



NuEnergy Gas Limited

ABN 50 009 126 238

HALF-YEAR FINANCIAL REPORT

31 December 2016

For personal use only

CORPORATE DIRECTORY

ABN: 50 009 126 238

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)
Graeme Robertson (Non-Executive Director)
Alan Fraser (Non-Executive Director)

COMPANY SECRETARY:

Rozanna Lee

ADMINISTRATION OFFICE:

Suite 2.06
55 Miller Street
Pymont NSW 2009

Phone: (02) 8540 8748
Email : info@nuenergygas.com

REGISTERED OFFICE :

Suite 2.06
55 Miller Street
Pymont NSW 2009

SHARE REGISTER:

Link Market Services Limited
Level 1, 333 Collins Street
MELBOURNE VIC 300

Phone: (03) 9615 9800
Fax: (03) 9615 9900

AUDITORS:

KPMG
Tower Three
International Towers Sydney
300 Barangaroo Avenue
Sydney NSW 2000

Phone: (02) 9335 7000
Fax: (02) 9335 7001

STOCK EXCHANGE LISTING:

Australian Securities Exchange Ltd
Level 8, Exchange Plaza
2 The Esplanade
PERTH WA 6000

ASX CODE: NGY

Ordinary shares: 1,151,521,379

CONTENTS:

Directors' Report	2-5
Auditor's Independence Declaration	6
Consolidated Statement of profit or loss and other comprehensive income	7
Consolidated Statement of Financial Position	8
Consolidated Statement of Changes in Equity	9
Consolidated Statement of Cash Flows	10
Notes to the Financial Statements	11-18
Directors' Declaration	19
Independent Auditor's Review Report	20

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 for the half-year ended 31 December 2016 and the 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 – Board member since 21 August 2014
Kee Yong Wah	Deputy Executive Chairman – Board member since 21 August 2014
Goh Tian Chuan	Non-Executive Director – Board member since 17 December 2014
Chen Heng Mun	Non-Executive Director – Board since 1 January 2015
Graeme Robertson	Non-Executive Director – Board member since 29 March 2011
Alan Fraser	Non-Executive Director – Board member since 20 January 1992

REVIEW OF OPERATIONS

During the half year ended, NuEnergy's field operations were mainly focused on dewatering and optimising production for the Tanjung Enim Pilot Production Program ("TEPPP") to certify its reserves and operations commenced at the Muralim Production Sharing Contract ("PSC") and Muara Enim II PSC.

Tanjung PSC

The Company completed drilling 5 wells for the TEPPP in the first half of 2016. During the half year ended, dewatering and production tests were carried out to generate the production data and parameters required for evaluation for the reserves certification.

With encouraging results and progress made on the initial production results, RPS Energy Consultants Limited ("RPS") an independent consulting firm was engaged and commenced evaluation work in November 2016.

The 5 wells from the TEPPP have all produced gas to surface at various production levels and RPS conducted their evaluation based on the data at 1 December 2016 from the 5 wells. Subsequent to the period end, RPS completed the evaluation and the Company received the initial reserves certification of P1, P2 and P3 for the TEPPP.

In November 2016, the Company further entered into a Memorandum of Understanding with PT Shalindo Energi to explore market and feasibility for gas sales from the Company's existing TEPPP wells.

The TEPPP 2016 work program and the independent initial certification of reserves for the TEPPP will provide the platform for NuEnergy to prepare the Plan of Development in 2017 for approval from the Government of Indonesia and to enter into full scale development for commercialising its Tanjung Enim PSC gas asset in Indonesia.

Dewatering and Production Test at TE-10 Well



Dewatering and Production Test at TE-12 Well



Muralim PSC

During the half year ended, NuEnergy commenced drilling program in the Muralim PSC covering the drilling of one well to conduct permeability tests and to re-enter two existing wells to conduct permeability tests. The program will provide NuEnergy with an understanding of coal characterisation to the eastern part of the PSC.

Drilling of the single well commenced towards the end of 2016 and was drilled to the target depth of 710 meters for permeability tests to be conducted. During the same period, the permeability tests were also conducted on two existing wells.

