NuEnergy Gas Limited

ABN 50 009 126 238

HALF-YEAR FINANCIAL REPORT

31 December 2015

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CORPORATE DIRECTORY

ABN: 50 009 126 238

ASX CODE: NGY

Ordinary shares: 1,151,521,379

DIRECTORS:

Kong Kok Keong (Non-Executive Chairman)
Kee Yong Wah (Executive Director)
Goh Tian Chuan (Non-Executive Director)
Chen Heng Mun (Non-Executive Director)
Graeme Robertson (Non-Executive Director)
Alan Fraser (Non-Executive Director)

COMPANY SECRETARY:

Poh Wan Lee

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AUDITORS:

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Sydney NSW 2000

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STOCK EXCHANGE LISTING:

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Level 8, Exchange Plaza
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DIRECTORS' REPORT

The directors of NuEnergy Gas Limited ("NuEnergy" or the "Company") present their report together with the consolidated financial statements of the Company and its controlled entities for the half-year ended 31 December 2015 and the auditor's review report thereon.

Directors

The directors of the Company at any time during or since the half-year are:

Kong Kok Keong– Non-Executive Chairman (appointed 21 August 2014)
Kee Yong Wah – Executive Director (appointed 21 August 2014)
Goh Tian Chuan - Non-Executive Director (appointed 17 December 2014)
Chen Heng Mun - Non-Executive Director (appointed 1 January 2015)
Graeme Robertson – Non-Executive Director (appointed 29 March 2011)
Alan Fraser – Non-Executive Director (appointed 20 January 1992)

REVIEW OF OPERATIONS

Completion of the acquisition of Dart Energy (Indonesia) Holdings Pte Ltd ("DEIH")

In November 2015, NuEnergy completed the acquisition of DEIH with all the conditions having been met and the balance purchase consideration of US$500,000 paid to the Vendor.

The exploration period of one of the acquired Production Sharing Contract ("PSC"), the Tanjung Enim PSC was extended for an additional period of 4 years from 4 August 2015 to 3 August 2019.

With the completion of the acquisition, NuEnergy now has six PSCs with the addition of the Tanjung Enim PSC, Muralim PSC and Bontang Bengalon PSC and the right to one Joint Evaluation, Bungamas Coal Bed Methane ("CBM").

NuEnergy will focus on integrating the South Sumatra PSCs (Muara Enim PSC, Muara Enim II PSC, Tanjung Enim PSC and Muralim PSC) to develop a large scale CBM supply.

Indonesian Operations

During the half year ended, NuEnergy operations were mainly focus on the drilling campaigns in Tanjung Enim PSC, South Sumatra and Rengat PSC, Central Sumatra.

Tanjung Enim PSC

The first core well, TE-008C, was spud towards the end of June 2015 and followed by the second core well, TE-007C and the third core well, TE-009C in July 2015. The truck mounted rig was used and mobilised within the wells situated approximately 850 metres apart and successfully drilled to their target depth of 300 metres.

Rig Site at TE-008C

The three core wells revealed the following geological parameter results:-

- Logs of coal seams confirmed total thickness between 40 metres to 49 metres with over 13 metres from a single seam.
- Gas saturation analysis tested across all of the seams from the three core wells demonstrated gas content ranging between 80 and 110 scf/ton as certified by PT Sucofindo, the official Indonesia certifier.

The results from the three core wells are highly encouraging which shows geological parameter similarities with other proven successful commercialised CBM basins.

Basin	Field	Coal Thickness (metres)	Gas Content (scf/t)
NuEnergy – South Sumatra Basin (Indonesia)	Tanjung Enim	40 - 49	80 – 110
Powder River (United States)	Recluse Rawhide Butte	12 - 27	30 – 70
Western Canadian Sedimentary (Alberta)	Horseshoe Canyon	10 - 33	55 - 110

Source: Society of Petroleum Engineers (SPE 103514)

In November 2015, NuEnergy commenced the production test and dewatering facilities following the completion of the workover operations on the TE-01 and TE-02 wells. CBM production from TE-01 commenced at 1900 EST on 14 November 2015, 72 hours after the start of the commissioning period. This was then followed by CBM production from TE-02 on 18 November 2015. The gas and water production parameters will be monitored for reservoir modelling purposes.

