Nido Petroleum Limited

2014
ANNUAL REPORT

Nido Petroleum Limited

ABN 65 086 630 373

CORPORATE DIRECTORY

Directors

William Bloking
Non-Executive Chairman

Philip Byrne
Managing Director

Andrew Edwards
Non-Executive Director

Vichien Usanachote
Non-Executive Director

Chaiwat Kovavisarach
Non-Executive Director

Company Secretary

John Newman

Officers

Ashley Gilbert
Chief Financial Officer

Registered and Principal Office

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Solicitors

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30th Floor, Citibank Tower
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Makati City
Philippines
T +63 2 848 0114
F +63 2 810 3110

Auditors

Ernst & Young
The Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000
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Securities Exchange Listing

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

ASX Code

Shares: NDO

2014 ANNUAL REPORT

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2014 Summary

PRODUCTION AND DEVELOPMENT

- A total of 2,920,878 bbls of oil (gross) (668,283 bbls net to Nido) were produced from the Galoc oil field in 2014 with an average production uptime of 98.57%.
- Revenue from crude oil sales increased by 99.2% from the previous year to $81.5 million primarily due to the increased production from the successful completion of the Galoc Phase II development.
- The Nido and Matinloc oil fields continued to produce oil on a cyclical basis. Oil production from these fields during the year totalled 148,563 bbls of oil (gross) (37,425 bbls net to Nido).

EXPLORATION AND APPRAISAL

- During 2014 the Company participated in the drilling of 3 exploration wells in Indonesia: Balqis-1 and Boni-1 in the Baronang PSC; and Gobi-1 in the Gurita PSC. All three wells were plugged and abandoned as dry-holes.
- The Company also drilled the Baragatan prospect in SC 63 in the Philippines during the year. Whilst the Baragatan-1A well encountered significant gas shows and minor oil shows the well was deemed non-commercial and was plugged and abandoned.
- The SC14 C2 West Linapacan Joint Venture reviewed alternative development solutions including a phased development solution comprising an initial Early Production System (EPS).
- The Company continued to review new venture opportunities throughout the year as part of its longer term strategy of expansion.

HEALTH, SAFETY, SECURITY AND ENVIRONMENT (HSSE)

- The Company achieved excellent HSSE performance across all assets and activities during 2014 with a Total Recordable Injury Frequency Rate (TRIFR) for 2014 of zero compared with the Australian National Offshore Petroleum Safety and Environment Management Authority (NOPSEMA) benchmark of 4.18.

CORPORATE AND FINANCIAL

- Cash on hand at year end was $10.926 million and debt drawn under the reserves based lending facility was $12.831 million at year end.
- Gross profit from continuing operations for the 2014 year was $37.216 million, and net loss after tax was $6.752 million.
- On 4 August 2014 Nido Petroleum Ltd and BCP Energy International Pte Ltd ('BCPE') executed a bid implementation deed in relation to an off-market take-over offer from BCPE to acquire 100% of the shares in the Company at a price of 5.5 Australian cents per Nido share. Upon close of the offer, BCPE had acquired an 81.41% controlling interest in the Company.
- The Company entered into a Sale and Purchase Agreement with Otto Energy Limited on 12 December 2014 to acquire all of the shares in Galoc Production Company WLL ('GPC'). The purchase was completed subsequent to year end on 17 February 2015.
- On 12 December 2014 Nido Petroleum Limited entered into a revolving debt facility for up to US$120.0 million with Bangchak. The facility was used to fund Nido's acquisition of Otto Energy Limited's shares in GPC.

CHAIRMAN'S LETTER

Dear Shareholder,

I am pleased to present to you the Company's 2014 Annual Report.

Undoubtedly the highlight of the year was the off-market takeover of the Company by BCP Energy International Pte Ltd ('BCPE'), a wholly owned subsidiary of the Bangchak Petroleum Public Company Limited.

BCPE launched its takeover on 4 August 2014 with an offer price of 5.5 Australian cents per share which the Board unanimously recommended to Shareholders. Upon close of the offer, BCPE had acquired an 81.41% controlling interest in the Company.

Following the assumption of control by the Bangchak group, Mr Chaiwat Kovavisarach and Mr Vichien Usanachote were appointed to the Board of the Company and Dr Michael Ollis and Mr Eduardo Mańalac retired as Non-Executive Directors.

With the support of Bangchak, the Company has re-oriented its strategic direction with an emphasis on building a significant production platform in the South East Asian region. The Company is aiming to reach an output of 20,000 bopd in the next three years.

The first step towards reaching this target was taken in December 2014 with the execution of a Sale and Purchase Agreement with Otto Energy Limited for the acquisition of an additional 33% participating interest in the Galoc oil field and which upon completion in February 2015 has seen Nido's daily production increase to just under 4,000 bopd.

The Company is continuing to consider commercial opportunities in the South-East Asia region with a view to augmenting its portfolio of exploration, development and, in particular, production assets. We consider that the dramatic decline in oil price during the fourth quarter of 2014 will provide opportunities for expansion and, notwithstanding the negative impact on our cash flow for 2015, we remain positive about the macro-economic outlook and prospects for the Company.

In relation to exploration drilling, Nido completed an active campaign with the drilling of three wells in Indonesia and a well in the Philippines. Although all of the wells were commercially unsuccessful, the results of the Baragatan-1A well in the Philippines were encouraging and the Joint Venture is continuing to evaluate these results and their implications for Service Contract 63. I am especially pleased to report that all drilling operations were carried out with an exemplary environmental and safety record.

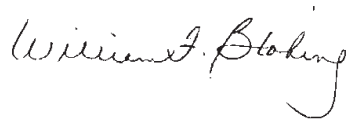
> "Undoubtedly the highlight of the year was the off-market takeover of the Company by BCP Energy International Pte Ltd ('BCPE'), a wholly owned subsidiary of the Bangchak Petroleum Public Company Limited."

During 2014 the Company maintained its longstanding tradition of supporting the communities in the countries in which it operates by contributing to the Sisters of our Lady of the Missions to support their work in the Philippines with respect to street children in Manila as well as a microfinance program. This particular charity is also significantly supported by our staff.

I would like to personally thank Dr Michael Ollis and Mr Eduardo Mańalac for their service to the Company. Both Mike and Ed brought with them a wealth of experience to the Board and we wish them all the best for the future.

Finally, I would like to thank our staff for their continued commitment to the Company and the shareholders of Nido for their support as we navigate through a period of significant change for the Company during a period of uncertainty in the oil markets.

Yours sincerely



William Bloking
Chairman
Nido Petroleum Limited

ANNUAL RESERVES STATEMENT

The Company's Audit and Risk Management Committee is tasked with the responsibility of overseeing and reviewing on an annual basis the Company's compliance with the relevant standards applicable for reserves and resources reporting including oversight of the Company's Annual Reserves Statement.

Gaffney, Cline & Associates (GCA) has completed its Independent Reserves Assessment of the Galoc and West Linapacan oil fields in accordance with the SPE/WPC/AAPG/SPEE Petroleum Resources Management System (SPE PRMS) Definitions and Guidelines and the ASX Listing Rules including Listing Rules 5.25 - 5.44 where applicable.

The table below summarises the Company's Reserve and Resource position for the Galoc and West Linapacan oil fields as at 31 December 2014 and compared with 31 December 2013 where applicable.

SC 14C1: Galoc Oil Field	Net Oil Reserves as at 31 December 2013 (MMstb)	Oil Production (MMstb)	Revisions/ Additions (MMstb)	Net Oil Reserves as at 31 December 2014 (MMstb)
DEVELOPED RESERVES				
Proved (1P)	2.20	0.67	2.61	4.14
Proved plus Probable (2P)	2.70	0.67	3.23	5.26
Proved plus Probable plus Possible (3P)	3.60	0.67	4.21	7.14
UN-DEVELOPED RESERVES				
Proved (1P)	-	-	-	-
Proved plus Probable (2P)	-	-	-	-
Proved plus Probable plus Possible (3P)	-	-	-	-
SC 14C2: West Linapacan Oil Field				
UN-DEVELOPED RESERVES				
Proved (1P)	1.94	-	-1.94	-
Proved plus Probable (2P)	3.20	-	-3.20	-
Proved plus Probable plus Possible (3P)	3.93	-	-3.93	-
SC 14C1 & SC 14C2				
TOTAL RESERVES				
Proved (1P)	4.14	0.67	0.67	4.14
Proved plus Probable (2P)	5.90	0.67	0.03	5.29
Proved plus Probable plus Possible (3P)	7.53	0.67	0.28	7.14

SC 14C2: West Linapacan Oil Field	Oil Contingent Resources as at 31 December 2013 (MMstb)	Revisions/ Additions (MMstb)	Oil Contingent Resources as at 31 December 2014 (MMstb)
OIL CONTINGENT RESOURCES – Intermediate Limestone (ILS) & Linapacan Limestone (LLS)			
1C	0.3	1.94	2.24
2C	1.0	3.20	4.20
3C	3.3	3.93	7.23

1. In accordance with ASX Listing Rule 5.44, the Company confirms that the hydrocarbon reserves information contained in this document in relation to the Galoc and West Linapacan oil fields is based on, and fairly represents, information and supporting documentation prepared by Gaffney, Cline & Associates under the supervision of Mr Stephen M. Lane. Mr Lane holds a B.Sc. (Hons.) degree in Geology, is a Technical Director of Gaffney Cline & Associates, is a member of the Society of Petroleum Engineers and has over thirty-five years' experience in the sector. Mr Lane is not an employee of the Company and consented in writing to the inclusion of the hydrocarbon reserves information in the form and context in which it appears in this Annual Report.
2. The hydrocarbon Reserves and Resource information outlined above complies with the SPE PRMS and with ASX Listing Rules for the disclosure of oil and gas reserves and resources.
3. Oil volumes are quoted in millions of stock tank barrels (MMstb). No oil produced from the Galoc field is used as fuel.
4. The substantial increase in Galoc Reserves during 2014 reflects Nido's acquisition of GPC's 33% interest in the field and operatorship from Otto Energy Limited. The transaction was completed in February 2015 although Nido acquired all of GPC's production rights and liabilities with retrospective effect from 1 July 2014.
5. Oil Reserves estimates for the Galoc field are provided on the basis of Nido's Net Entitlement Share due to the subtraction of the Government's entitlement.
6. Oil Reserve estimates provided for West Linapacan as at 31 December 2013 reflect the Joint Venture's original development concept involving two initial multilateral wells plus an optional third well.
7. Oil Reserve estimates are not provided for West Linapacan as at 31 December 2014 as the Joint Venture does not currently have an agreed development plan in place for the West Linapacan development. Oil Reserve estimates provided for West Linapacan as at 31 December 2013 have been re-classified as Contingent resources as at 31 December 2014. The aggregated total Reserves estimates for SC 14C1 and SC 14C2 as at 31 December 2014 do not therefore include any allocation of Reserves for West Linapacan and are based solely on Galoc.
8. Oil Reserves estimates for the Nido and Matinloc oil fields have not been undertaken as Nido's net entitlement share of these reserves is negligible and in any event the assets are the subject of sale and purchase agreements awaiting Government and partner approval.

PERMIT INTEREST TABLE

The following table summarises the Company's equity interests in its permits as at 31 December 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 [9]	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	399	Nido
SC 54B	North West Palawan	60.00	624.5	Nido
SC 58	North West Palawan	50.00 [6]	13,487	Nido [7]
SC 63	North West Palawan	20.00	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] On 12 December 2014 Nido signed a Sale and Purchase Agreement with Otto Energy Limited to acquire all the shares in Otto's subsidiary company GPC (the Galoc Block permit operator). All conditions were satisfied on 17 February 2015 and the acquisition was completed on that date. Nido's interest in the Galoc block increased from 22.88% to 55.88% from 17 February 2015.

INDONESIA

Permit	Basin	Nido Interest (%)	Approx. Area (sq. km.)	Operator
Baronang PSC	West Natuna Basin	10.00 [4]	2,825	Lundin Petroleum [1], [4]
Cakalang PSC	West Natuna Basin	10.00 [4]	3,339	Lundin Petroleum [2], [4]
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 is in the process of withdrawing from this PSC.

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PRODUCTION AND DEVELOPMENT - PHILIPPINES

2014 PRODUCTION SUMMARY

FIELD	Gross Oil Production		Net Production to Nido	
	Year Total bbls	Average Daily bopd	Year Total bbls	Average Daily bopd
Galoc	2,920,878	8,002	668,283	1,831
Nido & Matinloc	148,563	407	37,425	103
TOTAL	3,069,441	8,409	705,708	1,934

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

The Company currently retains a combined 55.879% interest in Service Contract 14C1 (only 22.879% during 2014) which contains the Galoc oil field development. The Company's interest in the field is held by its wholly owned subsidiaries, Nido Production (Galoc) Pty Ltd and Galoc Production Company WLL ('GPC') which hold a 22.879% interest and 33% interest in Service Contract SC 14C1 respectively.

The Company acquired its interest in GPC in February 2015 following the execution of a Sale and Purchase Agreement with Otto Energy Limited for all of the shares in GPC dated 12 December 2014. The Company acquired GPC based on an assumption of GPC's production rights and liabilities with retrospective effect from 1 July 2014.

Production Activities

The average production uptime for the year was 98.57% and the gross average daily production was 8,002 bopd, with total oil produced of 2.92 mmbbls (gross) and cumulative production from the initial start-up in 2008 to the end of the year of 14.6 mmbbls.

Revenue from crude oil sales relating to the Galoc oil field totalled $78.8 million for the year (2013: $37.9 million).

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

During 2014, both fields produced a combined total of 148,563 bbls (37,425 net to Nido), averaging 407 bopd (approximately 103 bopd net to Nido). Revenue from crude oil sales relating to the Nido and Matinloc fields totalled $2.7 million for the year (2013: $3.0 million).

EXPLORATION & APPRAISAL

During 2014 the Company participated in the drilling of four exploration wells: three in Indonesian (Balqis-1, Boni-1 in the Baronang PSC; Gobi-1 in the Gurita PSC) and one in the Philippines (Baragatan-1A in SC 63).

The Indonesian campaign, which was operated by Lundin Petroleum B.V. on behalf of Nido, was unsuccessful in discovering commercial hydrocarbons. Consequently the Company has elected to withdraw from the Baronang and Cakalang PSC's at the end of 2014 and is currently awaiting approval to do so from regulator SKKMigas. The Company plans to continue exploration activities in the Gurita PSC.

In SC63 the Baragatan-1A well encountered significant gas shows and minor oil shows whilst drilling through the primary Miocene reservoir objectives. However, the well was deemed non-commercial and was plugged and abandoned. The implications of the well results will form the focus of the exploration work in 2015.

The Company continued to review numerous new venture opportunities throughout the year as part of its longer term strategy to replenish and grow its portfolio with quality assets primarily in the SE Asia region but also in other areas where material value can be identified.

EXPLORATION & APPRAISAL - PHILIPPINES

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

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

West Linapacan 'A' Oil Field was discovered in 1990 and produced over 8 mmbbls from 1992 until 1996 before being shut-in as the field became un-economic due to low oil prices and high operating costs. The field had a peak production rate of over 18,000 bopd. West Linapacan B Oil Field was discovered in 1993 and has never been developed.

During 2014, the operator, RMA, progressed engineering and design work for a full field development utilising three multi-lateral horizontal development wells tied back to a leased FPSO. The venture is also committed to the purchase of various Long Lead Items required for a full field development which would be available in early 2015. In the second quarter of 2014, Nido received an independent reserves assessment from Gaffney, Cline and Associates for a three well development of the field. This updated reserves assessment was issued on ASX on 9 April 2014.

Also during the year, the venture reviewed alternative development solutions including a phased development solution comprising an initial Early Production System (EPS) using a drilling rig and rig-based production facilities followed by a full field development of two to three wells. Due to the review of alternative development solutions as well as other factors, the Financial Investment Decision (FID) has consequently been delayed.

Subsequent to year end the Company has been advised that Pitkin Petroleum Plc ('Pitkin') has been served with a default and termination notice under the terms of its farm-in agreement with venture participants, The Philodrill Corporation, Oriental Petroleum & Minerals Corporation, Linapacan Oil Gas & Power Corporation, Forum Energy Phils. Corporation, Cosco Capital Inc and PetroEnergy Resources Corporation ('the Pitkin Farminees').

Assuming the termination notice is effective and Pitkin's 55.29075% farm-in interest reverts to the Pitkin Farminees, RMA's interest in SC 14C2 will also potentially revert to the Pitkin Farminees as RMA's interest in SC 14C2 was acquired via Pitkin's interest in SC 14C2.

SC 54 BLOCK A AND SC 54 BLOCK B, NORTH WEST PALAWAN BASIN, PHILIPPINES

The Company's wholly owned subsidiary Nido Petroleum Philippines Pty Ltd holds a 42.4% working interest in Block A of SC 54 and a 60% working interest in Block B of SC 54.

During the year the Company was granted a 3 year moratorium with respect to Service Contract 54. The moratorium period extends from 5 August 2014 to 5 August 2017 and provides both the Block A and Block B ventures sufficient time to study the presently sub-commercial areas and other areas of interest within the contract area.

SC 58, NORTH WEST PALAWAN BASIN, PHILIPPINES

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

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

Nido however sought approval from the DOE to place the block into a period of suspension pending the outcome of arbitration proceedings between the Philippines and the Peoples Republic of China over ownership of the West Philippine Sea in which SC 58 is located.

Subsequent to year-end the DOE has granted the Company an indefinite period of suspension whilst the arbitration proceedings are resolved.

The Company has also been granted a further extension of the election to drill decision under the terms of the Farm-in Agreement with PNOC-EC.

SC 63, NORTH WEST PALAWAN BASIN, PHILIPPINES

The Company's wholly owned subsidiary Nido Petroleum Philippines Pty Ltd currently holds a 20% working interest in SC 63 following the farm down of the company's interest to Dragon Oil plc and PNOC-EC ahead of the drilling of the Baragatan-1A well during the year.

The Baragatan-1A well was drilled in the second quarter of 2014 using the UMW 5 jack-up rig. During the drilling of the well the primary Pagasa Formation reservoir objective was encountered between 2,534 - 2,654 metres Measured Depth. Although significant gas shows and minor oil shows were encountered in the Pagasa Formation, evaluation of Logging Whilst Drilling (LWD) data indicated gas saturations (C1 to C5) that did not warrant further evaluation or testing.

The well result although not commercially successful has confirmed the presence of an active Petroleum System in this part of SC 63, the implications of which are currently being considered in the context of the forward exploration strategy for the block in 2015.

The SC 63 venture sought and was granted a twelve month extension to the current Sub-Phase which now expires on 24 November 2015. The next Sub-Phase of SC 63 (Sub-Phase 3) carries a two well commitment during the period from 24 November 2015 to 24 November 2016.