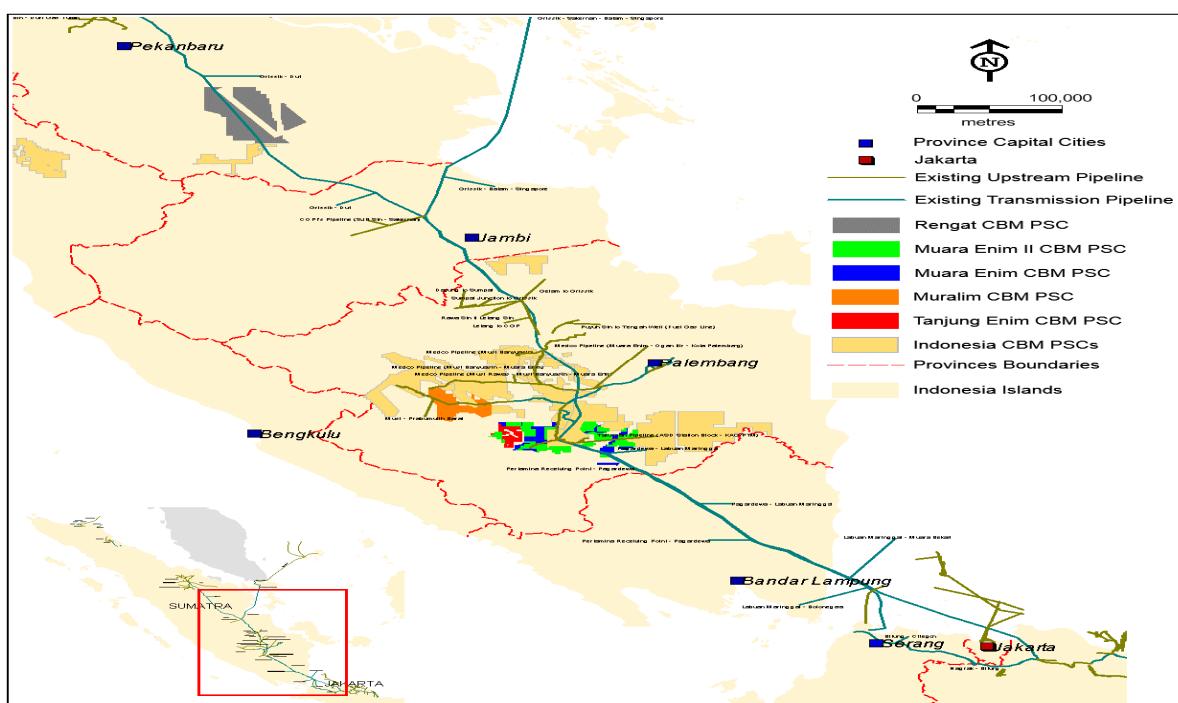
The completion of the program is expected to satisfy the requirement for application for the Exploration Period extension. The Exploration Period ended on 2 December 2016 and NuEnergy was granted an extension to the end of February 2017 to complete the program for the Exploration Period extension. The Company completed the required work program at the end of February 2017 and has submitted the work completion report to Satuan Kerja Khusus Pelaksana Kegiatan Usaha Hulu Minyak (the Indonesian gas regulator) to finalise the process for the extension of the Exploration Period.

Muara Enim II PSC

During the half year ended, drilling program commenced at the Muara Enim II PSC covering the drilling of three production wells. Pre-drilling operations on land clearance and building access roads were completed at the end of 2016 and the wells were spud subsequent to the half year ended.

The drilling program will enable the application for an extension of the Exploration Period that will end on 31 March 2017. While enabling the application of the Exploration Period extension, the drilling program of the three production wells will facilitate the reservoir characterisation of the coal seam 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. NuEnergy's PSCs in South Sumatra cover a total area of 2,280 km² (after full relinquishment under the terms of the PSC) and are situated in the most prolific Coal Bed Methane basin in Indonesia with existing gas pipelines infrastructure nearby.

