2012 respectively.

26. KEY MANAGEMENT PERSONNEL DISCLOSURES - CONTINUED

(c) Shareholdings of Key Management Personnel

2013	Balance at 1 January	On exercise of share rights / performance rights	Change due to appointment / (resignation)	Net change other	Balance at 31 December
Directors					
W Bloking	2,500,000	-	-	3,805,556	6,305,556
P Byrne	3,333,334	1,666,667	-	3,703,704	8,703,705
A Edwards	470,000	-	-	1,000,000	1,470,000
E Mañalac	-	-	-	1,000,000	1,000,000
M Ollis	-	-	-	1,000,000	1,000,000
Executives					
A Gilbert	400,000	-	-	161,371	561,371
	6,703,334	1,666,667	-	10,670,631	19,040,632

2012					
Directors					
W Bloking	2,500,000	-	-	-	2,500,000
P Byrne	-	3,333,334	-	-	3,333,334
A Edwards	470,000			-	470,000
E Mañalac	-	-	-	-	-
M Ollis	-	-	-	-	-
D Whitby	11,893,524	-	(11,893,524)	-	-
J de Dios	1,350,000	-	(1,350,000)	-	-
Executives					
A Gilbert	400,000	-	-	-	400,000
	16,613,524	3,333,334	(13,243,524)	-	6,703,334

All equity transactions with Key Management Personnel other than those arising from the exercise of remuneration options and performance rights have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's-length.

(d) Other transactions and balances with Directors and Executives

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties:

There were no related party transactions with directors during the 2013 year.

Where applicable these amounts have been disclosed in the Remuneration Report as part of the Directors' remuneration.

27. EXPENDITURE COMMITMENTS

(a) Exploration Commitments

In order to maintain current rights of tenure to exploration permits, the consolidated entity has certain obligations to perform minimum exploration work and expend minimum amounts of money. These commitments may be varied as a result of renegotiations, relinquishments, farm-outs, sales or carrying out work in excess of the permit obligations. The following exploration expenditure requirements have not been provided for in the financial report and are payable:

	Consolidated	
	2013 $'000	2012 $'000
Within one year	18,334	10,476
More than one year but not later than five years	6,762	-
	25,096	10,476

(b) Joint Operations Commitments

All of the consolidated entity's commitments arise from its interest in Joint Operations. The consolidated entity's share of expenditures contracted for at the balance date for which no amounts have been provided for in the Financial Statements are payable:

Within one year	4,062	35,833

(c) Non-cancellable Operating Lease Commitments

The consolidated entity has entered into non-cancellable operating leases for office premises and its Galoc operations FPSO. Commitments are as follows:

Within one year	13,994	11,685
More than one year but not later than five years	755	1,238
	14,749	12,923

(d) Remuneration Commitments

Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities, payable:

Within one year	580	576

Amounts disclosed are remuneration commitments relating to termination payments arising from the employment agreements of employees other than Directors, Key Management Personnel and other executives. The amounts are not recognised as liabilities and are not included in the Directors' or Key Management Personnel Remuneration.

28. INTERESTS IN JOINT ARRANGEMENTS

(a) Joint Operations

Permit	Country	Principal Activity	Average Interest
SC 54A	Philippines	Oil and gas exploration	42.4%[1]
SC 54B	Philippines	Oil and gas exploration	60%
SC 58	Philippines	Oil and gas exploration	50%[2]
SC 63	Philippines	Oil and gas exploration	50%[3]

1 Nido entered into a sale agreement with Colossal Petroleum Corporation on 25 November 2013, for the sale of its participating interests in Block A, Block B and Block D of Service Contract 14, together with its participating interest in Service Contract 54A. The sale remains subject to Joint Venture and Government approvals which remain outstanding.

2 Nido's participating interest in SC 58 is dependent upon the completion of its farm-in obligations under its Farm-in Agreement with PNOC–EC dated 17 July 2006. Nido's obligations include a well commitment in Sub-Phase 3.

3 Subsequent to 31 December 2013, Nido entered into a farm-out agreement with Dragon Oil plc to divest a 40% participating interest in SC 63. The farm-in remains subject to DOE approval.

