



NuEnergy Gas Limited

ABN 50 009 126 238

HALF-YEAR FINANCIAL REPORT

31 December 2019

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NuEnergy Gas Limited
Half Year Financial Report 31 December 2019

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This Half Year Financial Report does not include all the notes of the type normally included in an annual Financial Report.

Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2019 and any public announcements made by NuEnergy Gas Limited during the half year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

CORPORATE DIRECTORY
31 December 2019

DIRECTORS

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)

COMPANY SECRETARY

Rozanna Lee

ABN:

50 009 126 238

**REGISTERED/ADMINISTRATION
OFFICE:**

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

Phone: (02) 8076 7600
Email: ir@nuenergygas.com

SHARE REGISTRY

Link Market Services Limited
QV1 Building, Level 12, 250 St Georges Terrace
Perth WA 6000

Phone: (08) 9211 6654

AUDITOR

KPMG
Tower 3, International Towers Sydney
300 Barangaroo Avenue
Sydney NSW 2000

STOCK EXCHANGE LISTING

NuEnergy Gas Limited shares are listed on the Australian
Securities Exchange
(ASX code: NGY)

WEBSITE

www.nuenergygas.com

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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 (collectively the "Group") for the half-year ended 31 December 2019 and the independent 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
Kee Yong Wah	Deputy Executive Chairman
Goh Tian Chuan	Non-Executive Director
Chen Heng Mun	Non-Executive Director
Alan Fraser	Non-Executive Director

Significant changes in state of affairs

There were no significant changes in the state of affairs of the Group during the financial period.

Review of operations

The Group's half year ended Production Sharing Contract ("PSC") operations were mainly focused in the Tanjung Enim PSC.

Tanjung Enim PSC

South Sumatra, Indonesia

NuEnergy Interest: 45%

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

NuEnergy continued with its engagement with the Government of Indonesia to secure approval of Tanjung Enim Gross Split PSC and Plan of Development 1 ("POD 1"). On 4 December 2019, the Directors and the representatives of the government of Indonesia met and agreed that the Tanjung Enim POD would be approved under Gross Split PSC through the amendment of the current PSC Cost Recovery. This was subsequently followed by a field visit to the Tanjung Enim site by a team from the Ministry of Energy and Mineral Resources ("MEMR") office represented by the Director General of Oil and Gas ("DG Migas") and other authorities from the Research and Development Center of Oil & Gas Technology commonly known as Lemigas, Geology Department and the Secretary office of the MEMR at the request of the Minister. The visit to the Tanjung Enim site was conducted from 18 December 2019 to 19 December 2019. The visit was made to all the wells, namely TE-10, TE-11, TE-12, TE-13 and TE-14. This field visit was followed up by meetings and discussions with Tanjung Enim partners, the Directorate General of Oil and Gas as well as the Special Task Force for Upstream Oil and Gas Business Activities commonly known as SKK Migas in order to agree on the key commercial terms of Tanjung Enim POD 1.

With the above progress, we remain of the view that Tanjung Enim POD 1 will soon become the first Coalbed Methane POD to be approved in Indonesia.

Muralim PSC**South Sumatra, Indonesia****NuEnergy Interest: 50%****Operator: Dart Energy (Muralim) Pte Ltd (a subsidiary of NuEnergy)**

Muralim PSC amendment and restatement from Cost Recovery regime to Gross Split regime was signed by NuEnergy, Medco and SKK Migas on 11 February 2019. This PSC amendment and restatement was approved by the Minister of Energy and Mineral Resources on 8 May 2019. Meanwhile, the Minister's approval for 2 years exploration period extension for Muralim PSC says that this extension would be effective on the date when the Muralim PSC amendment and restatement was signed. Therefore, the end of the exploration period for Muralim PSC would be on 7 May 2021.

One of the requirements of the Gross Split regime and the extension, was the setting up of a joint bank account ("Joint Account") together with SKK Migas. Since the approval for the extension was obtained, the activities for the Muralim PSC was focused on setting up the mechanism and negotiating agreement as to how the Joint Account is to be utilized to fund the exploration activities as set forth in the Muralim Gross Split PSC.