Map of NuEnergy PSCs in South Sumatra and Gas Pipeline Infrastructure



EVENTS SUBSEQUENT TO PERIOD END

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

- i) On 23 January 2017, the Company entered into a loan agreement with the ultimate parent company, GFB to raised US\$1,800,000 to fund part of the planned exploration expenditure for 2017. The loan from Globaltec Formation Berhad ("GFB") was then novated to Globaltec Energy Resources Sdn Bhd ("GER"), a related party on 28 January 2017 with GER assuming all the obligations and rights which GFB may have in respect of the loan agreement with the Company.
- ii) The Company completed the required work program for the Muralim PSC at the end of February 2017 and has submitted the work completion report to Satuan Kerja Khusus Pelaksana Kegiatan Usaha Hulu Minyak (the Indonesian Gas Regulator) to finalise the process for the extension of the Exploration Period. At the date of issue of the Half-year Financial Report the Group is awaiting a response from the Indonesian Government.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is set out on page six and forms part of the directors' report for the six months ended 31 December 2016.

Signed in accordance with a resolution of Board of Directors.



*Kong Kok Keong
Non-Executive Chairman
Dated this 15th day of March 2017*

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 for the half-year ended 31 December 2016 there have been:

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



KPMG



Daniel Camilleri

Partner

Sydney

15 March 2017

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 December 2016**

	Note	31/12/2016 \$	31/12/2015 \$
INCOME			
Gain on bargain purchase from acquisition of subsidiary	6	-	401,298
EXPENSES			
Consultants		(27,469)	(27,651)
Directors & executives remuneration		(404,880)	(503,069)
Legal expenses		(2,876)	(33,669)
Administration expenses		(411,579)	(396,579)
Foreign Exchange gains/(losses)		(41,817)	315,380
Depreciation		(53,838)	(56,081)
Finance income		6,642	10,057
Finance costs		(258,636)	-
Technical service fee		(132,705)	-
Loss before income tax		<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none; margin-bottom: 5px; margin-top: 5px;"/>	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none; margin-bottom: 5px; margin-top: 5px;"/>
Income tax benefit		-	-
Net loss after income tax		<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none; margin-bottom: 5px; margin-top: 5px;"/>	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none; margin-bottom: 5px; margin-top: 5px;"/>
Other comprehensive income			
Items that are or may be reclassified to profit or loss:			
Movement in fair value of available for sale financial assets		4,974	4,974
Foreign currency translation reserve		1,219,299	2,351,132
Total comprehensive (loss)/income for the period		<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none; margin-bottom: 5px; margin-top: 5px;"/>	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none; margin-bottom: 5px; margin-top: 5px;"/>
Net loss attributable to:			
Owners of the Company		(1,318,549)	(281,179)
Non-controlling interests		(8,609)	(9,135)
		<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none; margin-bottom: 5px; margin-top: 5px;"/>	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none; margin-bottom: 5px; margin-top: 5px;"/>
Loss per share:			
- Basic loss per share (cents per share)		(0.11)	(0.04)
- Diluted loss per share (cents per share)		(0.11)	(0.04)

The condensed notes on pages 11 to 18 are an integral part of these condensed consolidated half-year financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 December 2016

