
NIDO PETROLEUM LIMITED

ABN 65 086 630 373

**HALF-YEAR FINANCIAL REPORT
FOR THE PERIOD ENDED
30 June 2014**

NIDO PETROLEUM LIMITED

DIRECTORS' REPORT

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NIDO PETROLEUM LIMITED

DIRECTORS' REPORT

Your Directors submit their report for the half-year ended 30 June 2014.

DIRECTORS

The Directors of the Company in office during the half-year and until the date of this report are listed below. Directors were in office for this entire period, unless otherwise stated.

William Bloking	Chairman
Philip Byrne	Executive Director
Eduardo V. Mañalac	Non-Executive Director
Andrew Edwards	Non-Executive Director
Michael Ollis	Non-Executive Director

PRINCIPAL ACTIVITIES

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

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

REVIEW AND RESULTS OF OPERATIONS

Summary of Financial Performance

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

	Consolidated 30 June 2014 \$'000	Consolidated 30 June 2013 \$'000
Revenue from sale of crude oil	52,334	19,734
Gross profit	26,989	8,577
Net profit/(loss) for the half-year after tax	(3,159)	16,962
Basic profit/(loss) per share (cents) from continuing operations	(0.16 cents)	0.87 cents
Net cash from operating activities	23,496	15,142
Net cash (used in) investing activities	(18,330)	(16,060)
Net cash from/(used in) financing activities	(10,711)	9,469

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The total net loss after tax of the Group for the half-year ended 30 June 2014 is \$3.159 million (30 June 2013: profit of \$16.962 million), which included the following significant items:

- Oil revenue for the half-year totalled \$52.334 million (30 June 2013: \$19.734 million), comprised of revenue from the Galoc oil field of \$51.032 million (30 June 2013: \$18.211 million), and revenue from the Nido and Matinloc oil fields of \$1.302 million (30 June 2013: \$1.523 million);
- Cost of sales for the half-year was \$25.355 million (30 June 2013: \$11.182 million). The increase in cost of sales primarily relates to the increased production and additional cargoes being lifted (6 cargoes) in the first six months of the year;
- Total financing costs for half-year of \$2.418 million is primarily related to the debt facility, whilst the prior half year comparative (30 June 2013: \$0.541 million) was capitalised to the O&G asset category prior to first oil from Galoc Phase II Development;
- Employee benefits expense before share based payments was \$2.225 million (30 June 2013: \$2.544 million);
- Share based payments expense totalled \$0.418 million for the half-year (30 June 2013: \$0.202 million). The expense primarily relates to the 29,620,290 (2013: 52,846,335) performance rights issued to employees of the Company in accordance with the Company's Long Term Incentive Policy during the half-year, 18,823,529 (2013: 25,846,154) performance rights issued to Mr Philip Byrne in accordance with the Company's Long Term Incentive Policy and as approved by shareholders at the Annual General Meeting on 22 May 2014, and the share based payment expense relating to the sign on retention shares granted to Mr Philip Byrne, Managing Director as part of his employment contract;
- Office and other expenditure totalled \$1.376 million (30 June 2013: \$1.111 million);
- Impairment of exploration and evaluation expenditure which related to the drilling of the Balqis and Boni wells in Baronang PSC operated by Lundin of \$8.158 million, due to the wells being water bearing and therefore non-commercial;
- There was no fair value movement on embedded derivative associated with the Galoc Phase II Project's reserve based debt facility held in Nido Production (Galoc) Pty Ltd, as the derivative instrument was cancelled with the exit of Standard Bank plc from the debt facility on 28 June 2013, (30 June 2013: \$0.151 million); and
- Net foreign currency loss of \$7.130 million (30 June 2013: gains of \$15.225 million) resulted from stronger Australian dollar which had a negative impact on net US dollar balances, predominantly from AUD denominated parent company loans to subsidiaries (with USD functional currencies).

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The following table summarises the Company's equity interests in its permits as at 30 June 2014:

Philippines

Permit	Basin	Nido Interest (%)	Approx. Area (sq. km.)	Operator
SC 14 Block A	North West Palawan	22.49	24	Philodrill ⁽¹⁾
SC 14 Block B	North West Palawan	28.28	155	Philodrill ⁽¹⁾
SC 14 Block C-1 ⁽²⁾	North West Palawan	22.88	164	GPC ⁽³⁾
SC 14 Block C-2 ⁽⁴⁾	North West Palawan	22.28	178	RMA ⁽⁵⁾
SC 14 Block D	North West Palawan	31.42	173	Philodrill ⁽¹⁾
SC 6B	North West Palawan	7.81	537	Philodrill ⁽¹⁾
SC 54A	North West Palawan	42.40	882	Nido
SC 54B	North West Palawan	60.00	3,163	Nido
SC 58	North West Palawan	50.00 ⁽⁶⁾	13,487	Nido ⁽⁷⁾
SC 63	North West Palawan	10.00 ⁽⁹⁾	10,666	PNOC ⁽⁸⁾