28. INTERESTS IN JOINT ARRANGEMENTS - CONTINUED

The consolidated entity has classified these as joint operations under the terms of the agreements, the consolidated entity has joint control in the arrangement, by virtue of the voting threshold of the Joint Operating Agreement specific to the Service Contract or Production Sharing Contract, which the entity is a party to, being the affirmative vote of two or more parties owning an aggregate of at least 70% for SC 54A, SC 54B and SC 63 and 75% for SC 58. The consolidated entity has determined that it did not have joint control for the other Service Contracts and Production Sharing Contracts not outlined in the above table for which it holds a participating interest in.

The consolidated entity recognises its partners share in all the assets employed in the joint arrangement and are liable for all the liabilities of the joint arrangement, according to their participating share.

(b) Commitments relating to Joint Operations

Capital expenditure commitments and contingent liabilities in respect of the Joint Operations are disclosed in Notes 27 and 30, respectively where applicable.

29. INFORMATION RELATING TO SUBSIDIARIES

The consolidated Financial Statements include the Financial Statements of Nido Petroleum Limited and the subsidiaries listed in the following table. The following were controlled entities during the financial year, and have been included in the consolidated Financial Statements. The financial years of all controlled entities are the same as that of the parent entity.

	Place of Incorporation and Operation	Principal Activities	% of Shares Held 2013 %	2012 %
Parent Entity:				
Nido Petroleum Limited	Australia			
Subsidiaries:				
Nido Petroleum Philippines Pty Ltd	Australia	Oil and gas exploration	100	100
Nido Petroleum (China) Pty Ltd	Australia	Investment	100	100
Nido Management Pty Ltd	Australia	Investment	100	100
Nido Petroleum Indonesia (Holding) Pty Ltd [1]	British Virgin Islands	Investment	100	100
Nido Petroleum Indonesia (Gurita) Pty Ltd [2,3]	British Virgin Islands	Oil and gas exploration	100	100
Nido Petroleum Indonesia (Baronang) Pty Ltd [2,4]	British Virgin Islands	Oil and gas exploration	100	-
Nido Petroleum Indonesia (Cakalang) Pty Ltd [2,5]	British Virgin Islands	Oil and gas exploration	100	-
Nido Production (Galoc) Pty Ltd [6]	British Virgin Islands	Oil production and exploration	100	100
Nido Production (Holding) Pty Ltd [7]	British Virgin Islands	Investment	100	100

1 Change of name on 26 June 2013 formerly Nido Petroleum (BVI) No. 1 Pty Ltd
2 Control is via Nido Petroleum (BVI) No. 1 Pty Ltd
3 Change of name on 26 June 2013 formerly Nido Petroleum (BVI) No. 2 Pty Ltd
4 Date of incorporation on 25 June 2013
5 Date of incorporation on 25 June 2013
6 Control is via Nido Production (Holding) Pty Ltd
7 Control is via Nido Petroleum Philippines Pty Ltd

Subsidiaries

The only transaction between the parent entity and its subsidiaries was the provision of loan funds during the financial year. There are no restrictions on access to assets and liabilities of the subsidiaries.

30. CONTINGENT LIABILITIES

(a) Guarantees

Nido Petroleum Limited has provided a letter of undertaking dated 14 November 2006 to the Department of Energy in the Philippines to provide technical and financial support to Nido Petroleum Philippines Pty Ltd in relation to work obligations in the SC 58 Farm In Agreement executed between PNOC Exploration Corporation and Nido Petroleum Philippines Pty Ltd on 17 July 2006.

Nido Petroleum Limited has provided a parent company guarantee to the Department of Energy in respect of the obligations of Nido Production (Holding) Pty Ltd and Nido Production (Galoc) Pty Ltd. Nido Petroleum Philippines Pty Ltd has also provided a letter of undertaking to the Joint Operation partners of SC 14 to guarantee the work obligations of Nido Production (Galoc) Pty Ltd under SC 14.

Nido Petroleum Philippines Pty Ltd is due to secure a US$3 million bond in favour of PNOC Exploration Corporation in replacement of its current performance bond which will expire in August 2014. Nido Petroleum Philippines Pty Ltd is also due to secure a US$3 million performance bond in favour of the Department of Energy to guarantee its work commitment for Sub Phase 3 under Service Contract 58.

(b) Employment Contracts – Change of Control

In the event of a Change of Control, employees, other than officers, who entered into employment contracts prior to 2009 have the option to terminate their employment, in which case the employee will be paid a portion of their remuneration package varying between six months and one year.

As at 31 December 2013, the total amount that would be payable was $579,526 (2012: $576,250).

