

September 2016

## HIGHLIGHTS

- On-going dewatering and production testing in Tanjung Enim Production Sharing Contract ("PSC") to optimise production flow rates.
- Pre-drilling preparation underway for Muralim PSC and Muara Enim II PSC.

## CHAIRMAN'S COMMENTS

As we continue to make progress towards our first reserves booking and certification, discussions have commenced with the relevant parties in Indonesia for early gas sales from our Pilot Production Program in Tanjung Enim PSC ("TE PPP"). We hope to secure this early commercialization which represents an important step towards booking reserves and then to submit the Plan of Development to realise the full value of this asset.

## Operations Report

During the quarter, NuEnergy's field operations were mainly focussed on the dewatering and production testing for the TE PPP and the drilling preparations for Muralim PSC and Muara Enim II PSC. The drilling operations for Muralim PSC and Muara Enim II PSC are expected to be executed in the last quarter of 2016.

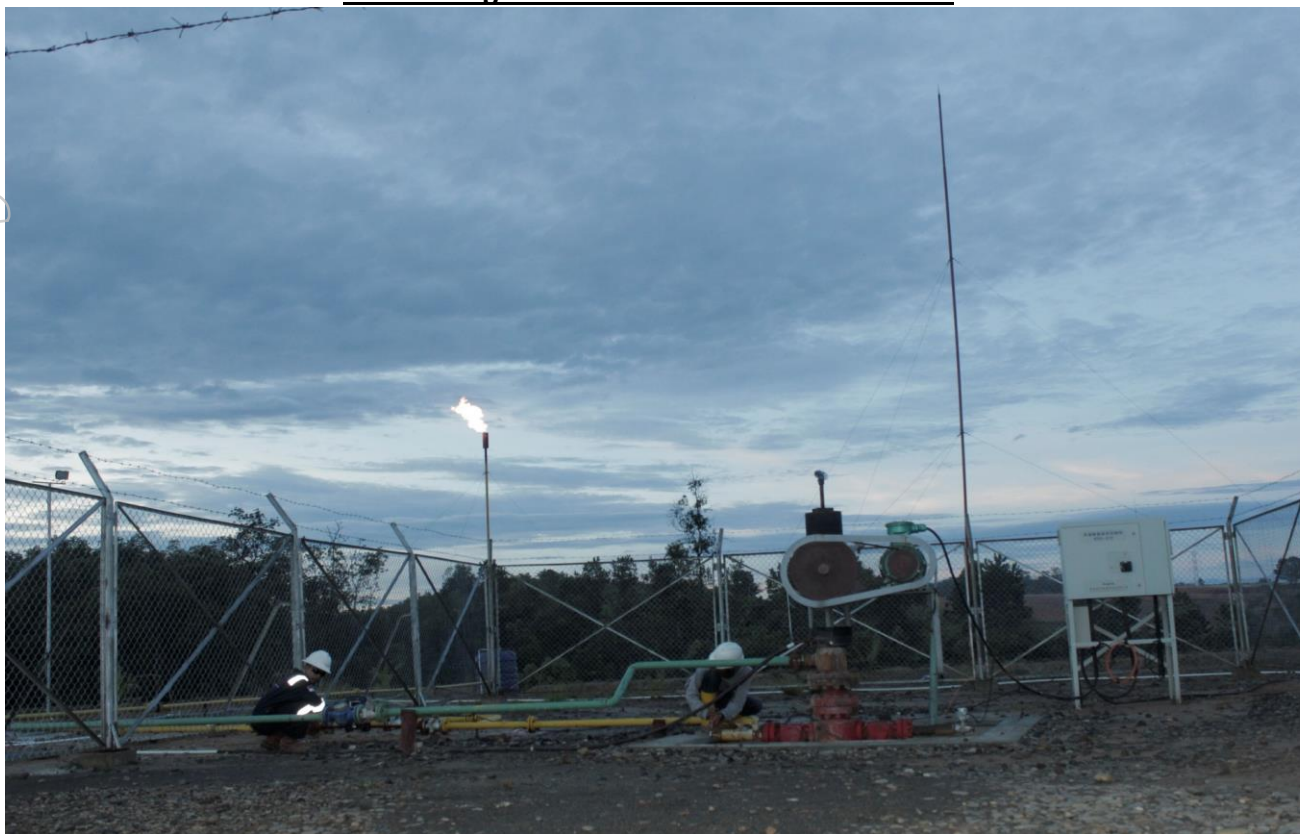
## Tanjung Enim PSC, South Sumatra

The dewatering and production testing continued throughout the quarter for the TE PPP, which consisted of 5 wells, subsequent to the drilling completion in the previous quarter. The early dewatering and production testing results of the TE PPP have been encouraging. Currently, progress is being made towards optimising the production.