The Joint Account Utilization mechanism was recently agreed and we are expecting to start the Muralim operations, which comprise mainly re-entry activities into existing wells to run permeability and production tests, in the near future with the intention to complete these activities and to secure commercial discovery approval from SKK Migas before the end of the extended exploration period.

Muara Enim PSC**South Sumatra, Indonesia****NuEnergy Interest: 40%****Operator: PT Trisula CBM Energi (a subsidiary of NuEnergy)**

On 11 November 2019, NuEnergy has proposed additional exploration period beyond the end of the 10th Contract Year (on 29 November 2019). NuEnergy has via a letter dated 6 February 2020, been granted an additional exploration period by the Minister of Energy and Mineral Resources through SKK Migas to continue the exploration activities, comprising drilling to obtain exploration/production data that will facilitate the submission and approval for commercial discovery before the end of the granted additional exploration period on 19 January 2021.

Bontang Bengalon PSC
East Kalimantan, Indonesia
NuEnergy Interest: 100%
Operator: Dart Energy (Bontang Bengalon) Pte Ltd (a subsidiary of NuEnergy)

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 expenditure has been fully impaired and a provision for penalty of USD4,650,000, representing the remaining costs of the remaining obligation has been provided as at 30 June 2019.

Meanwhile, in response to this termination, NuEnergy has responded and negotiated with the relevant authorities to transfer the remaining exploration firm commitment of the Bontang Bengalon PSC into an open area, on 27 August 2019. In addition, NuEnergy is now working with the Indonesia CBM industry to explore and to propose an appeal for a better solution (instead of being imposed a penalty) for all the terminated CBM PSCs in Indonesia including Bontang Bengalon PSC which will benefit both the industry and the government of Indonesia.

Muara Enim II PSC
South Sumatra, Indonesia
NuEnergy Interest: 30%
Operator: Indo CBM Sumbagsel 2 Pte Ltd (a subsidiary of NuEnergy)

NuEnergy has proposed the exploration period extension and the conversion to Gross Split with requirement to issue a Joint Account to guarantee the remaining firm commitment and Bank Guarantee to cover the remaining work commitment with a deadline of 17 May 2019. NuEnergy failed to meet the deadline, however, the Government has not decided on the status of the Muara Enim II PSC. NuEnergy has not completed the remaining obligations and the carrying value of the Muara Enim II PSC Exploration and Evaluation expenditure has been fully impaired and a provision for penalty of USD1,500,000, representing the remaining costs of the remaining obligation has been provided as at 30 June 2019.

NuEnergy will resubmit the proposal for exploration period extension. Preliminary discussion with Directorate General of Oil and Gas indicated that the issuance of Bank Guarantee should be sufficient to fulfill the requirement for exploration period extension. If the extension is granted by the MEMR, NuEnergy has plans to continue operations in this PSC and to carry out the drilling activities to collect the exploration and production data with the aim to submit and to secure approval for commercial discovery from SKK Migas by March 2021.

Financial results and position

The Group reported a net loss of \$573,121 for the half year to 31 December 2019 compared to a net loss of \$806,964 for the previous corresponding half year.

At 31 December 2019, the Group has cash and cash equivalents of \$447,387 and net assets of \$23,203,686. This compares to cash and cash equivalents of \$323,132 and a net assets position of \$23,729,991 at 30 June 2019.

Events subsequent to period end

The Company is not aware of any material events that have occurred subsequent to the period end except for the following:

- i) Subsequent to the period end, the Company entered into a loan agreement with AIC Corporation Sdn Bhd, a related party to the Company's directors, Goh Tian Chuan and Chen Heng Mun and wholly owned by the ultimate parent, GFB to raise \$22,800 to fund part of the CBM planned exploration activities. The loan is unsecured and repayable on demand with financing cost of 10% per-annum charge on the outstanding loan computed on a daily and non-compounding basis.
- ii) Subsequent to the period end, the Group received confirmation via a letter dated 6 February 2020 from SKK Migas for the Muara Enim PSC on the extension of the exploration period beyond the 10th Contract Year from 30 November 2019 to 19 January 2021 to continue the exploration activities.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 8.

