

21 April 2016

ASX ANNOUNCEMENT

CORPORATE GOVERNANCE STATEMENT

Nido Petroleum Limited (ASX: NDO) ("Nido" or the "Company") provides the Company's Corporate Governance Statement dated 15 March 2016 referred to in the Appendix 4G filed on the ASX on 15 March 2016 and as available on our website at www.nido.com.au.

For further information please contact:

Mike Fischer
Managing Director
Nido Petroleum Limited
+61 8 9474 0000
reception@nido.com.au

CORPORATE GOVERNANCE STATEMENT

Since the introduction of the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Best Practice Recommendations* (ASX Principles and Recommendations) and the third edition of the ASX Principles and Recommendations, Nido Petroleum Limited ('Nido' or the 'Company') 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 2015 and as at the date of this Corporate Governance Statement are outlined herein.

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 Act ethically and responsibly;
- Principle 4 Safeguard integrity in corporate reporting;
- Principle 5 Make timely and balanced disclosure;
- Principle 6 Respect the rights of security holders;
- 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 A listed entity should disclose:
 - (a) the respective roles and responsibilities of its Board and management; and
 - (b) those matters expressly reserved to the Board and those delegated to management.
- 1.2 A listed entity should:
 - (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and
 - (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.
- 1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.
- 1.4 The company secretary of a listed entity should be accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.

1.5 A listed entity should:

- (a) have a diversity policy which includes requirements for the Board or a relevant committee of the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;
- (b) disclose that policy or a summary of it; and
- (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the Board or a relevant committee of the Board in accordance with the entity's diversity policy and its progress towards achieving them, and either:
 - (1) the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or
 - (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.

1.6 A listed entity should:

- (a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual directors; and
- (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

1.7 A listed entity should:

- (a) have and disclose a process for periodically evaluating the performance of its senior executives; and
- (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

Board

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.

Management

The CEO:

- (a) must act in accordance with instructions from the Board;
- (b) must report to the Board in a spirit of openness and trust and on all matters the CEO reasonably considers to be material to the affairs of Nido or as directed by the Board;
- (c) is responsible for managing the day to day affairs of Nido;
- (d) will develop, implement and monitor the strategic, business and financial plans for Nido, the risk management framework and all material reporting and external communications by Nido;
- (e) must ensure that Nido complies with all applicable laws and regulations;
- (f) is formally delegated by the Board to exercise all expenditure in accordance with the delegations of authority approved by the Board (which will be reviewed and monitored by the Board);

- (g) is formally delegated by the Board the power to make Company policy of a routine or administrative nature including travel, information technology and entertainment related policies; and
- (h) in managing the day to day affairs of Nido, has no power to deal with any matter which may exceed the materiality thresholds approved by the Board.

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

Nomination and Appointment of Directors – Due Diligence

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

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

The Company conducts appropriate checks during 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 confirming their professional qualifications, experience and financial position.

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.

In accordance with Recommendation 1.2 (b), the Company provides all material information relevant to a security holder's decision on whether or not to elect or re-elect a director in the Notice of Meeting sent to all shareholders in advance of the Annual General Meeting.

The directors and senior executives have a clear understanding of their roles and responsibilities within the Company and of the Company's expectations of them. The Company has a written agreement with each director and senior executive setting out the terms of their appointment. The Key terms of these agreements are set out in the Directors' Report in our Annual Report.

The Company Secretary is responsible for ensuring that Board procedures are complied with and that governance matters are addressed by the Company. The Company Secretary's responsibilities are set out in the Board Charter 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 2015 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 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 has offered 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)	53 % as at 31 December 2015
Senior Executive Positions	None
Board	None

Board Evaluation

The Board did not complete an evaluation in 2015 due to the change in management and Board composition.

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

In relation to Recommendation 1.7, details of the performance review process for senior executives is set out in the Remuneration Report which forms part of the Directors' Report in our Annual Report.

Principle 2: Structure the Board to add value

Recommendations:

2.1 A Board of a listed entity should:

(a) have a nomination committee which:

- (1) has at least three members, a majority of whom are independent directors; and
 - (2) is chaired by an independent director;
- and disclose:
- (3) the charter of the committee;
 - (4) the members of the committee; and
 - (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address Board succession issues and to ensure that the Board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.
- 2.2 A listed entity should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.
- 2.3 A listed entity should disclose:
- (a) the names of the directors considered by the Board to be independent directors;
 - (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the Board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the Board is of that opinion; and
 - (c) the length of service of each director.
- 2.4 A majority of the Board of a listed entity should be independent directors.
- 2.5 The chair of the Board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.
- 2.6 A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

Board Structure

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

During the reporting period Mr Philip Byrne resigned as Managing Director and Dr Michael Fischer was appointed Managing Director on 26 August 2015. Mr Krairit Nilkuha was appointed as a Non-Executive Director on 21 August 2015.

