



## ANNUAL GENERAL MEETING

### Perth

**25 May 2012**

The Nido Petroleum Limited Annual General Meeting (“AGM”) will be held at Royal Freshwater Bay Yacht Club, Keane’s Point, Hobb’s Place, Peppermint Grove, commencing at 3.00pm (Perth time) on 25 May 2012, with registration from 2.30pm. **Please note the Royal Freshwater Bay Yacht Club has a dress code of smart casual attire, with no board shorts or thongs allowed.**

The following documents relate to the AGM:

- Notice of Meeting for the AGM, including Explanatory Memorandum;
- Notice of how to access a copy of the Company’s electronic Annual Report for the year ended 31 December 2011; and
- Proxy Form and return envelope.

If you are attending the AGM in Perth and have not lodged a Proxy Form, please bring the Proxy Form with you to assist with registration.

If you are not attending the AGM in Perth, you can lodge a completed Proxy Form by returning it in the enclosed envelope, by facsimile or online.

Please be aware that the Proxy Form needs to be received by the Nido Share Registrar by no later than 3.00pm (Perth time) on 23 May 2012. Further details on lodging your Proxy Form can be found on the reverse side of the Proxy Form.

**NOTICE OF HOW TO ACCESS A COPY OF THE COMPANY'S ELECTRONIC ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2011.**

Nido has adopted regulations that enable it to no longer distribute a hard copy Annual Report, unless a Shareholder elects to continue to receive a hard copy.

In accordance with the Corporations Act, Nido advises that a copy of its Annual Report for the year ended 31 December 2011 is available to view or download at the website address, [www.nido.com.au](http://www.nido.com.au).

Please note that if you have elected to continue to receive a hard copy of the Company's Annual Report, the Annual Report will accompany this Notice of Meeting or alternatively it will be mailed to you no later than 21 days before the Annual General Meeting.

However, if you did not elect to continue to receive a hard copy of the Company's Annual Report and now (or some time in the future) wish to receive a hard copy of the Company's Annual Report then please contact Nido's Share Registrar on +61 8 9323 2000. They will be pleased to mail you a copy.

## NOTICE OF ANNUAL GENERAL MEETING

The AGM of Nido Petroleum Limited ("**Nido**" or "**the Company**") will be held at Royal Freshwater Bay Yacht Club, Keane's Point, Hobb's Place, Peppermint Grove, on Friday, 25 May 2012 at 3.00pm (Perth time).

Terms used in this Notice and the Explanatory Memorandum are defined in the glossary to this document.

The Explanatory Memorandum which accompanies and forms part of this Notice describes the matters to be considered at the AGM.

## AGENDA

### 1. Annual Financial Report

To receive and consider the Annual Financial Report, the Directors' Report and the Auditor's Report of Nido for the financial year ended 31 December 2011.

### 2. Adoption of the Remuneration Report (non-binding Resolution)

To consider and, if thought fit, to pass the following as an advisory Resolution:

*"That for the purposes of section 250R(2) of the Corporations Act and for all other purposes, the Annual Remuneration Report for Nido (which is contained in the Directors' Report) for the financial year ended 31 December 2011 be adopted."*

*Note – the vote on this Resolution is advisory only and does not bind the Directors or the Company.*

#### *Voting exclusion statement*

In accordance with the Corporations Act the Company will disregard any votes cast on this Resolution by or on behalf of the Company's Key Management Personnel or their Closely Related Parties (each collectively referred to as a "Prohibited Voter"). However, a Prohibited Voter may vote directed proxies for someone other than a Prohibited Voter. If you do not direct the person chairing the meeting how to vote and you are not a Prohibited Voter, by marking the box on, and submitting, the Proxy Form you authorise the person chairing the meeting to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of Key Management Personnel, and you will be taken to have directed the Chairman to vote in accordance with his stated intention to vote in favour of this Resolution. If you do not want your vote exercised in favour of this Resolution you should direct the person chairing the meeting to vote against, or abstain from voting on, this Resolution.

### 3. Election of Directors

To consider and, if thought fit to pass the following as separate ordinary Resolutions:

- (a) *That Mr Eduardo Mañalac, a Director of the Company who retires by rotation in accordance with Rule 35(c) of the Constitution and, being eligible, offers himself for re-election, be elected as a Director of the Company.*
- (b) *That Dr. Michael Ollis, a Director appointed under Rule 35(a) of the Constitution by Resolution of the Board of Directors and, being eligible, offers himself for election, be elected as a Director of the Company.*
- (c) *That Mr Michael Pope, who offers himself for election and is eligible for election in accordance with Rule 35(h)(3) of the Company's Constitution, be elected as a Director of the Company.*

#### **4. Issue of Performance Rights to Mr Philip Byrne, Chief Executive Officer**

To consider and, if thought fit, to pass the following Resolution as an ordinary Resolution:

*"That for the purposes of Listing Rule 10.11 and for all other purposes, the Shareholders approve and authorise the Directors to grant 3,285,446 Performance Rights to Mr Philip Byrne, Chief Executive Officer, or his nominee and to allot and issue Shares on the vesting of those Performance Rights, in accordance with the Employee Performance Rights Plan and otherwise on the terms and conditions detailed in the Explanatory Memorandum."*

*Voting exclusion statement:*

*For the purposes of Listing Rules 10.13 and 14.11, and for all other purposes, the Company will disregard any votes cast on this Resolution 4 by Mr Byrne (or his nominee) or any of his Associates.*

*However, the Company will not disregard a vote if:*

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or*
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.*

#### **NOTES:**

These notes form part of the Notice of Meeting.

