



NuEnergy Gas Limited

ABN 50 009 126 238

HALF-YEAR FINANCIAL REPORT

31 December 2020

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NuEnergy Gas Limited
Half Year Financial Report 31 December 2020

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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 2020 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.

CORPORATE DIRECTORY
31 December 2020

DIRECTORS

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)

COMPANY SECRETARY

Rozanna Lee

ABN:

50 009 126 238

**REGISTERED/ADMINISTRATION
OFFICE:**

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Level 38, Tower 3, International Towers Sydney
300 Barangaroo Avenue
Sydney NSW 2000

Phone: (02) 8076 7600
Email: ir@nuenergygas.com

SHARE REGISTRY

Link Market Services Limited
QV1 Building, Level 12, 250 St Georges Terrace
Perth WA 6000

Phone: (08) 9211 6654

AUDITOR

KPMG
Tower 3, International Towers Sydney
300 Barangaroo Avenue
Sydney NSW 2000

STOCK EXCHANGE LISTING

NuEnergy Gas Limited shares are listed on the Australian
Securities Exchange
(ASX code: NGY)

WEBSITE

www.nuenergygas.com

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 2020 and the independent auditor's review report thereon.

Directors

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

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

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

Tanjung Enim Production Sharing Contract ("PSC")

South Sumatra, Indonesia

NuEnergy Interest: 45%

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

NuEnergy continued its engagement with the Government of Indonesia ("Government") to secure approval of Tanjung Enim Gross Split PSC and Plan of Development 1 ("POD 1"). On 4 December 2019, the Directors and the representatives of the Government met and agreed that the Tanjung Enim POD 1 would be approved under Gross Split PSC through the amendment of the current PSC Cost Recovery. This was subsequently followed by a field visit to the Tanjung Enim site by a team from the Ministry of Energy and Mineral Resources ("MEMR") office represented by the Director General of Oil and Gas ("DG Migas") and other authorities from the Research and Development Center of Oil & Gas Technology commonly known as Lemigas, Geology Department and the Secretary office of the MEMR at the request of the Minister of MEMR. The visit to the Tanjung Enim site was conducted from 18 December 2019 to 19 December 2019. The visit was made to all the wells, namely TE-10, TE-11, TE-12, TE-13 and TE-14. This field visit was followed up by meetings and discussions with Tanjung Enim partners, the DG Migas as well as the Special Task Force for Upstream Oil and Gas Business Activities commonly known as SKK Migas to agree on the key commercial terms of Tanjung Enim POD 1.

Since the outbreak of the Covid-19 pandemic in Indonesia which was followed by the Government's recommendation and policy for working from home in mid of March 2020, the progress of the Tanjung Enim POD 1 approval process has been slower than expected. Nevertheless, NuEnergy has progressed into the final phase where the Tanjung Enim POD 1 would be tabled by SKK Migas and MEMR to the Minister of MEMR and hence may become the first coal bed methane ("CBM") POD to be approved in Indonesia.

REVIEW OF OPERATIONS (CONTINUED)

Muralim PSC

South Sumatra, Indonesia

NuEnergy Interest: 50%

Operator: Dart Energy (Muralim) Pte Ltd (a subsidiary of NuEnergy)

Muralim PSC amendment and restatement from Cost Recovery regime to Gross Split regime was signed by NuEnergy, Medco (the sole partner in the Muralim PSC) and SKK Migas on 11 February 2019. NuEnergy is seeking further extension from its exploration deadline of 7 May 2021 due to the Covid-19 pandemic.

NuEnergy expects to continue and complete its exploration activities with a drilling campaign in the first quarter of 2021 after a revised program to drill a twin well to carry out a production test, to facilitate submissions for Exploration Status Decision ("ESD") and POD, has been approved by SKK Migas. This will allow NGY to secure a commercial discovery approval from SKK Migas in 2021.

