Nido Petroleum Limited

2015 ANNUAL REPORT

Nido Petroleum Limited
ABN 65 086 630 373

CORPORATE DIRECTORY

Directors

William Bloking
Non-Executive Chairman

Michael Fischer
Managing Director

Andrew Edwards
Non-Executive Director

Chaiwat Kovavisarach
Non-Executive Director

Krairit Nilkuha
Non-Executive Director

Vichien Usanachote
Non-Executive Director

Company Secretary

John Newman

Officers

Ashley Gilbert
Chief Financial Officer

Jon Pattillo
Exploration & New Business Manager

Kris Thirakaosal
Commercial Manager

Stuart Nichol
Production Manager

Registered and Principal Office

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COMO WA 6152

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Share Registry

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Facsimile: +61 8 9323 2033

Solicitors

Allens
250 St Georges Terrace
PERTH WA 6000

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30th Floor
Citibank Tower
8741 Paseo de Roxas
Makati City
PHILIPPINES

Telephone: +63 2 848 0114
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Auditors

KPMG
235 St Georges Terrace
PERTH WA 6000

Telephone: +61 8 9263 7171
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Securities Exchange Listing

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

ASX Code

Shares: NDO

2015
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2015 SUMMARY

Production and Development

- Nido acquired an additional 33% participating interest in the Galoc oil field via the acquisition of Galoc Production Company W.L.L. in February 2015. The Group now holds a 55.879% working interest in the Galoc oil field and has operatorship of the project.
- 2,255,210 bbls gross (1,157,628 bbls net to Nido) were produced from the Galoc oil field.
- Production uptime at Galoc averaged 99.8% during the year.
- The Nido and Matinloc oil fields continued to produce oil on a cyclical basis with total production of 141,864 bbls gross (35,999 bbls net to Nido).
- Revenue from crude oil sales totalled $68.374 million for the year.

Exploration and Appraisal

- The Company continued to review new venture opportunities throughout the year as part of its longer term strategy of expansion.
- The Company negotiated extensions over its key exploration permits during the year.

Health, Safety, Security and Environment (HSSE)

- The Company achieved excellent HSSE performance across all assets and activities during 2015 with a Total Recordable Injury Frequency Rate (TRIFR) for 2015 of zero compared with the Australian National Offshore Petroleum Safety and Environment Management Authority (NOPSEMA) benchmark of 5.64.

Corporate and Financial

- Cash on hand at year end was $17.531 million and debt drawn under the revolving term loan facility was $88.200 million at year end. On 29 June 2015 the senior debt facility with Credit Suisse was repaid in full and the facility was closed.
- Gross loss for the 2015 year was $3.964 million and net loss after tax was $31.128 million.
- On 17 February 2015 the Group acquired all of the shares in Galoc Production Company W.L.L. ('GPC'). Nido funded the cash acquisition of GPC through a combination of cash reserves and debt.

CHAIRMAN'S LETTER

Dear Shareholder,

I am pleased to present to you the Company's 2015 Annual Report.

2015 was a challenging year for the Company with the declining oil price environment having a significant impact on Nido's overall financial performance for the year. The Company also experienced a transition in leadership with the resignation of Mr Philip Byrne as Managing Director in April and the commencement of Dr Mike Fischer in August following an exhaustive global recruitment search.

Management and the Board of the Company adapted to the circumstances and effectively responded to the deteriorating macro-economic environment. In particular the Company successfully managed the change from a non-operating partner of the Galoc Joint Venture to becoming the Operator of the Galoc oil field following the acquisition by Nido of Galoc Production Company W.L.L. which was completed in February 2015.

Upon assuming operatorship of the Joint Venture, Nido was able to effect a significant reduction in operating expenditure through a concentrated focus on efficiencies and cost reductions including the re-negotiation of the Galoc FPSO contract with Rubicon Offshore International Pte Ltd. The Company was also able to reduce general and administrative expenditure to core business activities during the year. As a result of this foresight and prudent rationalisation of expenditure Nido is well placed to deal with the current challenges facing the Company.

Notwithstanding the emphasis on the rationalisation of expenditure, we continued to prioritise and emphasise the management of health, safety and the environment in all areas of the business and Nido and the Galoc Joint Venture proudly celebrated the achievement of three years of operations at the Galoc oil field without a LTI in August 2015.

Throughout the year Nido continued to consider opportunities in the South-East Asia region with the aim of augmenting the Company's current portfolio of exploration, development and, in particular, production assets. The Company did not complete any acquisitions during 2015 but we expect that the gap between buyer and seller expectations will narrow in the first half of 2016 and we remain optimistic about the opportunities that the current low oil price environment will generate in the near term.

The Company is actively considering a number of assets in this context and the Board continues to remain positive about the outlook and prospects for the Company. During 2015 the Company also continued its longstanding tradition of supporting the communities in the countries in which it operates by contributing a $5,000 donation to the Sisters of our Lady of the Missions to support their charitable work in South East Asia.

During the year, we also welcomed the appointment of Mr Krairit Nilkuha to the Board. Mr Nilkuha is a former Deputy Permanent Secretary of the Ministry of Energy in Thailand and a former Non-Executive Director of PTT Public Company Limited. He brings with him a wealth of experience and has been a valuable addition to the Board.

On behalf of the Board, I would like to thank Mr Philip Byrne for his service to the Company, including his stewardship of the off-market takeover by Bangchak of Nido during his tenure as Managing Director, and we wish him 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 ongoing support.

William J. Bloking

William Bloking
Chairman
Nido Petroleum Limited

"In particular the Company successfully managed the change from a non-operating partner of the Galoc Joint Venture to becoming the Operator of the Galoc oil field following the acquisition by Nido of Galoc Production Company W.L.L. which was completed in February 2015."

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 oil field and Resources Assessments of the Mid-Galoc Area of the Galoc field and the West Linapacan oil field in accordance with the SPE/WPC/AAPG/SPEE Petroleum Resources Management System (SPE PRMS) Definitions and Guidelines and the ASX Listing Rules including Listings Rules 5.25 - 5.44 where applicable.

The revisions to reserves and resources volumes have been assessed after taking into consideration the recent field performance and the current oil price environment. Contingent Resources volumes for the Galoc field represent potential recovery from existing development wells beyond the current field economic limit and are contingent on the successful execution of the Mid-Galoc development and/or an improvement in the current oil price environment.

Contingent Resources for Mid-Galoc and West Linapacan have been adjusted to reflect the Company's latest estimates of project timing and expected approvals and execution dates and are also contingent on the successful implementation of their respective development plans.

The tables below summarise the Company's Reserves and Resources position for the Galoc and West Linapacan oil fields as at 31 December 2015 and compared with 31 December 2014 where applicable.

SC 14C1: Galoc Oil Field	Net Oil Reserves as at 31 December 2014 (MMstb)	Oil Production and Revisions(MMstb)	Net Oil Reserves as at 31 December 2015 (MMstb)
DEVELOPED RESERVES			
Proved (1P)	4.14	(1.49)	2.65
Proved plus Probable (2P)	5.26	(1.12)	4.14
Proved plus Probable plus Possible (3P)	7.14	(1.23)	5.91
UN-DEVELOPED RESERVES			
Proved (1P)	-	-	-
Proved plus Probable (2P)	-	-	-
Proved plus Probable plus Possible (3P)	-	-	-
TOTAL RESERVES			
Proved (1P)	4.14	(1.49)	2.65
Proved plus Probable (2P)	5.26	(1.12)	4.14
Proved plus Probable plus Possible (3P)	7.14	(1.23)	5.91

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 oil field 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 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. Oil Reserves estimates for the Galoc field are provided on the basis of Nido's Net Entitlement Share after the subtraction of the Government's entitlement.
5. Oil Reserves assessments for the Nido and Matinloc oil fields have not been undertaken as Nido's net entitlement share of these reserves is negligible.

SC 14C1: Galoc Oil Field	Oil Contingent Resources as at 31 December 2014 (MMstb)	Revisions/ Additions (MMstb)	Oil Contingent Resources as at 31 December 2015 (MMstb)
OIL CONTINGENT RESOURCES – Galoc & Mid Galoc Area			
1C	-	3.9	3.9
2C	-	6.5	6.5
3C	-	9.6	9.6

SC 14 C2: West Linapacan Oil Field	Oil Contingent Resources as at 31 December 2014 (MMstb)	Revisions/ Additions (MMstb)	Oil Contingent Resources as at 31 December 2015 (MMstb)
OIL CONTINGENT RESOURCES – Intermediate Limestone (ILS) & Linapacan Limestone (LLS)			
1C	2.24	0.36	2.6
2C	4.20	-	4.2
3C	7.23	(0.13)	7.1

SC 14C1 & SC 14C2			
TOTAL CONTINGENT RESOURCES			
1C	2.24	4.26	6.5
2C	4.20	6.50	10.7
3C	7.23	9.47	16.7

1. In accordance with ASX Listing Rule 5.44, the Company confirms that the hydrocarbon resources information contained in this document in relation to the Galoc, Mid-Galoc and W. 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 resources information in the form and context in which it appears in this Annual Report.
2. The hydrocarbon Resources information outlined above complies with the SPE PRMS and with ASX Listing Rules for the disclosure of oil and gas reserves and resources.
3. Company Net Contingent Resources in this table are Company's approximate Net Entitlement share of the Gross Field Resources based on the preliminary development plans; they do not represent Company's actual Net Entitlement under the terms of the SC that governs the asset, which might be lower.
4. The volumes reported here are "unrisked" in the sense that no adjustment has been made for the risk that the project may not go ahead in the form envisaged or may not go ahead at all (i.e. no "Chance of Development" factor has been applied).
5. Contingent Resources should not be aggregated with Reserves because of the different levels of risk involved and the different basis on which the volumes are determined.

PETROLEUM PERMIT INTEREST SCHEDULE

The following table summarises the Company's equity interests in its permits as at 31 December 2015:

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	55.88[(8)]	164	GPC [(3)]
SC 14 Block C-2 [(4)]	North West Palawan	22.28	178	Philodrill[(1)]
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[(5)]	13,487	Nido [(6)]
SC 63	North West Palawan	20.00	10,666	PNOC [(7)]

(1) The Philodrill Corporation

(2) Galoc Block

(3) Galoc Production Company W.L.L.

(4) West Linapacan Block

(5) Subject to Nido completing its obligation under its Farm-in Agreement with PNOC Exploration Corporation

(6) SC 58 operatorship reverts to PNOC Exploration Corporation upon completion of Nido's farm-in obligations

(7) PNOC Exploration Corporation

(8) Nido's working interest increased from 22.88% to 55.88% on 17 February 2015 with the completion of the Galoc Production Company W.L.L. acquisition

Indonesia

Permit	Basin	Nido Interest (%)	Approx. Area (sq. km.)	Operator
Baronang PSC	West Natuna Basin	10.00[(4),(5)]	2,825	Lundin Petroleum [(1),(5)]
Cakalang PSC	West Natuna Basin	10.00[(5)]	3,339	Lundin Petroleum [(2),(5)]
Gurita PSC	Penyu Sub-Basin	10.00	7,938	Lundin Petroleum [(3)]

(1) Lundin Baronang BV

(2) Lundin Cakalang BV

(3) Lundin Gurita BV

(4) Nido exercised its right to acquire an additional 5% working interest but this transfer of interest is yet to receive regulatory approval

(5) Nido is in the process of withdrawing from this PSC

PRODUCTION AND DEVELOPMENT - PHILIPPINES

2015 PRODUCTION SUMMARY

Field	Gross Oil Production		Net Production to Nido	
	Year Total bbls	Average Daily bopd	Year Total bbls	Average Daily bopd
Galoc	2,255,210	6,179	1,157,628	3,172
Nido & Matinloc	141,864	389	35,999	99
TOTAL	**2,397,074**	**6,568**	**1,193,627**	**3,271**

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 W.L.L. ('GPC') which hold a 22.879% interest and 33% interest in Service Contract SC 14C1 respectively. GPC is the Operator of the project.

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

Seven cargoes were lifted during the year, with two cargoes each being sold to SK Energy in South Korea and to Singapore Petroleum Company in Singapore and three cargoes being sold to Thai Oil Public Co. Ltd in Thailand.

The Joint Venture also finalised the negotiation of amendments to the FPSO Contract with Rubicon Offshore International Pte Ltd during the year. The revised FPSO Contract has a three year term (until 30 June 2018), including an option to extend.

During the year, the Company progressed sub-surface and preliminary engineering studies with respect to a potential Phase III development of the field. The Joint Venture is considering a possible appraisal well in the mid-Galoc area of the field.

The Company also obtained contingent resource estimates for the mid-Galoc area of the Galoc oil field. Please refer to the Annual Reserves Statement on page 4 of this Report and the Company's ASX release dated 14 July 2015 for further details.

