



NuEnergy Gas Limited

ABN 50 009 126 238

HALF-YEAR FINANCIAL REPORT

31 December 2022

NuEnergy Gas Limited
Half Year Financial Report 31 December 2022

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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 2022 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 2022

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)
Dr Ian Wang (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 2022 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
Dr Ian Wang	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)

On 17 June 2021, the Indonesian Ministry of Energy and Mineral Resources ("MEMR") approved NuEnergy's first Plan of Development ("POD") for the Tanjung Enim Production Sharing Contract ("PSC") under a gross split scheme (referred to as Tanjung Enim POD I) in South Sumatra which will allow the project to proceed to field development and surface facility construction. NuEnergy shall carry out the operations and commercial development of the Tanjung Enim POD 1 exclusively. The approval of the Tanjung Enim POD 1 also represents the first coal bed methane ("CBM") POD in Indonesia.

The Tanjung Enim POD 1 approval covers the development in two target areas, in the north and south of the contract area covering ~33km² (or 13% of the total acreage of the Tanjung Enim Gross Split PSC) where the Indonesia Research and Development Center for Oil and Gas Technology (commonly referred to as LEMIGAS) has confirmed and certified reserves totalling ~164.89 Bscf in these areas. NuEnergy has advanced its discussions and negotiations on future gas sales through gas pipeline with PT Pertamina Gas and several other potential gas buyers for compressed natural gas and liquefied natural gas, that is expected to culminate in formal gas sales agreements between the parties. In addition, NuEnergy has also received the Seller Appointment Letter ("SAL") from the Indonesian Special Task Force for Upstream Oil and Gas Business Activities ("SKK Migas") that formally authorises and appoints NuEnergy to sell CBM produced from the Tanjung Enim PSC on SKK Migas's behalf.

REVIEW OF OPERATIONS (CONTINUED)

NuEnergy is currently focussed on executing its POD 1 implementation with the objective to achieve early gas sales. NuEnergy received collective support on 14 October 2022, from SKK Migas, the Directorate General of Oil and Gas ("Dirjen Migas") and MEMR to implement early gas sales. Representatives from Dirjen Migas also conducted a field visit to the Tanjung Enim's proposed well sites for the early gas sales, on the week beginning 17 October 2022. NuEnergy has on 10 February 2023, signed a Heads of Agreement ("HOA") with PT Laras Ngarso Gede ("PT LARAS ENERGY"). The HOA whose salient terms and conditions shall eventually progress and be incorporated into a comprehensive Gas Sale and Purchase Agreement ("GSPA"), covers the supply and sale commitment by NuEnergy and the purchase commitment by PT LARAS ENERGY, of CBM produced from the Tanjung Enim PSC. The HOA shall be effective from 10 February 2023 up to the date the GSPA is executed or 9 August 2023, whichever comes first. NuEnergy and PT LARAS ENERGY are expecting to execute the GSPA in the second quarter of 2023. Under the HOA, NuEnergy targets to commence the sale and delivery of CBM to PT LARAS ENERGY on 1 October 2023 or a date mutually agreed by all parties, and until the total contracted volume of CBM of 1.49 billion standard cubic feet has been fully delivered, whichever is earlier. The GSPA, which shall be for a period of 5 years may be extended by mutual agreement in writing. PT LARAS ENERGY, upon receiving the CBM from NuEnergy, will then compress the CBM into compressed natural gas and/or liquefied natural gas, and transport it to the end-user. This initial phase of gas sale, estimated at 1 million standard cubic feet per day ("MMSCFD") of CBM, is targeting the energy needs of the underserved market in South Sumatra. The supply of the CBM to these areas will address not only the energy needs but will also help the industry in the vicinity to gradually migrate towards utilising clean energy in their operations/business. And this, in turn, will enable NuEnergy, Indonesia, and the world to take a step closer towards a low carbon future. This gas sale of 1 MMSCFD represents the initial and gradual progress in achieving the 25 MMSCFD of gas production as approved under the Tanjung Enim POD 1,

The Ministry of Environment and Forestry issued a letter on 5 October 2022 to NuEnergy in relation to NuEnergy's submission to the Ministry on 7 July 2022 on the proposed Kerangka Acuan (Detailed framework and Worksopce) for the required environmental impact studies, which granted NuEnergy the approval to proceed with submitting the required three technical documents relating to environmental impact studies, in stages. NuEnergy has to-date submitted all the three technical reports namely air emission, waste storage management and waste water disposal. NuEnergy has also received the approval on the first of the three technical reports, the air emission technical report, on 17 November 2022. The completed and compiled full environmental impact studies report was submitted to the Ministry of Environment and Forestry on 22 December 2022. NuEnergy expects to receive all the required approvals in respect of the environmental impact study, by the second quarter of 2023.

