



NuEnergy

DELIVERING CLEAN ENERGY TO INDONESIA

2019

ANNUAL REPORT

Corporate Directory

Company Name:

NuEnergy Gas Limited
ACN: 009 126 238

Directors:

Kong Kok Keong - Chairman
Kee Yong Wah – Deputy Executive Chairman
Goh Tian Chuan
Chen Heng Mun
Alan Fraser

Company Secretary:

Rozanna Lee

Registered/Administration Office:

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Sydney NSW 2000

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Auditor:

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International Towers Sydney
300 Barangaroo Avenue
Sydney NSW 2000

Stock Exchange Listing:

Australian Securities Exchange Ltd
20 Bridge Street
Sydney NSW 2000
ASX Code: NGY

Incorporated:

Western Australia
26 March 1985

Website:

www.nuenergygas.com

2019 ANNUAL FINANCIAL REPORT

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2019 ANNUAL FINANCIAL REPORT

Directors' Report

Your Directors present their report on the consolidated entity consisting of NuEnergy Gas Limited (referred to thereafter as the “Company” or “NuEnergy”) and the entities it controlled at the end of the financial year ended 30 June 2019 (collectively, the “Group”)

DIRECTORS

The following persons were Directors of the Company (the “Board”) throughout the whole of the financial year and up to the date of this report unless otherwise stated:

Kong Kok Keong	Chairman
Kee Yong Wah	Deputy Executive Chairman
Goh Tian Chuan	Non-Executive Director
Chen Heng Mun	Non-Executive Director
Alan Fraser	Non-Executive Director

PRINCIPAL ACTIVITIES

The principal activities of the Group are exploration, appraisal and development of hydrocarbons with a primary focus on unconventional gas on coal seam gas also known as coal bed methane (“CBM”).

There were no significant changes in the nature of the Group’s activities during the financial year.

DIVIDENDS

The Company does not currently have any cash generating business units or assets, nor does it have a Board approved dividend policy. All Group assets are in exploration and appraisal stage and are therefore cash consuming rather than cash generating. Accordingly, it is unlikely that a dividend will be paid by the Company in the short-term.

No dividends were paid or proposed to be paid to members during or since the end of the financial year.

SHARE OPTIONS

There were no options granted during the financial year to subscribe for unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under option at the end of the financial year.

CONSOLIDATED RESULTS AND FINANCIAL POSITION

The net consolidated loss of the Group for the financial year after income tax attributable to members of the Company was \$17,014,407 (2018 loss: \$12,531,172). As at 30 June 2019, the Group has cash and cash equivalents of \$323,132 (2018: \$1,369,743) and net assets of \$23,729,991 (2018: \$38,649,357).

REVIEW OF OPERATIONS

Operating results for the year

The Group reported a net loss of \$17,019,095 for the financial year compared to a net loss of \$12,532,688 for the previous financial year. The 2019 result included the net impairment charge on the exploration and evaluation asset of \$7,029,832 (2018 impairment was \$11,397,870) recognised for the termination of the Bontang Bengalon Production Sharing Contract (“PSC”) and the expiry of the Muara Enim II PSC and the provision for the associated penalties totalling \$8,598,392 to fulfil the remaining obligation under the Bontang Bengalon PSC and Muara Enim II PSC. As at 30 June 2019, the Group had cash and cash equivalents of \$323,132 (2018: \$1,369,743) and net assets of \$23,729,991 (2018: \$38,649,357).

REVIEW OF OPERATIONS (CONTINUED)

Operational performance

Muralim PSC

South Sumatra, Indonesia

NuEnergy Interest: 50%

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

During the financial year, NuEnergy continued with the drilling activities in the Muralim PSC following the extension of the Exploration Period to 2 December 2020. The drilling activities covered the drilling of two wells (MU-005 and MU-006) which have to be completed to fulfil the PSC exploration firm commitments by 2 December 2018.

The drilling results revealed quality coal formation similar to the reservoir characteristic of the other NuEnergy South Sumatra PSCs (Tanjung Enim PSC, Muara Enim PSC and Muara Enim II PSC) located within the 125km radius towards the east of the PSC where results from logging revealed 5 coal seams with total thickness of 27 meters with average 5 meters from a single seam. The MU-006 well was completed and ready to be put on production test while MU-005 well was half drilled. On 2 December, the MU-006 was left shut-in and the MU-005 was temporary suspended.

Rig Site at MU-006



NuEnergy subsequently proposed the additional time to complete the exploration firm commitment and to convert the Muralim PSC to the Gross Split contract. NuEnergy, alongside PT Medco CBM Pendopo (“Medco”), the partner to Muralim PSC and the Indonesia Government agreed to amend and restate the Muralim PSC to the Gross Split PSC scheme and on 11 February 2019 executed the Muralim Gross Split PSC (“Gross Split PSC”) with the Indonesian Ministry of Energy and Mineral Resources (“MEMR”).

The Gross Split PSC scheme will provide the 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 CBM industry at the current stage in Indonesia. The Gross Split PSC replaced the previous cost recovery scheme in favour of a higher contractor share of revenues based on a Gross Production Split. The conversion to 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.

REVIEW OF OPERATIONS (CONTINUED)

Operational performance (continued)

With the contract conversion to the Gross Split PSC, NuEnergy also received approval to complete the remainder works for the two wells (MU-005 and MU-006) drilled as part of the work to fulfil all the PSC exploration firm commitments beyond the deadline of 2 December 2018 (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 reserves and preparing the POD by December 2020.

During the financial year, NuEnergy increased its participating interest in the Muralim PSC by entering into a Withdrawal and Assignment Agreement with 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 was reached to transfer the 50% participating interest to NuEnergy subject to the government approval. Under the agreement, Medco will 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.

Tanjung Enim PSC

South Sumatra, Indonesia

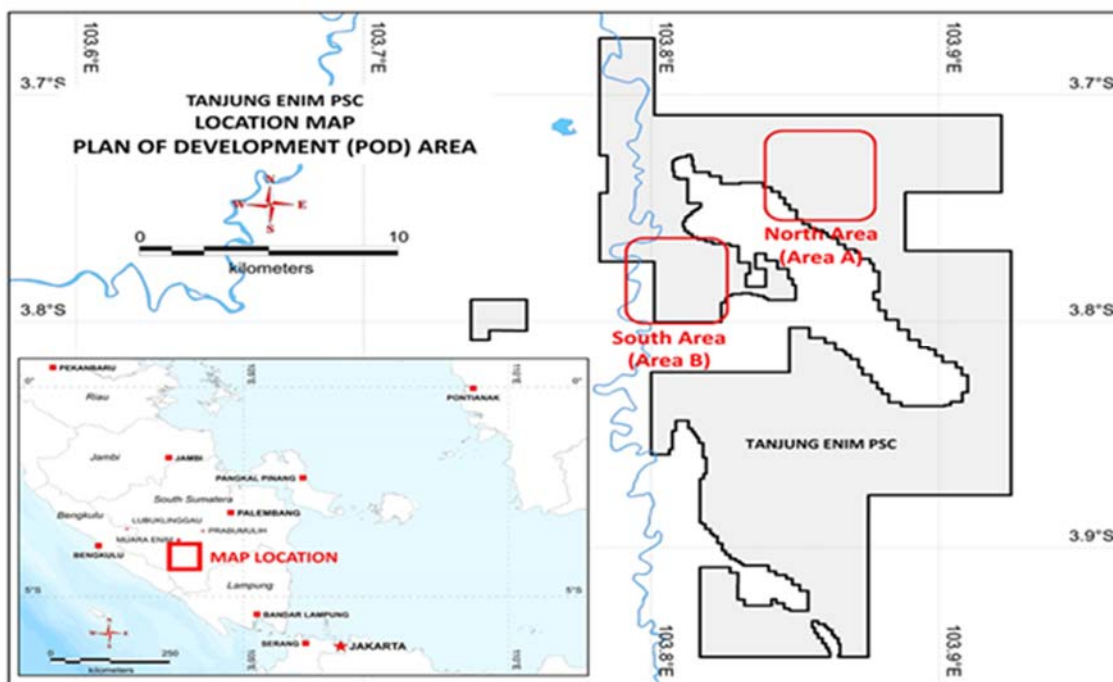
NuEnergy Interest: 45%

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

The focus for the Tanjung Enim PSC during the financial year was to secure the approval for the first POD for the Tanjung Enim field (“POD I”) by working closely with the Indonesian Special Task Force for Upstream Oil and Gas Business Activities (commonly referred to as SKK Migas) and the Directorate General of Oil and Gas (commonly referred to as MIGAS).

Following the submission of the POD I by the Head of SKK Migas to the Minister of Energy and Mineral Resources, MIGAS facilitated consultation with the local government and communities as part of the POD I approval process involving various stakeholders. The objective of the local government consultation was to communicate the latest progress and facts of the POD I and to address any local government and community concerns and to secure their support to progress the POD I. Through this consultation process, the POD I for the Tanjung Enim PSC has received the required support from the local government and communities to proceed which is key for the POD I approval.

Target Development Areas of the Tanjung Enim PSC POD (POD I)



REVIEW OF OPERATIONS (CONTINUED)

Operational performance (continued)

NuEnergy together with MIGAS, SKK Migas and the MEMR continued conducting review and evaluation to optimise the economics of the POD I for NuEnergy, the 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 SKK Migas for the Tanjung Enim PSC to convert to the Gross Split scheme to further improve on the economics of the POD I through less stringent contract regulation and increased flexibility and efficiency provided under the Gross Split contract.

Concurrently, NuEnergy has progressed the gas sales discussion with PT Pertamina Gas (refer to ASX announcement on 28 September 2017) and has agreed some key milestones towards signing the Gas Sales and Purchase Agreement. NuEnergy is also having discussions with other potential buyers to access a higher range of gas prices along the transmission pipeline situated in the north of the PSC, which has greater market access and flexibility to the major city of Palembang in South Sumatra.

With the progress made, we are optimistic that the POD I will soon become the first CBM POD to be approved in Indonesia.

Bontang Bengal PSC

South Sumatra, Indonesia

NuEnergy Interest: 100%

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

The 6th year exploration period for the Bontang Bengal PSC ended on 8 October 2018. The Company had in October 2018 submitted a proposal, with the support of and through SKK Migas to the Indonesia Minister of Energy and Mineral Resources for a contract amendment to allow for the extension of the exploration period and to continue with further exploration program development.

Subsequent to the financial year end, the Company received the notice of termination from the MEMR through SKK Migas. The Bontang Bengal PSC was terminated on the grounds of non-discovery of coal bed methane at the end of the 6th contract year and NuEnergy was required to relinquish the remaining contract area and to fulfil its remaining obligation under the PSC.

NuEnergy has responded to the notice and appealed to the Government of Indonesia and will update the outcome of the appeal in due course.

Pending the outcome of the appeal, the Board has therefore taken the decision to impair the carrying value of the Exploration and Evaluation expenditure at 30 June 2019 of \$797,868 and provide the penalty of \$6,501,223 (USD4,650,000) to fulfil the remaining obligation under the PSC.

There will be no impact to the Company after the termination.

Muara Enim II PSC

South Sumatra, Indonesia

NuEnergy Interest: 30%

Operator: Indo CBM Sumbagsel 2 Pte Ltd (a subsidiary of NuEnergy)

The Group is in the process of applying for the extension of the Muara Enim II PSC which expired on 31 March 2019 to continue operations. At the date of signing this report, the Muara Enim II PSC has not been extended while NuEnergy continues discussions with the Indonesian Ministry of Energy and Mineral Resources to obtain extension for the PSC. Pending the extension of the PSC, the Board has therefore taken the approach to impair the carrying value of the Muara Enim II PSC Exploration and Evaluation expenditure at 30 June 2019 of \$6,231,964 and record a provision for the penalty of \$2,097,169 (USD1,500,000) to fulfil the remaining obligation under the PSC. If the extension is granted by the MEMR, NuEnergy has plans to continue operations in this PSC and to carry out the Pilot Production Program with the aim of booking reserves and preparing the POD by March 2021.