PRODUCTION ACTIVITIES

The average production uptime for the year was 99.8% and the gross average daily production was 6,179 bopd, with total oil produced of 2,250,210 bbls gross (1,157,628 bbls net to Nido). Cumulative production from the initial start-up in 2008 to the end of the year was 16.8 mmbbls gross.

Revenue from crude oil sales relating to the Galoc oil field totalled $67.1 million for the year (2014: $71.5 million).

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

During 2015, both fields produced a combined total of 141,864 bbls gross (35,999 net to Nido), averaging 389 bopd (approximately 99 bopd net to Nido). Revenue from crude oil sales relating to the Nido and Matinloc fields totalled $1.3 million for the year (2014: $2.4 million).

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.

During the year the Company received notification that Pitkin Petroleum Plc ('Pitkin') had been served with a default and termination notice under the terms of its relevant farm-in agreement.

The Company subsequently received notification from the DOE that Pitkin and RMA West Linapacan Pte Ltd's ('RMA') interests in the Service Contract had pursuant to the terms of the relevant farm-in agreements reverted to The Philodrill Corporation ('Philodrill'), Oriental Petroleum & Minerals Corporation, Linapacan Oil Gas & Power Corporation, Forum Energy Phils. Corporation, Cosco Capital Inc. and PetroEnergy Resources Corporation.

Following the removal of RMA from the Service Contract, Philodrill was appointed Operator of the West Linapacan Joint Venture. In this context Philodrill undertook a review and status audit of joint venture activities.

Nido is continuing to assess its options with respect to the West Linapacan block.

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 2014 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.

OPERATIONS REVIEW

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).

During 2015 Nido sought and received 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. SC 58 is now in a period of indefinite 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.

The Baragatan-1A well was drilled in the second quarter of 2014. The well result although not commercially successful confirmed the presence of an active petroleum system in SC 63.

During the year, PNOC-EC requested a moratorium, an amendment to the Sub-Phase 3 Work Program and a relinquishment of 50% of the initial contract area.

Subsequent to year end the DOE approved the request. The revised Work Program for the moratorium and Sub-Phase 3 is as follows:

<table>
<tr><th colspan="2">Sub-Phase</th><th>Work Program and Budget</th></tr>
<tr><td rowspan="3">Moratorium
(24 Nov 2015 to 24 Nov 2018)

(3 years)</td><td>Year 1
(24 Nov 2015 to 24 Nov 2016)</td><td>1) Technical/Commercial Studies = US$ 50,000
2) Geological and Geophysical Assessment (GG&A) = US$ 30,000</td></tr>
<tr><td>Year 2
(24 Nov 2016 to 24 Nov 2017)</td><td>1) Technical/Commercial Studies = US$ 50,000
2) GG&A = US$ 30,000</td></tr>
<tr><td>Year 3
(24 Nov 2017 to 24 Nov 2018)</td><td>1) Technical/Commercial Studies = US$ 50,000
2) GG&A = US$ 30,000</td></tr>
<tr><td colspan="2">SP3
(24 Nov 2018 to 24 Nov 2019)

(1 Year)</td><td>1) Drill one (1) firm well = US$ 6,000,000 and/or
2) Drill one (1) contingent well= $US 6,000,000</td></tr>
</table>

Dragon Oil also gave notice during the year of its intention to withdrawal from SC 63, subject to Government approval.

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.

During 2015, the Joint Venture focused on maturing leads in the northern part of the block and the East Cadlao structure located to the east of the Cadlao oil field in SC 6. Reprocessing of approximately 402 sq km of the existing TQ3D seismic survey is ongoing and is expected to be completed in early 2016.

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. There was no activity undertaken in the Baronang PSC during the year as the Joint Venture is awaiting approval from the regulator SKKMigas to relinquish the PSC which is expected in early 2016.

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. There was no activity undertaken in Cakalang PSC during the year as the Joint Venture is awaiting approval from the regulator SKKMigas to relinquish the PSC which is expected in early 2016.

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.

During the year, the Joint Venture continued to integrate the results of the Gobi-1 exploration well, drilled in Q4 2014 into the current subsurface models in order to assess the remaining exploration potential of the block.

The Operator Lundin Petroleum ('Lundin') advised the Company in November that subject to the receipt of any necessary regulatory approvals it intends to withdraw from this PSC. There is currently no material exploration activity planned for 2016.

EXPLORATION & APPRAISAL & NEW BUSINESS

The Company continued to review 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.

HEALTH, SAFETY, SECURITY AND ENVIRONMENT (HSSE)

HSSE performance for 2015 based on 308,569 man hours resulted in zero fatalities, zero Lost Time Injuries and a Total Recordable Injury Frequency Rate ('TRIFR') of zero.

Directors

The Directors of Nido Petroleum Limited are pleased to present the Annual Financial Report for the year ended 31 December 2015. 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 Non-Executive Chairman of Torrens Mining Limited (appointed 25 January 2016). He is a Non-Executive Director of Challenger Energy Limited (appointed 27 February 2014). Bill 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).

Dr Michael Fischer GAICD (appointed 26 August 2015)

BSc Hons. University of Leeds

PhD. University of Wales

Managing Director, Non-Independent

Mike started his career as an Exploration Geologist with BP in Aberdeen and progressed into senior technical roles working on BP's PNG and Chinese portfolios. He then joined Woodside Energy Limited in Perth, where he served in a number of roles including Chief Geoscientist, responsible for technical assurance, and a variety of exploration leadership roles, including the Northwest Shelf. Mike was part of the team responsible for the development of Woodside's international portfolio and subsequently led the team that was responsible for Woodside's success in West Africa.

Following a brief period with OMV, where he held the position of Senior Vice President of Exploration, Operations and Projects and oversaw 340,000 barrels of oil equivalent production per day as well as a global exploration portfolio and significant capital projects, Dr Fischer joined Ophir Energy. In Mike's nine years with Ophir, he moved progressively through roles of increasing executive responsibility, including GM of Exploration, Director of Operations, Chief Operating Officer, Senior Vice President, and finally Director, Africa Business Unit with full responsibility for Ophir's highly successful African operations.

Mike 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 (then) Institute of Chartered Accountants (now the Chartered Accountants Australia and New Zealand) 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 retired from the role of President at The Bangchak Petroleum Public Company Ltd, Thailand ('Bangchak'), on 1 January 2015. Vichien had worked at Bangchak since 1993 where he held various senior executive positions until his retirement.

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.

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 subsequently 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 the Managing Director position until 2007 before becoming an advisor for Avantgarde Capital Company Limited in Thailand until 2014.

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, Government of Thailand's Pension Fund and various subsidiaries of Bangchak.

Krairit Nilkuha (appointed 21 August 2015)

BSc Mechanical Engineering (Kasetsart University).

MSc Petroleum Engineering (New Mexico Institute of Mining and Technology)

Non-Executive Director, Non-Independent

Krairit has more than 30 years of experience in the oil and gas industry across the private sector and Government, both as a senior executive and as a Non-Executive Director. Krairit is currently the Chairman of the Board of Directors for the Technical Petroleum Training Institute of Thailand.

Krairit was formerly a Non-Executive Director of the Bangchak Petroleum Public Company Ltd and served as the Chairman of Bangchak's Risk Management Committee. He was also a former Non-Executive Director of the PTT Public Company Limited and a Deputy Permanent Secretary of the Ministry of Energy in Thailand.

Philip Byrne MAICD (resigned 30 April 2015)

MA, Natural Science (Trinity College, Dublin)

MSc, DIC. Petroleum Geology (Imperial College, London)

Managing Director, Non-Independent (Appointed 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.

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) and the Association of International Petroleum Negotiators (AIPN).

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
M Fischer	Nil	Nil	Nil	Nil
A Edwards	Nil	Nil	Nil	Nil
V Usanachote	Nil	Nil	Nil	Nil
C Kovavisarach	Nil	Nil	Nil	Nil
K Nilkuha	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 2015	
Directors	Held[1]	Attended
W Bloking	4	4
M Fischer	1	1
A Edwards	4	4
V Usanachote	4	4
C Kovavisarach	4	4
K Nilkuha	2	2
P Byrne	1	1

Audit & Risk Management Committee Meetings 2015		
Directors	Held[1]	Attended
W Bloking	3	3
A Edwards	3	3
V Usanachote	3	3

Remuneration & Nomination Committee Meetings 2015		
Directors	Held[1]	Attended
W Bloking	2	2
A Edwards	2	2
C Kovavisarach	2	2

[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 or options were on issue (2014: nil). 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, there were neither any performance rights outstanding nor any performance rights issued or exercised by employees and directors (2014: 138,282,166).

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.

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 2015 is included in the section entitled "Operations Review" preceding this Directors' Report.

CHANGE IN FUNCTIONAL AND PRESENTATION CURRENCY

The Company has changed its functional currency from Australian dollars to United States ('US') dollars in the period as a result of drawing down on US dollar financing. The change is effective 1 April 2015. The functional currency of an entity is the currency of the primary economic environment in which the entity operates, which reflects the economic substance of the underlying events and circumstances relevant to the entity. Consistent with this change, the presentation currency of the Group has also changed to US dollars. The financial report for the year ended 31 December 2015 is the first full-year financial report with results in US dollars. Comparative information has been re-presented in US dollars.

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 2015 US$'000	Consolidated 2014 US$'000
Revenue from sale of crude oil	68,374	73,906
Gross profit/(loss)	(3,964)	33,726
Net (loss) for the year after tax	(31,128)	(6,398)
Basic (loss) per share (cents) from continuing operations	(71.12)	(15.19)
Net cash from operating activities	8,534	37,126
Net cash (used in) investing activities	(76,778)	(32,885)
Net cash from/(used in) financing activities	76,972	(17,390)

The net loss of the Group for the year ended 31 December 2015 of $31.128 million (2014: loss of $6.398 million), was impacted by the following significant items:

- Oil revenue totalled $68.374 million, of which revenue from the Galoc oil field for the year was $67.052 million (2014: $71.492 million) arising from seven liftings during the year. Revenue from the Nido and Matinloc oil fields for the year was $1.322 million (2014: $2.414 million);
- Cost of sales for the year increased by $32.151 million to $72.348 million (2014: $40.197 million) primarily due to a larger share of production costs from the increased working interest in the Galoc field following the acquisition of GPC;
- Total financing costs of $8.089 million (2014: $3.617 million) primarily relate to the RBL facility with Credit Suisse and the Bangchak term loan facilities. The increase in financing costs of $4.472 million was mainly due to the draw-down on the Bangchak term loan facility used to fund the GPC company acquisition in February 2015;
- Income tax benefit of $3.238 million (2014: tax expense of $5.760 million) primarily related to the unwinding of the deferred tax liabilities associated with the different tax and accounting treatments of the Galoc Oil and Gas Property assets;
- Impairment of Oil and Gas Properties of $19.457 million (2014: $7.020 million) relates to the Galoc oil field asset. The impairment was the result of the significant fall in oil prices in the year and also a lower reserves position based on the most recent reserves reports prepared by GCA (refer to page 4 for the Annual Reserves Statement);
- Total administrative and other expenses (net of impairment costs) of $9.521 million (2014: $13.457 million), primarily resulted from the following:
  - Employee benefits expense (net of share based payments expense) of $5.017 million (2014: $4.321 million);
  - Share based payments of $0.015 million (2014: $2.240 million) with the reduction a result of all non-vested performance rights immediately vesting as a result of the announcement of the BCPE takeover of the Company in 2014;
  - Exploration expense of $2.142 million (2014: $1.648 million);
  - No corporate advisor expenses in 2015 in relation to corporate take-over activities (2014: $3.406 million); and
  - Office and other expenses of $2.342 million (2014: $1.842 million).
- Net foreign currency gain of $4.706 million (2014: $7.714 million) resulted from the impact of the weaker Australian dollar over the first quarter of 2015 (prior to the change of functional currency on 1 April 2015), which had a positive impact on net US dollar balances.

SUMMARY OF FINANCIAL POSITION

The Company's cash reserves at the end of 2015 totalled $17.531 million compared to $8.911 million as at 31 December 2014.

The increase in cash reserves of $8.620 million over the year was due primarily to:

- Net proceeds from oil production of $21.461 million;
- Net proceeds of $1.186 million from crude oil put options gains on settlement;
- Proceeds of $108.000 million from initial drawdown on the Bangchak revolving debt facility;

offset by:

- Exploration expenditure of $3.681 million primarily comprising increased spend on new venture activities, the final costs associated with drilling activity in 2014 in the Indonesian PSC's (Baronang, Gurita), continued pre-FID activities in SC 14C2 (West Linapacan) and continued support of exploration activities in SC 14C1 (Galoc) near the existing well locations;

- Debt principal repayments of $30.341 million, interest expense of $4.772 million and other financing costs of $0.687 million relating to the reserves base lending and Bangchak revolving debt facilities;
- Equity investment of $73.041 million representing the purchase of Galoc Production Company W.L.L.; and
- Overheads and other expenditures including foreign exchange movements of $9.505 million.