NuEnergy has finalised the consultant for the front-end engineering design ("FEED") study in December 2022. As the FEED study relates to the construction of the gas gathering and pipeline facilities for the full 25 MMSCFD of gas production, as provided under the POD1, and that the early gas sales initiative will not require such facilities, the commencement or completion of the FEED study will not affect the progress of the early gas sales initiative.

NuEnergy has also finalised the location of the proposed wells and also completed the drilling program and conducted several technical discussions with service and equipment providers such as drilling contractors, completion, and production services in relation to the early gas sales initiative.

REVIEW OF OPERATIONS (CONTINUED)**Muralim PSC****South Sumatra, Indonesia****NuEnergy Interest: 100%****Operator: Dart Energy (Muralim) Pte Ltd (a subsidiary of NuEnergy)**

In financial year 2021, NuEnergy has successfully completed permeability tests and drilled to the targeted depth of 724 meters in vertical depth, at the MU-005 (Twin) well. Four coal seam formations were confirmed between the depth of 547 meters to 669 meters. NuEnergy then proceeded with dewatering activities but the dewatering process was temporarily suspended during the quarter ended 30 September 2021, pending the necessary permit being issued by Ministry of Environment of Indonesia. Based on the latest revised environmental regulation issued in September 2021, NuEnergy obtained the environmental permit in January 2022. With the approval, NuEnergy was able to continue the dewatering process to determine the gas productivity for future development, to be followed by the submission of an Exploration Status Decision proposal and a POD proposal. The results from the gas production will be submitted to SKK Migas for their further recommendation for NuEnergy to submit the future POD proposal for this PSC. However, due to COVID-19 lockdowns imposed in the supplier's country, NuEnergy has only in end June 2022 received the necessary equipment to recommence the dewatering process. On 1 August 2022, MEMR via SKK Migas has approved an additional exploration period until 18 July 2023. NuEnergy is currently continuing the dewatering process. However, the water production from the dewatering, is higher than earlier expected and this has slowed the progress to complete the dewatering process. To date, there are a total of six wells that have been previously drilled in the Muralim PSC.

Muara Enim PSC**South Sumatra, Indonesia****NuEnergy Interest: 40%****Operator: PT Trisula CBM Energi (a subsidiary of NuEnergy)**

On 11 November 2019, NuEnergy applied 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 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.

REVIEW OF OPERATIONS (CONTINUED)

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 expired on 31 March 2019. Pending the extension of the PSC then, the Board has 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 to record a provision for the penalty of \$2,097,169 (USD1,500,000) to fulfil the remaining obligation under the PSC. However, it is worth noting that the Government has not decided on the status of the Muara Enim II PSC.

NuEnergy has submitted an application to MEMR for a two years extension of exploration period for Muara Enim II PSC on 28 September 2022. NuEnergy has in February 2023 obtained approval for an additional exploration period of 24 months until 29 January 2025 to complete the exploration firm commitments for the Muara Enim II PSC. This additional exploration period will enable NuEnergy to gather gas production data in order to proceed with reserves certification to fulfill the POD submission requirements. This will enable the Muara Enim II PSC to migrate from exploration to development status.

Bontang Bengalon PSC

East Kalimantan, Indonesia

NuEnergy Interest: 100%

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

NuEnergy 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 have been fully impaired and a provision for penalty of USD4,650,000, representing the balance costs of the remaining obligation, has been provided at 30 June 2019. NuEnergy is currently appealing to transfer the balance commitment.

Financial results and position

The Group reported a net loss attributable to owners of the Company of \$410,913 for the half year ended 31 December 2022 compared to a net profit of \$1,520,007 for the previous corresponding half year.

