

NEW GUINEA ENERGY LTD **QUARTERLY REPORT**



FOR THE PERIOD ENDING 30 SEPTEMBER 2013



ABN 31 112 618 238

Quarterly Activities Report
Period Ending 30 September 2013

31 October 2013

Market Announcements Office
ASX Limited

Quarterly Activities Report – Period Ending 30 September 2013

New Guinea Energy Ltd (**NGE/ Company**) is pleased to provide the following report on its activities for the period ending 30 September 2013 and its Appendix 5B for the period.

Any queries should be directed to the Company Secretary on 02 9252 0010.

Lucy Rowe
Company Secretary

**ACTIVITIES REPORT
QUARTER ENDED 30 SEPTEMBER 2013**

OVERVIEW

- PPL 267 seismic program planning, including line definition, contract negotiation, and community engagement;
- Tendered for multiple-well drilling contracts, and made minor adjustments in preparation for possible rig deployment;
- Progressing farm out negotiations for some of NGE's 100% owned licences;
- Received US\$40M non-binding bid from Esso PNG Robin Limited to acquire NGE's 50% interest in PPL 269. Notified after a month that Esso was unable to reach alignment with the other joint venturers on a number of commercial matters and so chose not to proceed; and
- Re-engaged with other parties who have approached NGE in connection with the possible acquisition of NGE's interest in PPL 269.

RECENT ANNOUNCEMENTS

WESTERN DRILLING LIMITED SECURES DRILLING CONTRACT

Subsequent to the end of the quarter, the Company was pleased to announce on 31 October 2013, that its 50% joint venture with Maps Tuna Limited, Western Drilling Limited (**WDL**), has signed a contract with a third party for the use of WDL's SL 7 Heli Rig and camp (**Rig**) within Papua New Guinea (**PNG**).

WDL has agreed terms for a single well that would see the Rig deployed for approximately 150 days, with an option for a second well that could extend the contract by another 150 days. Mobilisation of the Rig is planned for the fourth quarter of 2013.

The Company is delighted that deployment of the drilling rig will provide employment opportunities for the people of PNG while supporting the growth of the oil and gas industry within the country.

SALE OF INTEREST IN PPL 269 TO ESSO NOT TO PROCEED

On 28 August 2013, the Company announced that in relation to the proposed sale of its 50% participating interest in Petroleum Prospecting Licence (**PPL**) 269 to Esso PNG Robin Limited (**Esso**), a subsidiary of Exxon Mobil Corporation, (**Sale Agreement**) that Esso has advised NGE that it had been unable to reach alignment on a number of confidential commercial matters (which have not been disclosed to NGE) with the other joint venturers in PPL 269 and that Esso would not be proceeding with the Sale Agreement.

As the sale of NGE's interest in PPL 269 to Esso will not be proceeding, consistent with NGE's strategy of monetising gas assets to focus on exploration for oil in Papua New Guinea, NGE is re-engaging with other parties who have approached NGE in connection with the possible acquisition of NGE's interest in PPL 269. NGE will keep the market informed of any developments.

NGE TO SELL INTEREST IN PPL 269 FOR US\$40 MILLION (AUD\$43.7M)

Prior to the announcement above, on 26 July 2013, the Company announced that its wholly owned subsidiary, Kirkland Limited (**Kirkland**) had signed an agreement with Esso, a subsidiary of Exxon Mobil Corporation, regarding the proposed sale of its 50% participating interest in PPL 269 to Esso for a total consideration of US\$40 million cash.

Quarterly Activities Report Period Ending 30 September 2013

Certain rights and obligations under the Sale Agreement were not to become binding until a number of initial conditions precedent were satisfied over a period of 20 business days commencing from the day of the announcement. Esso was permitted to have discussions with the Operator of PPL 269 during this period, and had an absolute discretion to determine whether it was prepared to proceed with the acquisition of Kirkland's participating interest in PPL 269 or not. The initial conditions precedent were: (a) Esso was to give Kirkland a notice that Esso wished to proceed with the transaction; (b) Kirkland was to obtain the consent of the holder of the convertible bonds in NGE; and (c) NGE was to provide a parent company guarantee to Esso. If the initial conditions precedent had been met, Esso would have been required to pay a US\$4 million deposit to Kirkland. If the initial conditions precedent were not satisfied or waived, the sale of Kirkland's participating interest in PPL269 to Esso would not proceed.

