



# NuEnergy Gas Limited

ABN 50 009 126 238

## HALF-YEAR FINANCIAL REPORT

**31 December 2017**

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**NuEnergy Gas Limited**  
**Half Year Financial Report 31 December 2017**

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This Half Year Financial Report does not include all the notes of the type normally included in an annual Financial Report.

Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2017 and any public announcements made by NuEnergy Gas Limited during the half year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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**CORPORATE DIRECTORY**  
31 December 2017

<b>DIRECTORS</b>	Kong Kok Keong (Non-Executive Chairman) Kee Yong Wah (Deputy-Executive Chairman) Goh Tian Chuan (Non-Executive Director) Chen Heng Mun (Non-Executive Director) Alan Fraser (Non-Executive Director)
<b>COMPANY SECRETARY</b>	Rozanna Lee
<b>ABN:</b>	50 009 126 238
<b>REGISTERED/ADMINISTRATION OFFICE:</b>	c/- KPMG Level 38, Tower 3, International Towers Sydney 300 Barangaroo Avenue Sydney NSW 2000  Phone: (02) 8076 7600 Email: <a href="mailto:ir@nuenergygas.com">ir@nuenergygas.com</a>
<b>SHARE REGISTRY</b>	Link Market Services Limited Level 1, 333 Collins Street Melbourne VIC 3000  Phone: (03) 9615 9800 Fax: (03) 9615 9900
<b>AUDITOR</b>	KPMG Tower 3, International Towers Sydney 300 Barangaroo Avenue Sydney NSW 2000
<b>STOCK EXCHANGE LISTING</b>	NuEnergy Gas Limited shares are listed on the Australian Securities Exchange (ASX code: NGY)
<b>WEBSITE</b>	<a href="http://www.nuenergygas.com">www.nuenergygas.com</a>

## DIRECTORS' REPORT

The directors of NuEnergy Gas Limited ("NuEnergy" or the "Company") present their report together with the consolidated financial statements of the Company and its controlled entities (collectively the "Group") for the half-year ended 31 December 2017 and the independent auditor's review report thereon.

### Directors

The directors of the Company at any time during or since the half-year are:

<b>Kong Kok Keong</b>	Non-Executive Chairman
<b>Kee Yong Wah</b>	Deputy Executive Chairman
<b>Goh Tian Chuan</b>	Non-Executive Director
<b>Chen Heng Mun</b>	Non-Executive Director
<b>Alan Fraser</b>	Non-Executive Director
<b>Graeme Robertson</b>	Non-Executive Director – resigned on 13 September 2017

### Significant changes in state of affairs

There were no significant changes in the state of affairs of the Group during the financial period.

### Review of operations

The Group's half year ended Production Sharing Contract ("PSC") operations were mainly focused in the Tanjung Enim PSC and Rengat PSC.