At 31 December 2022, the Group has cash and cash equivalents of \$2,681,313 (30 June 2022: \$3,501,723) and net assets attributable to owners of the Company of \$27,039,494 (30 June 2022: \$26,748,326).

Significant events during the period

The Company is not aware of any material events that have occurred during the period ended.

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 9.

Signed in accordance with a resolution of Board of Directors.



Kong Kok Keong
Non-Executive Chairman
Dated this 13th day of March 2023



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 2022 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.

A stylized blue ink signature of the KPMG logo.

KPMG

A blue ink signature of Shane O'Connor.

Shane O'Connor
Partner

Sydney
13 March 2023

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022**

	Note	31/12/2022 \$	31/12/2021 \$
EXPENSES			
Administration expenses		(258,686)	(303,146)
Other receivables written off (net)		-	(17,232)
Fair value changes on other investment	3	26,117	(600,078)
Foreign exchange gain/(loss)		59,110	(76,239)
Net finance costs		(237,456)	(226,252)
Loss before income tax		(410,915)	(1,222,947)
Income tax benefit		-	-
Net loss after income tax		(410,915)	(1,222,947)
Other comprehensive income			
Items that are or may be reclassified to profit or loss:			
- Foreign currency translation reserve		702,082	977,926
Total comprehensive income/(expense) for the period		291,167	(245,021)
Net (loss)/profit attributable to:			
- Owners of the Company		(410,913)	(1,520,007)
- Non-controlling interests		(2)	297,060
		(410,915)	(1,222,947)
Total comprehensive income/(expense) attributable to:			
- Owners of the Company		291,169	(538,839)
- Non-controlling interests		(2)	293,818
		291,167	(245,021)
Loss per share:			
- Basic/Diluted loss per share (cents per share)		(0.03)	(0.10)

The condensed notes on pages 14 to 25 are an integral part of these condensed consolidated half-year financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	Note	31/12/2022 \$	30/6/2022 \$
ASSETS			
Cash and cash equivalents		2,681,313	3,501,723
Other receivables and prepayments	2	125,651	88,530
Investment at Fair Value through Profit or Loss ("FVTPL")	3	658,570	632,453
Total current assets		<u>3,465,534</u>	<u>4,222,706</u>
Plant and equipment		-	-
Exploration and evaluation assets	4	39,141,372	37,736,372
Other financial assets	5	613,814	729,604
Total non-current assets		<u>39,755,186</u>	<u>38,465,976</u>
Total assets		<u>43,220,720</u>	<u>42,688,682</u>
LIABILITIES			
Other payables		2,184,688	2,234,553
Related party payables	6	4,520,620	4,356,908
Provision for Production Sharing Contract penalties	7	9,056,504	8,929,479
Total current liabilities		<u>15,761,812</u>	<u>15,520,940</u>
Total liabilities		<u>15,761,812</u>	<u>15,520,940</u>
Net assets		<u>27,458,908</u>	<u>27,167,742</u>
EQUITY			
Share capital	8	106,450,311	106,450,311
Reserves	9	8,578,010	7,875,928
Accumulated losses		(87,988,827)	(87,577,913)
Equity attributable to owners of the Company		<u>27,039,494</u>	<u>26,748,326</u>
Non-controlling interests		419,414	419,416
Total equity		<u>27,458,908</u>	<u>27,167,742</u>

The condensed notes on pages 14 to 25 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 2022

	Share Capital	Reserves	Accumulated Losses	Non- Controlling Interests	Total Equity
	\$	\$	\$	\$	\$
At 1 July 2021	106,450,311	5,393,530	(85,688,790)	129,432	26,284,483
Net (loss)/profit after income tax	-	-	(1,520,007)	297,060	(1,222,947)
Other comprehensive income/(expense):					
- Foreign currency translation reserve	-	981,168	-	(3,242)	977,926
Realisation of post- acquisition foreign exchange translation reserves of non- controlling Interests on de-registration of a subsidiary	-	-	3,803	(3,803)	-
At 31 December 2021	106,450,311	6,374,698	(87,204,994)	419,447	26,039,462
	\$	\$	\$	\$	\$
At 1 July 2022	106,450,311	7,875,928	(87,577,913)	419,416	27,167,742
Net loss after income tax	-	-	(410,913)	(2)	(410,915)
Other comprehensive income:					
- Foreign currency translation reserve	-	702,082	-	-	702,082
At 31 December 2022	106,450,311	8,578,010	(87,988,827)	419,414	27,458,908