REVIEW OF OPERATIONS (CONTINUED)

Operational performance (continued)

Muara Enim PSC

South Sumatra, Indonesia

NuEnergy Interest: 40%

Operator: PT Trisula CBM Energi (a subsidiary of NuEnergy)

Following the appraisal drilling with prospect discovery in 2013, NuEnergy plans to resume drilling in 2019 with a Pilot Production Program that includes coring, core lab analysis, permeability tests, production test and dewatering with the aim to secure commercial discovery approval from SKK Migas and reserves certification by the Indonesia Research and Development Center for Oil and Gas Technology (commonly referred to as LEMIGAS) which are key steps for the PSC to progress with the POD preparation.

In consideration of the timing that the Exploration Period will end on 29 November 2019 (the end of the 10th contract year), NuEnergy will need additional exploration time. NuEnergy will propose the Muara Enim PSC conversion to the Gross Split contract for the additional exploration period.

As the PSC is at the advanced exploration stage, NuEnergy aims to submit the second POD after the Tanjung Enim POD I and bring the integrated South Sumatra PSCs online for commercialisation starting from 2022.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the Directors, there were no significant changes in the state of affairs of the Group which have not been disclosed elsewhere in the Annual Financial Report.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The Directors are not aware of any material events that have occurred subsequent to the financial year end except for the following:-

- 1) Subsequent to the financial year end, the Company was granted loans totalling \$266,925 from AIC Corporation Sdn Bhd, a wholly owned subsidiary of the ultimate parent, Globaltec Formation Berhad and related party to the Company's directors, Goh Tian Chuan and Chen Heng Mun to provide funding for the Group's working capital. The loans 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.
- 2) Subsequent to the financial year end, the Company received the notice of termination from the Indonesian Minister of Energy and Mineral Resources through SKK Migas. The Bontang Bengalon PSC was terminated on the grounds of non-discovery of coal bed methane at the end of the 6th contract year and NuEnergy was required to relinquish the remaining contract area and to fulfil its remaining obligation under the PSC. NuEnergy has responded to the notice and appealed to the Government of Indonesia and will update the outcome of the appeal in due course.

There will be no impact to the Company after the termination.

LIKELY DEVELOPMENTS

Disclosure of information, in addition to that provided elsewhere in this report, regarding likely developments in the operations of the Group in future years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Accordingly, information has not been disclosed in this report.

INFORMATION ON DIRECTORS, KEY MANAGEMENT PERSONNEL AND COMPANY SECRETARY

The names, particulars, experience and qualifications of the Directors, key management personnel and Company Secretary of the Company during the financial year and up to the date of this report are detailed below:

Kong Kok Keong – Chairman – *BBus (Honours)*

Appointed to the Board on 21 August 2014.

Mr. Kong has over 25 years of business experience, primarily in the financial services, resources and investment management industries. Early in his career he served as an Executive Director of Innosabah Securities, a leading Asian stockbroking firm, between 1992 to 2001. Mr. Kong then served as the Chairman and CEO of AutoV Group and Executive Director of AIC Semiconductor Sdn Bhd. Mr. Kong moved to become one of the lead executives at Globaltec Formation Berhad ("Globaltec"), an investment holding company listed on the Bursa Malaysia Securities (Malaysia Stock Exchange), with business divisions and investments in integrated manufacturing services, natural resources, energy and investment management. The natural resources business unit includes oil palm plantation and coal mining divisions. The energy business unit includes oil and gas exploration and production, and services. One of his key responsibilities at Globaltec was Chairman of their energy business unit. Once Globaltec acquired a significant shareholding in NuEnergy in 2014 through its subsidiaries New Century Energy Resources Limited ("NCE") and Globaltec Energy Resources Sdn Bhd ("GER"), he took over responsibility as Chairman of the Board of Directors. A renowned and respected Malaysian businessman, he holds a BA (Honours) in Business Studies from Leicester Polytechnic (United Kingdom) and is currently the Group Deputy Chairman of the wider Globaltec group.

Kee Yong Wah – Deputy Executive Chairman

Appointed to the Board on 21 August 2014.

Mr. Kee has more than 30 years of experience in the oil and gas exploration, production and services industries. In 1984, he joined Halliburton, a global oil and gas servicing company where he held various managerial, business development, operational and manufacturing positions in Asia and North America. His last appointment was General Manager of Business Development where he was responsible for a group of executives undertaking strategic planning and business development projects, including M&A strategies and formulating distributorship and agency agreements with customers. After Halliburton, Mr. Kee joined Smith International, another New York Stock Exchange listed company, similarly involved in the supply of products and services to the oil, gas and petrochemical markets. He served as their General Manager of China. Mr. Kee then moved to become the Vice President of SPT Energy Group, a Chinese company listed on the Hong Kong Stock Exchange, involved in the provision of oilfield services to Chinese National Oil Companies and State-Owned Enterprises. Throughout these various executive positions, he worked extensively with unconventional gas and CBM assets. Mr. Kee left SPT and subsequently became the Deputy Executive Chairman of NuEnergy. He is also the Founder of New Century Energy Resources Limited, one of the major new shareholders in NuEnergy.

Goh Tian Chuan – Non-Executive Director – *PhD(h)*

Appointed to the Board on 17 December 2014.

Dr. Goh is the Founder and Group Executive Chairman of Globaltec. He graduated from the Royal Malaysia Police College in 1982 and was a Senior Police Officer attached to the Royal Malaysia Police in Sabah. He left the police force in 1994, to start his own business which has since grown into an array of investments in several public listed companies, covering a multitude of industries including resources, energy, financial services and property development. He was Executive Chairman of both AIC Corporation Berhad ("AIC") and Jotech Holdings Berhad ("Jotech") before their merger to form the Integrated Manufacturing Services business unit at Globaltec. He also served as CEO and Group Executive Chairman of the Resources Business Unit at Globaltec. Dr. Goh has played a significant role in the development of the Malaysian State of Sabah, resulting in the conferring of the award of "Datuk" by the Head of State and then "Datuk Seri Panglima", the highest State award in Sabah. He was appointed as a Justice of Peace (JP) by the Head of State of Malacca and obtained an Honorary Doctorate of Civil Laws from European University, Switzerland. He was bestowed the Panglima Setia which carries the title "Tan Sri" by His Majesty, the Yang di-Pertuan Agong of Malaysia in recognition of his significant contribution to the country and society.

INFORMATION ON DIRECTORS, KEY MANAGEMENT PERSONNEL AND COMPANY SECRETARY (CONTINUED)

Chen Heng Mun – Non-Executive Director – CA, CPA

Appointed to the Board on 1 January 2015.

Mr. Chen has 25 years of corporate and managerial experience in Asia. He is currently an Executive Director and the Group Finance Director of Globaltec. Prior to passing the professional exams conducted by the then Malaysian Association of Certified Public Accountants in 1995, Mr. Chen worked for KPMG, an international accounting firm from 1991 to 1996. He started as an Audit Assistant in KPMG and left as an Audit Supervisor. Subsequently, he joined AIC as Group Accountant in 1996 and was appointed to the board of AIC on August 2007 as an Executive Director and Chief Financial Officer. He was an Independent Non-Executive Director of Jotech from January 2007 to July 2007. Previously, he was an Executive Director of Nakamichi Corporation Berhad from June 2008 to December 2011. He was appointed to the Board of AutoV Corporation Berhad on May 2008 as Non-Independent Non-Executive Director. He is a member of the Malaysian Institute of Accountants, Malaysian Institute of Certified Public Accountants and Certified Public Accountants, Australia. Mr. Chen's leadership and experience with financial reporting, accounting and M&A is warmly welcomed on the board of NuEnergy.

Alan Fraser – Non-Executive Director

Appointed to the Board on 20 January 1992.

Mr. Fraser has over 30 years' experience in green field mineral exploration, project management and mine construction. He has managed coal, base metal and gold exploration projects through the stages of tenement acquisition, joint venture negotiation, obtaining regulatory approvals and the management of field exploration programs, at times in remote locations. He has worked extensively across the Asia-Pacific region, especially in both Australia and Indonesia. Alan served as CEO of New Holland Mining Limited, an ASX listed gold and base metal exploration company before becoming as the Managing Director and then Chairman of Resource Base Limited, another ASX listed company engaged in gold exploration and production, with activities in Australia. Before these roles he was the former CEO of NuEnergy when it first started to look at unconventional gas and coal assets in Indonesia. He stepped down to ensure new leadership could move the company forward with its focused gas strategy. He currently serves as a Non-Executive Director of Jack-In Group Limited, another ASX listed company that is a service provider to the construction and real estate industries. Mr. Fraser has vast knowledge of working with ASX listed companies and in helping create value for the Australasian investment community.

Dr Ian Wang – Chief Executive Officer – PhD (Rock Mechanics & Structural Geology), MSc (Rock Mechanics & Structural Geology)

Appointed on 1 September 2014.

Dr. Wang has more than 30 years' experience in the oil and gas industry. He previously held the position of General Manager of Greka Limited, a privately held oil and gas conglomerate with investments in China and India. Prior to joining Greka, he was employed as General Manager of Clarke Energy China. Further to this he has held senior exploration roles at Sino Gas & Energy Limited (an ASX listed company focusses on the exploration and development of gas assets in China) and Molopo Energy (an ASX listed company with oil and gas upstream interests in North America and Africa). Dr. Wang has substantial experience of working with unconventional gas assets and Coal Bed Methane projects via these roles and additionally when he served as Regional Manager for In-Situ and as Operations Manager for Huawell CBM Zhengzhou. Dr. Wang holds a Master of Science and PhD from Imperial College London, both in rock mechanics and structural geology and was an Associate Professor at the Chinese Academy of Science in Beijing. He was appointed as CEO of NuEnergy in 2014. His expertise on unconventional gas production and CBM asset development is expertly placed to spearhead NuEnergy on its path to soon be a major Indonesian unconventional gas producer.

Jason Chua Joo Huang – Chief Financial Officer – CA, FCCA

Appointed on 1 May 2015.

Mr. Chua has over 17 years' experience in operational and fiscal management in South East Asia. He is a Chartered Accountant, member of the Malaysian Institute of Accountants and Fellow of the Association of Chartered Certified Accountants, United Kingdom. In 1999, he started his career with KPMG Malaysia as an Audit Assistant and left as an Audit Senior in 2002. Subsequently, he joined AIC Corporation Berhad, a company listed on the Main Market of Bursa Malaysia, now part of Globaltec. In 2004, Mr. Chua was assigned to AIC Semiconductor Sdn Bhd, the largest subsidiary of AIC Corporation Berhad as the Finance Manager and then promoted to Financial Controller in 2008. He is now a key member of the Globaltec group helping manage their finances across their energy and resources business units. As CFO of NuEnergy he is ideally suited and placed to help the company through its next phase of growth and development to progress through the Plan of Development and into first gas production.

INFORMATION ON DIRECTORS, KEY MANAGEMENT PERSONNEL AND COMPANY SECRETARY (CONTINUED)

Rozanna Lee – Company Secretary – *BCom, LLB, GradDipACG, AGIA, AGIS*

Appointed on 1 June 2016.

Rozanna Lee has acted as Company Secretary for NuEnergy since August 2011 up to her resignation on 30 September 2015 and reappointment on the 1 June 2016. She holds both commerce and law degrees from the University of Queensland and is an Associate Member of the Governance Institute of Australia.

MEETINGS OF DIRECTORS

The following table sets out the number of the Company's Board of Directors meetings held during the financial year and the number of meetings attended by each Director.

Directors	Meetings of Directors	
	Held	Attended
Kong Kok Keong	4	4
Kee Yong Wah	4	4
Goh Tian Chuan	4	4
Chen Heng Mun	4	4
Alan Fraser	4	4

There were no separate Nomination and Remuneration or Audit and Compliance Committee meetings for the financial year.

Executive Committee

The Executive Committee consists of two Non-Executive Directors from the Board, the Deputy Executive Chairman and the Chief Executive Officer. The Executive Committee will maintain close contact with the Board between Board meetings in ways the Executive Committee considers appropriate, or the Board determines. The Executive Committee will keep the Board informed of important issues.

The following table sets out the Executive Committee meetings held during the financial year and the number of meetings attended by each member.

Members	Executive Committee Meetings	
	Held	Attended
Kee Yong Wah	6	6
Goh Tian Chuan	6	3
Chen Heng Mun	6	6
Dr Ian Wang	6	6

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for Directors and key management personnel of the Company. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

The remuneration report is set out below under the following main headings:

- A. Principles used to determine the nature and amount of remuneration
- B. Directors' and key management personnel shareholdings
- C. Details of remuneration
- D. Employment contracts of Executive Director and key management personnel
- E. Other transactions with Directors

REMUNERATION REPORT (AUDITED) (CONTINUED)

A. Principles used to determine the nature and amount of remuneration

Remuneration philosophy

The performance of the Group depends upon the quality of its directors and executives. To prosper, the Group must attract, motivate and retain highly skilled directors and executives.