PRODUCTION AND DEVELOPMENT ACTIVITIES

In 2015, the following key production development milestones occurred:

- 2.26 mmbbls gross (1.16 mmbbls net to Nido) were produced from the Galoc oil field;
- Production uptime at Galoc averaged 99.8% 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 141,864 bbls gross (35,999 bbls net to Nido).

EXPLORATION & APPRAISAL ACTIVITIES

- 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 2015 with a Total Recordable Injury Frequency Rate (TRIFR) of zero and a Lost Time Injury Frequency Rate (LTIFR) for 2015 of zero.

CORPORATE

- Cash on hand at year end was $17.531 million and debt drawn under the revolving term loan facility with Bangchak was $88.200 million at year end. On 29 June 2015 the senior debt facility with Credit Suisse AG was repaid in full and the facility was closed;
- Gross loss from continuing operations for the 2015 year was $3.964 million and net loss after tax was $31.128 million;
- On 17 February 2015 the Group acquired all of the shares in GPC. GPC holds a 33% interest in the Galoc oil field, located in Service Contract 14C1 in the Philippines. The Group now holds a 55.88% working interest in the Galoc oil field and has Operatorship of the project; and
- Nido funded the cash acquisition of GPC through a combination of cash reserves and debt. Nido's major shareholder, Bangchak provided Nido with a revolving term loan facility on an arms-length basis of up to $120 million.

ANNUAL GENERAL MEETING

- The Company's Annual General Meeting was held on 22 May 2015 at the South Perth Civic Centre;
- Mr Andrew Edwards, Mr Chaiwat Kovavisarach and Mr Vichien Usanachote were elected as Directors of the Company; and
- Shareholders also approved the adoption of the remuneration report, the appointment of KPMG as the Company's Auditor and the consolidation of the Company's share capital on a 50:1 basis.

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 $5,000 donation to the Sisters of our Lady of the Missions to support their charitable work in South East Asia.

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) and Lost Time Injury Frequency Rate (LTIFR) for 2015 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.

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.

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. The Company's Key Management Personnel are persons having authority and responsibility for planning, directing and influencing the Group's strategic direction and performance through their actions, either collectively (in the case of the Board) or as individuals acting under delegated authorities (in the case of the Executives). The names and positions of the individuals who were Key Management Personnel during 2015 are set out below.

DETAILS OF KEY MANAGEMENT PERSONNEL

(i) **Directors**	
W Bloking	Chairman (Non-Executive)
M Fischer	Managing Director commenced 26 August 2015
A Edwards	Director (Non-Executive)
V Usanachote	Director (Non-Executive)
C Kovavisarach	Director (Non-Executive)
K Nilkuha	Director (Non-Executive) appointed 21 August 2015
P Byrne	Managing Director resigned 30 April 2015

(ii) **Executives**	
J Pattillo	Head of Exploration
A Gilbert	Chief Financial Officer
J Newman	General Counsel and Company Secretary
K Thirakaosal	Commercial Manager
S Nichol	Production 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.

REMUNERATION REPORT (Audited)

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 2015.

	31 Dec 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012	31 Dec 2011
EPS (USD cents) [(1)]	(71.12)	(15.19)	48.29	31.10	14.05
Share price AUD [(2)]	0.25	1.40	1.80	1.35	2.00

(1) *Prior year EPS comparatives have been restated to reflect the change in functional currency to US dollars on 1 April 2015, and the 1:50 share consolidation on 29 May 2015*

(2) *Prior year share price comparatives have been restated to reflect the 1:50 share consolidation on 29 May 2015*

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 A$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.

In 2015 the Board received advice from an independent remuneration consultant, Gerard Daniels, in relation to the remuneration of Non-Executive Directors and Executives.

Prior to entering into the consultancy and in accordance with the Company's remuneration policy the Board was presented with a proposal by Gerard Daniels which included a statement confirming Gerard Daniels' independence of the Company's Key Management Personnel. Furthermore upon the appointment of Gerard Daniels as a remuneration consultant all recommendations provided by Gerard Daniels were provided directly to the Chairman of the Remuneration and Nomination Committee.

Gerard Daniels were paid $22,206 for the consultancy services with respect to Key Management Personnel. Gerard Daniels were also paid $14,046 with respect to NED due diligence related activities and general employee remuneration matters during 2015. On the basis of the overall circumstances of the consultancy and limited consultancy services that the Company otherwise obtains from Gerard Daniels, the Board is completely satisfied that the remuneration recommendations provided by Gerard Daniels were free from undue influence by any members of the Key Management Personnel of the Company.

In this overall context and following the recommendations of Gerard Daniels, the Board resolved to change the Non-Executive Director fee structure such that each Director is paid a fee of A$85,000 per year inclusive of their membership of any Board Committees apart from the Chairman of the Board who receives a fee of A$130,000.

However it is noted that the Non-Executive Directors have recently agreed to accept a temporary 10% reduction in fees effective from 1 February 2016 given the low oil price environment.

In relation to other benefits, the Non-Executive Directors are not entitled to retirement benefits and are 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.

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 A$20,000 or less. If the fees are in excess of A$20,000 then the Board must endorse the request.

The remuneration of Non-Executive Directors for the periods ending 31 December 2015 and 31 December 2014 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.

REMUNERATION REPORT (Audited)

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.

During the 2015 year, however, the Company chose not to allocate an award of Long Term Incentives as the Board decided that the existing Employee Performance Rights Plan was no longer appropriate in the circumstances of the Company. The form of Long Term Incentive continues to remain under review by the Board.

The Company did however provide a Sign-on and Retention Bonus to Dr Fischer subject to shareholder approval. Consistent with the previous award to Mr. Byrne, the rationale for this particular benefit is to provide a significant retention incentive to Dr Fischer.

FIXED REMUNERATION

Executives receive their fixed remuneration in the form of cash and various fringe benefits. During the year Executive remuneration was benchmarked by Gerard Daniels and with the exception of the Company Secretary who received an adjustment in fixed remuneration as a result of increased responsibilities, fixed remuneration for Executives for the 2015 year was retained at 2014 levels. The specific amount of fixed remuneration for each Executive is detailed further in this Report.

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 generally sets a number of performance criteria at the beginning of the year 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.

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.

The Company did not award any payments to Executives in 2015 for their performance against the targets that were set during the 2014 year.

In relation to the 2015 STI program and given the transition in leadership of the Company, the Board did not formally set any targets under the STI Plan at the commencement of the year. The Board instead determined that it would review Executive performance against the activities undertaken by the Company over the course of the year.

In this context the Board noted that the Company had performed well with respect to HSSE related matters, performed well against budget and that the Company had also significantly reduced operating costs within the Galoc Joint Venture following the assumption of the role of Operator of the Joint Venture.

Given these circumstances the Board resolved to award a pool of funds for allocation to staff and Executives equivalent to a threshold level of performance of 12% of base Executive and staff remuneration as a STI payment for performance for the 2015 year (with the Managing Director to receive a 12% award pro-rated based on his tenure during the 2015 year).

Notwithstanding this position and as a result of the deteriorating oil price environment in the latter part of the 2015 year, the Company revised its position with respect to the STI award and allocated a 5% STI award to the Company's staff and Executives as well as an additional five annual leave days to the respective leave balances of each staff member and Executive.

REMUNERATION REPORT (Audited)

VARIABLE REMUNERATION – LONG TERM INCENTIVE

The Company's Employee Performance Rights Plan (Plan) and Long Term Incentive policy are currently under review by the Board. There was therefore no allocation of performance rights during 2015 to Executives of the Company.

MANAGING DIRECTOR AND EXECUTIVE EMPLOYMENT CONTRACTS

MANAGING DIRECTOR AND INTERIM CEO

During the 2015 year, Mr Philip Byrne resigned from the role of Managing Director effective as at 30 April 2015 and Dr Fischer commenced in the role effective from 26 August 2015.

During the period between Mr Byrne's resignation and Dr Fischer's appointment, Mr William Bloking acted as Interim CEO and Executive Chairman of the Company on a short term consultancy basis.

A summary of the key terms of Mr Philip Byrne's employment contract prior to his resignation is as follows:

- Base Salary - A$500,000 per annum;
- Superannuation 12% - A$60,000 per annum;
- Short term incentive – per the Company's performance based Short Term Incentive Scheme; and
- Long term incentive – per the Company's Employee Performance Rights Plan (subject to shareholder approval).

A summary of the key terms of Mr Bloking's consultancy arrangements is as follows:

- Mr Bloking was engaged on a consultancy services agreement with a consulting rate on the basis of a notional annualised consulting rate of A$560,000 per calendar year or A$46,667 per month of service;
- The annualised sum and monthly consulting rate was set on the basis of Mr Byrne's fixed remuneration inclusive of superannuation prior to his resignation; and
- Mr Bloking's fees as Chairman of the Company were suspended during the period of consultancy.

A summary of the key terms of Dr Michael Fischer's employment contract is as follows:

- Base Salary - A$500,000 per annum;
- Superannuation 12% - A$60,000 per annum;
- Short term incentive – Dr Fischer will participate in the Company's performance based Short Term Incentive Scheme;
- Long term incentive – Dr Fischer will participate in Nido's Employee Performance Rights Plan (subject to shareholder approval);
- Subject to shareholder approval being obtained, a Sign on and Retention Bonus was granted of 350,000 fully paid ordinary shares in total issued in eight (8) equal tranches at six (6) month intervals commencing six (6) months after the commencement of employment; 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 and issue up to a maximum of 43,750 ordinary shares in the company in respect of any yet-to-be-awarded Sign on and Retention Bonus, subject to shareholder approval being obtained and any limitations outlined in the *Corporations Act 2001.*

REMUNERATION REPORT (Audited)

The table below sets out the Sign on and Retention Bonus granted to Dr Fischer and Mr Byrne as part of their 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 (%)	Service Commencement Date /Grant Date	Value at Grant Date A$ [2]	Number of Shares Cancelled [3]	Percentage of Shares Cancelled (%)	Exercise Price
2015								
Director								
M Fischer	-	-						
Total	-	-	-	26/8/15	0.25	-	-	Nil
2014								
Director								
P Byrne	-	1,666,665						
Total	-	1,666,665	100.00%	8/10/11	0.045	1,666,665	16.67%	Nil

1 For accounting purposes under AASB 2 "Share Based Payments" treated as vested for the year ended 31 December 2015 and 31 December 2014 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). Total cumulative number of shares vested from the initial grant was 10,000,000 (100% of shares vested).

2 In regards to Dr Fischer's Sign on and Retention shares, the service period has commenced with $14,921 expensed to 31 December 2015. For accounting purposes under AASB 2 "Share Based Payments" where grant date occurs after year end, the estimated value of the grant date is the end of the reporting period 31 December 2015. Once the grant date has been established (upon Shareholder approval), the estimated fair value of the share based payment shall be revised to use the fair value of the shares on the actual grant date.

3 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 (other than the Managing Director whose termination benefit is described above under the summary of his key terms and conditions) 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)

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 [5]										
• 2015	**188,548**	**-**	**-**	**13,583**	**-**	**-**	**-**	**202,131**	**-**	**-**
• 2014	67,649	-	-	31,043	-	-	-	98,692	-	-
M Fischer[1]										
• 2015	**124,750**	**7,620**	**52,543**	**15,702**	**659**	-	**14,921**	**216,195**	**6.9%**	**3.5%**
A Edwards										
• 2015	**58,359**	**-**	**-**	**5,544**	**-**	**-**	**-**	**63,903**	**-**	**-**
• 2014	65,465	-	-	4,517	-	-	-	69,982	-	-
V Usanachote[2]										
• 2015	**58,359**	**-**	**-**	**5,544**	**-**	**-**	**-**	**63,903**	**-**	**-**
• 2014	14,646	-	-	1,391	-	-	-	16,037	-	-
C Kovavisarach[2]										
• 2015	**58,359**	**-**	**-**	**5,544**	**-**	**-**	**-**	**63,903**	**-**	**-**
• 2014	13,315	-	-	1,265	-	-	-	14,580	-	-
K Nilkuha[1]										
• 2015	**20,247**	**-**	**-**	**1,923**	**-**	**-**	**-**	**22,170**	**-**	**-**
E Manalac[4]										
• 2014	44,005	-	-	4,107	-	-	-	48,112	-	-
M Ollis[4]										
• 2014	46,694	-	-	15,292	-	-	-	61,985	-	-
P Byrne[3]										
• 2015	**159,719**	**-**	**9,915**	**9,962**	**(18,129)**	**-**	**-**	**161,467**	**-**	**-**
• 2014	466,477	-	16,286	40,444	13,668	807,718	12,138	1,356,730	60.5%	59.6%
Total Remuneration: Directors										
• 2015	**668,341**	**7,620**	**62,458**	**57,802**	**(17,470)**	**-**	**14,921**	**793,672**	**1.9%**	**1.0%**
• 2014	718,250	-	16,286	98,059	13,668	807,718	12,138	1,666,118	49.3%	48.6%

REMUNERATION REPORT (Audited)

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										
• 2015	**341,118**	**20,116**	**8,697**	**40,705**	**8,992**	**-**	**-**	**419,628**	**0%**	**4.8%**
• 2014	394,345	-	7,996	49,431	27,077	401,816	-	880,665	45.7%	45.7%
A Gilbert										
• 2015	**254,680**	**14,790**	**8,148**	**24,674**	**6,586**	**-**	**-**	**308,878**	**0%**	**4.8%**
• 2014	367,915	-	8,682	24,045	12,840	293,947	-	707,430	41.6%	41.6%
J Newman										
• 2015	**228,162**	**13,375**	**6,485**	**24,544**	**7,750**	**-**	**-**	**280,316**	**0%**	**4.8%**
• 2014	254,670	-	6,881	24,673	17,258	253,042	-	556,524	45.5%	45.5%
K Thirakaosal										
• 2015	**466,374**	**17,409**	**91,209**	**29,037**	**5,691**	**-**	**-**	**609,720**	**0%**	**2.9%**
• 2014	87,728	-	33,689	5,922	152	-	-	127,490	-	-
S Nichol										
• 2015	**187,270**	**17,008**	**4,807**	**16,339**	**924**	**-**	**-**	**226,348**	**0%**	**7.5%**
Total Remuneration: Executives										
• 2015	**1,477,604**	**82,698**	**119,347**	**135,299**	**29,943**	**-**	**-**	**1,844,890**	**-**	**4.5%**
• 2014	1,104,658	-	57,248	104,070	57,327	948,805	-	2,272,109	41.8%	41.8%

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 M Fischer appointed 26 August 2015, and K Nilkuha appointed 21 August 2015.