#### **Background information**

To assist you in deciding how to vote on the above Resolutions, background information to the Resolutions is set out in the Explanatory Memorandum forming part of this Notice of Meeting.

#### **Recommendation**

Save for Item 3(c) which the Board unanimously recommends that Shareholders vote against, the Board believes that the above Resolutions are in the best interests of Shareholders and (except where otherwise indicated in the Explanatory Memorandum) unanimously recommend that Shareholders vote in favour of each of them.

#### **Voting Entitlements**

The Directors have determined that, for the purpose of voting at the AGM, Shareholders eligible to vote at the AGM are those persons who are the registered holders of Shares at 5.00pm (Perth time) on 23 May 2012.

#### **How to Vote**

You may vote by attending the AGM in person, by proxy, or by an authorised representative.

#### **Voting in Person**

To vote in person, attend the AGM on the date and at the place set out above. Shareholders are asked to arrive at the venue 30 minutes prior to the time designated for the meeting, if possible, so that the Company may check their shareholding against the Company's share register and note attendances.

#### **Voting by Proxy**

A Shareholder has the right to appoint a proxy, who need not be a Shareholder of the Company. A proxy can be an individual or a body corporate. A body corporate appointed as a Shareholder's proxy may appoint a representative to exercise any of the powers the body corporate may exercise as a proxy at the AGM. The representative should bring to the meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been given to the Company.

If a Shareholder is entitled to cast two or more votes they may appoint two proxies and may specify the percentage of votes each proxy is appointed to exercise.

To vote by proxy, the Proxy Form (together with the original of any power of attorney or other authority, if any, or certified copy of that power of attorney or other authority under which the Proxy Form is signed) must be received at the Share Registrar of Nido no later than 3.00pm (Perth time) on 23 May 2012 (Proxy Forms received after that time will be invalid). Proxy Forms must be received before that time via any of the following methods:

By Post:                               Computershare Investor Services Pty Limited

GPO Box 242

Melbourne, Victoria 3001

By Facsimile:                       (within Australia) 1800 783 447

By Facsimile:                       (outside Australia) +61 3 9473 2555

Online:                               [www.investorvote.com.au](http://www.investorvote.com.au)

### **Proxy Voting on Item 2 (Remuneration Report) Resolution**

Any undirected proxies held by the Chairman of the meeting will not be voted in respect of Item 2 (Remuneration Report). If you appoint as your proxy the Chairman of the meeting, he will only vote your proxy on Item 2 (Remuneration Report) if you:

- direct him how to vote, by marking the second box in Step 1 on the Proxy Form, in which case the Chairman will vote "For" the Resolution on your behalf; or
- otherwise mark either "For", "Against" or "Abstain" in Step 2 Item 2 (Remuneration Report).

If you do not want your vote exercised in favour of this Resolution you should direct the person chairing the meeting to vote "Against", or "Abstain" from voting on, this Resolution.

### **Corporate Representatives**

A body corporate may elect to appoint an individual to act as its representative in accordance with section 250D of the Corporations Act, in which case the Company will require a certificate of appointment of the corporate representative executed in accordance with the Corporations Act. The certificate of appointment must be lodged with the Company and/or the Company's Share Registrar, Computershare Investor Services, before the AGM or at the registration desk on the day of the AGM. Certificates of appointment of corporate representatives are available at [www.computershare.com](http://www.computershare.com) or on request by contacting Computershare Investor Services on telephone number +61 1300 557 010.

### **Changes to Corporations Act**

- New sections 250BB and 250BC of the Corporations Act apply to voting by proxy on or after 1 August 2011. Shareholders and their proxies should be aware of these changes to the Corporations Act, as they will apply to this Meeting.

Further details on these changes are set out below.

### ***Proxy vote if appointment specifies way to vote***

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy must specify the way the proxy is to vote on a particular resolution and, if it does:

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote as directed;

- if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands;
- if the proxy is the chair of the meeting at which the resolution is voted on, the proxy must vote on the poll, and must vote as directed; and
- if the proxy is not the chair, the proxy need not vote on the poll, but if the proxy does, the proxy must vote as directed.