Remuneration may consist of fixed remuneration and variable remuneration and is applicable to Executive and Non-Executive Directors.

Fixed remuneration

Fixed remuneration is reviewed annually by the Board of Directors. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices.

Variable remuneration

Variable remuneration is reviewed annually by the Board of Directors. The Board does not consider it necessary at the present time to take additional steps to link the remuneration of Directors and key management personnel with the creation of shareholder wealth given the existing size and scale of operations. Variable remuneration is determined at the discretion of the Directors.

Remuneration reviews

The Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors and other key management personnel. The Board of Directors assesses the appropriateness of the nature and amount of compensation of Directors and key management personnel on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of high quality board and executive team.

Relationship between remuneration and Company performance

The table below sets out the summary information about the Group's results and movements in share price for the five years to 30 June 2019.

	30 June 2019	30 June 2018	30 June 2017	30 June 2016	30 June 2015
Loss after tax (\$)	(17,019,095)	(12,532,688)	(4,607,335)	(2,375,828)	(26,445,137)
Loss per share (cents per share)	(1.15)	(0.85)	(0.38)	(0.24)	(4.29)
Share price at the end of the financial year (cents per share)	0.7	4.0	2.6	2.5	2.9

There is no relationship between the remuneration and Group performance as the Group is currently under the exploration and appraisal phase.

Non-Executive Director remuneration

Non-Executive Directors' fees are paid within an aggregate limit which is approved by the Company's shareholders from time to time. The total of Non-Executive Director fees was set at a maximum of \$500,000 per annum at a general meeting of shareholders held on 13 November 2007. Presently, the Board has determined the Non-Executive Directors fees will be set at a maximum of \$40,000 per annum per Director. Retirement payments, if any, are agreed to be determined in accordance with the rules set out in the *Corporations Act 2001* at the time of the Director's retirement or termination. Non-Executive Directors' remuneration may include an incentive portion consisting of bonuses and/or options, as considered appropriate by the Board, which may be subject to shareholder approval in accordance with the ASX Listing Rules.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers the amount of Director fees being paid by comparable companies with similar responsibilities and the experience of the Non-Executive Directors when undertaking the annual review process.

To date, there is no relationship between the remuneration policy for Non-Executive Directors and the performance of the Company due to the existing size and scale of operations.

The Company determines the maximum amount for remuneration, including thresholds for share-based remuneration, for Directors by resolution of shareholders.

REMUNERATION REPORT (AUDITED) (CONTINUED)

A. Principles used to determine the nature and amount of remuneration (continued)

Executive Director and key management personnel remuneration

For the purpose of this report, the key management personnel are defined as those persons having the authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly. The following staff were considered as key management personnel during the reporting period:

Dr Ian Wang	Chief Executive Officer
Jason Chua Joo Huang	Chief Financial Officer

The Group aims to reward executives with a level and mix of compensation commensurate with their position and responsibilities within the Group and is determined at the discretion of the Directors.

The fixed remuneration is reviewed annually by the Directors. The process consists of a review of individual performance, relevant comparative compensation in the market and internally and, where appropriate, external advice on policies and practices.

B. Directors' and key management personnel shareholdings

At 30 June 2019, the Directors and key management personnel held direct and indirect relevant interests in the shares of the Company as set out below:

	At 1 July 2018	Acquired / (Disposed)	At 30 June 2019
Directors			
Kong Kok Keong			
- Direct interest	68,112,694	-	68,112,694
Kee Yong Wah			
- Direct interest	15,410,774	-	15,410,774
- Indirect interest ^(a)	478,723,404	-	478,723,404
Goh Tian Chuan			
- Direct interest	68,112,694	-	68,112,694
Chen Heng Mun	-	-	-
Alan Fraser	431,665	-	431,665
Key management personnel			
Dr Ian Wang	1,545,959	-	1,545,959
Jason Chua Joo Huang	-	-	-

^(a) Kee Yong Wah has indirect shareholding in the Company through New Century Energy Resources Limited, a substantial shareholder of the Company, in which he is deemed to have interest and significant influence.

REMUNERATION REPORT (AUDITED) (CONTINUED)

C. Details of remuneration

The compensation of each director and other member of the key management personnel of the Group is set out below.

Details of remuneration for the financial year ended 30 June 2019

The remuneration in Australian dollars for each Director and each of the key management personnel of the Group during the financial year was as follows:

2019	Salary, short term employment benefits and fees		Post-employment	Other long term benefit	Share based payments	
	Salary, fees and commission \$	Consulting fees \$	Superannuation contribution \$	Annual leave \$	Options and rights \$	Total \$
Non-Executive Directors						
Kong Kok Keong	40,000	-	-	-	-	40,000
Goh Tian Chuan	40,000	-	-	-	-	40,000
Chen Heng Mun	40,000	-	-	-	-	40,000
Alan Fraser	20,000	-	-	-	-	20,000
Executive Director						
Kee Yong Wah	120,000	-	-	-	-	120,000
Key Management						
Dr Ian Wang	262,800	-	-	20,256	-	283,056
Jason Chua Joo Huang	94,872	-	-	7,663	-	102,535
Total	617,672	-	-	27,919	-	645,591

Options issued as part of remuneration for the financial year ended 30 June 2019

There were no options issued as remuneration during the financial year ended 30 June 2019.

Shares issued as part of remuneration for the financial year ended 30 June 2019

There were no shares issued as remuneration during the financial year ended 30 June 2019.

Option scheme for the financial year ended 30 June 2019.

No options granted as part of remuneration during the financial year ended 30 June 2019.

REMUNERATION REPORT (AUDITED) (CONTINUED)

C. Details of remuneration (continued)

Details of remuneration for financial year ended 30 June 2018

The remuneration in Australian dollars for each Director and each of the key management personnel of the Group in the previous financial year was as follows:

2018	Salary, short term employment benefits and fees		Post-employment	Other long term benefit	Share based payments	
	Salary, fees and commission \$	Consulting fees \$	Superannuation contribution \$	Annual leave \$	Options and rights \$	Total \$
Non-Executive Directors						
Kong Kok Keong	40,000	-	-	-	-	40,000
Goh Tian Chuan	40,000	-	-	-	-	40,000
Chen Heng Mun	40,000	-	-	-	-	40,000
Graeme Robertson (resigned on 13 September 2017)	8,333	-	-	-	-	8,333
Alan Fraser	20,000	-	-	-	-	20,000
Executive Director						
Kee Yong Wah	120,000	-	-	-	-	120,000
Key Management						
Dr Ian Wang	262,800	-	-	20,256	-	283,056
Jason Chua Joo Huang	94,872	-	-	7,663	-	102,535
Total	626,005	-	-	27,919	-	653,924

Options issued as part of remuneration for the financial year ended 30 June 2018

There were no options issued as remuneration in the previous financial year ended 30 June 2018.

Shares issued as part of remuneration for the financial year ended 30 June 2018

There were no shares issued as remuneration in the previous financial year ended 30 June 2018.

Option scheme for the financial year ended 30 June 2018.

No options granted as part of remuneration in the previous financial year ended 30 June 2018.

D. Employment contracts of Executive Director and key management personnel

Kee Yong Wah was appointed as Non-Executive Director on 21 August 2014 and re-designated to Executive Director of the Company on 1 January 2015. His employment contract with the Company is for an indefinite period until terminated by either party by giving three months' notice. His total fixed remuneration is \$120,000 per annum (excluding superannuation contributions) subject to annual review. He is eligible to participate in any option plan established by the Company. His place of employment is in Jakarta, Indonesia.

Dr Ian Wang was employed by the Company as Chief Executive Officer on 1 September 2014. His employment contract with the Company is for an indefinite period until terminated by either party by giving three months' notice. His total fixed remuneration is \$262,800 per annum (excluding superannuation contributions) subject to annual review. He is eligible to participate in the Company's incentive scheme as approved by the Board from time to time. His place of employment is in Jakarta, Indonesia.

Jason Chua Joo Huang was employed by the Company as Chief Financial Officer on 1 May 2015. His employment contract with the Company is for an indefinite period until terminated by either party by giving three months' notice. His total fixed remuneration is \$94,872 per annum (excluding superannuation contributions) subject to annual review. He is eligible to participate in the Company's incentive scheme as approved by the Board from time to time. His place of employment is in Jakarta, Indonesia.

REMUNERATION REPORT (AUDITED) (CONTINUED)

E. Other transactions with Directors

During the financial year, the Company received loans totalling \$2,109,356 from PT Indotech Metal Nusantara (“PTI”) and AIC Corporation Sdn Bhd (“AICC”), wholly owned subsidiaries of the ultimate parent, Globaltec Formation Berhad (“GFB”) and related parties to the Company’s directors, Goh Tian Chuan and Chen Heng Mun.

The terms of the loans were as follows:-

- (a) PTI provided a loan of IDR8,161,450,000 (\$758,980) on 20 September 2018 to fund part of the CBM planned exploration activities. The loan is 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.
- (b) AICC provided loans totalling USD900,000 (\$1,248,461) on 9 November 2018, 12 December 2018 and 29 January 2019 respectively to fund part of the CBM planned exploration activities. The loans 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.

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

- (i) During the financial year, interest of \$61,932 was payable to PTI with the loan of IDR8,161,450,000 (\$825,886) and interest accrued totalling \$887,818 owing as at 30 June 2019.
- (ii) During the financial year, interest of \$67,664 was payable to AICC with the loan of USD900,000 (\$1,283,470) and interest accrued totalling \$1,351,134 owing as at 30 June 2019.
- (iii) An amount of \$242,663 (2018: \$243,462) for technical service fees was payable at 30 June 2019 to NCE, a subsidiary of the ultimate parent, GFB and 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.
- (iv) An amount of \$33,018 (2018: \$32,062) for directors travelling expenditure was payable at 30 June 2019 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.

End of Remuneration Report (Audited)

ENVIRONMENTAL REGULATION

The Group is subject to and seeks to comply with environmental regulations in the jurisdiction in which it operates. These regulations cover the Group’s exploration and development activities. Safety is a core value to NuEnergy and the Group strives for zero injury workplace for all employees, contractors and visitors to its operations.

At the date of this report, the Company is not aware of any matter which requires disclosure with respect to any significant environmental regulation in respect to its operating activities.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

During the financial year, the Company paid a premium to insure the Directors and officers of the Company against claims and related costs brought against an individual while performing their normal duties unless such claims relate to a dishonest or fraudulent act omission, or was for personal profit or advantage to which there was no legal entitlement. Amounts disclosed for remuneration of Directors and specified officers exclude an insurance premium of \$21,965 (2018: \$19,150) paid by the Company. This amount has not been allocated to individuals covered by the insurance policy as, based on all available information, the Directors believe that no reasonable basis for such allocation.

The Company has not otherwise, during or since the end of the financial year, indemnified or agreed to indemnify an auditor of the Company.

NON-AUDIT SERVICES

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

The Board of Directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

Details of the amounts paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms are set out in Note 17 of the Financial Statements.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration required under section 307C of the *Corporations Act 2001* is attached to this report.

Signed in accordance with a resolution of Directors.



Kong Kok Keong

Chairman

Sydney, 23 September 2019

CORPORATE GOVERNANCE

The Board of Directors of NuEnergy Gas Limited ('NuEnergy') is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of NuEnergy on behalf of the shareholders by whom it is elected and to whom it is accountable.

The Company is committed to ensuring that its systems, procedures and practices reflect a high standard of corporate governance. The Directors believe that the corporate governance framework is critical in maintaining high standards of corporate governance and fostering a culture that values ethical behaviour, integrity and respect to protect security holders' and other stakeholders' interests at all times.

During the financial year ended 30 June 2019, save as disclosed in the Corporate Governance Statement, the Company's corporate governance framework was consistent with the third edition of the Corporate Governance Principles and Recommendations released by the ASX Corporate Governance Council.

The Company will now publish its Corporate Governance Statement on its website rather than in its Annual Report. The Corporate Governance Statement may be viewed or downloaded at: www.nuenergygas.com. Copies of the Group policies referred to in the Corporate Governance Statement are also posted on the website.

