

## QUARTERLY ACTIVITIES REPORT 31 DECEMBER 2013

NuEnergy Gas Limited (ASX:NGY) (NuEnergy, the Company) is pleased to provide shareholders with an update on the Quarterly Activities for the period ending 31 December 2013.

### **HIGHLIGHTS**

#### **Indonesia**

- Pilot Well #2 at Muara Enim Production Sharing Contract (PSC) drilled completed and tested, showing:
  - 46 metres (net) coal seam thickness; and
  - Initial Permeability results across four seams in a range of 2.44 to 30.15 millidarcies (mD)
- Pre-plan of development approval for early production being processed by Indonesia's upstream oil and gas regulator, SKKMIGAS
- Coal seams of up to 150 metres in total thickness were confirmed after 49 well logs, 146 seismic lines, and 2,376 kilometres of seismic at Muara Enim PSC were assessed

#### **Eastern Africa**

- Expansion in Eastern Africa with exclusive agreements entered into with Mozambique parties to explore and develop coal bed methane particularly in Tete Province, considered the 5th largest coal province in the world

#### **Corporate**

- A 1 for 4 partially underwritten non renounceable rights issue at 3.5c announced

### **CHAIRMAN'S COMMENTS**

NuEnergy had a successful quarter with pleasing progress made across the company. The most significant achievement was made to NuEnergy's Muara Enim Production Sharing Contract (PSC) in South Sumatra, Indonesia.

During the quarter, a second Pilot Well was tested and permeability results are highly encouraging. Of the four coal seams tested, the highest result was over 30 millidarcies (mD). This significant result should enable the well to flow gas at a commercial rate once the appropriate level of dewatering has occurred."

#### **Board of Directors**

**Graeme Robertson**  
*Chairman and Non-executive Director*

**Peter Cockcroft**  
*Non executive Director*

**Jonathan Warrand**  
*Non executive Director*

**Alan Fraser**  
*Non executive Director*

**Christopher Newport**  
*Chief executive Officer*

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The Company continues to assess the behaviour of the well with the dewatering process commencing on 27 December.”

In addition to the testing of Pilot Well #2, the Company continued its extensive exploration campaign with geological and geophysical (G&G) work completed by reservoir consultants, JMJ Petroleum. Results were positive, showing total coal thickness of up to 150metres from multiple seams in the western areas of our Muara Enim and Muara Enim II PSCs. Also, a new G&G study was completed at Rengat producing improved results with a continuous 15m coal seam identified. The results are very encouraging as the Company looks to farm-out this PSC in the first half of calendar 2014.

NuEnergy’s African business continues to grow with a Memorandum of Understanding signed in Mozambique that allows the Company to have the first option to explore CBM opportunities in the Tete Province. NuEnergy is also evaluating other prospective regions in Mozambique for unconventional gas.

The development of the agreements in Mozambique are very significant to the Company as this opens one of the world's leading regions for coal bed methane operations in the Karoo coal formation which potentially hosts large resources of unconventional gas. NuEnergy aims to have CBM concessions finalised within the next 6 months in prospective regions. ”

## **INDONESIA**

### **ME Pilot Well # 2:**

The focus of NuEnergy’s operations during the quarter was Pilot Well #2 at the Muara Enim PSC in South Sumatra which was successfully drilled to the target total depth of 802 metres. A total of 46 metres of net coal seams were identified with the Suban J seam showing 13 metres of continuous coal.

First gas flows from the Pilot Well #2 coal seams occurred during finalisation of well completions (see image 1).

NuEnergy successfully installed fishbone completions across the J coal seam and installed pre perforated casing across the H, J, K and L coal seams. Permeability was tested across all of these seams and the results, determined by the official Indonesian certifier PT Lemigas, demonstrated permeability ranging between 2.44 and 30.15 mD. The upper end of the permeability range recorded in this well is 275% greater than the permeability test result recorded in the Muara Enim PSC Pilot Well #1.