⁽¹⁾ The Philodrill Corporation

⁽²⁾ Galoc Block

⁽³⁾ Galoc Production Company WLL

⁽⁴⁾ West Linapacan Block

⁽⁵⁾ RMA West Linapacan Pte Ltd

⁽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⁾ The DOE approved the acquisition by Dragon Oil of a 40% participating interest in SC 63 from Nido Petroleum Philippines Pty Ltd on 24 April 2014. On 19 May 2014, Nido Petroleum Philippine Pty Ltd acquired a 10% participating interest in SC 63 from PNOC Exploration Corporation (the transaction remains subject to DOE approval and as at 30 June 2014 Nido held a 10% participating interest in SC 63)

Indonesia

Permit	Basin	Nido Interest (%)	Approx. Area (sq. km.)	Operator
Baronang PSC	West Natuna Basin	10.00 ⁽⁴⁾	2,825	Lundin Petroleum ⁽¹⁾
Cakalang PSC	West Natuna Basin	10.00	3,339	Lundin Petroleum ⁽²⁾
Gurita PSC	Penyu Sub-Basin	10.00	7,938	Lundin Petroleum ⁽³⁾

⁽¹⁾ Lundin Baronang BV

⁽²⁾ Lundin Cakalang BV

⁽³⁾ Lundin Gurita BV

⁽⁴⁾ Nido exercised its option to increase its participating interest to 15% on 24 February 2014 (the additional 5% interest remains subject to regulatory approval as at 30 June 2014)

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PHILIPPINES ACTIVITY SUMMARY

Field	Gross Oil Production		Net Production to Nido	
	Half-Year Total	Average Daily	Half-Year Total	Average Daily
	bbls	Bopd	bbls	bopd
Galoc	1,588,387	8,776	363,415	2,008
Nido & Matinloc	74,165	410	18,679	103
TOTAL	1,662,552	9,186	382,094	2,111

Service Contract 14 C1 (Galoc Oil Field)

Following the successful commissioning of Galoc Phase II in December 2013, production from the Galoc oil field has stabilised to optimal rates. Average production uptime during the half year was 99.7%.

The gross average daily production rate from the field was 8,776 bopd, with total oil produced during the period of 1.59 million barrels gross and cumulative production from initial field start-up in 2008 to period end of 13.3 million barrels.

A total of six cargoes were lifted and sold during the half year. Two cargoes each were sold to GS Caltex Corporation and Hyundai Oilbank Co Ltd and one cargo each to SK Energy Co Ltd and Thai Oil Public Co. Revenue from crude oil sales from the Galoc field totalled \$51.032 million for the half-year ended 30 June 2014 (30 June 2013 \$18.210 million).

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

The Nido and Matinloc oil fields produced a combined total of 74,165 barrels gross, averaging 410 bopd (approximately 103 bopd net to Nido), and the Company received a total of \$1.302 million in revenue from crude oil sales during the half-year ended 30 June 2014.

The sale and purchase agreement Nido entered into with Colossal Petroleum ('Colossal') for the divestment of Nido's entire interest in Blocks A, B, B retention and D of Service Contract 14 was terminated during the half year due to the inability to obtain the required approvals from the Joint Venture partners and the Department of Energy Philippines ('DOE').

The Company is currently reviewing its options in relation to these assets.

Service Contract 14 C2 (West Linapacan)

The West Linapacan A re-development has continued to progress during the period. In addition to the existing two or three well full field development (FFD) the Joint Venture is also considering a phased development solution including an expandable Early Production System (EPS) through a drilling rig and offtake tanker reducing the capital cost of the development. Based on the Operator's estimates a Final Investment Decision (FID) is now expected in the second half of 2014 subject to JV and government approval.

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Service Contract 54

SC 54 - Block A

During the half-year the sale and purchase agreement entered into with Colossal for the divestment of the Company's interest in this block was terminated. Subsequent to half year end, Nido applied to the Philippines Government Department of Energy ('DOE') for a moratorium over areas in Block A of Service Contract 54. The granting of a moratorium would give Nido retention of those areas that are currently sub-commercial but could foreseeably become commercial in the next three to five years.

SC 54 - Block B

No further technical work has been undertaken in this block during the half-year and there is currently no fixed work commitment in the current sub-phase or subsequent sub-phase if the Company elects to enter this sub-phase.

