

**March 2017**

## **HIGHLIGHTS**

- **Reserves Certification received for the Pilot Production Program at Tanjung Enim Production Sharing Contract**
- **Drilling program at Muralim Production Sharing Contract completed and reported to Satuan Kerja Khusus Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi ("SKKMigas"), the Indonesian Oil & Gas Regulator, to finalise the process for Exploration Period extension**
- **Drilling commenced in Muara Enim II Production Sharing Contract**

## **CHAIRMAN'S COMMENTS**

This has been a historic quarter as NuEnergy received its first Reserves Certification. With the results of the Tanjung Enim Pilot Production Program ("TEPPP") and the initial Certification of Reserves, NuEnergy is ready for discussions with the Government of Indonesia on the Plan of Development ("POD"). The main focus for the next twelve months is to prepare and secure the POD that will enable Tanjung Enim Production Sharing Contract ("PSC") to move to full scale development for production and commercialisation.

## **Operations Report**

During the quarter, NuEnergy's operations were mainly focused in the Tanjung Enim PSC, Muralim PSC and Muara Enim II PSC. In Tanjung Enim PSC, production optimisation continues for the TEP PP. The drilling program for Muralim PSC has been completed and reported to SKKMigas to finalise the process for Exploration Period Extension while the drilling program in Muara Enim II PSC commenced during the quarter.

### **1) Tanjung Enim PSC, South Sumatra**

Dewatering and production optimisation for the TEP PP continued throughout the quarter. The production parameters have shown very encouraging results and continue to increase in line with the simulated model leading to the expected commercial rate. With the progress of the TEP PP performance, NuEnergy is ready for discussions with the Government of Indonesia for the Tanjung Enim PSC POD.

### **2) Muralim PSC, South Sumatra**

During the quarter, NuEnergy drilled an exploratory well, MU-004 and conducted permeability tests on two existing wells, MU#X01 and MU#X02 as part of the program to fulfil the PSC firm commitments

to extend the Exploration Period. The program will also enable NuEnergy to improve on the understanding of the coal characterisation to the eastern part of the Muralim PSC.

As the Exploration Period ended on 2 December 2016, NuEnergy submitted the application to SKKMigas for additional time to complete the work program and was granted an extension up to the end of February 2017 to complete the program. NuEnergy completed the required work program by the end of February 2017 and submitted the work completion report to SKKMigas to finalise the process of the Exploration Period Extension.

### **3) Muara Enim II PSC, South Sumatra**

NuEnergy commenced drilling in the Muara Enim II PSC during the quarter. The drilling program will cover the drilling of three production wells as part of the program to fulfil the PSC firm commitments for Exploration Period extension. While enabling the application of the Exploration Period extension, the program will assist with the reservoir characterisation of the coal seams towards the western part of Muara Enim II PSC and confirm the coal continuity throughout the other NuEnergy's South Sumatra PSCs for future integrated development.

The Exploration Period expired on 31 March 2017 and NuEnergy has received endorsement from SKKMigas to continue with the drilling beyond the expiry of the Exploration Period. The completion of the drilling program will enable NuEnergy to make the application and secure extension for the Exploration Period.

By the end of the quarter, NuEnergy completed drilling the first two wells, ME2-002 and ME2-003, and conducted permeability tests. The data analysis for these 2 wells is currently on-going. NuEnergy expects to complete the third or the last well before the end of May 2017.

#### **Drilling Rig at Well Site ME2-003**



## **TEPPP Reserves Certification**

NuEnergy achieved a significant milestone in the Company's development and growth during the quarter when it received the independent initial certification of Reserves for the TEP PP.

The Company successfully embarked on the TEP PP by drilling 5 wells (TE-10, TE-11, TE-12, TE-13 and TE-14) and carrying out production tests since early 2016. The focus of the Company's work program in Tanjung Enim PSC has been to generate the production data and parameters from the TEP PP to upgrade its reserves.

The initial reserves certification was completed by RPS Energy Consultants Limited ("RPS"), an independent consulting firm in accordance with the Society of Petroleum Engineers Petroleum Resources Management System ("SPE PRMS"). The reserves are summarised in the TEP PP Reserves Statement.

The TEP PP 2016 work program and the independent initial certification of Reserves for the TEP PP will provide the platform for NuEnergy to prepare the POD for approval from the Government of Indonesia and to move towards commercialising its Tanjung Enim PSC gas asset in Indonesia.

The main focus for NuEnergy in the next twelve months will be to prepare and secure the POD and proceed with the development stage. As NuEnergy works to complete the required steps and obtain the necessary approvals for the POD, further increases in Reserves from Contingent Resources and from Prospective to Contingent Resources are expected.

## **TEPPP Reserves Statement**

The following table summarises the TEP PP certification statement:

	Gross 100% License Basis <sup>1</sup>			NuEnergy's Net Working Interest Basis <sup>2</sup>			NuEnergy's Net Entitlement Basis <sup>3</sup>		
	1P	2P	3P	1P	2P	3P	1P	2P	3P
Gas Reserves (Bscf) <sup>4</sup>	0.27	0.64	0.83	0.12	0.29	0.38	0.11	0.26	0.34
	Gross 100% License Basis <sup>1</sup>			NuEnergy's Net Working Interest Basis <sup>2</sup>					
	Low	Best	High	Low	Best	High			
Contingent Gas Resources (Bscf) <sup>5</sup>	0.49	1.13	1.45	0.22	0.51	0.65			

### **Notes:**

- 1) All volumes reported are based on gross (100%) interest as the fields are within the PSC license boundary. These volumes include NuEnergy's and its partner's interest including the Indonesian Government's share.
- 2) The volumes reported under these columns are based on NuEnergy's net working interest (45%), which include the Indonesian Government's share under the PSC.