Signed in accordance with a resolution of Board of Directors.



Kong Kok Keong
Non-Executive Chairman
Dated this 12th day of March 2020



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 of NuEnergy Gas Limited for the half-year ended 31 December 2019 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

Daniel Camilleri

Partner

Sydney

12 March 2020

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**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 December 2019**

	Note	31/12/2019 \$	31/12/2018 \$
EXPENSES			
Consultants		(2,495)	(36,267)
Directors & executives remuneration		(278,888)	(312,492)
Legal expenses		(10,772)	(15,469)
Administration expenses		(170,511)	(211,659)
Foreign exchange gains/(losses)		31,357	(105,877)
Depreciation		(16,699)	(29,446)
Net finance costs		(125,113)	(95,754)
		<hr/>	<hr/>
Loss before income tax		(573,121)	(806,964)
Income tax benefit		-	-
		<hr/>	<hr/>
Net loss after income tax		(573,121)	(806,964)
		<hr/>	<hr/>
Other comprehensive income			
Items that are or may be reclassified to profit or loss:			
Movement in fair value of available for sale financial assets		-	995
Foreign currency translation reserve		46,816	2,024,288
		<hr/>	<hr/>
Total comprehensive income/(loss) for the period		(526,305)	1,218,319
		<hr/>	<hr/>
Net loss attributable to:			
Owners of the Company		(572,095)	(804,096)
Non-controlling interests		(1,026)	(2,868)
		<hr/>	<hr/>
		(573,121)	(806,964)
		<hr/>	<hr/>
Total comprehensive income/(loss) attributable to:			
Owners of the Company		(524,319)	1,235,948
Non-controlling interests		(1,986)	(17,629)
		<hr/>	<hr/>
		(526,305)	1,218,319
		<hr/>	<hr/>
Loss per share:			
- Basic loss per share (cents per share)		(0.04)	(0.05)
- Diluted loss per share (cents per share)		(0.04)	(0.05)

The condensed notes on pages 13 to 21 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 2019**

	Note	31/12/2019 \$	30/06/2019 \$
CURRENT ASSETS			
Cash and cash equivalents		447,387	323,132
Other receivables and prepayments	2	1,349,711	1,376,894
TOTAL CURRENT ASSETS		<u>1,797,098</u>	<u>1,700,026</u>
NON-CURRENT ASSETS			
Plant and equipment		45,867	62,037
Exploration and evaluation	3	34,732,342	34,273,575
Other financial assets		1,050,515	1,047,314
TOTAL NON-CURRENT ASSETS		<u>35,828,724</u>	<u>35,382,926</u>
TOTAL ASSETS		<u>37,625,822</u>	<u>37,082,952</u>
CURRENT LIABILITIES			
Other payables		2,266,619	2,201,632
Related party payables	4	3,330,030	2,514,633
Provision for Production Sharing Contract Penalties	5	8,793,377	8,598,392
Employee benefits		32,110	38,304
TOTAL CURRENT LIABILITIES		<u>14,422,136</u>	<u>13,352,961</u>
TOTAL LIABILITIES		<u>14,422,136</u>	<u>13,352,961</u>
NET ASSETS		<u>23,203,686</u>	<u>23,729,991</u>
EQUITY			
Share capital	6	106,450,311	106,450,311
Reserves	7	7,280,069	7,232,293
Accumulated losses		(90,636,301)	(90,064,206)
Equity attributable to owners of the Company		<u>23,094,079</u>	<u>23,618,398</u>
Non-controlling interests		109,607	111,593
TOTAL EQUITY		<u>23,203,686</u>	<u>23,729,991</u>

The condensed notes on pages 13 to 21 are an integral part of these condensed consolidated half-year financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 December 2019**