Subsequent to half year end, Nido has applied to the Philippines Government Department of Energy ('DOE') for a moratorium over areas within Block B of Service Contract 54. The granting of a moratorium would give Nido retention of those areas that are currently sub-commercial but could foreseeably become commercial in the next three to five years.

Service Contract 58

Subsequent to half year end the Company obtained an extension to its drill or drop decision point under its farm-in agreement with PNOC-EC. The Company has until 12 January 2015 to confirm to PNOC-EC whether it intends to proceed with the commitment well in SC 58. The DOE has also approved an extension to Sub-phase 3 of the Service Contract with Sub-Phase 3 expiring on 19 July 2015.

Service Contract 63

Nido entered into a farm-in agreement with Dragon Oil ('Dragon') Plc during the period as part of a staged farm-out process. The Company initially divested 40% of its 50% participating interest in the Service Contract to Dragon.

The second stage of the process, which is subject to Philippines' Government approval, enabled the Company to procure a 10% participating interest from PNOC Exploration Corporation ('PNOC') thereby increasing the Company's total participating interest to 20%. The second stage of the process remained subject to DOE approval as at 30 June 2014.

Drilling operations commenced during the period with the UMW Naga 5 jack-up rig mobilised to the Baragatan location. Following the encountering of an initial unstable geological formation the well was re-spudded in an alternative location. The primary Pagasa Formation reservoir objective was encountered between 2,534 - 2,654 meters Measured Depth. Preliminary Logging Whilst Drilling (LWD) log data indicated low gas saturations that did not warrant further evaluation or testing.

Two gas bearing zones of potential interest were encountered in the shallower Pagasa Formation. However, evaluation of available LWD data indicated both contained low gas saturation not warranting further evaluation or testing. Consequently the well was plugged and abandoned subsequent to half year end on 14 July 2014.

Whilst the results of the Baragatan-1A well did not lead to the discovery of commercial hydrocarbons it has confirmed the presence of an active petroleum system in this part of SC63. This is encouraging news for the remaining prospectivity of the block and this technical information will be integrated into the subsurface geological models over the second half of 2014.

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Service Contract 6B (Bonita)

The SC6B Joint Venture partners have agreed to undertake a work program which will include a re-interpretation of the existing seismic data within the block. The results of the review will provide an assessment of the resource potential of the area.

INDONESIA ACTIVITY SUMMARY

Baronang Production Sharing Contract

During the half-year the Company exercised its option to increase its participating interest in the Baronang PSC from 10% to 15%. The increase in participating interest remains subject to regulatory approval.

The operator of the PSC, Lundin Baronang BV, drilled the Balqis-1 and Boni-1 exploration wells within the PSC during the half-year. Whilst penetrating a full section of predicted reservoir intervals, both exploration wells were water bearing and were plugged and abandoned.

The Company is currently in the process of reviewing the future prospectivity within the PSC ahead of a decision as to whether to continue or withdraw from the PSC.

Cakalang Production Sharing Contract

There was no activity within the PSC during the half-year. The results of the Balqis-1 and Boni-1 wells in the adjacent Baronang PSC have impacted the prospectivity of the Cakalang PSC which indicates the block may now have limited access to oil charge. Nido is in the process of deciding whether to continue or withdraw from the block when it expires on 13 November 2014. There are no current commitments with respect to this PSC.

Gurita Production Sharing Contract

Based on the Operator's (Lundin Gurita BV) latest estimates, the Joint Venture expects to commence drilling the Gobi-1 prospect in late September 2014 subject to rig scheduling by the Operator.

CORPORATE ACTIVITIES

Annual General Meeting

The Annual General Meeting was held on 22 May 2014 and resulted in the following resolutions being passed:

- Adoption of Remuneration Report;
- Re-election of Mr Eduardo Mañalac; and
- Issue of Performance Rights to Mr Phillip Byrne.

NIDO PETROLEUM LIMITED

DIRECTORS' REPORT

SUBSEQUENT EVENTS

Subsequent to 30 June 2014 the following occurred:

- On 4 July 2014, the Company applied to the DOE for a moratorium over areas within SC54A and SC54B allowing Nido to retain those areas of continuing interest;
- The Company announced the results of the Baragatan-1A well on 7 July 2014, which was plugged and abandoned in July 2014 as a non-commercial well. The costs associated with the well were also impaired subsequent to half-year end;
- The Company executed a Bid Implementation Deed with BCP Energy International Pte Ltd with respect to an off-market takeover of the Company; and
- On 4 August 2014 the Company issued 138,282,166 shares following the vesting of Employee and Managing Director performance rights upon the announcement of a takeover bid for the Company.

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

NIDO PETROLEUM LIMITED

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AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration is included on the following page of this report.