	Note	31/12/2016	30/06/2016
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents		475,911	2,848,224
Other receivables and prepayments		390,908	311,259
 TOTAL CURRENT ASSETS		<hr/> 866,819	<hr/> 3,159,483
NON-CURRENT ASSETS			
Available for sale financial assets		17,409	12,435
Plant and equipment		133,869	184,833
Exploration and evaluation expenditure	2	46,469,329	43,327,673
Other financial assets		673,212	1,591,165
 TOTAL NON-CURRENT ASSETS		<hr/> 47,293,819	<hr/> 45,116,106
 TOTAL ASSETS		<hr/> 48,160,638	<hr/> 48,275,589
CURRENT LIABILITIES			
Other payables		1,682,511	1,688,809
Employee benefits		83,145	79,963
 TOTAL CURRENT LIABILITIES		<hr/> 1,765,656	<hr/> 1,768,772
NON-CURRENT LIABILITIES			
Deferred tax liabilities		2,196,372	2,196,372
Provisions		10,000	10,000
 TOTAL NON-CURRENT LIABILITIES		<hr/> 2,206,372	<hr/> 2,206,372
 TOTAL LIABILITIES		<hr/> 3,972,028	<hr/> 3,975,144
 NET ASSETS		<hr/> 44,188,610	<hr/> 44,300,445
 EQUITY		<hr/> =====	<hr/> =====
Share capital	4	95,001,949	95,001,949
Reserves	5	6,276,164	4,949,924
Accumulated losses		(57,219,950)	(55,799,434)
 Equity attributable to owners of the Company		<hr/> 44,058,163	<hr/> 44,152,439
Non-controlling interests		130,447	148,006
 TOTAL EQUITY		<hr/> 44,188,610	<hr/> 44,300,445
		<hr/> =====	<hr/> =====

The condensed notes on pages 11 to 18 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 2016

	Share Capital	Reserves	Accumulated Losses	Non-Controlling Interests	Total Equity
	\$	\$	\$	\$	\$
At 1 July 2015	85,324,979	4,667,632	(53,438,994)	273,961	36,827,578
Shares issued	9,995,849	-	-	-	9,995,849
Share issue costs	(318,879)	-	-	-	(318,879)
Net loss after income tax	-	-	(281,179)	(9,135)	(290,314)
Other comprehensive income:					
- Movement in fair value of available for sale financial assets	-	4,974	-	-	4,974
- Foreign currency translation reserve	-	1,357,461	-	-	1,357,461
Other movements	-	993,671	-	(993,671)	-
Acquisition of subsidiary with non-controlling interest	-	-	-	(296,985)	(296,985)
At 31 December 2015	<u>95,001,949</u>	<u>7,023,738</u>	<u>(53,720,173)</u>	<u>(1,025,830)</u>	<u>47,279,684</u>

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

The condensed notes on pages 11 to 18 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 2016

	Note	31/12/2016	31/12/2015
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		6,642	10,057
Bank guarantee deposits released		925,619	-
Bank guarantee financing costs		(258,636)	-
Payments to suppliers and employees		(1,250,378)	(1,707,402)
Net cash used in operating activities		<u>(576,753)</u>	<u>(1,697,345)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries, net of cash acquired	6	-	(909,167)
Payments for Exploration and Evaluation expenditure		(1,851,019)	(3,767,386)
Net cash used in investing activities		<u>(1,851,019)</u>	<u>(4,676,553)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of shares		-	9,995,849
Payments for costs associated with equity issued		-	(318,879)
Net cash from financing activities		<u>-</u>	<u>9,676,970</u>
Net (decrease)/increase in cash and cash equivalents		(2,427,772)	3,303,072
Cash and cash equivalents at 1 July		2,848,224	7,499,489
Effect of exchange rate fluctuations on cash held		55,459	255,454
Cash and cash equivalents at 31 December		<u>475,911</u>	<u>11,058,015</u>
		=====	=====

The condensed notes on pages 11 to 18 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 2016

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

(a) Reporting entity

NuEnergy Gas Limited (the "Company") is a company domiciled in Australia. These condensed consolidated half-year financial statements ("half-year financial statements") as at and for the six months ended 31 December 2016 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 2016 are available upon request from the Company's registered office at Suite 2.06, 55 Miller Street, Pyrmont NSW 2009 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 2016.

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

These half-year financial statements were authorised for issue by the Company's Board of Directors on 15 March 2017.

(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 2016.