Gas produced circa 72 hours after dewatering commencement at site TE-01 and TE-02

In December 2015, NuEnergy started on the preparation of a new drilling campaign for the pilot production program. This campaign is aimed towards proving the level of resources and to upgrade the assets towards reserve booking in 2016. NuEnergy intends to commercialize the gas production from these pilot production wells towards the end of 2016.

Tanjung Enim PSC covers 250.20 km^2 of the South Sumatra basin and is situated in the most prolific CBM basin in Indonesia with existing gas pipelines infrastructure nearby. NuEnergy has a 45% working interest in the Tanjung Enim PSC and is the operator of the PSC.

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Rengat PSC

The first exploratory well was spud towards the end of June 2015 and successfully drilled to the target depth of 495 metres. In December 2015, NuEnergy successfully completed the drilling of further exploratory wells, RE-03, RE-04 and RE-05.

Both mud logging and wireline logging have confirmed prognosis of identifiable coal seams to their depth although the targeted seams revealed low economic significance. Further Geological and Geophysical studies to complement existing data will be conducted to identify and map coal continuity across the basin and to understand the reservoir characteristics for further development.

Rengat PSC covers 2,395.40 km^2 of the Central Sumatra basin and lies in between prolific oil and gas concessions (located in the Central Sumatra basin in the vicinity of a major gas pipeline from Jakarta to the Chevron Duri Steam Flood project and related infrastructure). NuEnergy has a 100% working interest in the Rengat PSC and is the operator of the PSC.

Extension of Exploration Period

NuEnergy has received confirmation from the Indonesian regulatory authority, SKK Migas, for a one-time maximum 4-year period extension of the Exploration Period for the Muara Enim PSC and Rengat PSC to 29 November 2019. The first six years of the Exploration Period for both PSCs expired on 30 November 2015.

Capital Raising

During the half year ended 31 December 2015, the Company completed a partially underwritten non-renounceable rights issue of 399,834,015 shares raising $9,995,849 before costs.

Under the rights issue, the Company offered its Australian and New Zealand based shareholders one (1) fully paid ordinary share for every 1.88 ordinary shares held on 4 December 2015, at an issue price of $0.025 per new share.

The proceeds from the rights issue will mainly be used to execute the drilling campaigns in the Tanjung Enim PSC to prove the level of resources and to upgrade the asset towards reserve booking.

New Cooperation Contracts for Unconventional Oil and Gas in Indonesia

The Ministerial Decree No. 38, 2015 for the Non Conventional Oil and Gas was issued in October 2015 with the main objective to assist in the development of the Indonesia Non Conventional Oil and Gas which includes CBM, shale oil, shale gas, tight sand gas and methane hydrate.

Under the Decree, the Non Conventional Oil and Gas contractors are allowed to choose from three different Co-operation Contracts as opposed to one mode of Co-operation Contract, the Production Sharing Contract that is currently in place that is considered to be too rigid.

The new proposed additional Co-operation Contracts are the Sliding Scale Production Sharing Contract and the Gross Split Sliding Scale Production Sharing Contract.

The Decree, in specific terms, has also provided the option for the CBM contractor still with a valid Co-operation Contract to propose an amendment to the Co-operation Contract or to propose a change to the form of the Co-operation Contract.

The government together with the Indonesia CBM industry players are now drafting the documents for the newly proposed additional Co-operation Contracts to identify related issues especially on tax and accounting issues, ownership of CBM assets and the treatment of past expenditures that will speed up the implementation of the Ministerial Decree No.38, 2015.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is set out on page six and forms part of the directors' report for the six months ended 31 December 2015.

Signed in accordance with a resolution of Board of Directors.