2 V Usanachote and C Kovavisarach appointed 1 October 2014.

3 P Byrne resigned 30 April 2015.

4 Ed Manalac and M Ollis resigned 1 October 2014.

5 During the period between P Byrne's resignation and M Fischer's appointment, W Bloking acted as Interim CEO and Executive Chairman of the Company on a short term consultancy basis provided by a related entity. Fees paid to the related entity of $135,430 have been included in the table above. Refer to note 26(c) for further details.

* 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.

** The details for cash bonuses paid are set out in the table below.

REMUNERATION REPORT (Audited)

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 US$	Nature	Max. Potential Entitlement*	Percentage Granted	Percentage Forfeited
2015 (2015 performance year)**							
P Byrne	N/A	N/A	N/A	N/A	N/A	N/A	N/A
M Fischer	N/A	16/12/2015	7,620	Cash	6%	2.1%	64.4%
J Pattillo	N/A	16/12/2015	20,116	Cash	18%	6.4%	64.4%
A Gilbert	N/A	16/12/2015	14,790	Cash	18%	6.4%	64.4%
J Newman	N/A	16/12/2015	13,376	Cash	18%	6.4%	64.4%
S Nichol	N/A	16/12/2015	17,008	Cash	18%	6.4%	64.4%
K Thirakaosal	N/A	16/12/2015	17,409	Cash	18%	6.4%	64.4%
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%

* 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 2015 in respect of their performance against 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 A$	Exercise Price A$	First Exercise Date	Last Exercise Date/ Expiry Date	Number of Performance Rights Vested During the Year	% of Performance Rights Vested During the Year
2015								
Directors								
P Byrne	Nil	N/A	N/A	N/A	-	-	-	-
2014 *								
Directors								
P Byrne	18,823,529	27/5/14	0.028	Nil	27/5/17	27/5/17	47,955,129 **	100%

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

* Performance rights quoted for 2014 are reported pre-share consolidation on 29 May 2015.

** Includes performance rights granted in previous financial years.

REMUNERATION REPORT (Audited)

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 of each Right at Grant Date A$	Exercise Price A$	First Exercise Date	Last Exercise Date/ Expiry Date	Number of Performance Rights Vested During the Year	% of Performance Rights Vested During the Year
2015								
Executives								
J Pattillo	Nil	-	-	-	-	-	-	-
A Gilbert	Nil	-	-	-	-	-	-	-
J Newman	Nil	-	-	-	-	-	-	-
K Thirakaosal	Nil	-	-	-	-	-	-	-
S Nichol	Nil	-	-	-	-	-	-	-
	Nil						-	
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	

* Performance rights quoted for 2014 are reported pre-share consolidation on 29 May 2015.

** Includes performance rights granted in previous years.

REMUNERATION REPORT (Audited)

VALUE OF PERFORMANCE RIGHTS GRANTED AS PART OF REMUNERATION

	Value of Performance Rights Granted during the Year[1] US$	Value of Performance Rights Exercised during the Year US$	Value of Performance Rights Lapsed during the Year US$	Remuneration Consisting of Performance Rights during the Year %
2015				
Directors				
P Byrne	N/A	N/A	N/A	N/A
M Fischer	N/A	N/A	N/A	N/A
Executives				
J Pattillo	N/A	N/A	N/A	N/A
A Gilbert	N/A	N/A	N/A	N/A
J Newman	N/A	N/A	N/A	N/A
K Thirakaosal	N/A	N/A	N/A	N/A
S Nichol	N/A	N/A	N/A	N/A
2014				
Directors				
P Byrne	486,902	968,483	-	59.5%
Executives				
J Pattillo	186,362	530,552	96,049	45.7%
A Gilbert	157,870	388,435	67,281	41.6%
J Newman	135,837	334,224	59,421	45.5%
K Thirakaosal	-	-	-	-

[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 2015 or 2014.

Shares Issued on Exercise of Compensation Performance Rights

	Shares Issued Number	Paid per Share US$	Unpaid per Share US$
2015			
Directors and Executives			
None	-	-	-
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	-	-	-

* Shares referenced in 2014 are reported pre-share consolidation on 29 May 2015.

REMUNERATION REPORT (Audited)

E. EQUITY HOLDINGS AND MOVEMENTS DURING THE YEAR

(a) Rights Holdings of Key Management Personnel

	Balance at 1 January	Granted as remuneration	Rights exercised *	Cancelled/ Forfeited / Expired	Change due to appointment / (resignation)	Balance at 31 December	Vested	Non Vested
2015								
Directors								
P Byrne	-	-	-	-	-	-	-	-
M Fischer								
Executives								
J Pattillo	-	-	-	-	-	-	-	-
J Newman	-	-	-	-	-	-	-	-
A Gilbert	-	-	-	-	-	-	-	-
K Thirakaosal	-	-	-	-	-	-	-	-
S Nichol	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
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)	-	-	-	-

* 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 2014 year.

** Shares referenced in 2014 are reported pre-share consolidation on 29 May 2015.

REMUNERATION REPORT (Audited)

(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
2015					
Directors					
W Bloking	-	-	-	-	-
M Fischer	-	-	-	-	-
A Edwards	-	-	-	-	-
V Usanachote	-	-	-	-	-
C Kovavisarach	-	-	-	-	-
K Nilkuha	-	-	-	-	-
P Byrne	-	-	-	-	-
Executives					
A Gilbert	-	-	-	-	-
J Pattillo	-	-	-	-	-
J Newman	-	-	-	-	-
K Thirakaosal	-	-	-	-	-
S Nichol	-	-	-	-	-
	-	-	-	-	-
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)	-

* Performance rights quoted for 2014 are reported pre-share consolidation on 29 May 2015.

** 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.

REMUNERATION REPORT (Audited)

F. OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

During the year, TransEnergy International Ltd, an entity controlled by Mr Eduardo Mañalac, was paid $33,963 (2014: $4,078) in consultancy fees. Dr Michael Ollis was also paid $37,916 (2014: $8,156) in consultancy fees.

During the year, Australia Asia Energy Pty Ltd, an entity controlled by Mr William Bloking, was paid $135,430 (2014: nil) in consultancy fees with respect to Mr Bloking's role as Interim CEO and Executive Chairman of the Company.

During the year, CT Partners, an entity with an employee related to a member of the Key Management Personnel was paid $82,110 (2014: nil) in consultancy fees with respect to the recruitment of a new Managing Director, following the resignation of Mr. Byrne.

There were no other related party transactions with Key Management Personnel during the 2015 year.

No loans or advances to/from Key Management Personnel were outstanding at year end.

G. USE OF REMUNERATION CONSULTANTS

Gerard Daniels were engaged by Nido during the 2015 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.

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 has negotiated a restructure of the US$120.000 million Facility Agreement with the Bangchak Petroleum Public Company Limited ("Bangchak"), with effect from 11 March 2016.

   The key terms of the restructured Facility Agreement are as follows:

   - Nido will make an advanced principal payment of US$10.000 million leaving a residual balance of $US78.200 million of principal outstanding under the Facility Agreement, as well as a payment of US$0.890 million of interest accrued to 15 March 2016;
   - repayment of all other principal payments will be deferred effective from February 2016 and re-commence in March 2018;
   - the interest rate on the Facility will be capped at 6% + LIBOR for the remainder of the term and will not increase by 2 per cent per annum as outlined in the original facility agreement;
   - interest on the outstanding loan balance will accrue until the re-commencement of principal payments in March 2018;
   - Bangchak will provide additional financial support to ensure there are sufficient funds to meet contractual obligations, up to a cumulative cap of $US4.000 million and subject to certain conditions being met;
   - if the oil price recovers such that the realised price for a single cargo exceeds US$45/barrel, Nido and Bangchak will discuss whether Nido has any ability to accelerate the repayment of deferred interest on the existing loan; and
   - the Nido group will provide a negative pledge with respect to the creation of any new security over its assets (save for securities created in the ordinary course of business).

   The restructured loan agreement provides the Company with savings in interest payments as well as a deferral of remaining scheduled payments until March 2018, therefore providing the Company with sufficient working capital to manage its commitments based on Management's current assumptions for oil price, production and overhead costs.

   Note 15 Financial Liabilities contains details of the Original Facility Agreement with Bangchak.

SUBSEQUENT EVENTS - continued

2. Subsequent to year end the Company's Annual Reserves Assessment was completed by Gaffney, Cline & Associates. The financial results reflect the updated reserves position.
3. Subsequent to year end the Department of Energy granted approval to the request for a three year Moratorium and an amendment to the Sub-Phase 3 Work Program with regard to Service Contract 63.

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, KPMG (2014: 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. KPMG (2014: Ernst & Young) received, or are due to receive, the following amounts for the provision of non-audit services:

	2015 US$	**2014 US$**
Tax compliance and advice services	4,421	44,269

Signed in accordance with a Resolution of the Directors.

William F. Bloking

WILLIAM BLOKING FAICD
CHAIRMAN
15 March 2016

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF NIDO PETROLEUM LIMITED

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Nido Petroleum Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2015 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

G-T H

Graham Hogg
Partner

Perth

15 March 2016

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

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 2015 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 2015.

For and on behalf of the Board

William J. Bloking

William Bloking FAICD
Chairman
15 March 2016

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	Consolidated 2015 US$'000	Restated* 2014 US$'000
Revenue from sale of crude oil		68,374	73,906
Other revenue	2(a)	10	17
Total revenue		68,384	73,923
Cost of sales	3(a)	(72,348)	(40,197)
Gross (loss) / profit		(3,964)	33,726
Other income	2(b)	1,959	22
Administrative and other expenses	3(b)	(9,521)	(31,462)
Impairment write down of oil and gas properties	10	(19,457)	(7,020)
Foreign currency gains/(losses)		4,706	7,713
Finance costs	3(c)	(8,089)	(3,617)
(Loss) before income tax from continuing operations		(34,366)	(638)
Income tax benefit / (expense)	4	3,238	(5,760)
Net (Loss) for the year from continuing operations		**(31,128)**	**(6,398)**
Other comprehensive income / (loss)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations, net of income tax		(5,136)	(7,952)
Other comprehensive (loss) for the year, net of tax		(5,136)	(7,952)
Total comprehensive (loss) for the year		(36,264)	(14,350)
		US Cents	**US Cents**
Earnings per share for (loss) attributable to the ordinary equity holders of the Company:			
Basic (loss) per share **	20	(71.12)	(15.19)
Diluted (loss) per share **	20	(71.12)	(15.19)

* Refer to Note 1(c) for more information regarding prior year restatement.

** Nido Petroleum Ltd consolidated its capital structure on 29 May 2015 on the basis of 1 share for every 50 existing shares, as approved by shareholders at the Annual General Meeting on 22 May 2015. The comparative earnings per share calculation has been performed using the consolidated amount of shares.