Muara Enim PSC

South Sumatra, Indonesia

NuEnergy Interest: 40%

Operator: PT Trisula CBM Energi (a subsidiary of NuEnergy)

On 11 November 2019, NuEnergy has proposed for an additional exploration period beyond the end of the 10th Contract Year (29 November 2019). NuEnergy has via a letter dated 6 February 2020, been granted an additional exploration period of until 19 January 2021, by the MEMR through SKK Migas to compile all geological and reservoir data, including all exploration/production data. This compilation has been completed and submitted to SKK Migas and NuEnergy has since received an acknowledgement letter from SKK Migas. The acknowledgement letter:

- i) confirms the discoveries of natural gas;
- ii) acknowledges the completion of exploration firm commitments by NuEnergy; and
- iii) allows NuEnergy to submit a plan of development within the next 3 years from 18 January 2021.

Muara Enim II PSC

South Sumatra, Indonesia

NuEnergy Interest: 30%

Operator: Indo CBM Sumbagsel 2 Pte Ltd (a subsidiary of NuEnergy)

The Muara Enim II PSC had expired on 31 March 2019. Pending the extension of the PSC, the Board has therefore taken the approach to impair the carrying value of the Muara Enim II PSC Exploration and Evaluation expenditure in the financial year ended 30 June 2019 of \$6,231,964 and record a provision for the penalty of \$2,097,169 (USD1,500,000) to fulfil the remaining obligations under the PSC. However, it is worth noting that the Government has not decided on the status of the Muara Enim II PSC. NuEnergy plans to re-submit its exploration period extension for its Muara Enim II PSC after obtaining approval for its Tanjung Enim POD 1.

REVIEW OF OPERATIONS (CONTINUED)

Bontang Bengalon PSC

East Kalimantan, Indonesia

NuEnergy Interest: 100%

Operator: Dart Energy (Bontang Bengalon) Pte Ltd (a subsidiary of NuEnergy)

NuEnergy has received the notice of termination of the Bontang Bengalon PSC from SKK Migas on 23 August 2019. With this termination, NuEnergy is required to immediately relinquish the contract area and fulfil the remaining obligations under the PSC. NuEnergy has not completed the remaining obligations and, the carrying value of the Bontang Bengalon PSC exploration and evaluation assets has been fully impaired and a provision for penalty of USD4,650,000, representing the balance costs of the remaining obligation has been provided as at 30 June 2019.

NuEnergy responded to the above termination notice by appealing to Migas with a proposal to transfer the firm commitments of Bontang Bengalon PSC, to an open area south western of the Tanjung Enim PSC. This proposal was sent to Migas on 27 August 2019. The Director General of Migas sent us a letter on 18 November 2019 that he could not approve the above proposal to transfer the firm commitment from Bontang Bengalon to an open area due to policy and advised NuEnergy to send the proposal through SKK Migas.

Following up on the above, NuEnergy has been in discussion with SKK Migas on possible options and it was recommended that NuEnergy send an appeal directly to MEMR together with other PSC holders in CBM industry. Consequently, NuEnergy had sent a letter of appeal dated July 2020, to MEMR together with other CBM contractors on 5 August 2020 regarding a request to transfer its commitment to another open area of the appellants' current CBM assets. On the advice of MEMR, NuEnergy had sent a letter of application dated 30 August 2020 to the Ministry requesting the commitment to be transferred to NuEnergy's South Sumatra assets on 31 August 2020.

Financial results and position

The Group reported a net profit attributable to owners of the Company of \$9,458,741 for the half year ended 31 December 2020 compared to a net loss of \$572,095 for the previous corresponding half year.

At 31 December 2020, the Group has cash and cash equivalents of \$1,760,727 (30 June 2020: \$296,298) and net assets of \$28,606,737 (30 June 2020: \$22,070,472).

Significant events during the period

During the financial period, the Company and its subsidiary, Sheraton Pines Pty had entered into a conditional Royalty Purchase and Sale Agreement ("Royalty Agreement") with Metalla Royalty & Streaming Ltd ("Metalla"). The Company and Sheraton are hereinafter collectively referred to as the "Sellers". The Royalty Agreement entails the Sellers' selling the royalty they owned to Metalla for a total consideration comprised of \$1,868,226 in cash and 467,730 shares in Metalla which are listed on the TSX Venture Exchange in Canada. This disposal has been completed during the period with a gain on disposal of \$7,238,838 and an other investment of \$7,779,044 being recognised in the profit of loss and in the statement of financial position as at 31 December 2020, respectively.