#### Tanjung Enim PSC

**South Sumatra, Indonesia**

**NuEnergy Interest: 45%**

**Operator: Dart Energy (Tanjung Enim) Pte Ltd (a subsidiary of NuEnergy)**

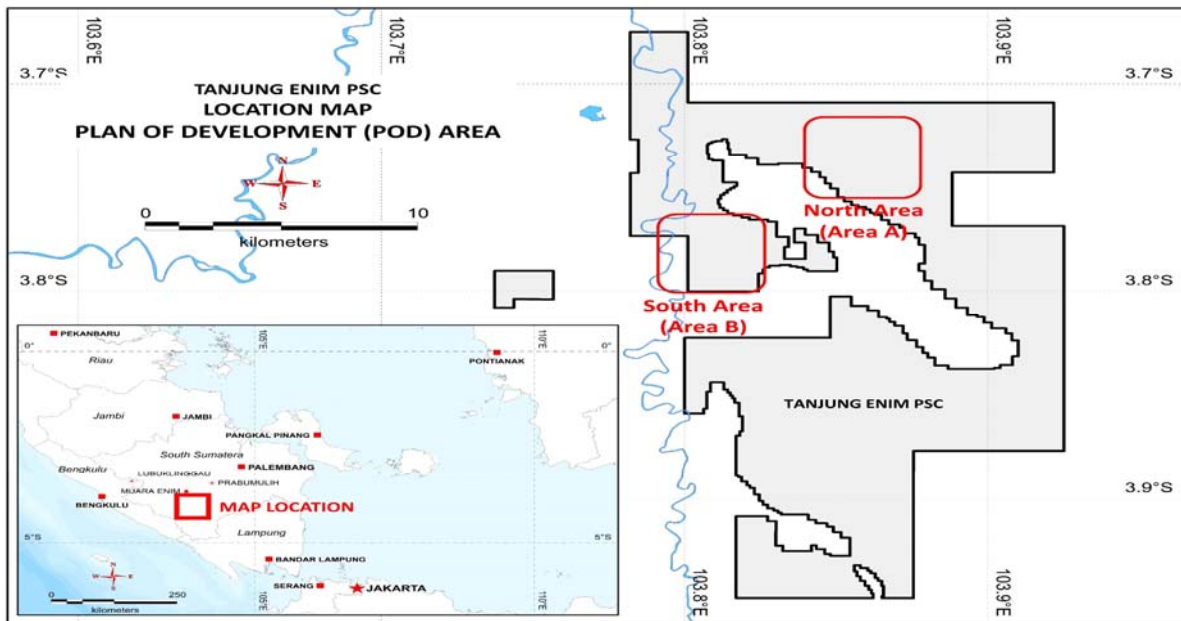
The Tanjung Enim PSC operations for the half year consisted of the on going production and testing operations for the Tanjung Enim Pilot Production Program ("TEPPP") along with the preparations for the Plan of Development ("POD") submission.

Periodical rig-less work over was conducted to increase production and the TEP PP wells performance continues to be in line with expectations.

In July 2017, NuEnergy submitted the Exploration Status Decision Report which consisted of 8 years of exploration activities, resources estimate, the POD concept and economic evaluation to the Indonesian Special Task Force for Upstream Oil and Gas Business Activities (commonly referred to SKK Migas) and received the approval for the POD preparation in August 2017.

The POD preparation has commenced and the process will include the resources verification and reserves certification by an Indonesian government accredited agency, detailed subsurface evaluation, reservoir modelling, the pre Front End Engineering and Design process on the facilities design selection, drilling / well completion design, the environmental study, other non-subsurface related survey and activities and gas sales negotiation. The proposed concept for the initial POD plans for the development in two target areas, in the north and south of the PSC covering 33 km<sup>2</sup> where NuEnergy has focused exploration, drilling and pilot production activities over the last 8 years.

## Target Development Areas of the Tanjung Enim PSC (Initial POD)



During the POD preparation process, NuEnergy will work closely with SKK Migas to facilitate the submission of the POD proposal through the Head of SKK Migas to the Indonesia Ministry of Energy and Mineral Resources. Both partners, PT Pertamina and PT Bukit Asam, two leading state-owned energy and resources companies, have both given their full commitment to the POD preparation and the long term development of the PSC.

As an initial step of engagement with potential gas buyers, NuEnergy executed the first Memorandum of Understanding with PT Pertamina Gas ("Pertamina Gas") in September 2017. Pertamina Gas is a subsidiary of PT Pertamina and has focus in the midstream and downstream gas in Indonesia with its primary activity in trading, transportation, processing and distribution and other businesses related to natural gas and their associated products. Under the MOU, NuEnergy and Pertamina Gas have agreed to exchange information and to jointly evaluate the economic viability of coal bed methane ("CBM") gas supply from Tanjung Enim PSC initial POD to fulfil Pertamina Gas consumer needs in Sumatra.

Subsequent to the half year end 31 December 2017, the Indonesia Research and Development Center for Oil and Gas Technology (commonly referred to as LEMIGAS) completed the CBM resources verification and reserves certification on the POD target development areas. LEMIGAS is the Indonesian government research and technology institution operating in the area of upstream and downstream oil and gas business and has key roles in the development of the oil and gas industry through research, engineering and development activities. The CBM reserves certification is one of the compulsory processes for the POD submission in Indonesia that must be administered by an Indonesian government accredited agency such as LEMIGAS.