### ***Transfer of non-chair proxy to chair in certain circumstances***

Section 250BC of the Corporations Act provides that if:

- an appointment of a proxy specifies the way that the proxy is to vote on a particular resolution at a meeting of the Company's members;
- the appointed proxy is not the chair of the meeting;
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
  - the proxy is not recorded as attending the meeting; or
  - the proxy does not vote on the resolutions,

the chair of the meeting is taken, before voting on the resolution, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

### **Questions from Shareholders**

The Chairman of the meeting will allow a reasonable opportunity for Shareholders to ask questions or make comments on the management and performance of the Company.

Mr Robert Kirkby of Ernst & Young, as the auditor responsible for preparing the Auditor's Report for the year ended 31 December 2011 (or his representative), will attend the AGM. The Chairman of the meeting will allow a reasonable opportunity for the Shareholders to ask the auditor questions at the meeting about:

- the conduct of the audit; and
- the content of the Auditor's Report.

To assist the Board and the auditor of the Company in responding to any questions you may have, please submit any questions you may have by fax or to the address below by no later than 5.00pm (Perth time) on 18 May 2012.

By mail: Level 3, 1 Preston Street, Como, Western Australia

By fax: + 61 (08) 94740099

In person at the Registered Office: Level 3, 1 Preston Street, Como, Western Australia

As required under section 250PA of the Corporations Act, at the meeting, the Company will make available those questions directed to the auditor received in writing at least 5 business days prior to the AGM, being questions which the auditor considers relevant to the content of the Auditor's Report or the conduct of the audit of the Annual Financial Report for the year ended 31 December 2011. The Chairman of the meeting will allow a reasonable opportunity for the auditor to respond to the questions set out on this list.

## **Enquiries**

Shareholders are invited to contact the Company Secretary, John Newman, on +61 8 9474 0000 if they have any queries in respect of the matters set out in these documents.

## **By order of the Board**



**John Newman**  
**Company Secretary**  
Dated 23 April 2012

***The Notice of Meeting, Explanatory Memorandum and Proxy Form should be read in their entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.***

## EXPLANATORY MEMORANDUM

This Explanatory Memorandum and all attachments are important documents and should be read carefully. If you have any questions regarding the matters set out in this Explanatory Memorandum or the preceding Notice, please contact the Company, your stockbroker or other professional adviser.

This Explanatory Memorandum has been prepared for the Shareholders of the Company in connection with the AGM of the Company to be held on 25 May 2012 at 3.00pm (Perth time) at Royal Freshwater Bay Yacht Club, Keane's Point, Hobb's Place, Peppermint Grove. The purpose of this Explanatory Memorandum is to provide Shareholders with information that the Board believes to be material to Shareholders in deciding whether or not to approve the Resolutions detailed in the Notice.

### Item 1. Annual Financial Reports

The Corporations Act requires the Annual Financial Report, Directors' Report, and the Auditor's Report ("**Annual Report**") to be received and considered at the AGM. A copy of the Company's 2011 Annual Report can be accessed on-line at [www.nido.com.au](http://www.nido.com.au). Alternatively, a hard copy will be made available on request.

The Corporations Act does not require Shareholders to vote on the Annual Report. However, Shareholders attending the AGM will be given a reasonable opportunity to ask questions about, or make comments on, the financial statements and reports.

The Company's auditor, Ernst & Young, will be present at the AGM and Shareholders will have the opportunity to ask the auditor questions in relation to the conduct of the audit, the Auditor's Report, the Company's accounting policies, and the independence of the auditor.

### Item 2. Approval of the Remuneration Report

The Annual Report for the year ended 31 December 2011 contains a Remuneration Report which:

- sets out the remuneration policy for the Company and the process for determining the remuneration of its Directors and executive officers;
- discusses the relationship between the remuneration policy and the Company's performance; and
- details the remuneration arrangements for each Director, including the Chief Executive Officer, and senior executives.

The Remuneration Report is contained within the Directors' Report in the Company's Annual Report which is available in the Annual Report section of the website at [www.nido.com.au](http://www.nido.com.au). If you wish to receive a hard copy of the Company's Annual Report, please refer to page 2 of the Notice of Meeting.

Section 250R(2) of the Corporations Act requires companies to put a resolution to their members that the Remuneration Report be adopted. Voting on the adoption of the Remuneration Report is for advisory purposes only and will not bind the Directors or the Company.

However, as a consequence of recent changes to the Corporations Act, if at least 25% of the votes cast on the resolution are voted against the adoption of the Remuneration Report at the meeting, then:

- (a) if comments are made on the Remuneration Report at the AGM, the Company's Remuneration Report for the next financial year will be required to include an explanation of the Board's proposed action in response or, if no action is proposed, the Board's reasons for this; and
- (b) if at the next AGM, at least 25% of the votes cast on the resolution for the adoption of the Remuneration Report are against such adoption, the Company will be required to put to shareholders a resolution proposing that a general meeting be called to consider the election of Directors of the Company (**Spill Resolution**). If a Spill Resolution is passed, all of the Directors, other than the Managing Director (if any), will cease to hold office at the subsequent general meeting, unless re-elected at that meeting.