Significant events subsequent to period end

The Company is not aware of any material events that have occurred subsequent to the period end.

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 11th day of March 2021



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 2020 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



Peter A Russell
Partner

Sydney
11 March 2021

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

	Note	31/12/2020 \$	31/12/2019 \$
EXPENSES			
Consultants		-	(2,495)
Directors & executives' remuneration		(10,127)	(278,888)
Legal expenses		-	(10,772)
Administration expenses		(235,754)	(170,511)
Gain on disposal of gold royalty	3	7,238,838	-
Fair value changes on other investment	3	2,408,432	-
Foreign exchange gains		223,035	31,357
Depreciation		(15,756)	(16,699)
Net finance costs		(150,696)	(125,113)
Profit/(Loss) before income tax		9,457,972	(573,121)
Income tax benefit		-	-
Net profit/(loss) after income tax		9,457,972	(573,121)
Other comprehensive (expense)/income			
Items that are or may be reclassified to profit or loss:			
Foreign currency translation reserve		(2,921,707)	46,816
Total comprehensive income/(expense) for the period		6,536,265	(526,305)
Net profit/(loss) attributable to:			
Owners of the Company		9,458,742	(572,095)
Non-controlling interests		(770)	(1,026)
		9,457,972	(573,121)
Total comprehensive income/(expense) attributable to:			
Owners of the Company		6,503,960	(524,319)
Non-controlling interests		32,305	(1,986)
		6,536,265	(526,305)
Earnings/(Loss) per share:			
- Basic earnings/(loss) per share (cents per share)		0.64	(0.04)
- Diluted loss per share (cents per share)		N/A	(0.04)

The condensed notes on pages 13 to 21 are an integral part of these condensed consolidated half-year financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 December 2020

	Note	31/12/2020 \$	30/6/2020 \$
ASSETS			
Cash and cash equivalents		1,760,727	296,298
Other receivables and prepayments	2	218,736	179,721
Investment at Fair Value through Profit or Loss ("FVTPL")	3	7,779,044	-
Total current assets		9,758,507	476,019
Investment at Fair Value Through Other Comprehensive Income ("FVOCI")		-	-
Plant and equipment		12,102	30,046
Exploration and evaluation assets	4	31,699,497	35,322,807
Other financial assets	5	951,539	1,069,851
Total non-current assets		32,663,138	36,422,704
Total assets		42,421,645	36,898,723
LIABILITIES			
Other payables		2,055,775	2,250,828
Related party payables	6	3,691,891	3,591,814
Provision for Production Sharing Contract penalties	7	8,026,730	8,955,224
Employee benefits		40,512	30,385
Total current liabilities		13,814,908	14,828,251
Total liabilities		13,814,908	14,828,251
Net assets		28,606,737	22,070,472
EQUITY			
Share capital	8	106,450,311	106,450,311
Reserves	9	4,908,876	7,863,658
Accumulated losses		(82,887,491)	(92,346,233)
Equity attributable to owners of the Company		28,471,696	21,967,736
Non-controlling interests		135,041	102,736
Total equity		28,606,737	22,070,472

The condensed notes on pages 13 to 21 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 2020

	Share Capital	Reserves	Accumulated Losses	Non- Controlling Interests	Total Equity
	\$	\$	\$	\$	\$
At 1 July 2019	106,450,311	7,232,293	(90,064,206)	111,593	23,729,991
Net loss after income tax	-	-	(572,095)	(1,026)	(573,121)
Other comprehensive income/(expense):					
- Foreign currency translation reserve	-	47,776	-	(960)	46,816
At 31 December 2019	106,450,311	7,280,069	(90,636,301)	109,607	23,203,686
	Share Capital	Reserves	Accumulated Losses	Non- Controlling Interests	Total Equity
	\$	\$	\$	\$	\$
At 1 July 2020	106,450,311	7,863,658	(92,346,233)	102,736	22,070,472
Net profit/(loss) after income tax	-	-	9,458,742	(770)	9,457,972
Other comprehensive (expense)/income:					
- Foreign currency translation reserve	-	(2,954,782)	-	33,075	(2,921,707)
At 31 December 2020	106,450,311	4,908,876	(82,887,491)	135,041	28,606,737