(c) Litigation

The Galoc Phase II development reached completion on 5 December 2013. DOF Subsea Australia (DOF) Pte Ltd and the Operator, GPC, are parties to an EPIC contract under which DOF carried out subsea engineering, procurement, construction and installation works for the Phase II development. DOF has commenced proceedings in the Federal Court in relation to certain claims alleged to arise out of the EPIC contract. GPC and GPC's parent company, Otto Energy Limited, are defending the claims. Nido considers the probability of any material financial outflow from the litigation to be unlikely.

(d) Tax Audit

A subsidiary of the Group is subject to an ongoing tax audit by the Bureau of Internal Revenue in Philippines. The company is unable at this time to determine the quantum, if any, of assessments that could arise out of the ongoing tax audit.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash, short-term deposits and interest-bearing loans.

The main purpose of these financial instruments is to provide working capital for the Group's operations.

The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency, commodity risk and credit risk. The Board reviews and agrees on policies for managing each of these risks.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - CONTINUED

Interest Rate Risk

At balance date, the Group's exposure to market risk for changes in interest rates relates primarily to the Company's short-term cash deposits and long term debt obligations with an interest rate which is based on a variable US Libor plus fixed margin interest rate.

The Group constantly analyses its exposure to interest rates, with consideration given to potential renewal of existing positions, the mix of fixed and variable interest rates and the period to which deposits may be fixed. At balance date, the Group had the following cash flow risks arising from financial assets exposed to variable interest rates that are not designated in cash flow hedges:

	Consolidated	
	2013 $'000	2012 $'000
Financial Assets:		
Cash and cash equivalents	25,354	18,099
Trade and other receivables	1,970	1,750
Financial Liabilities:		
Financial liabilities	29,905	8,081
Net exposure	(2,581)	11,768

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date. The sensitivity is based on reasonably possible changes, over a financial year, using an observed range of historical RBA ($AUD) interest rates and US London Inter-Bank Offer Rate (LIBOR) over the last year. Financial assets which are denominated in AUD include cash and cash equivalents ($1.65 million) and trade and other receivables ($0.31 million) while USD denominated balance include cash and cash equivalents ($23.7 million), trade and other receivables ($1.66 million) and financial liabilities ($29.9 million).

At 31 December 2013, if Australian interest rates had moved, as illustrated in the Table below, with all other variables held constant, post tax profit and equity relating to financial assets of the Group would have been affected as follows:

Judgements of reasonably possible movements:

Post tax profit - higher / (lower)		
+ 1.0% (2012: +1.0%)	294	154
- 1.0% (2012: - 1.0%)	(294)	(154)
Equity - higher / (lower)		
+ 1.0% (2012: +1.0%)	-	-
- 1.0% (2012: - 1.0%)	-	-

The 1.0% sensitivity is based on reasonably possible changes, over a financial year, using an observed range of historical London Inter-Bank Offer Rate (LIBOR) ($US) movements over the last year. At 31 December 2013, if the interest rate (US Libor plus fixed margin interest rate) applied to the long term borrowings had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity of the Group would have been affected as follows:

Judgements of reasonably possible movements:

Post tax profit - higher / (lower)		
+ 1.0% (2012: +1.0%)	80	38
- 1.0% (2012: - 1.0%)	(80)	(38)
Equity - higher / (lower)		
+ *1.0% (2012: +1.0%)*	-	-
- 1.0% (2012: - 1.0%)	-	-

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - CONTINUED

Foreign Currency Risk

As a result of oil and gas exploration, development and production operations in the Philippines, being denominated in US$, the Group's balance sheet can be affected significantly by movements in the US$/A$ exchange rates. The Company does not hedge this exposure.

The Group also has transactional currency exposures. Such exposure arises from sales or purchases by an operating unit in currencies other than the unit's functional currency.

The Group manages its foreign exchange risk by constantly reviewing its exposure to commitments payable in foreign currency and ensuring that appropriate cash balances are maintained in both Philippine Peso and United States Dollars, to meet current operational commitments.

At 31 December 2013, the Group had the following US$ / A$ exposure that is not designated in cash flow hedges:

	Consolidated	
	2013 $'000	**2012 $'000**
Financial Liabilities:		
Non-Current Liabilitiy[1]	115,458	114,361
Net exposure	115,458	114,361

1 Non Current Liability represents AUD denominated parent entity loans to subsidiaries where functional currency is USD

The following sensitivity analysis is based on the foreign currency risk exposures in existence at the balance sheet date. The 10% sensitivity (2012: 10%) is based on reasonably possible changes, over a financial year, using an observed range of actual historical rates, for the Australian dollar to the US dollar, for the preceding year.