DECLARATION BY DIRECTORS

The Directors of the Company declare that:

1. The consolidated financial statements, comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows, and accompanying notes, are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Australian Accounting Standards and the *Corporations Regulations 2001*; and
 - (b) give a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the year ended on that date.
2. The Company has included in Note 1 to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
3. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
4. The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:



Kong Kok Keong
Chairman

Dated at Sydney, 23 September 2019



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 audit of NuEnergy Gas Limited for the financial year ended 30 June 2019 there have been:

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

KPMG

Daniel Camilleri
Partner

Sydney
23 September 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 \$	2018 \$
Income:			
Other income		98,417	10,000
Expenses:			
Directors' and employees' remuneration		(624,984)	(634,788)
Consultants		(47,284)	(236,587)
Administration expenses	2	(545,347)	(823,286)
Depreciation		(46,118)	(86,881)
Net finance costs		(113,929)	(146,874)
Foreign exchange loss		(111,626)	(162,162)
Impairment of exploration and evaluation assets	8.1	(7,029,832)	(11,397,870)
Production Sharing Contract penalties	8.1	(8,598,392)	-
Loss on disposal of plant and equipment		-	(3,938)
Loss before income tax		<u>(17,019,095)</u>	<u>(13,482,386)</u>
Income tax benefit	3	-	949,698
Loss for the year		<u>(17,019,095)</u>	<u>(12,532,688)</u>
Other comprehensive income/(loss)			
Items that will not be reclassified to profit or loss			
Investments at FVOCI – net change in fair value		(4,642)	(6,632)
Items that are or maybe reclassified to profit or loss			
Foreign currency translation reserve		2,120,786	1,422,894
Total comprehensive loss for the year		<u>(14,902,951)</u>	<u>(11,116,426)</u>
Net loss attributable to:			
Owners of the Company		(17,014,407)	(12,531,172)
Non-controlling interests		(4,688)	(1,516)
		<u>(17,019,095)</u>	<u>(12,532,688)</u>
Total comprehensive profit/(loss) attributable to:			
Owners of the Company		(14,881,848)	(11,104,129)
Non-controlling interests		(21,103)	(12,297)
		<u>(14,902,951)</u>	<u>(11,116,426)</u>
Loss per share			
Basic loss per share (cents per share)	18	(1.15)	(0.85)
Diluted loss per share (cents per share)	18	(1.15)	(0.85)

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Note	2019 \$	2018 \$
ASSETS			
Cash and cash equivalents		323,132	1,369,743
Other receivables and prepayments	4	1,376,894	1,128,816
Total current assets		<u>1,700,026</u>	<u>2,498,559</u>
Available for sale financial assets	1(a)	-	4,642
Investments at FVOCI	5	-	-
Plant and equipment	7	62,037	103,535
Exploration and evaluation assets	8	34,273,575	36,334,509
Other financial assets	9	1,047,314	758,436
Total non-current assets		<u>35,382,926</u>	<u>37,201,122</u>
Total assets		<u>37,082,952</u>	<u>39,699,681</u>
LIABILITIES			
Other payables	10	2,201,632	738,351
Related party payables	11	2,514,633	275,524
Provision for Production Sharing Contract penalties	12	8,598,392	-
Employee benefits		38,304	36,449
Total current liabilities		<u>13,352,961</u>	<u>1,050,324</u>
Total liabilities		<u>13,352,961</u>	<u>1,050,324</u>
Net assets		<u>23,729,991</u>	<u>38,649,357</u>
EQUITY			
Share capital	14	106,450,311	106,450,311
Reserves	15	7,232,293	5,093,766
Accumulated losses		(90,064,206)	(73,027,416)
Equity attributable to owners of the Company		<u>23,618,398</u>	<u>38,516,661</u>
Non-controlling interests		<u>111,593</u>	<u>132,696</u>
Total equity		<u>23,729,991</u>	<u>38,649,357</u>

The Consolidated Statement of Financial Position should be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

	Share capital	Reserves	Accumulated losses	Non-controlling interests	Total equity
	\$	\$	\$	\$	\$
Balance at 1 July 2017	106,450,311	3,677,504	(60,496,244)	144,993	49,776,564
Net loss after tax	-	-	(12,531,172)	(1,516)	(12,532,688)
Other comprehensive income					
- Movement in fair value of available for sale financial assets	-	(6,632)	-	-	(6,632)
- Foreign currency translation reserve	-	1,422,894	-	-	1,422,894
Foreign currency translation on foreign operations	-	-	-	(10,781)	(10,781)
Balance at 30 June 2018	106,450,311	5,093,766	(73,027,416)	132,696	38,649,357

	Share capital	Reserves	Accumulated losses	Non-controlling interests	Total equity
	\$	\$	\$	\$	\$
Balance at 1 July 2018	106,450,311	5,093,766	(73,027,416)	132,696	38,649,357
Net loss after tax	-	-	(17,014,407)	(4,688)	(17,019,095)
Other comprehensive income					
- Fair value changes on Investments at FVOCI	-	(4,642)	-	-	(4,642)
- Foreign currency translation reserves	-	2,120,786	-	-	2,120,786
Foreign currency translation on foreign operations	-	-	-	(16,415)	(16,415)
Transfer of reserves on Investments at FVOCI to accumulated losses	-	22,383	(22,383)	-	-
Balance at 30 June 2019	106,450,311	7,232,293	(90,064,206)	111,593	23,729,991

The Consolidated Statement of Changes in Equity should be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 \$	2018 \$
Cash flows from operating activities			
Interest received		8	23
Other income received		98,417	-
Bank guarantee deposits (placement)/released		(242,223)	(96,745)
Bank guarantee and other financing costs		-	(146,897)
Payments to suppliers and employees		(114,684)	(2,116,677)
Net cash used in operating activities	21	(258,482)	(2,360,296)
Cash flows from investing activities			
Payments for exploration and evaluation expenditures		(2,960,273)	(3,861,756)
Payments for plant and equipment		-	(4,186)
Proceeds from sale of plant and equipment		-	296
Net cash used in investing activities		(2,960,273)	(3,865,646)
Cash flows from financing activities			
Proceeds from borrowings		2,007,441	-
Net cash from investing activities		2,007,441	-
Net decrease in cash and cash equivalents		(1,211,314)	(6,225,942)
Cash and cash equivalents at 1 July		1,369,743	7,449,093
Effect of movements in exchange rates on cash held		164,703	146,592
Cash and cash equivalents at 30 June		323,132	1,369,743

The Consolidated Statement of Cash Flows should be read in conjunction with the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

These financial statements are the consolidated financial statements of the consolidated entity consisting of NuEnergy Gas Limited (the “Company” or NuEnergy) and its subsidiaries (“the Group”). Unless otherwise specified, the financial amounts appearing in these financial statements are in Australian Dollars.

NuEnergy Gas Limited is a listed public company, incorporated and domiciled in Australia. Its registered office is:

c/- KPMG, Level 38, Tower 3, International Towers Sydney, 300 Barangaroo Avenue, Sydney NSW 2000, Australia.

Principal Activities

The principal activities of the Group are exploration, appraisal and development of hydrocarbons with a primary focus on unconventional coal seam gas (also known as coal bed methane (“CBM”)).

There were no changes in the nature of the Group’s activities during the year.

Authorisation of Financial Statements

The financial statements were authorised for issue by the Directors on 23 September 2019 on the date the Declaration by Directors was signed.

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out in the following note. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of NuEnergy Gas Limited and its subsidiaries.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The Group is a for profit entity for financial reporting purposes under Australian Accounting Standards.

Compliance with IFRS

The consolidated financial statements of the Group comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

The financial statements are presented in Australian Dollars and except for cash flow information, they have been prepared on an accruals basis and based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

New, revised or amended standards and interpretations adopted by the Group

A number of new or amended standards became applicable for the current reporting period for which the Group has adopted;

- AASB 15 Revenue from Contracts with Customers; and
- AASB 9 Financial Instruments

The new accounting policies are disclosed below. There was no financial impact on the Group on adopting these standards at 1 July 2018.

- AASB 15 Revenue from Contracts with Customers

AASB 15 Revenue from Contracts with Customers replaces AASB 118 Revenue. AASB 15 was adopted by the Group on 1 July 2018. AASB provides a single, principles-based five step model to be applied to all contracts with customers.

The Group has considered AASB 15 in detail and determined that the impact on the Group’s revenue from contracts under AASB 15 is insignificant during the year given the Group is still in the exploration and appraisal stages without revenue.

The Group adopted the standard using the modified retrospective transition method. As the Group does not currently have any contracts which satisfy the five step model and there are not any contracts that generate revenue under previous revenue recognition guidance, there is therefore no material impact to the Group. The Group will assess its revenue recognition principles as and when it enters into these arrangements. Comparative prior year information has not been adjusted.

- AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces the provisions of AASB 139 Financial Instruments: Recognition and Measurement that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

The adoption of AASB 9 Financial Instruments from 1 July 2018 did not give rise to any material transitional adjustments. The new accounting policies for financial instruments (applicable from 1 July 2018) are disclosed in Note 1(h) to the financial statements. In accordance with the transitional provision in AASB 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

Classification and measurement of financial assets

For financial assets held by the Group on 1 July 2018, management has assessed the business models that are applicable on that date to these assets so as to classify them into appropriate categories under AASB 9 Financial Instruments. The reclassifications resulting from management's assessment are disclosed below:-

Consolidated	Available for sale financial asset \$	Investments at FVOCI \$
Balance as at 30 June 2018 – before adoption of AASB 9 Financial Instruments	4,642	-
Reclassify Investments from available for sale to fair value through other comprehensive income ("FVOCI")	(4,642)	4,642
Balance as at 1 July 2018 – after adoption of AASB 9 Financial Instruments	-	4,642

Equity investments reclassified from available for sale to FVOCI

The Group has elected to recognise changes in fair value of all its equity investment not held for trading and previously classified as available for sale, in other comprehensive income. As a result, assets with fair value of \$4,642 were classified from "Available for sale financial assets" to "Investments at FVOCI" on 1 July 2018.

Loans and receivables classified at amortised cost

Other receivables that were classified as loans and receivables under AASB 139 Financial Instruments are now classified at amortised cost.

Impairment of financial assets

The Group's other receivables at amortised cost are subject to the expected credit loss impairment model under AASB 9 Financial Instruments.

Going concern

The Group has recorded a loss of \$17,019,095 had net cash outflows from operations of \$258,482 for the year ended 30 June 2019, and has no ongoing source of operating income. At 30 June 2019 the Group had net assets of \$23,729,991 which includes \$323,132 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 30 June 2019, the Group had cash and cash equivalents of \$323,132;
- ii) The Group secured and has drawn down financing of IDR8,161,450,000 (\$758,980) from PT Indotech Metal Nusantara and USD900,000 (\$1,248,461) from AIC Corporation Sdn Bhd, both related parties during the financial year and these loans are repayable on demand as disclosed in Note 23. The Group further secured and has drawn down financing of \$266,925 from AIC Corporation Sdn Bhd subsequent to the financial year end;
- iii) The Directors have prepared a cash flow forecast for the period up to 30 September 2020 which includes planned capital raising of \$38,520,801 as well as receipt of cash calls from joint venture partners of \$9,422,841 of which \$1,113,894 included in Receivables (disclosed in Note 4) to ensure all planned exploration firm commitments of \$2,801,145 (disclosed in Note 19), the likely penalty of \$6,501,223 from the Bontang Bengalon PSC termination (disclosed in Note 8.1) and the likely penalty of \$2,097,169 from the Muara Enim II PSC if not extended (disclosed in Note 8.1), the uncommitted appraisal and development expenditure of approximately \$21,833,886 and overheads of \$4,609,738 for the 15 month period from 1 July 2019 to 30 September 2020 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 expenditure and planned exploration firm commitments under the PSC to future years after negotiation with the Indonesian Oil and Gas Regulator;

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Going concern (continued)

- iv) The Bontang Bengalon PSC has been terminated subsequent to the financial year end and the Group has responded and appealed to the Government of Indonesia and is optimistic of a favourable outcome; and
- v) The Group is in the process of applying for the extension of the Muara Enim II PSC which has expired and expects the PSC to be extended.