The extension of the current Sub-Phase will provide time for the venture to fully integrate the results of the Baragatan-1A well ahead of the decision to enter Sub-Phase 3.

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

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

The SC 6B Venture has 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 are expected to provide an assessment of the resource potential of the block.

EXPLORATION & APPRAISAL - INDONESIA

BARONANG PRODUCTION SHARING CONTRACT

The Company's wholly owned subsidiary Nido Petroleum Indonesia (Baronang) Pty Ltd holds a 10% working interest in the Baronang PSC. Prior to the drilling of the Balqis-1 and Boni-1 wells, the Company exercised its right to increase its participating interest from 10% to 15%. This increase in participating interest remains subject to regulatory approval in Indonesia.

The Balqis-1 well was spudded on 17 February 2014 and the well was drilled to a Total Depth of 2,109.2 metres Measured Depth (MD). The objective Oligocene-aged Upper and Lower Gabus Formation sandstones were found to be water bearing. Minor gas shows (C1 to C3) were encountered whilst drilling through the Upper and Lower Gabus Formation sandstones which were well developed and of good reservoir quality.

The Boni-1 side-track well was drilled from below the Balqis-1 9 5/8" casing shoe. The Boni-1 side-track tested the stratigraphic on-lap play of the Lower Gabus Formation sandstones approximately 3 kilometres west of the vertical Balqis-1 well. The well reached Total Depth at 2,542 metres Measured Depth (MD) in the Lower Gabus Formation. The objective Lower Gabus Formation sandstones were water bearing. Minor gas shows (C1 to C2) were encountered which were well developed and of good reservoir quality.

Following evaluation of the results of the wells and discussions with the relevant regulatory authorities in Indonesia, the Company has decided to withdraw from the Baronang Production Sharing Contract. The Operator, Lundin Baronang B.V. is currently in the process of arranging the venture's formal withdrawal.

CAKALANG PRODUCTION SHARING CONTRACT

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

The Cakalang PSC covers an area of 3,371 km^2 and is adjacent to the Baronang PSC. Water depths in the contract area range from 50 to 80 m.

Following the negative results of the Balqis-1 and Boni-1 wells in the neighbouring Baronang PSC, the Company has decided to withdraw from this Production Sharing Contract. The Operator, Lundin Cakalang BV is currently in the process of arranging the venture's formal withdrawal.

GURITA PRODUCTION SHARING CONTRACT

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

The venture drilled the Gobi-1 exploration well in Q4, 2014. The well was drilled to a Total Depth of 2,404 metres (TD) Measured Depth of 2,373 metres TVD subsea. The well penetrated the Miocene to the Oligocene primary and secondary reservoir objectives and reached Basement as planned.

Although well developed sandstone reservoirs were encountered no hydrocarbon shows were present and the well was therefore plugged and abandoned as a dry hole.

The venture is in the process of integrating the well results into its understanding of the PSC and continues to remain positive about the potential of the contract area.

HEALTH, SAFETY, SECURITY AND ENVIRONMENT (HSSE)

HSSE performance for 2014 based on 394,709 man hours resulted in zero fatalities, zero Lost Time Injuries and a Total Recordable Injury Frequency Rate ('TRIFR') of zero.

DIRECTORS' REPORT

The Directors of Nido Petroleum Limited are pleased to present the Annual Financial Report for the year ended 31 December 2014.

DIRECTORS

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

WILLIAM BLOKING

FAICD

Bachelor of Science, Mechanical Engineering (Summa cum Laude) (University of South Carolina)
Chairman, Independent (Appointed 15 May 2009, previously Non-Executive Director appointed 6 February 2008)
Member and Chairman, Remuneration and Nomination Committee (Appointed as Chairman on 20 November 2014)
Member, Audit & Risk Management Committee (Appointed 6 September 2010)

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

Bill is currently Executive Chairman and President of KAL Energy, Inc. (appointed 26 June 2007) and he is a Non-Executive Director of Challenger Energy Limited (appointed 27 February 2014). He is also a Fellow of the Australian Institute of Company Directors.

Bill was formerly a Non-Executive Director of Strandline Resources Limited (appointed as Managing Director on 1 August 2013, resigned as Managing Director on 23 October 2014 and continuing on the Board as a Non-Executive Director until 1 March 2015). Bill was also the Managing Director of Eureka Energy Limited (appointed 22 February 2012, resigned 20 June 2012), a Non-Executive Director of the Lions Eye Institute (appointed 1 October 2003 and resigned 17 April 2013), Chairman of Transerv Energy Limited (appointed 14 March 2011 and resigned 19 November 2013) and he was a Non-Executive Director of the West Australian Symphony Orchestra (appointed 19 August 2005, resigned 28 April 2014).

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

PHILIP BYRNE

MAICD

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

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

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

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

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

ANDREW EDWARDS

FAICD

B.Com (University of Western Australia)

Non-Executive Director, Independent (Appointed 11 December 2009)

Member and Chair, Audit and Risk Management Committee (Appointed 11 December 2009)

Member Remuneration and Nomination Committee (Appointed 20 November 2014)

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

Andrew is a current Board member of MMA Offshore Limited (appointed 18 December 2009), the President of Activ Foundation Inc (appointed to the Board on 27 October 2008) and Chairman of MACA Limited (appointed 1 October 2010). He is a former Director of Aspire Mining Limited (appointed 1 July 2011, resigned 7 May 2014). He is also a Fellow of the Australian Institute of Company Directors.

VICHIEN USANACHOTE

BS (Engineering) (Chulalongkorn University, Thailand)

Master of Engineering (Ohio State University)

Advanced Diploma in Public Law and Management (King Prajadhipok's Institute)

Diploma, Senior Executive Program (Sasin Graduate Institute of Business Administration of Chulalongkorn University)

Director Certification Program (Thai Institute of Directors)

Non-Executive Director, Independent (Appointed 1 October 2014)

Member Audit and Risk Management Committee (Appointed 20 November 2014)

Vichien has over 35 years' experience in the downstream oil and gas sector. Vichien is currently an Executive Advisor at The Bangchak Petroleum Public Company Ltd, Thailand ('Bangchak'), having retired from the role of President on 1 January 2015. Vichien has worked at Bangchak since 1993 where he has held various senior executive positions.

Vichien was Chairman of Bangchak Biofuel Company Limited (a subsidiary of Bangchak) between 2013 and 2014 and Chairman of Ubon Bio Ethanol Company Limited between 2013 and January 2015.

He is currently the Vice President of the Environmental Engineering Association of Thailand.

CHAIWAT KOVAVISARACH

M. Eng (Asian Institute of Technology)
M.B.A. (Thammasat University, Thailand)
B.Eng (Honor) (King Mongkut's Institute of Technology Ladkrabang)
Investment Banking (Kellogg Business School, Northwestern University)
Director Certification Program (Thai Institute of Directors)
Non-Executive Director, Non-Independent (Appointed 1 October 2014)
Member Remuneration and Nomination Committee (Appointed 20 November 2014)

Chaiwat has over 25 years' experience in engineering, investment banking and senior executive management. He commenced his career in 1987 with The Siam Cement Public Company Ltd in Thailand as a project engineer and then subsequently as a production engineer. He then moved into investment banking in 1993 working for Asset Plus Company Limited in Thailand as an investment banker before taking on a role as a director with SG Crosby (Thailand) / SG Securities (Singapore) Pte Ltd between 1996-2002. He was a fellow director of the Association of Thai Securities Companies in 2000.

In 2002 Chaiwat founded TURNAROUND Company Ltd, a boutique financial advisory / investment banking company in Thailand, holding his managing director position until 2007 before becoming an advisor for Avantgarde Capital Company Limited in Thailand.

Chaiwat is currently the President of The Bangchak Petroleum Public Company in Thailand (appointed 1 January 2015) and a director of Asia Insurance Company Limited and Suan Kulab Witthayalai Alumnus Association Under the Royal Partonage of H.M. the King. He is also a member of the Government of Thailand's Pension Fund Investment Committee.

MICHAEL OLLIS

GAICD
(RESIGNED 1 OCTOBER 2014)

PhD Fluids (University of Bristol)
BSc Civil Engineering (University of Birmingham)
Non-Executive Director, Independent (Appointed 1 October 2011. Resigned 1 October 2014)
Member and Chair, Remuneration and Nomination Committee (Appointed as a Member 1 June 2012 and Chairman on 7 March 2013. Resigned 1 October 2014)
Member of the Audit and Risk Management Committee (Appointed 23 November 2013. Resigned 1 October 2014)

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

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

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

EDUARDO V. MAÑALAC
AAICD
(RESIGNED 1 OCTOBER 2014)

B.S. Geology, Post Graduate Petroleum Geology (Uni. of the Philippines)
Non-Executive Director, Independent (Appointed 20 February 2009. Resigned 1 October 2014)
Member, Audit and Risk Management Committee (Appointed 20 February 2009. Resigned 1 October 2014)
Member, Remuneration and Nomination Committee (Appointed 20 February 2009. Resigned 1 October 2014)

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

For the majority of his international career Ed worked with Phillips Petroleum (now ConocoPhillips) including a period in China where he promoted Phillips' entry into the Bohai Bay Basin area in Northern China. From 2003 to 2004, Ed was Undersecretary of the Department of Energy in the Philippines, where he introduced the first public bidding round for exploration acreage targeting the Palawan Basin.

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

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

COMPANY SECRETARY
JOHN NEWMAN
MAICD

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

John is a lawyer with over 23 years of experience, 14 of which have been in the energy and resources sector. John manages the Company group's legal, insurance, compliance and company secretarial affairs.

John's previous experience includes senior positions with the Timor Sea Designated Authority, the Northern Territory Government and Cridlands Lawyers.

John also worked for the Northern Land Council where he represented traditional Aboriginal owners in relation to resource development projects. Prior to working in a resources context John was the principal solicitor of the Refugee and Immigration Legal Centre in Melbourne.

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

DIRECTORS' INTERESTS IN SECURITIES OF THE COMPANY

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

Director	Ordinary Shares	Options Over Ordinary Shares	Unissued Ordinary Share Rights	Performance Rights
W Bloking	Nil	Nil	Nil	Nil
P Byrne	Nil	Nil	Nil	Nil
A Edwards	Nil	Nil	Nil	Nil
V Usanachote	Nil	Nil	Nil	Nil
C Kovavisarach	Nil	Nil	Nil	Nil

DIRECTORS' AND COMMITTEE MEETINGS

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

	Board of Directors Meetings 2014	
Directors	Held (1)	Attended
W Bloking	11	11
P Byrne	11	11
A Edwards	11	11
V Usanachote	3	2
C Kovavisarach	3	3
E Mañalac	8	7
M Ollis	8	8

	Audit & Risk Management Committee Meetings 2014	
Directors	Held (1)	Attended
W Bloking	3	3
A Edwards	3	3
V Usanachote	1	1
E Mañalac	2	2
M Ollis	2	2

	Remuneration & Nomination Committee Meetings 2014	
Directors	Held (1)	Attended
W Bloking	2	2
A Edwards	1	1
C Kovavisarach	1	1
E Mañalac	1	1
M Ollis	1	1

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

SHARE AND OPTION SCHEMES

UNISSUED SHARES

As at the date of this Report no performance rights were on issue (94,611,094 as at 31 December 2013). Refer to Note 23 of the Financial Statements for further details.

SHARES ISSUED AS A RESULT OF THE EXERCISE OF OPTIONS AND PERFORMANCE RIGHTS

During the financial year and up to the date of this Report, employees and directors exercised 138,282,166 performance rights (2013: nil).

An off-market takeover offer of Nido Petroleum Limited by Bangchak Petroleum Public Company Limited via its wholly owned subsidiary BCP Energy International Pte Ltd ("BCPE") announced on 4 August 2014 triggered the vesting and exercise of all outstanding performance rights. There were therefore no performance rights outstanding as at 31 December 2014.

3,333,334 ordinary shares were issued to the Managing Director under his Sign-On and Retention Bonus (2013: 1,666,667 ordinary shares). The final tranche of 1,666,665 rights to ordinary shares were cancelled on 15 September 2014. There were no outstanding rights to ordinary shares outstanding as at 31 December 2014.

CORPORATE GOVERNANCE

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

PRINCIPAL ACTIVITIES

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

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

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

OPERATING AND FINANCIAL REVIEW

A full review of operations of the consolidated entity during the year ended 31 December 2014 is included in the section entitled "Operations Review" preceding this Directors' Report.

SUMMARY OF FINANCIAL PERFORMANCE

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

	Consolidated 2014 $'000	Consolidated 2013 $'000
Revenue from sale of crude oil	81,517	40,912
Gross profit	37,216	16,544
Net profit/(loss) for the year after tax	(6,752)	20,017
Basic earnings/(loss) per share (cents) from continuing operations	(0.32)	1.00
Net cash from/(used in) operating activities	40,615	22,204
Net cash from/(used in) investing activities	(37,896)	(47,706)
Net cash from/(used in) financing activities	(19,507)	29,168

The net loss of the Group for the year ended 31 December 2014 of $6.752 million (2013: profit of $20.017 million), was impacted by the following significant items:

- Oil revenue totalled $81.517 million, of which revenue from the Galoc oil field for the year was $78.844 million (2013: $37.861 million) arising from nine liftings during the year. Revenue from the Nido and Matinloc oil fields for the year was $2.673 million (2013: $3.051 million);
- Cost of sales for the year increased by $19.913 million to $44.318 million (2013: $24.405 million) primarily due to an increase in amortisation of development costs post completion of the Galoc Phase II development and increase in government take due to increased production post Phase II completion and also full utilisation of historical costs claimed against production revenues in 2014;
- Total financing costs relating to the RBL facility for the year was $3.993 million, all of which was expensed through the profit and loss (2013: $0.331 million). In the prior year, an additional $2.149 million of financing costs was capitalised to the O&G asset category for financing costs incurred prior to first oil from the Galoc oil field;
- Income tax expense of $5.838 million primarily relates to the unwinding of the deferred tax asset recognised in 2012 (2013: tax expense of $3.809 million);
- Impairment of exploration and evaluation expenditure assets totalled $19.655 million. This related to Nido's share of impairment of the non-commercial SC 63 Baragatan-1A well in the Philippines as well as the impairment of Nido's share of the drilling costs associated with the Balqis-1, Boni-1 exploration wells in the Baronang PSC and the Gobi-1 exploration well in the Gurita PSC as the wells were unsuccessful in discovering commercial hydrocarbons. The impairment expense also included the impairment of the remaining capitalised expenditure in the Baronang and Cakalang PSC's due to the Company's election to withdraw from the PSCs at the end of 2014;
- Impairment of Oil and Gas Property assets of $8.516 million (2013: nil) relates to the Galoc oil field. This resulted from the requirements under the accounting standards to test for impairment such that if the carrying amount of an asset is greater than the recoverable amount, the asset will be written down. The impairment resulted from the impact of the fall in oil prices;
- Total administrative and other expenses (net of impairment costs) of $15.076 million (2013: $8.441 million), primarily resulted from the following:
  - Employee benefits expense (net of share based payments expense) of $4.852 million (2013: $4.855 million);
  - Share based payments of $2.506 million (2013: $0.592 million) with the increase due to all non-vested performance rights immediately vesting as a result of the announcement of the BCPE takeover of the Company;
  - Exploration expense of $1.812 million (2013: $0.235 million);
  - Corporate advisor expenses of $3.793 million (2013: nil) primarily relates to corporate take-over activities; and
  - Office and other expenses of $1.477 million (2013: $2.073 million).
- Net foreign currency gain of $9.146 million (2013: gain of $18.574 million) resulted from the weakening of the Australian dollar which had a positive impact on net US dollar balances predominantly from AUD denominated parent company loans to subsidiaries (with USD functional currencies), which are not considered to be part of the net investment in the subsidiary.

SUMMARY OF FINANCIAL POSITION

The Company's cash reserves at the end of 2014 totalled $10.926 million compared to $25.354 million as at 31 December 2013.

The movement in cash reserves was due primarily to:

- Net proceeds from oil production of $52.640 million;
- Net proceeds of $1.971 million from farm out of SC63 interest to Dragon Oil;

offset by:

- Development expenditure of $1.954 million relating to the Galoc Phase II oil field development;
- Exploration expenditure of $24.599 million primarily comprising of drilling costs associated with wells in SC 63 in the Philippines as well as drilling costs in the Indonesian PSC's (Baronang, Gurita), continued FEED & pre-FID activities in SC 14C2 (West Linapacan) and increased spend on new venture activities;
- Debt principal repayments of $19.135 million, interest expense of $1.983 million and other financing costs of $0.371 million relating to the senior secured reserves base lending facility;
- Equity investment of $13.242 million representing a 10% deposit paid for purchase of Galoc Production Company W.L.L.; and
- Overheads and other expenditures of $10.058 million offset by foreign exchange movements and other minor items of $2.303 million.

DIRECTORS' REPORT

OPERATING AND FINANCIAL REVIEW- CONTINUED

PRODUCTION AND DEVELOPMENT ACTIVITIES

In 2014, the following key production development milestones occurred:

- 2.92 mmbbl gross (0.67 mmbbl net to Nido) were produced from the Galoc oil field;
- Production uptime at Galoc averaged 98.57% during the year; and
- The Nido and Matinloc oil fields continued to produce oil on a cyclical basis. Oil production from these fields in the year totalled 148,563 bbls of oil (37,425 bbls net to Nido).

EXPLORATION & APPRAISAL ACTIVITIES

- During 2014 the Company participated in the drilling of 3 exploration wells in Indonesia: Balqis-1 and Boni-1 in the Baronang PSC; and Gobi-1 in the Gurita PSC. All three wells were plugged and abandoned as dry-holes.
- The Company also drilled the Baragatan prospect in SC 63 in the Philippines during the year. Whilst the Baragatan-1A well encountered significant gas shows and minor oil shows the well was deemed non-commercial and was plugged and abandoned.
- The SC14 C2 West Linapacan Joint Venture reviewed alternative development solutions including a phased development solution comprising an initial Early Production System (EPS).
- The Company continued to review new venture opportunities throughout the year as part of its longer term strategy of expansion.

HEALTH, SAFETY, SECURITY AND ENVIRONMENT

- The Company achieved excellent HSSE performance across all assets and activities during 2014 with a Total Recordable Injury Frequency Rate (TRIFR) for 2014 of zero compared with the Australian National Offshore Petroleum Safety and Environment Management Authority (NOPSEMA) benchmark of 4.18.