The condensed notes on pages 14 to 25 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 2022

	Note	31/12/2022 \$	31/12/2021 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(92,916)	(598,078)
Term deposit released		127,778	-
Net cash generated from/(used in) operating activities		<u>34,862</u>	<u>(598,078)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for Exploration and Evaluation expenditure	4	(858,400)	(329,771)
Proceed from disposal of other investment	3	-	2,205,795
Net cash (used in)/generated from investing activities		<u>(858,400)</u>	<u>1,876,024</u>
Net (decrease)/increase in cash and cash equivalents		(823,538)	1,277,946
Cash and cash equivalents at 1 July		3,501,723	1,712,456
Effect of exchange rate fluctuations on cash held		3,128	6,109
Cash and cash equivalents at 31 December		<u>2,681,313</u>	<u>2,996,511</u>
		=====	=====

The condensed notes on pages 14 to 25 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 2022

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 2022 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 2022 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 preparation

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 2022.

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 13 March 2023.

(c) Significant Accounting Policies

During the period, 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 2022. There have been no new or revised accounting standards issued with an effective date of 1 July 2022, that is applicable to the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

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

(d) Going concern

The Group recorded a net loss attributable to owners of the Company of \$410,913 for the half year ended 31 December 2022, has no ongoing source of operating income and a working capital deficiency of \$12,296,278 as at 31 December 2022. However, the Group has net assets attributable to owners of the Company of \$27,039,494 which includes \$2,681,313 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.

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

- i) At 31 December 2022, the Group had cash and cash equivalents of \$2,681,313;
- ii) As at 31 December 2022, the Group has loans (inclusive of interest payable) totalling \$4,304,478 from related parties (subsidiaries of Globaltec Formation Berhad ("GFB"), the ultimate holding company). The major shareholders, Globaltec Energy Resources Sdn Bhd and New Century Energy Resources Limited has agreed on behalf of these related parties that these loans will not be called on, if in doing so, would place the Company into insolvency or a position where the Company could not satisfy its commitments as and when they are due. In addition, the major shareholders, Globaltec Energy Resources Sdn Bhd and New Century Energy Resources Limited will continue to provide continuous financial support to enable the Group to operate on a going concern and to meets its obligations;
- iii) The Directors have prepared a cash flow forecast for the 15-month period from 1 January 2023 to 31 March 2024 which includes:
 - planned capital raising of \$6,000,000;
 - assumed proceeds from early gas sales initiative amounting to \$2,546,000 and
 - proceeds from the ongoing gradual disposal of the shares, held in Metalla Royalty & Streaming Ltd (listed on the TSX Venture Exchange in Canada) for \$658,570;

such that all planned exploration expenditure of \$115,000, uncommitted appraisal and development expenditure of approximately \$7,185,000, and administrative overheads of \$2,309,000 for the 15-month period from 1 January 2023 to 31 March 2024 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 other PSCs to future years as these PCs are either been extended or granted additional times to submit a plan of development;

- iv) In the event that the provision for production sharing contract penalties are called upon by the Indonesian Ministry, the major shareholders, Globaltec Energy Resources Sdn Bhd and New Century Energy Resources Limited, have provided written assurance to NuEnergy that they will support the Group in meeting these commitments should the need arises; and

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

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

(d) Going concern (Continued)

- v) The Bontang Bengalon PSC has been terminated and fully impaired in financial year 2019. The Group has responded and appealed to the Government for amongst others, the transfer of the commitments to another PSC or another PSC of the Group located in South Sumatra, and is optimistic of a favourable outcome. The appeal is currently ongoing. Should the appeal be successful, it is unlikely that the said commitments will be required to be completed within 12 months from the date of this report.

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

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.

(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.