### Voting Exclusion

In accordance with the Corporations Act, the Company will disregard any votes cast on Resolution 2 by or on behalf of the Company's Key Management Personnel or their Closely Related Parties (each collectively referred to as a "Prohibited Voter"). However, a Prohibited Voter may vote directed proxies for someone other than a Prohibited Voter.



If you do not direct the person chairing the meeting how to vote and you are not a Prohibited Voter, by marking the box on, and submitting, the Proxy Form you authorise the person chairing the meeting to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of Key Management Personnel, and you will be taken to have directed the Chair to vote in accordance with his stated intention to vote in favour of this Resolution.

If you do not want your vote exercised in favour of this Resolution you should direct the person chairing the meeting to vote 'Against', or "Abstain" from voting on, this Resolution.

The Chairman of the AGM will allow reasonable opportunity for Shareholders to ask questions about, or comment on, the Remuneration Report at the meeting.

### **Item 3. Election of Directors**

***The Chairman intends to vote undirected proxies in favour of the election of Dr. Michael Ollis and the re-election of Mr Eduardo Mañalac and against the election of Mr Michael Pope.***

#### **Item 3(a) Re-election of Eduardo Mañalac, MAICD**

Rule 35(c) of the Company's Constitution requires that at each AGM of the Company, one third of the Directors (to the nearest whole number), excluding a Director appointed to fill a casual vacancy, must retire from office. In this context Mr Eduardo Mañalac retires from office and, being eligible, offers himself for re-election as a Director of the Company.

Details of the background of Mr Mañalac including his experience, knowledge and skills and his status as an independent non-executive Director, are set out in the Company's 2011 Annual Report and below.

*Mr Mañalac, B.S. Geology, Postgraduate Petroleum Geology (University of the Philippines)*

Mr Mañalac has had a 35-year career in international petroleum exploration and production management, acreage acquisition, production sharing contracts and joint venture negotiations. During his early career he joined Oriental Petroleum and Minerals Corporation and started the first geological mapping of the Palawan Basin in the Philippines.

For 28 of those 35 years he enjoyed a career with Phillips Petroleum (now ConocoPhillips) in many parts of the world, most recently in China, and encouraged Phillips' initial entry into the Palawan Basin and similar areas in Indonesia. From 2003 to 2004 Mr Mañalac 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 Chief Executive Officer of the Philippine National Oil Company and its subsidiary PNOC Exploration Corporation, and was Chairman of PNOC Energy Development Corporation. Mr Mañalac was a non-Executive Director of Wellex Industries a publicly listed energy, mining and exploration company in the Philippines of which he was Chairman up until January 2009.

Mr Mañalac is the President of TransEnergy International Limited, an energy resources consultancy company in the Philippines, where he has been the principal consultant since December 2006. More recently, in November 2009, he was appointed Non-Executive Director of Basic Energy Corporation a listed energy company in the Philippines. He is a member of the Australian Institute of Company Directors.

#### **Recommendation**

The Board (with the exception of Mr Mañalac) recommends that you vote for the re-election of Mr Mañalac as non-executive Director of the Company.

#### **Item 3(b) Election of Dr. Michael Ollis, GAICD**

The Company's Constitution and the Corporations Act require that any Director appointed by the Directors holds office only until the next Annual General Meeting.

Dr Michael Ollis was appointed as a Director of the Company on 1 October 2011 by resolution of the Board of Directors and, in accordance with the Company's Constitution and being eligible as a Board endorsed candidate, offers himself for election as a Director of the Company.

Details of the background of Dr. Ollis including his experience, knowledge and skills and his status as an independent non-executive Director, are set out in the Company's 2011 Annual Report and below.

*Dr. Michael Ollis, PhD (Fluids) University of Bristol, B Sc (Civil Engineering) University of Birmingham*

Dr. Ollis has over 30 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 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 include 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 Billiton 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 Chief Executive Officer of NOPSEMA, the Commonwealth Minister for the Department of Resources, Energy and Tourism, and relevant State and Territory Ministers. Dr. Ollis is a Graduate of the Australian Institute of Company Directors.

#### Recommendation

The Board (with the exception of Dr. Ollis) recommends that you vote for the election of Dr. Ollis as non-executive Director of the Company.

#### **Item 3(c) Election of Mr Michael Pope**

Rule 35(h)(3) of the Company's Constitution provides that a Shareholder is eligible for election to the office of a Director if he or she has, within the requisite time period, given the Company a signed notice stating his or her desire to be a candidate for election at that meeting.

Mr Michael Pope, who states that he is a drilling engineer with approximately 11 years of industry experience has nominated himself under the Company's Constitution and offers himself for election as a Director of the Company.

According to the information provided to the Company by Mr Pope, Mr Pope has been employed as a Senior Drilling Engineer with Inpex Browse in relation to the Ichthys Development since November 2007. Prior to that time Mr Pope was employed with Chevron International E&P as a Drilling Engineer/Drill Site Manager from July 2006 to November 2007, Atwood Oceanics Australia as an Operations Engineer from March 2005 – July 2006, Marubeni – Itochu Tubulars Oceania as Sales Manager-Line Pipe from July 2004 – October 2004, Halliburton Aust. / Sperry-Sun Drilling Services as a Formation Evaluation Measurement While Drilling Engineer from December 2001 – July 2004 and Clough Engineering – Offshore Division (Perth and Jakarta) as an Undergraduate Engineer from December 2000 to March 2001.