BALANCE SHEET AS AT 31 DECEMBER 2015

	Notes	2015 US$'000	Restated* 2014 US$'000	Restated* 1 January 2014 US$'000
		Consolidated		
ASSETS				
Current Assets				
Cash and cash equivalents	5	17,531	8,911	22,496
Trade and other receivables	6	13,930	4,313	3,074
Inventories	7	5,086	5,220	3,833
Current tax asset	4	1,388	1,713	1,716
Other financial assets	8	51	20	21
		37,986	20,177	31,140
Disposal group held for sale		-	-	3,667
Total Current Assets		37,986	20,177	34,807
Non-Current Assets				
Plant and equipment	9	236	187	234
Oil and gas properties	10	57,918	33,095	56,258
Exploration and evaluation expenditure	11	71,023	43,236	39,439
Deferred tax asset	4	-	-	1,188
Other financial assets	8	17,998	13,488	2,698
Total Non-Current Assets		147,175	90,006	99,817
Total Assets		185,161	110,183	134,624
LIABILITIES				
Current Liabilities				
Trade and other payables	14	20,553	2,795	4,470
Income tax payable		299	-	-
Provisions	16	517	457	388
Financial liabilities	15	2,663	10,467	16,272
		24,032	13,719	21,130
Liabilities directly associated with disposal group classified as held for sale		-	-	3,561
Total Current Liabilities		24,032	13,719	24,691
Non-Current Liabilities				
Provisions	17	24,320	13,704	9,313
Deferred tax liabilities	4	6,609	4,511	-
Financial liabilities	15	88,200	-	10,262
Total Non-Current Liabilities		119,129	18,215	19,575
Total Liabilities		143,161	31,934	44,266
Net Assets		42,000	78,249	90,358
EQUITY				
Contributed equity	18	151,567	151,567	151,567
Other reserves	19	316	5,437	11,148
Accumulated losses		(109,883)	(78,755)	(72,357)
Total Equity		42,000	78,249	90,358

* Refer to Note 1(c) for more information regarding prior year restatement.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	Consolidated 2015 US$'000	Restated* 2014 US$'000
Cash Flows From Operating Activities			
Receipts from customers		57,272	75,152
Payments to suppliers and employees		(41,250)	(36,261)
Interest received		17	14
Interest paid		(4,772)	(1,779)
Income tax paid		(3,919)	-
Put option derivative gain		1,186	-
Net cash from operating activities	25(a)	8,534	37,126
Cash Flows From Investing Activities			
Expenditure on oil and gas properties		-	(1,631)
Expenditure on exploration and evaluation assets		(3,681)	(22,218)
Payments for plant and equipment		(56)	(65)
Acquisition of subsidiary, net of cash acquired		(73,041)	(10,800)
Proceeds from disposal of plant and equipment		-	1
Proceeds from farm-out		-	1,828
Net cash used in investing activities		(76,778)	(32,885)
Cash Flows From Financing Activities			
Proceeds from borrowings		108,000	-
Payments for financing costs		(687)	(334)
Repayment of borrowings		(30,341)	(17,056)
Net cash (used in) / from financing activities		76,972	(17,390)
Net (decrease) / increase in cash and cash equivalents		8,728	(13,149)
Effect of foreign exchange rates		(108)	(436)
Cash and cash equivalents at beginning of year		8,911	22,496
Cash and cash equivalents at end of year	5	17,531	8,911

* Refer to Note 1(c) for more information regarding prior year restatement.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

	Contributed Equity US$'000	Share Based Payment Reserve US$'000	Foreign Currency Translation Reserve US$'000	Accumulated Losses US$'000	Total Equity US$'000
Consolidated					
At 1 January 2014 – Restated*	151,567	7,870	3,278	(72,357)	90,358
Profit / (loss) for the year	-	-	-	(6,398)	(6,398)
Other comprehensive income / (loss)	-	-	(7,952)	-	(7,952)
Total comprehensive loss for the period, net of tax	-	-	(7,952)	(6,398)	(14,350)
Transactions with owners in their capacity as owners:					
Issue of share capital	-	-	-	-	-
Cost of issue of share capital	-	-	-	-	-
Share based payments	-	2,241	-	-	2,241
	-	2,241	-	-	2,241
As at 31 December 2014 – Restated*	**151,567**	**10,111**	**(4,674)**	**(78,755)**	**78,249**
At 1 January 2015	151,567	10,111	(4,674)	(78,755)	78,249
Profit / (loss) for the year	-	-	-	(31,128)	(31,128)
Other comprehensive income / (loss)	-	-	(5,136)	-	(5,136)
Total comprehensive loss for the period, net of tax	-	-	(5,136)	(31,128)	(36,264)
Transactions with owners in their capacity as owners:					
Share based payments	-	15	-	-	15
	-	-	-	-	-
As at 31 December 2015	**151,567**	**10,126**	**(9,810)**	**(109,883)**	**42,000**

* Refer to Note 1(c) for more information regarding prior year restatement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CORPORATE INFORMATION

This financial report of Nido Petroleum Limited for the year ended 31 December 2015 was authorised for issue in accordance with a resolution of the Directors on 10 March 2016.

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 United States dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated.

Except as noted below and in note 1(d), 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 2015, including:

- AASB 2014-1 Part A – Annual Improvements 2010-2012 and 2011-2013 Cycles;

  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.
  - 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.

The adoption of AASB 2014-1 Part A had no effect on the Group.

- AASB 2014-1 Part B – Defined Benefit Plans: Employee Contributions;

  This standard makes amendments to allow a choice for recognising employee or third party contributions as a service cost if certain criteria are met.

The adoption of AASB 2014-1 Part B had no effect on the Group.

(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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(c) CHANGE IN FUNCTIONAL AND PRESENTATION CURRENCY

Effective 1 April 2015, Nido Petroleum Limited changed its functional and presentation currency to United States Dollars (“USD”). The functional currency of an entity is the currency of the primary economic environment in which the entity operates, which reflects the economic substance of the underlying events and circumstances relevant to the entity. The change to USD was triggered by events relating to a change in the primary economic environment that Nido operates in which more specifically relates to a change from a predominantly Australian Dollar (“AUD”) to a USD environment. As a result of the drawdown of US dollar financing, the predominant currency used to fund Nido Petroleum Ltd’s operations and investments is now USD.

The change in Nido Petroleum Ltd’s presentation currency will provide the users with financial information that is aligned with the predominant transaction currency of the Group, and will enhance comparability with the Group’s industry peer group.

The change of presentation currency has been applied retrospectively. To give effect to the change of presentation currency, the assets and liabilities of entities that had an Australian dollar functional currency as at 1 January 2014 and 31 December 2014 were converted into US dollars at a fixed exchange rate of US$1:A$0.8873 as at 1 January 2014 and US$1:A$0.8156 at 31 December 2014. Contributed equity, reserves and retained earnings were converted at applicable historical rates. Revenue and expenses for the year ended 31 December 2014 were converted at the average exchange rate of US$1:A$0.8972, or at the exchange rates ruling at the date of the transaction to the extent practicable. Earnings per share for 2014 has also been restated in US dollars to reflect the change in the reporting currency.

(d) 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 2015.

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.	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	(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. 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 & 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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2014-3	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
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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
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
IFRS 16	Leases	IFRS 16 removes the classification of leases as either operating leases or finance leases – for the lessee – effectively treating all leases as finance leases. Short-term leases (less than 12 months) and leases of low value assets (such as personal computers) are exempt from the lease accounting requirements. There are also changes in accounting over the life of the lease. In particular, companies will now recognise a front-loaded pattern of expense from most leases, even when they pay constant annual rentals. Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating leases.	1 January 2017	The Group has not yet determined the extent of the impact of the amendments, if any.	1 January 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(d) NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE - continued

The following new or amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

- Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12.
- Disclosure initiative – Amendments to IAS7.
- AASB2014-10 Amendments to Australian Accounting Standards – Sale of Contribution of Assets between an Investor and its Associate or Joint Venture.
- AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128.
- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101.
- AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle.

(e) 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.

(f) 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(n) and Note 1(m) 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(f) SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS - continued

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 "fair value less cost of disposal" 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(s).

(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.

(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) 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(g) FOREIGN CURRENCY TRANSLATION

Both the functional and presentation currency of Nido Petroleum Limited and its subsidiaries are 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.

(h) 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

(i) 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.

(j) 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.

(k) 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 the cost of acquisition which includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition; and

(ii) Petroleum products, comprising extracted crude oil stored in FPSO tanks, are valued using the full cost absorption method.

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

(l) PLANT AND EQUIPMENT

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(l) PLANT AND EQUIPMENT - continued

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.

(m) 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 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(s).

(n) 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.

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.

(o) 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(p) 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.

(q) 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.

(r) 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.

(s) 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.

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.

(t) 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”).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(t) SHARE BASED PAYMENT TRANSACTIONS - continued

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;

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

(iii) 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 Sign on and Retention Bonus

As part of the employment contract entered into between Nido Petroleum Limited and Managing Director, Dr Michael Fischer*, Nido issued rights to fully paid ordinary shares as a Sign-on and Retention Bonus, subject to shareholder approval.

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.

*Dr Fischer was appointed Managing Director effective from 26 August 2015.

(u) 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.

(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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(v) 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.

(w) 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 loading. 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.

(x) 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.

(y) 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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(y) INCOME TAX - continued

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.

(z) 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.

(aa) 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.

(bb) 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.

(cc) 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.

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.

(dd) 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

(dd) 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.

(ee) 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.

(ff) 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; and
- 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.

(gg) 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(gg) FAIR VALUE MEASUREMENT - continued

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

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, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation with regard to contracts and other relevant documents. 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	
		2015 US$'000	Restated 2014 US$'000
2.	**Revenues**		
(a)	**Other Revenue**		
	Interest revenue – other parties	10	17
(b)	**Other Income**		
	Gain on settlement of crude oil put options	1,907	-
	Other	52	22
	Total Other Income	1,959	22

	Consolidated 2015 US$'000	Restated 2014 US$'000
3. Expenses		
(a) Cost of Sales		
Amortisation of oil and gas properties	25,526	14,809
Production costs net of inventory movement	46,822	25,388
Total cost of sales	72,348	40,197

Production costs expense includes SC 14C1 Galoc oil field payments for the FPSO of $22,995,000 (2014: $10,657,000). It is impracticable to split non-lease components from the operating lease payments.

	Consolidated 2015 US$'000	Restated 2014 US$'000
(b) Administrative and Other Expenses		
(i) Administrative expenses		
Employee Benefits		
Wages and salaries	4,356	3,335
Defined contribution superannuation expense	279	225
Share based payments expense	15	2,240
Other employee benefits	383	761
Total employee benefits	5,033	6,561
Office and other expenses		
Office and other expenses	1,783	1,270
Depreciation, amortisation and impairment expenses		
Depreciation of plant and equipment	96	96
Amortisation of oil and gas properties	25,526	14,809
Impairment write-down of inventory (note 7)	337	47
Impairment write-down/(write-back) of exploration assets (Note 11)	(335)	17,958
Total depreciation, amortisation and impairment	25,624	32,910
Less: amortisation included in cost of sales	(25,526)	(14,809)
Total depreciation, amortisation and impairment included in other expenses	98	18,101
Lease payments		
Operating lease rental	465	476
Total Administrative Expenses	7,379	26,408
(ii) Other		
Exploration and evaluation expenditure expensed	2,142	1,648
Corporate advisor fees	-	3,406
Total other	2,142	5,054
Total Administrative and Other Expenses	9,521	31,462
(c) Finance Costs		
(i) RBL facility finance costs		
Interest expense	1,860	3,501
(ii) BCP Revolving term loan facility costs		
Interest expense	5,916	-
(iii) Other finance costs		
Unwind of the effect of discounting on provisions	313	116
Total finance costs	8,089	3,617

4. Income Tax

		Consolidated 2015 US$'000	Restated 2014 US$'000
(a)	**Income tax expense**		
	The major components of income tax expense are:		
	Current income tax		
	Current income tax charge	2,600	-
	Prior year under provision	-	1,755
	Deferred income tax		
	Temporary differences originating and reversing	(6,040)	4,123
	Prior year under / (over) provision	202	(118)
	Income tax expense/(benefit) reported in income statement	(3,238)	5,760

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

		Consolidated 2015 US$'000	Restated 2014 US$'000
(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	(34,366)	(638)
	At the Group's statutory income tax rate Australia 30%, Philippines 30% (2014: Australia 30%, Philippines 30%)	(10,310)	(191)
	Adjustments in respect of current year income tax		
	Non-deductible expenses	5,100	5,826
	Non-assessable income	(1,438)	(1,867)
	Prior year under-provision	202	1,637
	Difference between standard deductions and OSD	(893)	-
	Deferred tax liabilities not recognised due to use of OSD	2,949	-
	Deferred tax assets not recognised	1,156	(138)
	Effect of foreign exchange differences	(4)	493
	Income tax expense/(benefit) for the year	(3,238)	5,760

4. Income Tax - continued

	Balance Sheet 2015 US$'000	Balance Sheet Restated 2014 US$'000	Profit or Loss 2015 US$'000	Profit or Loss Restated 2014 US$'000
(c) Deferred tax assets and liabilities				
CONSOLIDATED				
(i) *Deferred tax liabilities*				
Oil and gas assets	473	(38)	(7,723)	(5,951)
Restoration assets	2,849	2,470	380	-
Derivative asset	-	-	-	(1)
Financial liabilities	-	23	(23)	(323)
Unrealised foreign exchange movement	(82)	6,781	(6,864)	2,474
Set-off of deferred tax assets	3,369	(4,725)	14,230	3,801
	6,609	4,511	-	-
(ii) *Deferred tax assets*				
Provisions	-	243	243	(133)
Other	(469)	257	726	390
Rehabilitation	5,070	4,005	(969)	(157)
Exploration assets	4,687	3,112	(1,575)	(1,405)
Revenue tax losses	871	17,588	16,717	11,013
Unrecognised deferred tax asset	(13,528)	(20,480)	(6,952)	(147)
Set-off against deferred tax liabilities	3,369	(4,725)	(14,230)	(3,801)
	-	-	(6,040)	5,760

The benefit of tax losses not brought to account for the 2015 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 $53.879 million (2014: $48.711 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 $16.101 million (2014: $17.374 million) are available for offset against future Philippine taxable profits subject to continuing to meet relevant statutory tests.