CORPORATE

- Cash on hand at year end was $10.926 million and debt drawn under the reserves based lending facility was $12.831 million at year end.
- Gross profit from continuing operations for the 2014 year was $37.216 million, and net loss after tax was $6.752 million.
- The Company entered into a Sale and Purchase Agreement with Otto Energy Limited on 12 December 2014 to acquire all of the shares in Galoc Production Company WLL ('GPC'). The purchase was completed subsequent to year end on 17 February 2015.
- On 12 December 2014 Nido Petroleum Limited entered into a revolving debt facility for up to US$120.0 million with Bangchak. The facility was used to fund Nido's acquisition of Otto Energy Limited's shares in GPC.

ANNUAL GENERAL MEETING

- The Company's Annual General Meeting was held on 22 May 2014. Resolutions approving the adoption of the remuneration report, the re-election of Mr Eduardo Mañalac as a Director and the approval of the issue of Performance Rights to Mr Philip Byrne were all approved.

DIVIDENDS

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

CORPORATE STRUCTURE

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

CORPORATE SOCIAL RESPONSIBILITY

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

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

Our community sponsorship program provides opportunities for our company and employees to become involved and support initiatives that can make a positive difference in the community. In this context the Company made a $50,000 donation to the Sisters of our Lady of the Missions to support their work in the Philippines with respect to street children in Manila as well as a microfinance program.

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

HEALTH, SAFETY, SECURITY AND THE ENVIRONMENT (HSSE)

The safety of the Company's people and our interaction with the environment are accorded the highest priority throughout the organisation. Since commencing offshore seismic and drilling operational activity in 2007 the Company has maintained an excellent safety record of zero fatalities and zero Lost Time Injuries (LTIs). The Total Recordable Injury Frequency Rate (TRIFR) for 2014 was zero.

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

REMUNERATION REPORT (AUDITED)

A. INTRODUCTION

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

DETAILS OF KEY MANAGEMENT PERSONNEL

(i) Directors

W Bloking	Chairman (Non-Executive)
P Byrne	Managing Director
A Edwards	Director (Non-Executive)
C Kovavisarach	Director (Non-Executive) appointed 1 October 2014
V Usanachote	Director (Non-Executive) appointed 1 October 2014
E Mañalac	Director (Non-Executive) resigned 1 October 2014
M Ollis	Director (Non-Executive) resigned 1 October 2014

(ii) Executives

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

B. PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION AND SERVICE AGREEMENTS

REMUNERATION POLICY AND PRINCIPLES

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

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

COMPANY PERFORMANCE & REMUNERATION

The Company share price and earnings per share (EPS), shown in the table below, reflect Company performance during the previous four financial years and for the current year ended 31 December 2014.

	31 Dec 2014	31 Dec 2013	31 Dec 2012	31 Dec 2011	31 Dec 2010
EPS (cents)	(0.32)	1.00	0.60	0.27	(3.92)
Share price	0.028	0.036	0.027	0.04	0.115

REMUNERATION STRUCTURE

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

NON-EXECUTIVE REMUNERATION STRUCTURE

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

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

During 2014 Non-Executive Directors were paid fees associated with their duties as Directors, including their membership of Board committees as follows:

Each Director was paid a base fee of $65,000 per year, with the Chairman of the Board receiving an additional $45,000 for his role and the Chair of the Audit & Risk Management Committee receiving an additional $13,000 (20 per cent of the base fee) for his role.

Members of the Audit & Risk Management Committee, apart from Mr Bloking, received an additional $6,500 (10 per cent of the base fee), and the Chair of the Remuneration and Nomination Committee received an additional $6,500 (10 per cent of the base fee) unless the Chairman of the Board was also the Chairman of this Committee.

In relation to other benefits, the Non-Executive Directors were not entitled to retirement benefits and were not entitled to the grant of options or performance rights in accordance with the Company's policy prohibiting grants of options or performance rights to Non-Executive Directors.

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

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

REMUNERATION REPORT (AUDITED) - CONTINUED

NON-EXECUTIVE REMUNERATION STRUCTURE - CONTINUED

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

The remuneration of Non-Executive Directors for the periods ending 31 December 2014 and 31 December 2013 is detailed further in this Remuneration Report.

ALTERNATE DIRECTORS

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

MANAGING DIRECTOR AND EXECUTIVE REMUNERATION STRUCTURE

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

Executive Remuneration consists of the following key elements:

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

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

During the 2014 year the Company commenced the process of re-orienting Executive remuneration so that there is a greater emphasis on variable or 'at risk' remuneration. This was achieved by freezing base remuneration at 2012 levels and increasing the Long Term Incentive components for Executives.

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

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

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

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

FIXED REMUNERATION

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

The Board, during the annual salary review process in late 2013 resolved that there would be no increase in base remuneration awarded to Executives for the 2014 year.

VARIABLE REMUNERATION – SHORT TERM INCENTIVE

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

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

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

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

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

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

REMUNERATION REPORT (AUDITED) - CONTINUED

VARIABLE REMUNERATION – SHORT TERM INCENTIVE - CONTINUED

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

As reported in the 2013 Annual Report, the Board determined a set of STI targets for the 2013 year to primarily encourage share price appreciation. The specific targets were therefore a share price performance metric (90%) and HSSE performance (10%). These KPIs were chosen in order to align individual performance with the achievement of value creation for the Company's shareholders.

Against this weighted group of performance targets, the Company performed at threshold in relation to the share price performance metric and at stretch with respect to HSSE. The total STI bonus pool calculated in accordance with the STI policy amounted to 12.6% of the gross base salary of the Company's staff and each Executive was awarded in 2014 a gross payment representing 12.6% of their base salary for the Company's performance against the targets set in 2013. For the 2014 year the Board has resolved not to make any STI award to staff or Executives given the vesting of employee performance rights that occurred upon BCP Energy International Pty Ltd acquiring control of the Company during the year. Employees and Executives will not therefore receive any payment in 2015 with respect to the 2014 STI program.

In addition to the STI Plan, the Managing Director has the discretion to award cash bonuses on an "ad hoc" basis of up to a maximum net amount of $1,500 per project or task to any employee for exceptional work rendered. During the 2014 year, the Managing Director did not grant any such cash bonuses (2013:$nil).

VARIABLE REMUNERATION – LONG TERM INCENTIVE

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

The objectives of the Plan are to:

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

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

Subject to the Company achieving the performance criteria set out in the terms of the Plan, performance rights held by an employee may convert into shares in the Company. Performance rights convert into shares automatically upon the announcement of a takeover bid.

In the event the Company fails to achieve the performance criteria, all of the employee's performance rights lapse with no shares being issued. Furthermore, in the event that an employee leaves the Company prior to the expiration of the relevant vesting period for a particular award of performance rights, such performance rights also lapse.

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

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

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

REMUNERATION REPORT (AUDITED) - CONTINUED

VARIABLE REMUNERATION – LONG TERM INCENTIVE - CONTINUED

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

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

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

All performance rights on issue converted into ordinary shares upon BCP Energy International Pte Ltd announcing an off-market takeover bid for the Company on 4 August 2014.

MANAGING DIRECTOR AND EXECUTIVE EMPLOYMENT CONTRACTS

MANAGING DIRECTOR

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

- Base Salary - $500,000 per annum;
- Superannuation 12% - $60,000 per annum;
- Short term incentive - Mr Byrne will participate in the Company's performance based Short Term Incentive Scheme;
- Long term incentive - Mr Byrne will participate in Nido's Employee Performance Rights Plan (subject to shareholder approval);
- A Sign on and Retention Bonus was granted of 10,000,000 fully paid Ordinary Shares in total issued in six (6) equal tranches at six (6) month intervals commencing six (6) months after the commencement of employment. Mr Byrne has no outstanding entitlement under the Sign on and Retention Bonus as at the date of this Report; and
- Termination - In the event of termination of the Employment Contract by the Company the Company is required to pay a sum equivalent to 6 months of his base salary.

REMUNERATION REPORT (AUDITED) - CONTINUED

MANAGING DIRECTOR AND EXECUTIVE EMPLOYMENT CONTRACTS

MANAGING DIRECTOR - CONTINUED

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

A condition of the off-market takeover offer launched by BCPE was the requirement that any outstanding rights to ordinary shares held by Mr Byrne be cancelled for nil consideration. In this context Mr Byrne agreed to the cancellation of 1,666,665 rights to ordinary shares effective as at 15 September 2014.

Terms and Conditions of Each Grant

	Number of Shares Granted	Number of Shares Vesting in the Year [1]	Percentage of Cumulative Shares Vested (%)	Grant Date	Value each at Grant Date $	Number of Shares Cancelled [2]	Percentage of Shares Cancelled (%)	Exercise Price
2014								
Director								
P Byrne	-	1,666,665						
Total	-	1,666,665	100.00%	8/10/11	0.045	1,666,665	16.67%	Nil
2013								
Director								
P Byrne	-	3,333,334						
Total	-	3,333,334	83.33%	8/10/11	0.045	Nil	Nil	Nil

[1] For accounting purposes under AASB 2 "Share Based Payments" treated as vested for the year ending 31 December 2014 and 31 December 2013 respectively. Note, the total number of shares vested during the year ended 31 December 2014 for P Byrne was 1,666,665 (16.67% of shares vested) and for the year ended 31 December 2013 was 3,333,334 (33.33% of shares vested). Total cumulative number of shares vested from the initial grant was 10,000,000 (100% of shares vested).

[2] The final tranche of 1,666,665 shares, which vested for accounting purposes in 2014, were cancelled for nil consideration on 15 September 2014. All remaining share based payments expenses relating to the cancellation of the rights were included in the profit and loss in 2014.

TERMINATION CLAUSES

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

- The Executive may resign from his or her position and thus terminate his or her contract by giving one month's written notice; and
- In the event that the Company wishes to terminate an Executive's employment, except in circumstances of misconduct or material breaches of their contract and, with the exception of the Company Secretary and the Commercial Manager, the Company will pay the Executive a sum equivalent to 12 months of his or her fixed remuneration package. Mr Newman's (Company Secretary) employment contract does not provide a termination benefit but provides for a 12 month notice period in the event of termination by the Company. Mr Thirakaosal's (Commercial Manager) employment contract provides for a termination benefit equivalent to 6 months of his fixed remuneration package.

REMUNERATION REPORT (AUDITED) - CONTINUED

C. REMUNERATION OF KEY MANAGEMENT PERSONNEL

REMUNERATION OF KEY MANAGEMENT PERSONNEL - DIRECTORS

	Short Term			Post Employment	Long-term Benefits	Share Based Payments (LTI)				
	Salary & Fees	Cash Bonus (STI)***	Other(#)	Superannuation	Long Service Leave	Performance Rights*	Shares*	Total	% Comprising Share and Performance Rights**	% Performance Related**
W Bloking										
• 2014	75,400	-	-	34,600	-	-	-	110,000	-	-
• 2013	100,802	-	-	9,198	-	-	-	110,000	-	-
P Byrne (1)										
• 2014	519,926	-	18,152	45,076	15,234	902,882	13,568	1,514,838	60.5%	59.6%
• 2013	504,967	63,000	21,427	60,327	5,446	117,278	82,428	854,873	23.4%	21.1%
A Edwards										
• 2014	72,965	-	-	5,035	-	-	-	78,000	-	-
• 2013	71,478	-	-	6,522	-	-	-	78,000	-	-
V Usanachote (1)										
• 2014	16,324	-	-	1,551	-	-	-	17,875	-	-
C Kovavisarach (1)										
• 2014	14,840	-	-	1,410	-	-	-	16,250	-	-
E Mañalac (2)										
• 2014	49,047	-	-	4,578	-	-	-	53,625	-	-
• 2013	65,521	-	-	5,979	-	-	-	71,500	-	-
M Ollis (2)										
• 2014	52,044	-	-	17,044	-	-	-	69,088	-	-
• 2013	64,439	-	-	5,881	-	-	-	70,320	-	-
Total Remuneration: Directors										
• 2014	800,546	-	18,152	109,294	15,234	902,882	13,568	1,859,676	49.3%	48.6%
• 2013	807,207	63,000	21,427	87,907	5,446	117,278	82,428	1,184,693	16.9%	15.2%

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

Includes non-cash benefits paid.

[1] V Usanachote and C Kovavisarach appointed 1 October 2014.

[2] E Mañalac and M Ollis resigned 1 October 2014.

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

** Share-based payments forfeiture / cancellation excluded from calculation.

*** The details for cash bonuses paid are set out in the table below. The bonuses paid in 2014 reflect each Executive's performance against the STI targets that were chosen in 2013.

REMUNERATION REPORT (AUDITED) - CONTINUED

REMUNERATION OF KEY MANAGEMENT PERSONNEL - EXECUTIVES

	Short Term			Post Employment	Long-term Benefits	Share Based Payments (LTI)				
	Salary & Fees	Cash Bonus (STI)***	Other(#)	Superannuation	Long Service Leave	Performance Rights*	Shares*	Total	% Comprising Share and Performance Rights**	% Performance Related**
J Pattillo										
• 2014	439,528	-	8,913	55,094	30,180	449,157	-	982,872	45.7%	45.7%
• 2013	439,528	55,072	9,034	55,094	14,553	145,235	-	718,516	20.2%	27.9%
A Gilbert										
• 2014	410,071	-	9,676	26,800	14,311	328,580	-	789,438	41.6%	41.6%
• 2013	332,553	40,320	7,716	29,071	11,550	104,843	-	526,053	19.9%	27.6%
J Newman										
• 2014	283,850	-	7,670	27,500	19,235	282,855	-	621,110	45.5%	45.5%
• 2013	283,041	34,693	8,570	28,309	7,246	89,850	-	451,709	19.9%	27.6%
K Thirakaosal										
• 2014	97,780	-	37,549	6,600	169	-	-	142,098	-	-
• 2013	-	-	-	-	-	-	-	-	-	-
Total Remuneration: Executives										
• 2014	1,231,229	-	63,808	115,994	63,895	1,060,592	-	2,535,518	41.8%	41.8%
• 2013	1,055,122	130,085	25,320	112,474	33,349	339,928	-	1,696,278	20.0%	27.7%

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

Includes non-cash benefits paid.

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

** Share-based payments forfeiture / cancellation excluded from calculation.

*** The details for cash bonuses paid are set out in the table below. The bonuses paid in 2014 reflect each Executive's performance against the STI targets that were chosen in 2013.

REMUNERATION REPORT (AUDITED) - CONTINUED

REMUNERATION OF KEY MANAGEMENT PERSONNEL - NOTES

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

Key Management Personnel	Vesting Date	Date Paid	Amount Paid	Nature	Max. Potential Entitlement*	Percentage Granted	Percentage Forfeited
2014 (2014 performance year)*							
P Byrne	N/A	N/A	Nil	N/A	18%	Nil	100%
J Pattillo	N/A	N/A	Nil	N/A	18%	Nil	100%
A Gilbert	N/A	N/A	Nil	N/A	18%	Nil	100%
J Newman	N/A	N/A	Nil	N/A	18%	Nil	100%
2014 (2013 performance year)*							
P Byrne	6/1/2014	15/1/2014	63,000	Cash	18%	12.6%	30%
J Pattillo	6/1/2014	15/1/2014	55,072	Cash	18%	12.6%	30%
A Gilbert	6/1/2014	15/1/2014	40,320	Cash	18%	12.6%	30%
J Newman	6/1/2014	15/1/2014	34,693	Cash	18%	12.6%	30%
2013 (2012 performance year)**							
P Byrne	N/A	N/A	Nil	N/A	18%	Nil	100%
J Pattillo	N/A	N/A	Nil	N/A	18%	Nil	100%
A Gilbert	N/A	N/A	Nil	N/A	18%	Nil	100%
J Newman	N/A	N/A	Nil	N/A	18%	Nil	100%

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

**The Company did not award Key Management Personnel any STI payments in 2013 or 2015 in respect of their performance against the 2012 or 2014 targets (refer to section B in this report, sub-heading 'Variable Remuneration – Short-term Incentives' for commentary).

D. SHARE-BASED COMPENSATION

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

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

	Terms and Conditions of Each Grant							
	Number of Performance Rights Granted	Grant Date	Value of each Right at Grant Date $	Exercise Price $	First Exercise Date	Last Exercise Date/ Expiry Date	Number of Performance Rights Vested During the Year	% of Performance Rights Vested During the Year
2014								
Directors								
P Byrne	18,823,529	27/5/14	0.028	Nil	27/5/17	27/5/17	47,955,129 (*)	100%
2013								
Directors								
P Byrne	25,846,154	5/6/13	0.021	Nil	5/6/16	5/6/16	-	-

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

(*) Includes performance rights granted in previous financial years.

REMUNERATION REPORT (AUDITED) - CONTINUED

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

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

	Terms and Conditions of Each Grant							
	Number of Performance Rights Granted	Grant Date	Value each at Grant Date $	Exercise Price $	First Exercise Date	Last Exercise Date/ Expiry Date	Number of Performance Rights Vested During the Year	% of Performance Rights Vested During the Year
2014								
Executives								
J Pattillo	8,227,369	18/3/2014	0.025	Nil	18/3/2017	18/3/2017	26,161,768*	95.5%
A Gilbert	6,023,529	18/3/2014	0.025	Nil	18/3/2017	18/3/2017	19,153,907*	95.7%
J Newman	5,182,871	18/3/2014	0.025	Nil	18/3/2017	18/3/2017	16,480,747*	95.6%
K Thirakaosal	-	-	-	-	-	-	-	-
	19,433,769						61,796,422	
2013								
Executives								
J Pattillo	15,062,400	23/4/2013	0.016	Nil	23/4/2016	23/4/2016	-	-
A Gilbert	11,027,692	23/4/2013	0.016	Nil	23/4/2016	23/4/2016	-	-
J Newman	9,488,646	23/4/2013	0.016	Nil	23/4/2016	23/4/2016	-	-
	35,578,738						-	

* Includes performance rights granted in previous years.

VALUE OF PERFORMANCE RIGHTS GRANTED AS PART OF REMUNERATION

	Value of Performance Rights Granted during the Year[1] $	Value of Performance Rights Exercised during the Year $	Value of Performance Rights Lapsed during the Year $	Remuneration Consisting of Performance Rights during the Year %
2014				
Directors				
P Byrne	527,059	1,040,562	-	57.2%
Executives				
J Pattillo	205,684	570,038	103,965	43.3%
A Gilbert	174,238	417,344	72,825	41.7%
J Newman	149,921	359,099	64,318	43.1%
K Thirakaosal	-	-	-	-
2013				
Directors				
P Byrne	408,369	-	-	13.7%
Executives				
J Pattillo	237,986	-	-	20.2%
J Newman	174,238	-	-	19.9%
A Gilbert	149,921	-	-	19.9%

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

There were no options granted as part of remuneration to Directors or Executives in 2014 or 2013.