***Note: The following material was supplied to the Company by Mr Pope. It is presented as submitted and without amendment. The views expressed are those of Mr Pope and not of the Company.***

#### Candidate's Statement

*"Mr Michael Pope B Eng (Mech.), B. Com (Corp. Finance, Inv. Finance), Grad Cert (Oil and Gas) would like to thank the shareholders at the 2011 AGM who resolved to elect him to the Board. The strong support of the shareholders was especially appreciated given the Board's negative recommendation, and the Chairman voting undirected proxies against the resolution.*

*Mr Pope again offers himself for election as an independent Board member.*

*Despite the majority vote in favour of the resolution to elect Mr Pope in 2011, the Board declaration of "No Vacancy" prevented the election. This year, as a result of changes to the Corporations Act, the Board will not have the power to make this unilateral decision. If a resolution to limit the number of Board positions is put to the meeting I urge you to vote against it. Independent directors protect the shareholders' interests.*

*Since the 2011 AGM there have been several positive changes at Board and senior Management levels, Mr Pope seeks your support to continue to drive these reforms from within. He believes that the company needs to rebuild the confidence of its shareholders.*

*It can do this three ways:*

- 1) Appropriate Board competence; to assess business, technical and operational risk*
- 2) Greater Board independence; to assess joint venture partnerships and business decisions*
- 3) Credible delivery; delivering on promises and focus on execution.*

*Mr Pope possesses the knowledge and experience to benefit Nido Petroleum. Mr Pope has held positions with industry leading oil and gas operators, service providers and drilling contractors including Chevron, Halliburton and Atwood Oceanics.*

*Mr Pope's independence will ensure that Board decisions are always made with the shareholder first in mind.*

*Mr Pope is currently the principal well construction engineer for a multi-billion dollar LNG development. He is trusted with a well construction budget in the multiple billions of dollars and individual contract values of several hundred million dollars. Nido will benefit through his experience with governance of large and technically complex developments including contract management and joint venture management.*

*If elected, Mr Pope aims to develop a culture within the company of performance and accountability. He will work with the board to identify opportunities for further board renewal including the appointment of a female director in line with ASX guidelines on gender diversity. His aim is a more balanced board both in terms of gender and recent technical experience. He strongly believes that with the right leadership Nido can be a company that delivers results.*

*Mr Pope has been a shareholder of the company since 2005 and currently holds 5 million shares."*

#### Recommendation

For the reasons set out in this section of the Explanatory Memorandum, the Board are of the unanimous view that it is not in the interests of the Company's Shareholders that Mr Pope is elected, and recommend that Shareholders vote against his election.

When identifying and assessing potential candidates for non-executive director positions, the Board seeks candidates that meet most, if not all of the following criteria: senior executive and leadership experience in the energy sector, non-executive director experience in the energy sector, demonstrated strategic planning and risk management skills, broad operational and/or business experience, capital market and Asian energy networks, and a strategic, "big picture" view rather than a narrow specialist view. Moreover, given the criticality of working effectively in a group setting and engaging constructively in high quality interaction with other Board members and the executive team, it is essential that Board candidates have the ability to develop and maintain mutual respect and the tact and skill to constructively determine outcomes.

Company policy is to have prospective Board candidates interviewed by members of the Remuneration and Nomination Committee as well as the independent consultant that the Company uses to assist with Director selection and recruitment, before putting them forward to the full Board for consideration.

Upon becoming aware of Mr Pope's desire to stand for election as a Director, the Chairman of the Remuneration and Nomination Committee, and all members of the Board except David Whitby (who interviewed Mr Pope last year) interviewed Mr Pope to assess his qualifications. The Board also arranged for Mr Pope to be assessed by the Company's independent Board consultant. Shareholders will be aware that the Company followed the same process last year when Mr Pope stood for election at the 2011 Annual General Meeting.

Based on an extensive interview process which included an interview by an independent consultant, the Board has unanimously concluded that Mr Pope is not suitable for election to the Board of the Company and would not be competitive in an external, merit-based search for an independent, non-executive Director because he does not have the requisite experience or critical personal attributes necessary for the role. Specifically, whilst Mr Pope has experience as a well engineer, the Board believes Mr Pope lacks the senior executive and international experience, the broad operational and/or business experience, the strategic planning and risk management skills, and the leadership and influencing skills that the Board considers essential for the role. Moreover, the Board has formed the view that Mr Pope does not have the industry profile or the industry networks to add value to the Company's demonstrated ability to attract and retain executives and directors of the highest standard, or to improve the Company's profile with institutional investors.