The condensed notes on pages 13 to 21 are an integral part of these condensed consolidated half-year financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

	Note	31/12/2020 \$	31/12/2019 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(454,306)	(171,197)
Net cash used in operating activities		<u>(454,306)</u>	<u>(171,197)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for Exploration and Evaluation expenditure		(200,574)	(357,183)
Proceeds from disposal of gold royalty (net)	3	1,868,226	-
Net cash generated from/(used in) investing activities		<u>1,667,652</u>	<u>(357,183)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from related party borrowings		290,928	651,509
Net cash generated from financing activities		<u>290,928</u>	<u>651,509</u>
Net increase in cash and cash equivalents		1,504,274	123,129
Cash and cash equivalents at 1 July		296,298	323,132
Effect of exchange rate fluctuations on cash held		(39,845)	1,126
Cash and cash equivalents at 31 December		<u>1,760,727</u>	<u>447,387</u>
		=====	=====

The condensed notes on pages 13 to 21 are an integral part of these condensed consolidated half-year financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

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

(a) Reporting entity

NuEnergy Gas Limited (the “Company” or “NuEnergy”) 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 2020 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 2020 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.

(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 2020.

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 11 March 2021.

(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 2020. Save as disclose below, there have been no new or revised accounting standards issued with an effective date of 1 July 2020 applicable to the Group.

- Amendments to AASB 3, *Business Combinations – Definition of a Business*
- Amendments to AASB 101, *Presentation of Financial Statements* and AASB 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*
- Amendments to AASB 9, *Financial Instruments*, AASB 139, *Financial Instruments: Recognition and Measurement* and AASB 7, *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*

The initial application of the abovementioned accounting standards and amendments is not expected to have any material financial impact to the current period and prior period financial statements of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (Continued)

(d) Going concern

The Group recorded net cash outflows from operating activities of \$454,306 for the half year ended 31 December 2020, and has no ongoing source of operating income. At 31 December 2020 the Group had a working capital deficiency of \$4,056,401 however, with net assets of \$28,606,737 which includes \$1,760,727 of cash and cash equivalents. It is also notable that the Group also registered a net profit attributable to owners of the Company of \$9,458,741 and net cash inflows from investing activities of \$1,667,652 for the half year ended 31 December 2020. However, this was mainly due to a non-recurring event, arising from the Group disposing off its gold royalty during the half year ended 31 December 2020.

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.

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

- i) At 31 December 2020, the Group had cash and cash equivalents of \$1,760,727;
- ii) The Group secured and has drawn down financing \$290,928 from AIC Corporation Sdn Bhd, a related party during the financial period and this loan is repayable on demand;
- iii) The Directors have prepared a cash flow forecast for the period up to 31 March 2022 which includes:
 - planned capital raising of \$10,441,000;
 - redemption of cash collaterals placed as performance guarantees due to expected completion of exploration commitment of a production sharing contract ("PSC"), of \$431,000; and
 - proceeds from the disposal of the shares, held in Metalla Royalty & Streaming Ltd and listed on the TSX Venture Exchange in Canada (as further described in Note 13) for \$7,000,000;

such that all planned exploration commitments of \$653,000, uncommitted appraisal and development expenditure of approximately \$2,399,000, and overheads of \$4,976,000 for the 15 month period from 1 January 2021 to 31 March 2022 can be met. 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 appraisal and exploration expenditure under the PSC to future years after negotiation with the Indonesian Oil and Gas Regulator;

- iv) In the event that the provision for production sharing contract penalties are called upon by the Indonesian Ministry, subsidiaries of the ultimate parent, Globaltec Formation Berhad ("GFB"), have provided written assurance to NuEnergy that they will support the Group in meeting these commitments should they arise; and
- v) The Bontang Bengalon PSC has been terminated during the period and the Group has responded and appealed to the Government and is optimistic of a favourable outcome. The appeal is currently ongoing.