REMUNERATION REPORT (AUDITED) - CONTINUED

SHARES ISSUED ON EXERCISE OF COMPENSATION PERFORMANCE RIGHTS

	Shares Issued Number	Paid per Share $	Unpaid per Share $
2014			
Directors			
P Byrne	47,955,129	-	-
Executives			
J Pattillo	26,161,768	-	-
A Gilbert	19,153,907	-	-
J Newman	16,480,747	-	-
K Thirakaosal	-	-	-
2013			
Directors and Executives			
None	-	-	-

E. EQUITY HOLDINGS AND MOVEMENTS DURING THE YEAR

(a) Rights Holdings of Key Management Personnel

	Balance at 1 Jan	Granted as remuneration	Rights exercised[1]	Cancelled/ Forfeited / Expired	Change due to appointment / (resignation)	Balance at 31 Dec	Vested [2]	Non Vested
2014								
Directors								
P Byrne	34,131,599	18,823,529	(51,288,463)	(1,666,665)	-	-	-	-
Executives								
J Pattillo	19,172,076	8,227,369	(26,161,768)	(1,237,677)	-	-	-	-
J Newman	12,063,568	5,182,871	(16,480,747)	(765,692)	-	-	-	-
A Gilbert	13,997,348	6,023,529	(19,153,907)	(866,970)	-	-	-	-
K Thirakaosal	-	-	-	-	-	-	-	-
	79,364,591	38,257,298	(113,084,885)	(4,537,004)	-	-	-	-
2013								
Directors								
P Byrne [1]	9,952,112	25,846,154	(1,666,667)	-	-	34,131,599	3,333,334	30,798,265
Executives								
J Pattillo	5,040,380	15,062,400	-	(930,704)	-	19,172,076	-	19,172,076
J Newman	3,067,880	9,488,646	-	(492,958)	-	12,063,568	-	12,063,568
A Gilbert	3,621,598	11,027,692	-	(651,942)	-	13,997,348	-	13,997,348
	21,681,970	61,424,892	(1,666,667)	(2,075,604)	-	79,364,591	3,333,334	76,031,257

[1] The rights exercised for Mr Byrne relate to the exercise of his performance rights and the exercise of tranches four and five of his Sign On and Retention Bonus during the year.

[2] The fourth tranche of Mr Byrne's Sign-On and Retention Bonus which was converted into shares on 7 January 2014 is not included in this figure as for accounting purposes under AASB2 "Share Based Payments" the rights are treated as vested for year-end 31 December 2013.

REMUNERATION REPORT (AUDITED) - CONTINUED

(B) Shareholdings of Key Management Personnel

	Balance at 1 January	On exercise of share rights / performance rights	Change due to appointment / (resignation)	Net change other	Balance at 31 December
2014					
Directors					
W Bloking	6,305,556	-	-	(6,305,556)	-
P Byrne	8,703,705	51,288,463	-	(59,992,168)	-
A Edwards	1,470,000	-	-	(1,470,000)	-
V Usanachote	-	-	-	-	-
C Kovavisarach	-	-	-	-	-
E Manalac	1,000,000	-	-	(1,000,000)	-
M Ollis	1,000,000	-	-	(1,000,000)	-
Executives					
A Gilbert	561,371	19,153,907	-	(19,715,278)	-
J Pattillo	-	26,161,768	-	(26,161,768)	-
J Newman	-	16,480,747	-	(16,480,747)	-
	19,040,632	113,084,885	-	(132,125,517)	-
2013					
Directors					
W Bloking	2,500,000	-	-	3,805,556	6,305,556
P Byrne	3,333,334	1,666,667	-	3,703,704	8,703,705
A Edwards	470,000	-	-	1,000,000	1,470,000
E Manalac	-	-	-	1,000,000	1,000,000
M Ollis	-	-	-	1,000,000	1,000,000
Executives					
A Gilbert	400,000	-	-	161,371	561,371
	6,703,334	1,666,667	-	10,670,631	19,040,632

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

F. OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties.

During the year, TransEnergy International Ltd, an entity controlled by E Mañalac, was paid $5,000 (2013: nil) in consultancy fees. Dr Michael Ollis was also paid $10,000 (2013: nil) in consultancy fees.

There were no other related party transactions with key management personnel or other related parties during the 2014 year (2013: none).

No loans or advances to/from key management personnel were outstanding at year end.

G. USE OF REMUNERATION CONSULTANTS

No remuneration consultants were engaged by Nido during the 2014 year.

End of Remuneration Report.

INDEMNIFICATION OF DIRECTORS, OFFICERS AND AUDITORS

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

The Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit. No payment has been made to indemnify Ernst & Young during or since the financial year.

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

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

To achieve this, the Company:

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

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

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

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

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

The Directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007 which requires entities to report annual greenhouse gas emissions and energy use. The Directors have assessed that there are no current reporting requirements, but may be required to do so in the future.

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

SUBSEQUENT EVENTS

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

1. The Company's acquisition of Otto's shares in GPC completed on 17 February 2015. A summary of the transaction was released to the ASX on 12 December 2014. Bangchak Petroleum provided the funding for the acquisition with final draw-down in February 2015, key terms are detailed in Note 26(b).
2. The Company has been notified that Pitkin Petroleum Plc ('Pitkin') has been served with a default and termination notice under the terms of its farm-in agreement with venture participants, The Philodrill Corporation, Oriental Petroleum & Minerals Corporation, Linapacan Oil Gas & Power Corporation, Forum Energy Phils. Corporation, Cosco Capital Inc and PetroEnergy Resources Corporation.
3. In relation to SC 58, the DOE granted the Company a period of indefinite suspension pending the outcome of arbitration proceedings between the Philippines and the Peoples Republic of China over ownership of the West Philippine Sea in which SC 58 is located.
4. PNOC-EC agreed to indefinitely defer the Notice of Election to Drill Date to such date when suspension of SC58 is lifted by the Philippine Government.
5. Mr Philip Byrne tendered his resignation as Managing Director of the Company on 11 March 2015. Mr Byrne will cease employment with the Company on 30 April 2015.

ROUNDING

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

AUDITOR'S INDEPENDENCE AND NON-AUDIT SERVICES

AUDITOR'S INDEPENDENCE DECLARATION

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

NON-AUDIT SERVICES

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

	2014 $	2013 $
Tax compliance and advice services	49,341	46,900

Signed in accordance with a Resolution of the Directors.

WILLIAM BLOKING FAICD

CHAIRMAN

19 March 2015

AUDITOR'S INDEPENDENCE DECLARATION

EY
Building a better working world

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Auditor's Independence Declaration to the Directors of Nido Petroleum Limited

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

Ernst & Young

Robert A Kirkby Partner

19 March 2015

Since the introduction of the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Best Practice Recommendations* (ASX Principles and Recommendations) and the revised second edition of the ASX Principles and Recommendations, Nido Petroleum Limited has made it a priority to adopt appropriate systems of control and accountability as the basis for the administration of corporate governance. The Company's corporate governance practices for the year ended 31 December 2014 and as at the date of this report are outlined in this corporate governance statement.

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

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

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

Principle 1 Lay solid foundations for management and oversight;

Principle 2 Structure the Board to add value;

Principle 3 Promote ethical and responsible decision-making;

Principle 4 Safeguard integrity in financial reporting;

Principle 5 Make timely and balanced disclosure;

Principle 6 Respect the rights of shareholders;

Principle 7 Recognise and manage risk; and

Principle 8 Remunerate fairly and responsibly.

COMPLIANCE WITH BEST PRACTICE RECOMMENDATIONS

Principle 1: Lay solid foundations for management and oversight

Recommendations:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(k) Formulating and adopting appropriate Board policies;

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

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

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

(o) Monitoring the financial performance of the Company;

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

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

(r) Approving the annual budget and strategic plan;

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

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

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

COMPLIANCE WITH BEST PRACTICE RECOMMENDATIONS - CONTINUED

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

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

Principle 2: Structure the Board to add value

Recommendations:

2.1 A majority of the Board should be independent Directors;

2.2 The Chair should be an independent Director;

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

2.4 The Board should establish a Nomination Committee;

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

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

Board Structure

As at the date of this report, the Board is comprised of two independent Non-Executive Directors, two non-independent Non-Executive Directors and one non-independent Executive Director. The names of the Directors in office as at the date of this report, the year of each Director's appointment and each Director's status as independent, Non-Executive or Executive Director, are set out in the Directors' Report.

During the reporting period Mr Eduardo Maňalac and Dr Michael Ollis resigned as Non-Executive Directors and Mr Vichien Usanachote and Mr Chaiwat Kovavisarach were appointed as Non-Executive Directors on 1 October 2014.

Independence

All Directors are expected to bring independent views and judgment to the Board's deliberations. The Board has reviewed the position and associations of all Directors in office at the date of this Report and considers that two the five Directors are independent.

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

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

The Directors who served the Company during the 2014 year who are not considered to be independent are:

- Mr Philip Byrne (Managing Director)
- Mr Chaiwat Kovavisarach (Non-Executive Director)
- Mr Vichien Usanachote (Non-Executive Director)

Mr Byrne was employed in an executive capacity for the 2014 year as Managing Director. Mr Byrne as Managing Director is deemed not to be independent. Mr Kovavisarach and Mr Usanachote are considered non-independent due to the fact that they have been nominated as Non-Executive Directors by the Company's controlling shareholder, BCP Energy International Pte Ltd.

The Board considers that Messrs Bloking and Edwards are independent Directors in accordance with ASX Principle 2. In reaching this view, the Board has considered any consultancy agreements existing between Messrs Bloking and Edwards and the Company and has determined that the level of consultancy fees (if any) are neither material to the Company nor material to any of the Directors in the context of their overall income and are comparable to commercial rates available for comparable services and are therefore equivalent to consultancies entered into on an arm's length basis.

Whilst the Company does not have a majority of independent Directors the Board, following the assumption by BCPE of control over the Company, has taken steps to ensure that it rigorously manages the potential for conflicts of interest and related party issues between the Company and its controlling shareholder.

In this context the Board has adopted a Corporate Governance Protocol to deal with these matters and has established a Related Party Transactions and Conflicts Committee. A copy of the charter of this Committee is available on the Company's website.

The Board considers that these arrangements strike the appropriate balance between maximising the synergies afforded to the Company through its controlling shareholder whilst at the same time ensuring that conflicts and related party issues are managed appropriately. In the Company's present circumstances the Board considers that this practical approach is in the best interests of the Company.

Retirement and Re-election

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

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

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

Nomination and Appointment of Directors

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

COMPLIANCE WITH BEST PRACTICE RECOMMENDATIONS - CONTINUED

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

The Company has also recently updated its due diligence processes with respect to the appointment of new candidates by ensuring that new appointees undertake a police clearance check and having professional qualifications verified by the relevant tertiary institution(s). Candidates are also asked to complete a detailed statutory declaration.

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

Induction

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

Knowledge, Skills and Experience

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

Access to Information and Independent Advice

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

Conflicts of Interest

Directors are required to avoid conflicts of interest and immediately inform their fellow Directors should a conflict of interest arise. Directors are also required to advise the Company of any relevant interests that may result in a conflict. As noted above, the Board has also adopted a Corporate Governance Protocol to deal with the potential for conflicts arising between the Bangchak nominated Directors and the Company and in this context the Company has established a Related Party Transactions and Conflicts Committee to specifically manage these issues.

Committees

Audit and Risk Management Committee

The Board has established an Audit and Risk Management Committee as a standing committee to assist it in the discharge of its responsibilities. The Audit and Risk Management Committee comprises Mr Andrew Edwards as Chairman, and Messrs William Bloking and Vichien Usanachote (Appointed 20 November 2014) as members. Further information in relation to the Audit and Risk Management Committee's role is contained in its charter and set out on the Company's website and under Principle 4 of this Corporate Governance Statement.

Remuneration and Nomination Committee

The Board has established a Remuneration and Nomination Committee with Mr William Bloking as Chairman (appointed 20 November 2014), Mr Andrew Edwards and Mr Chaiwat Kovavisarach as members. Further details of the remuneration functions of the Remuneration and Nomination Committee are contained under Principle 8 of this Corporate Governance Statement. The charter of the Remuneration and Nomination Committee is available on the Company's website.

Board Evaluation

The Board did not complete an evaluation in 2014 due to the change in Board composition following the off-market takeover completed by BCPE.

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

Principle 3: Promote ethical and responsible decision-making

Recommendations:

3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to:
- The practices necessary to maintain confidence in the company's integrity;
- The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and
- The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

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

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

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

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

COMPLIANCE WITH BEST PRACTICE RECOMMENDATIONS - CONTINUED

Code of Conduct

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

Diversity

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

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

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

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

The Company has previously set measurable objectives and targets to promote gender diversity. The Board in considering targets for the 2014 year formed the view that the setting of prescriptive targets were not meaningfully advancing the Company's diversity objectives and that given the small size of the Company's workforce any prescriptive measurable objectives were unlikely to be of any significant practical benefit.

The Board has therefore formed the view that it does not intend to continue to set prescriptive measurable objectives on an annual basis. The Company will instead annually review its decision not to set measurable objectives having regard to the Company's actual diversity achievements over the previous year.

In this context it is noted that the Company consistent with its commitment to diversity did during the course of the 2014 year offer a female member of staff flexible working arrangements upon returning from a period of maternity leave. In addition the Company has offered other staff members with domestic responsibilities flexible working arrangements.

The Board remains committed to diversity objectives and will continue to monitor, review and assess the Company's progress under this policy more broadly.

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

Proportion of Women	
Organisation as a whole (employees)	36 % as at 31 December 2014
Senior Executive Positions	None
Board	None

Share Trading

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

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

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

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

COMPLIANCE WITH BEST PRACTICE RECOMMENDATIONS - CONTINUED

Disclosure

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

Principle 4: Safeguard integrity of financial reporting

Recommendations:

4.1 The Board should establish an Audit Committee;

4.2 The Audit Committee should be structured so that it:

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

4.3 The Audit Committee should have a formal charter; and

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

Audit and Risk Management Committee

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

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

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

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

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

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

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

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

- Andrew Edwards, Chairman;
- William Bloking, Member; and
- Vichien Usanachote, Member (Appointed 20 November 2014).

A majority of the members of the Audit and Risk Management Committee are considered to be independent.

Mr Edwards as a chartered accountant possesses the "financial expertise" required of at least one member of the Audit and Risk Management Committee.

Messrs Usanachote and Bloking are financially experienced and are otherwise qualified to be members of the Audit and Risk Management Committee by virtue of their industry experience. Details of each Director's qualifications are included in the Directors' Report.

The Company Secretary is also the Secretary of the Committee and attends the meetings.

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

The Committee met 3 times during the year ended 31 December 2014. The external auditor was in attendance at the March and August meetings with respect to the approval of the full year 2013 accounts and the half year accounts for 2014.

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

Independence of the external auditor

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

The *Corporations Act 2001* requires the external auditor to make an annual independence declaration, addressed to the Board, declaring that the auditor has maintained its independence in accordance with the *Corporations Act 2001* and the rules of the professional accounting bodies. Ernst & Young has provided an independence declaration to the Board for the financial year ended 31 December 2014 which forms part of the Directors' Report on page 30. The Company's lead external audit partner is Robert Kirkby who was appointed in 2011.

As part of the Company's commitment to safeguarding integrity in financial reporting, the Company monitors the independence and competence of the external auditor. The provision of non-audit services by the external auditor is monitored by the Audit and Risk Management Committee. Details of fees paid or payable to Ernst & Young for non-audit services provided to the Company in the year ended 31 December 2014 are set out in the Directors' Report.

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

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

Principle 5: Make timely and balanced disclosure

Recommendations:

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

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

COMPLIANCE WITH BEST PRACTICE RECOMMENDATIONS - CONTINUED

Disclosure

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

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

Principle 6: Respect the rights of shareholders

Recommendations:

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

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

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

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

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

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

Principle 7: Recognise and manage risk

Recommendations:

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

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

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

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

Risk management

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

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

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

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

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

The risk management controls adopted by the Company currently include:

- A risk register identifying the material risks facing the Company and the mitigation strategies in place to reduce or limit those risks;
- A health, safety, security and environment policy, a comprehensive HSSE Management System and associated procedures, including emergency response procedures;
- Limits for approval of capital expenditure and investments;
- Limits on authorities applicable to the execution of contracts and other instruments;

COMPLIANCE WITH BEST PRACTICE RECOMMENDATIONS - CONTINUED

Risk management - Continued

- Compliance processes in relation to legal liability, financial controls and treasury matters;
- An insurance program to address insurable risks associated with corporate and operational activities including the periodic review and audit of the insurance program to ensure its integrity;
- Strategic and business planning;
- Annual budgeting and monthly reporting systems enabling the monitoring of progress and cashflows;
- A designated member of the Leadership Team responsible for each risk; and
- Appropriate due diligence procedures for acquisitions, divestments and financing.

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

Role of the Audit and Risk Management Committee

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

Managing Director and CFO Declaration

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

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

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

Principle 8: Remunerate fairly and responsibly

Recommendations:

8.1 The Board should establish a Remuneration Committee;

8.2 The remuneration committee should be structured so that it:
- consists of a majority of independent Directors;
- is chaired by an independent chair; and
- has at least three members.

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

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

Remuneration Committee

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

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

- William Bloking, Chairman;
- Andrew Edwards; Member (Appointed 20 November 2014) and
- Chaiwat Kovavisarach, Member (Appointed 20 November 2014).

Messrs Bloking and Edwards are considered to be independent.

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

The Committee met twice during the year ended 31 December 2014. Details of meeting attendance for Committee members are set out in the Directors' Report on page 14. The Remuneration and Nomination Committee's Charter is available on the Company's website.

Non-Executive Director Remuneration

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

Remuneration of Managing Director and Senior Executives

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

CORPORATE GOVERNANCE DOCUMENTS

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

OTHER

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

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

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

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

DIRECTORS' DECLARATION

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

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

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the year ended on that date; and

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

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

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

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the *Corporations Act 2001* for the financial year ended 31 December 2014.