NOTE 2 OTHER RECEIVABLES AND PREPAYMENTS

	31/12/2022 \$	30/6/2022 \$
Current		
Receivables	86,672	87,682
Deposits	8,521	-
Prepayments	30,458	848
	125,651	88,530

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

NOTE 3 INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	31/12/2022 \$	30/6/2022 \$
Quoted shares – Outside Australia (<i>Current</i>)		
Balance at beginning of period	632,453	4,467,916
Disposed during the period	-	(3,099,680)
Fair value gain/(loss) during the period	26,117	(735,783)
	<hr/>	<hr/>
Balance at end of period	658,570	632,453

NOTE 4 EXPLORATION AND EVALUATION ASSETS

	31/12/2022 \$	30/6/2022 \$
Balance at beginning of period	37,736,372	33,234,627
Additions	858,400	1,198,549
Exchange differences	546,600	3,303,196
Balance at end of period	<hr/> 39,141,372	<hr/> 37,736,372
Exploration and evaluation assets	60,608,217	59,296,298
VAT capitalised	3,706,031	3,612,950
Accumulated impairment loss	<hr/> (25,172,876)	<hr/> (25,172,876)
Carrying value	<hr/> 39,141,372	<hr/> 37,736,372

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

NOTE 4 EXPLORATION AND EVALUATION ASSETS (Continued)

The exploration and evaluation assets comprise of:

	PSC	Status	Carrying value (\$)	
			31/12/2022	30/6/2022
i)	Tanjung Enim PSC	<p>On 17 June 2021, the Indonesian Ministry of Energy and Mineral Resources ("MEMR") approved NuEnergy's first Plan of Development ("POD") for the Tanjung Enim Production Sharing Contract ("PSC") under a gross split scheme (referred to as Tanjung Enim POD I) in South Sumatra which will allow the project to proceed to field development and surface facility construction. NuEnergy shall carry out the operations and commercial development of the Tanjung Enim POD 1 exclusively. The approval of the Tanjung Enim POD 1 also represents the first coal bed methane ("CBM") POD in Indonesia.</p> <p>The Tanjung Enim POD 1 approval covers the development in two target areas, in the north and south of the contract area covering ~33km² (or 13% of the total acreage of the Tanjung Enim Gross Split PSC) where the Indonesia Research and Development Center for Oil and Gas Technology (commonly referred to as LEMIGAS) has confirmed and certified reserves totalling ~164.89 Bscf in these areas. NuEnergy has advanced its discussions and negotiations on future gas sales through gas pipeline with PT Pertamina Gas and several other potential gas buyers for compressed natural gas and liquefied natural gas, that is expected to culminate in formal gas sales agreements between the parties. In addition, NuEnergy has also received the Seller Appointment Letter ("SAL") from the Indonesian Special Task Force for Upstream Oil and Gas Business Activities ("SKK Migas") that formally authorises and appoints NuEnergy to sell CBM produced from the Tanjung Enim PSC on SKK Migas's behalf.</p> <p>NuEnergy is currently focussed on executing its POD 1 implementation with the objective to achieve early gas sales. NuEnergy received collective support on 14 October 2022, from SKK Migas, the Directorate General of Oil and Gas ("Dirjen Migas") and MEMR to implement early gas sales. Representatives from Dirjen Migas also conducted a field visit to the Tanjung Enim's proposed well sites for the early gas sales, on the week beginning 17 October 2022. NuEnergy has on 10 February 2023, signed a Heads of Agreement ("HOA") with PT Laras Ngarso Gede ("PT LARAS ENERGY"). The HOA whose salient terms and conditions shall eventually progress and be incorporated into a comprehensive Gas Sale and Purchase Agreement ("GSPA"), covers the supply and sale commitment by NuEnergy and the purchase commitment by PT LARAS ENERGY, of CBM produced from the Tanjung Enim PSC.</p>	12,584,415	11,905,337

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

NOTE 4 EXPLORATION AND EVALUATION ASSETS (Continued)

