

March 2019

HIGHLIGHTS

- **NuEnergy increasing participating interest in Muralim PSC**
- **Muralim Gross Split PSC signed**
- **Tanjung Enim PSC submits Gross Split PSC proposal**
- **Investment Agreement signed for significant capital raise**

Operations Report

During the quarter, NuEnergy's operations were mainly focused on extending the Muralim Production Sharing Contract ("PSC") to continue with appraisal activities and progressing the Plan of Development ("POD") proposal and approval for the Tanjung Enim PSC.

Muralim PSC

South Sumatra, Indonesia

NuEnergy Interest: 50%

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

During the quarter, NuEnergy increased its participating interest in the Muralim PSC by entering into a Withdrawal and Assignment Agreement with PT Medco CBM Pendopo ("Medco").

NuEnergy is the operator of the Muralim PSC and holds a 50% participating interest in the PSC, with Medco holding the other 50% participating interest. Agreement has been reached to transfer the 50% participating interest to NuEnergy subject to government approval. Under the agreement, Medco will immediately assign all its rights, obligations and liabilities under the PSC and Joint Operating Agreement ("JOA") relating to its withdrawing participating interest that will be transferred to NuEnergy.

The withdrawal and assignment is at no cost to Medco and NuEnergy apart from Medco's obligation under the PSC and JOA to settle all its outstanding due and unpaid cash calls to meet its expenditure obligation.

On 11 February 2019, NuEnergy executed the Muralim Gross Split PSC ("Gross Split PSC") with the Indonesian Ministry of Energy and Mineral Resources. NuEnergy, alongside Medco and the Indonesian Government, have agreed to amend and restate the Muralim PSC to the Gross Split PSC scheme. The Gross Split PSC scheme will provide flexibility to the business and the regulatory processes as well as operational execution in order to achieve the highest level of efficiency which is required by the low cost and fast-moving Coal Bed Methane ("CBM") industries at the current stage in Indonesia.

In 2017, the Indonesian Ministry of Energy and Mineral Resources issued new regulations, introducing a new PSC scheme based on a "Gross Production Split". The Gross Split PSC replaces the previous cost recovery scheme in favour of a higher contractor share of revenues. Under the cost recovery regime, with the government's share of revenue being calculated after and directly reduced by contractor expenditure, budgeting is often a lengthy negotiation. Under the new regime, the government's share of revenue no longer depends on exploration and development costs incurred. The approval process for budgeting is therefore significantly

streamlined and no longer bureaucratic, with the determination of optimal expenditure in the discretion of the contractor.

The conversion of the Muralim PSC to the Gross Split PSC is a step in the right direction that will provide the opportunity to strengthen the project economics while at the same time lessening the bureaucratic burden on the execution of the project.

With the contract conversion to the Gross Split PSC, NuEnergy also received approval to complete the remainder works for two wells (MU-005 and MU-006) drilled in the last quarter as part of the work to fulfil all the PSC exploration firm commitments beyond the deadline at the end of the 8th contract year. Planning is underway to complete the remainder works for the two wells and to commence the Pilot Production Program with the aim of booking CBM reserves and preparing the Plan of Development ("POD") by December 2020.

Tanjung Enim PSC

South Sumatra, Indonesia

NuEnergy Interest: 45%

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

In the previous quarter, NuEnergy conducted review and evaluated the Tanjung Enim PSC POD with the Indonesia Ministry of Energy and Mineral Resources on optimising the economics of the development for NuEnergy and partners and the Government of Indonesia. The optimisation included the modification of the production facilities and drilling rigs to CBM fit for purpose and change to the development layout to reduce the land requirement or foot print. In addition, NuEnergy and partners submitted the proposal to the Indonesian Special Task Force for Upstream Oil and Gas Business Activities (commonly referred to as SKK Migas) for the Tanjung Enim PSC to convert to the Gross Split scheme during the quarter. The Gross Split scheme was proposed to further improve on the economics of the Tanjung Enim PSC POD through less stringent contract regulation and increase flexibility and efficiency provided under the Gross Split contract.

With the Tanjung Enim PSC POD optimisation, we are optimistic for the first CBM POD to be approved in Indonesia.

Capital Raising

Subsequent to the quarter end, NuEnergy signed a binding Investment Agreement ("IA") with Saujana E&P Sdn Bhd ("Saujana E&P") to fund the development of its Indonesian CBM PSCs programs and the Tanjung Enim PSC POD.

Saujana E&P is a private limited investment holding company formed and based in Malaysia. Saujana E&P is principally engaged in investment in oil and gas exploration and production businesses. Comprised of a core management team and professionals with extensive experience and specialization in the oil and gas industry in the Southeast Asia region and internationally, Saujana E&P has an ambitious plan to be a major energy provider especially in clean energy.

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Subject to the Company and Globaltec Formation Berhad (the ultimate parent company) obtaining the necessary shareholder approvals by 15 August 2019, Saujana E&P has agreed to take up a strategic investment in NuEnergy via a share placement of 1,540,832,050 new NuEnergy shares equivalent to controlling 51% of the enlarged share capital of NuEnergy at a placement price of \$0.025 per share with a total subscription value of \$38,520,801 ("Share Placement") upon the terms and subject to the conditions of the IA (refer to ASX announcement on 2 April 2019).

The signing of the binding Investment Agreement is a major step forward for NuEnergy and the proceeds from the capital raising will strengthen the operational and financial position of NuEnergy. The capital raising will also enable NuEnergy to fund the South Sumatra PSC to progress to the POD and the Tanjung Enim PSC POD and start transitioning into a significant gas producer.

ABOUT NUENERGY GAS LIMITED

NuEnergy is an independent clean energy company focused on the development of Indonesian unconventional gas assets.

We were established with the goal of providing investors with superior value by safely, reliably and sustainably supplying clean energy to meet the growing energy demands of Indonesia, one of the world's fastest growing economies and energy consuming markets.

We hold six onshore Production Sharing Contracts (PSCs), across South Sumatra, Central Sumatra and East Kalimantan. We are now fully focused on quickly moving our high value unconventional gas assets from exploration to development stage, monetizing their reserves, delivering shareholder return and in turn working capital to fund future developments and strategic acquisitions.

NuEnergy has a clear strategy to drive future growth and maximise shareholder return. We are fully committed to complete our Plan of Development (POD) on our Tanjung Enim PSC, move to commercialization and first gas production.

We are proud to be a pioneer of Indonesia's clean energy industry, helping deliver reliable and robust energy supply to the people and businesses of Indonesia. Our focused strategy ensures we will soon become a significant Indonesian gas producer, maximizing shareholder value and return at every opportunity.

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