After considering all the above factors, the Directors have concluded that the use of going concern assumption is appropriate.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (Continued)

(d) Going concern (Continued)

There is a material uncertainty that may cast significant doubt on the Group's activities' to continue as a going concern should access to equity or financial support be reduced or not forthcoming or if the Bontang Bengalon PSC appeal is not successful.

Should the Group be unable to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the consolidated financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the Group be unable to continue as a going concern and meet its debt obligations as and when they fall due.

2. 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.

NOTE 2 OTHER RECEIVABLES AND PREPAYMENTS

	31/12/2020	30/6/2020
	\$	\$
<i>Current</i>		
Receivables	203,319	104,997
Deposits	-	41,202
Prepayments	15,417	33,522
	218,736	179,721

NOTE 3 INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	31/12/2020	30/6/2020
	\$	\$
Quoted shares – Outside Australia (<i>Current</i>)		
Balance at beginning of period	-	-
Acquired as part of the consideration on disposal of gold royalty	5,370,612	-
Fair value gain during the period	2,408,432	-
	7,779,044	-
Balance at end of period		

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

NOTE 3 INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

During the financial period, the Company and its subsidiary, Sheraton Pines Pty had entered into a conditional Royalty Purchase and Sale Agreement ("Royalty Agreement") with Metalla Royalty & Streaming Ltd ("Metalla"). The Company and Sheraton are hereinafter collectively referred to as the "Sellers". The Royalty Agreement entails the Sellers' selling the royalty they owned to Metalla for a total consideration comprised of \$1,868,226 in cash and 467,730 shares in Metalla which are listed on the TSX Venture Exchange in Canada. This disposal has been completed during the period with a gain on disposal of \$7,238,838 and an other investment of \$7,779,044 being recognised in the profit of loss and in the statement of financial position as at 31 December 2020, respectively.

The gain on disposal of the royalty is computed as below:

	\$
Cash consideration (net)	1,868,226
Fair value of listed shares outside Australia received as consideration	<u>5,370,612</u>
Total consideration	7,238,838
Carrying value of royalty	<u>-</u>
Gain on disposal of royalty	<u>7,238,838</u>

NOTE 4 EXPLORATION AND EVALUATION ASSETS

	31/12/2020 \$	30/6/2020 \$
Balance at beginning of period	35,322,807	34,273,575
Additions	200,574	527,149
Exploration consumables expensed	4.1 -	(240,051)
Exchange differences	(3,823,884)	762,134
	<u>31,699,497</u>	<u>35,322,807</u>
Balance at end of period		
Exploration and evaluation assets	53,624,684	56,872,316
VAT receivable	4.2 3,247,689	3,623,367
Accumulated impairment	(25,172,876)	(25,172,876)
	<u>31,699,497</u>	<u>35,322,807</u>
Carrying value		

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

NOTE 4 EXPLORATION AND EVALUATION ASSETS (Continued)

The exploration and evaluation assets comprise of:

	PSC	Update	Carrying value (\$)	
			31/12/2020	30/6/2020
i)	Tanjung Enim PSC	Dependent on its plan of development ("POD") 1 being approved by the Government of Indonesia. As at the date of this report, all the necessary submissions have been made and the POD is currently pending approval from the authorities. NuEnergy expects to receive the approval to be obtained before the end of the financial year 2021.	9,744,564	10,662,168
ii)	Muara Enim PSC	NuEnergy has via a letter dated 6 February 2020, been granted an additional exploration period of until 19 January 2021, from the Ministry of Energy and Mineral Resources ("MEMR") through Special Task Force for Upstream Oil and Gas Business Activities ("SKK Migas") to compile all geological and reservoir data, including all exploration/production data. This compilation has been completed and submitted to SKK Migas and NuEnergy has since received an acknowledgement letter from SKK Migas. The acknowledgement letter: i) confirms the discoveries of natural gas; ii) acknowledges the completion of exploration firm commitments by NuEnergy; and iii) allows NuEnergy to submit a plan of development within the next 3 years from 18 January 2021.	19,411,583	21,822,512
iii)	Muralim PSC	Muralim PSC amendment and restatement from Cost Recovery regime to Gross Split regime was signed by NuEnergy, Medco (the sole partner in the Muralim PSC) and SKK Migas on 11 February 2019. NuEnergy is seeking further extension from its exploration deadline of 7 May 2021 due to the Covid-19 pandemic. NuEnergy expects to continue and complete its exploration activities with a drilling campaign in the first quarter of 2021 after a revised program to drill a twin well to carry out a production test, to facilitate submissions for Exploration Status Decision ("ESD") and POD, has been approved by SKK Migas. This will allow NGY to secure a commercial discovery approval from SKK Migas in 2021.	2,543,345	2,838,127