Kong Kok Keong
Non-Executive Chairman
Dated this 15th day of March 2016

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Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of NuEnergy Gas Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2015 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Daniel Camilleri
Partner

Sydney

15 March 2016

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 December 2015

	Note	31/12/2015 $	31/12/2014 $
Other Income	2	411,355	26,288
Consultants		(27,651)	(71,146)
Directors & executives remuneration		(503,069)	(394,847)
Legal expenses		(33,669)	(91,589)
Administration expenses		(392,995)	(469,452)
Travel expenses		(3,584)	(19,206)
Foreign Exchange gains/(losses)		315,380	(47,429)
Depreciation		(56,081)	(38,938)
Asset write-down		-	(12,186)
Impairment of exploration and evaluation	3	-	(32,218,582)
Loss before income tax		(290,314)	(33,337,087)
Income tax benefit		-	-
Net loss after income tax		(290,314)	(33,337,087)
Other comprehensive income for the period, net of income tax:			
Items that may be reclassified subsequently to profit or loss:			
Movement in fair value of available for sale financial assets		4,974	(7,461)
Foreign currency translation reserve		2,351,132	869,566
Total comprehensive income/(loss) for the period		2,065,792	(32,474,982)
Loss attributable to:			
Members of the parent entity		(281,179)	(33,320,192)
Non-controlling interest		(9,135)	(16,894)
		(290,314)	(33,337,087)
Earnings per share from continuing operations:			
- Basic earnings per share (cents)		(0.04)	(7.88)
- Diluted earnings per share (cents)		(0.04)	(7.76)

The condensed notes on pages 11 to 19 are an integral part of these condensed consolidated half-year financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 December 2015

	Note	31/12/2015	30/06/2015
CURRENT ASSETS		$	$
Cash and cash equivalents		11,058,015	7,499,489
Other receivables		331,310	928,257
TOTAL CURRENT ASSETS		11,389,325	8,427,746
NON-CURRENT ASSETS			
Available for sale financial assets		12,435	7,461
Plant and equipment		245,238	285,471
Exploration and evaluation expenditure	3	37,845,516	30,281,678
Other financial assets		2,475,043	1,175,702
TOTAL NON-CURRENT ASSETS		40,578,232	31,750,312
TOTAL ASSETS		51,967,557	40,178,058
CURRENT LIABILITIES			
Trade and other payables		2,367,448	1,026,921
Provisions		114,053	117,187
TOTAL CURRENT LIABILITIES		2,481,501	1,144,108
NON-CURRENT LIABILITIES			
Deferred tax liabilities		2,196,372	2,196,372
Provisions		10,000	10,000
TOTAL NON-CURRENT LIABILITIES		2,206,372	2,206,372
TOTAL LIABILITIES		4,687,873	3,350,480
NETASSETS		47,279,684	36,827,578
EQUITY			
Issued capital	5	95,001,949	85,324,979
Reserves	6	7,023,738	4,667,632
Accumulated losses		(53,720,173)	(53,438,994)
Parent Entity Interest		48,305,514	36,553,617
Non-controlling interest		(1,025,830)	273,961
TOTAL EQUITY		47,279,684	36,827,578

The condensed notes on pages 11 to 19 are an integral part of these condensed consolidated half-year financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 December 2015

	Issued Capital	Reserves	Accumulated Losses	Non-Controlling Interest	Total Equity
	$	$	$	$	$
At 1 July 2014	72,899,979	13,182,025	(38,186,378)	300,094	48,195,720
Shares issued	12,500,000	-	-	-	12,500,000
Equity issue costs	(75,000)	-	-	-	(75,000)
Total comprehensive income (loss) for the period, net of income tax	-	862,105	(33,320,193)	(16,894)	(32,474,982)
At 31 December 2014	85,324,979	14,044,130	(71,506,571)	283,200	28,145,738

	Issued Capital	Reserves	Accumulated Losses	Non-Controlling Interest	Total Equity
	$	$	$	$	$
At 1 July 2015	85,324,979	4,667,632	(53,438,994)	273,961	36,827,578
Shares issued	9,995,849	-	-	-	9,995,849
Share issue costs	(318,879)	-	-	-	(318,879)
Total comprehensive income (loss) for the period, net of income tax	-	1,362,435	(281,179)	(9,135)	1,072,121
Other movements	-	993,671	-	(993,671)	-
Acquisition of subsidiary with non-controlling interest	-	-	-	(296,985)	(296,985)
At 31 December 2015	95,001,949	7,023,738	(53,720,173)	(1,025,830)	47,279,684

The condensed notes on pages 11 to 19 are an integral part of these condensed consolidated half-year financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 December 2015