	Share Capital	Reserves	Accumulated Losses	Non- Controlling Interests	Total Equity
	\$	\$	\$	\$	\$
At 1 July 2018	106,450,311	5,093,766	(73,027,416)	132,696	38,649,357
Net loss after income tax	-	-	(804,096)	(2,868)	(806,964)
Other comprehensive income:					
- Movement in fair value of available for sale financial assets	-	995	-	-	995
- Foreign currency translation reserve	-	2,039,049	-	(14,761)	2,024,288
At 31 December 2018	106,450,311	7,133,810	(73,831,512)	115,067	39,867,676
	Share Capital	Reserves	Accumulated Losses	Non- Controlling Interests	Total Equity
	\$	\$	\$	\$	\$
At 1 July 2019	106,450,311	7,232,293	(90,064,206)	111,593	23,729,991
Net loss after income tax	-	-	(572,095)	(1,026)	(573,121)
Other comprehensive income:					
- Foreign currency translation reserve	-	47,776	-	(960)	46,816
At 31 December 2019	106,450,311	7,280,069	(90,636,301)	109,607	23,203,686

The condensed notes on pages 13 to 21 are an integral part of these condensed consolidated half-year financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 December 2019**

	Note	31/12/2019 \$	31/12/2018 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		-	3
Payments to suppliers and employees		(171,197)	(107,366)
Net cash used in operating activities		<u>(171,197)</u>	<u>(107,363)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for Exploration and Evaluation expenditure		(357,183)	(2,659,500)
Net cash used in investing activities		<u>(357,183)</u>	<u>(2,659,500)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from related party borrowings		651,509	1,591,003
Net cash generated from financing activities		<u>651,509</u>	<u>1,591,003</u>
Net increase/(decrease) in cash and cash equivalents		123,129	(1,175,860)
Cash and cash equivalents at 1 July		323,132	1,369,743
Effect of exchange rate fluctuations on cash held		1,126	34,217
Cash and cash equivalents at 31 December		<u>447,387</u>	<u>228,100</u>
		=====	=====

The condensed notes on pages 13 to 21 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 2019

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

(a) Reporting entity

NuEnergy Gas Limited (the "Company" or "NuEnergy") 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 2019 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily involved in the exploration, appraisal and development of hydrocarbons with a primary focus on unconventional gas on coal seam gas also known as coal bed methane ("CBM").

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2019 are available upon request from the Company's registered office at c/- KPMG, Level 38, Tower 3, International Towers Sydney, 300 Barangaroo Avenue, 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 2019.

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 12 March 2020.

(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 2019. Save as disclosed below, there have been no new or revised accounting standards issued with an effective date of 1 July 2019 applicable to the Group.

- AASB 16: *Leases*.

The standard requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months. The Group has leases for rental of office premises with a term of less than 12 months. Hence the implementation of AASB 16 does not have any impact to the Group.

(d) Going concern

The Group has recorded a loss of \$573,121 had net cash outflows from operating and investing activities of \$528,380 for the half year ended 31 December 2019, and has no ongoing source of operating income. At 31 December 2019 the Group had a working capital deficiency of \$12,625,038 however, with net assets of \$23,203,686, which includes \$447,387 of cash and cash equivalents.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 December 2019

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:

- At 31 December 2019, the Group had cash and cash equivalents of \$447,387;
- The Group secured and has drawn down financing of \$651,509 from AIC Corporation Sdn Bhd ("AICC"), a related party during the period. The Group further secured and has drawn down financing of \$22,800 from AICC subsequent to the period end;
- The Directors have prepared a cash flow forecast for the period up to 31 March 2021 which includes planned capital raising of \$15,000,000, loans from the ultimate parent Globaltec Formation Berhad Group ("GFB Group") of \$560,000 as well as receipts from joint venture partners of \$2,595,000 to ensure all planned exploration commitments of \$1,456,000, the uncommitted appraisal and development expenditure of approximately \$2,629,000 and overheads of \$4,349,000 for the 15 months period from 1 January 2020 to 31 March 2021 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 PSC to future years after negotiation with the Indonesian Oil and Gas Regulator;
- In the event that the provision for production sharing contract penalties are called upon by the Indonesian Ministry, GFB Group has provided written assurance to NuEnergy that it will support the Group in meeting these commitments should they arise.
- The Bontang Bengalon PSC has been terminated during the period and the Group has responded and appealed to the Government of Indonesia and is optimistic of a favourable outcome; and
- The Group is in the process of applying for the extension of the Muara Enim II PSC which has expired and expects the PSC to be extended.