Signed in accordance with a resolution of the Directors.

A handwritten signature in blue ink, reading "William I. Bloking". The signature is written in a cursive style with a large, stylized 'W' and 'B'.

William Bloking
Chairman

22 August 2014

NIDO PETROLEUM LIMITED

AUDITOR'S INDEPENDENCE DECLARATION



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 review of the financial report of Nido Petroleum Limited for the half-year ended 30 June 2014, 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

Robert Kirkby
Partner
22 August 2014

NIDO PETROLEUM LIMITED

DIRECTORS' DECLARATION

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

In the opinion of the Directors:

- (a) The financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (1) giving a true and fair view of the financial position as at 30 June 2014 and the performance for the half-year ended on that date of the consolidated entity; and
 - (2) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) There are reasonable grounds to believe the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



William Bloking
Chairman

22 August 2014

NIDO PETROLEUM LIMITED
CONSOLIDATED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 30 JUNE 2014

	Notes	30 June 2014 \$'000	30 June 2013 \$'000
Revenue from sale of crude oil		52,334	19,734
Other revenue	2(a)	10	25
Total revenue		52,344	19,759
Cost of sales	3(a)	(25,355)	(11,182)
Gross profit		26,989	8,577
Other income	2(b)	7	496
Administrative and other expenses	3(b)	(13,454)	(4,701)
Foreign currency (loss) / gains		(7,130)	15,225
Finance costs	3(c)	(2,418)	-
Fair value gain on derecognition of embedded derivative		-	(449)
Profit before income tax		3,994	19,148
Income tax expense		(7,153)	(2,186)
Net profit / (loss) for the period		(3,159)	16,962
Other comprehensive income / (loss)			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		659	(3,769)
Income tax relating to items of other comprehensive income / (loss)		-	-
Other comprehensive income / (loss) for the period, net of tax		659	(3,769)
Total comprehensive profit / (loss) for the period		(2,500)	13,193
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings / (loss) per share		(0.16)	0.87
Diluted earnings / (loss) per share		(0.15)	0.87

NIDO PETROLEUM LIMITED
CONSOLIDATED
BALANCE SHEET
AS AT 30 JUNE 2014

	Notes	30 June 2014 \$'000	31 December 2013 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	4	18,452	25,354
Trade and other receivables	5	38,146	3,460
Inventories		2,537	1,934
Current tax asset		1,827	4,320
Other financial assets		22	23
		60,984	35,091
Disposal group held for sale	9	-	4,133
Total Current Assets		60,984	39,224
Non-Current Assets			
Plant and equipment		221	261
Oil and gas properties		49,693	63,404
Exploration and evaluation expenditure		46,353	44,448
Deferred tax asset		-	1,334
Other financial assets		2,873	3,046
Total Non-Current Assets		99,140	112,493
Total Assets		160,124	151,717
LIABILITIES			
Current Liabilities			
Trade and other payables	6	22,428	5,046
Provisions		529	437
Financial liabilities	7	12,595	18,339
		35,552	23,822
Liabilities directly associated with assets classified as held for sale	9	-	4,013
Total Current Liabilities		35,552	27,835
Non-Current Liabilities			
Provisions		13,710	10,496
Deferred tax liability		5,354	-
Financial liabilities	7	5,770	11,566
Total Non-Current Liabilities		24,834	22,062
Total Liabilities		60,386	49,897
Net Assets		99,738	101,820
EQUITY			
Contributed equity	8	169,623	169,623
Other reserves		12,280	11,203
Accumulated losses		(82,165)	(79,006)
Total Equity		99,738	101,820

NIDO PETROLEUM LIMITED
CONSOLIDATED
STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 30 JUNE 2014

	30 June 2014 \$'000	30 June 2013 \$'000
Cash flows from operating activities		
Receipts from customers	43,127	28,236
Payments to suppliers and employees	(17,960)	(13,119)
Interest received	8	25
Interest paid	(1,176)	-
Income tax paid	(503)	-
Net cash flows from operating activities	23,496	15,142
Cash flows from investing activities		
Expenditure on oil and gas properties	(3,253)	(14,582)
Expenditure on exploration and evaluation assets	(17,347)	(1,096)
Interest paid capitalised to qualifying assets	-	(381)
Payments for plant and equipment	(23)	(1)
Proceeds from disposal of plant and equipment	1	-
Proceeds from farm-out	2,292	-
Net cash flows from investing activities	(18,330)	(16,060)
Cash flows from financing activities		
Proceeds from issues of equity securities	-	11,984
Payments for equity issue costs	-	(1,218)
Payments for financing costs	(182)	(1,297)
Repayment of borrowings	(10,529)	-
Net cash flows from financing activities	(10,711)	9,469
Net increase / (decrease) in cash and cash equivalents	(5,545)	8,551
Effect of foreign exchange rates	(1,357)	3,288
Cash and cash equivalents at beginning of the period	25,354	18,099
Cash and cash equivalents at end of period	18,452	29,938