The CBM reserves certification has confirmed 86.05 Bscf for P1 and 78.84 Bscf for P2 totalling ~165 Bscf for the POD target development areas that has been identified in the north and south area of the Tanjung Enim PSC covering 33 km<sup>2</sup> that will form the basis of the overall POD proposal to be submitted to the Indonesia Minister of Energy and Mineral Resources for approval. The confirmed reserves will enable NuEnergy to deliver about 25 MMSCFD to the market through the development of over 200 wells once the POD is approved.

For details of the LEMIGAS reserves certification, refer ASX announcement made on 15 January 2018 and amended 19 January 2018.

The POD preparation is progressing through to the final stages and good progress has also been made on the surface development to manage a full range of production plateau outcomes. NuEnergy continues to target submission of the first Indonesia CBM POD by end of quarter one 2018.

#### **Rengat PSC**

**Central Sumatra, Indonesia**

**NuEnergy Interest: 100%**

**Operator: Indon CBM Pty Ltd (a subsidiary of NuEnergy)**

During the half year, NuEnergy completed the drilling program for two exploratory wells for the purpose of fulfilling the remaining firm commitment for the Rengat PSC.

The Company has submitted the work completion report to SKK Migas and now is in the process to finalise and to confirm the completion of the firm commitment.

As there have not been attractive discoveries based on the exploration and drilling activities to date, NuEnergy and SKK Migas have amicably agreed for NuEnergy to relinquish the Rengat PSC after completion of the firm commitment. There will be no operational impact to NuEnergy after the relinquishment and this is in line with NuEnergy's key strategic focus on its four South Sumatra PSCs (namely the Tanjung Enim PSC, Muara Enim PSC, Muara Enim II PSC and Muralim PSC) to develop and operate a large CBM supply, and to better utilise its current resources to bring these South Sumatra PSCs to development.

#### **Financial results and position**

The Group reported a net loss of \$11,419,526 for the half year to 31 December 2017 compared to a net loss of \$1,327,158 for the previous corresponding half year. The increase in the net loss for the financial period was due to the full impairment of the exploration and evaluation asset of \$11,397,870 recognised for the Rengat PSC as NuEnergy and SKK Migas have amicably agreed for NuEnergy to relinquish the Rengat PSC after confirmation from SKK Migas of the completion of the PSC firm commitment since there have not been attractive commercial discoveries based on the exploration and drilling activities to date.

At 31 December 2017, the Group has cash and cash equivalents of \$3,831,588 and net assets of \$37,693,288. This compares to cash and cash equivalents of \$7,449,093 and a net assets position of \$49,776,564 at 30 June 2017.

#### **Events subsequent to period end**

The Company is not aware of any material events that have occurred subsequent to the period end except for the following:

- i) The Company received the LEMIGAS reserves certification on the Tanjung Enim PSC POD target development areas which have been detailed in the Review of operations section of the Directors' Report; and
- ii) The Company received confirmation from SKK Migas on the extension of the exploration period for the Muara Enim II PSC for four years up to 31 March 2021.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 8.

Signed in accordance with a resolution of Board of Directors.



*Kong Kok Keong  
Non-Executive Chairman  
Dated this 15th day of March 2018*

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

To the Directors of NuEnergy Gas Limited

I declare that, to the best of my knowledge and belief, in relation to the review of NuEnergy Gas Limited for the half-year ended 31 December 2017 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Daniel Camilleri  
*Partner*

Sydney

15 March 2018

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**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 31 December 2017**