The Board further notes that, with the appointment of Dr. Ollis, the Board believes that it has amongst its membership a person with significantly more well planning and operations experience than Mr Pope, and at least as up-to-date experience in these areas through his role as a member of the Advisory Board of Australia's offshore oil and gas safety regulator.

The Board is therefore unanimously of the view that it is not in the best interests of the Company's Shareholders to elect Mr Pope as a Director of the Company and recommends that Shareholders vote against his election.

Subject to the election of Dr. Ollis, the re-election of Mr Mañalac, and the non-election of Mr Pope, the Board will comprise an independent Chairman (Mr Bloking), three independent non-executive Directors (Mr Mañalac, Mr Edwards and Dr. Ollis) and one non-independent non-executive Director (Mr Whitby).

The Board considers that this mix of non-executive Directors, complemented by Mr Philip Byrne as Chief Executive Officer, collectively brings the range of skills, knowledge, and experience necessary to direct the Company.

#### **Item 4. Issue of Performance Rights to Mr Philip Byrne, Chief Executive Officer**

Mr Byrne is the Chief Executive Officer of the Company. Under the Company's remuneration policy Mr Byrne is entitled to receive a long term incentive as part of his overall remuneration, subject to Shareholder approval first being obtained.

The form of long term incentive that the Company offers its employees including Mr Byrne are Performance Rights issued pursuant to the terms of the Company's Long Term Incentive Policy and Shareholder approved Employee Performance Rights Plan. A Performance Right is a contractual right to be issued with a fully paid Share for no consideration, on the satisfaction of certain performance criteria.

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

The peer group 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 and Santos Limited.

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 offer that an individual 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 total shareholder return as compared against the peer group	<p>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%</p> <p>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</p>
75th percentile or higher of total shareholder return as compared against the peer group	100% of rights in the Offer available to be exercised and converted into Shares

Under the Long Term Incentive Policy and Employee Performance Rights Plan the Board makes annual awards of Performance Rights to employees with the level of the award dependent on the position of the individual within the Company. Mr Byrne, as a member of the Leadership Team, is entitled to receive an annual allocation of 30% of his base salary in Performance Rights.

The amount of Performance Rights to be allocated to Mr Byrne is therefore determined by dividing the long term incentive dollar value (i.e. 30% of his base salary) by the value of the Performance Rights on the date the award was approved by the Board, being 8 March 2012. The value of a Performance Right as at the Board approval date was determined by the volume weighted average market price of an ordinary Nido Share traded on the ASX in the ten days leading up to 8 March 2012.

On the basis of the application of this formula in accordance with the Company's Long Term Incentive Policy, the Board has therefore decided to invite Mr Byrne to apply for 3,285,446 Performance Rights. Under the terms of the Employee Performance Rights Plan, employees are entitled to nominate an associate to hold their Performance Rights. Mr Byrne has indicated that he will be nominating an associate under the terms of the Employee Performance Rights Plan to hold his allocation of 3,285,446 Performance Rights.

The Board considers that the proposed grant of Performance Rights to Mr Byrne:

- aligns Mr Byrne's incentives with Shareholder interests;
- assists the Company to retain the services of Mr Byrne by providing an attractive long term retention tool that builds an ownership of the Company mindset; and
- ensures that the extent to which Mr Byrne benefits from any award is reasonably and objectively linked to the Company's comparative performance against a peer group of ASX listed oil and gas companies over a long term period.

## **Listing Rule requirements**

Listing Rule 10.11 provides that a company must not issue or agree to issue equity securities to a related party without the prior approval of holders of ordinary securities. Accordingly, under Resolution 4, approval is sought for the issue of Performance Rights, and Shares upon the vesting of those Performance Rights, to Mr Byrne (or his nominee).

Listing Rule 10.13 requires the following information to be included in this Notice of Meeting:

- the Performance Rights will be issued to Mr Philip Byrne, Chief Executive Officer, (or his nominee);
- subject to Shareholder approval being obtained, the maximum number of securities that the Company may issue to Mr Byrne (or his nominee), for the purposes of the approval sought is 3,285,446. The Company will grant Mr Byrne (or his nominee) 3,285,446 Performance Rights and if all Performance Rights vest Mr Byrne (or his nominee) will be entitled to 3,285,446 Shares;
- Performance Rights to be issued to Mr Byrne (or his nominee) will be issued not later than 1 month after 25 May 2012. It is anticipated that the Performance Rights will be issued in one tranche on or around 1 June 2012;
- Mr Byrne is the Chief Executive Officer and is considered a related party of the Company pursuant to section 228(6) of the Corporations Act, as the Company has reasonable grounds to believe that he is likely to become a Director of the Company in the future;
- any Shares issued to Mr Byrne on exercise of the Performance Rights will rank equally in all respects with other Shares in the Company and the Company will apply for the Shares to be quoted on ASX;
- the proposed grant of the Performance Rights to Mr Byrne (or his nominee) will be made pursuant to the terms and conditions of the Employee Performance Rights Plan (available through the Company's website [www.nido.com.au](http://www.nido.com.au));
- the key terms of the Performance Rights are set out above, and in Annexure A to this Explanatory Memorandum;
- no consideration is payable by Mr Byrne at the time of grant of the Performance Rights or upon the issue of Shares to which he may become entitled on the vesting dates under the Employee Performance Rights Plan. Therefore no funds will be raised by the grant of the Performance Rights, or the issue of Shares upon the vesting of those Performance Rights, to Mr Byrne (or his nominee); and
- a voting exclusion statement is provided at Resolution 4 of the Notice and in this section of the Explanatory Memorandum.