NIDO PETROLEUM LIMITED
CONSOLIDATED
STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 30 JUNE 2014

	Contributed Equity \$'000	Share Based Payment Reserve \$'000	Foreign Currency Translation \$'000	Accumulated Losses \$'000	Total Equity \$'000
At 1 January 2013	158,857	8,768	6,155	(99,023)	74,757
Profit for the period	-	-	-	16,962	16,962
Other comprehensive income/(loss)	-	-	(3,769)	-	(3,769)
Total comprehensive profit/(loss) for the period, net of tax	-	-	(3,769)	16,962	13,193
Transactions with owners in their capacity as owners:					
Issue of share capital	11,984	-	-	-	11,984
Cost of issues of share capital	(1,218)	-	-	-	(1,218)
Share based payments	-	202	-	-	202
	10,766	202	-	-	10,968
At 30 June 2013	169,623	8,970	2,386	(82,061)	98,918
At 1 January 2014	169,623	9,360	1,843	(79,006)	101,820
Loss for the period	-	-	-	(3,159)	(3,159)
Other comprehensive income/(loss)	-	-	659	-	659
Total comprehensive profit/(loss) for the period, net of tax	-	-	659	(3,159)	(2,500)
Transactions with owners in their capacity as owners:					
Issue of share capital	-	-	-	-	-
Cost of issues of share capital	-	-	-	-	-
Share based payments	-	418	-	-	418
	-	418	-	-	418
At 30 June 2014	169,623	9,778	2,502	(82,165)	99,738

NIDO PETROLEUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2014

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This general purpose condensed consolidated financial report for the half-year ended 30 June 2014 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001* and was authorised for issue in accordance with a resolution of the directors on 22 August 2014.

Nido Petroleum Limited is a company limited by shares, domiciled and incorporated in Australia. Its shares are publicly traded on the Australian Stock Exchange.

The Group is a for profit entity and is primarily involved in Hydrocarbon exploration, evaluation, development, production and marketing.

The half-year financial report does not include all notes of the type normally included within the Annual Financial Report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the Annual Financial Report of Nido Petroleum Limited as at 31 December 2013.

It is also recommended that the half-year financial report be considered together with any public announcements made by Nido Petroleum Limited during the half-year ended 30 June 2014 in accordance with the continuous disclosure obligations arising under the ASX Listing Rules.

Apart from the adoption of new or revised standards noted below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

Adoption of New or Revised Standards

All new and amended Accounting Standards and Interpretations effective from 1 January 2014 have been adopted, including:

- 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:

- Tier 1: Australian Accounting Standards
- Tier 2: Australian Accounting Standards - Reduced Disclosure Requirements

The adoption of AASB 1053 had no effect on Nido as it falls into Tier 1 category and continues with full disclosure.

- AASB 2011-4 Amendments to Australian Standards to Remove Individual Key Management Personnel Disclosure Requirements (AASB 124)

This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions. None of these disclosure requirements are applicable to the half-year financial report.

NIDO PETROLEUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2014

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES - CONTINUED

- AASB 2012-3 Amendments to Australian 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. The adoption of AASB 2012-3 had no effect on the financial position or performance of the Group.

- 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. The adoption of Interpretation 21 had no effect on the financial position or performance of the Group.

The Group has not elected to early adopt any new standards or amendments that have been issued but that are not yet effective.

NIDO PETROLEUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2014

		Consolidated	
		30 June 2014	30 June 2013
		\$'000	\$'000
2. OTHER REVENUE AND OTHER INCOME			
(a) Other Revenue			
Interest revenue – other parties		10	25
(b) Other Income			
Other		7	496
3. EXPENSES			
(a) Cost of Sales			
Amortisation of oil and gas properties		8,876	3,032
Other production costs net of inventory movement		16,479	8,150
		25,355	11,182
Other production costs expense includes SC 14C1 Galoc oil field payments for the FPSO of \$5,906,000 (2013: \$5,391,000). It is impractical to split the non-lease components from the operating lease component.			
(b) Administrative and Other Expenses			
(i) Administrative expenses			
Employee benefits			
Wages and salaries		1,863	2,324
Defined contribution superannuation expense		112	165
Share based payments expense		418	202
Statutory retirement benefit expense (Philippines)		198	-
Other employee benefits		52	55
Total employee benefits		2,643	2,746
Office and other expenses			
Office and other expenses		1,376	1,111
Depreciation, amortisation and impairment expenses			
Depreciation of plant and equipment		57	78
Amortisation of oil and gas properties		8,876	3,032
Impairment write-down of exploration assets ¹		8,158	208
Total Depreciation, amortisation and impairment		17,091	3,318
Less: amortisation included in cost of sales		(8,876)	(3,032)
Total Depreciation, amortisation and impairment included in other expenses		8,215	286
Lease payments			
Operating lease rental		267	276
Total Administrative Expenses		12,501	4,419