For and on behalf of the Board

William Bloking FAICD

Chairman

19 March 2015

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	Consolidated 2014 $'000	2013 $'000
Revenue from sale of crude oil		81,517	40,912
Other revenue	2(a)	17	37
Total revenue		81,534	40,949
Cost of sales	3(a)	(44,318)	(24,405)
Gross profit		37,216	16,544
Other income	2(b)	24	533
Administrative and other expenses	3(b)	(43,306)	(10,995)
Foreign currency gains		9,145	18,574
Finance costs	3(d)	(3,993)	(381)
Loss on derecognition of financial liabilities	3(c)	-	(449)
(Loss) / profit before income tax from continuing operations		(914)	23,826
Income tax (expense)	4	(5,838)	(3,809)
Net (Loss) / profit for the year from continuing operations		**(6,752)**	**20,017**
Other comprehensive income / (loss)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(1,642)	(4,312)
Income tax relating to items of other comprehensive income / (loss)		-	-
Other comprehensive (loss) for the year, net of tax		(1,642)	(4,312)
Total comprehensive (loss) / income for the year		**(8,394)**	**15,705**
		Cents	Cents
Earnings per share for profit / (loss) attributable to the ordinary equity holders of the Company:			
Basic profit / (loss) per share	20	(0.32)	1.00
Diluted profit per share	20	(0.32)	1.00

BALANCE SHEET

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	Consolidated 2014 $'000	2013 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	5	10,926	25,354
Trade and other receivables	6	5,280	3,460
Inventories	7	6,400	4,320
Current tax asset	4	2,100	1,934
Other financial assets	8	25	23
		24,731	35,091
Disposal group held for sale	13	-	4,133
Total Current Assets		24,731	39,224
Non-Current Assets			
Plant and equipment	9	227	261
Oil and gas properties	10	40,578	63,404
Exploration and evaluation expenditure	11	53,011	44,448
Deferred tax asset	4	-	1,334
Other financial assets	8	16,538	3,046
Total Non-Current Assets		110,354	112,493
Total Assets		135,085	151,717
LIABILITIES			
Current Liabilities			
Trade and other payables	14	3,426	5,046
Provisions	16	560	437
Financial liabilities	15	12,834	18,339
		16,820	23,822
Liabilities directly associated with disposal group classified as held for sale	13	-	4,013
Total Current Liabilities		16,820	27,835
Non-Current Liabilities			
Provisions	17	16,802	10,496
Deferred tax liabilities	4	5,531	-
Financial liabilities	15	-	11,566
Total Non-Current Liabilities		22,333	22,062
Total Liabilities		39,153	49,897
Net Assets		95,932	101,820
EQUITY			
Contributed equity	18	169,623	169,623
Other reserves	19	12,067	11,203
Accumulated losses		(85,758)	(79,006)
Total Equity		95,932	101,820

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

		Consolidated	
	Notes	2014 $'000	2013 $'000
Cash Flows From Operating Activities			
Receipts from customers		83,914	49,136
Payments to suppliers and employees		(41,331)	(26,721)
Interest received		15	38
Interest paid		(1,983)	(249)
Net cash from operating activities	25(a)	40,615	22,204
Cash Flows From Investing Activities			
Expenditure on oil and gas properties		(1,954)	(40,823)
Expenditure on exploration and evaluation assets		(24,599)	(5,739)
Interest paid		-	(1,140)
Payments for plant and equipment		(73)	(4)
Deposit paid	8	(13,242)	-
Proceeds from disposal of plant and equipment		1	-
Proceeds from farm-out		1,971	-
Net cash used in investing activities		(37,896)	(47,706)
Cash Flows From Financing Activities			
Proceeds from issues of equity securities		-	11,984
Payments for equity issue costs		-	(1,218)
Proceeds from borrowings		-	21,729
Payments for financing costs		(372)	(1,746)
Repayment of borrowings		(19,135)	(1,581)
Net cash (used in) / from financing activities		(19,507)	29,168
Net (decrease) / increase in cash and cash equivalents		(16,788)	3,666
Effect of foreign exchange rates		2,360	3,589
Cash and cash equivalents at beginning of year		25,354	18,099
Cash and cash equivalents at end of year	5	10,926	25,354

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

	Contributed Equity $'000	Share Based Payment Reserve $'000	Foreign Currency Translation Reserve $'000	Accumulated Losses $'000	Total Equity $'000
Consolidated					
At 1 January 2013	158,857	8,768	6,155	(99,023)	74,757
Profit / (loss) for the year	-	-	-	20,017	20,017
Other comprehensive income / (loss)	-	-	(4,312)	-	(4,312)
Total comprehensive loss for the period, net of tax	-	-	(4,312)	20,017	15,705
Transactions with owners in their capacity as owners:					
Issue of share capital	11,984	-	-	-	11,984
Cost of issue of share capital	(1,218)	-	-	-	(1,218)
Share based payments	-	592	-	-	592
	10,766	592	-	-	11,358
As at 31 December 2013	169,623	9,360	1,843	(79,006)	101,820
At 1 January 2014	169,623	9,360	1,843	(79,006)	101,820
Profit / (loss) for the year	-	-	-	(6,752)	(6,752)
Other comprehensive income / (loss)	-	-	(1,642)	-	(1,642)
Total comprehensive loss for the period, net of tax	-	-	(1,642)	(6,752)	(8,394)
Transactions with owners in their capacity as owners:					
Share based payments	-	2,506	-	-	2,506
	-	2,506	-	-	2,506
As at 31 December 2014	169,623	11,866	201	(85,758)	95,932

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Corporate Information

This financial report of Nido Petroleum Limited for the year ended 31 December 2014 was authorised for issue in accordance with a resolution of the Directors on 10 March 2015.

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

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

(a) Basis of Preparation

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

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

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

The Group has adopted all new and amended Australian Accounting Standards and AASB Interpretations effective as of 1 January 2014, including:

- AASB 2001-4 Amendments to AASB 124 Key Management Disclosures

  This Standard makes amendments to remove individual key management personnel disclosure requirements from AASB 124. This impacted disclosure.

- Interpretation 21 Levies

  This Interpretation confirms that a liability to pay a levy is only recognized when the activity that triggers the payment occurs. No impact to the Group.

- AASB 2013-3 Amendments to AASB 136 Recoverable Amount Disclosures for Non-Financial Assets

  This Standard amends the disclosure requirements in AASB 136 Impairment of Assets. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of the impaired asset is based on the fair value less costs of disposal. This has impacted disclosures.

(b) Statement of Compliance

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

(c) New Accounting Standards Not Yet Effective

Applicable Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ended 31 December 2014.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. (b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. (d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: • The change attributable to changes in credit risk are presented in other comprehensive income (OCI); and • The remaining change is presented in profit or loss.	1 January 2018	The Group has not yet determined the extent of the impact of the amendments, if any.	1 January 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 9 - continued	Financial Instruments	If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10. The AASB issued a revised version of AASB 9 (AASB 2013-9) during December 2013. The revised standard incorporates three primary changes: 1. New hedge accounting requirements including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures; 2. Entities may elect to apply only the accounting for gains and losses from own credit risk without applying the other requirements of AASB 9 at the same time; and 3. The mandatory effective date moved to 1 January 2017.	1 January 2017	The Group has not yet determined the extent of the impact of the amendments, if any.	1 January 2017
AASB 2014-3	Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations	AASB 2014-3 amends AASB 11 to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. The amendments require: (a) the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in AASB 3 Business Combinations, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and (b) the acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.	1 January 2016	The Group has not yet determined the extent of the impact of the amendments, if any.	1 January 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2014-4	Clarification of Acceptable Methods of Depreciation and Amortisation	AASB 116 and AASB 138 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.	1 January 2016	The Group has not yet determined the extent of the impact of the amendments, if any.	1 January 2016
AASB 15	Revenue from Contracts with Customers	The core principle of this standard is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps: (a) Step 1: Identify the contract(s) with a customer (b) Step 2: Identify the performance obligations in the contract (c) Step 3: Determine the transaction price (d) Step 4: Allocate the transaction price to the performance obligations in the contract (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation	1 January 2017	The Group has not yet determined the extent of the impact of the amendments, if any.	1 January 2017
AASB 2014-9	Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements	AASB 2014-9 amends AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures, to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements.	1 January 2016	The Group has not yet determined the extent of the impact of the amendments, if any.	1 January 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2014-1 Part A -Annual Improvements 2010–2012 Cycle	Amendments to Australian Accounting Standards - Part A Annual Improvements to IFRSs 2010–2012 Cycle	AASB 2014-1 Part A: This standard sets out amendments to Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards (IFRSs) Annual Improvements to IFRSs and addresses the following items: ► AASB 2 - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'. ► AASB 3 - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to AASB 137. ► AASB 8 - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' asset to the entity's total assets. ► AASB 116 & AASB 138 - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts. ► AASB 124 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of AASB 124 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.	1 July 2014	No impact	1 January 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(d) Basis of Consolidation

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

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

All intercompany balances and transactions have been eliminated in full.

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

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

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

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

(e) Significant Accounting Judgments, Estimates and Assumptions

Significant accounting judgments

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

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

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

Significant accounting estimates and assumptions

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(iv) *Estimates of reserves quantities*

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

(v) *Valuation of embedded derivative*

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

For the year ended 31 December 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.

(vi) *Taxes*

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which losses can be utilised.

Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

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

(f) Foreign Currency Translation

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

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

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

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

(g) Interests in Joint Operations

Joint arrangements are arrangements of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of the arrangement which exists only when decisions about relevant activities require unanimous consent of the parties sharing control.

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(h) Cash and Cash Equivalents

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

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

(i) Trade and Other Receivables

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

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

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

(j) Inventories

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

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

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

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

(k) Plant and Equipment

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

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

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

- Plant and Equipment 2 – 3 years

Disposal

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

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

(l) Oil and Gas Properties

Assets in Development

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

Producing assets

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

Depletion charges are calculated using a unit of production method which will amortise the cost of carried forward exploration, evaluation and development expenditure over the life of the estimated Proved reserves (1P), in a cash generating unit.

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

(m) Exploration and Evaluation Expenditure

Deferred Expenditure

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Farm-outs

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

(n) Impairment of Non-Financial Assets

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

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

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

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

(o) Investments and Other Financial Assets

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

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

Recognition and De-recognition

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

(p) Trade and Other Payables

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

(q) Borrowings

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

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

(r) Provisions

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

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

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

Restoration Provisions

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(r) Provisions - Continued

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

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

(s) Share Based Payment Transactions

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

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

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

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

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

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

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

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

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

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

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

Performance Rights

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

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

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

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

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

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

(t) Employee Benefits

(i) *Wages, salaries and annual leave*

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

(ii) *Long service leave*

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

(iii) *Defined contribution plan*

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(t) Employee Benefits - Continued

(iv) *Defined benefits plan*

Nido Petroleum Limited operates a defined benefit retirement plan in the Philippines, which requires contributions to be made to a separately administered fund. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit valuation method.

The scheme is funded to the extent that a 'minimum funding amount' has been set aside in fund assets. Re-measurements are recognised immediately in the balance sheet with a corresponding debit or credit to Other Comprehensive Income. Re-measurements are not reclassified to profit or loss in subsequent periods.

(u) Leases

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

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

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

(v) Revenue

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

Sale of crude oil

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

Interest

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

(w) Borrowing Costs

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

(x) Income Tax

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

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(x) Income Tax - Continued

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

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

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

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

(y) Other Taxes

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

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

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

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

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

(z) Contributed Equity

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

(aa) Earnings per Share

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

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

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

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

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

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

(bb) Financial Instruments Issued by the Company

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

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

Debt Facility

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

For the year ended 31 December 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.

Interest and dividends

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

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

(dd) Derivative Financial Instruments

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

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

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

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

(ee) Operating Segments

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

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

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

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

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

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

(ff) Fair Value Measurement

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

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

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

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(ff) Fair Value Measurement - Continued

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

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

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

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

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

		Consolidated	
		2014 $'000	2013 $'000
2.	REVENUES		
(a)	Other Revenue		
	Interest revenue - other parties	17	37
(b)	Other Income		
	Municipal tax credits	-	392
	Gain on disposal of assets	1	2
	Other	23	139
	Total Other Income	24	533

		Consolidated 2014 $'000	Consolidated 2013 $'000
3.	EXPENSES		
(a)	Cost of Sales		
	Amortisation of oil and gas properties	16,346	6,689
	Other production costs net of inventory movement	27,972	17,716
	Total cost of sales	44,318	24,405

Other production costs expense includes SC 14C1 Galoc oil field payments for the FPSO of $11,813,000 (2013: $11,054,000). It is impracticable to split non-lease components from the operating lease payments.

		2014 $'000	2013 $'000
(b)	Administrative and Other Expenses		
	(i) Administrative expenses		
	Employee Benefits		
	Wages and salaries	3,717	4,403
	Defined contribution superannuation expense	250	327
	Share based payments expense	2,506	592
	Other employee benefits	885	125
	Total employee benefits	7,358	5,447
	Office and other expenses		
	Office and other expenses	1,477	2,073
	Depreciation, amortisation and impairment expenses		
	Depreciation of plant and equipment	107	144
	Amortisation of oil and gas properties	16,346	6,689
	Impairment write-down of oil and gas properties (note 10)	8,516	-
	Impairment write-down of inventory (note 7)	58	-
	Impairment write-down of exploration assets (note 11)	19,655	2,554
	Total depreciation, amortisation and impairment	44,682	9,387
	Less: amortisation included in cost of sales	(16,346)	(6,689)
	Total depreciation, amortisation and impairment included in other expenses	28,336	2,698
	Lease payments		
	Operating lease rental	530	542
	Total Administrative Expenses	37,701	10,760
	(ii) Other		
	Exploration and evaluation expenditure expensed	1,812	235
	Corporate advisor fees	3,793	-
	Total other	5,605	235
	Total Administrative and Other Expenses	43,306	10,995
(b)	Loss on derecognition of Financial Liabilities		
	Loss on derecognition of financial liabilities	-	449

3. EXPENSES - CONTINUED

For the year ended 31 December 2013, upon conversion of Galoc Debt Facility from Tranche 1 to Tranche 2, the Trance 1 loan was settled in full utilising funds from the Tranche 2 loan drawn down. This resulted in an extinguishment of the Tranche 1 loan and a resulting loss on derecognition through profit or loss. All terms and conditions of the facility remain unchanged after conversion, other than the specific terms and conditions contained in an agreement with Standard Bank which included the oil price premium fee and the associated embedded derivative which was cancelled on Standard Bank's exit from the facility.

	Consolidated	
	2014 $'000	2013 $'000
(d) Finance Costs		
(i) RBL facility finance costs		
Interest expense	3,860	331
(ii) Other finance costs		
Unwind of the effect of discounting on provisions	133	50
Total finance costs	3,993	381

4. INCOME TAX

(a) Income tax expense		
The major components of income tax expense are:		
Current income tax		
Current income tax charge / (benefit)	-	(7,986)
Prior year under / (over) provision	1,945	(1,176)
Deferred income tax		
Temporary differences originating and reversing	4,023	10,041
Prior year under / (over) provision	(130)	2,930
Income tax expense reported in income statement	5,838	3,809

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

(b) Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate		
Total accounting profit / (loss) before income tax	(914)	23,826
At the Group's statutory income tax rate Australia 30%, Philippines 30% (2013: Australia 30%, Philippines 30%)	(274)	7,148
Adjustments in respect of current year income tax		
Non-deductible expenses	6,451	315
Non-assessable income	(2,002)	(1,185)
Prior year (over) / under-provision	1,815	1,753
Deferred tax assets not recognised	(152)	(4,222)
Income tax expense for the year	5,838	3,809
Aggregate income tax is attributed to:		
Continuing operations	5,838	3,809

	Balance Sheet 2014 $'000	Balance Sheet 2013 $'000	Profit or Loss 2014 $'000	Profit or Loss 2013 $'000
4. INCOME TAX - CONTINUED				
(c) Deferred tax assets and liabilities				
Consolidated				
(i) Deferred tax liabilities				
Oil and gas assets	8,869	14,581	(6,596)	11,689
Restoration assets	3,028	2,813	-	2,813
Derivative asset	-	1	(1)	1
Financial liabilities	29	368	(358)	184
Unrealised foreign exchange movement	8,315	5,580	2,742	5,530
Set-off of deferred tax assets	(14,710)	(23,343)	4,213	(20,217)
	5,531	-	-	-
(ii) Deferred tax assets				
Provisions	298	151	(148)	(8)
Other	315	204	(115)	(46)
Rehabilitation	4,911	4,323	(174)	(2,865)
Exploration assets	3,816	2,254	(1,557)	1,297
Oil and gas assets	8,917	8,917	-	-
Unrealised foreign exchange movement	-	-	-	651
Revenue tax losses	21,565	34,102	12,206	(5,195)
Set-off against deferred tax liabilities	(14,710)	(23,343)	(4,213)	20,217
Unrecognised deferred tax asset	(25,112)	(25,274)	(161)	(10,849)
	-	1,334	5,838	3,202

The tax losses not brought to account for the 2014 year will only be obtained if:

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

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

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

Australian revenue tax losses of $58.502 million (2013: $54.144 million) are available indefinitely for offsetting against future Australian taxable profits subject to continuing to meet relevant statutory tests.

Revenue tax losses due to operations in the Philippines of $8.646 million (2013: $10.302 million) are available indefinitely for offset against future Philippine taxable profits subject to continuing to meet relevant statutory tests.

The deferred tax asset includes a net off from the remaining deferred tax asset generated from the write off of an intercompany loan not considered recoverable by Management in 2012 and considered connected to the trade or business of the Philippine Branches, which the remaining carried forward balance is expected to be claimed as a deduction against profits of the Nido Production (Galoc) Pty Ltd (Branch). Management has used significant judgement as to determining the deductibility of the write-off of the intercompany loan and has confirmed its judgement through independent legal and taxation advice that it is in accordance with the provisions of the Philippine tax code.

(d) Current Tax Asset

The Current Tax Asset includes income tax credits of $2.100 million to be offset against future taxable profits of Nido Production (Galoc) Pty Ltd Branch (2013: $1.934 million).

(e) No Tax Consolidated Group

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

	Consolidated 2014 $'000	Consolidated 2013 $'000
5. CASH AND CASH EQUIVALENTS		
Cash at bank and in hand [1]	10,870	25,300
Short term deposits	56	54
	10,926	25,354

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

1 Cash at bank includes $7.976 million in funds held in accounts with Credit Suisse AG at year-end. Usage of these funds is governed by the terms and conditions of the senior secured facility agreement.

6. RECEIVABLES

	2014 $'000	2013 $'000
Trade and Other Receivables – Current		
Crude oil receivables	-	292
Deposits held by Joint Operations	4,155	2,343
GST receivables	80	32
Other	1,045	793
	5,280	3,460

Fair Value and Risk Exposures

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

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

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

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

Ageing analysis of current receivables:	Total	0-30 days	31-60 days
2014	5,280	5,280	-
2013	3,460	3,460	-

There were no current receivables past due as at 31 December 2014. No impairment of assets was required as at 31 December 2014 (2013: Nil).

7. INVENTORIES

	2014 $'000	2013 $'000
Casing, pipe and drilling inventory	1,439	1,047
Oil in storage	4,961	3,273
Total inventories at lower of cost and net realisable value	6,400	4,320

Inventories with a carrying value of $57,709 (2013: nil) were fully impaired during the year.

8. OTHER FINANCIAL ASSETS

	2014 $'000	2013 $'000
Current:		
Receivables - security deposits	25	23
Non-Current:		
Receivables - security deposits	3,296	3,046
Receivables - business acquisition deposit [1]	13,242	-
	16,538	3,046

8. OTHER FINANCIAL ASSETS - CONTINUED

[1]The Company entered into Sale and Purchase Agreement with Otto Energy Limited on the 12 December 2014 to acquire all of the shares in Galoc Production Company WLL ('GPC') which holds a 33% working interest in the Galoc oil field for a purchase price of US$108 million based on the value of GPC as at 1 July 2014. A deposit of US$10.8 million was paid on 17 December 2014. All sale conditions were met subsequent to year end and the transaction was completed on 17 February 2015.