	Note	31/12/2017 \$	31/12/2016 \$
<b>EXPENSES</b>			
Consultants		(78,656)	(27,469)
Directors & executives remuneration		(349,850)	(404,880)
Legal expenses		(1,740)	(2,876)
Administration expenses		(384,058)	(411,579)
Foreign Exchange gains/(losses)		(80,945)	(41,817)
Depreciation		(50,491)	(53,838)
Finance income		18	6,642
Finance costs		(21,694)	(258,636)
Impairment of exploration and evaluation assets		(11,397,870)	-
Loss on disposal of plant and equipment		(3,938)	-
Technical service fee		-	(132,705)
Loss before income tax		(12,369,224)	(1,327,158)
Income tax benefit		949,698	-
Net loss after income tax		(11,419,526)	(1,327,158)
Other comprehensive (loss)/income			
Items that are or may be reclassified to profit or loss:			
Movement in fair value of available for sale financial assets		(5,306)	4,974
Foreign currency translation reserve		(662,768)	1,219,299
Total comprehensive loss for the period		(12,087,600)	(102,885)
Net loss attributable to:			
Owners of the Company		(11,414,698)	(1,318,549)
Non-controlling interests		(4,828)	(8,609)
		(11,419,526)	(1,327,158)
Total comprehensive loss attributable to:			
Owners of the Company		(12,087,096)	(85,326)
Non-controlling interests		(504)	(17,559)
		(12,087,600)	(102,885)
Loss per share:			
- Basic loss per share (cents per share)		(0.77)	(0.11)
- Diluted loss per share (cents per share)		(0.77)	(0.11)

The condensed notes on pages 13 to 19 are an integral part of these condensed consolidated half-year financial statements.

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 December 2017**

	Note	31/12/2017 \$	30/06/2017 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		3,831,588	7,449,093
Other receivables and prepayments		820,821	672,597
<b>TOTAL CURRENT ASSETS</b>		<u>4,652,409</u>	<u>8,121,690</u>
<b>NON-CURRENT ASSETS</b>			
Available for sale financial assets		5,969	11,274
Plant and equipment		131,620	190,712
Exploration and evaluation	2	33,883,315	43,907,168
Other financial assets		623,290	632,971
<b>TOTAL NON-CURRENT ASSETS</b>		<u>34,644,194</u>	<u>44,742,125</u>
<b>TOTAL ASSETS</b>		<u>39,296,603</u>	<u>52,863,815</u>
<b>CURRENT LIABILITIES</b>			
Other payables		1,527,763	2,080,885
Employee benefits		75,552	46,668
<b>TOTAL CURRENT LIABILITIES</b>		<u>1,603,315</u>	<u>2,127,553</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		-	949,698
Provisions		-	10,000
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>-</u>	<u>959,698</u>
<b>TOTAL LIABILITIES</b>		<u>1,603,315</u>	<u>3,087,251</u>
<b>NET ASSETS</b>		<u>37,693,288</u>	<u>49,776,564</u>
<b>EQUITY</b>			
Share capital	4	106,450,311	106,450,311
Reserves	5	3,009,430	3,677,504
Accumulated losses		(71,910,942)	(60,496,244)
<b>Equity attributable to owners of the Company</b>		<u>37,548,799</u>	<u>49,631,571</u>
Non-controlling interests		144,489	144,993
<b>TOTAL EQUITY</b>		<u>37,693,288</u>	<u>49,776,564</u>

The condensed notes on pages 13 to 19 are an integral part of these condensed consolidated half-year financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 December 2017**

	Share Capital	Reserves	Accumulated Losses	Non- Controlling Interests	Total Equity
	\$	\$	\$	\$	\$
At 1 July 2016	95,001,949	4,949,924	(55,799,434)	148,006	44,300,445
Net loss after income tax	-	-	(1,318,549)	(8,609)	(1,327,158)
Other comprehensive income:					
- Movement in fair value of available for sale financial assets	-	4,974	-	-	4,974
- Foreign currency translation reserve	-	1,219,299	-	-	1,219,299
Foreign currency translation on foreign operations	-	-	-	(8,950)	(8,950)
Transfer of reserves on available for sale financial assets to accumulated losses	-	101,967	(101,967)	-	-
At 31 December 2016	<u>95,001,949</u>	<u>6,276,164</u>	<u>(57,219,950)</u>	<u>130,447</u>	<u>44,188,610</u>