¹ Impairment of exploration and evaluation expenditure assets relate to Nido's share of PSC Baronang well drilling and associated costs. The expenditure was impaired due to the well being deemed non-commercial.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2014

		Consolidated	
		30 June 2014 \$'000	30 June 2013 \$'000
3. EXPENSES – CONTINUED			
(b) Administrative and Other Expenses - continued			
(i) Other			
Exploration and evaluation expenditure expensed		953	282
Total Administrative and Other Expenses		13,454	4,701
(c) Finance cost			
(i) RBL facility finance costs			
Interest expense		2,355	-
(ii) Other finance costs			
Unwind of the effect of discounting on provisions		63	-
Total finance costs		2,418	-
		Consolidated	
		30 June 2014 \$'000	31 December 2013 \$'000
4. CASH AND CASH EQUIVALENTS			
Cash at bank and in hand ²		18,396	25,300
Short term deposits		56	54
		18,452	25,354
² Cash at bank includes \$3.6 million in funds held with Credit Suisse. Usage of these funds is governed by the terms and conditions of the senior secured facility agreement.			
5. RECEIVABLES			
Trade and Other Receivables – Current			
Receivables from Joint Operation partner		12,354	-
Crude oil receivables		8,705	292
Deposits held by Joint Operations		10,525	2,343
GST Receivables		103	32
Prepayment		5,548	-
Other		911	793
		38,146	3,460
6. TRADE AND OTHER PAYABLES			
Trade Creditors		22,396	4,999
Other Creditors		32	47
		22,428	5,046

NIDO PETROLEUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2014

Consolidated

30 June 2014	31 December 2013
\$'000	\$'000

7. FINANCIAL LIABILITIES

Current

Financial liability measured at amortised cost	12,595	18,311
Derivative financial instrument – at fair value	-	28
	<u>12,595</u>	<u>18,339</u>

Non-Current

Financial liability measured at amortised cost	5,770	11,566
	<u>5,770</u>	<u>11,566</u>

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 2013 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 remaining carrying amount of the debt component will be accreted to the US\$17.7 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 AU\$18.1 million.

NIDO PETROLEUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2014

8. CONTRIBUTED EQUITY	Consolidated	
	30 June 2014	31 December 2013
	\$'000	\$'000
Ordinary Shares		
Issued and paid up capital: 2,048,317,635 ordinary shares (31 December 2013: 2,046,650,968 ordinary shares)	169,623	169,623

Movement of shares on issue

	Six Months Ended 30 June 2014		Year Ended 31 December 2013	
	\$'000	Number of Shares	\$'000	Number of Shares
Beginning of the period	169,623	2,046,650,968	158,857	1,601,120,957
Issued during the period	-	3,333,334	11,984	445,530,011
Cost of equity issues	-	-	(1,218)	-
End of the period	169,623	2,049,984,302	169,623	2,046,650,968

9. 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, B Retention and Block D 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, B Retention and Block D of Service Contract 14 was A\$3 million and Colossal Petroleum Corporation was required to assume the abandonment obligations and liabilities with respect to the relevant blocks in SC 14 including the Nido and Matinloc oil fields.

On 28 March 2014, the Sale and Purchase Agreements were terminated due to the failure of the parties to secure relevant Joint Operation partner and DOE approval.

b) Assets and liabilities held for sale

	Consolidated	
	30 June 2014	31 December 2013
	\$'000	\$'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

NIDO PETROLEUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2014

10. SHARE BASED PAYMENTS

The Company issues performance rights to its employees through the Employee Performance Rights Plan which was originally approved by Shareholders at the Company's Annual General Meeting in 2010.

The Company also from time to time issues performance rights to the Managing Director on the same terms and conditions as the Employee Performance Rights Plan but not under the Plan itself. Performance rights granted to the Managing Director in this context are issued following Shareholder approval pursuant to Listing Rule 10.11 and 10.13.

Prior to the inception of the Employee Performance Rights Plan the Company issued options pursuant to an Employee Share Option Plan although no options have been granted under that Plan since 2008.

The fair value of the performance rights granted is estimated at the date of grant using a Monte Carlo simulation model taking into account the terms and conditions upon which the options and performance rights were granted.