While TE PPP optimisation continued, discussions with SKK Migas ("Special Task Force for Upstream Oil & Gas Business Activities") and Perusahaan Listrik Negara ("Indonesian State-Owned Electricity Company") were initiated to explore the commercial schemes for the TE PPP for power generation. Further discussions to define the commercial scheme will continue with these parties once the dewatering and production parameters are able to characterise the producing coal seams of the TE PPP.

The gas sales from the TE PPP, which is subject to the successful production optimisation and negotiation with the relevant parties, will enable NuEnergy to both commence generating revenue and proposing the Plan of Development for Tanjung Enim PSC.

### Dewatering and Production Test in TE-10 Well



### Dewatering and Production Test in TE-12 Well



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### Muralim PSC, South Sumatra

During the quarter, pre-drilling activities commenced for the drilling program in Muralim PSC which will be carried out in the last quarter of 2016. The completion of the program is expected to satisfy the PSC firm commitments during the Exploration Period ending on 2 December 2016 and will enable the application for an extension of the Exploration Period.

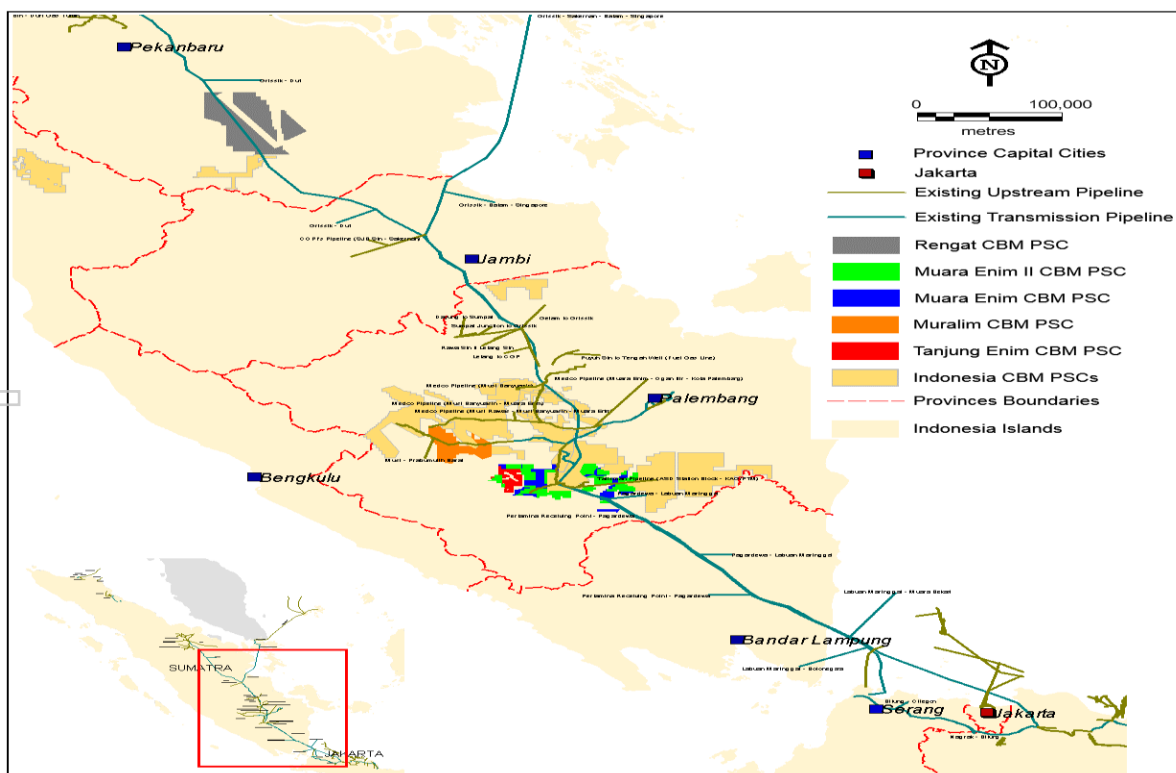
The program will cover activities to drill a well to conduct permeability test and to re-enter two existing wells to conduct permeability test. This program will also enable NuEnergy to improve the coal characterisation to the eastern part of Muralim PSC.