After considering all the above factors, the Directors have concluded that the use of 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 ("GFB"), as well as receive cash calls from joint venture partners to continue as a going concern.

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 if cash calls from joint venture parties are not received or if the Bontang Bengalon PSC appeal is not successful or the Muara Enim II PSC is not extended resulting in the likely penalties being imposed.

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.

Significant assumptions and key estimates

The preparation of the financial statements in conformity with Australian Accounting Standards 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.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the consolidated financial statements are described in Note 8 – Exploration and evaluation and Note 1(a) Going Concern.

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 if the change affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(i) Exploration and evaluation

The Group capitalises items of exploration and evaluation expenditure for an area of interest where it is considered likely to be recovered by future exploitation or sale, or where the activities have not reached a stage that permits a reasonable assessment of the existence of reserves. Management makes certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Factors which could impact the future recoverability include the level of reserves and resources, future technological changes which could impact the capital and production costs, changes in the fiscal, tax, regulatory laws or policy of Indonesia and changes to the long-term gas prices. Any such estimates and assumptions may change as new information becomes available. If after having capitalised the expenditure, a judgement is made that recovery of the expenditure is unlikely, the relevant capitalised amount will be written off to the income statement.

(ii) Receipts of Cash Calls from PSC partners and Deposits from performance bond guarantees.

In assessing the recoverability of the cash calls from the PSC partners, the Group makes certain assumptions based on the prevailing objective evidence and forward looking information of the PSC partners as disclosed in Note 4. The contract in respect of the cash calls from the PSC partners is binding and the balance remains payable to NuEnergy.

The deposits are placed for the performance bond guarantee issued for the benefit of the Government of Indonesia pursuant to the Production Sharing Contract for NuEnergy to guarantee the fulfilment of the firm commitment pursuant to Production Sharing Contract during the exploration period. In assessing the recoverability of the deposits from performance bond guarantees, the ability of NuEnergy to complete the PSC firm commitments are reviewed at each reporting date to assess the recoverability of the deposits from performance bond guarantees.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

1. Summary of significant accounting policies (continued)

(b) Basis of consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent, NuEnergy Gas Limited, and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 6.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as “non-controlling interests”. The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary’s net assets on liquidation at either fair value or at the non-controlling interests’ proportionate share of the subsidiary’s net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

Business Combinations

Business combinations occur where the acquirer obtains control over one or more businesses resulting in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (ie parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated financial statements, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of any non-controlling interest will impact on the measurement of goodwill to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured at each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the consolidated statement of comprehensive income.

Jointly controlled operations and assets

The Group has interests in joint arrangements in relation to its exploration assets under the PSC. The joint arrangement agreements require unanimous consent from all parties for the relevant activities, all assets are held jointly as tenants in common and all parties are jointly severally liable for the liabilities incurred.

Interests in unincorporated jointly controlled operations are brought to account by recognising in the Group’s right to the share of the assets they jointly control, the Group’s obligation for liabilities and expenses they incur, and their share of the income that they earn from the sale of goods or services by the joint arrangement/operation.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1. Summary of significant accounting policies (continued)

(b) Basis of consolidation (continued)

Jointly controlled operations and assets (continued)

Interest in joint operations

Property	Operator	NuEnergy Interest	PSC Tenure
Indonesia			
Muara Enim PSC	PT Trisula CBM Energi ^(A)	40%	30 years to 29 November 2039
Muara Enim II PSC	Indo CBM Sunbagsel II Pte Ltd ^(A)	30%	30 years to 31 March 2041
Tanjung Enim PSC	Dart Energy (Tanjung Enim) Pte Ltd ^(A)	45%	30 years to 3 August 2039
Muralim PSC	Dart Energy (Muralim) Pte Ltd ^(A)	50%	30 years to 2 December 2040

^(A) – Subsidiary of NuEnergy.

(c) Plant and equipment

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Depreciation is calculated using the straight-line method to allocate depreciable amounts over the estimated useful lives. The estimated useful lives are as follows:-

- Equipment	5 years
- Tools, jigs and fixtures	4 years
- Furniture, fittings, office equipment and renovation	3 – 4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in profit or loss inclusive of transaction costs.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Impairments

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

(d) Exploration and evaluation

Exploration and evaluation expenditures in respect of each identifiable area of interest are capitalised in the year in which they are incurred and are carried at cost less accumulated impairment losses where the following conditions are satisfied:

- the right to tenure of the area of interest are current; and
- at least one of the following conditions are met;
 - (i) the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or
 - (ii) the exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1. Summary of significant accounting policies (continued)

(d) Exploration and evaluation (continued)

Exploration and evaluation expenditure comprises costs which are attributable to:

- Acquiring exploration rights;
- Researching and analysing existing exploration data;
- Conducting geological studies, exploratory drilling and sampling;
- Examining and testing extraction and treatment methods;
- Compiling pre-feasibility and feasibility studies; and
- Overheads, materials, drillable casings and consumables and equipment.

Such expenditures comprise net direct costs and an appropriate portion of related overhead expenditure but do not include overheads or administration expenditure not attributable to a particular area of interest. Exploration and evaluation expenditure is only capitalised from the point when the rights to explore the area are granted and all expenditure incurred prior to this are expensed.

Capitalised exploration and evaluation costs are reviewed at each reporting date for any indication of impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.

The impairment indicators considered are:

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area;
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation assets is unlikely to be recovered in full from successful development.

If any such indication exists, the recoverable amount of the capitalised exploration costs is estimated to determine the extent of the impairment loss (if any).

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years. Where a decision is made to proceed with development, accumulated expenditure will be tested for impairment, transferred to development properties, and then amortised over the life of the reserves associated with the area of interest once mining operations have commenced.

Restoration, rehabilitation and environmental expenditure

Restoration, rehabilitation and environmental costs necessitated by exploration and evaluation activities are provided for as part of the cost of those activities. Costs are estimated on the basis of current legal requirements, anticipated technology and future costs discounted to present value. Estimates of future costs are re-assessed as each reporting date.

(e) Impairment of non-financial assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of profit or loss and other comprehensive income.

Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

1. Summary of significant accounting policies (continued)

(f) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(g) Other receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Information about the impairment of other receivables is disclosed in Note 1(h) and the Group's exposure to credit risk in Note 25(f).

(h) Financial instruments

A) Financial assets

Classification and measurement

The Group classifies its financial assets in the following measurement categories:-

- Amortised cost;
- Fair value through other comprehensive income ("FVOCI"); and
- Fair value through profit and loss ("FVPL").

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial assets.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

At initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial assets. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

At subsequent measurement

i) Debt instruments

There are three measurement categories, depending on the Group's business model for managing asset and the cash flow characteristics of the asset:

- Amortised cost: Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognized in profit and loss when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- FVOCI: Debt instruments that are held for collection of contractual cash flows and for sale, and where the assets' cash flows represent solely payments of principal and interest, are classified as FVOCI. Movements in fair values are recognized in Other Comprehensive Income ("OCI") and accumulated in fair value reserves, except for the recognition of impairment gains and losses, interest income and foreign exchange gains and losses, which are recognized in profit and loss. Interest income from these financial assets is recognized using the effective interest rate method and presented in "interest income".
- FVPL: Debt instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or FVOCI are classified as FVPL. Movement in fair values and interest income that is not part of a hedging relationship is recognized in profit or loss in the period in which it arises.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

1. Summary of significant accounting policies (continued)

(h) Financial instruments (continued)

A) Financial assets (continued)

ii) Equity instruments

The Group subsequently measures all its equity investments at fair values. Equity investment are classified as FVPL with movements in their fair values recognized in profit and loss in the period in which the changes arise except for those equity securities which are not held for trading. The Group has elected to recognize changes in fair value of equity securities not held for trading in other comprehensive income and the Group considers this to be more relevant. Movements in fair values of investments classified as FVOCI are presented as "fair values gains/losses" in OCI. Dividends from equity investments are recognized in profit and loss as dividend income.

Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost and FVOCI. Loss allowances for short term receivables are always measured at an amount equal to lifetime expected credit losses. The impairment methodology applied to other financial assets depends on whether there has been a significant increase in credit risk.

For other financial assets, to assess whether there is a significant increase in credit risk, the Group compares the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition by considering available, reasonable and supportive forward looking information.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade date, the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognized in profit or loss. Any amount previously recognized in other comprehensive income relating to that assets is classified to profit or loss.

B) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognized when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value plus in the case of financial liabilities not at FVPL, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at FVPL are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are recognized, and through the amortization process.

Such financial liabilities will comprise trade and other payables, and finance lease liabilities.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

(i) Other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Other payables are stated at amortised cost and presented as current liabilities unless payments is not due within 12 months from the reporting date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1. Summary of significant accounting policies (continued)

(j) Employee benefits

Short-term employee benefits

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits other than termination benefits that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the amounts expected to be paid when the obligation is settled.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted using the rates attached to the Australian Corporate Bonds as generated in the Milliman report that have maturity dates approximating the terms of NuEnergy's obligations. Any re-measurement for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Group's obligations for long-term employee benefits are presented as non-current provisions in the statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

(k) Leases

Operating lease payments are recognised as an expense in the consolidated statement of profit and loss and other comprehensive income on a straight-line basis over the lease term.

(l) Share capital

Ordinary share capital is recognised at the fair value of the consideration received by the Company. Transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the consideration received, net of any related income tax benefit.

(m) Interest income

Interest income is recognised as it accrues using the effective interest method.

(n) Income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

1. Summary of significant accounting policies (continued)

(o) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of associated GST or other consumption related taxes, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquiring the related asset or an expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included within receivables or payables in the consolidated financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(p) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as FVOCI are included in other comprehensive income.

Group companies

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the date of the balance sheet.
- income and expenses are translated at the average exchange rates for the period
- retained earnings and share capital are translated at the exchange rates prevailing at the date of the transaction, and
- all resulting exchange differences are recognised in other comprehensive income within reserves.

(q) Comparative figures

Where required by Accounting Standards comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(r) New accounting standards for application in future periods

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

- AASB 16: *Leases*. The standard requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months. The Group has not determined the impact on the group accounts, however it is possible that rental of office premises will require the Group to recognise lease liabilities and right-of-use assets on its statement of financial position. This standard is not applicable until the Group's financial year commencing 1 July 2019.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2. Administrative expenses

	2019 \$	Consolidated 2018 \$
Included in administration expenses are:-		
Legal	60,010	8,459
Travel	52,554	297,273
Audit fees	150,197	170,244
Stock exchange fees	42,162	59,391
Share registry	11,607	17,523
Management fees	72,680	72,000
Insurance	25,520	23,035
Investor relations	13,960	75,498
Other expenses	116,657	99,863
	545,347	823,286

3. Taxation

(i) Income tax

	2019 \$	Consolidated 2018 \$
Deferred income tax benefit	-	949,698

(ii) Reconciliation of income tax benefit to prima facie tax payable

	2019 \$	Consolidated 2018 \$
Loss before income tax	(17,019,095)	(13,482,386)
Tax at the Australian tax rate of 30% (2018 – 30%)	(5,105,729)	(4,044,716)
Non-deductible and non-assessable items	6,251,290	3,630,010
Temporary difference not recognised	167,004	(30,345)
Unused tax losses in overseas controlled entities	100,688	611,601
Unused tax losses for Australia operation not recognised as deferred tax assets	169,062	389,157
Effect of tax rate in foreign countries	(1,582,315)	(1,124,917)
Reduction in deferred tax liability due to difference in Indonesian tax rate	-	(380,488)
Income tax benefit	-	(949,698)

- 3.1 Included in the non-deductible and non-assessable items for the financial year are the Exploration and Evaluation expenditure impairments and penalties provided to fulfil the remaining obligation under the PSC as disclosed in Note 8.1.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

3. Taxation (continued)

(iii) Tax losses

The estimated deferred tax assets not recognised as an asset because recovery is not probable primarily relates to those incurred by the parent company based in Australia:

	Consolidated	
	2019 \$	2018 \$
Tax losses – revenue	6,298,871	6,129,809
Tax losses – capital	494,009	494,009
	6,792,880	6,623,818

The potential deferred tax asset will only be realised if:

- (a) the relevant company derives future assessable income of a nature and amount sufficient to enable the asset to be realised, or the asset can be utilised by another company in the Group in accordance with tax legislation;
- (b) the relevant company continues to comply with the conditions for deductibility imposed by the tax legislation; and
- (c) no changes in tax legislation adversely affect the relevant company in realising the asset including satisfying the continuity of ownership and/or continuity of business tests.