(d) Going concern

The Group has recorded a loss of \$1,327,158 had net cash outflows from operations of \$2,427,771 for the half year ended 31 December 2016, and has no ongoing source of operating income. At 31 December 2016 the Group had net assets of \$44,188,610 which includes \$475,911 of cash and cash equivalents.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 December 2016**

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

- At 31 December 2016, the Group had cash and cash equivalents of \$475,911;
- The Group secured and has drawn down financing of US\$1,800,000 (AU\$2,465,753) from the parent company Globaltec Formation Berhad subsequent to the period end;
- The Directors have prepared cash flow forecast for the period up to 31 March 2018 which includes planned capital raising as well as cash calls from joint venture partners to ensure all planned exploration expenditure of approximately \$6,572,000 for the 15 month period from 1 January 2017 to 31 March 2018 and overheads of \$5,298,546 can be met. The total planned exploration expenditure represents the minimum exploration expenditure required under the Production Sharing Contracts. 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 and move some of the minimum exploration expenditure commitments under the PSC to future years after negotiation with the Indonesian Oil and Gas Regulator; and
- The Group has applied for the extension of the Muralim PSC in February 2017 after completing the firm commitment and will apply for the extension of the Muara Enim II PSC at the end of March 2017 after completing the firm commitment. The Group expects the PSCs to be extended without penalties applied.

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

The Directors believe the Group will be able to access further working capital either through equity raisings or through a loan from Globaltec Formation Berhad if required and expect the Muralim PSC and Muara Enim II PSC to be extended without penalties imposed, however, there remains material uncertainty as to whether the Group will continue as a going concern without access to equity or financial support or if significant penalties were imposed for failure to meet the exploration commitments.

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

(e) Significant assumptions and key estimates

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

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 December 2016**

NOTE 2 EXPLORATION AND EVALUATION EXPENDITURE

	31/12/2016	30/6/2016
	\$	\$
Balance at beginning of period	43,327,673	30,281,678
Additions	2,016,938	10,068,613
Acquisition of subsidiaries	-	2,352,741
Impairment charge - net	-	(5,082)
Exchange differences	1,124,718	2,007,819
 Balance at end of period	 46,469,329	 43,327,673
 Exploration and evaluation assets ¹	 75,368,970	 71,954,460
VAT receivable ²	3,324,023	3,596,877
Accumulated impairment	(32,223,664)	(32,223,664)
 Carrying value	 46,469,329	 43,327,673

¹ Recoverability of the carrying amount of exploration costs is dependent on the successful exploration and sale of CBM. The Group is in the process of applying for an extension of the exploration period for two PSCs, the Muralim PSC which expires at the end of February 2017 and Muara Enim II PSC which expires at the end of March 2017. After completing the required work program, at the end of February 2017 the Group applied for the extension of Muralim PSC and at the date of signing these financial statements the Group is awaiting a response from the Indonesian Government. In late March 2017 after completing the required work program the Group will apply for the extension for Muara Enim II PSC. If the extension period is not granted by the Indonesian Government, the carrying value of Exploration and Evaluation Expenditure as at 31 December 2016 including VAT for these PSCs respectively, \$600,237 for Muralim PSC and \$2,026,861 for Muara Enim II PSC is impaired.

² VAT receivable is eligible to be claimed back from SKK Migas (The Indonesian Oil and Gas Regulator) upon production of CBM on a commercial basis.

NOTE 3 SEGMENT INFORMATION

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 December 2016**

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 based on the geographical location of the non-current assets. The Group is currently under the exploration and appraisal phase and has no revenues from external customers.

	Non-current assets Consolidated	31/12/2016	30/6/2016
		\$	\$
Australia		24,993	21,102
Indonesia		47,268,826	45,095,004
		<hr/> 47,293,819	<hr/> 45,116,106

NOTE 4 SHARE CAPITAL

	31/12/2016	30/6/2016
Issued and Paid Up Capital (number of shares)	1,151,521,379	1,151,521,379
Fully paid ordinary shares (\$)	<u>95,001,949</u>	<u>95,001,949</u>

In the previous year, the Company completed a partially underwritten non-renounceable rights issue of 399,834,015 shares raising \$9,995,849 before costs.

Under the rights issue, the Company offered its Australian and New Zealand based shareholders one (1) fully paid ordinary shares for every 1.88 ordinary shares held at an issue price of \$0.025 per new share.