Fair Value and Risk Exposures

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

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

	Consolidated	
	2014 $'000	2013 $'000
9. PLANT AND EQUIPMENT		
Plant and equipment, at cost	2,480	2,368
Accumulated depreciation	(2,253)	(2,107)
	227	261
Reconciliation		
As at 1 January	261	392
Additions	73	4
Disposals	(1)	(3)
Depreciation expense	(107)	(144)
Currency translation differences	1	12
Net carrying value	227	261
10. OIL AND GAS PROPERTIES		
Production phase, at cost	129,890	127,855
Accumulated amortisation and impairment losses	(89,312)	(64,451)
	40,578	63,404
Reconciliations		
Production phase – net		
As at 1 January	63,404	8,649
Additions	40	-
Transfer from development / refund of expenditure	(1,471)	60,494
Impairment[1]	(8,516)	-
Amortisation of oil and gas properties	(16,346)	(6,689)
Currency translation differences	3,467	950
Net carrying value	40,578	63,404
Development phase – net		
As at 1 January	-	11,012
Additions	-	44,836
Transfer to production	-	(60,494)
Currency translation differences	-	4,646
Net carrying value	-	-

Oil and gas properties capitalised in the production phase as at 31 December 2014 comprised only of the SC 14C1 Galoc oil field.

1. With the reduction in global oil prices towards the end of the financial year, the carrying value of the SC14C1 Galoc oil field was reviewed as at 31 December 2014. It was determined that the carrying value of the SC14C1 Galoc oil field was $8.5 million in excess of its recoverable amount so the asset value was impaired accordingly.

10. OIL AND GAS PROPERTIES - CONTINUED

Impairment

In accordance with the Group's accounting policies and processes, the Group performs its impairment testing annually at 31 December. Non-financial assets are reviewed at each reporting period to determine where there is an indication of impairment. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made.

The significant reduction in the crude oil price in the last quarter of 2014 represented a possible indicator of impairment as at 31 December 2014. As a result, the Group assessed the recoverable amounts of each of the Oil and Gas Properties in the asset portfolio.

Unless otherwise identified, the following discussion of (a) impairment testing and (b) sensitivity analysis is applicable to the assessment of the recoverable amount of all of the Group's Oil and Gas Property assets.

(a) Impairment tesing

i) Methodology

Impairment is recognised when the carrying value exceeds the recoverable amount. The recoverable amount of each Oil and Gas Property has been estimated using its value in use.

Value in use is estimated based on discounted cash flows using market based oil price and exchange assumptions, estimated quantities of recoverable oil reserves and production costs.

Estimates of quantities of recoverable oil reserves, production levels and operating costs are sourced from the Joint Operator's planning process including life of well modelling, budgets and forecasted outlook. The 2015 Joint Operation budget and forecast were developed in the context of the current oil price environment and outlook, and the Group's continued focus of maximising free cash flow.

Significant judgements and assumptions are required in making estimates of value in use. This is particularly so in the assessment of long life assets. It should be noted that value in use calculations are subject to variability in key assumptions including, but not limited to, long-term oil prices, currency exchange rates, discount rates, production profiles and operating costs. An adverse change in one or more of the assumptions used to estimate value in use could result in a reduction in an Oil and Gas Property asset's recoverable amount.

ii) Key assumptions

The table below summarises the key assumptions used in the 2014 end of year carrying value assessments, and for comparison also provides the equivalent assumptions used in 2013:

	2014		2013	
	2015-2020	Long Term (2021+)	2014-2019	Long Term (2020+)
Oil price (US$ per bbl)	$50-$90	-	$95-$104	$95
Reserves	1P	-	1P	1P
Discount rate (%)	10%	-	10%	10%

Oil Prices

Oil prices are estimated with reference to external market forecasts and reviewed at least annually. The sizeable reduction in quoted oil prices towards the end of the financial year has resulted in significantly lower short-term and long-term oil price assumptions applied to the impairment reviews in 2014. The primary impact of this change was a reduction in the recoverable amount of the Galoc Oil and Gas Asset from reduced oil revenues and impact of field economic life.

10. OIL AND GAS PROPERTIES - CONTINUED

(a) Impairment testing - continued

Discount Rate

In determining the value in use of Oil and Gas assets, the future cash flows were discounted using rates based on pre-tax discount rate adjusted for risks specific to the CGU. The discount rates that applied to individual Oil and Gas Property assets that recognised impairments in 2014 were:

Oil and Gas Property	Functional Currency	2014	2013
Galoc oil field	USD	10%	10%

Production activity and operating costs

Production activity and operating costs assumptions are based on the Group's latest life of well models, budgets and forecasts. Where projects are operated by a joint operation which is not within the Group, information is sought from the operator at regular intervals and the most recent modelling from the operator is used as the basis for production activity and operating costs used in the value in use calculations.

For the Galoc oil field asset, production activity is assumed to decline until the end of the well life in a manner consistent with depletion to date. For value in use purposes, Galoc oil field production activity excludes any reserves which are outside those in the existing Phase I and Phase II developments completed. Using this profile for value in use calculations, discounted cash flows were maximised by utilising the asset's oil reserves until mid-2019.

iii) Impacts

After conducting the impairment analysis, the Group has recognised an impairment loss on assets within the CGU as follows:

Oil and Gas Property	Impairment – Other Assets $'000	Total $'000
Galoc oil field	8,516	8,516

The key driver of the impairment for the Galoc oil field asset was the reduced oil price profile for 2015-2019, other cost assumptions remained relatively static for the remaining well life.

The carrying value of the Nido and Matinloc Oil field is nil. This asset is fully impaired.

After effecting the impairments for the Galoc oil field Oil and Gas Property, the recoverable amount of these assets is assessed as being equal to their carrying amount as at 31 December 2014.

The recoverable amount of the CGU is US$31,507,731.

(b) Sensitivity Analysis

Any variation in the key assumptions used to determine value in use would result in a change of the estimated recoverable amount. If the variation in assumption had a negative impact on recoverable amount it could indicate a requirement for additional impairment to non-current assets.

It is estimated that changes in the key assumptions would have the following approximate impact on the recoverable amount of the Galoc oil field asset in its functional currency.

Oil and Gas Property Assets	Galoc Oil Field US$'000
$10 change per barrel in oil price	10,325
0.25% increase/decrease in the discount rate	145
5% increase/decrease in the assumed operating costs	3,616

It must be noted that each of the sensitivities above assumes that the specific assumption moves in isolation, whilst all other assumptions are held constant. In reality, a change in one of the aforementioned assumptions may accompany a change in another assumption which may have an offsetting impact. Action is also usually taken to respond to adverse changes in economic assumptions that may mitigate the impact of any such change.

11. EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated 2014 $'000	Consolidated 2013 $'000
Exploration and evaluation expenditure, at cost	53,011	44,448
Reconciliation		
As at 1 January	44,448	30,587
Additions	24,319	12,194
Transfer to oil and gas properties	-	-
Transfer from/(to) asset held for sale (note 13)	1,613	(1,613)
Disposal of exploration asset	(1,971)	-
Impairment write-down of exploration assets	(19,655)	(2,554)
Currency translation differences	4,257	5,834
Net carrying value	53,011	44,448

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

The disposal of exploration assets during the year relates to farm-outs of working interest in SC 63.

Impairment of exploration and evaluation expenditure asset of $6.09 million relates to Nido's share of SC 63 Baragatan-1A exploration well drilling costs. These costs have been impaired due to the well being deemed non-commercial. The remaining amount of $13.56 million relates to the impairment of Nido's share of the drilling cost associated with Balqis-1, Boni-1 exploration wells in the Baronang PSC and the Gobi-1 exploration well in the Gurita PSC as the wells were unsuccessful in discovering commercial hydrocarbons. The impairment expense also includes the impairment of the remaining capitalised expenditure in the Baronang and Cakalang PSC's due to the Company election to withdraw from PSC's at the end of 2014.

For the year ended 31 December 2013, impairment of exploration and evaluation expenditure asset of $0.81 million relates to Nido's share in SC 54A with the carrying value of the assets reduced to their estimated fair value less costs of disposal. The remaining amount of $1.74 million relates to Nido's acreage in SC 54B, which have been impaired to nil as a result of an assessment of the extent to which the carried forward balances are expected to be recouped through the successful exploration and development of the area of interest (or alternatively by its sale).

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

	Parent Company 2014 $'000	Parent Company 2013 $'000
Current assets	1,623	5,715
Non-current assets	86,776	91,100
Current liabilities	(1,126)	(972)
Non-current liabilities	(46)	(64)
Net assets	87,227	95,779
Contributed equity	169,623	169,623
Share based payments reserve	11,866	9,361
Accumulated losses	(94,262)	(83,205)
Total equity	87,227	95,779
(Loss) of the parent entity for the year	(11,058)	(6,547)
Total comprehensive (loss) of the parent entity	(11,058)	(6,547)

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

	Parent Company	
	2014 $'000	2013 $'000
Commitments and Contingencies		
Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities, payable:		
Within one year	597	580

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

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

13. DISPOSAL GROUP HELD FOR SALE

(a) Details of non-current assets for sale

On 21 November 2013, Nido entered into Sale and Purchase agreements with Colossal Petroleum Corporation to dispose of participating interests in Service Contract 54A (Exploration and Evaluation Operating Segment) together with its participating interest in Block A, Block B and Block D Retention of Service Contract 14 (Production and Operating Segment). The consideration for the disposal of the participating interest in SC 54A and Block A, Block B and Block D Retention of Service Contract 14 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. The Sale and Purchase Agreements were subject to Joint Operation and DOE approval. The disposal group formed part of the exploration and evaluation operating segment.

On 28 March 2014, the Sales and Purchase agreements entered into with Colossal Petroleum Corporation were terminated due to the inability to obtain the requisite Joint Operation and DOE approvals. Assets and liabilities have been reclassified from being held for sale back to their relevant categories in the Balance Sheet.

(b) Assets and liabilities held for sale

	Consolidated	
	2014 $'000	2013 $'000
Assets		
Receivables	-	1,288
Exploration and evaluation expenditure	-	1,613
Inventory	-	1,232
Assets classified as held for sale	-	4,133
Liabilities		
Payables	-	35
Provisions – restoration	-	3,978
Liabilities associated with assets classified as held for sale	-	4,013

14. TRADE AND OTHER PAYABLES

Trade creditors	3,394	4,999
Other creditors	32	47
	3,426	5,046

Fair Value and Risk Exposures

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

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

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

15. FINANCIAL LIABILITIES

	Consolidated	
	2014 $'000	2013 $'000
Current		
Financial liability measured at amortised cost	12,831	18,311
Accrued interest	3	28
	12,834	18,339
Non-Current		
Financial liability measured at amortised cost	-	11,566

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

(a) Nature and Fair Value

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

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

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

During the prior year (2013), 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 remaining term of the facility, the carrying amount of the debt component will be accreted to the US$10.5 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 is A$13.1 million.

(b) Risk exposures

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

16. CURRENT PROVISIONS

Employee benefits – Annual Leave and Long Service Leave	560	437

17. NON-CURRENT PROVISIONS

	Consolidated 2014 $'000	2013 $'000
Employee benefits – Long Service Leave	46	64
Employee benefits – Defined Benefit Plan Philippines [1]	387	-
Restoration	16,369	10,432
	16,802	10,496

[1] Defined Benefit Plan – Philippines

The Group has a defined benefit retirement plan in the Philippines. The plan is a final salary plan for employees in the Philippines where contributions are required to be made to a separately administered fund.

The level of benefits provided depends on the member's length of service and salary at retirement age. The fund is governed by retirement committee appointed by the Group and is responsible to ensure the administration of and contributions made on behalf of the members of the fund.

The retirement plan is exposed to the Philippines inflation, interest rate risks and changes in the life expectancy of the recipients.

Net benefit expense 2014

(recognised in profit or loss)

Current service cost	736	-
Interest cost on defined benefit obligation	21	-
Net benefit expense	757	-

Changes in the present value of the defined benefit obligation are as follows:

	$'000
Defined Benefit Obligation at 31 December 2013	-
Interest cost	21
Current service cost	736
Benefits paid	-
Exchange differences	32
Defined Benefit Obligation at 31 December 2014	789

Benefit Liability

Defined benefit obligation	789
Fair value of plan assets	(402)
Benefit liability	387

Change in fair value of asset

Fair value at 31 December 2013	-
Contributions by employer	402
Fair value at 31 December 2014	402

17. NON-CURRENT PROVISIONS - CONTINUED

The major categories of plan assets included in the fair value of the total plan assets are as follows:

	Consolidated 2014 $'000	Consolidated 2013 $'000
Investments quoted in active markets:		
Quoted equity investments		
BPI Equity Value Fund	15	-
Philippine Stock Index Fund	79	-
Quoted debt investments		
Odyssey Peso Income Fund	286	-
Cash and cash equivalents:	2	-
Unquoted investments:		
Receivables - BPI Equity trade	20	-
	402	-

The principal assumptions used in determining retirement benefit obligations for the Group's plan is shown below:

	2014 %	2013 %
Discount rate	4.7	-
Future salary increases	5.0	-
	Years	Years
Expected average remaining working life of employees	16.0	-

A quantitative sensitivity analysis for significant assumptions as at 31 December 2014 is shown below:

Assumptions	Discount Rate		Future salary increases	
Sensitivity Level	0.5% Increase $'000	0.5% Decrease $'000	1.0% Increase $'000	1.0% Decrease $'000
Impact on defined benefit obligation	(55)	61	123	(102)

Assumptions	Expected average remaining working life of employees	
Sensitivity Level	Increase by 1 year $'000	Decrease by 1 year $'000
Impact on defined benefit obligation	7	(8)

The sensitivity analyses above have been determined based on a method and extrapolates the impact on the defined benefit obligation as a result of reasonable changes in the key assumptions occurring at the end of the reporting period.

17. NON-CURRENT PROVISIONS - CONTINUED

	Consolidated 2014 $'000	2013 $'000
Movements in non-current restoration provision		
As at 1 January	10,432	4,859
Arising during the year	543	8,486
Unwinding and discount rate adjustment	133	4
Transfer from / (to) asset held for sale (note 13)	3,978	(3,978)
Currency translation difference	1,283	1,061
Net carrying value	16,369	10,432

Nature and timing of the restoration provision:

The Group has recognised a provision for restoration related to the estimated cost of restoration work required at the end of the useful life of the producing fields, including removal of facilities and equipment required or intended to be removed. The provision includes abandonment of producing wells in Service Contract 14, in particular for the Galoc oil field in SC14 Block C-1 (currently estimated to be abandoned around 2019), Nido and Matinloc oil fields in SC 14A and SC 14B (currently estimated to be abandoned around 2018) and recognised a provision for restoration relating to the existing non-producing wells and infrastructure in SC14 Block C-2 (West Linapacan). The estimated costs relating to the abandonment of West Linapacan have been capitalised as the restoration obligation is recognised during the evaluation stage, with abandonment of the field to be completed before the expiration of the Service Contract term in 2025.

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

18. CONTRIBUTED EQUITY

Issued and fully paid ordinary shares	169,623	169,623

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

(a) Movement of shares on issue

	2014 Number of Shares	2014 $'000	2013 Number of Shares	2013 $'000
Beginning of the year	2,046,650,968	169,623	1,601,120,957	158,857
Issued during the year:				
• issues of new shares (i)	138,282,166	-	443,863,344	11,984
• issue of new shares under employment contract (ii)	3,333,334	-	1,666,667	-
• less transaction costs	-	-	-	(1,218)
End of the year	2,188,266,468	169,623	2,046,650,968	169,623

18. CONTRIBUTED EQUITY - CONTINUED

(a) Movement of shares on issue - Continued

(i) New shares issued

2014

On 4 August 2014, 93,612,483 ordinary shares were issued pursuant to the vesting of Employee Performance Rights, and 44,669,683 ordinary shares were issued to Mr Philip Byrne pursuant to the vesting of Managing Director Performance Rights.

2013

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

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

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

(ii) Shares issued under employment contract

2014

On 7 January 2014, 1,666,667 ordinary shares (Trance 4) and on 30 June 2014, 1,666,667 ordinary shares (Trance 5) were issued to Mr Byrne, Managing Director, pursuant to a Sign-on and Retention Bonus which forms part of the employment contract entered into between Nido Petroleum Limited and Mr Byrne.

On 15 September 2014 the remaining 1,666,665 rights to ordinary shares held by Mr Byrne were cancelled for nil consideration.

2013

On 1 July 2013, 1,666,667 ordinary shares (Trance 3) were issued to Mr Byrne, Managing Director, pursuant to a Sign-on and Retention Bonus which forms part of the employment contract entered into between Nido Petroleum Limited and Mr Byrne.

(b) Performance rights on issue

The total number performance rights on issue as at 31 December 2014 is nil performance rights (2013: 97,034,171 performance rights). Refer to Note 23 for further details including information on the Sign On and Retention Bonus share entitlement.

(c) Capital Management

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

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

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

The gearing ratios based on operations at 31 December 2014 and 2013 were as follows:

	Consolidated	
	2014 $'000	2013 $'000
Total payables and borrowings*	16,646	34,951
Less cash and cash equivalents	(10,926)	(25,354)
Net debt	5,720	9,597
Total equity	95,932	101,820
Total capital	101,652	111,417

* Includes interest bearing loans and borrowings and trade and other payables. Trade and other payables for the group as at 31 December 2014 is $3,812,000 (2013: $5,046,000).

Gearing ratio**	6%	8%

** Gearing excluding trade and other payables for the group is 2% (2013:4%).

Note, Bangchak Petroleum provided the funding for the acquisition of Galoc Production WLL (refer Note 33 (1) Subsequent Events), with final draw-down in February 2015 (key terms are detailed in Note 26(b)). The Groups gearing ratio will as a result significantly increase with the transaction being fully debt funded.