Impairment assessment

Recoverability of the carrying amount of these PSCs are dependent on the successful exploration and sale of CBM. Management have obtained external valuation reports for all the above PSCs as at 30 June 2020. The valuation reports support the carrying value of these PSCs.

- 4.1 During the half financial year, exploration tools and consumables of Nil (30/6/2020: \$240,051) were utilised and expensed.
- 4.2 VAT capitalised is eligible to be claimed back from SKK Migas upon production of CBM on a commercial basis. All VAT capitalised relates to ongoing PSCs.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

Note 5 OTHER FINANCIAL ASSETS

	31/12/2020 \$	30/6/2020 \$
<i>Non-current</i>		
Term deposits related to performance bond guarantee for Indonesia PSC purposes	951,539	1,069,851

The term deposits are placed for a minimum period of two years or until the performance bond guarantee totalling \$5,333,601 (30 June 2020: \$5,950,567), are withdrawn and the effective interest rate was 0.035%. Out of these totals, term deposits amounting to \$343,583 relates to performance guarantees of \$430,703 which are in the process of being renewed as at the date of this report.

NOTE 6 RELATED PARTY PAYABLES

		31/12/2020 \$	30/6/2020 \$
Amount due to ultimate parent company	5.1	75,002	71,659
Amount due to substantial shareholder	5.2	222,184	247,885
Loans from related corporations	5.3	3,394,705	3,272,270
		3,691,891	3,591,814

- 5.1 The amount due to the ultimate parent GFB is non-trade, unsecured, interest free and repayable on demand.
- 5.2 The amount due to the substantial shareholder, New Century Energy Resources Limited ("NCE") is non-trade, unsecured, interest free and repayable on demand.
- 5.3 Loans from related corporations inclusive of interest accrued are unsecured and repayable on demand with financing cost of 10% per-annum charged on the outstanding loan computed on a daily and non-compounding basis.

NOTE 7 PROVISION FOR PRODUCTION SHARING CONTRACT PENALTIES

	31/12/2020 \$	30/6/2020 \$
Current Production Sharing Contract penalties	8,026,730	8,955,224

The penalties were provided in financial year 2019, for the Bontang Bengalon PSC of \$6,068,991 (30/6/2020: \$6,771,023) and for the Muara Enim II PSC of \$1,957,739 (30/6/2020: \$2,184,201) to fulfil the remaining obligations under the PSC. The decrease in the provision is due to unrealised foreign exchange gains.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

NOTE 8 SHARE CAPITAL

	31/12/2020	30/6/2020
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>

NOTE 9 RESERVES

	31/12/2020 \$	30/6/2020 \$
Foreign Currency Translation Reserve	<u>4,908,875</u>	<u>7,863,658</u>

NOTE 10 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 the CBM exploration meeting the commitments under the PSC.

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.

	Non-current assets Consolidated	
	31/12/2020 \$	30/6/2020 \$
Australia	228	530
Indonesia	32,662,910	36,422,174
	<u>32,663,138</u>	<u>36,422,704</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

NOTE 11 EXPENDITURE COMMITMENTS AND CONTINGENT LIABILITIES

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

	31/12/2020 \$	30/6/2020 \$
Not longer than 1 year	653,000	1,190,000
Longer than 1 year and not longer than 5 years	-	44,000
	653,000	1,234,000

The Group minimum expenditure are the firm commitments as set forth in the Production Sharing Contracts with the Government of Indonesia for which the Group is committed and obligated to complete. The firm commitments under the Indonesian Production Sharing Contract may be moved into future years after negotiation with the Indonesian Oil and Gas Regulator. The Group has negotiated the postponement of the \$653,000 firm commitments until future periods and has met the required commitments for the current period.

