

NEW GUINEA ENERGY LTD **QUARTERLY REPORT**



FOR THE PERIOD ENDING 31 DECEMBER 2013



ABN 31 112 618 238

Quarterly Activities Report
Period Ending 31 December 2013

31 January 2014

Market Announcements Office
ASX Limited

Quarterly Activities Report – Period Ending 31 December 2013

New Guinea Energy Ltd (**NGE/ Company**) is pleased to provide the following report on its activities for the period ending 31 December 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 31 DECEMBER 2013

OVERVIEW

Throughout the quarter NGE continued conversations with parties interested in acquiring NGE's 50% participating interest in PPL 269 and the Company remains positive about the prospects of concluding a transaction in the near future.

During the quarter NGE's 50% owned joint venture, Western Drilling Limited (**WDL**) with Maps Tuna Limited, won a contract for its rig to be deployed in the first quarter of 2014 but this contract was later terminated by mutual consent. The bulk of the operational effort throughout the last quarter was focussed on preparing the rig for commissioning, gaining independent assessment for the rig to be fit for purpose, and to gain approval for the rig to be used in PNG. While significant progress has been made, WDL has thus far been unable to obtain approval to use the rig in PNG. WDL is doing all it can to obtain the necessary approvals to use the rig in-country and will provide further updates to the market when appropriate.

With the prevalence of swampy ground in the area in NGE's 100% owned PPL 267, as previously announced, it is only possible to take seismic in this licence during the dry season. NGE's original intention was to complete this seismic program in the fourth quarter of 2013 using funds from the sale of PPL 269. Esso's inability to reach alignment with the other joint venturers in PPL 269 and subsequent decision not to proceed with the acquisition of that licence in the third quarter of 2013 has meant that NGE has had to delay the seismic program until it completes a sale of its 50% interest in PPL 269.

NGE presented at the PNG Chamber of Mines and Petroleum Seminar in Port Moresby providing the industry with an update on the new technology we are applying in PNG for seismic reprocessing and seismic acquisition.

RECENT ANNOUNCEMENTS

WESTERN DRILLING LIMITED CONTRACT

On 28 January 2014, the Company advised the market that the contract previously announced on 31 October 2013 for the use of Western Drilling Limited's SL7 Heli Rig and camp (**Rig**) had been terminated by mutual agreement.

To date, WDL has been unable to obtain approval to use the Rig in Papua New Guinea from the PNG Department of Petroleum and Energy (**DPE**).

WDL will continue its efforts to obtain approval for the Rig from the DPE and will provide further updates to the market.

OPERATIONS

PPL 267 Seismic reprocessing

During the quarter, NGE was able to integrate the results of seismic reprocessing from the PPL267 area into the lead mapping. With the help of the DPE, NGE was able to find original hardcopy data from the 1976 Esso survey across the area. This information enabled the 1970s data to be reprocessed to a modern standard (with modern noise reduction) leading to a significant improvement in data quality (Figure 1). Structures invisible in the original data were imaged and mapped with confidence in the reprocessed data. These leads will be the subject of the 2014 acquisition program to confirm a drilling target in the licence.