(d) CURRENT TAX ASSET

The Current Tax Asset includes income tax credits of $1.388 million to be offset against future taxable profits of Nido Production (Galoc) Pty Ltd Branch (2014: $1.713 million).

(e) NO TAX CONSOLIDATED GROUP

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

	Consolidated 2015 US$'000	Restated 2014 US$'000

5. Cash and Cash Equivalents

	2015 US$'000	Restated 2014 US$'000
Cash at bank and in hand [1]	17,490	8,865
Short term deposits	41	46
	17,531	8,911

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 $nil (2014: $6.505 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

Trade and Other Receivables – Current	2015 US$'000	Restated 2014 US$'000
Crude oil receivables	5,529	-
Deposits held by Joint Operations	4,455	3,392
GST receivables	94	63
Prepayments	1,378	587
Other	2,474	271
	13,930	4,313

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 0 and 30 days.

Ageing analysis of current receivables:	**Total**	**0-30 days**	**31-60 days**
2015	13,930	13,930	-
2014	4,313	4,313	-

There were no current receivables past due as at 31 December 2015. No impairment of receivables was required as at 31 December 2015 (2014: Nil).

7. Inventories

	2015 US$'000	Restated 2014 US$'000
Casing, pipe and drilling inventory – at net realisable value [1]	2,227	1,175
Oil in storage – at cost	2,859	4,045
Total inventories	5,086	5,220

Inventories with a carrying value of $336,962 (2014: $47,067) were fully impaired or written down to net realisable value during the year.

[1] During the year $450,783 (2014: nil) was reclassed from oil and gas properties to inventory.

	Consolidated 2015 US$'000	Restated 2014 US$'000
8. Other Financial Assets		
Current:		
Receivables - security deposits	51	20
Non-Current:		
Receivables - security deposits	11,398	2,688
Receivables – decommissioning escrow fund	6,600	-
Receivables - business acquisition deposit - refer to note 13	-	10,800
	17,998	13,488

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.

9. Plant and Equipment

	2015 US$'000	Restated 2014 US$'000
Plant and equipment, at cost	2,163	2,024
Accumulated depreciation	(1,927)	(1,837)
	236	187
Reconciliation		
As at 1 January	187	233
Additions	155	62
Disposals	-	(1)
Depreciation expense	(96)	(96)
Currency translation differences	(10)	(11)
Net carrying value	236	187

10. Oil and Gas Properties

	2015 US$'000	Restated 2014 US$'000
Production phase, at cost	187,222	117,416
Accumulated amortisation and impairment losses	(129,304)	(84,321)
	57,918	33,095
Reconciliations		
Production phase – net		
As at 1 January	33,095	56,258
Additions including restoration asset	5,058	37
Acquisition of subsidiary (including transaction costs*) – refer note 13	65,198	-
Refund of expenditure	-	(1,371)
Other reclass to inventory	(450)	-
Impairment[1]	(19,457)	(7,020)
Amortisation of oil and gas properties	(25,526)	(14,809)
Net carrying value	57,918	33,095

10. Oil and Gas Properties - continued

Oil and gas properties capitalised in the production phase as at 31 December 2015 comprised only of the SC 14C1 Galoc oil field. This is the Group's primary Cash Generating Unit ('CGU').

* Includes allocation of Galoc Production Company WLL transaction costs of US$1.585 million (net of transaction costs US$63.613 million).

[1] With the reduction in global oil prices towards the end of the financial year and downward revised reserves, the carrying value of the SC 14C1 Galoc oil field was reviewed as at 31 December 2015. It was determined that the carrying value of the SC 14C1 Galoc oil field was $19.457 million (2014: $7.020 million) in excess of its recoverable amount and therefore the asset value was impaired accordingly.

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 prices in the last quarter of 2015 represented a possible indicator of impairment as at 31 December 2015. As a result, the Group assessed the recoverable amounts of each of the Oil and Gas Properties in the asset portfolio. Accordingly the SC 14C1 Galoc oil field was tested for impairment as at 31 December 2015.

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 testing

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 fair value less costs of disposal.

Fair value less costs of disposal is estimated based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between two market participants at the measurement date, less the costs of disposal.

Estimates of quantities of recoverable oil reserves, production levels and operating costs are sourced from the Joint Operation's life of well modelling, budgets and forecasted outlook. The 2016 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 fair value less costs of disposal. This is particularly so in the assessment of long life assets. It should be noted that fair value less costs of disposal calculations are subject to variability in key assumptions including, but not limited to, long-term oil prices, discount rates, production profiles and operating costs. An adverse change in one or more of the assumptions used to estimate fair value less costs of disposal 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 2015 end of year carrying value assessments:

	2015	
	2016-2021	**Long Term (2022+)**
Oil price (US$ per bbl)	$43-$79	$81-$84
Reserves	2P	2P
Discount rate (%)	9.5%	9.5%

Oil Prices

Oil prices are estimated with reference to nominal external market forecasts. The sizeable reduction in quoted oil prices throughout the financial year has resulted in significantly lower short-term and long-term oil price assumptions applied to the impairment reviews at 31 December 2015. The primary impact of this change was a reduction in the recoverable amount of the Galoc Oil and Gas Asset from both reduced oil revenues and shortening field economic life.

10. Oil and Gas Properties - continued

Discount Rate

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

Oil and Gas Property	Functional Currency	2015	2014
Galoc oil field	USD	9.5%	10%

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.

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 fair value less cost of disposal calculations.

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 Assets	Impairment – Other Assets $'000
Galoc oil fields	19,457

The key driver of the impairment for the Galoc oil field asset was the reduced oil price and revised production profile for 2016-2021, Other cost assumptions remained relatively static for the remaining well life.

The recoverable amount of the CGU is US$44,946,798.

b) Sensitivity Analysis

Any variation in the key assumptions used to determine fair value less cost of disposal 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 oil price	17,543
0.25% increase/decrease in the discount rate	238
5% increase/decrease in the assumed operating costs	2,892

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.

	Consolidated 2015 US$'000	Consolidated Restated 2014 US$'000

11. Exploration and Evaluation Expenditure

	2015 US$'000	Restated 2014 US$'000
Exploration and evaluation expenditure, at cost	71,023	43,236
Reconciliation		
As at 1 January	43,236	40,869
Additions	1,381	20,611
Acquisition of subsidiary (including transaction costs*) – refer note 13	26,406	-
Transfer from/(to) asset held for sale	-	1,431
Disposal of exploration asset	-	(1,717)
Impairment of exploration assets	-	(17,958)
Net carrying value	71,023	43,236

* Includes allocation of Galoc Production Company WLL transaction costs of $0.642 million (net of transaction costs $25.764 million).

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 2014 disposal of exploration assets related to farm-outs of working interest in SC 63.

For the 2014 year, impairment of exploration and evaluation expenditure asset of $5.728 million related to Nido's share of SC 63 Baragatan-1A exploration well drilling costs. These costs were impaired due to the well being deemed non-commercial. The remaining amount of $12.230 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 included 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.

12. Information Relating to Nido Petroleum Limited (Parent Entity)

	Parent Company 2015 US$'000	Parent Company Restated 2014 US$'000
Current assets	5,869	1,325
Non-current assets	128,064	76,186
Current liabilities	(1,058)	(922)
Non-current liabilities	(90,875)	(38)
Net assets	42,000	76,551
Contributed equity	151,567	151,567
Share based payments reserve	10,126	10,111
Foreign currency translation reserve	(9,818)	(4,558)
Accumulated losses	(109,875)	(80,569)
Total equity	42,000	76,551
(Loss) of the parent entity for the year	(29,306)	(9,915)
Total comprehensive (loss) of the parent entity	(34,566)	(18,033)

12. Information Relating to Nido Petroleum Limited (Parent Entity) - continued

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. Acquisition of Galoc Production Company WLL

(a) Acquisition Summary and Consideration

On 17 February 2015, the Group acquired 100% of the shares in Galoc Production Company WLL ('GPC') for cash consideration of $87.423 million. GPC holds 33% interest in the Galoc oil field, located in Service Contract 14C1 in the Philippines. The Group now holds 55.88% working interest in the Galoc oil field and has Operatorship of the project. The acquisition was accounted for as an asset acquisition.

Nido funded the cash acquisition through a combination of cash reserves and debt. The net cost of the acquisition of the subsidiary is as follows:

	US$'000
Initial consideration offered (as at 1 July 2014)	108,000
Final price paid on settlement after closing adjustments (17 February 2015)	87,423
Add: Transaction related costs	2,227
Total consideration	**89,650**

* $10.800 million was paid in December 2014 as a deposit, with $76.623 million paid in February 2015.

(b) Assets Acquired and Liabilities Assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition (including costs of acquisition of $ 2.227 million);

	US$'000
Current assets:	
Cash and cash equivalents	6,206
Trade and other receivables	5,016
Inventories	6,899
Other financial assets	581
Non-current assets:	
Oil and gas properties	65,198
Exploration and evaluation expenditure	26,406
Other financial assets	6,600
Current liabilities:	
Trade and other payables	(8,354)
Provisions	(1,746)
Non-current liabilities:	
Provisions	(9,018)
Other liabilities	(8,138)
Total net assets acquired	**89,650**

13. Acquisition of Galoc Production Company WLL – continued

(c) Measurement of Fair Values

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Asset Acquired	Valuation Technique
Inventories	The fair value is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.
Oil & gas properties and exploration & evaluation assets	The fair value is determined by considering discounted cash flows and market comparison techniques and applying judgement in relation to what market participants would apply. Discounted cash flows consider the present value of the net cash flows expected to be generated by the project, applying a risk-adjusted discount rate. Market comparison techniques consider the value of identified hydrocarbon reserves and resources associated with the project.

For all other assets and liabilities, the fair value is equal to their carrying amounts.

	Consolidated	
	2015 US$'000	Restated 2014 US$'000
14. Trade and Other Payables		
Trade creditors	8,531	2,769
Other creditors	12,022	26
	20,553	2,795

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

	2015 US$'000	Restated 2014 US$'000
Current		
Financial liability measured at amortised cost	-	10,467
Accrued interest	2,663	-
	2,663	10,467
Non-Current		
Financial liability measured at amortised cost	88,200	-

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

15. Financial liabilities - continued

(a) Nature and Fair Value

Bangchak Petroleum Public Company Limited Facility

On 12 December 2014, Nido Petroleum Limited (Nido) entered into a revolving term loan facility (the 'Original 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 Galoc Production Company W.L.L. ('GPC').

The key terms of the Original 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;
- The next principal repayment is due on 15 June 2017. Remaining principal instalments are due semi-annually thereafter with the final repayment due on 15 December 2020; and
- The security package for the loan is conditional upon shareholder and other approvals and involves a second ranking charge over Nido Production (Galoc) Pty Ltd's account for the receipts from Galoc production.

The Company'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 arm's length terms.

Note, subsequent to year-end, Nido executed a restructured facility agreement with Bangchak on 11 March 2016. Please refer to Subsequent Events Note 33.

Reserves Based Debt Facility

On 19 July 2012, The Company's wholly owned subsidiary, Nido Production (Galoc) Pty Ltd signed a senior debt facility with Standard Bank plc for up to a maximum of US$30 million for a term of three years. Credit Suisse AG syndicated into the facility on 31 January 2013 (with certain specific terms and conditions relating to Standard Bank's participation in the facility being cancelled at this time) and on 28 June 2013 Raiffeisen Bank assumed Standard Bank's share of the debt.

On 29 June 2015 the senior debt facility was repaid in full and the facility was closed.