19. RESERVES

	Consolidated 2014 $'000	Consolidated 2013 $'000
Share-based payment reserve	11,866	9,360
Foreign currency translation reserve	201	1,843
	12,067	11,203

Nature and purpose of reserves:

Share-based payment reserve

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

Foreign currency translation reserve

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

	2014 $'000	2013 $'000
Movement in Share-based payment reserve:		
As at 1 January	9,360	8,768
Share based payments	2,506	592
	11,866	9,360
Movement in Foreign currency translation reserve:		
As at 1 January	1,843	6,155
Translation of foreign subsidiaries	(1,642)	(4,312)
	201	1,843

20. EARNINGS PER SHARE

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

(a) Earnings used in calculating earnings per share

	Consolidated 2014 $'000	Consolidated 2013 $'000
Profit/(loss) attributable to ordinary equity holders of the Company used in calculating:		
• basic profit/(loss)	(6,752)	20,017
• diluted profit/(loss)	(6,752)	20,017

(b) Weighted average number of shares

	2014 #	2013 #
Weighted average number of ordinary shares used in the calculation of the basic earnings per share.	2,105,575,286	1,997,635,228
Adjustment for calculation of diluted earnings per share		
• options and rights	n/a	6,648,401
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted earnings per share	2,105,575,286	2,004,283,629

20. EARNINGS PER SHARE - CONTINUED

(b) Weighted average number of shares - continued

There was no adjustment for 2014 to the weighted average number of shares for calculation of the diluted EPS as this would be antidilutive.

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

(c) Information on the classification of securities

(i) Performance Rights

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

21. DIVIDENDS PAID AND PROPOSED

No dividend has been paid or declared during the 2014 and 2013 financial years.

22. OPERATING SEGMENTS

Identification of reportable segments

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

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

The reportable segments are based on operating segments determined by the similarity of activity type and phase of operations, as these are the sources of the Group's major risks and have the most effect on the rates of return.

Reportable Operating Segments Identified

For management purposes, the Group has organised its operating segments into two reportable segments as follows:

- Production and Development Assets Segment: This segment includes oil producing assets and assets and activities that are in the development phase but have not yet achieved first oil and/or gas production.
- Exploration and Evaluation Assets Segment: This segment includes assets and activities that are associated with the determination and assessment of the existence of commercial economic reserves.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated Financial Statements. However, the Group's financing (including finance costs, finance income and foreign exchange movements) are managed on a group basis and are not allocated to operating segments.

Accounting Policies

The accounting policies used by the Group in reporting segments internally are the same as those contained in Note 1 to the accounts.

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

There have been no inter-segment transactions.

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

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

- Net gains on disposal of available for sale assets
- Finance costs and revenues
- Interest revenue
- Foreign currency gains / (losses)
- Corporate costs

22. OPERATING SEGMENTS – CONTINUED

The following table presents revenue and profit information for reportable segments for the years ended 31 December 2014 and 31 December 2013.

Operating Segments	Production and Development $'000	Exploration and Evaluation $'000	Total Operations $'000
Year ended 31 December 2014			
Revenue			
Revenue from sale of crude oil – external customers	81,517	-	81,517
Total segment revenue			**81,517**
Reconciliation of segment revenue to total revenue			
Other revenue			17
Total revenue			**81,534**
Result			
Total segment result	**22,840**	**(21,520)**	**1,320**
Segment result includes:			
Amortisation	(16,346)	-	(16,346)
Impairment of exploration and evaluation expenditure	-	(19,655)	(19,655)
Impairment of inventory	-	(58)	(58)
Impairment of oil and gas assets	(8,516)	-	(8,516)
Income tax expense	(5,838)	-	(5,838)
Reconciliation of segment result after tax to net profit after tax			
Finance costs			(3,993)
Foreign currency gains			9,145
Corporate costs			(13,265)
Other revenue and income			41
Net profit after tax			**(6,752)**

22. OPERATING SEGMENTS – CONTINUED

Operating Segments

	Production and Development $'000	Exploration and Evaluation $'000	Total Operations $'000
Year ended 31 December 2013			
Revenue			
Revenue from sale of crude oil – external customers	40,912	-	40,912
Total segment revenue			40,912
Reconciliation of segment revenue to total revenue			
Other revenue			37
Total revenue			40,949
Result			
Total segment result	12,772	(2,826)	9,946
Segment result includes:			
Amortisation	(6,689)	-	(6,689)
Impairment of exploration and evaluation expenditure	-	(2,554)	(2,554)
Income tax expense	(3,809)	-	(3,809)
Reconciliation of segment result after tax to net profit after tax			
Loss on derecognition of financial liabilities			(449)
Finance costs			(381)
Foreign currency gains			18,574
Corporate costs			(8,206)
Other revenue and income			533
Net profit after tax			20,017

22. OPERATING SEGMENTS – CONTINUED

Major Customers and Geographical Areas

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

Customer	2014 Revenue received from Sale of Crude Oil $'000	2013 Revenue received from Sale of Crude Oil $'000
# 1	28,148	-
# 2	17,227	10,701
# 3	16,785	8,316
# 4	8,734	18,844
# 5	7,950	-
# 6	2,673	3,051
Total	81,517	40,912

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

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

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

Country	2014 Revenue received from Sale of Crude Oil $'000	2013 Revenue received from Sale of Crude Oil $'000
South Korea	54,109	29,545
Philippines	2,673	3,051
Thailand	16,785	8,316
Brunei	7,950	-
Total Revenue	81,517	40,912

22. OPERATING SEGMENTS – CONTINUED

2014

Segment assets, liabilities and capital expenditure were as follows:

Operating Segments	Production and Development $'000	Exploration and Evaluation $'000	Total Operations $'000
Segment Operating Assets			
Cash and cash equivalents	9,794	-	
Trade and other receivables	3,517	680	
Inventories	4,961	1,439	
Oil and gas properties	40,578	-	
Exploration and evaluation assets	-	53,011	
Other non-current financial assets	16,397	-	
	75,247	55,130	130,377
Reconciliation of segment assets to total assets			
Unallocated assets:			
Cash and cash equivalents			1,132
Trade and other receivables			1,083
Other current financial assets			25
Current tax assets			2,100
Plant and equipment			227
Other non-current financial assets			141
Total Assets			135,085
Segment Operating Liabilities			
31 December 2014	(23,129)	(1,538)	(24,667)
Reconciliation of segment liabilities to total liabilities			
Unallocated liabilities – other			(14,487)
Total Liabilities			(39,154)
Segment Capital Expenditure			
31 December 2014	(1,471)	22,346	20,875
Reconciliation of capital expenditure to total capital expenditure			
Unallocated additions			-
Total Capital Expenditure			**20,875**

The percentage of the location of non-current assets other than financial instruments for the year ended 31 December 2014 is 99% within the Philippines and 1% within Australia.

22. OPERATING SEGMENTS – CONTINUED

2013

Segment assets, liabilities and capital expenditure were as follows:

Operating Segments	Production and Development $'000	Exploration and Evaluation $'000	Total Operations $'000
Segment Operating Assets			
Cash and cash equivalents	18,847	-	
Trade and other receivables	3,057	-	
Inventories	3,274	1,046	
Other current financial assets	23	-	
Assets held for sale	1,252	2,881	
Oil and gas properties	63,404	-	
Exploration and evaluation assets	-	44,448	
Other non-current financial assets	2,905	-	
	92,762	48,375	141,137
Reconciliation of segment assets to total assets			
Unallocated assets:			
Cash and cash equivalents			6,507
Trade and other receivables			403
Current tax assets			1,934
Plant and equipment			261
Other non-current financial assets			141
Deferred tax assets			1,334
Total Assets			151,717
Segment Operating Liabilities			
31 December 2013	(48,084)	(832)	(48,916)
Reconciliation of segment liabilities to total liabilities			
Unallocated liabilities – other			(981)
Total Liabilities			(49,897)
Segment Capital Expenditure			
31 December 2013	44,836	12,194	57,030
Reconciliation of capital expenditure to total capital expenditure			
Unallocated additions			4
Total Capital Expenditure			**57,034**

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

23. SHARE-BASED PAYMENTS

(a) Recognised Share Based Payments Expenses

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

	Consolidated	
	2014 $'000	2013 $'000
Share based payments expensed	2,506	592

(b) Share-based Plans

(i) Performance Rights Plan

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

Performance rights issued under the plan vest as follows:

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

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

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

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

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

23. SHARE-BASED PAYMENTS – CONTINUED

(b) Share-based Plans – continued

(i) Performance Rights Plan – continued

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

(ii) Managing Director Performance Rights

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

(iii) Managing Director Sign On and Retention Bonus Share Entitlement

As part of the employment contract entered into between Nido Petroleum Limited and Mr Philip Byrne, Nido was required to issue 10,000,000 fully paid ordinary shares as a sign-on and retention bonus.

These shares were 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 were for 1,666,667 ordinary Shares with a final tranche of 1,666,665 ordinary shares. The grant date of the rights to the issue of future shares was 8 October 2011 which was the date Mr Philip Byrne entered into his employment contract.

The fourth and fifth tranches of shares were issued during 2014 and the final tranche of 1,666,665 ordinary shares was cancelled by Mr Byrne for nil consideration on 15 September 2014.

(c) Summary of performance rights issued to employees

(i) Performance Rights

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

	2014 No.	2013 No.
Outstanding at the beginning of the year	22,669,579	14,304,800
Granted during the year	10,186,521	17,267,597
Forfeited / cancelled during the year	(4,325,485)	(8,902,818)
Exercised during the year[1]	(28,530,615)	-
Outstanding at the end of the year	-	22,669,579
Exercisable at the end of the year	-	-

[1] An off-market takeover offer bid for Nido Petroleum Limited by Bangchak Petroleum Public Company Limited via its wholly owned subsidiary BCP Energy International Pte Ltd ("BCPE") was announced on 4 August 2014. This takeover bid triggered the vesting and exercise of all outstanding performance rights. There were therefore no performance rights outstanding as at 31 December 2014.

(ii) Weighted average remaining contractual life

The weighted average remaining contractual life for the performance rights outstanding at the end of the year is nil years (2013: 1.8 years).

(iii) Weighted average fair value of performance rights granted

The weighted average fair value for the performance rights outstanding at the end of the year is $nil (2013: $0.03).

(iv) Range of exercise prices

The Performance Rights have no exercise price.

23. SHARE-BASED PAYMENTS – CONTINUED

(c) Summary of performance rights issued to employees – continued

(v) Valuation models

Performance Rights to employees (excluding Directors and Executives)

The fair value of the performance rights is estimated at the date of grant using a Monte Carlo simulation model. The following table gives the assumptions made in determining the fair value of the performance rights granted in the year. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

2014

Grant date	18/3/2014
Dividend yield (%)	-
Expected volatility (%)	65-75%
Risk-free interest rate (%)	2.94%
Expected life of rights (years)	3
Exercise price ($)	-
Share price at grant date ($)	0.03

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

2013

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

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

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

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

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

As noted in (b)(iii) as part of the employment contract entered into between Nido Petroleum Limited and Mr Philip Byrne, Nido was required to issue future grants of fully paid Ordinary Shares as a sign-on and retention bonus.

The fair value of these shares has been determined based on market prices prevailing on the 8 October 2011. The full fair value of the shares is $450,000 being 10,000,000 at 4.5c per share at grant date. Note an amount of $13,568 share based payments expense has been recognised for the year ended 31 December 2014 in accordance with Accounting Standard AASB 2 Share Based Payments.

23. SHARE-BASED PAYMENTS – CONTINUED

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

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

Managing Director	2014 No.	2013 No.
Outstanding at the beginning of the year	4,999,999	6,666,666
Granted during the year	-	-
Forfeited / cancelled during the year	(1,666,665)	-
Exercised during the year	(3,333,334)	(1,666,667)
Outstanding at the end of the year	-	4,999,999
Exercisable at the end of the year	-	1,666,667

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

(i) Performance Rights Plan

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

Executive Directors and Executives	2014 No.	2013 No.
Outstanding at the beginning of the year	74,364,592	15,015,304
Granted during the year#	38,257,298	61,424,892
Forfeited / cancelled / lapsed during the year	(2,870,339)	(2,075,604)
Exercised during the year	(109,751,551)	-
Outstanding at the end of the year	-	74,364,592
Exercisable at the end of the year	-	-

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

An off-market takeover offer for Nido Petroleum Limited by Bangchak Petroleum Public Company Limited via its wholly owned subsidiary BCP Energy International Pte Ltd ("BCPE") was announced on 4 August 2014. This takeover bid triggered the vesting and exercise of all outstanding performance rights. There were therefore no performance rights outstanding as at 31 December 2014.

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

The weighted average remaining contractual life for performance rights outstanding at the end of the year is nil years (2013: 2.1 years).

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

The weighted average fair value for the performance rights outstanding at the end of the year is $nil (2013: $0.024).

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

The Performance Rights have no exercise price.

23. SHARE-BASED PAYMENTS – CONTINUED

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

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

Performance Rights to Executive Directors and Executives

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

2014

Grant Date	18/03/2014	27/05/2014
Dividend yield (%)	-	-
Expected volatility (%)	65-75%	65-75%
Risk-free interest rate (%)	2.94%	2.71%
Expected life of rights (years)	3	3
Exercise price ($)	-	-
Share price at grant date ($)	0.03	0.033

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

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

2013

Grant Date	17/04/2013	24/05/2013
Dividend yield (%)	-	-
Expected volatility (%)	80-90%	80-90%
Risk-free interest rate (%)	2.8%	2.6%
Expected life of rights (years)	3	3
Exercise price ($)	-	-
Share price at grant date ($)	0.02	0.027

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

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

24. AUDITOR'S REMUNERATION

	Consolidated	
	2014	2013
	$	$
The auditor of Nido Petroleum Limited is Ernst & Young.		
Amounts received or due and receivable by Ernst & Young (Australia) for:		
• An audit or review of the financial report of the entity and any other entity in the consolidated entity	117,305	113,333
• Other services in relation to the entity and any other entity in the consolidated entity (tax and related services)	49,341	46,900
	166,646	160,233
Amounts received as due and receivable by related practices of Ernst & Young (Australia) for:		
• Audit services	-	-
• Tax and related services	-	-
	-	-
	166,646	160,233

25. NOTES TO THE CASH FLOW STATEMENT

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

	Consolidated	
	2014	2013
	$'000	$'000
Profit / (loss) from ordinary activities after income tax	(6,752)	20,017
Adjustments for:		
Depreciation of plant and equipment	107	144
Amortisation of oil and gas properties	16,346	6,689
Impairment write-down of exploration assets	19,655	2,554
Impairment of inventory	58	-
Impairment write-down of oil and gas assets	8,516	-
Accretion expense	133	50
Loss on derecognition of financial liabilities	-	449
Net exchange (gains)/losses	(9,129)	(18,574)
Share based payments	2,506	592
(Gain) / loss on disposal of plant and equipment	(1)	(1)
Exploration expenditure expensed	1,812	235
Financing costs	1,878	-
Changes in assets and liabilities:		
(Increase) / decrease in receivables	(698)	6,925
(Increase) / decrease in inventories	1,337	(2,511)
(Increase) / decrease in other assets	(1,687)	3,207
Increase / (decrease) in payables	691	2,557
Increase / (decrease) in other liabilities	5,737	(144)
Increase / (decrease) in provisions	106	15
Net Cash from / (used in) operating activites	40,615	22,204

26. RELATED PARTIES

(a) Compensation of Key Management Personnel

	Consolidated	
	2014	2013
	$	$
Short-term employment benefits	2,113,735	2,102,161
Post-employment benefits	225,288	200,382
Long-term	79,129	38,795
Share based payment	1,977,042	539,634
	4,395,194	**2,880,972**

26. RELATED PARTIES - CONTINUED

(b) Loans from Related Parties

	Consolidated	
	2014	2013
	$'000	$'000
Total Loan Facility with Bangchak Petroleum Public Company Ltd	147,131	-
Drawn amount	-	-
Undrawn amount	147,131	-

On 12 December 2014, Nido Petroleum Limited (Nido) entered into a revolving debt loan facility for up to US$120 million with the Bangchak Petroleum Public Company Limited ('Bangchak').

The primary purpose of the debt facility is to fund the acquisition of oil and gas assets approved by Bangchak. Nido has used the facility to acquire Otto Energy Ltd's (OEL) shares in the Galoc Production Company WLL ('GPC').

The key terms of the debt facility are as follows:

- Facility size: US$120 million, subject to conditions precedent and other terms of the facility;
- Interest payable is initially 6% per annum plus LIBOR increasing annually by 2% to a maximum rate of 12% plus LIBOR;
- Maturity date: December 2020 amortising on a semi-annual basis in accordance with the facility available amount; and
- The security package for the loan is conditional upon shareholder and other approvals and involves a second raking charge over Nido Production (Galoc) Pty Ltd's account for the receipts from Galoc production.

Nido's Related Party Transactions and Conflicts Committee assessed the arms-length-nature of the loan terms offered by Bangchak. The Committee reviewed the proposed loan terms against the Company's existing debt facility arrangements and other market based terms. In this context the Committee formed the view that the loan terms proposed by Bangchak were at least as favourable to Nido as arm's length terms.

(c) Other transactions

Transactions between related parties are on normal commercial terms and conditions no more favorable than those available to other parties:

- TransEnergy International Ltd, an entity controlled by E Mañalac, was paid $5,000 (2013: nil) in consultancy fees; and
- Dr Michael Ollis was also paid $10,000 (2013: nil) in consultancy fees.

There were no other related party transactions with other related parties during the 2014 year (2013: none).

27. EXPENDITURE COMMITMENTS

(a) Exploration Commitments

In order to maintain current rights of tenure to exploration permits, the consolidated entity has certain obligations to perform minimum exploration work and expend minimum amounts of money. These commitments may be varied as a result of renegotiations, relinquishments, farm-outs, sales or carrying out work in excess of the permit obligations. The following exploration expenditure requirements have not been provided for in the financial report and are payable:

Within one year	1,816	18,334
More than one year but not later than five years	7,357	6,762
	9,173	25,096

(b) Joint Operations Commitments

All of the consolidated entity's commitments arise from its interest in Joint Operations. The consolidated entity's share of expenditures contracted for at the balance date for which no amounts have been provided for in the Financial Statements are payable:

Within one year	4,383	4,062

(c) Non-cancellable Operating Lease Commitments

The consolidated entity has entered into non-cancellable operating leases for office premises and its Galoc operations FPSO. Commitments are as follows:

Within one year	13,683	13,994
More than one year but not later than five years	246	755
	13,929	14,749

27. EXPENDITURE COMMITMENTS - CONTINUED

(d) Remuneration Commitments

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

	Consolidated	
	2014	2013
	$'000	$'000
Within one year	597	580

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

28. INTERESTS IN JOINT ARRANGEMENTS

(a) Joint Operations

Permit	Country	Principal Activity	Average Interest
SC 54A	Philippines	Oil and gas exploration	42.4%
SC 54B	Philippines	Oil and gas exploration	60%
SC 58	Philippines	Oil and gas exploration	50%[1]

[1] Nido's participating interest in SC 58 is dependent upon the completion of its farm-in obligations under its Farm-in Agreement with PNOC–EC dated 17 July 2006. Nido's obligations include a well commitment in Sub-Phase 3.

