



ANNUAL REPORT 2022



DELIVERING CLEAN ENERGY TO INDONESIA

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
Dr Ian Wang

Incorporated:

Western Australia
26 March 1985

Website:

www.nuenergygas.com

Company Secretary:

Rozanna Lee

Registered/Administration Office:

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

Phone: (02) 8076 7600
E-mail: ir@nuenergygas.com

Share Registry Office:

Link Market Services Limited
QV1 Building, Level 12, 250 St Georges Terrace
Perth WA 6000
Phone: (08) 9211 6654

Auditor:

KPMG
Tower Three
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

2022 ANNUAL FINANCIAL REPORT

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2022 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 2022 (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 | |
| Dr Ian Wang | Non-Executive Director | (appointed on 1 December 2021) |

PRINCIPAL ACTIVITIES

The principal activities of the Group are exploration, appraisal and development of hydrocarbons with a primary focus 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 or pre-development 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 after income tax of the Group attributable to owners of the Company for the financial year was \$1,905,199 (2021 profit: \$6,657,443). As at 30 June 2022, the Group has cash and cash equivalents of \$3,501,723 (2021: \$1,712,456) and net assets attributable to owners of the Company (“Net Assets”) of \$26,748,326 (2021: \$26,155,051).

REVIEW OF OPERATIONS

NuEnergy is an independent energy company focused on CBM in Indonesia. The Company’s CBM assets are in prolific hydrocarbons basins, each near major gas export pipelines, underutilised gas infrastructure and high-volume under-supplied markets. A major existing gas pipeline runs from North Sumatra through South Sumatra to Jakarta and Singapore. Indonesia is experiencing shortage of gas supply, resulting in high demand for gas which in turn culminate in attractive and stable gas sales prices. The Indonesian Government is a strong proponent for increasing domestic unconventional gas production, especially as conventional production continues to be on the decline. The Indonesian government also has targets to achieve higher consumption of clean gas of which CBM is a form of clean gas.

REVIEW OF OPERATIONS (CONTINUED)

The Company has CBM assets with total acreage of 2,278 km² under 4 production sharing contracts (“PSC”) in South Sumatra Indonesia namely Tanjung Enim PSC, Muara Enim PSC, Muralim PSC and Muara Enim II PSC and is the operator of all the these PSCs. As of to date, a total of 26 wells have been drilled. The Company’s long term strategy is to integrate these PSCs and develop a large scale CBM supply. The Company continuously puts effort in moving its CBM assets from pre-development to production, in order to monetise the reserves and deliver shareholder return.

The Company is exposed to key risks as below:

i) Funding risks.

Further funding will be required by the Company to support its ongoing exploration, development and production activities. Any inability to obtain funding will affect the business and financial condition of the Company. In this respect, the Board plans to mitigate this risk by:

- a) having in place project financing/farm-out agreements and/or capital raising activities;
- b) continuing to monetise its other investments to fund its ongoing working capital; and
- c) where applicable and if need be, deferring or managing those exploration and development activities permitted and can be scaled under the PSCs in accordance to the financial strength of the Company.

ii) Fulfilment of contractual commitments within agreed deadlines.

Each PSC has its respective exploration commitments. Failure to fulfil the minimum required exploration firm commitment may result in the termination of the PSC and/or a penalty payment may be applied to the unfulfilled firm commitment. In this respect, the Company will continue to carry out the activities to fulfill the commitments and if need be, working with the relevant authorities, towards getting some degree of flexibility in meeting the minimum commitments and/or extension of time.

The Company is committed to minimising the footprint and operational impact on the environment and local communities. The Company endeavours to generate jobs and economic benefits whilst striving to maintain standards for meeting all environment standards, rules and regulations.

Operating results for the year

The Group reported a net loss of \$1,905,199 for the financial year compared to a net profit of \$6,657,443 for the previous financial year. 2022 result included fair value loss on other investments of \$735,783. Whereas, in 2021, the Group’s result included gain from disposal of gold royalty of \$7,238,838 and a fair value gain on other investments of \$91,639. Exploration and evaluation assets increased from \$33.2 million to \$37.7 million year on year, due to exploration expenditure incurred of \$1.2 million and foreign exchange translation gain. The Group’s Net Assets increased from \$26.2 million as at 30 June 2021 to \$26.7 million at 30 June 2022 due mainly to foreign exchange translation gains. Gearing for the Group remains Nil in 2022.

Review of PSC

Tanjung Enim PSC

South Sumatra, Indonesia

NuEnergy Interest: 45%

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

On 17 June 2021, the Indonesian Ministry of Energy and Mineral Resources (“MEMR”) approved NuEnergy’s first Plan of Development (“POD”) for the Tanjung Enim PSC under a gross split scheme (referred to as Tanjung Enim POD 1) which will allow the project to proceed to field development and surface facility construction. NuEnergy shall carry out the operations and commercial development of the Tanjung Enim POD 1 exclusively. The approval of the Tanjung Enim POD 1 also represents the first CBM POD in Indonesia.

REVIEW OF OPERATIONS (CONTINUED)

Review of PSC (Continued)

The Tanjung Enim POD 1 approval covers the development in two target areas, in the north and south of the contract area covering ~33km² (or 13% of the total acreage of the Tanjung Enim PSC) where the Indonesia Research and Development Center for Oil and Gas Technology has confirmed and certified reserves totalling ~164.89 Bscf in these areas. NuEnergy has advanced its discussions and negotiations on future gas sales through gas pipeline with PT Pertamina Gas and several other potential gas buyers for compressed natural gas and liquefied natural gas, that is expected to culminate in formal gas sales agreements between the parties. The Company has received the Seller Appointment Letter from the Indonesian Special Taskforce for Upstream Oil & Gas Business Activities (“SKK Migas”) that formally authorises and appoints NuEnergy to sell CBM produced from the Tanjung Enim PSC on SKK Migas’s behalf.

During the financial year, NuEnergy continues to focus on executing its POD 1 with discussions carried out with several other parties which includes SKK Migas, MEMR and several gas gathering facility providers. In addition, NuEnergy is also progressing on the necessary environmental impact studies as required under the POD 1. The detailed framework and scope of the environmental impact studies which has been discussed and agreed between the appointed consultant and the regulatory authority/commission had been submitted to the Ministry of Forest and Environment of Indonesia. Stakeholders’ engagement comprising mainly villagers in the vicinity of the POD 1 area, and local government bodies, in respect of environmental impact studies on their lives and livelihoods have already been completed. In addition, field samples of the environment around the POD 1 area have been collected for purpose of preparing the technical report related to pollution control in respect of air, water and emissions.

NuEnergy has also received technical proposals from shortlisted engineering companies for the front-end engineering design (“FEED”) studies for its POD 1. The FEED study is expected to commence in the second half of 2022.

Muralim PSC

South Sumatra, Indonesia

NuEnergy Interest: 100%

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

In June 2021, approval of an additional exploration time was granted by MEMR for the Muralim PSC for a period of 12 months from 8 May 2021. The additional time will be utilised to complete the exploration and production testing activities on MU-005 (twin) well. NuEnergy has successfully completed permeability tests and drilled to the targeted depth of 724 meters in vertical depth, at the MU-005 (Twin) well. Four coal seam formations were confirmed between the depth of 547 meters to 669 meters. Production testing/dewatering process was temporarily suspended during the quarter ended 30 September 2021, pending the necessary permit being issued by Ministry of Environment of Indonesia. Based on the latest revised environmental regulation issued in September 2021, NuEnergy obtained the environmental permit in January 2022. With the approval, NuEnergy is now able to continue the dewatering process to determine the gas productivity for future development. However, due to COVID-19 lockdowns imposed in the supplier’s country, NuEnergy has only in end June received the necessary equipment to recommence the dewatering process. On 1 August 2022, MEMR via SKK Migas has approved an additional exploration period until 18 July 2023.

To date, there are a total of six wells that have been previously drilled in the Muralim PSC. Together with Tanjung Enim PSC and Muara Enim PSC, NuEnergy’s strategy is to create a large size CBM development in Indonesia.

Muara Enim PSC

South Sumatra, Indonesia

NuEnergy Interest: 40%

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

On 11 November 2019, NuEnergy applied for an additional exploration period beyond the end of the 10th Contract Year (29 November 2019). NuEnergy has via a letter dated 6 February 2020, been granted an additional exploration period until 19 January 2021, by the MEMR through SKK Migas to compile all geological and reservoir data, including all exploration/production data. This compilation has been completed and submitted to SKK Migas and NuEnergy has since received an acknowledgement letter from SKK Migas on 18 January 2021. The acknowledgement letter:

- i) confirms the discoveries of natural gas;
- ii) acknowledges the completion of exploration firm commitments by NuEnergy; and
- iii) allows NuEnergy to submit a plan of development within the next 3 years from 18 January 2021.

REVIEW OF OPERATIONS (CONTINUED)

Review of PSC (Continued)

Muara Enim II PSC

South Sumatra, Indonesia

NuEnergy Interest: 30%

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

The Muara Enim II PSC expired on 31 March 2019. Pending the extension of the PSC, the Board has taken the approach to impair the full carrying value of Exploration and Evaluation expenditure in the financial year at 30 June 2019 of \$6,231,964 and to record a provision for potential penalty of \$2,097,169 (USD1,500,000) in relation to the unfulfilled firm commitment under the PSC. Pursuant to discussions with SKK Migas, NuEnergy has submitted an application on 28 April 2022 to convert the Muara Enim II PSC from a cost-recovery based contract to a gross split contract which will enable an extension of time to complete its exploration firm commitments. The application is currently pending approval from MEMR.