Tax losses incurred in Indonesia are not available for recovery or utilisation at a future point in time.

4. Other receivables and prepayments

		Consolidated	
		2019 \$	2018 \$
<i>Current</i>			
Receivables	4.1	1,214,168	951,542
Deposits		39,516	40,973
Prepayments		123,210	136,301
		1,376,894	1,128,816

- 4.1 Included in receivables are amounts of \$1,113,894 (2018: \$650,413) owing from PSC partners for their cash call obligation to finance the exploration projects and operations of the PSC. These amounts are overdue and have been reviewed for indicators of impairment. None of these amounts were found to be impaired given the continued exploration projects, the PSC partners are Indonesian state-owned energy and resources company and leading public listed oil and gas company and the contract for the cash call is binding and the balance remains payable to NuEnergy. Management will endeavour to collect these amounts in full in 2020 financial year.

The ageing profile of the Receivables are as follows:

	Consolidated	
	2019 \$	2018 \$
Neither past due nor impaired	100,274	301,129
Past due but not impaired	1,113,894	650,413
Impaired	-	-
	1,214,168	951,542

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

5. Investments at FVOCI

	Consolidated	
	2019	2018
	\$	\$
Balance at beginning of year	-	-
Reclassification on adoption of AASB 9 Financial Instruments at 1 July 2018	4,642	-
Fair value loss recognised in other comprehensive income	(4,642)	-
Balance at end of year	-	-

6. Subsidiaries

The details of the subsidiaries are as follows:

	Country of incorporation	Equity holding	
		2019	2018
		%	%
Indon CBM Pty Ltd	Australia	100	100
PT Trisula CBM Energi	Indonesia	95	95
Indo CBM Sumbagsel II Pte Ltd	Singapore	100	100
NuEnergy Gas (Singapore) Pte Ltd ⁽¹⁾	Singapore	-	100
Sheraton Pines Pty Ltd	Australia	100	100
Dart Energy (Indonesia) Holdings Pte Ltd	Singapore	100	100
Dart Energy (Tanjung Enim) Pte Ltd	Singapore	100	100
Dart Energy (Muralim) Pte Ltd	Singapore	100	100
Dart Energy (Bontang Bengalon) Pte Ltd	Singapore	100	100
Dart Energy (CBM Power Indonesia) Pte Ltd ⁽¹⁾	Singapore	-	100
PT Dart Energy Indonesia	Indonesia	95	95

⁽¹⁾ These subsidiaries were de-registered during the financial year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

7. Plant and equipment

	Equipment and machinery	Tools, jigs and fixtures	Furniture, fittings, office equipment and renovation	Total
Consolidated	\$	\$	\$	\$
Cost				
At 1 July 2017	326,062	38,200	249,495	613,757
Additions	-	-	2,726	2,726
Disposals	-	-	(9,914)	(9,914)
Currency translation differences	12,442	1,458	8,814	22,714
At 30 June 2018/1 July 2018	338,504	39,658	251,121	629,283
Currency translation differences	18,709	2,192	13,254	34,155
At 30 June 2019	357,213	41,850	264,375	663,438
Accumulated depreciation				
At 1 July 2017	279,897	38,088	105,060	423,045
Depreciation	41,163	111	45,607	86,881
Depreciation charge capitalised to exploration assets	-	-	204	204
Disposals	-	-	(4,131)	(4,131)
Currency translation differences	12,622	1,459	5,668	19,749
At 30 June 2018/1 July 2018	333,682	39,658	152,408	525,748
Depreciation	4,992	-	41,126	46,118
Depreciation charge capitalised to exploration assets	-	-	72	72
Currency translation reserves	18,539	2,192	8,732	29,463
At 30 June 2019	357,213	41,850	202,338	601,401
Carrying value				
At 30 June 2018	4,822	-	98,713	103,535
At 30 June 2019	-	-	62,037	62,037

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

8. Exploration and evaluation

		Consolidated	
		2019	2018
		\$	\$
Balance at beginning of year		36,334,509	43,907,168
Additions		2,880,740	2,651,840
Impairment charge	8.1	(7,029,832)	(11,397,870)
Exchange differences		2,088,158	1,173,371
Balance at end of year		34,273,575	36,334,509
Exploration and evaluation assets		55,928,083	79,929,372
VAT capitalised	8.2	3,518,368	3,143,356
Accumulated impairment		(25,172,876)	(46,738,219)
Carrying value	8.3	34,273,575	36,334,509

- 8.1 The 6th year exploration period for the Bontang Bengal PSC ended on 8 October 2018. The Company had in October 2018 submitted a proposal, with the support of and through SKK Migas to the Indonesia Minister of Energy and Mineral Resources for a contract amendment to allow for the extension of the exploration period and to continue with further exploration program development.

Subsequent to the financial year end, the Company received the notice of termination from the Indonesia Minister of Energy and Mineral Resources through SKK Migas. The Bontang Bengal PSC was terminated on the grounds of non-discovery of coal bed methane at the end of the 6th contract year and NuEnergy was required to relinquish the remaining contract area and to fulfil its remaining obligation under the PSC.

NuEnergy has responded to the notice and appeal to the Government of Indonesia and will update the outcome of the appeal in due course.

Pending the outcome of the appeal, the Board has therefore taken the decision to impair the carrying value of the Bontang Bengal PSC Exploration and Evaluation expenditure at 30 June 2019 of \$797,868 and record a provision for the penalty of \$6,501,223 (USD4,650,000) to fulfil the remaining obligation under the PSC as disclosed in Note 12.

The Group is in the process of applying for the extension of the Muara Enim II PSC which expired on 31 March 2019 to continue operations. At the date of signing these financial statements, the Muara Enim II PSC has not been extended while NuEnergy continues discussions with the Indonesian Ministry of Energy and Mineral Resources to obtain extension for the PSC. Pending the extension of the PSC, the Board has therefore taken the approach to impair the carrying value of the Muara Enim II PSC Exploration and Evaluation expenditure at 30 June 2019 of \$6,231,964 and record a provision for the penalty of \$2,097,169 (USD1,500,000) to fulfil the remaining obligation under the PSC as disclosed in Note 12. If the extension is granted by the Indonesian Ministry of Energy and Mineral Resources, NuEnergy has plans to continue operations in this PSC.

In the previous financial year, the Group completed the work programs for the Rengat PSC for the purpose of fulfilling the remaining Firm Commitments of the PSC. As there have not been attractive commercial discoveries based on the drilling programs to date, the Group and the Indonesian Special Task Force for Upstream Oil and Gas Business Activities (commonly referred to as SKK Migas) have amicably agreed for the Group to relinquish the Rengat PSC after confirmation from SKK Migas of the completion of the Firm Commitments. As a result a full impairment of \$11,397,870 was recorded for the Rengat PSC.

- 8.2 VAT capitalised is eligible to be claimed back from SKK Migas upon production of coal bed methane on a commercial basis. All VAT capitalised relates to ongoing PSCs.
- 8.3 Recoverability of the carrying amount of exploration costs is dependent on the successful exploration and sale of coal bed methane.

During the financial year, the gross Exploration and evaluation assets and Accumulated Impairment for the Rengat PSC and Bontang Bengal PSC has been removed as the right to explore for these PSC no longer valid.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

9. Other financial assets

	Consolidated 2019 \$	2018 \$
<i>Non-current</i>		
Term deposits related to performance bond guarantee for Indonesia PSC purposes	1,047,314	758,436
The term deposits are placed for a minimum period of two years or until the performance bond guarantee are withdrawn and the effective interest rate was 0.035%.		

10. Other payables

	Consolidated 2019 \$	2018 \$
<i>Current</i>		
Payables and accruals	2,201,632	738,351

11. Related party payables

		Consolidated 2019 \$	2018 \$
Amount due to ultimate parent company	11.1	33,018	32,062
Amount due to substantial shareholder	11.2	242,663	243,462
Loans from related corporations	11.3	2,238,952	-
		2,514,633	275,524

11.1 The amount due to the ultimate parent, GFB is non-trade, unsecured, interest free and repayable on demand.

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

11.3 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.

12. Provision for Production Sharing Contract penalties

	Consolidated 2019 \$	2018 \$
<i>Current</i>		
Production Sharing Contract penalties	8,598,392	-

The penalties were provided for the Bontang Bengalon PSC of \$6,501,223 and for the Muara Enim II PSC of \$2,097,169 to fulfil the remaining obligation under the PSC as disclosed in Note 8.1.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

13. Deferred tax liabilities

		Consolidated 2019 \$	2018 \$
Balance at beginning of year		-	949,698
Reduction of deferred tax liability from impairment of exploration and evaluation assets	13.1	-	(949,698)
Balance at end of year		-	-

13.1 In the previous financial year, the full impairment was recorded for the Rengat PSC as the Group has amicably agreed with SKK Migas to relinquish the Rengat PSC after confirmation from SKK Migas of the completion of the Firm Commitments (refer note 8.1). The deferred tax liability was reduced to reflect the full impairment of the Rengat PSC exploration and evaluation asset using the Indonesian effective tax rate of 40%.

The nature and movements in deferred tax liabilities were as follows:

		At 1 July	Recognised in the statement of profit and loss	At 30 June	Assets	Liabilities
		\$	\$	\$	\$	\$
Consolidated						
2018						
Exploration and evaluation assets	13.1	(949,698)	949,698	-	-	-
2019						
Exploration and evaluation assets	13.1	-	-	-	-	-

14. Share capital

(i) Issued capital

	Consolidated 2019 Shares	2018 Shares	Consolidated 2019 \$	2018 \$
Ordinary shares fully paid	1,480,955,497	1,480,955,497	106,450,311	106,450,311

The Company has unlimited authorised share capital of no par value ordinary shares.

(ii) Movements in ordinary share capital

Details	Number of shares	\$
Balance at 1 July 2017	1,480,955,497	106,450,311
No movement during the year	-	-
Balance at 30 June 2018/1 July 2018	1,480,955,497	106,450,311
No movement during the year	-	-
Balance at 30 June 2019	1,480,955,497	106,450,311

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

14. Share capital (continue)

(iii) Terms of ordinary shares

The holders of ordinary shares have the right to receive dividends as declared and in the event of winding up the Company to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holders to one vote, either in person or by proxy at the meeting of the Company.

(iv) Capital risk management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other shareholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity. Management effectively manages capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses may include the issue of new shares, return of capital to shareholders, the entering into joint ventures and or the sale of assets.

There is no current intention to incur debt funding on behalf of the Company. The Group is not subject to any externally imposed capital requirements. No dividends were paid in 2019 (2018: \$nil). Management reviews management accounts on a monthly basis and regularly reviews actual expenditures against budget.

15. Reserves

	Foreign currency translation reserve	Investments at FVOCI reserve	Available for sale financial asset reserve	Total
Consolidated	\$	\$	\$	\$
Balance at 1 July 2017	3,688,613	-	(11,109)	3,677,504
Foreign operations foreign currency translation differences	1,422,894	-	-	1,422,894
Available for sale financial asset change in value	-	-	(6,632)	(6,632)
Balance at 30 June 2018/1 July 2018	5,111,507	-	(17,741)	5,093,766
Effect of transition to AASB 9 Financial Instruments	-	(17,741)	17,741	-
Balance at 1 July 2018 after adoption of AASB 9 Financial Instruments	5,111,507	(17,741)	-	5,093,766
Foreign operations foreign currency translation differences	2,120,786	-	-	2,120,786
Investments at FVOCI change in value	-	(4,642)	-	(4,642)
Transfer of reserves on Investments at FVOCI to accumulated losses	-	22,383	-	22,383
Balance at 30 June 2019	7,232,293	-	-	7,232,293

Nature and purpose of reserves

(i) Foreign currency translation reserve

Exchange differences arising on translation of foreign controlled entities are taken to the foreign currency translation reserve on consolidation. The reserve is reclassified to profit and loss when the net investment is sold.

(ii) Investments, at FVOCI reserve

The Investments, at FVOCI reserve for equity investments comprises the cumulative net change in the fair value of investments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

16. Key management personnel disclosures

(a) Directors

The following persons were Directors during the financial year:

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

(b) Other key management personnel

Dr Ian Wang	Chief Executive Officer
Jason Chua Joo Huang	Chief Financial Officer

(c) Key management personnel compensation

The aggregate compensation of the key management personnel of the consolidated entity is set out in the following table. The key management personnel of NuEnergy Gas Limited include the Directors and other key management personnel.