NOTE 5 RESERVES

	31/12/2016	30/6/2016
	\$	\$
Foreign Currency Translation Reserve	6,281,138	5,061,839
Available for Sale Financial Asset Reserve	(4,974)	(111,915)
	<hr/> 6,276,164	<hr/> 4,949,924

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 December 2016**

NOTE 6 ACQUISITION OF SUBSIDIARIES

On 20 November 2015, the Group acquired 100 percent of the shares and voting interest of Dart Energy (Indonesia) Holdings Pte Ltd ("DEIH"). The legal entities acquired as part of this transaction are:-

DEIH	
100%	Dart Energy (Tanjung Enim) Pte Ltd
100%	Dart Energy (Muralim) Pte Ltd
100%	Dart Energy (Bontang Bengalon) Pte Ltd
100%	Dart Energy (CBM Power Indonesia) Pte Ltd
95%	PT Dart Energy Indonesia

DEIH, through its group controlled companies, has a participating interest in the following Production Sharing Contract ("PSC") and joint evaluation ("JE") covering 1,559 and 482 square kilometres respectively:-

- a) 45% participating interest in Tanjung Enim PSC, South Sumatra;
- b) 50% participating interest in Muralim PSC, South Sumatra;
- c) 100% participating interest in Bontang-Bengalon PSC, East Kalimantan; and
- d) Rights to the JE of Bungamas CBM, South Sumatra.

Taking control of DEIH will enable the Group to consolidate its PSC in South Sumatra and develop a large scale CBM supply.

Post-acquisition for the seven months to 30 June 2016, the DEIH group did not generate any revenue and contributed a net loss (before allocation to non-controlling interests) of \$668,890. If the acquisition had occurred on 1 July 2015, management estimates that consolidated revenue and net loss would not be materially different for the financial year ended 30 June 2016. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 July 2015.

a. Consideration transferred

The acquisition of DEIH is for a cash consideration of \$1,339,630 (US\$1,000,000).

b. Acquisition-related costs

The Group incurred acquisition-related costs of \$23,085 relating to external legal fees and due diligence costs. These amounts have been included in legal expenses in the condensed consolidated statement of profit or loss and other comprehensive income.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 December 2016**

c. Identifiable assets acquired and liabilities assumed

Persuant to the purchase price allocation exercise the following table summarises the recognised fair value amounts of assets acquired and liabilities assumed at the date of acquisition.

	Fair value at date of acquisition \$
Plant and equipment	1,248
Exploration and evaluation assets	2,352,741
Other financial assets	3,331,020
Other receivables and prepayments	187,314
Cash and cash equivalents	430,463
Other payables and provisions	(4,858,843)
 Fair value of identifiable net assets acquired	 1,443,943

d. Net cash outflow on acquisition

Net cash outflow arising from acquisition of subsidiaries:

	\$
Purchase consideration settled in cash and cash equivalents	1,339,630
Cash and cash equivalents acquired	430,463
 Net cash outflow	 909,167

e. Gain on bargain purchase

The gain on bargain purchase recognised as a result of the acquisition was as follows:

	\$
Total consideration transferred	1,339,630
Fair value of identifiable assets	(1,443,943)
Non-controlling interest, based on their proportionate interest in the recognised amounts of the acquiree's identifiable assets and liabilities of the acquiree	(296,985)
 Gain on bargain purchase	 (401,298)

The gain on bargain purchase was included as part of the other income in the Group's condensed consolidated statement of profit or loss and other comprehensive income for the financial year ended 30 June 2016.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 December 2016**

The gain on bargain purchase was mainly attributable to the purchase consideration being lower than the fair value of DEIH group's net assets on the date of acquisition. The purchase price was lower than the fair value of net assets acquired mainly due to the fair value of exploration and evaluation assets acquired, particularly taking into account exploration spend and the results of exploration to the date of acquisition, indicating a higher fair value than the originally negotiated purchase price.

NOTE 7 EXPENDITURE COMMITMENTS AND CONTINGENT LIABILITIES

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

	31/12/2016 \$	30/6/2016 \$
Not longer than 1 year	6,572,000	7,714,121
Longer than 1 year and not longer than 5 years	20,214,291	18,836,487
Longer than 5 years	-	-
	<hr/> 26,786,291	<hr/> 26,550,608

Commitments under the Indonesian PSC can be moved into future years after negotiation with the Indonesian Oil and Gas Regulator. The Group has managed to postpone various commitments until future periods and has met the required commitments for the current period to 31 December 2016.