Bontang Bengalon PSC

East Kalimantan, Indonesia

NuEnergy Interest: 100%

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

NuEnergy received the notice of termination of the Bontang Bengalon PSC from SKK Migas on 23 August 2019. With this termination, NuEnergy is required to immediately relinquish the contract area and fulfill the remaining obligations under the PSC. NuEnergy has not completed the remaining obligations and the carrying value of the Bontang Bengalon PSC exploration and evaluation assets have been fully impaired and a provision for potential penalty of USD 4,650,000, representing the balance costs of the remaining obligation, has been provided at 30 June 2019. NuEnergy is currently appealing the termination.

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.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

There are no significant events during the financial year.

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.

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 Chief Executive Officer (“CEO”) of AutoV Group and moved to become one of the lead executives at Globaltec Formation Berhad (“GFB”), an investment holding company listed on the Bursa Malaysia Securities (Malaysia Stock Exchange), with business divisions and investments in integrated manufacturing services, oil palm plantation, 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 GFB was Chairman of their energy business unit. Once GFB 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 GFB group.

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

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 merger and acquisition 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 GFB. Dr. Goh is currently the Group Executive Chairman of GFB. 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.

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 GFB. 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 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.

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 (now known as NuEnergy Gas Limited), when it first started to look at unconventional gas and coal assets in Indonesia. He stepped aside to ensure new leadership could move the company forward with its focused gas strategy. Mr. Fraser is also an Independent Director for Intra Energy Corporation Limited (IEC), listed on the ASX. Mr. Fraser has vast knowledge of working with ASX listed companies and in helping create value for the Australasian investment community.

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

Dr Ian Wang – Non-Executive Director – *PhD (Rock Mechanics & Structural Geology), MSc (Rock Mechanics & Structural Geology)*

Appointed to the Board on 1 December 2021.

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 the CEO of the Company from 1 September 2014 to 1 December 2021.

Lim Beng Hong – Chief Executive Officer (“CEO”) – *Bachelor in Geology and Chemistry*

Appointed as CEO on 1 December 2021.

Mr. Lim has more than 30 years of experience in the exploration, production and drilling in both unconventional and conventional oil and gas industries. He started his career as a field engineer for Halliburton in 1987 and held several management positions in various countries globally. Mr. Lim joined Weatherford in 2009 as Senior Country Manager and later Greka Drilling, a CBM company for a similar position responsible for operations, providing strategies and direction for the growth of its companies in China. He is also the co-founder of New Century Energy Resources, one of the major shareholders in the Company.

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

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 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 | 5 | 5 |
| Kee Yong Wah | 5 | 5 |
| Goh Tian Chuan | 5 | 5 |
| Chen Heng Mun | 5 | 5 |
| Alan Fraser | 5 | 5 |
| Dr Ian Wang (appointed on 1 December 2021) | 2 | 2 |

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

Executive Committee

The Executive Committee consists of three 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.

MEETINGS OF DIRECTORS (CONTINUED)

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 | 8 | 8 |
| Goh Tian Chuan | 8 | 8 |
| Chen Heng Mun | 8 | 8 |
| Dr Ian Wang | 8 | 8 |
| Lim Beng Hong (appointed as CEO on 1 December 2021) | 5 | 5 |

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

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.

REMUNERATION REPORT (AUDITED) (CONTINUED)

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 2022.

| | 30 June 2022 | 30 June 2021 | 30 June 2020 | 30 June 2019 | 30 June 2018 |
|--|--------------|--------------|--------------|--------------|--------------|
| Net (loss)/profit attributable to owners of the Company (\$) | (1,905,199) | 6,657,443 | (2,282,027) | (17,014,407) | (12,531,172) |
| (Loss)/Earnings per share (cents per share) | (0.13) | 0.45 | (0.15) | (1.15) | (0.85) |
| Share price at the end of the financial year (cents per share) | 1.4 | 3.7 | 0.7 | 0.7 | 4.0 |

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

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:

| | |
|---------------|--|
| Lim Beng Hong | Chief Executive Officer (appointed on 1 December 2021) |
| Dr Ian Wang | Chief Executive Officer (resigned on 1 December 2021 and appointed as Non-Executive Director on 1 December 2021) |

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.

REMUNERATION REPORT (AUDITED) (CONTINUED)

B. Directors' and key management personnel shareholdings

At 30 June 2022, 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 2021/date of appointment | Acquired / (Disposed) | At 30 June 2022 |
|------------------------------------|------------------------------------|-----------------------|-----------------|
| Directors | | | |
| Kong Kok Keong | 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 | 68,112,694 | - | 68,112,694 |
| Chen Heng Mun | - | - | - |
| Alan Fraser | 431,665 | - | 431,665 |
| Dr Ian Wang | 1,545,959 | - | 1,545,959 |
| Key management personnel | | | |
| Lim Beng Hong | | | |
| - Direct interest | - | - | - |
| - Indirect interest ^(a) | 478,723,404 | - | 478,723,404 |

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

C. Details of remuneration

In 2019, as part of the Directors' efforts to commit to the sustainability of the Group ("Directors' Commitment"), the remuneration of all the Directors (including for Dr Ian Wang, who was the CEO then) was varied as follows:

- They will receive payment for outstanding fees and salaries due to them prior and up to 31 July 2019 only when new and sufficient funding is received by the Company;
- They will waive their right to 50% of fees and salaries due to them for the period between 1 August 2019 and 31 December 2019. The remaining 50% of accrued fees and salaries for this said period will be paid when new and sufficient funding is received by the Company;
- They will waive entirely their right to fees and salaries with effect from 1 January 2020 until new and sufficient funding is received by the Company.

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 2021

In 2021, each of the Directors and the key management personnel were paid \$20,000 of their outstanding fees and salaries, and the Directors agreed for the Company to reward Alan Fraser with a one-off fee of \$75,000 for his effort and work done in the successful completion of gold royalty disposal.

In line with the Directors' Commitment, save for the one-off fee receivable by Alan Fraser, the Directors and Dr Ian Wang waived their remuneration for the financial year ended 30 June 2021.

Options as part of remuneration for the financial year ended 30 June 2021

There were no options issued or granted as remuneration during the financial year ended 30 June 2021.

REMUNERATION REPORT (AUDITED) (CONTINUED)

C. Details of remuneration (continued)

Shares issued as part of remuneration for the financial year ended 30 June 2021

There were no shares issued as remuneration during the financial year ended 30 June 2021.

Details of remuneration for the financial year ended 30 June 2022

During the year, the Deputy Executive Chairman and Dr Ian Wang (the CEO then) was paid \$40,000 each of their outstanding salaries for their contribution as executives of the Company. Mr Alan Fraser was paid \$75,000 for the one-off fee that was approved and taken up in 2021, as mentioned above. The amount of fees and salaries due to Directors and key management personnel as at 30 June 2022 amounted to \$175,833 (2021: \$290,833) and \$235,650 (2021: \$275,650) respectively. These amounts owing are non-interest bearing.

In line with the Directors' Commitment, the Directors waived their remuneration for the financial year ended 30 June 2022. The details of the remuneration of the key management personnel is as below:

| 2022 | Salary, short term employment benefits and fees | Post-employment | Other long term benefit | Share based payments | |
|--|---|-----------------------------|-------------------------|----------------------|---------|
| | Salary | Superannuation contribution | Annual leave | Options and rights | Total |
| | \$ | \$ | \$ | \$ | \$ |
| Key Management | | | | | |
| Lim Beng Hong (appointed as CEO on 1 December 2021) | 155,063 | - | - | - | 155,063 |
| Total | 155,063 | - | - | - | 155,063 |

Options as part of remuneration for the financial year ended 30 June 2022

There were no options issued or granted as remuneration during the financial year ended 30 June 2022.

Shares issued as part of remuneration for the financial year ended 30 June 2022

There were no shares issued as remuneration during the financial year ended 30 June 2022.

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' written 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.

Lim Beng Hong was employed by the Company as Chief Executive Officer on 1 December 2021. His employment contract with the Company is for an indefinite period until terminated by either party by giving three months' written notice. His total fixed remuneration is \$210,000 per annum subject to annual review.

Dr Ian Wang was employed by the Company as Chief Executive Officer from 1 September 2014 to 1 December 2021. His employment contract with the Company was for an indefinite period until terminated by either party by giving three months' written notice. His total fixed remuneration was \$262,800 per annum (excluding superannuation contributions) subject to annual review. He was eligible to participate in the Company's incentive scheme as approved by the Board from time to time.

However, in 2019, as part of the Directors, management and employees' efforts to commit to the sustainability of the Group, the remuneration of Kee Yong Wah and Dr Ian Wang was varied (with their agreement) as stated in Section C above.