	Consolidated	
	2019 \$	2018 \$
Short-term employment benefits	617,672	626,005
Other long term benefit	27,919	27,919
	<u>645,591</u>	<u>653,924</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

17. Remuneration of auditors

During the year, the following fees were paid and payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2019 \$	2018 \$
(a) KPMG Australia		
<i>Audit and other assurance services</i>		
Audit and review of financial statements	83,013	93,761
Other non-audit services	472	-
Total remuneration of KPMG Australia	<u>83,485</u>	<u>93,761</u>
(b) Related practices of KPMG		
<i>Audit and other assurance services</i>		
Audit and review of financial statements	54,503	60,468
Other assurance services	-	-
Total remuneration for audit and other assurance services	<u>54,503</u>	<u>60,468</u>
<i>Taxation services</i>		
Tax compliance service	<u>240</u>	<u>1,783</u>
Total remuneration of related practices of KPMG	<u>54,743</u>	<u>62,251</u>
(c) Non-KPMG audit firms		
<i>Audit and other assurance services</i>		
Audit and review of financial statements	12,681	15,178
Other assurance services	-	-
Total remuneration for audit and other assurance services	<u>12,681</u>	<u>15,178</u>
<i>Taxation services</i>		
Tax compliance service	<u>3,500</u>	<u>4,000</u>
Total remuneration of non-KPMG audit firms	<u>16,181</u>	<u>19,178</u>
Total auditor's remuneration	<u>154,409</u>	<u>175,190</u>

18. Loss per share

Income and share data used in the calculations of basic and diluted loss per share:

	Consolidated 2019 \$	2018 \$
Net loss to the members of the parent entity	(17,014,407)	(12,531,172)
	Number of shares	Number of shares
Weighted average number of ordinary shares used in the calculation:-		
- Basic weighted average number of ordinary shares	1,480,955,497	1,480,955,497
- Diluted weighted average number of ordinary shares	1,480,955,497	1,480,955,497
Basic loss per share (cents per share)	(1.15)	(0.85)
Diluted loss per share (cents per share)	(1.15)	(0.85)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

19. Expenditure commitments and contingent liabilities

Minimum expenditure for the commitments contracted for under production sharing contracts not provided for in the financial statements:

	Consolidated	
	2019	2018
	\$	\$
Not longer than 1 year	1,233,139	7,951,511
Longer than 1 year and not longer than 5 years	1,568,006	2,478,637
Longer than 5 years	-	-
	2,801,145	10,430,148

The Group 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 negotiated the postponement of \$1,568,006 firm commitments until future periods and has met the required commitments for the current financial year.

The provision for the Production Sharing Contract penalties to fulfil the remaining firm commitments as disclosed in Note 12 was not included in the minimum expenditure for the commitments contracted for under production sharing contracts not provided for in the financial statements.

The Group has performance bond guarantee at year end of \$5,825,216 (2018: \$5,520,129) 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.

20. Lease commitments

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

	Consolidated	
	2019	2018
	\$	\$
Not longer than 1 year	67,132	125,842
Longer than 1 year and not longer than 5 years	-	62,921
	67,132	188,763

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

21. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated 2019 \$	2018 \$
Loss after income tax	(17,019,095)	(12,532,688)
Adjustment for non-cash items:		
Depreciation of plant and equipment	46,118	86,881
Loss on disposal of plant and equipment	-	3,938
Impairment of exploration and evaluation assets	7,029,832	11,397,870
Unrealised forex loss	111,626	162,162
	(9,831,519)	(881,837)
Changes in assets and liabilities:		
Increase in Other receivables and prepayments	(115,203)	(414,849)
Increase in Other financial assets	(242,223)	(96,745)
Increase in Other payables	1,331,048	3,052
Increase in/(Decrease in) Provisions	8,599,415	(20,219)
Decrease in Deferred tax liabilities	-	(949,698)
Net cash used in operating activities	(258,482)	(2,360,296)

22. 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 as 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 operates in one segment being the CBM exploration. The measure used by the CODM to evaluate the performance is the CBM exploration meeting the commitments under each Production Sharing Contract.

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

Included in the Indonesia non-current assets segment during the financial year are the impairments of the Exploration and Evaluation expenditure of \$797,868 for the Bontang Bengalon PSC and \$6,231,964 for the Muara Enim II PSC as disclosed in Note 8.1.

In the previous financial year, the Group completed the work programs for the Rengat PSC for the purpose of fulfilling the remaining Firm Commitments of the PSC. As there have not been attractive commercial discoveries based on the drillings programs to date, the Group and SKK Migas have amicably agreed for the Group to relinquish the Rengat PSC after confirmation from SKK Migas of the completion of the Firm Commitments. As a result a full impairment of \$11,397,870 was recorded for the Rengat PSC in the Indonesia non-current assets segment.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

22. Segment information (continued)

Geographical location (continued)

	Non-current assets Consolidated	
	2019 \$	2018 \$
Australia	1,623	7,358
Indonesia	35,381,303	37,193,764
	<u>35,382,926</u>	<u>37,201,122</u>

23. Related party transactions

(i) Key management personnel

Disclosures relating to key management personnel are set out in Note 16.

(ii) Transaction with related parties

During the financial year, the Company received loans totalling \$2,109,356 from PT Indotech Metal Nusantara ("PTI") and AIC Corporation Sdn Bhd ("AICC"), wholly owned subsidiaries of the ultimate parent, GFB and related parties to the Company's directors, Goh Tian Chuan and Chen Heng Mun.

The terms of the loans were as follows:-

- (a) PTI provided a loan of IDR8,161,450,000 (\$758,980) on 20 September 2018 to fund part of the CBM planned exploration activities. The loan is 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.
- (b) AICC provided loans totalling USD900,000 (\$1,248,461) on 9 November 2018, 12 December 2018 and 29 January 2019 respectively to fund part of the CBM planned exploration activities. The loans 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.

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

- (iv) During the financial year, interest of \$61,932 was payable to PTI with the loan of IDR8,161,450,000 (\$825,886) and interest accrued totalling \$887,818 owing as at 30 June 2019.
- (v) During the financial year, interest of \$67,664 was payable to AICC with the loan of USD900,000 (\$1,283,470) and interest accrued totalling \$1,351,134 owing as at 30 June 2019.
- (vi) An amount of \$242,663 (2018: \$243,462) for technical service fees was payable at 30 June 2019 to NCE, a subsidiary of the ultimate parent, GFB and 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.
- (iv) An amount of \$33,018 (2018: \$32,062) for directors travelling expenditure was payable at 30 June 2019 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

24. Subsequent events

The Directors are not aware of any material events that have occurred subsequent to the financial year end except for the following:-

- 1) Subsequent to the financial year end, the Company was granted loans totalling \$266,925 from AICC, a wholly owned subsidiary of the ultimate parent, GFB and related party to the Company's directors, Goh Tian Chuan and Chen Heng Mun to provide funding for the Group's working capital. The loans 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.
- 2) The 6th year exploration period for the Bontang Bengalon PSC ended on 8 October 2018. The Company had in October 2018 submitted a proposal, with the support of and through SKK Migas to the Indonesia Minister of Energy and Mineral Resources for a contract amendment to allow for the extension of the exploration period and to continue with further exploration program development.

Subsequent to the financial year end, the Company received the notice of termination from the Indonesian Minister of Energy and Mineral Resources through SKK Migas. The Bontang Bengalon PSC was terminated on the grounds of non-discovery of coal bed methane at the end of the 6th contract year and NuEnergy was required to relinquish the remaining contract area and to fulfil its remaining obligation under the PSC.

NuEnergy has responded to the notice and appealed to the Government of Indonesia and will update the outcome of the appeal in due course.

Pending the outcome of the appeal, the Board has therefore taken the decision to impair the carrying value of the Exploration and Evaluation expenditure at 30 June 2019 of \$797,868 and provide the penalty of \$6,501,223 (USD4,650,000) to fulfil the remaining obligation under the PSC.

There will be no impact to the Company after the termination.

25. Financial risk management objectives and policies

The Group's principal financial instruments comprise cash, short-term deposits, equity investments at fair value through other comprehensive income ("FVOCI"), other financial assets and accounts payables.

The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as other receivables and other payables, which arise directly from its operations. It is, and has been throughout the entire period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, foreign exchange risk and liquidity risks given the financial position as at 30 June 2019. Other minor risks are either summarised below or disclosed in Note 14 in the case of capital risk management. The Board reviews and agrees policies for managing each of these risks.

(a) Cash flow interest rate risk

The Group's exposure to the risks of changes in market interest rates relates primarily to the Group's cash and short and long term deposits with a floating interest rate. These financial assets with variable rates expose the Group to cash flow interest rate risk. Apart from the loans from related corporations with fixed rates, all other financial assets and liabilities in the form of receivables and payables are non-interest bearing. The Group does not engage in any hedging or derivative transactions to manage interest rate risk.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

25. Financial risk management objectives and policies (continued)

(a) Cash flow interest rate risk (continued)

The interest rate profile of the Group's interest bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

		Consolidated	
		2019	2018
		\$	\$
<i>Floating Interest Rate</i>			
Cash at bank		323,132	1,369,743
Other financial assets	9	1,047,314	758,436
		1,370,446	2,128,179
<i>Fixed Interest Rate</i>			
Related party payables	11.3	(2,238,952)	-
		(2,238,952)	-

The Group has not entered into any hedging activities to cover interest rate risk. In regard to its interest rate risk, the consolidated entity continuously analyses its exposure. Within this analysis, consideration is given to potential renewals of existing positions, alternative investments and the mix of fixed and variable interest rates.

A sensitivity of 100 basis points (1%) has been selected as this is historically within range of rate movements and the expected fluctuations in market interest rates suggest this range is reasonable.

Based on the sensitivity analysis only interest income from variable rate deposits and cash balances is affected resulting in a decrease or increase in overall income.

The following set out the variable interest rate risk and effect on profit after tax and equity if interest rates at the reporting date had been 1% higher or lower with all other variables held constant as a sensitivity analysis.

		Interest Rate Risk Sensitivity Effect on profit and equity			
		2019		2018	
		+100 basis points	-100 basis points	+100 basis points	-100 basis points
		\$	\$	\$	\$
Consolidated					
Floating interest rate instruments		13,704	(13,704)	21,281	(21,281)

(b) Price risk

The Group is exposed to equity securities price risk. This arises from investments held and classified on the statement of financial position as FVOCI equity. The investments are traded on the ASX and fall under Level 1 of the fair value hierarchy. Equity price risk is not considered material to the Group at this time.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

25. Financial risk management objectives and policies (continued)

(c) Liquidity risk

The Group manages liquidity risk by maintaining sufficient cash reserves and marketable securities and through the continuous monitoring of budgeted and actual cash flows.

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amounts \$	Less than 1 year \$	1 to 2 year(s) \$	2 to 5 years \$	Over 5 years \$	Total \$
Consolidated						
2019						
Other payables	10,800,024	10,800,024	-	-	-	10,800,024
Related party payables	2,514,633	2,514,633	-	-	-	2,514,633
	<u>13,314,657</u>	<u>13,314,657</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,314,657</u>
2018						
Other payables	738,351	738,351	-	-	-	738,351
Related party payables	275,524	275,524	-	-	-	275,524
	<u>1,013,875</u>	<u>1,013,875</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,013,875</u>

(d) Commodity price risk

The Group is exposed to commodity price risk. This risk arises from its activities directed at exploration and development mineral commodities. If commodity prices fall, the market for companies exploring for these commodities is affected. The Group does not hedge its exposures.

(e) Foreign exchange risk

The Group has significant operations operated from Indonesia and from Australia. The functional currency of the Indonesian operations is US dollars and Australia operation in Australian dollar. As a result, certain financial instruments of the Group are exposed to movements in the US dollar and the Indonesian Rupiah (IDR) against the Australian dollar. The Group does not currently undertake any hedging activities to manage foreign currency risk. At 30 June, the Group had the following exposure to US dollar and Indonesian Rupiah expressed in Australian dollars.