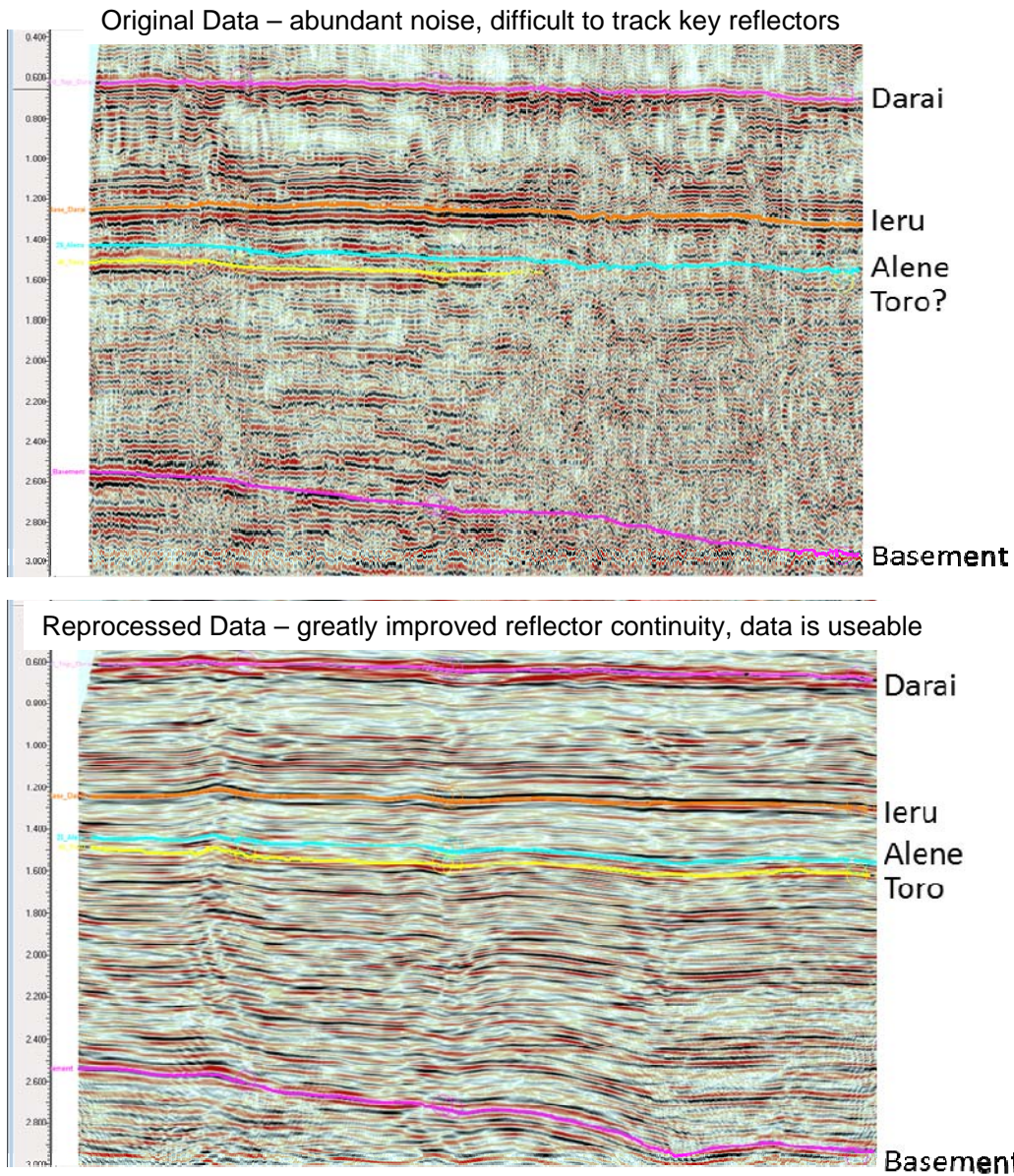


Figure 1. Example of reprocessing results from the P76 Seismic Survey (Velseis, 2013).

PPL 267 Seismic acquisition challenges and new solutions

The southeastern portion of PPL 267 is characterised by swampy terrain with tidal river crossings 2-3km wide. (Figure 2). Seismic acquisition across these rivers would normally require mobilisation of a 'transitional zone' seismic crew with specialised seismic equipment to provide a seismic source and receivers suitable for deployment in shallow water. Unfortunately, costs for mobilising a crew into PNG for NGE's survey were found to be prohibitive. Acquisition with no source or receivers in the rivers will create data gaps of 1-2km at reservoir level which is deemed unacceptable for prospect-scale mapping.

An alternative is to record with two seismic systems simultaneously; a land system on the riverbanks, and a 'marine' hydrophone system across the rivers. While feasible, this leads to significant processing difficulties as the two surveys are 'stitched' together with potential for errors in the final product.

A newly available option involves the use of 'nodal' seismic systems where long strings of geophones connected by cables are replaced with individual nodes that are battery powered and record data continuously, or during programmed intervals. The absence of cables and the ability to record continuously allows nodes to be laid up to the edge of rivers and a boat-mounted air gun to be used as a seismic source to minimise the data gaps. New systems available in mid 2014 will allow hydrophones laid across the rivers to be tied directly to the nodal recording system, thereby eliminating the data gaps and potential processing errors at a considerable cost savings.

NGE is working with Terrex, Australia's largest onshore seismic contractor to design a nodal seismic survey applicable to PPL 267.



Figure 2. The Bamu River in the Kaisy Lead area of PPL 267 is a significant challenge to seismic acquisition with likely river crossings up to 3km in width.

DRILLING RIG

WDL is pursuing the required PNG Department of Petroleum and Energy approval to operate its Rig in PNG, as per NGE's announcement on 28 January 2014.



Figure 3. Western Drilling Rig during rigging down operations in December 2013.

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	

Quarterly Activities Report Period Ending 31 December 2013

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 licence 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

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 267 for a further five (5) years.

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. The next available weather window for this program is 3Q 2014.

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

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

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 announcement in the form and context in which it appears."

Quarterly Activities Report

Period Ending 31 December 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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Stock Exchange Listings

ASX Limited
20 Bridge St
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Port Moresby Stock Exchange
Level 4, Defens Haus
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Port Moresby, PAPUA NEW GUINEA

OTC Markets
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New York, NY 10013
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ASX Code: NGE

POMSoX code : NGE

OTC code: NGELY

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Facsimile: 1300 653 459
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Website: www.boardroomlimited.com.au

Auditors

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

Solicitors

Norton Rose
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")

DECEMBER 2013

Consolidated statement of cash flows

	Current quarter	Year to date (12 months)
	\$A'000	\$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	58	83
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(559)	(4,333)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	62	167
1.5 Interest and other costs of finance paid	(55)	(109)
1.6 Income taxes paid		
1.7 Other (legal fees and GST)	(340)	(2,074)
Net Operating Cash Flows	(1,243)	(7,810)
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	5	120
1.10 Loans to other entities	(1,087)	(2,341)
1.11 Loans repaid by other entities	74	617
1.12 Other (provide details if material)	-	(6)
Net investing cash flows	(1,008)	(1,628)
1.13 Total operating and investing cash flows (carried forward)	(2,251)	(9,438)

+ 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)	(2,251)	(9,438)
	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	(2,251)	(9,438)
1.20	Cash at beginning of quarter/year to date	5,816	13,356
1.21	Exchange rate adjustments to item 1.20	88	(265)
1.22	Cash at end of quarter	3,653	3,653

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	119
1.24	Aggregate amount of loans to the parties included in item 1.10	1,013

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	1,750
4.2 Development	
4.3 Production	
4.4 Administration	350
Total	2,100

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	965	1,139
5.2 Deposits at call	2,688	4,677
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	3,653	5,816

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>	\$22,628,164 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	Issue \$551,906 in Unsecured convertible equity bonds due 30 May 2016, representing 2,759,530 fully paid ordinary shares in the Company		20 cents	20 cents
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				

+ See chapter 19 for defined terms.

7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

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 give a true and fair view of the matters disclosed.

Sign here: 
Company Secretary

Date: 31 January 2014

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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+ See chapter 19 for defined terms.