At 31 December 2013, if the Australian Dollar had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:		
Post tax profit - higher / (lower)		
AUD/USD + 10% (2012: +10%)	(10,496)	(10,396)
AUD/USD - 10% (2012: - 10%)	12,829	12,707
Equity - higher / (lower)		
AUD/USD + 10 % (2012: -10%)	-	-
AUD/USD – 10 % (2012: -10%)	-	-

The movements in 2013 profit and equity vary from 2012 due to the movement in subsidiary loans and long term borrowings. Management believes the balance date risk exposures are representative of the risk exposure inherent in financial instruments.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - CONTINUED

Commodity Price Risk

The Group is exposed to commodity price fluctuations through the sale of crude oil denominated in US dollars. The Group may enter into commodity crude oil price swap and option contracts to manage its commodity price risk.

The senior debt facility entered into by Nido Production (Galoc) Pty Ltd (NPG) with Standard Bank plc on 19 July 2012 had two components being the debt component and embedded derivative component.

During the year certain specific terms and conditions relating to Standard Bank participation in the facility were cancelled, which included the oil price premium fee and the associated embedded derivative. A loss on derecognition was recognised as a result of the conversion during the year ended 31 December 2013.

For the 2012 comparative year, the embedded derivative component related to an oil price premium fee within the debt facility agreement which specified a fee to be paid by NPG to Standard Bank plc should the price of oil per barrel increase and hold over defined price ranges for a specified time. Refer to Note 15 for further details of the nature and extent of exposure.

The table below summarises the impact on profit before tax in commodity price on the fair value of the derivative financial instrument for the year ended 31 December 2012. The analysis is based on the assumption that crude oil moves 10% resulting in a change of US$11/bbl, with all other variables held constant. There was no impact of this sensitivity for the year ending 31 December 2013 as the embedded derivative was cancelled.

	Consolidated	
Judgements of reasonably possible movements:	2013 $'000	2012 $'000
Post tax profit - higher / (lower)		
Increase nil (2012: Increase US$11/bbl)	-	(54)
Decrease nil (2012: Decrease US$11/bbl)	-	54
Equity - higher / (lower)		
Increase nil (2012: nil)	-	-
Decrease nil (2012: nil)	-	-

Credit Risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables and other financial assets and guarantees and undertakings. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable Note.

The Group trades only with recognised, creditworthy third parties and has adopted a policy of dealing with creditworthy counterparts and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults.

Cash balances for the Group are held by three major financial institutions who have credit ratings of AA or greater.

Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Specific concentration of credit risk exists primarily within trade debtors in respect of the sale of oil, as well as cash held by non-operator Joint Operation partners as well as receivables due from Joint Operation partners.

As at 31 December 2013, 100% (2012: 100%) of the consolidated entity's crude oil receivable was owed by Pilipinas Shell Petroleum Corporation to the Joint Operation operated by The Philodrill Corporation ("Philodrill") with respect to the purchase of oil derived from the Nido and Matinloc Oil Fields. Philodrill also held cash balances due to the Group and other Joint Operation participants as at 31 December 2013 who have no history of credit default with the Group, and no impairment allowance is considered necessary.

Other than the concentration of credit risk described above, the consolidated entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The carrying amount of financial assets recorded in the Financial Statements, net of any provisions for losses, represents the consolidated entity's maximum exposure to credit risk.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - CONTINUED

Liquidity Risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of its cash and funding requirements.

The table below reflects all contractually fixed pay-offs for settlement, repayment and interest resulting from recognised liabilities as of 31 December 2013. Cash flows for financial assets and liabilities without fixed amount or timing are based on conditions existing at 31 December 2013.

The remaining contractual maturities of the Group's financial liabilities are:

	Consolidated	
	2013 $'000	**2012 $'000**
6 months or less	13,633	2,376
6-12 months	9,752	1,209
1-5 years	12,008	6,159
	35,393	9,744

The Group manages its liquidity risk by monitoring on a monthly basis expected cash inflows and outflows.