	Share Capital	Reserves	Accumulated Losses	Non- Controlling Interests	Total Equity
	\$	\$	\$	\$	\$
At 1 July 2017	106,450,311	3,677,504	(60,496,244)	144,993	49,776,564
Net loss after income tax	-	-	(11,414,698)	(4,828)	(11,419,526)
Other comprehensive loss:					
- Movement in fair value of available for sale financial assets	-	(5,306)	-	-	(5,306)
- Foreign currency translation reserve	-	(662,768)	-	-	(662,768)
Foreign currency translation on foreign operations	-	-	-	4,324	4,324
At 31 December 2017	<u>106,450,311</u>	<u>3,009,430</u>	<u>(71,910,942)</u>	<u>144,489</u>	<u>37,693,288</u>

The condensed notes on pages 13 to 19 are an integral part of these condensed consolidated half-year financial statements.

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 31 December 2017**

	Note	31/12/2017 \$	31/12/2016 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest received		18	6,642
Bank guarantee deposits released		-	925,619
Bank guarantee financing costs		(21,694)	(258,636)
Payments to suppliers and employees		(1,460,437)	(1,250,378)
Net cash used in operating activities		<u>(1,482,113)</u>	<u>(576,753)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of plant and equipment		1,844	-
Payments for Exploration and Evaluation expenditure		(1,998,789)	(1,851,019)
Net cash used in investing activities		<u>(1,996,945)</u>	<u>(1,851,019)</u>
Net decrease in cash and cash equivalents		(3,479,058)	(2,427,772)
Cash and cash equivalents at 1 July		7,449,093	2,848,224
Effect of exchange rate fluctuations on cash held		(138,447)	55,459
Cash and cash equivalents at 31 December		<u>3,831,588</u>	<u>475,911</u>
		=====	=====

The condensed notes on pages 13 to 19 are an integral part of these condensed consolidated half-year financial statements.

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 December 2017**

**1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT**

**(a) Reporting entity**

NuEnergy Gas Limited (the "Company") is a company domiciled in Australia. These Condensed Consolidated Half-Year Financial Statements ("half-year financial statements") as at and for the six months ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily involved in the exploration, appraisal and development of hydrocarbons with a primary focus on unconventional gas on coal seam gas also known as coal bed methane ("CBM").

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2017 are available upon request from the Company's registered office at c/- KPMG, Level 38, Tower 3, International Towers Sydney, 300 Barangaroo Avenue, Sydney NSW 2000 or at [www.nuenergygas.com](http://www.nuenergygas.com).

**(b) Basis of accounting**

These half-year financial statements are general purpose financial statements prepared in accordance with AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*, and with IAS 34: *Interim Financial Reporting*.

They do not include all of the information required for a complete set of annual financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 30 June 2017.

These half-year financial statements are presented in Australian dollars.

These half-year financial statements were authorised for issue by the Company's Board of Directors on 15 March 2018.

**(c) Significant Accounting Policies**

The same accounting policies and methods of computation have been followed in this half-year financial report as were applied in the Group's consolidated financial statements as at and for the year ended 30 June 2017. There have been no new or revised accounting standards issued with an effective date of 1 July 2017 applicable to the Group.

**(d) Going concern**

The Group has recorded a loss of \$11,419,526 had net cash outflows from operations of \$3,479,058 for the half year ended 31 December 2017, and has no ongoing source of operating income. At 31 December 2017 the Group had net assets of \$37,693,288 which includes \$3,831,588 of cash and cash equivalents.

The financial statements have been prepared on a going concern basis which assumes the realisation of assets and the extinguishment of liabilities in the normal course of business and at the amounts stated in the financial statements.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 December 2017

The directors believe the going concern basis is appropriate for the following reasons:

- At 31 December 2017, the Group had cash and cash equivalents of \$3,831,588;
- The Directors have prepared a cash flow forecast for the period up to 31 March 2019 which includes planned capital raising of \$48,500,000 as well as contracted cash calls from joint venture partners to ensure all planned exploration expenditure, the initial Tanjung Enim Production Sharing Contract ("PSC") field development expenditure for the 15 months period from 1 January 2018 to 31 March 2019 and overheads can be met. The total planned exploration expenditure represents the minimum exploration expenditure required under the Production Sharing Contracts as included in Note 6. In the event that further planned capital raisings are delayed, the Directors believe that the Group will have the ability to scale back its operations, postpone the initial Tanjung Enim PSC development plans and move some of the minimum exploration expenditure commitments under the PSC to future years after negotiation with the Indonesian Oil and Gas Regulator; and
- The Group has applied for the extension of the Muralim PSC during the financial year 2017 after completing the firm commitment. The Group expects the PSC to be extended in the current financial year without penalties applied.