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

6 Months to 30 June 2014

On 18 March 2014, 29,620,290 performance rights were granted to employees under Nido's Long Term Incentive Policy and Employee Performance Rights Plan. The exercise price is nil and the performance rights will vest after 36 months from grant date (being the performance period) if the performance hurdle is achieved during the performance period. The fair value of each performance right at grant date was 2.50c.

On 27 May 2014, 18,823,529 performance rights were granted to Mr Philip Byrne, Managing Director. The performance rights were issued on the same terms and conditions as the Employee Performance Rights Plan (as approved by Shareholders at the Company's Annual General Meeting on 22 May 2014). The exercise price is nil and will vest after 36 months of grant date (being the performance period) if the performance hurdle is achieved during the performance period. The fair value of each performance right at grant date was 2.80c.

6 Months to 30 June 2013

On 23 April 2013, 52,846,335 performance rights were granted to employees under the Employee Performance Rights Plan. The exercise price is nil and the performance rights will vest after 36 months from grant date (being the performance period) if the performance hurdle is achieved during the performance period. The fair value of each performance right at grant date was 1.58c.

On 5 June 2013, 25,846,154 performance rights were granted to Mr Philip Byrne, Managing Director. The performance rights were issued on the same terms and conditions as the Employee Performance Rights Plan (as approved by Shareholders at the Company's Annual General Meeting on 24 May 2013). The exercise price is nil and will vest after 36 months from grant date (being the performance period) if the performance hurdle is achieved during the performance period. The fair value of each performance right at grant date was 2.14c.

NIDO PETROLEUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2014

10. SHARE BASED PAYMENTS - CONTINUED

Managing Director 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.

On 7 January 2014, 1,666,667 ordinary shares (Tranche 4) and on 30 June 2014, 1,666,667 ordinary shares (Tranche 5) were issued to Mr Byrne.

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 4.5c per share at grant date. Note an amount of \$14,000 share based payments expense has been recognised for the half year ended 30 June 2014 in accordance with Accounting Standard AASB 2 Share Based Payment which relate to these shares.

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.

NIDO PETROLEUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2014

11. SEGMENT INFORMATION

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Managing Director and his leadership team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the phase of operation within the oil and gas industry. Discrete financial information about each of these operating businesses is reported to the Managing Director and his leadership team on at least a monthly basis.

The reportable segments are based on 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 & 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 used to prepare the half-year financial report, and are consistent with those used to prepare the annual financial report for the year ended 31 December 2013.

Income tax expense is allocated to the appropriate segments based on the taxable profits generated by each segment.

There have been no inter-segment transactions.

It is the Group's policy that if items of revenue and expense are not allocated to operating segments then any associated assets and liabilities are also not allocated to segments. This is to avoid asymmetrical allocations within segments which Management believes would be inconsistent.

The following items are not allocated to segments as they are not considered part of core operations of any segment and are managed on a Group basis:

- Fair value gain/(loss) on embedded derivatives;
- Finance costs and revenues;
- Foreign currency gains/(losses); and
- Corporate costs.

NIDO PETROLEUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2014

11. SEGMENT INFORMATION – CONTINUED

The following table presents revenue and profit or loss information for reportable segments for the half-years ended 30 June 2014 and 30 June 2013.

Operating Segments	Production and Development \$'000	Exploration and Evaluation \$'000	Total Operations \$'000
Half-year ended 30 June 2014			
Revenue			
Revenue from sale of crude oil - external customers	52,334	-	52,334
Total segment revenue			52,334
Result			
Segment result before amortisation and tax	35,855	(953)	34,902
Amortisation	(8,876)	-	(8,876)
Income tax expense	(7,153)	-	(7,153)
Impairment of exploration and evaluation expenditure	-	(8,158)	(8,158)
Total segment result	19,826	(9,111)	10,715
Reconciliation of segment result after tax to net profit/(loss) after tax			
Foreign currency gains/(losses)			(7,130)
Finance costs			(2,418)
Corporate costs			(4,343)
Other revenue and income			17
Net profit/(loss) after tax			(3,159)
Half-year ended 30 June 2013			
Revenue			
Revenue from sale of crude oil - external customers	19,734	-	19,734
Total segment revenue			19,734
Result			
Segment result before amortisation and tax	11,584	(490)	11,094
Amortisation	(3,032)	-	(3,032)
Income tax expense	(2,186)	-	(2,186)
Total segment result	6,366	(490)	5,876
Reconciliation of segment result after tax to net profit/(loss) after tax			
Fair value gain/(loss) on embedded derivative			(449)
Foreign currency gains/(losses)			15,225
Corporate costs			(4,211)
Other revenue and income			521
Net profit/(loss) after tax			16,962

NIDO PETROLEUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2014

11. SEGMENT INFORMATION - CONTINUED

The following table presents segment assets.