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 Corporate Governance Statement and considers that two of the six 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 2015 year who are not considered to be independent are:

- Dr Michael Fischer, (Managing Director);
- Mr Philip Byrne, (previous Managing Director);
- Mr Chaiwat Kovavisarach (Non-Executive Director);
- Mr Vichien Usanachote (Non-Executive Director); and
- Mr Krairit Nilkuha (Non-Executive Director).

Dr Fischer and Mr Byrne were employed in an executive capacity for the 2015 year as Managing Directors and are therefore deemed not to be independent. Mr Kovavisarach, Mr Usanachote and Mr Nilkuha 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 (Chairman) 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.

Specifically, Mr Bloking is currently regarded as being independent notwithstanding the fact he was engaged on a short term consultancy basis as Executive Chairman during the interim period following the resignation of Mr Byrne and the appointment of Dr. Fischer as Managing Director (May-August 2015).

Mr Bloking does not have any ongoing consultancy with the Company, does not have close family ties with the Executives of the Company, does not hold any securities in the Company and aside from a brief period of consulting as Executive Chairman does not have any other relationship or position which could reasonably be considered to impact his independence.

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.

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

The Directors completed a Board Skills Matrix during the year. The Board recognises certain core skills that are required for the Board to ensure effective stewardship of the Company. These include commercial and technical skills relevant to the industry, accounting and finance skills, industry and risk knowledge, executive, chairing and listed company boardroom experience. Each of these skills is currently represented on the Board and the Board considers that collectively the Board has the appropriate range of skills and experience which support the strategic direction of the Company and enable effective management oversight and governance.

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. A list of AICD courses is provided to the Directors prior to the Remuneration and Nomination Committee meetings and Board and officer training is discussed during these meetings. 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. 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 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, 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.

Principle 3: Act ethically and responsibly

Recommendations:

3.1 A listed entity should:

- (a) have a code of conduct for its directors, senior executives and employees; and
- (b) disclose that code or a summary of it.

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, senior executives and employees 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.

Share Trading

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

In addition to the prohibition contained in the Company's Share Trading Policy, the Company's Remuneration Policy also prohibits Key Management Personnel (and their closely related parties) who

participate in a Company equity-based incentive plan from entering into transactions which would have the effect of hedging.

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

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

Disclosure

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

Principle 4: Safeguard integrity in corporate reporting

Recommendations:

4.1 The Board of a listed entity should:

(a) have an audit committee which:

(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and

(2) is chaired by an independent director, who is not the chair of the Board;

and disclose:

(3) the charter of the committee;

(4) the relevant qualifications and experience of the members of the committee; and

(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

4.2 The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

4.3 A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

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 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) Review 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 Audit and Risk Management Committee at the date of this report consists of the following Non-Executive Directors:

- Andrew Edwards, Chairman;
- William Bloking, Member; and
- Vichien Usanachote, Member.

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 contained in our Annual 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 2015. The external auditor was in attendance at the March and August meetings with respect to the approval of the full year 2014 accounts and the half year accounts for 2015.

Details of meeting attendance for Committee members are set out in the Directors' Report in our Annual 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 KPMG. 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. KPMG has provided an independence declaration to the Board for the financial year ended 31 December 2015 which forms part of the Directors' Report in our Annual Report. The Company's lead external audit partner is Graham Hogg who was appointed in 2015.

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 KPMG for non-audit services provided to the Company in the year ended 31 December 2015 are set out in the Directors' Report in our Annual 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 4 and the *Corporations Act 2001*, KPMG attend and are available to answer questions at the Company's Annual General Meetings.

Managing Director and CFO Declaration

Consistent with ASX Principle 4 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 5: Make timely and balanced disclosure

Recommendations:

5.1 A listed entity should:

- (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and
- (b) disclose that policy or a summary of it.

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 security holders

Recommendations:

- 6.1 A listed entity should provide information about itself and its governance to investors via its website.

- 6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.
- 6.3 A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.
- 6.4 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

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. All shareholders have the option of electing to receive all Company and share registry communications electronically and also to send communications via email. 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 two-way communication with investors and effective communication with shareholders is maintained. A summary of the Company's Policy on Shareholder Communication appears on the Company's website.