REMUNERATION REPORT (AUDITED) (CONTINUED)

E. Other transactions with Directors

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

- (i) During the financial year, interest of \$78,460 (2021: \$75,834) was accrued on a loan payable to PT Indotech Metal Nusantara, a wholly owned subsidiary of GFB and related party to the Company's directors, Goh Tian Chuan and Chen Heng Mun and no interest was paid. This loan is unsecured, interest bearing at 10% per annum and repayable on demand. The total principal and interest payable was \$1,099,238 as at 30 June 2022 (2021: \$950,615).
- (ii) During the financial year interest of \$221,660 (2021: \$220,814) accrued on a loan payable to AIC Corporation Sdn Bhd, a wholly owned subsidiary of GFB and related party to the Company's directors, Goh Tian Chuan and Chen Heng Mun and no interest was paid. This loan is unsecured, interest bearing at 10% per annum and repayable on demand. The total principal and interest payable was \$3,049,520 as at 30 June 2022 (2021: \$2,607,890).
- (iii) An amount of \$130,064 (2021: \$226,061) for technical service fees was payable at 30 June 2022 to NCE, a subsidiary of the ultimate parent, GFB, a major shareholder of the Company and a related party of the Company's directors, Kee Yong Wah, Goh Tian Chuan, Chen Heng Mun, the Company's Chairman Kong Kok Keong and CEO, Lim Beng Hong.
- (iv) An amount of \$78,086 (2021: \$74,256) for directors travelling and corporate expenditure was payable at 30 June 2022 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 material 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, there were no indemnity insurance given to or effected for Directors, officers or auditors 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 18 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, 16 September 2022

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 2022, save as disclosed in the Corporate Governance Statement, the Company's corporate governance framework was consistent with the fourth edition of the Corporate Governance Principles and Recommendations released by the ASX Corporate Governance Council.

The Company publishes 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 2022 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 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, 16 September 2022



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 2022 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

KPMG

Shane O'Connor
Partner

Sydney
16 September 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2022

| | Note | 2022 \$ | 2021 \$ |
|---|------|--------------------|------------------|
| Income: | | | |
| Interest received | | 116 | 231 |
| Expenses: | | | |
| Directors' and employees' remuneration | | (26,325) | (66,516) |
| Consultants | | - | (1,242) |
| Administration expenses | 2 | (421,189) | (502,267) |
| Depreciation | | - | (27,679) |
| Finance costs | | (376,768) | (296,648) |
| Fair value changes on other investment | 5 | (735,783) | 91,639 |
| Foreign exchange (loss)/gain | | (44,338) | 219,723 |
| Gain on disposal of royalty | 5 | - | 7,238,838 |
| (Loss)/Profit before income tax | | (1,604,287) | 6,656,079 |
| Income tax benefit | 3 | - | - |
| (Loss)/Profit for the year | | (1,604,287) | 6,656,079 |
| Other comprehensive income/(expense) | | | |
| Items that are or maybe reclassified to profit or loss | | | |
| Foreign currency translation reserve | | 2,487,546 | (2,442,068) |
| Total comprehensive income for the year | | 883,259 | 4,214,011 |
| Net (loss)/profit attributable to: | | | |
| Owners of the Company | | (1,905,199) | 6,657,443 |
| Non-controlling interests | | 300,912 | (1,364) |
| | | (1,604,287) | 6,656,079 |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | 577,199 | 4,187,315 |
| Non-controlling interests | | 306,060 | 26,696 |
| | | 883,259 | 4,214,011 |
| (Loss)/Earnings per share | | | |
| Basic/Diluted (loss)/earnings per share (cents per share) | 18 | (0.13) | 0.45 |

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 2022

| | Note | 2022 \$ | 2021 \$ |
|---|------|-------------------|-------------------|
| ASSETS | | | |
| Cash and cash equivalents | | 3,501,723 | 1,712,456 |
| Other receivables and prepayments | 4 | 88,530 | 421,314 |
| Investments at FVTPL | 5 | 632,453 | 4,467,916 |
| Total current assets | | <u>4,222,706</u> | <u>6,601,686</u> |
| Investments at FVOCI | 6 | - | - |
| Plant and equipment | 8 | - | 1 |
| Exploration and evaluation assets | 9 | 37,736,372 | 33,234,627 |
| Other financial assets | 10 | 729,604 | 690,818 |
| Total non-current assets | | <u>38,465,976</u> | <u>33,925,446</u> |
| Total assets | | <u>42,688,682</u> | <u>40,527,132</u> |
| LIABILITIES | | | |
| Other payables | 11 | 2,234,553 | 2,195,130 |
| Related party payables | 12 | 4,356,908 | 3,858,831 |
| Provision for Production Sharing Contract penalties | 13 | 8,929,479 | 8,166,788 |
| Employee benefits | | - | 21,900 |
| Total current liabilities | | <u>15,520,940</u> | <u>14,242,649</u> |
| Total liabilities | | <u>15,520,940</u> | <u>14,242,649</u> |
| Net assets | | <u>27,167,742</u> | <u>26,284,483</u> |
| EQUITY | | | |
| Share capital | 14 | 106,450,311 | 106,450,311 |
| Reserves | 15 | 7,875,928 | 5,393,530 |
| Accumulated losses | | (87,577,913) | (85,688,790) |
| Equity attributable to owners of the Company | | <u>26,748,326</u> | <u>26,155,051</u> |
| Non-controlling interests | 16 | 419,416 | 129,432 |
| Total equity | | <u>27,167,742</u> | <u>26,284,483</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 2022

| | Share capital | Reserves | Accumulated losses | Non-controlling interests | Total equity |
|---|--------------------|------------------|---------------------|---------------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2020 | 106,450,311 | 7,863,658 | (92,346,233) | 102,736 | 22,070,472 |
| Net profit after tax | - | - | 6,657,443 | (1,364) | 6,656,079 |
| Other comprehensive (expense)/income | | | | | |
| - Foreign currency translation reserves | - | (2,470,128) | - | 28,060 | (2,442,068) |
| Balance at 30 June 2021 | 106,450,311 | 5,393,530 | (85,688,790) | 129,432 | 26,284,483 |
| | | | | | |
| | Share capital | Reserves | Accumulated losses | Non-controlling interests | Total equity |
| | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2021 | 106,450,311 | 5,393,530 | (85,688,790) | 129,432 | 26,284,483 |
| Net (loss)/profit after tax | - | - | (1,905,199) | 300,912 | (1,604,287) |
| De-registration of a subsidiary | - | - | 16,076 | (16,076) | - |
| Other comprehensive income | | | | | |
| - Foreign currency translation reserves | - | 2,482,398 | - | 5,148 | 2,487,546 |
| Balance at 30 June 2022 | 106,450,311 | 7,875,928 | (87,577,913) | 419,416 | 27,167,742 |

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 2022

| | Note | 2022 \$ | 2021 \$ |
|---|------|------------------|------------------|
| Cash flows from operating activities | | | |
| Interest received | | 116 | 231 |
| Payments to suppliers and employees | | (340,231) | (701,201) |
| Bank guarantee deposits released | | 63,841 | 287,298 |
| Net cash used in operating activities | 20 | <u>(276,274)</u> | <u>(413,672)</u> |
| Cash flows from investing activities | | | |
| Proceeds from disposal of gold royalty | 5 | - | 1,868,226 |
| Proceeds from disposal of other investment | | 3,239,979 | 854,036 |
| Payments for exploration and evaluation assets | 9 | (1,198,549) | (1,159,099) |
| Net cash generated from investing activities | | <u>2,041,430</u> | <u>1,563,163</u> |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | - | 290,928 |
| Net cash from financing activities | | <u>-</u> | <u>290,928</u> |
| Net increase in cash and cash equivalents | | 1,765,156 | 1,440,401 |
| Cash and cash equivalents at 1 July | | 1,712,456 | 296,298 |
| Effect of movements in exchange rates on cash held | | 24,111 | (24,243) |
| Cash and cash equivalents at 30 June | | <u>3,501,723</u> | <u>1,712,456</u> |

Reconciliation of movement of liabilities to cash flows arising from financing activities

| | At 1/7/2020 \$ | Interest accrued but not paid \$ | Net changes from financing cash flows \$ | Foreign exchange movement \$ | At 30/6/2021 \$ |
|---------------------------------|----------------------|--|---|---------------------------------------|-----------------------|
| Loans from related corporations | 3,272,270 | 296,648 | 290,928 | (301,332) | 3,558,514 |

| | At 1/7/2021 \$ | Interest accrued but not paid \$ | Net changes from financing cash flows \$ | Foreign exchange movement \$ | At 30/6/2022 \$ |
|---------------------------------|----------------------|--|---|---------------------------------------|-----------------------|
| Loans from related corporations | 3,558,514 | 300,120 | - | 290,124 | 4,148,758 |

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 2022

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 16 September 2022 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

There have been no new or revised accounting standards issued with an effective date of 1 July 2021 applicable to the Group.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

1. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Going concern

At 30 June 2022 the Group had a working capital deficiency of \$11,298,234, loss of \$1,604,287 and has no ongoing source of operating income. However, the Group has net cash inflows of \$1,765,156 for the year ended 30 June 2022 and with net assets attributable to owners of the Company of \$26,748,326 which includes \$3,501,723 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 2022, the Group had cash and cash equivalents of \$3,501,723;
- ii) As at 30 June 2022, the Group has loans (inclusive of interest payable) totalling \$4,148,758 from related parties. The major shareholders, Globaltec Energy Resources Sdn Bhd and New Century Energy Resources Limited have agreed on behalf of these related parties that these loans will not be called on, if in doing so, would place the Company into insolvency or a position where the Company could not satisfy its commitments as and when they are due. In addition, the major shareholders, Globaltec Energy Resources Sdn Bhd and New Century Energy Resources Limited will continue to provide continuous financial support to enable the Group to operate on a going concern and to meet its obligations;
- iii) The Directors have prepared a cash flow forecast for the 15-month period from 1 July 2022 to 30 September 2023 which includes:
 - planned capital raising of \$6,891,000; and
 - proceeds from the ongoing gradual disposal of the shares, held in Metalla Royalty & Streaming Ltd (listed on the TSX Venture Exchange in Canada) (as further described in Note 5) for \$632,453;

such that all planned exploration commitments of \$659,000, uncommitted appraisal and development expenditure of approximately \$5,579,000, and administrative overheads of \$2,424,000 for the 15-month period from 1 July 2022 to 30 September 2023 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 and exploration expenditure under the other PSCs to future years as these PSCs are either been extended or granted additional times to submit a plan of development;

- iv) In the event that the provision for production sharing contract penalties are called upon by the Indonesian Ministry, the major shareholders, Globaltec Energy Resources Sdn Bhd and New Century Energy Resources Limited, have provided written assurance to NuEnergy that they will support the Group in meeting these commitments should the need arises; and
- v) The Bontang Bengalon PSC has been terminated and fully impaired in financial year 2019. The Group has responded and appealed to the Government for amongst others, the transfer of the commitments to another PSC or another PSC of the Group located in South Sumatra, and is optimistic of a favourable outcome. The appeal is currently ongoing. Should the appeal be successful, it is unlikely that the said commitments will be required to be completed within 12 months from the date of this report.

After considering all the above factors, the Directors have concluded that the use of going concern assumption is appropriate. 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 or if the Bontang Bengalon PSC appeal is not successful. 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

1. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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 9 – Exploration and evaluation assets, Note 4 - Other receivables and prepayments and Note 13 - Provision for Production Sharing Contract penalties.

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 assets 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 assesses on a forward looking basis the expected credit losses associated with the cash calls owed from its PSC partners and impairment is made when there is significant increase in credit risk, as disclosed in Notes 1(h)(A) and 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.

(iii) Provision for Production Sharing Contract Penalties

The Group recognises a provision for production sharing contract penalties based on the estimated contractual commitments to fulfil the remaining obligation under a production sharing contract that has expired or terminated.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

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 7.

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 acquisition for the determination of goodwill on consolidation. 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 2022

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 |
|-------------------|---|-------------------|
| Indonesia | | |
| Muara Enim PSC | PT Trisula CBM Energi ^(A) | 40% |
| Muara Enim II PSC | Indo CBM Sumbagsel II Pte Ltd ^(A) | 30% |
| Tanjung Enim PSC | Dart Energy (Tanjung Enim) Pte Ltd ^(A) | 45% |

^(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 assets 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 assets 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 2022

1. Summary of significant accounting policies (continued)

(d) Exploration and evaluation (continued)

Exploration and evaluation assets comprise 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 assets are 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 restoration, rehabilitation and environmental costs necessitated by exploration, evaluation and development activities are provided as part of the cost of those activities where there is a legal or constructive obligation. 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 2022

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 impairment loss(es). Information about the impairment policy of other receivables is disclosed in Note 1(h) and the Group's exposure to credit risk in Note 26(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 ("FVTPL").

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 recognised in profit and loss when the asset is derecognised 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 recognised 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 recognised in profit and loss. Interest income from these financial assets is recognised using the effective interest rate method and presented in "interest income".
- **FVTPL:** 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 FVTPL. Movement in fair values and interest income that is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

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 FVTPL with movements in their fair values recognised 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 recognise 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 recognised 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

Purchases and sales of financial assets are recognised on trade date, the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised 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 recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that assets is classified to profit or loss.

B) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised 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 recognised initially at fair value plus in the case of financial liabilities not at FVTPL, directly attributable transaction costs.

Subsequent measurement

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

Such financial liabilities will comprise trade and other payables.

Derecognition

A financial liability is derecognised 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 recognised 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 are not due within 12 months from the reporting date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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) Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefit will be required to settle the obligation.

(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 2022

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

There are no new accounting Standards and interpretations issued by the AASB that are not yet mandatorily applicable to the Group, that which has a potential material impact to the financial statements on the Group when adopted in future periods.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

2. Administrative expenses

| | Consolidated | |
|---|--------------|---------|
| | 2022 | 2021 |
| | \$ | \$ |
| Included in administration expenses are:- | | |
| Audit fees | 177,441 | 195,683 |
| Stock exchange fees | 54,465 | 51,419 |
| Share registry | 24,445 | 24,469 |
| Secretarial fees | 24,000 | 24,000 |
| Insurance | - | 291 |
| Tax advisory fees | 4,500 | 1,242 |
| Other expenses | 136,338 | 205,163 |
| | 421,189 | 502,267 |

3. Taxation

(i) Income tax

| | Consolidated | |
|-------------|--------------|------|
| | 2022 | 2021 |
| | \$ | \$ |
| Tax expense | - | - |

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

| | Consolidated | |
|--|--------------|-------------|
| | 2022 | 2021 |
| | \$ | \$ |
| (Loss)/Profit before income tax | (1,604,287) | 6,656,079 |
| Tax at the Australian tax rate of 30% (2021 – 30%) | (481,286) | 1,997,004 |
| Non-deductible and non-assessable items | 329,587 | 221,167 |
| Movement in temporary difference not recognised | 107,593 | (63,246) |
| Recognition of previously unrecognised tax losses | - | (2,199,144) |
| Derecognition of tax losses - overseas controlled entities | 100,278 | 70,022 |
| Effect of tax rate in foreign countries | (56,172) | (25,803) |
| Income tax benefit | - | - |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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 | |
|--------------------------|--------------|-----------|
| | 2022 | 2021 |
| | \$ | \$ |
| Estimated tax effect of: | | |
| Tax losses – revenue | 4,048,547 | 4,048,547 |
| Tax losses – capital | 1,269,869 | 1,167,111 |
| | 5,318,416 | 5,215,658 |

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 | |
|---------------------------------------|-----|--------------|---------|
| | | 2022 | 2021 |
| | | \$ | \$ |
| <i>Current</i> | | | |
| Receivables | 4.1 | 87,682 | 285,284 |
| Deposits | | - | 70,344 |
| Amount owing by a related corporation | 4.2 | - | 50,000 |
| Prepayments | | 848 | 15,686 |
| | | 88,530 | 421,314 |

4.1

The ageing profile of the Receivables are as follows:

| | Gross carrying amount | Consolidated Impairment loss | Net balance |
|-------------------------------|--------------------------|------------------------------------|-------------|
| | \$ | \$ | \$ |
| 2022 | | | |
| Neither past due nor impaired | 87,682 | - | 87,682 |
| Past due but not impaired | - | - | - |
| Impaired | 1,164,416 | (1,164,416) | - |
| | 1,252,098 | (1,164,416) | 87,682 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

4. Other receivables and prepayments (continued)

| | Gross carrying amount \$ | Consolidated Impairment loss \$ | Net balance \$ |
|-------------------------------|--------------------------------|--|-------------------|
| 2021 | | | |
| Neither past due nor impaired | 285,284 | - | 285,284 |
| Past due but not impaired | - | - | - |
| Impaired | 1,164,416 | (1,164,416) | - |
| | 1,449,700 | (1,164,416) | 285,284 |

4.2 The amount owing by a related corporation is non-trade, unsecured, interest free and is repayable on demand.

5. Investments at FVTPL

| | Consolidated 2022 \$ | 2021 \$ |
|---|----------------------------|------------|
| Quoted shares – Outside Australia (<i>Current</i>) | | |
| Balance at beginning of year | 4,467,916 | - |
| Acquired as part of the consideration on disposal of gold royalty | - | 5,370,612 |
| Disposed during the year | (3,099,680) | (994,335) |
| Fair value changes during the year | (735,783) | 91,639 |
| Balance at end of year | 632,453 | 4,467,916 |

In 2021, the Company and its subsidiary, Sheraton Pines Pty had entered into a conditional Royalty Purchase and Sale Agreement (“Royalty Agreement”) with Metalla Royalty & Streaming Ltd (“Metalla”). The Company and Sheraton are hereinafter collectively referred to as the “Sellers”. The Royalty Agreement entails the Sellers’ selling and assigning the royalty, to Metalla for a total consideration comprised of \$1,868,226 in cash and 467,730 shares in Metalla which are listed on the TSX Venture Exchange in Canada. This disposal has been completed in 2021 with a gain on disposal of \$7,238,838 and an other investment of \$5,370,612 being the fair value of the Metalla shares being recognised in the financial statements on the date of completion of the disposal

The gain on disposal of the royalty in 2021, is computed as below:

| | |
|---|-----------|
| | \$ |
| Cash consideration (net) | 1,868,226 |
| Fair value of listed shares outside Australia received as consideration | 5,370,612 |
| Total consideration | 7,238,838 |
| Carrying value of royalty | - |
| Gain on disposal of royalty | 7,238,838 |

6. Investments at FVOCI

Investments at FVOCI comprise of investment in shares listed in Australia, which has Nil carrying value since 2019. The shares were suspended from trading in 2019 and delisted during the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

7. Subsidiaries

The details of the subsidiaries are as follows:

| | Country of incorporation | Equity holding | |
|--|-----------------------------|----------------|-----------|
| | | 2022 % | 2021 % |
| Indon CBM Pty Ltd | Australia | 100 | 100 |
| PT Trisula CBM Energi | Indonesia | 95 | 95 |
| Indo CBM Sumbagsel II Pte Ltd | Singapore | 100 | 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 |
| PT Dart Energy Indonesia | Indonesia | - | 95 |

PT Dart Energy Indonesia (a dormant subsidiary) was de-registered during the year.