Any issue of the Performance Rights to Mr Byrne pursuant to Item 4 will not be included in the 15% calculation of the Company's annual placement capacity under Listing Rule 7.1, given the issue would fall under Listing Rule 7.2 Exception 9(b) (the Employee Performance Rights Plan was approved by Shareholders, at the Company's 2010 annual general meeting, as an exception to Listing Rule 7.1) and Exception 14 (if approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1).

## **Corporations Act requirements**

Under Chapter 2E of the Corporations Act, a public company cannot give a "financial benefit" to a "Related Party" unless one of the statutory exceptions applies or shareholders have in a general meeting approved the giving of that financial benefit.

Mr Byrne is a "Related Party" of the Company as defined in the Corporations Act because the Company has reasonable grounds to believe that he is likely to become a Director of the Company in the future, and the issue of Performance Rights to him constitutes the giving of a "financial benefit".

The Performance Rights are being issued to Mr Byrne (or his nominee) as part of his remuneration package in respect of services provided to the Company and to be provided to the Company. The Employee Performance Rights Plan forms an important part of the Company's long term incentive strategy.

Section 211 of the Corporations Act provides an exception to the need to obtain shareholder approval to the giving of a financial benefit to a Related Party where the financial benefit is remuneration to an officer of a public company and giving the remuneration would be reasonable given the respective circumstances of the public company and the Related Party (including the responsibilities involved in the office or employment).

The Board considers that the grant of Performance Rights to Mr Byrne is reasonable given the circumstances of the Company and Mr Byrne.

#### Voting Exclusion

For the purposes of Listing Rules 10.13 and 14.11, and for all other purposes, the Company will disregard any votes cast on this Resolution 4 by Mr Byrne (or his nominee) or any of his Associates.

However, the Company will not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

#### Recommendation

The Directors unanimously recommend that Shareholders vote in favour of Resolution 4 for the reasons set out in this section of the Explanatory Memorandum.

## GLOSSARY

**Annual General Meeting or AGM** means the meeting convened by this Notice.

**Annual Report** means the Company's Annual Report for the year ended 31 December 2011; containing the Annual Financial Report, the Directors' Report and the Auditor's Report.

**Associate** means a reference to "Associate" in relation to a Listing Rule and has the meaning given to it in Listing Rule 14.11.

**ASX** means the Australian Securities Exchange, operated by ASX Limited (ABN 98 008 624 691).

**ASX Listing Rules** or **Listing Rules** means the listing rules of ASX and any other rules of ASX which are applicable while the Company is admitted to the official list of ASX, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX.

**Board** means the Board of Directors of the Company.

**Closely Related Party** of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the Company;
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations 2001 (Cth).

**Company** or **Nido** means Nido Petroleum Limited (ABN 65 086 630 373).

**Constitution** means the Company's constitution, as amended from time to time.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Directors** means the directors of the Company from time to time and **Director** means any one of them.

**Employee Performance Rights Plan** means the Nido Petroleum Limited Employee Performance Rights Plan 2010.

**Explanatory Memorandum** means this explanatory memorandum which accompanies the Notice.

**Key Management Personnel** has the same meaning as in the accounting standards and broadly includes those persons having authority and responsibility for planning, directing and controlling activities of the Company, directly or indirectly, including any Director of the Company.

**Long Term Incentive Policy** means the Nido Petroleum Limited Long Term Incentive Policy adopted on 15 March 2010.

**Notice or Notice of Meeting** means the notice of Annual General Meeting.

**Performance Right** means a performance right granted under the Employee Performance Rights Plan.

**Proxy Form** means the proxy form attached to the Notice.

**Related Party** has the meaning given to that term in section 228 of the Corporations Act.

**Resolution** means a resolution contained in the Notice.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a holder of Shares.