32. FAIR VALUE MEASUREMENTS

The following table sets out the group's assets and liabilities that are measured and recognised at fair value:

At 31 December 2013:	**Date of valuation**	**Total $'000**	**Quoted prices in active markets (Level 1) $'000**	**Significant observable inputs (Level 2) $'000**	**Significant unobservable inputs (Level 3) $'000**
Non – Recurring Assets measured at fair values:					
Disposal group held for sale	21/11/2013	120	-	120	-
Recurring Liabilities for which fair values are disclosed:					
Interest-bearing loans and borrowings	31/12/2013	29,905	-	29,905	-

Transfer between categories

There were no transfers between Level 1 and Level 2 during the year.

Measurement Techniques

Disposal groups held for sale are measured with reference to the sale and purchase agreement signed on 21 November 2013. Interest bearing loan and borrowings are measured by discounting cash flows at the market rate of interest.

At 31 December 2012:					
Assets measured at fair values:					
None	-	-	-	-	-
Liabilities measured at fair values:					
Derivative Instrument – oil price premium	31/12/2012	144	-	144	-

33. SUBSEQUENT EVENTS

The Company has identified the following as events occurring after year end:

Dragon Oil Farmin

In January 2014 the Company signed a farm-out agreement with Dragon Oil in relation to Service Contract 63. A summary of the terms of the farm-out agreement were released to the ASX on 16 January 2014.

Baronang PSC – Balqis-1 Well Spud

Subsequent to year-end the Hakuryu 11 jack-up rig was mobilised to the Baronang PSC from Vietnam. The Balqis-1 well was spudded on 17 February 2014 by the Operator, Lundin Petroleum and the results of the well were released to the market on 4 March 2014. The Company also exercised its right to increase its participating interest from 10% to 15% in the Baronang Production Sharing Contract. The increase in participating interest remains subject to regulatory approval in Indonesia.

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax:+61 8 9429 2436
ey.com/au

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NIDO PETROLEUM LIMITED

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Nido Petroleum Limited, which comprises the consolidated balance sheet as at 31 December 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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 year's end or from time to time during the financial year.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL REPORT

The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENCE

In conducting our audit 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.

Building a better working world

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax:+61 8 9429 2436
ey.com/au

OPINION

In our opinion:

(a) the financial report of Nido Petroleum Limited is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

OPINION

In our opinion, the Remuneration Report of Nido Petroleum Limited for the year ended 31 December 2013, complies with Section 300A of the Corporations Act 2001.

Ernst & Young

ERNST & YOUNG

ROBERT KIRKBY
PARTNER
13 March 2014

ADDITIONAL SECURITIES EXCHANGE INFORMATION

Additional information required by the ASX Limited and not shown elsewhere in this report is shown below.
The information is current as at 10 March 2014.

1. SUBSTANTIAL SHAREHOLDERS

The names of the substantial shareholders and the number of shares to which they are entitled are, pursuant to notices issued by those entities to ASX Limited:

Name	Number of Shares	Percentage
Petroleum International Investment Corporation	406,951,875	19.85%

2. DISTRIBUTION OF EQUITY SECURITY HOLDERS

(a) Analysis of equity holders by size of holding.

Size of Holding	Number of Shareholders	Number of Fully Paid Shares
1 – 1,000	253	42,340
1,001 – 5,000	596	2,008,940
5,001 – 10,000	691	5,835,249
10,001 – 100,000	3,011	132,710,392
100,001 and over	1,765	1,907,720,714
Total	6,316	2,048,317,635

(b) The number of shareholders with less than a marketable parcel is 1,973.

(c) Each ordinary share entitles the holder to one vote.

TWENTY LARGEST SHAREHOLDERS AS AT 10 MARCH 2014

	NAME	TOTAL UNITS	% ISSUED CAPITAL
1.	CITICORP NOMINEES PTY LIMITED	559,390,779	27.31
2.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	89,499,952	4.37
3.	ESCOT FINANCE LTD	48,400,000	2.36
4.	NATIONAL NOMINEES LIMITED	36,240,408	1.77
5.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	33,478,180	1.63
6.	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	32,791,753	1.60
7.	NEFCO NOMINEES PTY LTD	25,465,332	1.24
8.	BNP PARIBAS NOMS PTY LTD <DRP>	22,805,526	1.11
9.	MONEX BOOM SECURITIES (HK) LTD <CLIENTS ACCOUNT>	21,405,958	1.05
10.	MR CHATCHAI YENBAMROONG	19,448,197	0.95
11.	PACKWOOD CAPITAL SA	17,000,000	0.83
12.	DALY FINANCE CORP	14,600,000	0.71
13.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - GSCO ECA	13,200,000	0.64
14.	MR WILLIAM DOUGLAS GOODFELLOW	12,525,497	0.61
15.	J P MORGAN NOMINEES AUSTRALIA LIMITED	12,256,993	0.60
16.	MR PHILIP BYRNE	10,370,372	0.51
17.	TOWERTURN PTY LTD	6,629,856	0.32
18.	MESSARA INVESTMENTS PTY LTD <MESSARA FAMILY A/C>	6,450,000	0.31
19.	JMT INVESTMENT GROUP VIC PTY LTD <JOHN TURNER SUPER FUND A/C>	6,175,556	0.30
20.	MR MICHAEL POPE	6,000,000	0.29
	Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (TOTAL)	**994,134,359**	**48.53**
	Total Remaining Holders Balance	**1,054,183,276**	**51.47**