(b) Risk exposures

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

	Consolidated 2015 US$'000	Consolidated Restated 2014 US$'000
16. Current Provisions		
Employee benefits – Annual Leave and Long Service Leave	517	457
17. Non-Current Provisions		
Employee benefits – Long Service Leave	12	38
Employee benefits – Defined Benefit Plan Philippines[(1)]	814	316
Restoration[(2)]	23,494	13,350
	24,320	13,704

17. Non-Current Provisions – continued

(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.

(2) **Restoration**

	Consolidated	
	2015 US$'000	Restated 2014 US$'000
Movements in non-current restoration provision		
As at 1 January	13,350	12,786
Acquisition of subsidiary – refer note 13	8,778	-
Arising during the year	1,053	448
Unwinding and discount rate adjustment	313	116
Net carrying value	23,494	13,350

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. 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(s).

18. Contributed Equity

Issued and fully paid ordinary shares	151,567	151,567

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

	2015		2014	
	Number of Shares	US$'000	Number of Shares	US$'000
Beginning of the year	2,188,266,468	151,567	2,046,650,968	151,567
Consolidation of capital (1 for 50):	(2,144,500,756)	-	-	-
Issued during the year:				
• issues of new shares[i]	-	-	138,282,166	-
• issue of new shares under employment contract[ii]	-	-	3,333,334	-
• less transaction costs	-	-	-	-
End of the year	43,765,712	151,567	2,188,266,468	151,567

18. Contributed Equity - continued

On 29 May 2015, Nido consolidated the Company's share capital, on the basis of 1 share for every 50 existing shares, as approved by shareholders at the Annual General Meeting on 22 May 2015.

(i) New shares issued

2015

No 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.

(ii) Shares issued under employment contract

2015

None.

2014

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

(b) Performance rights on issue

The total number of performance rights on issue as at 31 December 2015 is nil (2014: nil 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 2015 and 2014 were as follows:

	Consolidated	
	2015 US$'000	Restated 2014 US$'000
Total payables and borrowings*	112,231	13,577
Less cash and cash equivalents	(17,531)	(8,911)
Net debt	94,700	4,666
Total equity	42,000	78,249
Total capital	136,700	82,915

** Includes interest bearing loans and borrowings and trade and other payables. Trade and other payables for the group as at 31 December 2015 is $20,553,000 (2014: $2,795,000).*

Gearing ratio **	69%	6%

*** Gearing excluding trade and other payables for the group is 64% (2014:2%).*

	Consolidated 2015 US$'000	Restated 2014 US$'000

19. Reserves

	2015 US$'000	Restated 2014 US$'000
Share-based payment reserve	10,126	10,111
Foreign currency translation reserve	(9,810)	(4,674)
	316	5,437

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.

	2015 US$'000	Restated 2014 US$'000
Movement in Share-based payment reserve:		
As at 1 January	10,111	7,870
Share based payments	15	2,241
	10,126	10,111
Movement in Foreign currency translation reserve:		
As at 1 January	(4,674)	3,278
Translation of foreign subsidiaries	(5,136)	(7,952)
	(9,810)	(4,674)

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 2015 US$'000	Restated 2014 US$'000
Profit/(loss) attributable to ordinary equity holders of the Company used in calculating:		
- basic profit/(loss)	(31,128)	(6,398)
- diluted profit/(loss)	(31,128)	(6,398)

(b) Weighted average number of shares

	2015 #	Restated[1] 2014 #
Weighted average number of ordinary shares used in the calculation of the basic earnings per share.	43,765,712	42,111,506
Adjustment for calculation of diluted earnings per share		
- options and rights	n/a	n/a
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted earnings per share	43,765,712	42,111,506

20. Earnings Per Share - continued

[1] Nido Petroleum consolidated its capital structure on 29 May 2015 on the basis of 1 share for every 50 existing shares, as approved by shareholders at the Annual General Meeting on 22 May 2015. The comparative earnings per share calculation has been performed using the consolidated amount of shares.

There was no adjustment for 2015 or 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

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 2015 and 2014 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 & 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 2015 and 31 December 2014.

Operating Segments	Production and Development US$'000	Exploration and Evaluation US$'000	Total Operations US$'000
Year ended 31 December 2015			
Revenue			
Revenue from sale of crude oil – external customers	68,374	-	68,374
Total segment revenue			**68,374**
Other revenue			10
Total revenue			**68,384**
Result			
Total segment result	**(20,176)**	**(2,474)**	**(22,650)**
Segment result includes:			
Amortisation	(25,526)	-	(25,526)
Impairment of inventory	-	(337)	(337)
Impairment of oil and gas assets	(19,457)	-	(19,457)
Impairment/(write-back) of exploration and evaluation expenditure	-	335	335
Income tax benefit/(expense)	3,238	-	3,238
Reconciliation of segment result after tax to net profit after tax			
Finance costs			(7,776)
Foreign currency gains			4,706
Corporate costs			(7,377)
Other revenue and income			1,969
Net (loss) after tax			**(31,128)**

22. Operating Segments - continued

Operating Segments	Production and Development US$'000	Exploration and Evaluation US$'000	Total Operations US$'000
Year ended 31 December 2014 - Restated			
Revenue			
Revenue from sale of crude oil – external customers	73,906	-	73,906
Total segment revenue			**73,906**
Other revenue			16
Total revenue			**73,922**
Result			
Total segment result	**20,858**	**(19,746)**	**1,112**
Segment result includes:			
Amortisation	(14,809)	-	(14,809)
Impairment of inventory	-	(47)	(47)
Impairment of oil and gas assets	(7,020)	-	(7,020)
Impairment of exploration and evaluation expenditure	-	(17,958)	(17,958)
Income tax expense	(5,760)	-	(5,760)
Reconciliation of segment result after tax to net profit after tax			
Finance costs			(3,501)
Foreign currency gains			7,713
Corporate costs			(11,761)
Other revenue and income			39
Net (loss) after tax			**(6,398)**

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 four different buyers in 2015.

Customer	2015 Revenue received from Sale of Crude Oil US$'000	Restated 2014 Revenue received from Sale of Crude Oil US$'000
# 1	24,883	8,135
# 2	23,150	15,095
# 3	19,020	25,315
# 4	1,321	2,414
# 5	-	15,731
# 6	-	7,216
Total	**68,374**	**73,906**

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	2015 Revenue received from Sale of Crude Oil US$'000	Restated 2014 Revenue received from Sale of Crude Oil US$'000
South Korea	24,883	49,181
Thailand	23,150	15,095
Singapore	19,020	-
Philippines	1,321	2,414
Brunei	-	7,216
Total Revenue	**68,374**	**73,906**

22. Operating Segments - continued

2015

Segment assets, liabilities and capital expenditure were as follows:

Operating Segments	Production and Development US$'000	Exploration and Evaluation US$'000	Total Operations US$'000
Segment Operating Assets			
Cash and cash equivalents	16,576	39	
Trade and other receivables	12,729	-	
Inventories	3,754	1,332	
Oil and gas properties	57,918	-	
Exploration and evaluation assets	-	71,023	
Current tax assets	1,388	-	
Other current financial assets	51	-	
Other non-current financial assets	17,851	-	
	110,267	72,394	182,661
Reconciliation of segment assets to total assets			
Unallocated assets:			
Cash and cash equivalents			916
Trade and other receivables			1,201
Plant and equipment			236
Other non-current financial assets			147
Total Assets			185,161
Segment Operating Liabilities			
31 December 2015	(54,462)	(204)	(54,666)
Reconciliation of segment liabilities to total liabilities			
Unallocated liabilities – other			(88,495)
Total Liabilities			(143,161)
Segment Capital Expenditure			
31 December 2015	5,058	1,381	6,439
Reconciliation of capital expenditure to total capital expenditure			
Unallocated additions			-
Total Capital Expenditure			**6,439**

The percentage of the location of non-current assets other than financial instruments for the year ended 31 December 2015 is 99% within the Philippines and 1% within Australia.

22. Operating Segments - continued

2014 - Restated

Segment assets, liabilities and capital expenditure were as follows:

Operating Segments	**Production and Development US$'000**	**Exploration and Evaluation US$'000**	**Total Operations US$'000**
Segment Operating Assets			
Cash and cash equivalents	7,988	-	
Trade and other receivables	2,875	554	
Inventories	4,046	1,174	
Oil and gas properties	33,095	-	
Exploration and evaluation assets	-	43,236	
Current tax assets	1,713	-	
Other current financial assets	20	-	
Other non-current financial assets	13,373	-	
	63,110	44,964	108,074
Reconciliation of segment assets to total assets			
Unallocated assets:			
Cash and cash equivalents			923
Trade and other receivables			884
Plant and equipment			187
Other non-current financial assets			115
Total Assets			110,183
Segment Operating Liabilities			
31 December 2014	(18,864)	(1,254)	(20,118)
Reconciliation of segment liabilities to total liabilities			
Unallocated liabilities – other			(11,816)
Total Liabilities			(31,934)
Segment Capital Expenditure			
31 December 2014	(1,371)	20,611	19,240
Reconciliation of capital expenditure to total capital expenditure			
Unallocated additions			-
Total Capital Expenditure			**19,240**

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.

23. Share-based Payments

(a) Recognised Share Based Payments Expenses

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

	Consolidated 2015 US$'000	Consolidated Restated 2014 US$'000
Share based payments expensed	15	2,241

(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 The Company'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.
- The Company's Performance Ranking for a Performance Period is determined by reference to the Total Shareholder Return of The Company 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. The Company'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 previously 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.

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

Dr Michael Fischer

As a condition of Dr Fischer's employment contract, the Company is required to issue 350,000 fully paid ordinary shares to Dr Fischer as a sign-on and retention bonus subject to Shareholder approval. These shares are to be issued in eight (8) equal tranches of 43,750 shares at six (6) month intervals commencing six (6) months after the commencement of employment on 26 August 2015. For accounting purposes, the grant date of the rights to issue future shares will be as at the date of the next Annual General Meeting in May 2016 assuming shareholder approval is obtained. The service period commenced when Dr Fischer joined the company, with a resulting $14,920 expensed in the financial year for the pro-rata period of total expense.

Mr Philip Byrne

As a condition of Mr Byrne's employment contract, the Company was required to issue 10,000,000 fully paid ordinary shares (pre-consolidation) to Mr Byrne 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:

	2015 No.	2014 No.
Outstanding at the beginning of the year	-	22,669,579
Granted during the year	-	10,186,521
Forfeited / cancelled during the year	-	(4,325,485)
Exercised during the year[1]	-	(28,530,615)
Outstanding at the end of the year	-	-
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.

23. Share-based Payments - continued

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

(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 (2014: nil 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 (2014: $nil).

(iv) Range of exercise prices

The Performance Rights have no exercise price.

(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.

2015

No performance rights were issued in the year.

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.

(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 Dr Mike Fischer, Nido is required to issue future grants of fully paid Ordinary Shares as a sign-on and retention bonus.

The estimated fair value of these shares has been determined based on market prices prevailing on 31 December 2015. The full fair value of the shares is $87,500 being 350,000 at A25c per share at grant date. Note an amount of US$14,920 (A$20,592) share based payments expense has been recognised for the year ended 31 December 2015 in accordance with Accounting Standard AASB 2 Share Based Payments as the service period had commenced. Where grant date occurs after year end, the estimated value of the grant date is the end of the reporting period being 31 December 2015. Once the grant date has been established (upon Shareholder approval), the estimated fair value of the share based payment shall be revised to use the fair value of the shares on the actual grant date.

In regards to the former Managing Director Mr Philip Byrne as part of the employment contract entered into between the Company and Mr Philip Byrne, the Company 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 Former Managing Director

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

Former Managing Director	2015 No.	2014 No.
Outstanding at the beginning of the year	-	4,999,999
Granted during the year	-	-
Forfeited / cancelled during the year	-	(1,666,665)
Exercised during the year	-	(3,333,334)
Outstanding at the end of the year	-	-
Exercisable at the end of the year	-	-

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

(i) Performance Rights

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

Executive Directors and Executives	2015 No.	2014 No.
Outstanding at the beginning of the year	-	74,364,592
Granted during the year#	-	38,257,298
Forfeited / cancelled / lapsed during the year	-	(2,870,339)
Exercised during the year	-	(109,751,551)
Outstanding at the end of the year	-	-
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 (2014: nil 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 (2014: nil).

(iv) Range of exercise price of performance rights issued to Executive Directors and Executives

The Performance Rights have no exercise price.

(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.

2015
Nil

23. Share-based Payments - continued

(v) Valuation models performance rights issued to Executive Directors and Executives - continued

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.