8. Plant and equipment

| | Equipment and machinery | Tools, jigs and fixtures | Furniture, fittings, office equipment and renovation | Total |
|---|-------------------------------|-----------------------------|---|----------------|
| Consolidated | \$ | \$ | \$ | \$ |
| Cost | | | | |
| At 1 July 2020 | 364,900 | 42,751 | 269,821 | 677,472 |
| Currency translation differences | (32,128) | (3,764) | (35,266) | (71,158) |
| At 30 June 2021/1 July 2021/30 June 2022 | 332,772 | 38,987 | 234,555 | 606,314 |
| Accumulated depreciation | | | | |
| At 1 July 2020 | 364,900 | 42,751 | 239,775 | 647,426 |
| Depreciation | - | - | 27,679 | 27,679 |
| Currency translation differences | (32,128) | (3,764) | (32,900) | (68,792) |
| At 30 June 2021/1 July 2021 | 332,772 | 38,987 | 234,554 | 606,313 |
| Depreciation | - | - | 1 | 1 |
| At 30 June 2022 | 332,772 | 38,987 | 234,555 | 606,314 |
| Carrying value | | | | |
| At 1 July 2020 | - | - | 30,046 | 30,046 |
| At 30 June 2021 | - | - | 1 | 1 |
| At 30 June 2022 | - | - | - | - |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

9. Exploration and evaluation assets

| | | Consolidated | |
|-----------------------------------|-----|--------------|--------------|
| | | 2022 | 2021 |
| | | \$ | \$ |
| Balance at beginning of year | | 33,234,627 | 35,322,807 |
| Additions | | 1,198,549 | 1,159,099 |
| Exchange differences | | 3,303,196 | (3,247,279) |
| Balance at end of year | | 37,736,372 | 33,234,627 |
| Exploration and evaluation assets | | 59,296,298 | 55,072,403 |
| VAT capitalised | 9.1 | 3,612,950 | 3,335,100 |
| Accumulated impairment loss | | (25,172,876) | (25,172,876) |
| Carrying value | | 37,736,372 | 33,234,627 |

The exploration and evaluation assets comprise of:

| | PSC | Status | Carrying value (\$) | |
|----|------------------|---|---------------------|------------|
| | | | 30/6/2022 | 30/6/2021 |
| i) | Tanjung Enim PSC | <p>The Indonesian Ministry of Energy and Mineral Resources (“MEMR”) has on 17 June 2021, approved NuEnergy’s first Plan of Development (“POD”) for the Tanjung Enim under a gross split scheme (referred to as Tanjung Enim POD 1) which will allow the project to proceed to field development, surface facility construction. NuEnergy shall carry out the operations and commercial development of the Tanjung Enim POD 1 singly and exclusively. The approval of the Tanjung Enim POD 1 also represents the first CBM POD 1n Indonesia.</p> <p>The Tanjung Enim POD 1 approval covers the development in two target areas, in the north and south of the contract area covering ~33km² (or 13% of the total acreage of the Tanjung Enim PSC) where the Indonesia Research and Development Center for Oil and Gas Technology has confirmed and certified reserves totalling ~164.89 Bscf in these areas.</p> <p>NuEnergy has advanced its discussions and negotiations on future gas sales through gas pipeline with PT Pertamina Gas and several other potential gas buyers for compressed natural gas and liquefied natural gas, that is expected to culminate in formal gas sales agreements between the parties. The Company has received the Seller Appointment Letter from the Indonesian Special Taskforce for Upstream Oil & Gas Business Activities (“SKK Migas”) that formally authorises and appoints NuEnergy to sell CBM produced from the Tanjung Enim PSC on SKK Migas’s behalf.</p> | 11,905,337 | 10,223,324 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

9. Exploration and evaluation assets (continued)

| | PSC | Status | Carrying value (\$) | |
|-----|------------------|---|---------------------|------------|
| | | | 30/6/2022 | 30/6/2021 |
| i) | Tanjung Enim PSC | During the financial year, NuEnergy continues to focus on executing its POD 1 with discussions carried out with several other parties which includes SKK Migas, MEMR and several gas gathering facility providers. In addition, NuEnergy is also progressing on the necessary environmental impact studies as required under the POD 1. The detailed framework and scope of the environmental impact studies which has been discussed and agreed between the appointed consultant and the regulatory authority/commission had been submitted to the Ministry of Forest and Environment of Indonesia. Stakeholders' engagement comprising mainly villagers in the vicinity of the POD 1 area, and local government bodies, in respect of environmental impact studies on their lives and livelihoods have already been completed. In addition, field samples of the environment around the POD 1 area have been collected for purpose of preparing the technical report related to pollution control in respect of air, water and emissions. NuEnergy has also received technical proposals from shortlisted engineering companies for the front-end engineering design ("FEED") studies for its POD 1. The FEED study is expected to commence in the second half of 2022. | 11,905,337 | 10,223,324 |
| ii) | Muara Enim PSC | NuEnergy has via a letter dated 6 February 2020, been granted an additional exploration period of until 19 January 2021, from the Ministry of Energy and Mineral Resources ("MEMR") through Special Task Force for Upstream Oil and Gas Business Activities ("SKK Migas") to compile all geological and reservoir data, including all exploration/production data. This compilation has been completed and submitted to SKK Migas and NuEnergy has since received an acknowledgement letter from SKK Migas on 18 January 2021. The acknowledgement letter: i) confirms the discoveries of natural gas; ii) acknowledges the completion of exploration firm commitments by NuEnergy; and iii) allows NuEnergy to submit a plan of development within the next 3 years from 18 January 2021. | 21,866,515 | 19,892,268 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

9. Exploration and evaluation assets (continued)

| | PSC | Status | Carrying value (\$) | |
|------|-------------|---|---------------------|-----------|
| | | | 30/6/2022 | 30/6/2021 |
| iii) | Muralim PSC | <p>In June 2021, approval of an additional exploration time was granted by the MEMR for the Muralim PSC for a period of 12 months from 8 May 2021. The additional time was utilised to complete the exploration and production testing activities on MU-005 (twin) well. NuEnergy has successfully completed permeability tests and drilled to the targeted depth of 724 meters in vertical depth, at the MU-005 (Twin) well. Five coal seam formations were confirmed between the depth of 547 meters to 684 meters. Production testing/dewatering process was temporarily suspended during the quarter ended 30 September 2021, pending the necessary permit being issued by Ministry of Environment of Indonesia. Based on the latest revised environmental regulation issued in July 2021, NuEnergy obtained the environmental permit in January 2022. With the approval, NuEnergy is now able to continue the dewatering process to determine the gas productivity for future development. However, due to COVID-19 lockdowns imposed in the supplier's country, NuEnergy has only in end June received the necessary equipment to recommence the dewatering process. On 1 August 2022, MEMR via SKK Migas has approved an additional exploration period until 18 July 2023.</p> <p>To date, there are a total of six wells that have been previously drilled in the Muralim PSC. Together with Tanjung Enim PSC and Muara Enim PSC, NuEnergy's strategy is to create a large size CBM development in Indonesia.</p> | 3,964,520 | 3,119,035 |

Impairment assessment

Tanjung Enim PSC

As mentioned above, NuEnergy has obtained the approval for its plan of development for its Tanjung Enim PSC POD 1 on 17 June 2021. In 2020, NuEnergy in its impairment assessment of its exploration and evaluation assets has engaged an independent professional valuer in determining the recoverable amounts of its PSCs. In accordance to valuation guidance provided under the Society of Petroleum Engineers' internationally recognised Petroleum Management System and Section 8.3 of the VALMIN Code, 2015 Edition, "Appropriate Valuation Approach", Table 1, and as the Tanjung Enim PSC is a development-ready asset (as defined by the VALMIN Code), the valuation methodologies applicable to the Tanjung Enim PSC, shall be the Income-based Approach and/or Market-based Approach. Since Tanjung Enim PSC's POD 1 is the first and only CBM POD in Indonesia, there are no market comparable transactions that can be used to perform the valuation for Tanjung Enim PSC. All other CBM assets in Indonesia are still under exploration phase. Therefore, only the Income-based approach is considered in the valuation. The Income-based approach uses discounted cash flow model, which is the value in use of the Tanjung Enim PSC, to derive the recoverable amount of the Tanjung Enim PSC and the Board is of the view that there is no significant change in that recoverable amount as at 30 June 2022 as there has not been any substantial changes in the assumptions since 30 June 2021.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

9. Exploration and evaluation assets (continued)

Impairment assessment (continued)

Tanjung Enim PSC (continued)

As at 30 June 2022, the recoverable amount of the Tanjung Enim PSC was higher than its carrying amount and hence, no impairment loss was recognised. The Board is of the opinion that the following key assumptions used in the above valuation report in arriving at the recoverable amount are still fair and reasonable:

- Gas sales price of US\$5.4/MMBTU over the life of the model has been determined based on the current market gas price in the area of about US\$6/MMBTU and after discussion with the authorities. The final gas price will be dependent on the prevailing market condition at the time when gas sale agreements are concluded;
- Amount of recoverable reserves/resources and forecasted production quantities over identified time periods totalling 130.9 bcf are supported by a reservoir study, reserves and production rates certified by geologists and experts;
- The estimated costs and schedules associated with the PSCs to develop, recover, and produce the quantities, including abandonment, decommissioning, and restoration (ADR) costs costing are based on past experience/records and quotations from vendors and comparisons made with existing third party PSCs;
- The project life/forecast period of financial year 2022 to financial year 2039 refers to the remaining contract period together with the recoverable reserves/resources and production rates; and
- After-tax discount rate of 10% was applied in discounting the cash flows. The discount rate was determined based on the Group's weighted average cost of capital adjusted for the risk of the underlying assets.