After considering all the above factors, the Directors have concluded that the use of the going concern assumption is appropriate. However, to meet the future committed expenditure the Group will be required to raise further equity and/or receive financial support from the Group's ultimate parent Globaltec Formation Berhad, as well as receive cash calls from joint venture partners to continue as a going concern.

The Directors believe the Group will be able to access further working capital either through equity raisings or through a loan from Globaltec Formation Berhad if required and expect the Muralim PSC to be extended without penalties imposed, however, there remains material uncertainty as to whether the Group will continue as a going concern should access to equity or financial support be reduced or not forthcoming or if significant penalties, including fines or termination of PSCs were imposed for failure to meet the exploration commitments.

If the Group is unable to continue as a going concern then it may be unable to realise its assets and discharge its liabilities in the normal course of business.

### **(e) Significant assumptions and key estimates**

The preparation of the half-year financial report requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values that are not apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised of the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 December 2017**

**NOTE 2 EXPLORATION AND EVALUATION EXPENDITURE**

	31/12/2017 \$	30/6/2017 \$
Balance at beginning of period	43,907,168	43,327,673
Additions	2,009,549	4,900,379
Impairment charge <sup>1</sup>	(11,397,870)	(3,116,685)
Exchange differences	(635,532)	(1,204,199)
	<hr/>	<hr/>
Balance at end of period	33,883,315	43,907,168
	<hr/>	<hr/>
Exploration and evaluation assets <sup>2</sup>	77,217,416	75,851,000
VAT receivable <sup>3</sup>	3,404,118	3,396,517
Accumulated impairment	(46,738,219)	(35,340,349)
	<hr/>	<hr/>
Carrying value	33,883,315	43,907,168

<sup>1</sup> During the half year ended, the Group completed the work programs for the Rengat PSC for the purpose of fulfilling the remaining Firm Commitments of the PSC. As there have not been attractive commercial discoveries based on the drilling programs to date, the Group and the Indonesian Special Task Force for Upstream Oil and Gas Business Activities (commonly referred to as SKK Migas) have amicably agreed for the Group to relinquish the Rengat PSC after confirmation from SKK Migas of the completion of the Firm Commitments. As a result a full impairment of \$11,397,870 was recorded for the Rengat PSC. In the previous year, an independent expert was engaged by the Group to assess the fair value of exploration and evaluation assets. As a result of the assessment a \$3,116,685 impairment of exploration and evaluation assets was recorded in respect of the Rengat PSC.

<sup>2</sup> Recoverability of the carrying amount of exploration costs is dependent on the successful exploration and sale of CBM. The Group is in the process of applying for the extension of the exploration period for the Muralim PSC which expired on 2 December 2016. After completing the required work programs for the Muralim PSC, the Group applied for the extension of the exploration period and at the date of signing these financial statements the Group is awaiting a response from the Indonesia Government. If the extension period is not granted by the Indonesian Government, the carrying value of the Muralim PSC Exploration and Evaluation Expenditure as at 31 December 2017 including VAT of \$1,266,542 is impaired.

<sup>3</sup> VAT capitalised is eligible to be claimed back from SKK Migas upon production of CBM on a commercial basis.

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 December 2017**

**NOTE 3 SEGMENT INFORMATION**

Operating segments are reported in a manner that is consistent with internal reporting to the chief operating decision maker ("CODM"), which has been identified by the Board of Directors. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, or whose operating results are regularly reviewed by the entity's CODM to make decisions about resources to be allocated to the segment and assess its performance. The Group operated in one segment being the CBM exploration in Indonesia. The measure used by the CODM to evaluate the performance is profit/loss before tax.