	Assets/(Liabilities) denominated in					
	USD \$	2019 IDR \$	Total \$	USD \$	2018 IDR \$	Total \$
Cash and cash equivalents	312,623	3,514	316,137	1,307,211	43,852	1,351,063
Other receivables	1,116,179	203,545	1,319,724	739,835	60,212	800,047
Other payables	(4,788)	(1,392,728)	(1,397,516)	(4,492)	(596,630)	(601,122)
Related party payables	(1,593,798)	(887,818)	(2,481,616)	(243,462)	-	(243,462)
Net statement of financial position exposure	<u>(169,784)</u>	<u>(2,073,487)</u>	<u>(2,243,271)</u>	<u>1,799,092</u>	<u>(492,566)</u>	<u>1,306,526</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

25. Financial risk management objectives and policies (continued)

(e) Foreign exchange risk (continued)

The following table details the Group's pre-tax profit sensitivity to a 10% increase and decrease in the US dollar and IDR against the Australian dollar.

	2019		2018	
	USD	IDR	USD	IDR
	\$	\$	\$	\$
Increase				
Impact on profit for the year: increase/(decrease)	(16,978)	(207,349)	179,909	(49,257)
Decrease				
Impact on profit for the year: increase/(decrease)	16,978	207,349	(179,909)	49,257

(f) Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligation resulting in financial loss to the Group. The Group has adopted the policy of dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group measures credit risk on a fair value basis.

Given the nature of the receivables detailed in Note 4, the Group's exposure to credit risk is not considered to be material.

(g) Net fair values

For financial assets and liabilities, the fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form, other than listed investments. The Group has no financial assets where carrying amount exceeds fair values at balance sheet date.

The Group's receivables at balance sheet date are detailed in Note 4 and primarily comprise GST input tax credits refundable by ATO, deposits and other receivables.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

26. Parent entity information

(a) Summary financial information

		Parent entity	
		2019	2018
		\$	\$
Balance sheet			
Current assets		53,568	897,295
Non-current assets	26.1	26,850,792	37,942,065
Total assets		26,904,360	38,839,360
Current liabilities	26.2	3,231,341	441,477
Non-current liabilities		-	-
Total liabilities		3,231,341	441,477
Net assets		23,673,019	38,397,883
<i>Shareholders' equity</i>			
Share capital		106,450,311	106,450,311
Reserves		-	(17,741)
Accumulated losses		(82,777,292)	(68,034,687)
		23,673,019	38,397,883
Loss for the year		(14,720,222)	(11,072,658)
Total comprehensive loss		(14,724,864)	(11,079,290)

26.1 Included in the non-current assets are net amounts owing from subsidiaries amounting to \$5,109,539 (2018: \$16,195,076). These amounts are interest free and has no fixed terms of repayment. During the financial year an impairment loss of \$13,600,000 (2018: Impairment loss of \$8,000,000) has been recorded against the recoverable value of these receivables.

26.2 Included in the current liabilities are \$2,514,633 (2018: \$275,524) owing to related parties.

(b) Commitments and contingencies

The Company has no commitments or contingent liabilities (2018: \$nil).



Independent Auditor's Report

To the shareholders of NuEnergy Gas Limited

Report on the audit of the Financial Report

Opinion

We have audited the **Financial Report** of NuEnergy Gas Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated statement of financial position as at 30 June 2019;
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The **Group** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with 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* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 1(a) "Going Concern" in the financial report. The conditions disclosed in Note 1(a) 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 financial report. Our opinion is not modified in respect of this matter.



In concluding there is a material uncertainty related to going concern we evaluated the extent of uncertainty regarding events or conditions casting significant doubt in the Group's assessment of going concern. Our approach to this involved:

- Evaluating the feasibility, quantum and timing of the Group's plans to raise additional shareholder funds to address going concern;
- Assessing the Group's cash flow forecasts for incorporation of the Group's operations and plans to address going concern, in particular in light of the Group's loss making operations and the requirement to meet exploration commitments contained within specific Production Sharing Contracts; and
- Determining the completeness of the Group's going concern disclosures for the principal matters casting significant doubt on the Group's ability to continue as a going concern, the Group's plans to address these matters, and the material uncertainty.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matter described below to be the Key Audit Matter.

Exploration and evaluation expenditure (AU\$34,273,575)

Refer to Note 8 "Exploration and Evaluation Expenditure" to the Financial report

The key audit matter	How the matter was addressed in our audit
<p>Exploration and evaluation expenditure capitalised (E&E) is a key audit matter due to:</p> <ul style="list-style-type: none"> • the significance of the activity to the Group's business and the balance (being 92% of total assets); and • the greater level of audit effort to evaluate the Group's application of the requirements of the industry specific accounting standard AASB 6 Exploration for and Evaluation of Mineral Resources, in particular the conditions allowing capitalisation of relevant expenditure and presence of impairment indicators. The presence of certain impairment indicators would necessitate a detailed analysis by the Group of the value of E&E. Given the criticality of this to the 	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • we evaluated the Group's accounting policy to recognise E&E assets and perform the impairment assessment using the criteria in the accounting standard. We assessed the disclosures in the financial report using our understanding of the issue obtained from our testing and against the requirements of the accounting standards; • we assessed the Group's determination of its areas of interest for consistency with the definition in the accounting standard. This involved analysing the licenses in which the Group holds an interest and the exploration programmes planned for those for consistency with documentation such as joint venture

scope and depth of our work, we involved senior team members to challenge the Group's assessment of impairment indicators.

In assessing the conditions allowing capitalisation of relevant expenditure, we focused on:

- the determination of the areas of interest (areas);
- documentation available regarding rights to tenure, via licensing, and compliance with relevant conditions, to maintain current rights to an area of interest, with additional complexity arising from the rights held in Indonesia and the Group's intention and capacity to continue the relevant E&E activities; and
- the Group's determination of whether the E&E are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale.

In assessing the presence of impairment indicators, we focused on those that may draw into question the commercial continuation of E&E activities for areas of interest where significant capitalised E&E exists. In addition to the assessments above, and given the Group's planned cashflow forecast in respect of certain areas of interest, the uncertain renewal of rights to tenure, and the financial position of the Group, we paid particular attention to:

- the impact of the Group's uncertain renewal of rights to tenure over particular areas of interest on the implications to carrying forward capitalised E&E;
- the ability of the Group to fund the continuation of activities; and
- results from latest activities regarding the existence or otherwise of economically recoverable and a commercially viable quantity of gas resources or reserves. The Group engaged an external expert to assist with these assessments.

These assessments can be inherently difficult, particularly in uncertain market conditions such as those currently being experienced in

agreements and planned work programmes;

- for each area of interest, we assessed the Group's current rights to tenure by checking the ownership of the relevant license to PSCs in place with the Government of Indonesia. We also tested for compliance with conditions, such as minimum exploration expenditure requirements, on a sample of licenses;
- we tested the Group's additions to E&E for the year by evaluating a sample of recorded expenditure for consistency to underlying records, the capitalisation requirements of the Group's accounting policy and the requirements of the accounting standard;
- we evaluated Group documents, such as minutes of Board meetings, ASX announcements, and cash flow forecasts, for consistency with their stated intentions for continuing E&E in certain areas. We corroborated this through interviews with key operational and finance personnel as well as reading the Group's correspondence with Indonesian regulatory authorities;
- we analysed the Group's determination of recoupment through successful development and exploitation of the areas of interest by evaluating the Group's documentation of planned future and continuing activities including work programmes and project budgets for a sample of areas;
- we assessed the impact of the Group's uncertain rights to tenure over particular areas of interest on the Group's planned continued exploration and evaluation activities. We analysed correspondence with Indonesian regulatory authorities to understand the status of rights to tenure, and compared this to the Group's proposed level and timing of activity prior to and after the expiration of exploration licenses for those tenements. We used this knowledge to assess the Group's decision to continue to recognise E&E on these areas, and the consistency of the decision for commercial continuation of activities; and
- we obtained project budgets identifying areas with existing funding and those requiring alternate funding sources. We compared this for consistency with areas with E&E, for

Indonesian coal bed methane gas exploration.

In addition to the above, the Group recorded an impairment charge of \$7,029,832 for the carrying value of E&E for two areas of interest. This is a result of the uncertainty of the extension approval regarding the Muara Enim II Production Sharing Contract (PSC) and the rejection of the extension approval of the Bontang Bengalon PSC by the Government of Indonesia.

evidence of the ability to fund continued activities. We identified those areas relying on alternate funding sources and evaluated the capacity of the Group to secure such funding.

- Working with our valuation specialists, we compared the results from the external expert engaged by the Group regarding the existence of reserves for consistency to the treatment of E&E and the requirements of the accounting standard. We evaluated the scope, competency and objectivity of the external expert.
- We recalculated the impairment charge against the recorded amount disclosed.

Other Information

Other Information is financial and non-financial information in NuEnergy Gas Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar1pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of NuEnergy Gas Limited for the year ended 30 June 2019, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 8 to 13 of the Directors' report for the year ended 30 June 2019.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

Daniel Camilleri
Partner

Sydney
23 September 2019

SHAREHOLDER AND OTHER INFORMATION

SHAREHOLDINGS

The issued capital of the Company as at 17 September 2019 is 1,480,955,497 ordinary fully paid shares. There are no listed options.

Range	Securities	%
100,001 and Over	1,474,245,108	99.55
10,001 to 100,000	6,044,621	0.41
5,001 to 10,000	469,151	0.03
1,001 to 5,000	170,346	0.01
1 to 1,000	26,271	0.00
Total	1,480,955,497	100.00
Unmarketable Parcels	2,349,383	0.16

Voting Rights

At general meetings of members:

- Each member entitled to vote may vote in person or by proxy, attorney or representative;
- On a show of hands, every person present who is a member or a proxy, attorney or representative of a member has one vote; and
- On a poll, every person who is a member or a proxy, attorney or representative of a member shall, in respect of each fully paid share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the share.

TOP 20 SHAREHOLDERS OF ORDINARY SHARES AS AT 17 SEPTEMBER 2019

Rank	Name	17 September 2019	%
1	NEW CENTURY ENERGY RESOURCES LIMITED	478,723,404	32.33
1	GLOBALTEC ENERGY RESOURCES SDN BHD	478,723,404	32.33
2	RHB SECURITIES SINGAPORE PTE LTD	161,890,590	10.93
3	MR KOK KEONG KONG	68,112,694	4.60
3	GOH TIAN CHUAN	68,112,694	4.60
4	CITICORP NOMINEES PTY LIMITED	60,127,989	4.06
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	19,543,946	1.32
6	KEE YONG WAH	15,410,774	1.04
7	BNP PARIBAS NOMS PTY LTD	6,710,330	0.45
8	MONAL PTY LIMITED	5,605,834	0.38
9	MORYTON PTY LIMITED	5,550,000	0.37
10	ROXTRUS PTY LTD	4,000,000	0.27
10	PAULINE LIM LAI LAI	4,000,000	0.27
11	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,817,659	0.26
12	MR THIAM KHENG ANG	3,795,271	0.26
13	JJJ NG PTY LTD	3,740,161	0.25
14	MRS MELANIE VERHEGGEN & MISS SASHA VERHEGGEN	3,106,751	0.21
15	FILMRIM PTY LTD	3,000,000	0.20
16	HAZARDOUS INVESTMENTS PTY LTD	2,678,050	0.18
17	WESTAR PRODUCTIONS PTY LTD	2,491,667	0.17
18	HSBC INVESTMENTS PTY LIMITED	2,479,949	0.17
19	MR STEWART PHILIP CRANSWICK	2,443,000	0.16
20	GREENGATE PTY LTD	2,266,073	0.15
	Total	1,406,330,240	94.96
	Balance of Register	74,625,257	5.04
	Grand TOTAL	1,480,955,497	100.00

SCHEDULE OF MINING TENEMENTS

AREA OF INTEREST	TENEMENTS	% INTEREST
Central Sumatra, Indonesia	Rengat PSC	100%
South Sumatra, Indonesia	Muara Enim PSC	40%
South Sumatra, Indonesia	Muara Enim II PSC	30%
South Sumatra, Indonesia	Tanjung Enim PSC	45%
South Sumatra, Indonesia	Muralim PSC	50%
East Kalimantan, Indonesia	Bontang Bengalon PSC	100%
Victoria, Australia	Fosterville and Eppalock exploration licence (EL 3211 and 3271)	2.5% gross gold royalty