**\$** means Australian dollars.



## ANNEXURE A - Key terms of the Performance Rights

- (a) **(Performance Rights):** Each Performance Right represents an entitlement to one Share. The Company may allot or procure the transfer of a Share upon the exercise of a Performance Right. Shares issued upon exercise of Performance Rights will rank pari passu with all existing Shares.
- (b) **(Price Payable):** No payment is required for the grant of a Performance Right or upon its vesting.
- (c) **(Acceleration of Vesting):** The vesting of the Performance Rights will be accelerated in certain circumstances, including where a takeover bid is made to Shareholders, or where a statement is lodged with the ASX to the effect that a person has become entitled to not less than 50% of the Shares.
- (d) **(Lapse of Performance Rights):** The Performance Rights will lapse in certain circumstances, including where the performance criteria have not been satisfied within the required time period, or an employee ceases their employment with the Company.
- (e) **(Not transferable):** The Performance Rights may not be transferred to any person at any time, save in circumstances where the Board has stipulated that some or all Performance Rights are transferable to the offeror under a takeover bid. However, any Shares acquired on the vesting of Performance Rights will be transferable (subject to any restrictions contained in the offer notice, the restrictions contained in the Company's Policy on Share Trading, and any other restrictions prescribed by the Board).
- (f) **(Quotation of Performance Rights and Shares):** The Performance Rights will not be quoted on the ASX. Upon the issue of Shares in accordance with the Employee Performance Rights Plan rules, the Company will immediately apply for quotation of those Shares on the ASX.
- (g) **(No participation in future issues):** Holders of the Performance Rights may only participate in new issues of securities if the Performance Right has vested, and the Shares in respect of the Performance Rights have been allotted or transferred before the record date for determining entitlements to the issue.
- (h) **(Tranches):** Performance Rights will vest on such date following the end of the Performance Period as the Board shall determine.

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000001 000 NDO  
MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

## Lodge your vote:



**Online:**  
[www.investorvote.com.au](http://www.investorvote.com.au)



**By Mail:**  
Computershare Investor Services Pty Limited  
GPO Box 242 Melbourne  
Victoria 3001 Australia

Alternatively you can fax your form to  
(within Australia) 1800 783 447  
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only  
(custodians) [www.intermediaryonline.com](http://www.intermediaryonline.com)

**For all enquiries call:**  
(within Australia) 1300 850 505  
(outside Australia) +61 3 9415 4000

## Proxy Form



Vote online or view the annual report, 24 hours a day, 7 days a week:

**[www.investorvote.com.au](http://www.investorvote.com.au)**



**Cast your proxy vote**



**Access the annual report**



**Review and update your securityholding**

**Your secure access information is:**

**Control Number: 135497**

**SRN/HIN:**



**PLEASE NOTE:** For security reasons it is important that you keep your SRN/HIN confidential.



**For your vote to be effective it must be received by 3:00pm (Perth time) Wednesday 23 May 2012**

### How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

#### Appointment of Proxy

**Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may, to the extent permitted by law, vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

**Appointing a second proxy:** You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

**A proxy need not be a securityholder of the Company.**

### Signing Instructions for Postal Forms

**Individual:** Where the holding is in one name, the securityholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the securityholders should sign.

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

### Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at [www.investorcentre.com](http://www.investorcentre.com) under the information tab, "Downloadable Forms".

**Comments & Questions:** If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,  
or turn over to complete the form →**

MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

☐

**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

# Proxy Form

Please mark ☒ to indicate your directions

STEP 1

Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Nido Petroleum Limited hereby appoint

☐ the Chairman of the Meeting

OR

**PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit, except for Item 2) at the Annual General Meeting of Nido Petroleum Limited to be held at the Royal Freshwater Bay Yacht Club, Keane's Point, Hobb's Place, Peppermint Grove on Friday, 25 May 2012 at 3:00pm (Perth time) and at any adjournment of that meeting.

**Important for Item 2 - If the Chairman of the Meeting is your proxy or is appointed as your proxy by default**  
By marking this box, you are directing the Chairman of the Meeting to vote in accordance with the Chairman's voting intentions on Item 2 as set out below and in the Notice of Meeting. If you do not mark this box, and you have not directed your proxy how to vote on Item 2, the Chairman of the Meeting will not cast your votes on Item 2 and your votes will not be counted in computing the required majority if a poll is called on this Item. If you appoint the Chairman of the Meeting as your proxy you can direct the Chairman how to vote on Item 2 by either marking the relevant boxes in Step 2 below (for example if you wish to vote against or abstain from voting) or by marking this box (in which case the Chairman of the Meeting will vote in favour of Item 2).

The Chairman of the Meeting intends to vote all available proxies in favour of Item 2.

☐

I/We direct the Chairman of the Meeting to vote in accordance with the Chairman's voting intentions on Item 2 to vote in favour of this Item (except where I/we have indicated a different voting intention below) and acknowledge and authorise that the Chairman of the Meeting may exercise my proxy even though Item 2 is connected directly or indirectly with the remuneration of a member of key management personnel.

STEP 2

Items of Business

**PLEASE NOTE:** If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

ORDINARY BUSINESS		For	Against	Abstain
Item 2	Adoption of the Remuneration Report (non-binding Resolution)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 3a	Re-election of Mr Eduardo Mañalac as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 3b	Election of Dr Michael Ollis as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 3c	Election of Mr Michael Pope as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 4	Issue of Performance Rights to Mr Philip Byrne, CEO	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote all available proxies in favour of Items 2, 3a, 3b and 4 and against the election of Mr Michael Pope as a Director at Item 3c.

SIGN

Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date / /