**Geographical location**

The exploration assets of the Group are predominantly located in Indonesia. The Company's principal and registered office is located in Australia. The geographical information below analyses the Group's non-current assets and liabilities based on the geographical location of the non-current assets and liabilities. The Group is currently under the exploration and appraisal phase and has no revenues from external customers.

During the half year ended, the Group completed the work programs for the Rengat PSC for the purpose of fulfilling the remaining Firm Commitments of the PSC. As there have not been attractive commercial discoveries based on the drilling programs to date, the Group and SKK Migas have amicably agreed for the Group to relinquish the Rengat PSC after confirmation from SKK Migas of the completion of the Firm Commitments. As a result a full impairment of \$11,397,870 was recorded for the Rengat PSC in the Indonesia non-current assets segment.

		<b>Non-current assets</b>	
		<b>Consolidated</b>	
		<b>31/12/2017</b>	<b>30/6/2017</b>
		\$	\$
	Australia	6,429	17,774
	Indonesia	34,637,765	44,724,351
		34,644,194	44,742,125
		<b>Non-current liabilities</b>	
		<b>Consolidated</b>	
		<b>31/12/2017</b>	<b>30/6/2017</b>
		\$	\$
	Australia	-	10,000
	Indonesia	-	949,698
		-	959,698

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 December 2017**

**NOTE 4 SHARE CAPITAL**

	<b>31/12/2017</b>	<b>30/6/2017</b>
Issued and Paid Up Capital (number of shares)	1,480,955,497	1,480,955,497
Fully paid ordinary shares (\$)	<u>106,450,311</u>	<u>106,450,311</u>

In the previous year, the Company completed a renounceable rights issue of 329,434,118 shares raising \$11,530,194 before costs.

Under the rights issue, the Company offered its Australian and New Zealand based shareholders one (1) fully paid ordinary shares for every two (2) ordinary shares held at an issue price of \$0.035 per new share.

**NOTE 5 RESERVES**

	<b>31/12/2017</b>	<b>30/6/2017</b>
	\$	\$
Foreign Currency Translation Reserve	3,025,844	3,688,613
Available for Sale Financial Asset Reserve	(16,414)	(11,109)
	<u>3,009,430</u>	<u>3,677,504</u>

**NOTE 6 EXPENDITURE COMMITMENTS AND CONTINGENT LIABILITIES**

Minimum expenditure commitments contracted for under PSC not provided for in the financial statements:

	<b>31/12/2017</b>	<b>30/6/2017</b>
	\$	\$
Not longer than 1 year	10,378,122	2,914,579
Longer than 1 year and not longer than 5 years	3,031,490	14,801,954
Longer than 5 years	-	-
	<u>13,409,612</u>	<u>17,716,533</u>

Commitments under the Indonesian PSC can be moved into future years after negotiation with the Indonesian Oil and Gas Regulator. The Group has managed to postpone various commitments until future periods and has met the required commitments for the current period to 31 December 2017. In addition to the minimum commitments above the Group plans to incur expenditure for the initial Tanjung Enim Production Sharing Contract field development.

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 December 2017**

The Group has bank guarantees amounting to \$6,700,179 (30/6/17: \$6,804,253) at year end for performance bonds issued to the Government of Indonesia for the performance under the terms of the work programs for the firm commitments of the PSC. The bank guarantees have expired at the period end and is in the process of being renewed and the deposits placed for these bank guarantees are still held by the banks.

**NOTE 7 LEASE COMMITMENTS**

The Group's operating lease rentals are payable as follows:

	<b>31/12/2017</b>	<b>30/6/2017</b>
	\$	\$
Not longer than 1 year	125,740	88,015
Longer than 1 year and not longer than 5 years	125,740	-
	251,480	88,015

The Group leases office space under operating leases. The leases typically run for a period between 24 months to 36 months with an option to renew the lease after that date.