OPERATIONS

PPL 267

NGE's strategy is to monetise its gas assets and to explore for oil close to the PNG shore that could be developed relatively quickly. As announced earlier this year, the Kaisy target in PPL 267, on the southern coast of Papua New Guinea offers a step-change growth opportunity for NGE.

A large proportion of this licence is in swampy terrain, which requires specialised equipment and service providers. Coupled with this there is the significant technical challenge of acquiring good seismic data across a 2km wide river.

During the third quarter of 2013 the Company continued its preparations for a circa \$4M seismic program, including negotiations and planning with seismic and field logistics contractors. The program's objectives are to achieve one, and possibly two, drillable targets depending on the analysis of the data.

Unfortunately the withdrawal of the US\$40M offer to acquire NGE's interests in PPL 269 has affected the timing of the seismic program. Our intent is to secure funding for the PPL 267 seismic program through farming out the licence and / or completing the sale of PPL 269 with other interested companies.



Figure 1 – Village along Bamu River in the Kaisy Lead Area



Figure 2 – Seismic acquisition challenges in PPL 267; 2km wide river crossings

DRILLING RIG

The drilling rig owned by Western Drilling Limited (**WDL**), a Company in which NGE holds a 50% interest with Maps Tuna Limited, is attracting interest from a number of PNG explorers.

Subsequent to the end of the quarter, NGE was pleased to announce on 31 October 2013, that WDL has signed a contract with a third party for the use of WDL's SL 7 Heli Rig and camp (**Rig**) within PNG.

WDL has agreed terms for a single well that would see the Rig deployed for approximately 150 days, with an option for a second well that could extend the contract by another 150 days. Mobilisation of the Rig is planned for the fourth quarter of 2013.



Figure 3 - Western Drilling Rig and Laydown Area

LICENCE SCHEDULE

LICENCE	LOCATION	COUNTRY	AREA km ²	NGE INTEREST
PPL 265	Onshore Papuan Basin	Papua New Guinea	15,550	100%
PPL 266	Onshore Papuan Basin	Papua New Guinea	4,175	100%
PPL 267	Onshore Papuan Basin	Papua New Guinea	3,317	100%
PPL 268	Onshore Papuan Basin	Papua New Guinea	2,109	50%
PPL 269	Onshore Papuan Basin	Papua New Guinea	4,358	50%
		TOTAL	29,509	

PPL 265

Applications to vary the current licence terms and extend the licence period for this PPL were lodged with the DPE on 31 August 2012. A surface geochemical survey planned over the Jerai North Prospect is pending license extension approval.

PPL 266

On 25 October 2012, NGE announced that it had accepted an offer by the Minister of Petroleum and Energy to extend the licence period and exploration expenditure program in PPL 266 for a further five (5) years.

PPL 267

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Planning is underway for a seismic program to link the Panakawa area seismic grid acquired by NGE to regional data in the southeastern portion of the block.

PPL 268

Talisman (Operator) has proposed a work program and budget for 2014. Discussions are ongoing to ensure project feasibility and commercial alignment amongst joint venturers.

PPL 269

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Grant Worner
Chief Executive Officer

Disclaimer

Any forecast or other forward-looking statement contained in this announcement involves known and unknown risks and uncertainties and significant elements of subjective judgment and assumptions as to future events which may or may not be correct. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of New Guinea Energy, and may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements.

Qualified Petroleum Reserves and Resources Evaluator Statement

"The information in this announcement that relates to NGE's resources is based on information compiled by Mr Dan Kendrick (Ph D, Geology), an employee of New Guinea Energy with over 15 years' experience as a practising geologist, and a member of the American Association of Petroleum Geologists (AAPG). Mr Dan Kendrick consents to the inclusion of the information in this report in the form and context in which it appears."