	Note	31/12/2015 $	31/12/2014 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		10,057	9,968
Payments to suppliers and employees		(1,707,402)	(1,174,815)
Net cash used in operating activities		(1,697,345)	(1,164,847)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries, net of cash acquired	7	(909,167)	-
Payments for Exploration and Evaluation expenditure		(3,767,386)	(1,063,908)
Payment for Plant and Equipment		-	(28,490)
Net cash used in investing activities		(4,676,553)	(1,092,398)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of shares		9,995,849	12,500,000
Payments for costs associated with equity issued		(318,879)	(75,000)
Proceeds from sale of subsidiary		-	140,000
Net cash from financing activities		9,676,970	12,565,000
Net increase in cash and cash equivalents		3,303,072	10,307,755
Cash and cash equivalents at 1 July		7,499,489	67,032
Effect of exchange rate fluctuations on cash held		255,454	-
Cash and cash equivalents at 31 December		11,058,015	10,374,787
		========	========

The condensed notes on pages 11 to 19 are an integral part of these condensed consolidated half-year financial statements.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 December 2015

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

(a) Reporting entity

NuEnergy Gas Limited (the "Company") is a company domiciled in Australia. These condensed consolidated half-year financial statements ("half-year financial statements") as at and for the six months ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily involved in pursuing opportunities in the oil and gas sector.

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2015 are available upon request from the Company's registered office at Suite 2001, Level 20 Australia Square, 264 George Street, Sydney NSW 2000 or at www.nuenergygas.com.

(b) Basis of accounting

These half-year financial statements are general purpose financial statements prepared in accordance with AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*, and with IAS 34: *Interim Financial Reporting*.

They do not include all of the information required for a complete set of annual financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 30 June 2015.

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

These half-year financial statements were authorised for issue by the Company's Board of Directors on 15 March 2016.

(c) Significant Accounting Policies

The same accounting policies and methods of computation have been followed in this half-year financial report as were applied in the Group's consolidated financial statements as at and for the year ended 30 June 2015.

(d) Going concern

The Group has recorded a loss of $290,314, had net cash outflows from operations of $1,697,345 for the half-year ended 31 December 2015, and has no ongoing source of operating income. At 31 December 2015 the Group had net assets of $47,279,684 which includes $11,058,015 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:

- The Company successfully raised $9,995,849 before costs during the period.
- At 31 December 2015, the Group had cash and cash equivalents of $11,058,015.

- The Directors have prepared cash flow forecasts which include further planned capital raising of $20,000,000 to ensure all planned exploration expenditure of approximately $25,530,222 for the calendar year 2016 and overheads of $3,655,736 can be met. Out of the total planned exploration expenditure, the minimum exploration expenditure required is $9,586,240. In the event that the intended future capital raisings are delayed, the Group has the ability to scale back its operations and fund the minimum exploration expenditure via a rights issue capital raising.

After considering the above factors, the Directors have concluded that the use of the going concern assumption is appropriate. However, to meet the future committed expenditure the Group will be required to raise further equity to continue as a going concern.

The Directors believe the Group will be able to access further working capital through equity raisings if required, however, there remains material uncertainty as to whether the Group will continue as a going concern without access to equity to meet the exploration commitments.

(e) Significant assumptions and key estimates

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

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

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 December 2015

	Note	31/12/2015 $	31/12/2014 $
NOTE 2 OTHER INCOME			
Bank Interest		10,057	9,968
Provisional gain on bargain purchase from acquisition of subsidiary	7	401,298	-
Write off of share buyback payable		-	16,320
Total other income		411,355	26,288

	31/12/2015 $	30/6/2015 $
NOTE 3 EXPLORATION AND EVALUATION EXPENDITURE		
Balance at beginning of period	30,281,678	57,925,433
Additions	3,945,893	2,567,008
Acquisition of subsidiaries	2,352,741	-
Impairment of Indonesian assets[1]	-	(32,218,582)
Exchange differences	1,265,204	2,007,819
Balance at end of period	37,845,516	30,281,678
Exploration and evaluation assets[2]	67,106,745	61,241,300
VAT receivable[3]	2,957,353	1,258,960
Accumulated impairment	(32,218,582)	(32,218,582)
Carrying value	37,845,516	30,281,678

[1] In the previous year, as part of the recapitalisation of NuEnergy Gas Limited, the Company was valued at $27,386,053 (High) by an independent expert. The exploration and evaluation assets were therefore impaired in order to reflect this value.