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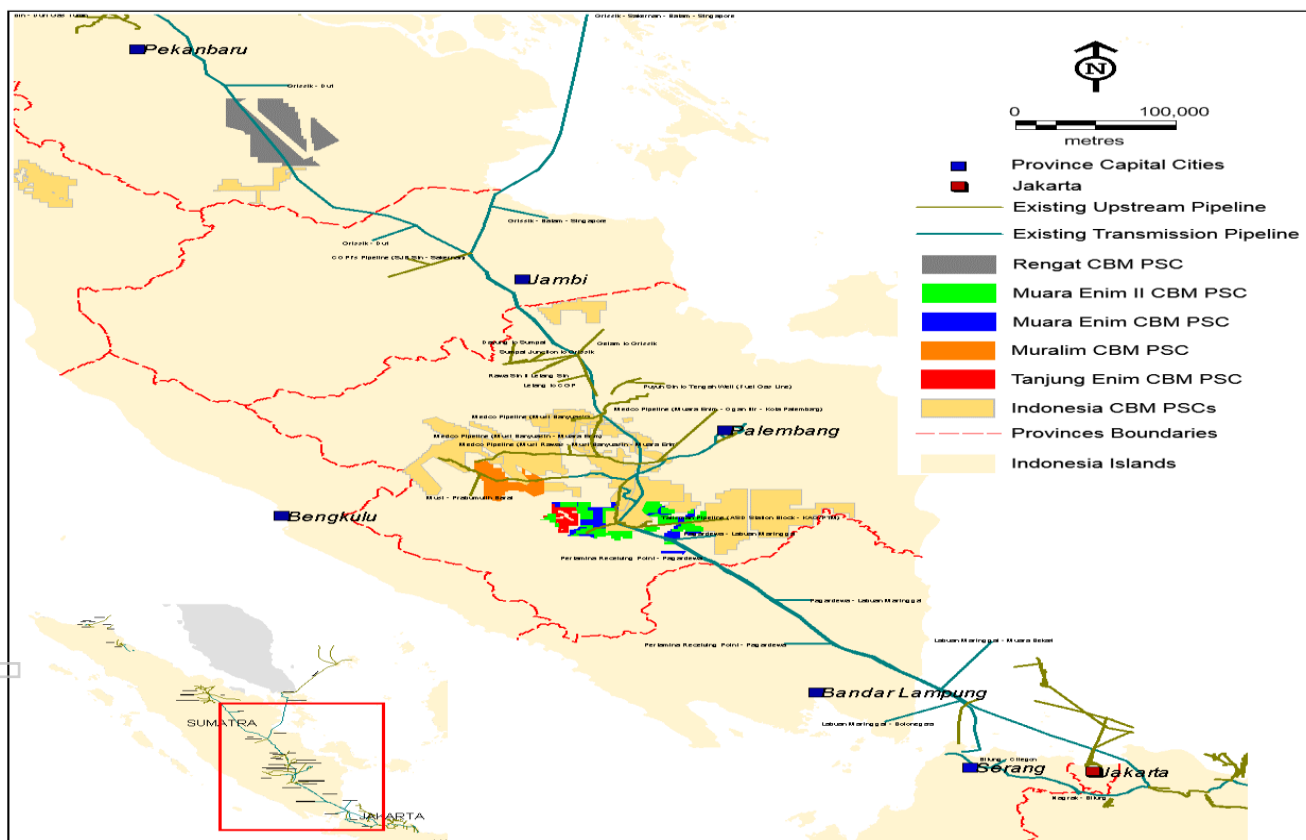
- 3) The volumes reported are based on NuEnergy's net entitlement, which exclude the Indonesian Government's share under the PSC.
- 4) Based on the contractual volume in the MOU with PT Shalindo Energi signed on 30 November 2016, for a five-year period starting in mid-2018 and are reported net of inert gases and fuel.
- 5) RPS estimates the chance of development for the above resources to be 35% due to the lack of MOU for gas sales or Gas Sales Agreement covering the license period.

## **Capital Raising**

Subsequent to the end of the quarter, the Company announced a renounceable pro-rata Entitlement Offer of one (1) new share for every two (2) shares held on the Record Date of 20 April 2017 to Eligible Shareholders of NuEnergy at the issue price of \$0.035 (3.5 cents) per share to raise \$20 million before transaction costs. The Entitlement Offer will complete in May 2017.

Funds raised from the Entitlement Offer will mainly be applied to the preparation of Tanjung Enim PSC POD, drilling work programs for the South Sumatra PSCs and working capital of the Company.

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



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 one of 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 with the Tanjung Enim PSC, Muara Enim PSC, Muara Enim II PSC and Muralim PSC located in close proximity to one another.

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## **ABOUT NUENERGY GAS LIMITED**

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