Principle 7: Recognise and manage risk

Recommendations:

7.1 The Board of a listed entity should:

(a) have a committee or committees to oversee risk, each of which:

- (1) has at least three members, a majority of whom are independent directors; and
- (2) is chaired by an independent director,

and disclose:

- (3) the charter of the committee;
- (4) the members of the committee; and

(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.

7.2 The Board or a committee of the Board should:

(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and

- (b) disclose, in relation to each reporting period, whether such a review has taken place.

7.3 A listed entity should disclose:

- (a) if it has an internal audit function, how the function is structured and what role it performs; or
- (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

7.4 A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

Risk management

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

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

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

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

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

The risk management controls adopted by the Company currently include:

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

A review of the Company's risk management framework was undertaken in 2015 and the risk management processes and systems employed by the Company are compliant with industry standards for risk reporting. The Company's Policy on Risk Management 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.

Internal Audit Function

While the Company does not utilise a formal internal audit function, given the relative size of the organisation and the key roles of the Audit and Risk Management Committee in evaluating and continually improving the effectiveness of the Company's risk management and internal control processes, the Board considers the regular systematic monitoring of control activities to be sufficient to manage current and future risks.

Sustainability

The Company strongly values economic, environmental and social sustainability within the areas in which it operates. In order to mitigate any material exposure to economic, environmental and social sustainability risks, the Company undertakes regular monitoring and assessment of both its operating and non-operating assets to ensure that all activities are conducted in a manner that is consistent with the Company's commitment to safe and sustainable operations.

The Audit and Risk Management Committee reviews at least annually the Company's overall risk management system including its exposure to economic, environmental and social sustainability risks.

The Company is committed to the maintenance of a safe and healthy working environment for all personnel, contractors, vendors and visitors attending Company operated sites. No fatalities or LTIs resulted from the conduct of the Company's activities in the reporting period. The Company's Health, Safety, Security and Environment Policy is available on the Company's website.

During the reporting period the Company achieved a Total Recordable Injury Frequency Rate ('TRIFR') of 0.0 and a Lost Time Injury Frequency Rate ('LTIFR') of 0.0. This result was achieved on a base of greater than 308,569 man-hours and significant contribution of comparatively high risk activities (such as drilling) undertaken in a challenging environment.

Over the three year period to 31 December 2015, the Company returned a performance for TRIFR of 0.0 and LTIFR of 0.0 which surpassed industry expectations for comparable activities, such as drilling (LTIFR – 0.84 & TRIFR – 3.05 based on the results of the International Association of Oil and Gas Producers ('IOGP')).

The Company targets an injury rate that outperforms the average within the industry as reported in the Safety Performance Indicator Series published annually by the IOGP. In 2015, 2014 and 2013, the Company outperformed this target. In December 2015, the Company recorded 12 months lost time injury ('LTI') free.

The Company recognises the inherent risks associated with oil and gas exploration, production and development and has established a comprehensive risk management system to minimise the intrinsic risks. The Company's Crisis and Emergency Management Team ('CEMT') regularly practises CEMT scenarios and meets once a week for an operational update.

The Company seeks to conduct its operations in a manner that is transparent, respectful of the rights of all stakeholders with whom we interact and that promotes sustainable social and economic development within the communities in which we operate. The Company's approach to sustainable development seeks to integrate the local community, with the objective of leaving a long-term positive social development legacy.

To carry out this objective the Company founded the Nido Petroleum Foundation in the Philippines which is a non-profit organisation. Since its inception the Nido Petroleum Foundation has helped give back to the Philippine community by way of donations to typhoon victims and other charitable institutions like Tulay ng Kabataan, Childhouse and Virланie Foundation.

Furthermore, during the last two years the Nido Petroleum Foundation has in coordination with the Department of Education constructed a total of three classrooms in Palawan, Philippines and in collaboration with the University of the Philippines helped build and complete an archaeological and historical museum in El Nido, Palawan.

Principle 8: Remunerate fairly and responsibly

Recommendations:

8.1 The Board of a listed entity should:

(a) have a remuneration committee which:

(1) has at least three members, a majority of whom are independent directors; and

(2) is chaired by an independent director,

and disclose:

(3) the charter of the committee;

(4) the members of the committee; and

(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

8.3 A listed entity which has an equity-based remuneration scheme should:

(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and

(b) disclose that policy or a summary of it.

Remuneration Committee

The Remuneration and Nomination Committee's role with respect to remuneration and nomination 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 Corporate Governance Statement are:

- William Bloking, Chairman;
- Andrew Edwards, Member; and

- Chaiwat Kovavisarach, Member.

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 2015. Details of meeting attendance for Committee members are set out in the Directors' Report in our Annual Report. 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 in our Annual 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 in our Annual 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 in our Annual 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.