[2] Recoverability of the carrying amount of exploration costs is dependent on the successful exploration and sale of Coal Bed Methane (“CBM”).

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

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 December 2015

NOTE 4 SEGMENT INFORMATION

The Group has identified its operating segments based on the internal reports that are reviewed and used by the management team in assessing performance and determining the allocation of resources.

The operating segments are identified by management based on the manner in which the expenses are incurred and resources allocated. Discrete financial information about each of these operating segments is reported to the Board on a regular basis.

The reportable segments are based on aggregated operating segments determined by similarity of expenses, where expenses in the reportable segments exceeds 10% of the total expenses for either the current and/or previous reporting period.

Business Segment	Oil & Gas		Corporate		Consolidated	
	31 Dec 2015 $	31 Dec 2014 $	31 Dec 2015 $	31 Dec 2014 $	31 Dec 2015 $	31 Dec 2014 $
Segment income	-	-	411,355	26,288	411,355	26,288
Segment result	(326,512)	(32,556,456)	36,198	(780,631)	(290,314)	(33,337,087)
	31 Dec 2015 $	30 Jun 2015 $	31 Dec 2015 $	30 Jun 2015 $	31 Dec 2015 $	30 Jun 2015 $
Segment assets	40,814,801	33,131,352	11,152,756	7,046,706	51,967,557	40,178,058
Segment liabilities	(4,387,688)	(3,174,854)	(300,185)	(175,626)	(4,687,873)	(3,350,480)

NOTE 5 SHARE CAPITAL

	31/12/2015	30/6/2015
Issued and Paid Up Capital (number of shares)	1,151,521,379	751,687,364
Fully paid ordinary shares ($)	95,001,949	85,324,979

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

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

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	31/12/2015 $	30/6/2015 $
NOTE 6 RESERVES		
Foreign Currency Translation Reserve	7,135,653	4,784,521
Available for Sale Financial Asset Reserve	(111,915)	(116,889)
	7,023,738	4,667,632

NOTE 7 ACQUISITION OF SUBSIDIARIES

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

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

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

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

Post-acquisition for the one month to 31 December 2015, the DEIH group did not generate any revenue and contributed a net loss (before allocation to non-controlling interests) of $23,841. If the acquisition had occurred on 1 July 2015, management estimates that consolidated revenue and net loss would have been the same respectively for the half-year ended 31 December 2015. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 July 2015.

a. Consideration transferred

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

b. Acquisition-related costs

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

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c. Identifiable assets acquired and liabilities assumed

The following table summarises the recognised provisional amounts of assets acquired and liabilities assumed at the date of acquisition.

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

d. Net cash outflow on acquisition

Net cash outflow arising from acquisition of subsidiaries

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

e. Gain on bargain purchase

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

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

The provisional gain on bargain purchase was included as part of the other income in the Group's condensed consolidated statement of profit or loss and other comprehensive income for the half year ended 31 December 2015. The gain on bargain purchase is provisional on the finalization of the purchase price allocation to the identifiable assets and liabilities of DEIH group, which is currently on-going. The provisional gain on bargain purchase was mainly attributable to the purchase consideration being lower than the fair value of DEIH group's net assets on the date of acquisition. The purchase price was lower than the net assets mainly due to the perceived high inherent risks involved in the oil and gas exploration and production company which has not commenced commercial production.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 December 2015

NOTE 8 EXPENDITURE COMMITMENTS AND CONTINGENT LIABILITIES

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

	31/12/2015 $	30/6/2015 $
Not longer than 1 year	7,892,638	5,670,000
Longer than 1 year and not longer than 5 years	155,668,193	31,750,000
Longer than 5 years	-	-
	163,560,831	37,420,000

Commitments under the Indonesian PSC can be moved into future years after negotiation with the Indonesian gas regulator. NuEnergy has managed to postpone various commitments until future periods and has met the required commitments for the current period to 31 December 2015.

The Group has bank guarantees amounting to $5,259,467 (30/6/15: $3,919,007) at year end for performance bonds issued to the Government of Indonesia for the performance under the terms of the work programs for the firm commitments of the PSC.