	PSC	Status	Carrying value (\$)	
			31/12/2022	30/6/2022
i)	Tanjung Enim PSC (continued)	<p>The HOA shall be effective from 10 February 2023 up to the date the GSPA is executed or 9 August 2023, whichever comes first. NuEnergy and PT LARAS ENERGY are expecting to execute the GSPA in the second quarter of 2023. Under the HOA, NuEnergy targets to commence the sale and delivery of CBM to PT LARAS ENERGY on 1 October 2023 or a date mutually agreed by all parties, and until the total contracted volume of CBM of 1.49 billion standard cubic feet has been fully delivered, whichever is earlier. The GSPA, which shall be for a period of 5 years may be extended by mutual agreement in writing. PT LARAS ENERGY, upon receiving the CBM from NuEnergy, will then compress the CBM into compressed natural gas and/or liquefied natural gas, and transport it to the end-user. This initial phase of gas sale, estimated at 1 million standard cubic feet per day ("MMSCFD") of CBM, is targeting the energy needs of the underserved market in South Sumatra. The supply of the CBM to these areas will address not only the energy needs but will also help the industry in the vicinity to gradually migrate towards utilising clean energy in their operations/business. And this, in turn, will enable NuEnergy, Indonesia, and the world to take a step closer towards a low carbon future. This gas sale of 1 MMSCFD represents the initial and gradual progress in achieving the 25 MMSCFD of gas production as approved under the Tanjung Enim POD 1.</p> <p>The Ministry of Environment and Forestry issued a letter on 5 October 2022 to NuEnergy in relation to NuEnergy's submission to the Ministry on 7 July 2022 on the proposed Kerangka Acuan (Detailed framework and Workscope) for the required environmental impact studies, which granted NuEnergy the approval to proceed with submitting the required three technical documents relating to environmental impact studies, in stages. NuEnergy has to-date submitted all the three technical reports namely air emission, waste storage management and waste water disposal. NuEnergy has also received the approval on the first of the three technical reports, the air emission technical report, on 17 November 2022. The completed and compiled full environmental impact studies report was submitted to the Ministry of Environment and Forestry on 22 December 2022. NuEnergy expects to receive all the required approvals in respect of the environmental impact study, by the second quarter of 2023.</p>		

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

NOTE 4 EXPLORATION AND EVALUATION ASSETS (Continued)

	PSC	Status	Carrying value (\$)	
			31/12/2022	30/6/2022
i)	Tanjung Enim PSC (continued)	<p>NuEnergy has finalised the consultant for the front-end engineering design ("FEED") study in December 2022. As the FEED study relates to the construction of the gas gathering and pipeline facilities for the full 25 MMSCFD of gas production, as provided under the POD1, and that the early gas sales initiative will not require such facilities, the commencement or completion of the FEED study will not affect the progress of the early gas sales initiative.</p> <p>NuEnergy has also finalised the location of the proposed wells and also completed the drilling program and conducted several technical discussions with service and equipment providers such as drilling contractors, completion, and production services in relation to the early gas sales initiative.</p>		
ii)	Muara Enim PSC	<p>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:</p> <ul style="list-style-type: none"> 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. 	22,198,172	21,866,515

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

NOTE 4 EXPLORATION AND EVALUATION ASSETS (Continued)

iii)	Muralim PSC	<p>In financial year 2021, NuEnergy has successfully completed permeability tests and drilled to the targeted depth of 724 meters in vertical depth, at the MU-005 (Twin) well. Four coal seam formations were confirmed between the depth of 547 meters to 669 meters. NuEnergy then proceeded with dewatering activities but the dewatering process was temporarily suspended during the quarter ended 30 September 2021, pending the necessary permit being issued by Ministry of Environment of Indonesia. Based on the latest revised environmental regulation issued in September 2021, NuEnergy obtained the environmental permit in January 2022. With the approval, NuEnergy was able to continue the dewatering process to determine the gas productivity for future development, to be followed by the submission of an Exploration Status Decision proposal and a POD proposal. The results from the gas production will be submitted to SKK Migas for their further recommendation for NuEnergy to submit the future POD proposal for this PSC. However, due to COVID-19 lockdowns imposed in the supplier's country, NuEnergy has only in end June 2022 received the necessary equipment to recommence the dewatering process. On 1 August 2022, MEMR via SKK Migas has approved an additional exploration period until 18 July 2023. NuEnergy is currently continuing the dewatering process. However, the water production from the dewatering, is higher than earlier expected and this has slowed the progress to complete the dewatering process.</p> <p>To date, there are a total of six wells that have been previously drilled in the Muralim PSC.</p>	4,358,785	3,964,520
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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 Board is of the opinion that the basis and assumptions used in the said valuation reports are still relevant and support the carrying value of these PSCs.