Muara Enim and Muralim PSCs

Recoverability of the carrying amount of these PSCs are dependent on the successful development and commercial exploitation, or sale of CBM. Management have obtained external valuation reports for the Muara Enim and Muralim PSC as at 30 June 2020 assessed using a market based and cost valuation approach. The Board is of the opinion that the basis and assumptions used in the said valuation reports are still relevant and support the carrying value of these PSCs.

- 9.1 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

10. Other financial assets

| | Consolidated 2022 \$ | 2021 \$ |
|--|----------------------------|------------|
| <i>Non-current</i> | | |
| Term deposits related to performance bond guarantee for Indonesia PSC purposes | 729,604 | 690,818 |

The term deposits are placed for a minimum period of two years or until the performance bond guarantee totalling \$5,636,669 (2021: \$4,331,123), are withdrawn and the effective interest rate was 0.035%.

11. Other payables

| | Consolidated 2022 \$ | 2021 \$ |
|--|----------------------------|------------|
| <i>Current</i> | | |
| Other payables | 1,769,070 | 1,552,739 |
| Accruals | 54,000 | 75,908 |
| Amount owing to Key Management Personnel | 411,483 | 566,483 |
| | 2,234,553 | 2,195,130 |

12. Related party payables

| | | Consolidated 2022 \$ | 2021 \$ |
|---------------------------------------|------|----------------------------|------------|
| Amount due to ultimate parent company | 12.1 | 78,086 | 74,256 |
| Amount due to substantial shareholder | 12.2 | 130,064 | 226,061 |
| Loans from related corporations | 12.3 | 4,148,758 | 3,558,514 |
| | | 4,356,908 | 3,858,831 |

12.1 The amount due to the ultimate parent, Globaltec Formation Berhad ("GFB") is non-trade, unsecured, interest free and repayable on demand.

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

12.3 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.

13. Provision for Production Sharing Contract penalties

| | Consolidated 2022 \$ | 2021 \$ |
|---------------------------------------|----------------------------|------------|
| <i>Current</i> | | |
| Production Sharing Contract penalties | 8,929,479 | 8,166,788 |

The penalties were provided for the Bontang Bengalon PSC of \$6,751,557 (2021: \$6,174,889) and for the Muara Enim II PSC of \$2,177,922 (2021: \$1,991,899) to fulfil the remaining obligation under the PSCs. The increase in the provision is due to foreign exchange translation losses arising from movement in exchange rates.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

13. Provision for Production Sharing Contract penalties (continued)

The Muara Enim II PSC expired on 31 March 2019. 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 asset at 30 June 2019 of \$6,231,964 and record a provision for the penalty of USD1,500,000 to fulfil the remaining obligation under the PSC. However, it is worth noting that the Government has not decided on the status of the Muara Enim II PSC. Pursuant to discussions with SKK Migas, NuEnergy has submitted an application on 28 April 2022 to convert the Muara Enim II PSC from a cost-recovery based contract to a gross split contract which will enable an extension of time for NuEnergy to complete its exploration commitments for its Muara Enim II PSC. The application is currently pending approval from MEMR.

NuEnergy has received the notice of termination of the Bontang Bengalon PSC from SKK Migas on 23 August 2019. With this termination, NuEnergy is required to immediately relinquish the contract area and fulfil the remaining obligations under the PSC. NuEnergy has not completed the remaining obligations and the carrying value of the Bontang Bengalon PSC exploration and evaluation assets has been fully impaired and a provision for penalty of USD4,650,000, representing the balance costs of the remaining obligation has been provided as at 30 June 2019. NuEnergy is currently appealing the termination with amongst others, the transfer of the commitments to another PSC or another PSC of the Group located in South Sumatra, in and is optimistic of a favourable outcome. The appeal is currently ongoing.

14. Share capital

(i) Issued capital

| | Consolidated | | Consolidated | |
|----------------------------|---------------|---------------|--------------|-------------|
| | 2022 | 2021 | 2022 | 2021 |
| | Shares | Shares | \$ | \$ |
| 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 2020 | 1,480,955,497 | 106,450,311 |
| No movement during the year | - | - |
| Balance at 30 June 2021/1 July 2021 | 1,480,955,497 | 106,450,311 |
| No movement during the year | - | - |
| Balance at 30 June 2022 | 1,480,955,497 | 106,450,311 |

(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 arrangements and or the sale of assets.

There is no current intention to procure external debt funding on behalf of the Company. The Group is not subject to any externally imposed capital requirements. No dividends were paid in 2022 (2021: Nil). Management reviews management accounts on a monthly basis and regularly reviews actual expenditures against budget.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

15. Reserves

| Consolidated | Foreign currency translation reserve \$ |
|---|--|
| Balance at 1 July 2020 | 7,863,658 |
| Foreign operations foreign currency translation differences | (2,470,128) |
| Balance at 30 June 2021/1 July 2021 | <u>5,393,530</u> |
| Foreign operations foreign currency translation differences | 2,482,398 |
| Balance at 30 June 2022 | <u><u>7,875,928</u></u> |

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.

16. Non-controlling interests

| 2022 | PT Trisula CBM Energi \$ | PT Dart Energy Indonesia* \$ | Total \$ |
|---|-----------------------------------|---------------------------------------|----------------|
| NCI percentage of ownership interest and voting interest | 5% | 5% | |
| Carrying amount of NCI | <u>419,416</u> | <u>-</u> | <u>419,416</u> |
| (Loss)/Profit allocated to NCI | <u>(531)</u> | <u>301,443</u> | <u>300,912</u> |

*The subsidiary has been de-registered during the financial year.

Summarised financial information before intra-group elimination

| | PT Trisula CBM Energi \$ | PT Dart Energy Indonesia \$ | Total \$ |
|--|--------------------------------|-----------------------------------|------------------|
| As at 30 June 2022 | | | |
| Non-current assets | 26,321,913 | - | 26,321,913 |
| Current assets | 6,092 | - | 6,092 |
| Current liabilities | (311,679) | - | (311,679) |
| Non-current liabilities | (24,133,449) | - | (24,133,449) |
| Foreign currency translation reserve | 6,505,454 | - | 6,505,454 |
| Net assets attributable to owners of the Company | <u>8,388,331</u> | <u>-</u> | <u>8,388,331</u> |
| Year ended 30 June 2022 | | | |
| Revenue | - | - | - |
| (Loss)/Profit for the year | <u>(10,617)</u> | <u>6,028,862</u> | <u>6,018,244</u> |
| Cash flows used in operating activities | (951) | - | (951) |
| Cash flows from investing activities | - | - | - |
| Cash flows from financing activities | - | - | - |
| Effect of exchange rate fluctuations | 20 | - | 20 |
| Net decrease in cash and cash equivalents | <u>(931)</u> | <u>-</u> | <u>(931)</u> |

16. Non-controlling interests (continued)

| | PT Trisula CBM Energi \$ | PT Dart Energy Indonesia \$ | Total \$ |
|--|-----------------------------------|--------------------------------------|-------------|
| 2021 | | | |
| NCI percentage of ownership interest and voting interest | 5% | 5% | |
| Carrying amount of NCI | 419,976 | (290,545) | 129,432 |
| Loss allocated to NCI | (1,364) | - | (1,364) |

Summarised financial information before intra-group elimination

| | PT Trisula CBM Energi \$ | PT Dart Energy Indonesia \$ | Total \$ |
|--|--------------------------------|-----------------------------------|--------------|
| As at 30 June 2021 | | | |
| Non-current assets | 24,079,170 | 2,395 | 24,081,565 |
| Current assets | 17,165 | 22,921 | 40,086 |
| Current liabilities | (291,900) | (5,834,671) | (6,126,571) |
| Non-current liabilities | (20,550,265) | - | (20,550,265) |
| Foreign currency translation reserve | 5,145,342 | (1,536) | 5,143,806 |
| Net assets attributable to owners of the Company | 8,399,512 | (5,810,891) | 2,588,621 |

Year ended 30 June 2021

| | | | |
|---|----------|---|----------|
| Revenue | - | - | - |
| Loss for the year | (27,288) | - | (27,288) |
| Cash flows used in operating activities | 837 | - | 837 |
| Cash flows from investing activities | - | - | - |
| Cash flows from financing activities | - | - | - |
| Effect of exchange rate fluctuations | (114) | - | (114) |
| Net increase in cash and cash equivalents | 723 | - | 723 |

17. 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 |
| Dr Ian Wang | Non-Executive Director |

(b) Other key management personnel

| | |
|---------------|-------------------------|
| Lim Beng Hong | Chief Executive 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 | |
|--------------------------------|--------------|------------|
| | 2022 \$ | 2021 \$ |
| Short-term employment benefits | 155,063 | 75,000 |
| Other long-term benefit | - | - |
| | 155,063 | 75,000 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

17. Key management personnel disclosures (continued)

As disclosed in Note 11, included in other payables and accruals, the amount of fees and salaries due to Directors and key management personnel as at 30 June 2022 amounted to \$175,833 (2021: \$290,833) and \$235,650 (2021: \$275,650) respectively. These amounts owing are non-interest bearing.