The Group has bank guarantees amounting to \$7,236,835 (30/6/16: \$8,338,251) at year end for performance bonds issued to the Government of Indonesia for the performance under the terms of the work programs for the firm commitments of the PSC.

NOTE 8 LEASE COMMITMENTS

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

	31/12/2016 \$	30/6/2016 \$
Not longer than 1 year	225,880	225,309
Longer than 1 year and not longer than 5 years	10,560	123,214
	<hr/> 236,440	<hr/> 348,523

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 December 2016

NOTE 9 RELATED PARTIES

Dealings with related parties have been consistent with those disclosed in the 30 June 2016 financial statements. The significant related party dealings for the half-year ended 31 December 2016 are as follows:-

- a) During the half-year ended 31 December 2016, the Company paid a monthly rental fee of \$5,808 (plus GST) to Krisco Investments Pty Ltd, a related party to the Company's Chairman, Kong Kok Keong for the rental of office space. The total paid and payable during the half-year ended 31 December 2016 was \$46,464 (2015: \$34,848)
- b) During the half-year ended 31 December 2016, the Company paid \$29,493 (2015: \$25,831) in fees and reimbursements to Intrasia Mining Pte Ltd, a related party of Graeme Robertson, for the provision of accounting and administration to NuEnergy Gas (Singapore) Pte. Ltd. and Indo CBM Sumbagsel II Pte. Ltd. and for the reimbursements of administration and travel expenses incurred on behalf of the Company.
- c) During the half-year ended 31 December 2016, the Company paid \$133,145 (2015: \$14,730) in technical services fee to New Century Energy Resources Limited, a related party of the Company's directors, Kee Yong Wah, Goh Tian Chuan, Chen Heng Mun and the Company's Chairman Kong Kok Keong.

NOTE 10 EVENTS SUBSEQUENT TO PERIOD END

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

- i) On 23 January 2017, the Company entered into a loan agreement with the ultimate parent company, Globaltec Formation Berhad ("GFB") to raised US\$1,800,000 to fund part of the planned exploration expenditure for 2017. The loan from GFB was then novated to Globaltec Energy Resources Sdn Bhd ("GER"), a related party on 28 January 2017 with GER assuming all the obligations and rights which GFB may have in respect of the loan agreement with the Company.
- ii) The Company completed the required work program for the Muralim PSC at the end of February 2017 and has submitted the work completion report to Satuan Kerja Khusus Pelaksana Kegiatan Usaha Hulu Minyak (the Indonesian Gas Regulator) to finalise the process for the extension of the Exploration Period. At the date of issue of the Half-year Financial Report the Group is awaiting a response from the Indonesian Government.

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 7 to 19, are in accordance with the *Corporations Act 2001*, including:
 - (a) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the six months ended on that date; and
 - (b) complying with Australian Accounting Standards AASB 134: *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (2) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



Kong Kok Keong
Non-Executive Chairman
Dated this 15th day of March 2017

Independent Auditor's Review Report

To the members of NuEnergy Gas Limited

Report on the Half-year Financial Report

Conclusion

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

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

- giving a true and fair view of the **Group's** financial position as at 31 December 2016 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:

- Consolidated statement of financial position as at 31 December 2016.
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Half-year ended on that date.
- Notes 1 to 10 comprising a summary of significant accounting policies and other explanatory information.
- The Directors' Declaration.

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

Material uncertainty related to going concern

Without modifying our review opinion, attention is drawn to the director's assessment of going concern in Note 1(d) of the Half-year Financial Report. The matters outlined in Note 1(d) indicate the existence of a material uncertainty that may cast doubt on the Group's ability to continue as a going concern, and therefore the Group may be unable to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the Half-year Financial Report.

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

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

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

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of NuEnergy Gas Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



KPMG



Daniel Camilleri
Partner

Sydney

15 March 2017