Quarterly Activities Report

Period Ending 30 September 2013

CORPORATE DIRECTORY

Directors

Michael N Arnett	Non-Executive Chairman
Sir Michael R Bromley	Non-Executive
Andrew L Martin	Non-Executive
Andrew L Kent	Non-Executive
Andrew A Young	Non-Executive

Chief Executive Officer

Grant A Worner

Company Secretary

Lucy N Rowe

Registered Office

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Sydney NSW 2000

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Email: office@ngenergy.com.au

Website

www.ngenergy.com.au

Stock Exchange Listings

ASX Limited 20 Bridge St Sydney NSW 2000	Port Moresby Stock Exchange Level 4, Defens Haus Corner Champion Parade and Hunter St Port Moresby, PAPUA NEW GUINEA	OTCQX International 304 Hudson Street, 3 rd Floor New York, NY 10013 USA
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ASX Code: NGE

POMSoX code : NGE

OTCQX code: NGELY

Share Registry

Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001

Telephone:	1300 737 760 +61 2 9290 9600
Facsimile:	1300 653 459 +61 2 9290 0644
Website:	www.boardroomlimited.com.au

Auditors

Grant Thornton Audit Pty Ltd
Level 17
383 Kent Street
Sydney NSW 2000

Solicitors

Norton Rose Fulbright
Grosvenor Place, 225 George Street
Sydney NSW 2000

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

NEW GUINEA ENERGY LTD

ABN

31 112 618 238

Quarter ended ("current quarter")

SEPTEMBER 2013

Consolidated statement of cash flows

	Current quarter	Year to date (9 months)
	\$A'000	\$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	1	25
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(613)	(3,774)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	59	105
1.5 Interest and other costs of finance paid	-	(54)
1.6 Income taxes paid		
1.7 Other (legal fees and GST)	(488)	(1,734)
Net Operating Cash Flows	(1,469)	(6,567)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	-	(18)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets	22	115
1.10 Loans to other entities	(438)	(1,254)
1.11 Loans repaid by other entities	470	543
1.12 Other (provide details if material)	-	(6)
Net investing cash flows	54	(620)
1.13 Total operating and investing cash flows (carried forward)	(1,415)	(7,187)

+ See chapter 19 for defined terms.

Appendix 5B**Mining exploration entity and oil and gas exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(1,415)	(7,187)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.		
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(1,415)	(7,187)
1.20	Cash at beginning of quarter/year to date	7,375	13,356
1.21	Exchange rate adjustments to item 1.20	(144)	(353)
1.22	Cash at end of quarter	5,816	5,816

Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

		Current quarter
		\$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	114
1.24	Aggregate amount of loans to the parties included in item 1.10	438

1.25 Explanation necessary for an understanding of the transactions

Salaries, fees and superannuation contributions for non-executive directors.
Loans were for advances and payments made on behalf of an entity in which the company holds a 50% interest.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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Financing facilities available

Add notes as necessary for an understanding of the position.

The Company has secured a \$40,000,000 equity subscription facility which has not been activated yet.

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity and oil and gas exploration entity quarterly report

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities		
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,500
4.2 Development	
4.3 Production	
4.4 Administration	425
Total	1,925

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	1,139	1,014
5.2 Deposits at call	4,677	6,361
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	5,816	7,375

Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements and petroleum tenements acquired or increased			

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity and oil and gas exploration entity quarterly report

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 *Ordinary securities	849,991,193	846,541,193		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 *Convertible debt securities <i>(description)</i>	\$22,076,258 in Unsecured convertible equity bonds due 30 May 2016, representing 110,381,290 fully paid ordinary shares in the Company	-	20 cents	20 cents
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	Conversion of one ordinary share per option 61,700,000 2,500,000 400,000	- - -	<i>Exercise price</i> 45 cents 45 cents 30 cents	<i>Expiry date</i> 1 October 2014 27 July 2014 07 February 2016
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				

+ See chapter 19 for defined terms.

7.12	Unsecured notes (<i>totals only</i>)				
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Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does /does not* (*delete one*) give a true and fair view of the matters disclosed.

Sign here: 
Company Secretary

Date: 31 October 2013

Print name: Lucy Rowe

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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