The provision for the Production Sharing Contract penalties to fulfil the remaining firm commitments as disclosed in Note 7 was not included in the minimum expenditure for the commitments contracted for under production sharing contracts not provided for in the financial statements.

The Group has performance bond guarantees at the half year ended of \$5,333,601 (30 June 2020: \$5,950,567) issued to the Government of Indonesia pursuant to the Production Sharing Contract to guarantee the firm commitments that are required to be completed by NuEnergy during the exploration period. Out of these totals, performance guarantees amounting to \$430,703 are in the process of being renewed as at the date of this report.

NOTE 12 RELATED PARTIES

Dealings with related parties have been consistent with those disclosed in the 30 June 2020 financial statements.

During the half year ended, the Company further received loans totalling \$290,928 from AIC Corporation Sdn Bhd ("AICC"), a wholly owned subsidiary of the ultimate parent, GFB and related party to the Company's directors, Goh Tian Chuan and Chen Heng Mun to fund part of the Group's CBM planned activities. The loans are unsecured and repayable on demand with financing cost of 10% per-annum charged on the outstanding loan computed on a daily and non-compounding basis.

The transactions and balances for the half year ended were as follows:-

- i) During the half-year ended, interest of \$38,986 was payable to PT Indotech Metal Nusantara, a wholly owned subsidiary of GFB and related party to the Company's directors, Goh Tian Chuan and Chen Heng Mun. The total principal and interest payable was \$931,213 as at 31 December 2020 (30 June 2020: \$976,417).
- ii) During the half-year ended, the amount of \$290,928 additional principal was drawn down on the existing loan payable to AICC, a wholly owned subsidiary of GFB and related party to the Company's directors, Goh Tian Chuan and Chen Heng Mun. During the half-year interest of \$111,772 accrued on the loan and no interest was paid. The total principal and interest payable was \$2,463,482 as at 31 December 2020 (30 June 2020: \$2,295,853).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

NOTE 12 RELATED PARTIES (Continued)

- iii) An amount of \$222,184 (30 June 2020: \$247,885) for technical service fees was payable at 31 December 2020 to NCE, a subsidiary of the ultimate parent, GFB and related party of the Company's directors, Kee Yong Wah, Goh Tian Chuan, Chen Heng Mun and the Company's Chairman Kong Kok Keong.
- iv) An amount of \$75,002 (30 June 2020: \$71,659) for directors travelling and corporate expenditure was payable at 31 December 2020 to GFB, the ultimate parent and a related party of the Company's directors Goh Tian Chuan, Chen Heng Mun and the Company's Chairman Kong Kok Keong.
- v) The amount of fees and salaries due to Directors and key management as at 31 December 2020 amounted to \$315,833 (30 June 2020: \$315,833) and \$398,428 (30 June 2020: \$398,428) respectively. These amounts owing are non-interest bearing.

NOTE 13 SIGNIFICANT EVENTS DURING THE PERIOD

As mentioned in Note 3, during the financial period, the Company and its subsidiary, Sheraton Pines Pty had entered into a conditional Royalty Purchase and Sale Agreement ("Royalty Agreement") with Metalla Royalty & Streaming Ltd ("Metalla"). The Company and Sheraton are hereinafter collectively referred to as the "Sellers". The Royalty Agreement entails the Sellers' selling the royalty they owned to Metalla for a total consideration comprised of \$1,868,226 in cash and 467,730 shares in Metalla which are listed on the TSX Venture Exchange in Canada. This disposal has been completed during the period with a gain on disposal of \$7,238,838 and an other investment of \$7,779,044 being recognised in the profit of loss and in the statement of financial position as at 31 December 2020, respectively.

NOTE 14 SIGNIFICANT EVENTS SUBSEQUENT TO PERIOD END

The Company is not aware of any material events that have occurred subsequent to the period end.

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 21, 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 2020 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 11th day of March 2021

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 does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2020 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 2020:
- 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 14 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.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 1d, "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.

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*
- 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 Responsibilities 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. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Half-year Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 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 requirement 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 requirement of the *Corporations Act 2001*.



KPMG



Peter A Russell
Partner

Sydney
11 March 2021