24. Auditor's Remuneration

	Consolidated	
	2015 US$	**Restated 2014 US$**
The auditor of Nido Petroleum Limited is KPMG (2014: Ernst & Young (Australia)).		
Amounts received or due and receivable by KPMG (2014: Ernst & Young (Australia)) for:		
• An audit or review of the financial report of the entity and any other entity in the consolidated entity	136,646	105,246
• Other services in relation to the entity and any other entity in the consolidated entity (tax and related services)	4,421	44,269
	141,067	149,515

25. Notes to the Cash Flow Statement

(a) Reconciliation of profit / (loss) from ordinary activities:

	Consolidated 2015 US$'000	Consolidated Restated 2014 US$'000
Profit / (loss) from ordinary activities after income tax	(31,128)	(6,398)
Adjustments for:		
Depreciation of plant and equipment	96	96
Amortisation of oil and gas properties	25,526	14,809
Impairment of inventory	337	47
Impairment of oil and gas assets	19,457	7,020
Impairment of exploration assets	(335)	17,994
Accretion expense	313	116
Net exchange (gains)/losses	(4,765)	(7,700)
Share based payments	15	2,240
Exploration expenditure expensed	2,142	1,976
Financing costs	3,004	1,722
Changes in assets and liabilities:		
(Increase) / decrease in receivables	(8,171)	(10)
(Increase) / decrease in inventories	6,741	(1,141)
(Increase) / decrease in other assets	290	1,191
Increase / (decrease) in payables	(221)	607
Increase / (decrease) in other liabilities	2,661	(23)
Increase / (decrease) in provisions	(7,428)	4,580
Net cash from operating activities	8,534	37,126

26. Related Parties

(a) Compensation of Key Management Personnel

	Consolidated 2015 US$	Consolidated Restated 2014 US$
Short-term employment benefits	2,418,067	1,896,442
Post-employment benefits	193,101	202,129
Long-term	12,473	70,995
Share based payment	14,921	1,768,661
	2,638,562	3,938,227

26. Related Parties - continued

(b) Loans from Related Parties

	Consolidated 2015 US$'000	Restated 2014 US$'000
Total Loan Facility with Bangchak Petroleum Public Company Ltd	120,000	120,000
Drawn amount	88,200	-
Undrawn amount	31,800	120,000

On 12 December 2014, Nido Petroleum Limited (Nido) entered into a revolving term 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 W.L.L. ('GPC').

The key terms of the debt facility are as follows:

- Facility size: US$120 million;
- Interest payable is initially 6% per annum plus LIBOR increasing annually by 2% to a maximum rate of 12% plus LIBOR; and
- Maturity date: December 2020 amortising on a semi-annual basis in accordance with the facility available amount.

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 included:

- TransEnergy International Ltd, an entity controlled by Mr Eduardo Mañalac, was paid $33,963 (2014: $4,078) in consultancy fees;
- Dr Michael Ollis was also paid $37,916 (2014: $8,156) in consultancy fees; and
- Australia Asia Energy Pty Ltd, an entity controlled by Mr William Bloking, was paid $135,430 (2014: nil) in consultancy fees with respect to the period that Mr Bloking consulted to the Company as Executive Chairman and Interim CEO.

There were no transactions with other related parties during the 2015 year.

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:

	Consolidated 2015 US$'000	Restated 2014 US$'000
Within one year	61	1,481
More than one year but not later than five years	6,000	6,000
	6,061	7,481

27. Expenditure Commitments - continued

(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	5,079	3,575

(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	44,975	11,159
More than one year but not later than five years	54,284	200
	99,259	11,359

28. Interests in Joint Arrangements

(a) Joint Operations

Permit	Country	Principal Activity	Average Interest
SC 14 Block C-1	Philippines	Oil production & exploration	55.88%
SC 54A	Philippines	Oil and gas exploration	42.40%
SC 54B	Philippines	Oil and gas exploration	60.00%
SC 58	Philippines	Oil and gas exploration	50.00%[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 2015 %	% of Shares Held 2014 %
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	British Virgin Islands	Investment	100	100
Nido Petroleum Indonesia (Gurita) Pty Ltd [1]	British Virgin Islands	Oil and gas exploration	100	100
Nido Petroleum Indonesia (Baronang) Pty Ltd	British Virgin Islands	Oil and gas exploration	100	100
Nido Petroleum Indonesia (Cakalang) Pty Ltd	British Virgin Islands	Oil and gas exploration	100	100
Nido Production (Galoc) Pty Ltd [2]	British Virgin Islands	Oil production and exploration	100	100
Nido Production (Holding) Pty Ltd [3]	British Virgin Islands	Investment	100	100
Galoc Production Company W.L.L. [4]	Bahrain	Oil production and exploration	100	-
Nido Production (GPC) Pty Ltd	British Virgin Islands	Investment	100	-

[1] Control is via Nido Petroleum Indonesia (Holding) Pty Ltd
[2] Control is via Nido Production (Holding) Pty Ltd
[3] Control is via Nido Petroleum Philippines Pty Ltd
[4] Refer note 13

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 2016 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.

Nido Petroleum Limited has provided Rubicon Offshore International Pte Ltd with 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 2015, the total amount that would be payable was US$311,188 (2014: US$472,661).

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	
	2015 US$'000	**Restated 2014 US$'000**
Financial Assets:		
Cash and cash equivalents	17,531	8,911
Trade and other receivables	4,601	2,046
Financial Liabilities:		
Financial liabilities	88,200	10,467
Net exposure	(66,068)	490

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 ($0.2 million) while USD denominated balance include cash and cash equivalents ($16.5 million), trade and other receivables ($4.4 million) and financial liabilities ($88.2 million).

31. Financial Risk Management Objectives and Policies - continued

Interest Rate Risk - continued

At 31 December 2015, 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:	Consolidated 2015 US$'000	Restated 2014 US$'000
Post tax profit - higher / (lower)		
+ 1.0% (2013: +1.0%)	212	215
- 1.0% (2013: - 1.0%)	(212)	(215)
Equity - higher / (lower)		
+ 1.0% (2013: +1.0%)	-	-
- 1.0% (2013: - 1.0%)	-	-

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 2015, 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:

Judgements of reasonably possible movements:	Consolidated 2015 US$'000	Restated 2014 US$'000
Post tax profit - higher / (lower)		
+ 1.0% (2013: +1.0%)	(1,286)	(244)
- 1.0% (2013: - 1.0%)	1,286)	244
Equity - higher / (lower)		
+ 1.0% (2013: +1.0%)	-	-
- 1.0% (2013: - 1.0%)	-	-

Foreign Currency Risk

As a result of Nido Petroleum Limited's functional and presentation currency to United States Dollars ("USD") (refer note 1(c)), the Group's balance sheet is no longer affected significantly by movements in the US$/A$ exchange rates. The Company does not hedge its balance sheet foreign currency 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 Australian Dollars, to meet current operational commitments.

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 2015, the Group had no open oil price swap and option contracts (2014: 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.

31. Financial Risk Management Objectives and Policies - continued

Credit Risk - continued

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 2015, 100% (2014: 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 2015. Given that Philodrill has no history of credit default with the Group 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 2015. Cash flows for financial assets and liabilities without fixed amount or timing are based on conditions existing at 31 December 2015.

The remaining contractual maturities of the Group's financial liabilities are:

	Consolidated	
	2015 US$'000	Restated 2014 US$'000
6 months or less	23,515	9,666
6-12 months	-	3,909
1-5 years	88,200	-
	111,715	13,575

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:

2015	Date of valuation	Total US$'000	Quoted prices in active markets (Level 1) US$'000	Significant observable inputs (Level 2) US$'000	Significant unobservable inputs (Level 3) US$'000
Non-recurring					
Assets measured at fair values:					
None	-	-	-	-	-
Recurring					
Liabilities for which fair values are disclosed:					
Interest-bearing loans and borrowings	31-12-2015	88,200	-	88,200	-
2014 - Restated					
Non-recurring					
Assets measured at fair values:					
None	-	-	-	-	-
Recurring					
Liabilities for which fair values are disclosed:					
Interest-bearing loans and borrowings	31-12-2014	10,662	-	10,662	-

Transfer between categories

There were no transfers between Level 1 and Level 2 during the year (2014: none).

Measurement Techniques

Interest bearing loan and borrowings are measured by discounting cash flows at the market rate of interest.

33. Subsequent Events

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

1. The Company has negotiated a restructure of the US$120.000 million Facility Agreement with the Bangchak Petroleum Public Company Limited ("Bangchak"), with effect from 11 March 2016.

   The key terms of the restructured Facility Agreement are as follows:

   - Nido will make an advanced principal payment of US$10.000 million leaving a residual balance of $US78.200 million of principal outstanding under the Facility Agreement, as well as a payment of US$0.890 million of interest accrued to 15 March 2016;
   - repayment of all other principal payments will be deferred effective from February 2016 and re-commence in March 2018;
   - the interest rate on the Facility will be capped at 6% + LIBOR for the remainder of the term and will not increase by 2 per cent per annum as outlined in the original facility agreement;
   - interest on the outstanding loan balance will accrue until the re-commencement of principal payments in March 2018;
   - Bangchak will provide additional financial support to ensure there are sufficient funds to meet contractual obligations, up to a cumulative cap of $US4.000 million and subject to certain conditions being met;
   - if the oil price recovers such that the realised price for a single cargo exceeds US$45/barrel, Nido and Bangchak will discuss whether Nido has any ability to accelerate the repayment of deferred interest on the existing loan; and
   - the Nido group will provide a negative pledge with respect to the creation of any new security over its assets (save for securities created in the ordinary course of business).

   The restructured loan agreement provides the Company with savings in interest payments as well as a deferral of remaining scheduled payments until March 2018, therefore providing the Company with sufficient working capital to manage its commitments based on Management's current assumptions for oil price, production and overhead costs.

   Note 15 Financial Liabilities contains details of the Original Facility Agreement with Bangchak.

2. Subsequent to year end the Company's Annual Reserves Assessment was completed by Gaffney, Cline & Associates. The financial results reflect the updated reserves position.

3. Subsequent to year end the Department of Energy granted approval to the request for a three year Moratorium and an amendment to the Sub-Phase 3 Work Program with regard to Service Contract 63.

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 (the company), which comprises the consolidated balance sheet as at 31 December 2015, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 33 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group 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 control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1(b), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 judgement, 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 control relevant to the entity's preparation of the financial report that gives a true and fair view 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 control. 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 performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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*.

KPMG

Auditor's opinion

In our opinion:

(a) The financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) The financial report also complies with International Financial Reporting Standards as disclosed in note 1(b).

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2015. 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 auditing standards.

Auditor's opinion

In our opinion, the Remuneration Report of Nido Petroleum Limited for the year ended 31 December 2015, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Graham Hogg
Partner

Perth

15 March 2016

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 2016.

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	35,630,056	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	1,984	625,994
1,001 – 5,000	578	1,310,642
5,001 – 10,000	105	777,635
10,001 – 100,000	92	2,405,851
100,001 and over	11	38,645,590
Total	2,770	43,765,712

(b) The number of shareholders with less than a marketable parcel is 2,366.

(c) Each ordinary share entitles the holder to one vote.

ADDITIONAL SECURITIES EXCHANGE INFORMATION

Twenty Largest Shareholders as at 13 March 2016

	NAME	TOTAL UNITS	% ISSUED CAPITAL
1.	BCP ENERGY INTERNATIONAL PTE LTD	24,453,656	55.87
2.	BCP ENERGY INTERNATIONAL PTE LTD	9,326,019	21.31
3.	BCP ENERGY INTERNATIONAL PTE LTD	1,850,381	4.23
4.	ESCOT FINANCE LTD	968,000	2.21
5.	CITICORP NOMINEES PTY LIMITED	532,668	1.22
6.	PACKWOOD CAPITAL SA	340,000	0.78
7.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	309,365	0.71
8.	DALY FINANCE CORP	292,000	0.67
9.	J P MORGAN NOMINEES AUSTRALIA LIMITED	257,394	0.59
10.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	187,107	0.43
11.	MESSARA INVESTMENTS PTY LTD <MESSARA FAMILY A/C>	129,000	0.29
12.	APACHE CAT PTY LTD <APACHE INVESTMENTS A/C>	91,037	0.21
13.	MR GEORGE MANIOS	75,000	0.17
14.	TOLTEC HOLDINGS PTY LTD	75,000	0.17
15.	ARREDO PTY LTD	60,000	0.14
16.	LISAM ENTERPRISES PTY LTD	60,000	0.14
17.	MR IMAD YOUNES	60,000	0.14
18.	MRS YINGCHUN WEN	56,985	0.13
19.	MR PAUL ROBERT PULLEN	51,480	0.12
20.	NEFCO NOMINEES PTY LTD	51,155	0.12
	Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (TOTAL)	**39,226,247**	**89.63**
	Total Remaining Holders Balance	**4,539,465**	**10.37**

3. Unlisted Performance Rights

As at 13 March 2016, there were nil performance right holders holding nil unlisted performance rights.

GLOSSARY OF TERMS

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 Petroleum Geologists, World Petroleum Council, Society of Petroleum Evaluation.


NO SMOKING

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