**NOTE 8 RELATED PARTIES**

Dealings with related parties have been consistent with those disclosed in the 30 June 2017 financial statements. The significant related party dealings for the half-year ended 31 December 2017 are as follows:-

- a) During the half-year ended 31 December 2017, the Company paid a monthly rental fee of \$5,808 (plus GST) to Krisco Investments Pty Ltd, a related party to the Company's Chairman, Kong Kok Keong for the rental of office space. The total paid during the half-year ended 31 December 2017 was \$11,616 (2016: \$46,464). The lease was terminated in August 2017 before the expiry on 28 February 2018.
- b) During the half-year ended 31 December 2017, the Company paid \$9,867 (2016: \$29,493) in fees and reimbursements to Intrasia Mining Pte Ltd, a related party of Graeme Robertson, for the provision of accounting and administration to NuEnergy Gas (Singapore) Pte. Ltd. and Indo CBM Sumbagsel II Pte. Ltd. and for the reimbursements of administration and travel expenses incurred on behalf of the Company.

At the end of the half year, related party transactions amounting to \$359,051 (30 June 2017: \$686,397) were outstanding as payable to New Century Energy Resources Limited, a related party of the Company's directors, Kee Yong Wah, Goh Tian Chuan, Chen Heng Mun and the Company's Chairman Kong Kok Keong.

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 December 2017**

**NOTE 9 EVENTS SUBSEQUENT TO PERIOD END**

The Company is not aware of any material events that have occurred subsequent to the period end except for the following:

- i) Subsequent to the half year end, the Indonesia Research and Development Center for Oil and Gas Technology (commonly referred to as LEMIGAS) completed the CBM resources verification and reserves certification on the POD target development areas. LEMIGAS is the Indonesian government research and technology institution operating in the area of upstream and downstream oil and gas business and has key roles in the development of the oil and gas industry through research, engineering and development activities. The CBM reserves certification is one of the compulsory processes for the POD submission in Indonesia that must be administered by an Indonesian government accredited agency such as LEMIGAS.

The CBM reserves certification has confirmed 86.05 Bscf for P1 and 78.84 Bscf for P2 totalling ~165 Bscf for the POD target development areas that has been identified in the north and south area of the Tanjung Enim PSC covering 33 km<sup>2</sup> that will form the basis of the overall POD proposal to be submitted to the Indonesia Minister of Energy and Mineral Resources for approval. The confirmed reserves will enable NuEnergy to deliver about 25 MMSCFD to the market through the development of over 200 wells once the POD is approved.

- ii) The Company received confirmation from SKK Migas on the extension of the exploration period for the Muara Enim II PSC for four years up to 31 March 2021.

## DIRECTORS' DECLARATION

In the opinion of the directors of NuEnergy Gas Limited ("the Company"):

- (1) the condensed consolidated financial statements and notes, as set out on pages 9 to 19, are in accordance with the *Corporations Act 2001*, including:
  - (a) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the six months ended on that date; and
  - (b) complying with Australian Accounting Standards AASB 134: *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (2) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



**Kong Kok Keong**  
**Non-Executive Chairman**  
**Dated this 15th day of March 2018**



# Independent Auditor's Review Report

To the shareholders of NuEnergy Gas Limited

## Report on the Half-year Financial Report

### Conclusion

We have reviewed the accompanying **Half-year Financial Report** of NuEnergy Gas Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Report of NuEnergy Gas Limited is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2017 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Half-year Financial Report** comprises:

- Condensed Consolidated Statement of Financial Position as at 31 December 2017
- Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income, Condensed Consolidated Statement of Changes in Equity and Condensed Consolidated Statement of Cash Flows for the Half-year ended on that date
- Notes 1 to 9 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The **Group** comprises NuEnergy Gas Limited (the Company) and the entities it controlled at the Half year's end or from time to time during the Half-year.

### Material uncertainty related to going concern

We draw attention to Note 1(d), "Going Concern" in the Half-year Financial Report. The conditions disclosed in Note 1(d), indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the Half-year Financial Report. Our conclusion is not modified in respect of this matter.

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## Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- for such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that is free from material misstatement, whether due to fraud or error.

## Auditor's responsibility for the review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of NuEnergy Gas Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG

Daniel Camilleri  
*Partner*

Sydney

15 March 2018