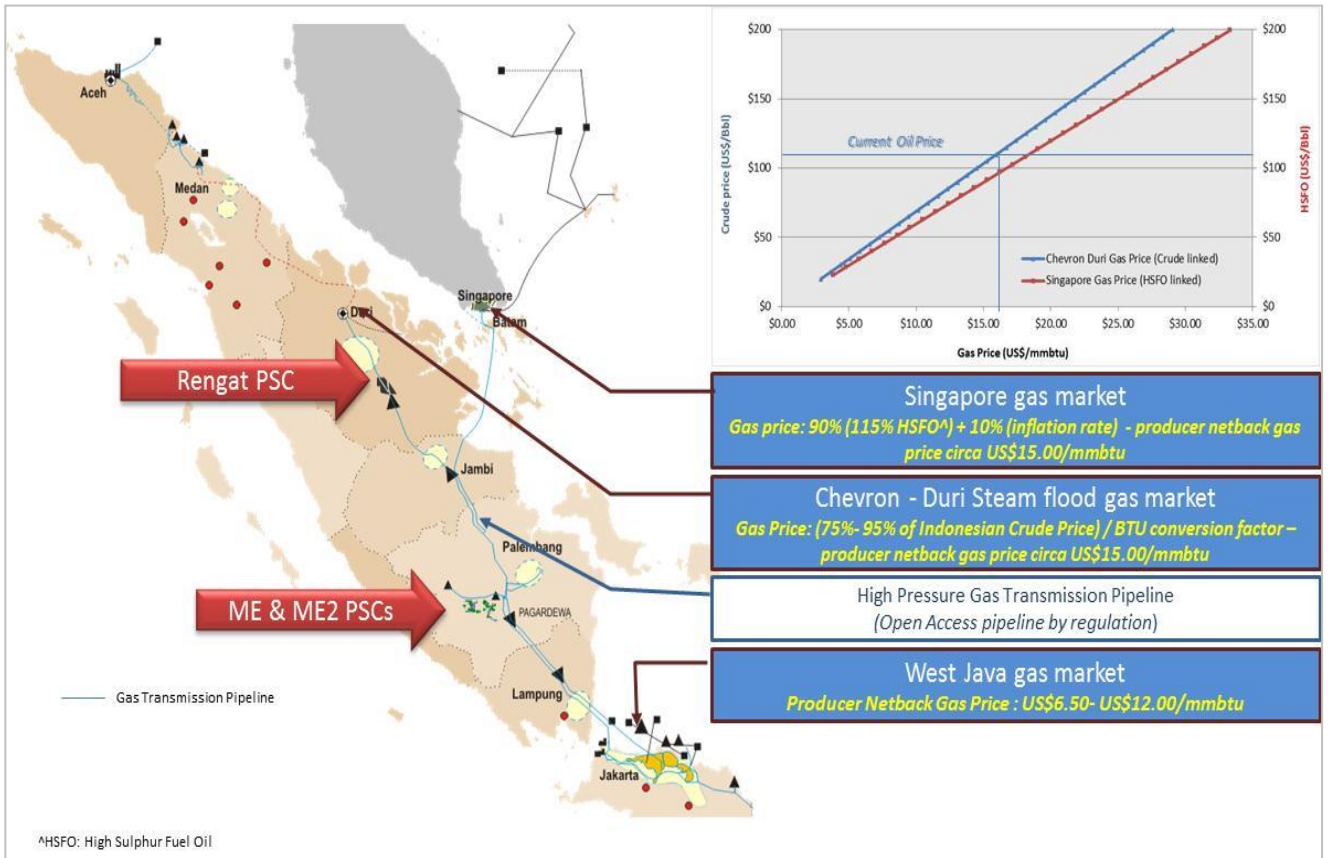


**Image 1: First gas shows during Pilot Well #2 completion**

NuEnergy's development application for the pilot production site proceeding to early production is being reviewed by Indonesia’s upstream oil and gas industry regulator, SKKMIGAS. The Company has many options for gas sales with the main pipeline to Singapore nearby as well as extensive pipeline and gas utilisation infrastructure

**Rengat PSC (NGY Participating Interest 100%)**

Rengat PSC is located in the central Sumatra coal basin. The PSC covers an area of 3,000 square kilometres and is in the vicinity of key infrastructure including a major gas pipeline from Jakarta to Duri. NuEnergy has a 100% interest in Rengat.

