

24 October 2016

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**NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES**

Dear Shareholder

Nido Petroleum Limited Renounceable Pro Rata Entitlement Offer – Notification to Ineligible Shareholders

On 21 October 2016, Nido Petroleum Limited (**Nido**) announced an 11.2 for 1 pro-rata renounceable entitlement offer of new fully paid ordinary shares in Nido (**New Shares**) at an issue price of A\$0.065 per New Share to raise up to A\$31.9 million (before costs) (**Entitlement Offer**).

This letter is to inform you about the Entitlement Offer, and to explain why you will not be able to subscribe for New Shares under the Entitlement Offer. This letter is neither an offer to issue entitlements or New Shares to you, nor an invitation for you to apply for entitlements or New Shares. You are not required to do anything in response to this letter.

The Entitlement Offer

The Entitlement Offer comprises an offer to eligible shareholders in Australia, New Zealand, Singapore, Switzerland and Hong Kong (as described further below, **Eligible Shareholders**). The Entitlement Offer is being made without a prospectus in accordance with section 708AA of the *Corporations Act 2001* (Cth) (**Corporations Act**) (as modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84 and ASIC Corporations (Disregarding Technical Relief) Instrument 2016/73).

Use of Funds and Commitment from Major Shareholder

The funds raised from the Entitlement Offer will be used to finance Nido's participating interest share (55.88%) of the costs of drilling the Galoc-7 appraisal well and, if required, an associated side-track (**Galoc-7/7ST**). Galoc-7/7ST will appraise the currently untested 'Galoc Mid Area' (**GMA**) of the Galoc Field situated in Block C1 of Service Contract 14 in the North West Palawin Basin, offshore Philippines. The funds raised may also provide additional contingency for unbudgeted cost overruns associated with Galoc-7/7ST and, in the event this contingency is not required, a small amount of working capital for post well analysis and, in the case of appraisal success, development planning.

Nido's largest Shareholder, BCP Energy International Pte Ltd (**BCPE**), has provided a commitment that it will take up its entitlement under the Entitlement Offer in full.¹ There is no minimum amount required to be raised under this Entitlement Offer, but the commitment from BCPE ensures that at least 81.25% of the A\$31.9 million (before costs) will be raised. If no other entitlements are taken up, Nido will raise approximately \$25.9 million (before costs) from BCPE's take up. This is expected to provide sufficient funds to finance Nido's participating interest share of Galoc-7/7ST and pay the Entitlement Offer costs.

Further Details Regarding Entitlement Offer

Eligible Shareholders are able to subscribe for 11.2 New Shares for every one existing Nido share (**Entitlement**) held at 7pm (Australian Eastern Daylight Time (**AEDT**)) on 27 October 2016 (**Record Date**).

An offer booklet in relation to the Entitlement Offer (**Offer Booklet**) will be despatched to Eligible Shareholders on or around 2 November 2016. Further information in relation to the Entitlement Offer has been disclosed on the ASX.

Eligibility criteria

An Eligible Shareholder is a person:²

- who is registered as a holder of Shares on the Record Date;
- whose registered address on the Nido register of members is in Australia, New Zealand, Singapore, Switzerland or Hong Kong;
- who is not in the United States and is neither a U.S. Person³ nor acting for the account or benefit of a U.S. Person; and
- who is eligible under all applicable securities laws to receive an offer under the Entitlement Offer.

All shareholders who are not Eligible Shareholders are ineligible shareholders (**Ineligible Shareholders**).

According to our records, you do not satisfy the eligibility criteria for an Eligible Shareholder stated above. Accordingly, in compliance with ASX Listing Rule 7.7.1(b) and section 9A(3) of the Corporations Act, Nido wishes to advise you that it will not be extending the Entitlement Offer to you and you will not be able to subscribe for New Shares under the Entitlement Offer. You will not be sent the documents relating to the Entitlement Offer.

Nominee

Nido appointed Hartleys Limited (ABN 33 104 195 057) (AFSL 230052) (**Nominee**) as nominee for the purposes of section 615 of the Corporations Act. The Nominee will work with Nido to sell the Entitlements of Ineligible Shareholders and distribute any proceeds of sale (net of expenses and of any withholding required by law) proportionately to the Ineligible Shareholders. There is no guarantee that there will be a viable market in which the Nominee may attempt to sell Entitlements on the ASX. The Nominee may not be able to sell the Entitlements of Ineligible Shareholders at an acceptable price, or at all, if insufficient liquidity exists in a market for Entitlements.

¹ The terms of the commitment are summarised in the Offer Booklet.

² Person includes both a natural person or body corporate.

³ As defined in Regulation S under the US Securities Act of 1933 as amended (**U.S. Securities Act**).



The ability to sell Entitlements on ASX, and the price at which Entitlements can be sold, will depend on various factors, including market conditions. To the maximum extent permitted by law, neither Nido nor Hartleys, nor their respective related bodies corporate, nor the Directors, officers, employees, agents or advisers of any of them, will be liable for a failure to sell Entitlements at any particular price.

Hartleys has entered into a sub-underwriting agreement with Bouchi Pty Ltd (ACN 051 698 401) (**Bouchi**), a client of Hartleys, with respect to the sale of Entitlements of Ineligible Shareholders. In the event there is no market for the sale of the Entitlements on ASX, Hartleys intends to sell the Entitlements to Bouchi for nominal consideration.

The net proceeds of these sales, after deducting all reasonable costs associated with the sale, will be provided to Nido for the benefit of Ineligible Shareholders. Nido will distribute those net proceeds of sale to Ineligible Shareholders on a pro rata basis. Each Ineligible Shareholder will receive the average price of the Entitlements sold on behalf of the Ineligible Shareholders.

Any amounts to be distributed to Ineligible Shareholders are expected to be despatched on or about 7 December 2016.

You are not required to do anything in response to this letter.

If you have any further questions, you should contact your stockbroker, accountant or other professional adviser. On behalf of the Board of Nido, I thank you for your continued support.

Yours sincerely

John Newman
Company Secretary
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Important Information

This letter has been prepared for publication in Australia and may not be released or distributed in the United States. This letter does not constitute an offer, invitation or recommendation to subscribe for or purchase any security or financial product. In particular, this letter does not constitute an offer to sell, or the solicitation of an offer to buy, securities in the United States or any other jurisdiction in which such an offer would be illegal. Any securities described in this letter have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or the securities laws of any state or jurisdiction of the United States. Accordingly, the securities may not be offered or sold directly or indirectly in the United States unless they have been registered under the U.S. Securities Act (which Nido has no obligation to do or procure) or are offered and sold in a transaction exempt from, or not subject to, the registration of the U.S. Securities Act and any other applicable United States state securities laws.

This letter is not financial product or investment advice, a recommendation to acquire shares in Nido or accounting, legal or tax advice. It has been prepared without taking into account the objectives, financial or tax situation or needs of individuals. Before making an investment decision, prospective investors should consider the appropriateness of the information having regard to their own objectives, financial and tax situation and needs and seek appropriate legal and taxation advice.