NOTE 9 LEASE COMMITMENTS

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

	31/12/2015 $	30/6/2015 $
Not longer than 1 year	200,396	185,380
Longer than 1 year and not longer than 5 years	230,956	288,630
	451,352	474,010

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

NOTE 10 RELATED PARTIES

Dealings with related parties have been consistent with those disclosed in the 30 June 2015 financial statements. The significant related party dealings for the half-year ended 31 December 2015 are as follows:-

a) During the half-year ended 31 December 2015, the Company paid a monthly rental fee of $5,280 (plus GST) to Krisco Investments Pty Ltd, a related party to the Company's Chairman, Kong Kok Keong for the rental of office space.
b) During the half-year ended 31 December 2015, the Company paid Intrasia Capital Pty Limited, a related party of Graeme Robertson, a monthly fee of $11,800 (plus GST) for accounting, administration, secretarial and investors relations services to the Company. The total paid during the half-year ended 31 December 2015 was $80,835 including reimbursements.

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c) During the half-year ended 31 December 2015, the Company paid $25,831 in fees and reimbursements to Intrasia Mining Pte Ltd, a related party of Graeme Robertson, for the provision of accounting and administration to NuEnergy Gas (Singapore) Pte. Ltd. and Indo CBM Sumbagsel II Pte. Ltd. and for the reimbursements of administration and travel expenses incurred on behalf of the Company.

d) During the half-year ended 31 December 2015, the Company paid $14,730 in technical services fee to New Century Energy Resources Limited, a related party of the Company's directors, Kee Yong Wah, Goh Tian Chuan, Chen Heng Mun and the Company's Chairman Kong Kok Keong.

e) On 25 November 2015, Kee Yong Wah, Goh Tian Chuan and Darulnas (M) Sdn Bhd, a Malaysian company controlled by Kong Kok Keong, entered into an Underwriting Agreement with the Company to partially underwrite the non-renounceable rights issue which closed on 18 December 2015 with 3% of underwriting fees payable for the value of the amount underwritten in the following proportions:-

   i) 11.0% of the shortfall shares to Kee Yong Wah;
   ii) 44.5% of the shortfall shares to Goh Tian Chuan; and
   iii) 44.5% of the shortfall shares to Darulnas (M) Sdn Bhd.

   As at 31 December 2015, the Company owed Kee Yong Wah $12,628, Goh Tian Chuan $51,085 and Darulnas (M) Sdn Bhd $51,085 in underwriting fees for the value of the amount underwritten.

NOTE 11 FAIR VALUE

The Group measures and recognises the following financial instruments at fair value on a recurring basis after initial recognition:

- Available for sale financial assets held at cost less impairment

The group does not subsequently measure any liabilities at fair value on a non-recurring basis.

Fair value Hierarchy

AASB 13: Fair value measurement requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 December 2015

The Group's available for sale financial assets are valued using Level 1, as follows:

	31/12/2015		30/6/2015	
	Carrying value $	**Fair value $**	**Carrying value $**	**Fair value $**
Available for sale financial assets				
- Shares in listed securities at fair value	12,435	12,435	7,461	7,461

NOTE 12 EVENTS SUBSEQUENT TO PERIOD END

The Company is not aware of any material events that have occurred subsequent to the period end.

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DIRECTORS' DECLARATION

In the opinion of the directors of NuEnergy Gas Limited ("the Company"):

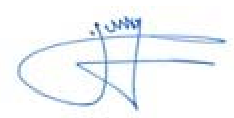
(1) the condensed consolidated financial statements and notes, as set out on pages 7 to 19, are in accordance with the *Corporations Act 2001,* including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the six months ended on that date; and

(b) complying with Australian Accounting Standards AASB 134: *Interim Financial Reporting* and the Corporations Regulations 2001; and

(2) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



Kong Kok Keong
Non-Executive Chairman
Dated this 15th day of March 2016

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Independent auditor's review report to the members of NuEnergy Gas Limited

Report on the financial report

We have reviewed the accompanying half-year financial report of NuEnergy Gas Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2015, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes 1 to 12 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of NuEnergy Gas Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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Liability limited by a scheme approved under Professional Standards Legislation

Conclusion

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter

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

KPMG

KPMG

Daniel Camilleri
Partner

Sydney

15 March 2016

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