The consolidated entity has classified these as joint operations under the terms of the agreements, the consolidated entity has joint control in the arrangement, by virtue of the voting threshold of the Joint Operating Agreement specific to the Service Contract or Production Sharing Contract, which the entity is a party to, being the affirmative vote of two or more parties owning an aggregate of at least 70% for SC 54A and SC 54B, and 75% for SC58. The consolidated entity has determined that it did not have joint control for the other Service Contracts and Production Sharing Contracts not outlined in the above table for which it holds a participating interest in. The Group has accounted for its undivided interest in these arrangements.

The consolidated entity recognises its partners share in all the assets employed in the joint arrangement and are liable for all the liabilities of the joint arrangement, according to their participating share.

(b) Commitments relating to Joint Operations

Capital expenditure commitments and contingent liabilities in respect of the Joint Operations are disclosed in Notes 27 and 30, respectively where applicable.

29. INFORMATION RELATING TO SUBSIDIARIES

The consolidated Financial Statements include the Financial Statements of Nido Petroleum Limited and the subsidiaries listed in the following table. The following were controlled entities during the financial year, and have been included in the consolidated Financial Statements. The financial years of all controlled entities are the same as that of the parent entity.

	Place of Incorporation and Operation	Principal Activities	% of Shares Held 2014 %	% of Shares Held 2013 %
Parent Entity:				
Nido Petroleum Limited	Australia			
Subsidiaries:				
Nido Petroleum Philippines Pty Ltd	Australia	Oil and gas exploration	100	100
Nido Petroleum (China) Pty Ltd	Australia	Investment	100	100
Nido Management Pty Ltd	Australia	Investment	100	100
Nido Petroleum Indonesia (Holding) Pty Ltd [1]	British Virgin Islands	Investment	100	100
Nido Petroleum Indonesia (Gurita) Pty Ltd [2,3]	British Virgin Islands	Oil and gas exploration	100	100
Nido Petroleum Indonesia (Baronang) Pty Ltd [2,4]	British Virgin Islands	Oil and gas exploration	100	100
Nido Petroleum Indonesia (Cakalang) Pty Ltd [2,5]	British Virgin Islands	Oil and gas exploration	100	100
Nido Production (Galoc) Pty Ltd [6]	British Virgin Islands	Oil production and exploration	100	100
Nido Production (Holding) Pty Ltd [7]	British Virgin Islands	Investment	100	100

[1] Change of name on 26 June 2013 formerly Nido Petroleum (BVI) No. 1 Pty Ltd

[2] Control is via Nido Petroleum Indonesia (Holding) Pty Ltd

[3] Change of name on 26 June 2013 formerly Nido Petroleum (BVI) No. 2 Pty Ltd

[4] Date of incorporation on 25 June 2013

[5] Date of incorporation on 25 June 2013

[6] Control is via Nido Production (Holding) Pty Ltd

[7] Control is via Nido Petroleum Philippines Pty Ltd

Subsidiaries

The only transaction between the parent entity and its subsidiaries was the provision of loan funds during the financial year. There are no restrictions on access to assets and liabilities of the subsidiaries.

30. CONTINGENT LIABILITIES

(a) Guarantees

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

Nido Petroleum Philippines Pty Ltd has secured a US$3 million bond in favour of PNOC Exploration Corporation in respect of SC 58. This bond will lapse on 6 August 2015 but is expected to be renewed by Nido Petroleum Philippines Pty Ltd prior to lapsing.

Nido Petroleum Philippines Pty Ltd is due to secure a US$260,000 bond in favour of the Department of Energy to guarantee its moratorium work commitment for SC 54.

Nido Petroleum Limited has provided a parent company guarantee to the Department of Energy in respect of the obligations of Nido Production (Holding) Pty Ltd and Nido Production (Galoc) Pty Ltd.

Nido Petroleum Philippines Pty Ltd has also provided a letter of undertaking to the Joint Operation partners of SC 14 to guarantee the work obligations of Nido Production (Galoc) Pty Ltd under SC 14.

Subsequent to year-end Nido Petroleum Limited provided Otto Energy Limited a parent company guarantee in the sum of US$3.75 million guaranteeing the Galoc Production Company WLL's obligations under the FPSO Lease in respect of the Galoc Joint Venture.

30. CONTINGENT LIABILITIES - CONTINUED

(b) Employment Contracts – Change of Control

In the event of a Change of Control, employees, other than officers, who entered into employment contracts prior to 2009 have the option to terminate their employment, in which case the employee will be paid a portion of their remuneration package varying between six months and one year.

As at 31 December 2014, the total amount that would be payable was $596,598 (2013: $579,526).

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash, short-term deposits and interest-bearing loans.

The main purpose of these financial instruments is to provide working capital for the Group's operations.

The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency, commodity risk and credit risk. The Board reviews and agrees on policies for managing each of these risks.

Interest Rate Risk

At balance date, the Group's exposure to market risk for changes in interest rates relates primarily to the Company's short-term cash deposits and long term debt obligations with an interest rate which is based on a variable US Libor plus fixed margin interest rate.

The Group constantly analyses its exposure to interest rates, with consideration given to potential renewal of existing positions, the mix of fixed and variable interest rates and the period to which deposits may be fixed. At balance date, the Group had the following cash flow risks arising from financial assets exposed to variable interest rates that are not designated in cash flow hedges:

	Consolidated	
	2014	2013
	$'000	$'000
Financial Assets:		
Cash and cash equivalents	10,926	25,354
Trade and other receivables	2,345	1,970
Financial Liabilities:		
Financial liabilities	12,834	29,905
Net exposure	437	(2,581)

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date. The sensitivity is based on reasonably possible changes, over a financial year, using an observed range of historical RBA ($AUD) interest rates and US London Inter-Bank Offer Rate (LIBOR) over the last year. Financial assets which are denominated in AUD include cash and cash equivalents ($0.6 million) and trade and other receivables ($10.3 million) while USD denominated balance include cash and cash equivalents (A$0.2 million), trade and other receivables (A$2.1 million) and financial liabilities (A$12.8 million).

At 31 December 2014, if Australian interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity relating to financial assets of the Group would have been affected as follows:

Judgements of reasonably possible movements:		
Post tax profit - higher / (lower)		
+ 1.0% (2013: +1.0%)	263	294
- 1.0% (2013: - 1.0%)	(263)	(294)
Equity - higher / (lower)		
+ 1.0% (2013: +1.0%)	-	-
- 1.0% (2013: - 1.0%)	-	-

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - CONTINUED

Interest Rate Risk - Continued

The 1.0% sensitivity is based on reasonably possible changes, over a financial year, using an observed range of historical London Inter-Bank Offer Rate (LIBOR) ($US) movements over the last year. At 31 December 2014, if the interest rate (US Libor plus fixed margin interest rate) applied to the long term borrowings had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity of the Group would have been affected as follows:

	Consolidated	
	2014 $'000	2013 $'000
Judgements of reasonably possible movements:		
Post tax profit - higher / (lower)		
+ 1.0% (2013: + 1.0%)	299	80
- 1.0% (2013: - 1.0%)	(299)	(80)
Equity - higher / (lower)		
+ 1.0% (2013: + 1.0%)	-	-
- 1.0% (2013: - 1.0%)	-	-

Foreign Currency Risk

As a result of oil and gas exploration, development and production operations in the Philippines, being denominated in US$, the Group's balance sheet can be affected significantly by movements in the US$/A$ exchange rates. The Company does not hedge this exposure.

The Group also has transactional currency exposures. Such exposure arises from sales or purchases by an operating unit in currencies other than the unit's functional currency.

The Group manages its foreign exchange risk by constantly reviewing its exposure to commitments payable in foreign currency and ensuring that appropriate cash balances are maintained in both Philippine Peso and United States Dollars, to meet current operational commitments.

At 31 December 2014, the Group had the following US$ / A$ exposure that is not designated in cash flow hedges:

Financial Liabilities:		
Non-Current Liability[1]	111,148	115,458
Net exposure	111,148	115,458

[1] Non Current Liability represents AUD denominated parent entity loans to subsidiaries where functional currency is USD.

The following sensitivity analysis is based on the foreign currency risk exposures in existence at the balance sheet date. The 10% sensitivity (2013: 10%) is based on reasonably possible changes, over a financial year, using an observed range of actual historical rates, for the Australian dollar to the US dollar, for the preceding year.

At 31 December 2014, if the Australian Dollar had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:		
Post tax profit - higher / (lower)		
AUD/USD +10 % (2013: +10%)	(10,104)	(10,496)
AUD/USD – 10 % (2013: -10%)	12,350	12,829
Equity - higher / (lower)		
AUD/USD + 10 % (2013: -10%)	-	-
AUD/USD – 10 % (2013: -10%)	-	-

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - CONTINUED

Foreign Currency Risk - Continued

The movements in 2014 profit and equity vary from 2013 due to the movement in subsidiary loans and long term borrowings. Management believes the balance date risk exposures are representative of the risk exposure inherent in financial instruments.

Commodity Price Risk

The Group is exposed to commodity price fluctuations through the sale of crude oil denominated in US dollars. The Group may enter into commodity crude price oil swap and option contracts to manage its commodity price risk. As at 31 December 2014, the Group had no open oil price swap and option contracts (2013: nil).

Credit Risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables and other financial assets and guarantees and undertakings. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

The Group trades only with recognised, creditworthy third parties and has adopted a policy of dealing with creditworthy counterparts and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults.

Cash balances for the Group are held by three major financial institutions who have credit ratings of AA or greater.

Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Specific concentration of credit risk exists primarily within trade debtors in respect of the sale of oil, as well as cash held by non-operator Joint Operation partners as well as receivables due from Joint Operation partners.

As at 31 December 2014, 100% (2013: 100%) of the consolidated entity's crude oil receivable was owed by Philipinas Shell Petroleum Corporation to the Joint Operation operated by The Philodrill Corporation ("Philodrill") with respect to the purchase of oil derived from the Nido and Matinloc Oil Fields. Philodrill also held cash balances due to the Group and other Joint Operation participants as at 31 December 2014 who have no history of credit default with the Group, and no impairment allowance is considered necessary.

Other than the concentration of credit risk described above, the consolidated entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The carrying amount of financial assets recorded in the Financial Statements, net of any provisions for losses, represents the consolidated entity's maximum exposure to credit risk.

Liquidity Risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of its cash and funding requirements.

The table below reflects all contractually fixed pay-offs for settlement, repayment and interest resulting from recognised liabilities as of 31 December 2014. Cash flows for financial assets and liabilities without fixed amount or timing are based on conditions existing at 31 December 2014.

The remaining contractual maturities of the Group's financial liabilities are:

	Consolidated	
	2014 $'000	2013 $'000
6 months or less	11,853	13,633
6-12 months	4,793	9,752
1-5 years	-	12,008
	16,646	35,393

The Group manages its liquidity risk by monitoring on a monthly basis expected cash inflows and outflows.

32. FAIR VALUE MEASUREMENTS

The following table sets out the group's assets and liabilities that are measured and recognised at fair value:

	Date of valuation	Total $'000	Quoted prices in active markets (Level 1) $'000	Significant observable inputs (Level 2) $'000	Significant unobservable inputs (Level 3) $'000
2014					
Non-recurring					
Assets measured at fair values:					
None	-	-	-	-	-
Recurring					
Liabilities for which fair values are disclosed:					
Interest-bearing loans and borrowings	31-12-2014	13,073	-	13,073	-
2013					
Non-recurring					
Assets measured at fair values:					
Disposal group held for sale	21-11-2013	120	-	120	-
Recurring					
Liabilities for which fair values are disclosed:					
Interest-bearing loans and borrowings	31-12-2013	31,654	-	31,654	-

Transfer between categories

There were no transfers between Level 1 and Level 2 during the year (2013: none).

Measurement Techniques

Interest bearing loan and borrowings are measured by discounting cash flows at the market rate of interest. Disposal groups held for sale were measured with reference to the sale and purchase agreement signed on 21 November 2013.

33. SUBSEQUENT EVENTS

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

1. The Company's acquisition of Otto's shares in GPC completed on 17 February 2015. A summary of the transaction was released to the ASX on 12 December 2014. Bangchak Petroleum provided the funding for the acquisition with final draw-down in February 2015, key terms are detailed in Note 26(b).
2. The Company has been notified that Pitkin Petroleum Plc ('Pitkin') has been served with a default and termination notice under the terms of its farm-in agreement with Joint Venture Participants, The Philodrill Corporation, Oriental Petroleum & Minerals Corporation, Linapacan Oil Gas & Power Corporation, Forum Energy Phils. Corporation, Cosco Capital Inc and PetroEnergy Resources Corporation.
3. In relation to SC 58, the DOE granted the Company a period of indefinite suspension pending the outcome of arbitration proceedings between the Philippines and the Peoples Republic of China over ownership of the West Philippine Sea in which SC 58 is located.
4. Mr Philip Byrne tendered his resignation as Managing Director of the Company on 11 March 2015. Mr Byrne will cease employment with the Company on 30 April 2015.
5. PNOC-EC agreed to indefinitely defer the Notice of Election to Drill Date to such date when suspension of SC 58 is lifted by the Philippine Government.

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Independent auditor's report to the members of Nido Petroleum Limited

Report on the financial report

We have audited the accompanying financial report of Nido Petroleum Limited, which comprises the consolidated balance sheet as at 31 December 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL REPORT

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENCE

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

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OPINION

In our opinion:

(a) the financial report of Nido Petroleum Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

OPINION

In our opinion, the Remuneration Report of Nido Petroleum Limited for the year ended 31 December 2014, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Robert A Kirkby
Partner
Perth
19March 2015

ADDITIONAL SECURITIES EXCHANGE INFORMATION

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is shown below. The information is current as at 13 March 2015.

1. SUBSTANTIAL SHAREHOLDERS

The names of the substantial shareholders and the number of shares to which they are entitled are, pursuant to notices issued by those entities to ASX Limited:

Name	Number of Shares	Percentage
BCP Energy International Pte Ltd	1,781,502,769	81.41%

2. DISTRIBUTION OF EQUITY SECURITY HOLDERS

(a) Analysis of equity holders by size of holding

Size of Holding	Number of Shareholders	Number of Fully Paid Shares
1 – 1,000	218	34,094
1,001 – 5,000	389	1,317,801
5,001 – 10,000	404	3,352,515
10,001 – 100,000	1,424	57,153,304
100,001 and over	476	2,126,408,754
Total	2,911	2,188,266,468

(b) The number of shareholders with less than a marketable parcel is 1,323.

(c) Each ordinary share entitles the holder to one vote.

TWENTY LARGEST SHAREHOLDERS AS AT 13 MARCH 2015

	NAME	TOTAL UNITS	% ISSUED CAPITAL
1.	BCP ENERGY INTERNATIONAL PTE LTD	1,222,682,798	55.87
2.	BCP ENERGY INTERNATIONAL PTE LTD	466,300,925	21.31
3.	BCP ENERGY INTERNATIONAL PTE LTD	92,519,046	4.23
4.	ESCOT FINANCE LTD	48,400,000	2.21
5.	CITICORP NOMINEES PTY LIMITED	26,069,933	1.19
6.	PACKWOOD CAPITAL SA	17,000,000	0.78
7.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	16,426,352	0.75
8.	DALY FINANCE CORP	14,600,000	0.67
9.	J P MORGAN NOMINEES AUSTRALIA LIMITED	12,522,525	0.57
10.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	10,310,498	0.47
11.	MESSARA INVESTMENTS PTY LTD <MESSARA FAMILY A/C>	6,450,000	0.29
12.	APACHE CAT PTY LTD <APACHE INVESTMENTS A/C>	5,772,000	0.26
13.	ARREDO PTY LTD	3,000,000	0.14
14.	LISAM ENTERPRISES PTY LTD	3,000,000	0.14
15.	MR IMAD YOUNES	3,000,000	0.14
16.	MR PAUL ROBERT PULLEN	2,574,000	0.12
17.	NEFCO NOMINEES PTY LTD	2,557,725	0.12
18.	MR CHRISTOPHER SCOTT MANWARING	2,555,556	0.12
19.	SANPEREZ PTY LTD <P CHALMERS PARTNERSHIP A/C>	2,500,000	0.11
20.	MR MARK STEPHEN SWAN	2,400,000	0.11
	Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (TOTAL)	1,960,641,358	89.60
	Total Remaining Holders Balance	227,625,110	10.40

3. UNLISTED PERFORMANCE RIGHTS

As at 13 March 2015, there were nil performance right holders holding nil unlisted performance rights.

Bangchak	The Bangchak Petroleum Public Company Limited
Bbl	Barrels
BCPE	BCP Energy International Pte Ltd
Bopd	Barrels of oil per day
Credit Suisse	Credit Suisse AG
DOE	Department of Energy
Dragon Oil	Dragon Oil plc
FPSO	Floating Production Storage and Offtake vessel
FEED	Front-end engineering and design
GCA	Gaffney, Cline and Associates
GPC	Galoc Production Company WLL
Km	Kilometre
LTI	Long term incentive
Lundin Petroleum	Lundin Petroleum B.V.
M	Millions
MDT	Modular dynamic testing
Merrill Lynch	Merrill Lynch International (Australia) Limited
mmscfgd	Million standard cubic feet of gas per day
mmbbl	Million barrels
mmstb	Million stock-tank barrels
Nido	Nido Petroleum Limited
Otto	Otto Energy Limited
Philippines	The Republic of the Philippines
Philodrill	The Philodrill Corporation
Plan	Employee Performance Rights Plan
PNOC	PNOC Exploration Corporation
Proved Reserves [1]	Those quantities of petroleum, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate.
Probable Reserves [1]	Those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.
Possible Reserves [1]	Those additional Reserves which analysis of geoscience and engineering data suggest are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P) Reserves, which is equivalent to the high estimate scenario. In this context, when probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate.

Reserves[1]	Those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial, and remaining (as of the evaluation date) based on the development project(s) applied. Reserves are further categorised in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterised by development and production status.
Raiffeisen Bank	Raiffeisen Bank International AG
RMA	RMA (West Linapacan) Pte Ltd
SC 6B	Service Contract 6B dated 19 September 1973, as amended
SC 14	Service Contract 14 dated 17 December 1975, as amended
SC 54	Service Contract 54 dated 5 August 2005, as amended
SC 58	Service Contract 58 dated 12 January 2006, as amended
SC 63	Service Contract 63 dated 24 November 2006
sq. km.	Square kilometre
stb	Stock-tank barrels
Standard Bank	Standard Bank Plc
STI	Short Term Incentive
STOIIP	Stock – tank oil initially in place
TD	Total depth
TRIFR	Total Recordable Injury Frequency Rate in incidents per million man hours

(1) From Petroleum Resources Management System sponsored by the Society of Petroleum Engineers, American Association of Petrpleum Geologists, World Petroleum Council, Society of Petroleum Evaluation.


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