18. 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:

| | 2022 \$ | 2021 \$ |
|--|----------------|----------------|
| (a) KPMG Australia | | |
| <i>Audit and review of financial statements - Group</i> | 116,246 | 122,673 |
| <i>Other services</i> | - | - |
| Total remuneration of KPMG Australia | <u>116,246</u> | <u>122,673</u> |
| (b) Related practices of KPMG | | |
| <i>Audit and review of financial statements - Subsidiaries</i> | <u>53,598</u> | <u>65,538</u> |
| <i>Other services</i> | | |
| Tax compliance services | <u>4,950</u> | <u>4,651</u> |
| Total other services | <u>6,409</u> | <u>4,651</u> |
| Total remuneration of related practices of KPMG | <u>60,007</u> | <u>70,189</u> |
| (c) Non-KPMG audit firms | | |
| <i>Audit and review of financial statements</i> | <u>7,567</u> | <u>5,579</u> |
| <i>Other services</i> | | |
| Tax compliance services | <u>2,396</u> | <u>3,983</u> |
| Total other services | <u>2,396</u> | <u>3,983</u> |
| Total remuneration of non-KPMG audit firms | <u>9,960</u> | <u>9,562</u> |
| Total auditor's remuneration | <u>186,213</u> | <u>202,424</u> |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

19. (Loss)/Earnings per share

Income and share data used in the calculations of basic and diluted earnings/(loss) per share:

| | Consolidated | |
|--|---------------------|------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Net (loss)/profit attributable to the owners of the Company | (1,905,199) | 6,657,443 |
| | Number of | Number of |
| | shares | 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)/earnings per share (cents per share) | (0.13) | 0.45 |
| Diluted (loss)/earnings per share (cents per share) | (0.13) | 0.45 |

Diluted loss per share is the same as basic as the Company has not issued any dilutive instruments.

20. Expenditure commitments and contingent liabilities

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

| | Consolidated | |
|--|---------------------|-------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Not longer than 1 year | 659,000 | 500,000 |
| Longer than 1 year and not longer than 5 years | 413,000 | 1,867,000 |
| | 1,072,000 | 2,367,000 |

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 Contracts may be moved into future years after negotiation with the Indonesian Oil and Gas Regulator. The Group has negotiated the postponement of \$1,072,000 firm commitments until future periods but within the commitment deadlines of 18 July 2023 and 17 January 2024 for Muralim PSC and Muara Enim PSC respectively, and has met the required commitments for the current financial year.

The Group has performance bond guarantee at year end of \$5,636,669 (2021: \$4,331,123) 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

21. Reconciliation of (loss)/profit after income tax to net cash used in operating activities

| | Consolidated | |
|---|--------------|-------------|
| | 2022 | 2021 |
| | \$ | \$ |
| (Loss)/Profit after income tax | (1,604,287) | 6,656,079 |
| Adjustment for non-cash items: | | |
| Depreciation of plant and equipment | - | 27,679 |
| Fair value changes on other investment | 735,783 | (91,639) |
| Finance costs | 376,768 | 296,648 |
| Gain on disposal of gold royalty | - | (7,238,838) |
| Unrealised forex (gain)/loss | 44,338 | (219,723) |
| | (447,398) | (569,794) |
| Changes in working capital: | | |
| Decrease in Other receivables and prepayments | 281,820 | 49,506 |
| (Decrease)/Increase in Other payables | (110,696) | 106,598 |
| Net cash used in operating activities | (276,274) | (413,672) |

22. Segment information

Geographical location

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.

The exploration assets of the Group are predominantly located in Indonesia. The Company’s principal and registered office is located in Australia. All the non-current assets of the Group are located in Indonesia. The Group is currently under the exploration and appraisal phase and has no revenues from external customers.

23. Related party transactions

(i) Key management personnel

Disclosures relating to key management personnel are set out in Note 17.

(ii) Transaction with related parties

GFB is the ultimate parent of the Company.

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

- (i) During the financial year, interest of \$78,460 (2021: \$75,834) was payable to PT Indotech Metal Nusantara, a wholly owned subsidiary of GFB and related party to the Company’s directors, Goh Tian Chuan and Chen Heng Mun and no interest was paid. This loan is unsecured, interest bearing at 10% per annum and repayable on demand. The total principal and interest payable was \$1,099,238 as at 30 June 2022 (2021: \$950,615).
- (ii) During the financial year interest of \$221,660 (2021: \$220,814) accrued on the loan payable to AIC Corporation Sdn Bhd a wholly owned subsidiary of GFB and related party to the Company’s directors, Goh Tian Chuan and Chen Heng Mun and no interest was paid. This loan is unsecured, interest bearing at 10% per annum and repayable on demand. The total principal and interest payable was \$3,049,520 as at 30 June 2022 (2021: \$2,607,890).
- (iii) An amount of \$130,064 (2021: \$226,061) for technical service fees was payable at 30 June 2022 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, the Company’s Chairman Kong Kok Keong, and CEO, Lim Beng Hong.
- (iv) An amount of \$78,086 (2021: \$74,256) for directors travelling and corporate expenditure was payable at 30 June 2022 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.
- (v) The amount of fees and salaries due to Directors as at 30 June 2022 amounted to \$175,833 (2021: \$290,833). These amounts owing are non-interest bearing.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

24. Significant events

There are no other significant events during the financial year.

25. Subsequent events

The Directors are not aware of any material events that have occurred subsequent to the financial year .

26. Financial risk management objectives and policies

The Group's principal financial instruments comprise cash, short-term deposits, equity investments at fair value through FVTPL, 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, price risk and liquidity risks given the financial position as at 30 June 2022. 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 2022

26. 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 | |
|--------------------------------------|------|---------------------|-------------|
| | | 2022 | 2021 |
| | | \$ | \$ |
| <i>Floating Interest Rate</i> | | | |
| Cash at bank | | 3,501,723 | 1,712,456 |
| Other financial assets | 10 | 729,604 | 690,818 |
| | | 4,231,327 | 2,403,274 |
| <i>Fixed Interest Rate</i> | | | |
| Related party payables | 12.3 | (4,148,758) | (3,558,514) |
| | | (4,148,758) | (3,558,514) |

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 | | | |
|------------------------------------|--|---|------------------------------|------------------------------|------------------------------|
| | | 2022 | | 2021 | |
| | | +100 basis points | -100 basis points | +100 basis points | -100 basis points |
| | | \$ | \$ | \$ | \$ |
| Consolidated | | | | | |
| Floating interest rate instruments | | 42,313 | (42,313) | 24,035 | (24,035) |

(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 FVTPL equity. The FVTPL equity investment is traded on the TSX Venture Exchange in Canada and fall under Level 1 of the fair value hierarchy. Authorised Directors of the Company monitors the FVTPL equity investment and all buy and sell decisions are approved by the authorised Directors.

This analysis assumes that all other variables remain constant and the Group's equity investments moved in correlation with the TSX Venture Exchange in Canada ("TSX"). A 1% strengthening in the TSX at the end of the reporting period would have decreased post-tax loss by \$6,325 (2021: \$44,679) for the FVTPL equity investment. A 1% weakening in the TSX would have had equal but opposite effect on profit or loss

The FVOCI equity comprise of shares that were listed on the ASX, has Nil carrying value since 2019. The shares were suspended from trading in 2019 and delisted during the year. There is no material equity price risk arising from the FVOCI equity.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

26. Financial risk management objectives and policies (continued)

(c) Liquidity risk

The Group manages liquidity risk by maintaining sufficient cash reserves and marketable securities, through the continuous monitoring of budgeted and actual cash flows and expected assistance and loans provided by the major shareholders, Globaltec Energy Resources Sdn Bhd and New Century Energy Resources Limited, to meet commitments as they fall due.

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:

| Consolidated | Carrying amounts \$ | Less than 1 year \$ | 1 to 2 year(s) \$ | 2 to 5 years \$ | Over 5 years \$ | Total \$ |
|------------------------|---------------------------|---------------------------|-------------------------|--------------------|-----------------------|-------------------|
| 2022 | | | | | | |
| Other payables | 11,164,032 | 11,164,032 | - | - | - | 11,166,792 |
| Related party payables | 4,356,908 | 4,356,908 | - | - | - | 4,356,908 |
| | <u>15,520,940</u> | <u>15,520,940</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>15,523,700</u> |
| 2021 | | | | | | |
| Other payables | 10,361,918 | 10,361,918 | - | - | - | 10,361,918 |
| Related party payables | 3,858,831 | 3,858,831 | - | - | - | 3,858,831 |
| | <u>14,220,749</u> | <u>14,220,749</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>14,220,749</u> |

(d) Commodity price risk

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

As the Group has not commenced any commercial production, its exposure to commodity price risk is not high. However, the valuation of its PSC assets, especially where those that are in the development stages are subject to fluctuations in gas sale prices.