### Muara Enim II PSC, South Sumatra

Pre-drilling activities were carried out during the quarter to plan for the drilling program to be executed in the last quarter of 2016. The program is expected to fulfil the PSC firm commitments during the Exploration Period that will end on 31 March 2017 and will enable the application for an extension of the Exploration Period.

While enabling the application of the Exploration Period extension, the program will cover drilling of three production wells. It will also help the reservoir characterisation of the coal seams towards the western part of Muara Enim II PSC and will confirm the coal continuity throughout the other NuEnergy South Sumatra PSCs for future integrated development.

**Map of NuEnergy PSCs in South Sumatra and Gas Pipeline Infrastructure**



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NuEnergy's PSCs in South Sumatra cover a total area of 2,280 km<sup>2</sup> (after full relinquishment under the terms of the PSC) and are situated in the most prolific CBM basin in Indonesia with existing gas pipelines infrastructure nearby. NuEnergy has the potential to develop and operate a large scale CBM operation in South Sumatra as the Tanjung Enim PSC, Muara Enim PSC, Muara Enim II PSC and Muralim PSC are situated closely.

### **Indonesia Gas Market Update - Low gas price for industries expected early next year in Indonesia**

The Presidential Regulation No 40/2016 was issued in May 2016 to lower gas prices for selected industries such as fertilizer, petrochemical, oleo chemical, steel, ceramics, gloves and glassware to help improve competitiveness. The policy has yet to become effective pending the implementation of the regulation.

The government plan is to lower gas price to US\$6 per mmbtu for selected industries and is expected to take effect in January 2017. The President of Indonesia has instructed the finalization of the gas price policy by late November to be effective on 1 January 2017.

The current gas price in Indonesia, a gas producing nation, is high compared to prices in the neighbouring countries. Gas prices in Indonesia reach highs of between US\$9.5 mmbtu to US\$12 mmbtu compared to Vietnam (US\$7 mmbtu), Malaysia (US\$4 mmbtu) and Singapore (US\$4 mmbtu), while the price in the United States is less than US\$3 mmbtu.

The planned lower gas price policy will not affect the revenue of the upstream producers as the cost will be shouldered from the government's portion of revenue from the PSCs.

### **ABOUT NUENERGY GAS LIMITED**

NuEnergy Gas Limited (NuEnergy) is an emerging ASX listed gas and ancillary power generation development company with an immediate focus on establishing unconventional gas production in Indonesia.

NuEnergy has a strategy to acquire, explore, appraise and develop Coal Bed Methane ("CBM") acreage in this region. It is listed on the Australian Securities Exchange (ASX: NGY) with offices in Sydney (Australia) and Jakarta (Indonesia).

The Company's overall strategy is to explore and establish commercial resources/reserves over its CBM projects, construct production facilities and commence production as soon as possible.

The Company is led by a team of experienced executives with a track record of successfully identifying and developing CBM projects around the world. This team is complemented by the skills of our Indonesian partners to maximise the value of the company's coal bed methane opportunities.

### **Shareholder Enquiries**

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