3. UNLISTED PERFORMANCE RIGHTS

As at 10 March 2014, there were a total of 20 performance right holders holding 94,611,094 unlisted performance rights. The holders do not have any voting rights in their capacity as performance right holders.

4. CHIEF OPERATING OFFICER (NOW MANAGING DIRECTOR) – SIGN ON AND RETENTION BONUS SHARE ENTITLEMENT

As part of the employment contract entered into between Nido Petroleum Limited and Mr Philip Byrne, Nido will issue future grants of fully paid ordinary shares as a sign-on and retention bonus.

Further information on performance rights and outstanding share entitlements is disclosed in Note 22 to the Financial Statements.

GLOSSARY OF TERMS

Bbl	Barrels
Bopd	Barrels of oil per day
Colossal Petroleum	Colossal Petroleum Corporation
Credit Suisse	Credit Suisse AG
DOE	Department of Energy
Dragon Oil	Dragon Oil plc
FPSO	Floating Production Storage and Offtake vessel
FEED	Front-end engineering and design
GCA	Gaffney, Cline and Associates
GPC	Galoc Production Company WLL
Km	Kilometre
KMP	Key Management Personnel
LTI	Long term incentive
Lundin Petroleum	Lundin Petroleum B.V.
M	Millions
MDT	Modular dynamic testing
Merrill Lynch	Merrill Lynch International (Australia) Limited
mmscfgd	Million standard cubic feet of gas per day
mmbbl	Million barrels
mmstb	Million stock-tank barrels
Nido	Nido Petroleum Limited
Philippines	The Republic of the Philippines
Philodrill	The Philodrill Corporation
Plan	2010 Employee Performance Rights Plan
PNOC	PNOC Exploration Corporation
Proved Reserves(1)	Those quantities of petroleum, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate.
Probable Reserves(1)	Those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.
Possible Reserves(1)	Those additional reserves which analysis of geoscience and engineering data suggest are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P) Reserves, which is equivalent to the high estimate scenario. In this context, when probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate.
Reserves(1)	Those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial, and remaining (as of the evaluation date) based on the development project(s) applied. Reserves are further categorised in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterised by development and production status.

(1) From Petroleum Resources Management System sponsored by the Society of Petroleum Engineers, American Association of Petroleum Geologists, World Petroleum Council, Society of Petroleum Evaluation.

Raiffeisen Bank	Raiffeisen Bank International AG
SC 6B	Service Contract 6B dated 19 September 1973, as amended
SC 14	Service Contract 14 dated 17 December 1975, as amended
SC 54	Service Contract 54 dated 5 August 2005, as amended
SC 58	Service Contract 58 dated 12 January 2006, as amended
SC 63	Service Contract 63 dated 24 November 2006
sq. km.	Square kilometre
stb	Stock-tank barrels
Standard Bank	Standard Bank Plc
STI	Short term incentive
STOIIP	Stock –tank oil initially in place
TD	Total depth
TRIFR	Total Recordable Injury Frequency Rate in incidents per million man hours
Yilgarn	Yilgarn Petroleum Philippines Pty Limited


Nido
Petroleum Limited

Nido Petroleum Limited

ABN 65 086 630 373

www.nido.com.au

PERTH OFFICE
Aquila Centre
Level 3
1 Preston Street
COMO WA 6152
P +61 (0) 8 9474 0000
F +61 (0) 8 9474 0099

MANILA OFFICE
38/F Philamlife Tower
8767 Paseo de Roxas
Makati City 1226
PHILIPPINES
P +63 2 856 5910
F +63 2 856 5494