(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 | 2022 IDR | Total | USD | 2021 IDR | Total |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Cash and cash equivalents | 3,491,474 | 7,048 | 3,498,522 | 1,580,734 | 14,922 | 1,595,656 |
| Other financial assets | 729,604 | - | 729,604 | 140,299 | 125,144 | 265,443 |
| Other payables | (61,376) | (1,563,215) | (1,624,591) | - | (782,237) | (782,237) |
| Related party payables | (3,257,667) | (1,099,238) | (4,356,908) | (2,908,216) | (950,615) | (3,858,831) |
| Net statement of financial position exposure | <u>902,035</u> | <u>(2,655,405)</u> | <u>(1,753,373)</u> | <u>(1,187,183)</u> | <u>(1,592,786)</u> | <u>(2,779,969)</u> |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

26. 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.

| | 2022 | | 2021 | |
|--|----------|-----------|-----------|-----------|
| | USD | IDR | USD | IDR |
| | \$ | \$ | \$ | \$ |
| Increase | | | | |
| Impact on profit for the year: increase/(decrease) | 90,204 | (265,540) | (118,718) | (159,279) |
| Decrease | | | | |
| Impact on profit for the year: (decrease)/increase | (90,204) | 265,540 | 118,718 | 159,279 |

(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 2022

27. Parent entity information

(a) Summary financial information

| | | Parent entity | |
|---|------|---------------|--------------|
| | | 2022 | 2021 |
| | | \$ | \$ |
| Balance sheet | | | |
| Current assets | | 3,981,344 | 6,255,601 |
| Non-current assets | 27.1 | 29,685,368 | 28,355,674 |
| Total assets | | 33,666,712 | 34,611,275 |
| Current liabilities | 27.2 | 5,057,710 | 4,701,004 |
| Non-current liabilities | | - | - |
| Total liabilities | | 5,057,710 | 4,701,004 |
| Net assets | | 28,609,022 | 29,910,271 |
| <i>Shareholders' equity</i> | | | |
| Share capital | | 106,450,311 | 106,450,311 |
| Accumulated losses | | (77,841,289) | (76,540,040) |
| | | 28,609,022 | 29,910,271 |
| (Loss)/Profit for the year | | (1,301,249) | 6,957,495 |
| Total comprehensive (expense)/income | | (1,301,249) | 6,957,495 |

27.1 Included in the non-current assets are net amounts owing from subsidiaries amounting to \$7,945,737 (2021: \$6,616,044). These amounts are interest free and are repayable on demand. During the financial year there are no impairment loss. (2021: Impairment loss of Nil) has been recorded against the recoverable value of these receivables.

27.2 Included in the current liabilities are \$4,356,908 (2021: \$3,632,761) owing to related parties.

(b) Commitments and contingencies

The Company has no commitments or contingent liabilities (2021: 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 2022 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 2022
- 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
- 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 (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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 as the Group
 - i. has not commenced production, and has loss making operations and requirements to meet exploration commitments contained within specific Production Sharing Contracts and development plans
 - ii. plans to dispose of shares held in Metalla Royalty & Streaming Ltd; 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.

This matter was 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 this matter.

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 capitalised (AU\$37,736,372) | |
|---|--|
| Refer to Note 9 "Exploration and Evaluation Assets" 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 88% 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 E&E expenditure and presence of impairment indicators. The presence of impairment indicators would necessitate a detailed analysis by the Group of the carrying value of E&E. Given the criticality of this to the | <p>Our procedures included:</p> <ul style="list-style-type: none"> • Evaluating the Group's accounting policy to recognise exploration and evaluation assets using the criteria in the accounting standard; • Assessing 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 in for consistency with documentation such as Joint Operating Agreements ("JOAs"). We checked planned work programmes for consistency with the areas identified; • For each area of interest, we assessed the Group's current rights to tenure by checking the ownership |

| | |
|--|---|
| <p>scope and depth of our work, we involved senior team members to challenge the Group's determination that no such indicators existed.</p> <p>In assessing the conditions allowing capitalisation of E&E expenditure, we focused on:</p> <ul style="list-style-type: none"> 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. There is 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. <p>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 uncertain renewal of rights to tenure and the financial position of the Group, we paid particular attention to:</p> <ul style="list-style-type: none"> 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; results from latest activities regarding the existence or otherwise of economically recoverable and a commercially viable quantity of gas resources or reserves. | <p>of the relevant license to underlying documentation, including PSC agreements, JOAs and letters 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;</p> <ul style="list-style-type: none"> 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, minutes of meetings with relevant Indonesian regulatory authorities, ASX announcements, and cash flow forecasts, for consistency with the Group's stated intentions for continuing E&E in certain areas; We corroborated the Group's stated intentions for continuing E&E with key operations and finance personnel; 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 activities including 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; We obtained area of interest expenditure obligations and assessed evidence of the ability to fund continued activities, including board minutes and budgets. We assessed the ability of the ultimate holding company to provide debt or capital in the event of a delay in capital raising. We identified those areas relying on alternate funding sources and evaluated |
|--|---|

| | |
|--|--|
| | <p>the capacity of the Group to secure such funding, in light of the material uncertainty related to going concern and access to funding needs more broadly.</p> <ul style="list-style-type: none"> • We obtained area of interest expenditure obligations and assessed 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. • We assessed the disclosures in the financial report against the requirements of the accounting standards. |
|--|--|

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
- 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: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. 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 2022, 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 7 to 11 of the Directors' report for the year ended 30 June 2022.

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

KPMG

Shane O'Connor
Partner

Sydney
16 September 2022

SHAREHOLDER AND OTHER INFORMATION

SHAREHOLDINGS

The issued capital of the Company as at 30 August 2022 is 1,480,955,497 ordinary fully paid shares. There are no listed options.

| Range | Securities | % | No. of holders | % |
|----------------------|----------------------|---------------|----------------|---------------|
| 100,001 and Over | 1,470,636,754 | 99.30 | 193 | 28.13 |
| 10,001 to 100,000 | 9,475,390 | 0.64 | 269 | 39.21 |
| 5,001 to 10,000 | 650,984 | 0.04 | 87 | 12.68 |
| 1,001 to 5,000 | 166,284 | 0.01 | 63 | 9.18 |
| 1 to 1,000 | 26,085 | 0.00 | 74 | 10.79 |
| Total | 1,480,955,497 | 100.00 | 686 | 100.00 |
| Unmarketable Parcels | 2,354,553 | 0.16 | 324 | 47.23 |

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; 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; and
- As the 2022 general meeting will be a virtual meeting, all resolutions will be decided by poll.

TOP 20 SHAREHOLDERS OF ORDINARY SHARES AS AT 30 AUGUST 2022

| Rank | Name | 30 August 2022 | % |
|----------------------------|--|----------------------|---------------|
| 1 | NEW CENTURY ENERGY RESOURCES LIMITED | 478,723,404 | 32.33 |
| 1 | GLOBALTEC ENERGY RESOURCES SDN BHD | 478,723,404 | 32.33 |
| 2 | CITICORP NOMINEES PTY LIMITED | 347,832,907 | 23.49 |
| 3 | BNP PARIBAS NOMS PTY LTD | 21,558,728 | 1.46 |
| 4 | KEE YONG WAH | 15,410,774 | 1.04 |
| 5 | MR DENNIS WOOLLAN & MS ANNE-MARIE WINCHESTER | 5,605,834 | 0.38 |
| 6 | BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM | 5,500,834 | 0.37 |
| 7 | NATIONAL NOMINEES LIMITED | 5,270,000 | 0.36 |
| 8 | MR DAVID ARITI | 5,015,457 | 0.34 |
| 9 | JJJ NG PTY LTD | 4,438,983 | 0.30 |
| 10 | MR THIAM KHENG ANG | 4,305,271 | 0.29 |
| 11 | PAULINE LIM LAI LAI | 4,000,000 | 0.27 |
| 12 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 3,583,426 | 0.24 |
| 13 | MR GREGORY ROBERT PETERSON | 3,190,000 | 0.22 |
| 14 | MRS MELANIE VERHEGGEN & MISS SASHA VERHEGGEN | 3,106,751 | 0.21 |
| 15 | WESTAR PRODUCTIONS PTY LTD | 2,491,667 | 0.17 |
| 16 | MR STEWART PHILIP CRANSWICK | 2,443,000 | 0.16 |
| 17 | FILMRIM PTY LTD | 2,200,000 | 0.15 |
| 18 | CANTAB CONNECTIONS LTD | 2,125,000 | 0.14 |
| 19 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 2,118,704 | 0.14 |
| 20 | MR VINCENT OLADELE | 1,995,698 | 0.13 |
| Total | | 1,399,638,817 | 94.51 |
| Balance of Register | | 81,316,680 | 5.49 |
| Grand TOTAL | | 1,480,955,497 | 100.00 |

SCHEDULE OF MINING TENEMENTS

| AREA OF INTEREST | TENEMENTS | % INTEREST |
|--------------------------|-------------------|------------|
| 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 | 100% |