Nido Petroleum Limited

Company Insight
the intelligent market update

Nido Petroleum Limited **Date of Lodgement: 04/12/12**

Title: Company Insight - Raising underpins Nido's Prospects

Highlights of Interview

- **Explains rationale behind the recent 'top up' placement**
- **Outlines the nature and extent of the exciting prospects to be funded by the raising**
- **Addresses any shareholder concerns over dilution, and explains participation in the SPP (at same terms as placement)**
- **Discusses how securing the debt facility and share placement reflects very favourably on Nido's assets, operations, management, and its future direction.**

Record of interview:
With Phil Byrne, Managing Director of Nido Petroleum Limited (ASX code NDO).

companyinsight.net.au
Why has Nido gone to the market at this time?

Phil Byrne, Managing Director
The decision to raise equity was based on a range of factors including our philosophy that it is prudent to ensure the Company is kept adequately capitalised and fully funded in the prevailing difficult financial market environment, especially considering the significant work program planned for the Company in 2013.

One key factor influencing our decision was the funding of the Galoc Phase II development – an initiative which will be instrumental in Nido's transformation from junior explorer to mid-tier producer. In the September 2012 quarter, we were advised by the Operator that CAPEX on the project had increased by US$6 million on prior projections to US$43 million (Nido share). As a result of this, additional equity was required so as to meet the requirements of our debt facility and maintain our "fully funded" position on the Project.

Another key factor is our pursuit of an attractive near field exploration opportunity to the north of the Galoc field. A commitment for this well is now being sought from the Joint Venture and Nido must ensure it is fully funded prior to committing and securing the rig slot and purchase of long lead items.

With production and revenues from Galoc's existing Phase I wells fully committed, Nido will be required to fund the exploration prospect to the north of the Galoc field through the private placement and SPP.

The final key factor influencing our decision was the significant emerging potential of the West Linapacan oil field re-development – a near-term development and production opportunity. A portion of the funds recently raised will be applied towards studies which could lead to a Final Investment Decision (FID) in the second half of 2013 - should the planned technical and commercial studies support the redevelopment of the field.

companyinsight.net.au
Present market conditions have not been optimal for raising funds. Could you comment on why the Company did not approach the market earlier for funds?

Phil Byrne
Nido has been constrained in approaching the equity market for a number of reasons.

First, we did not have final estimated costs for the Galoc Phase II development CAPEX from the Operator until mid-August 2012, and we only received the figures in late November for the proposed exploration prospect to be drilled to the north of the Galoc field.

Secondly, we were finalising with Standard Bank the terms of up-scaling the reserves based debt facility, which included an assessment of the amount available under the facility and further internal approvals within the bank. This was required to enable us to access the second tranche of the loan.

Until all these factors were resolved - in November 2012 - the amount required to fund our activities was unclear. We believe it was vital for the Company to be able to demonstrate to any potential investor or provider of funding that the amount required to fund these planned activities in 2013 was quantified. Therefore we were able to proceed in late November to complete the funding program – in this case the private placement and an SPP – with Nido able to demonstrate to investors that it was fully funded with certainty based on current estimates.

companyinsight.net.au
In overall terms, how will Nido's share of the Galoc Phase II capital expenditure be financed?

Phil Byrne
With the recent private placement and a successful raising of funds under the Share Purchase Plan, together with accessing our reserves debt facility with Standard Bank and production cash-flows from the Galoc field, Nido will be fully funded for its US$43 million share of the Galoc Phase II development.

It is important for Nido shareholders to note that the Company's assets are recognised as having sufficient substance to attract substantial debt funding – and thus reduce the extent to which we have to raise equity funding.

companyinsight.net.au
Can you provide more detail about the prospects where the funds will be deployed?

Phil Byrne
The Phase II development remains an extremely attractive investment proposition even after the capital cost increase. Oil production from the combined Galoc field has been estimated to increase from around 5,200 to 12,000 bopd (Nido share 22.8%) and we expect margins will improve when existing fixed costs are spread over the significantly increased production revenue. Importantly, the combined Galoc field will also provide Nido with long-term cash flow.

The funding will also enable Nido to participate in the near field exploration opportunity in the northern region of the Galoc block which will be drilled in the second-half of 2013 – using the rig that is available once the Galoc Phase II development program has been completed. The prospect is approximately 5 kilometres from the existing Galoc platform facility, and is delineated by new 3D seismic.

West Linapacan is a re-development opportunity, and we expect to have third-party certified reserves by the end of Q1 2013. Nido believes that reserve certification will confirm the extent of the opportunity, and establish the foundation for the Front End Engineering and Design (FEED) activities.

Finally, a relatively small portion of the funds will be used to finance further exploration activity across the Company's acreage.

companyinsight.net.au
How does securing the debt facility and the share placement to sophisticated shareholders reflect on Nido's future direction?

Phil Byrne
Securing the US$30 million debt facility with Standard Bank, and the successful placement to sophisticated investors, has provided a strong endorsement of Nido's investment quality - and reflects the banking industry's and equity market's support for, interest in, and commitment to Nido, its assets, management, current operations and strategy.

Nido's management team has also demonstrated skill, commitment, resilience and initiative in the current market conditions to secure the funding for this exciting new phase of the Galoc field, and for the wider activities of the Company.

Most importantly, the market has recognised that Nido is a company worth investing in and supporting.

companyinsight.net.au
What is your response to potential concerns over dilution from your current shareholders?

Phil Byrne
I do appreciate this potential shareholder concern but the alternative proposition - given our existing and forecast cash-flow position - would be to forego several exciting, value-creating opportunities that should deliver considerable benefits to Nido and its shareholders. As Managing Director of Nido, my overriding vision and responsibility is to ensure long-term growth of the business and to protect and enhance shareholder value.

I also believe firmly that the recent funding program will remove a concern in the market over whether Nido could fund its 2013 planned work program, and that the market will positively view Nido in 2013 now this concern has been addressed.

To demonstrate their commitment to the Company and their belief in its future direction, the Board and Senior Management are participating in this equity raising.

I should add that the Share Purchase Plan (SPP) enables existing shareholders to participate in the current fund raising exercise, and to purchase additional shares at the same price offered under the private placement. I urge all shareholders to participate in the SPP and be a part of Nido's future.

companyinsight.net.
Thank you Phil.

To read past Company Insights please visit www.companyinsight.net.au

Qualifying Statement

This release may include forward-looking statements. These forward-looking statements are based on Nido's expectations and beliefs concerning future events. Forward looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of Nido, which could cause actual results to differ materially from such statements. Nido makes no undertaking to subsequently update or revise the forward-looking statements made in this release, to reflect the circumstances or events after the date of that release.