After considering all the above factors, the Directors have concluded that the use of the going concern assumption is appropriate. However, to meet the future committed expenditure the Group will be required to raise further equity and/or receive financial support from the Group's ultimate parent GFB, as well as receive cash calls from joint venture partners to continue as a going concern.

There is a material uncertainty that may cast significant doubt on the Group's activities' to continue as a going concern should access to equity or financial support be reduced or not forthcoming, if cash calls from joint venture parties are not received or if the Bontang Bengalon PSC appeal is not successful or the Muara Enim II PSC is not extended resulting in the likely penalties being imposed.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 December 2019**

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.

(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.

NOTE 2 OTHER RECEIVABLES AND PREPAYMENTS

		31/12/2019	30/6/2019
		\$	\$
<i>Current</i>			
Receivables	2.1	1,203,802	1,214,168
Deposits		39,416	39,516
Prepayments		106,493	123,210
		1,349,711	1,376,894

2.1 Included in receivables are amounts of \$1,117,351 (30 June 2019: \$1,113,894) owing from a PSC partner for its cash call obligation to finance the exploration projects and operations of the PSC. These amounts are overdue and have been reviewed for indicators of impairment. None of these amounts were found to be impaired given the continued exploration projects, the PSC partner is an Indonesian state-owned coal mining company and the contract for the cash call is binding and the balance remains payable to NuEnergy. Management will endeavour to collect these amounts in full and expects to receive these amounts upon the approval obtained for the Tanjung Enim Plan of Development ("POD") before the end of the financial year 2020.

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 December 2019**

NOTE 3 EXPLORATION AND EVALUATION EXPENDITURE

	31/12/2019 \$	30/6/2019 \$
Balance at beginning of period	34,273,575	36,334,509
Additions	357,183	2,880,740
Impairment charge ¹	-	(7,029,832)
Exchange differences	101,584	2,088,158
	<hr/>	<hr/>
Balance at end of period	34,732,342	34,273,575
	<hr/>	<hr/>
Exploration and evaluation assets	56,386,850	55,928,083
VAT receivable ²	3,518,368	3,518,368
Accumulated impairment	(25,172,876)	(25,172,876)
	<hr/>	<hr/>
Carrying value ³	34,732,342	34,273,575

The exploration and evaluation expenditure comprise of:

- i) the Tanjung Enim PSC carrying value of \$10,587,010 as at 31 December 2019, which is dependent on its POD being approved by the Government of Indonesia. As at the date of this report, all the necessary submissions have been made and the POD is currently pending approval from the authorities. NuEnergy expects to receive the approval to be obtained before the end of the financial year 2020;
- ii) the Muara Enim PSC carrying value of \$21,370,726 as at 31 December 2019, of which NuEnergy has obtained the approval on 6 February 2020 from the Government of Indonesia to extend the exploration period to 19 January 2021. NuEnergy will continue the exploration activities, comprising drilling to obtain exploration/production data that will facilitate the submission and the approval of commercial discovery from SKK Migas before the end of the extended exploration period; and
- iii) the Muralim PSC carrying value of \$2,774,606 as at 31 December 2019, of which the utilization mechanism of Muralim PSC's joint account with SKK Migas, was recently agreed and NuEnergy is expecting to conduct re-entry activities into existing wells to run permeability and production tests to facilitate the submission and approval for commercial discovery before the end of the granted additional exploration period on 19 January 2021.

¹ The 6th year exploration period for the Bontang Bengalon PSC ended on 8 October 2018. The Company had in October 2018 submitted a proposal, with the support of and through the Indonesian Special Task Force for Upstream Oil and Gas Business Activities (commonly referred to as SKK Migas) to the Indonesia Minister of Energy and Mineral Resources for a contract amendment to allow for the extension of the exploration period and to continue with further exploration program development.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 December 2019**

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

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

Pending the outcome of the appeal, the Board has taken the decision to impair the carrying value of the Bontang Bengalon PSC Exploration and Evaluation expenditure at 30 June 2019 of \$797,868 and record a provision for the penalty of USD4,650,000 (equivalent \$6,648,651) to fulfil the remaining obligation under the PSC as disclosed in Note 5.