Operating Segments				
	Production and Development \$'000	Exploration and Evaluation \$'000	Unallocated other assets \$'000	Total Operations \$'000
Segment Operating Assets				
30 June 2014	81,213	68,547	10,364	160,124
31 December 2013	95,007	48,403	8,307	151,717

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial assets and financial liabilities not measured at fair value approximates their carrying amount, with the exception of the Group's senior debt facility for which the fair value is detailed in note 5. The fair value disclosure relating to the debt facility meets the definition of level 2 within the fair value measurement hierarchy.

13. DIVIDENDS PAID AND PROPOSED

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

14. CONTINGENT LIABILITIES

Pursuant to the terms of an engagement letter between the Company and MIRO Advisors Pty Ltd ('MIRO'), the Company is required to pay MIRO a corporate transaction fee in the event that there is a change in control of the Company. If a corporate transaction fee becomes applicable the potential range of such outstanding fee is from approximately \$400,000 to \$900,000.

There were no other changes in Contingent Liabilities from those reported in the Financial Statements for the year ended 31 December 2013. Nido Petroleum Philippines Pty Ltd is in the process of seeking to secure a US\$3 million performance bond in favour of PNOG Exploration Corporation to replace the bond that expired on 5 August 2014 with respect to the Company's obligation under the SC 58 farm-out agreement. Nido Petroleum Philippines Pty Ltd is also required to secure a US\$3 million performance bond in favour of the Department of Energy to guarantee its work commitment for Sub Phase 3 of SC 58.

15. COMMITMENTS

There have been no changes to Commitments from those reported in the Financial Statements for the year ended 31 December 2013.

NIDO PETROLEUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2014

16. RELATED PARTY TRANSACTIONS

There have been no new related party transactions entered into since 31 December 2013.

17. SUBSEQUENT EVENTS

Subsequent to 30 June 2014 the following occurred:

- On 4 July 2014, the Company applied to the DOE for a moratorium over areas within SC54A and SC54B allowing Nido to retain those areas of continuing interest;
- The Company announced the results of the Baragatan-1A well on 7 July 2014, which was plugged and abandoned in July 2014 as a non-commercial well. The costs associated with the well were also impaired subsequent to half-year end;
- The Company executed a Bid Implementation Deed with BCP Energy International Pte Ltd with respect to an off-market takeover of the Company; and
- On 4 August 2014 the Company issued 138,282,166 shares following the vesting of Employee and Managing Director performance rights upon the announcement of a takeover bid for the Company.

NIDO PETROLEUM LIMITED

INDEPENDENT REVIEW REPORT



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

To the members of Nido Petroleum Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Nido Petroleum Limited, which comprises the balance sheet as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Nido Petroleum Limited and the entities it controlled during the Half-Year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

NIDO PETROLEUM LIMITED

INDEPENDENT REVIEW REPORT



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Nido Petroleum Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink, appearing to read 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink, appearing to read 'Robert Kirkby'.

Robert Kirkby
Partner
Perth
22 August 2014

NIDO PETROLEUM LIMITED

CORPORATE DIRECTORY

Directors

William Bloking	Chairman
Philip Byrne	Managing Director
Eduardo V. Mañalac	Non-Executive Director
Andrew Edwards	Non-Executive Director
Michael Ollis	Non-Executive Director

Company Secretary

John Newman

Registered and Principal Office

Level 3
1 Preston Street
COMO WA 6152
Telephone: +61 8 9474 0000
Facsimile: +61 8 9474 0099
Email: nido@nido.com.au
Web site: www.nido.com.au

Solicitors

Clayton Utz
QV1 Building
250 St. George's Terrace
PERTH WA 6000
Telephone: +61 8 9426 8000
Facsimile: +61 8 9481 3095

Romulo Mabanta Law Office
30th Floor, Citibank Tower,
8741 Paseo de Roxas, Makati City
PHILLIPINES
Telephone +63 2 848 0114
Facsimile +63 2 810 3110

Auditors

Ernst & Young
The Ernst & Young Building
11 Mounts Bay Road
PERTH WA 6000
Telephone: +61 8 9429 2222
Facsimile: +61 8 9429 2436

Share Registry

Computershare Limited
Level 2, 45 St Georges Terrace
PERTH WA 6000
Telephone: +61 8 9323 2000
Facsimile +61 8 9323 2033

Stock Exchange Listing

The Company's securities are listed on the official list of the Australian Stock Exchange Limited.
ASX Code: NDO