- 4.1 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 2022

Note 5 OTHER FINANCIAL ASSETS

	31/12/2022 \$	30/6/2022 \$
<i>Non-current</i>		
Term deposits related to performance bond guarantee for Indonesia PSC purposes	613,814	729,604

The term deposits are placed for a minimum period of two years or until the performance bond guarantee totalling \$5,716,852 (30 June 2022: \$5,636,669), are withdrawn and the effective interest rate was 0.035%.

NOTE 6 RELATED PARTY PAYABLES

		31/12/2022 \$	30/6/2022 \$
Amount due to ultimate parent company	6.1	83,185	78,086
Amount due to substantial shareholder	6.2	132,957	130,064
Loans from related corporations	6.3	4,304,478	4,148,758
		4,520,620	4,356,908

- 6.1 The amount due to the ultimate parent, GFB, is non-trade, unsecured, interest free and repayable on demand.
- 6.2 The amount due to the substantial shareholder, New Century Energy Resources Limited ("NCE") is non-trade, unsecured, interest free and repayable on demand.
- 6.3 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

	31/12/2022 \$	30/6/2022 \$
Current		
Production Sharing Contract penalties	9,056,504	8,929,479

The penalties were provided in financial year 2019, for the Bontang Bengalon PSC of \$6,847,601 (30/6/2022: \$6,751,557) and for the Muara Enim II PSC of \$2,208,903 (30/6/2022: \$2,177,922) to fulfil the remaining obligations under the PSC. The increase in the provision is due to unrealised foreign exchange gains.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

NOTE 8 SHARE CAPITAL

	31/12/2022	30/6/2022
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

	31/12/2022 \$	30/6/2022 \$
Foreign Currency Translation Reserve	<u>8,578,010</u>	<u>7,875,928</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. All the non-current assets of the Group are located in Indonesia. The Group is currently under the exploration and appraisal phase and has no revenues from external customers.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

NOTE 11 EXPENDITURE COMMITMENTS AND CONTINGENT LIABILITIES

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

	31/12/2022 \$	30/6/2022 \$
Not longer than 1 year	115,000	659,000
Longer than 1 year and not longer than 5 years	-	413,000
	115,000	1,072,000

The Group's 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 performance bond guarantees at the half year ended of \$5,716,852 (30 June 2022: \$5,636,669) 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.

NOTE 12 RELATED PARTIES

Dealings with related parties have been consistent with those disclosed in the 30 June 2022 financial statements.

GFB is the ultimate parent of the Company.

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

- i) During the half-year ended, interest of \$40,115 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 \$1,101,259 as at 31 December 2022 (30 June 2022: \$1,099,238).
- ii) During the half-year ended, interest of \$118,512 was payable to AIC Corporation Sdn Bhd, 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 \$3,203,219 as at 31 December 2022 (30 June 2022: \$3,049,520).
- iii) An amount of \$132,957 (30 June 2022: \$130,064) for technical service fees was payable at 31 December 2022 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 \$83,185 (30 June 2022: \$78,086) for directors travelling and corporate expenditure was payable at 31 December 2022 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 as at 31 December 2022 amounted to \$155,833 (30 June 2022: \$175,833). These amounts owing are non-interest bearing.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022**

NOTE 13 SIGNIFICANT EVENTS DURING THE PERIOD

The Company is not aware of any material events that have occurred during the period ended.

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.

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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 10 to 25, 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 2022 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 13th day of March 2023

Independent Auditor's Review Report

To the shareholders of NuEnergy Gas Limited

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 2022 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 2022
- 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 Group 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 these requirements.



Material uncertainty related to going concern

We draw attention to Note 1d, "Going Concern" in the Half-year Financial Report. The events or conditions disclosed in Note 1d, 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 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 gives a true and fair view and 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 2022 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*.

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.

KPMG

Shane O'Connor
Partner

Sydney
13 March 2023