The Group is in the process of applying for the extension of the Muara Enim II PSC which expired on 31 March 2019 to continue operations. Pending the extension of the PSC while NuEnergy continues discussions with the Indonesian Ministry of Energy and Mineral Resources to obtain extension for the PSC, the Board has taken the approach to impair the carrying value of the Muara Enim II PSC Exploration and Evaluation expenditure at 30 June 2019 of \$6,231,964 and record a provision for the penalty of USD1,500,000 (equivalent \$2,144,726) to fulfil the remaining obligation under the PSC as disclosed in Note 5. If the extension is granted by the Indonesian Ministry of Energy and Mineral Resources, NuEnergy has plans to continue operations in this PSC.

² VAT capitalised is eligible to be claimed back from SKK Migas upon production of coal bed methane on a commercial basis. All VAT capitalised relates to ongoing PSCs.

³ Recoverability of the carrying amount of exploration costs is dependent on the successful exploration and sale of coal bed methane.

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

NOTE 4 RELATED PARTY PAYABLES

		31/12/2019	30/6/2019
		\$	\$
Amount due to ultimate parent company	4.1	68,385	33,018
Amount due to substantial shareholder	4.2	243,405	242,663
Loans from related corporations	4.3	3,018,240	2,238,952
		3,330,030	2,514,633

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 December 2019**

- 4.1 The amount due to the ultimate parent GFB is non-trade, unsecured, interest free and repayable on demand.
- 4.2 The amount due to the substantial shareholder, New Century Energy Resources Limited ("NCE") is non-trade, unsecured, interest free and repayable on demand.
- 4.3 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.

NOTE 5 PROVISION FOR PRODUCTION SHARING CONTRACT PENALTIES

	31/12/2019	30/6/2019
	\$	\$
Current Production Sharing Contract penalties	8,793,377	8,598,392

The penalties were provided for the Bontang Bengalon PSC of USD4,650,000 (equivalent \$6,648,651) and for the Muara Enim II PSC of USD1,500,000 (equivalent \$2,144,726) to fulfil the remaining obligation under the PSC as disclosed in Note 3.

NOTE 6 SHARE CAPITAL

	31/12/2019	30/6/2019
Issued and Paid Up Capital (number of shares)	1,480,955,497	1,480,955,497
Fully paid ordinary shares (\$)	<u>106,450,311</u>	<u>106,450,311</u>

NOTE 7 RESERVES

	31/12/2019	30/6/2019
	\$	\$
Foreign Currency Translation Reserve	<u>7,280,069</u>	<u>7,232,293</u>

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 December 2019**

NOTE 8 SEGMENT INFORMATION

Operating segments are reported in a manner that is consistent with internal reporting to the chief operating decision maker ("CODM"), which has been identified by 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 operated in one segment being the CBM exploration in Indonesia. The measure used by the CODM to evaluate the performance is the CBM exploration meeting the commitments under the PSC.

Geographical location

The exploration assets of the Group are predominantly located in Indonesia. The Company's principal and registered office is located in Australia. The geographical information below analyses the Group's non-current assets and liabilities based on the geographical location of the non-current assets and liabilities. The Group is currently under the exploration and appraisal phase and has no revenues from external customers.

	Non-current assets	
	Consolidated	
	31/12/2019	30/6/2019
	\$	\$
Australia	1,077	1,623
Indonesia	35,827,647	35,381,303
	35,828,724	35,382,926

NOTE 9 EXPENDITURE COMMITMENTS AND CONTINGENT LIABILITIES

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

	31/12/2019	30/6/2019
	\$	\$
Not longer than 1 year	1,213,000	1,233,139
Longer than 1 year and not longer than 5 years	456,000	1,568,006
Longer than 5 years	-	-
	1,669,000	2,801,145

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 December 2019

The Group minimum expenditure are the firm commitments as set forth in the Production Sharing Contracts with the Government of Indonesia for which the Group is committed and obligated to complete. The firm commitments under the Indonesian Production Sharing Contract may be moved into future years after negotiation with the Indonesian Oil and Gas Regulator. The Group has negotiated the postponement of the \$1,669,000 firm commitments until future periods and has met the required commitments for the current period.

The provision for the Production Sharing Contact penalties to fulfil the remaining firm commitments as disclosed in Note 5 was not included in the minimum expenditure for the commitments contracted for under production sharing contracts not provided for in the financial statements.

The Group has performance bond guarantee at the half year ended of \$471,840 (30 June 2019: \$470,402) 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.

NOTE 10 RELATED PARTIES

Dealings with related parties have been consistent with those disclosed in the 30 June 2019 financial statements.

During the half year ended, the Company further received loans totalling \$651,509 from AICC, a wholly owned subsidiary of the ultimate parent, GFB and related party to the Company's directors, Goh Tian Chuan and Chen Heng Mun to fund part of the Group's CBM planned activities. The loans are unsecured and repayable on demand with financing cost of 10% per annum charged on the outstanding loan computed on a daily and non-compounding basis.

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

- i) During the half-year ended, interest of \$42,654 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. The total principal and interest payable was \$945,666 as at 31 December 2019 (30 June 2019: \$887,818).
- ii) During the half-year ended, the amount of \$651,509 additional principal was drawn down on the existing loan payable to AICC, a wholly owned subsidiary of GFB and related party to the Company's directors, Goh Tian Chuan and Chen Heng Mun. During the half-year interest of \$81,254 accrued on the loan and no interest was paid. The total principal and interest payable was \$2,072,574 as at 31 December 2019 (30 June 2019: \$1,351,134).
- iii) An amount of \$243,405 (30 June 2019: \$242,663) for technical service fees was payable at 31 December 2019 to NCE, a subsidiary of the ultimate parent, GFB and related party of the Company's directors, Kee Yong Wah, Goh Tian Chuan and Chen Heng Mun.
- iv) An amount of \$68,385 (30 June 2019: \$33,108) was payable at 31 December 2019 to GFB, the ultimate parent and a related party of the Company's directors Goh Tian Chuan, Chen Heng Mun and the Company's Chairman Kong Kok Keong for travelling and corporate expenditure paid on behalf by GFB.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 December 2019

NOTE 11 EVENTS SUBSEQUENT TO PERIOD END

The Company is not aware of any material events that have occurred subsequent to the period end except for the following:

- 1) Subsequent to the period end, the Company entered into a loan agreement with AICC, a related party to the Company's directors, Goh Tian Chuan and Chen Heng Mun and wholly owned by the ultimate parent, GFB to raise \$22,800 to fund part of the CBM planned exploration activities. The loan is unsecured and repayable on demand with financing cost of 10% per-annum charge on the outstanding loan computed on a daily and non-compounding basis.
- 2) Subsequent to the period end, the Group received confirmation via a letter dated 6 February 2020 from SKK Migas for the Muara Enim PSC on the extension of the exploration period beyond the 10th Contract Year from 30 November 2019 to 19 January 2021 to continue the exploration activities.

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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 9 to 21, 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 2019 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 12th day of March 2020

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Independent Auditor's Review Report

To the shareholders of NuEnergy Gas Limited

Conclusion

We have reviewed the accompanying **Half-year Financial Report** of NuEnergy Gas Limited.

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:

- giving a true and fair view of the **Group's** financial position as at 31 December 2019 and of 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*.

The **Half-year Financial Report** comprises:

- Condensed Consolidated statement of financial position as at 31 December 2019;
- 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 11 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

The **Group** comprises NuEnergy Gas Limited (the Company) and the entities it controlled at the Half year's end or from time to time during the Half-year.

Material uncertainty related to going concern – emphasis of matter

We draw attention to Note 1(d), "Going Concern" in the Half-year Financial Report. The conditions disclosed in Note 1(d), 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 Half-year Financial Report. Our conclusion is not modified in respect of this matter.

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Responsibilities of the Directors 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
- 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 for the review of the Half-year Financial Report

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 2019 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.

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

KPMG

Daniel Camilleri

Partner

Sydney

12 March 2020