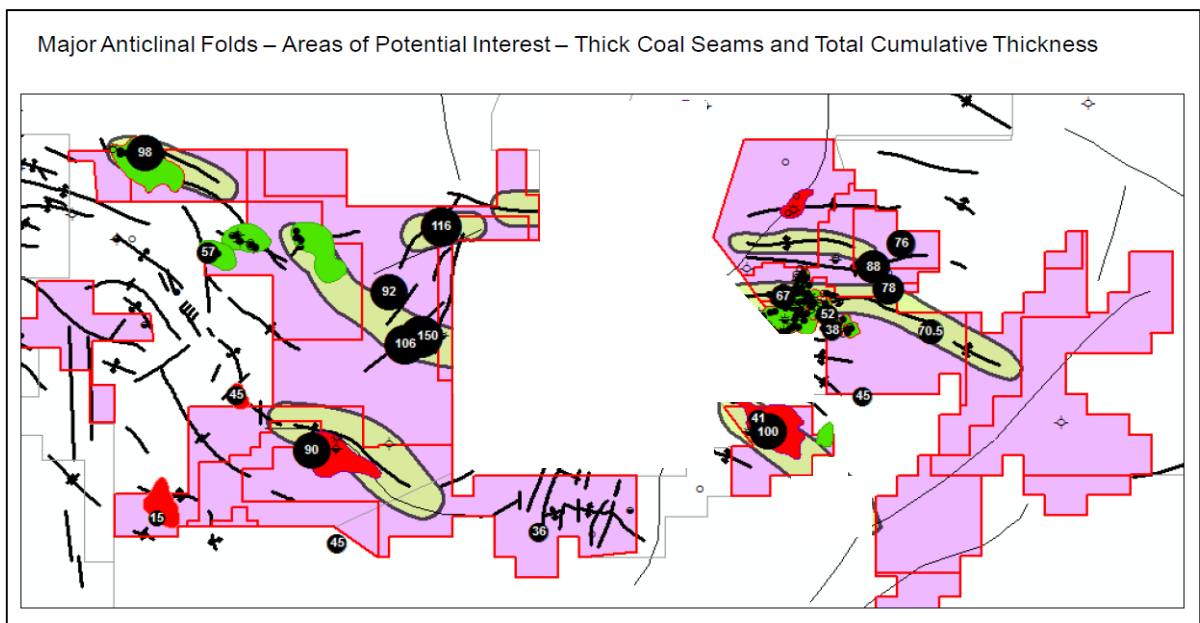


**Location Map – NuEnergy’s Indonesian PSCs and surrounding infrastructure**

## Muara Enim Geological study results – Coal seams up to 150m thick

During the quarter, NuEnergy completed a geological and geophysical evaluation of the South Sumatra Coal Basin during the quarter. Data from 49 well logs and over 146 seismic lines representing 2,376 kilometres of seismic were assessed. Underlying structural elements, such as anticlines and faults, have been identified. The objectives of this work were to:

- map all of the South Sumatra coal formations across the concession areas;
- identify “sweet spots” for future appraisal drilling and pilot projects;
- identify existing infrastructure such as gas gathering pipelines, major trunklines and compressor stations; and
- upgrade gas-in-place and contingent resource estimates using the results of the evaluation.



**NuEnergy South Sumatra Basin Mapping Show Major Coal Seams Across Concession Areas**

NuEnergy continues to focus on completing the current first Pilot Project and developing its 2014/15 program to appraise the productivity of gas resources in the Muara Enim and Muara Enim II PSC’s.

The 2014/15 pilot projects will be targeted at:

- confirming “sweet spot” areas;
- generating further proof of concept to investors;
- providing water and gas production curves for reservoir engineering and gas recovery estimates;
- generating early cash flows and booking reserves; and
- optimising completion and drilling techniques in coal seams which are up to 40 metres thick.

NuEnergy believes these factors will support a significant gas project in the order of 50 to 100 mmscfd in 2016.



## **EASTERN AFRICA**

In the quarter NuEnergy signed a landmark Memorandum of Understanding with a Mozambique party to exclusively explore and develop coal bed methane (CBM) in Mozambique. The party cannot be disclosed under the terms of the agreement.

In Eastern Africa, NuEnergy has:

- an existing Exclusive Prospecting Licence in Malawi, on the border with Mozambique; and
- two operating agreements with a Tanzanian coal producer as well as two exploration applications in Tanzania along the southern border area with Mozambique.
- The focus of activities in Mozambique will be in the Tete Province, the 5th largest coal reserve in the world. Major producers including Vale and Rio Tinto which are both currently developing substantial coking coal reserves.

NuEnergy will have the first option to explore CBM opportunities in the Tete Province region as well as evaluate other prospective regions in Mozambique for unconventional gas. Mozambique is fast becoming a global gas producer. Substantial offshore natural gas has been discovered and the country is progressing to construct LNG export facilities.

For Mozambique, CBM provides:

- an onshore resource with options for supply to LNG plants and to inland gas-fired power stations capable of generating electricity for towns and villages; and,
- supply to mini CNG plants for compression and use as transportation fuel. The major cost of freight in Africa is transportation fuel. The current cost of freight ranges between 9 and 12 cents per tonne per kilometre. As shown in the United States of America, it is possible to achieve cost savings of 30% by utilising compressed gas. This is a significant benefit to both coal mine haulage as well as bulk haulage operators.

NuEnergy has access to a specialised drilling rig (Hanjin 45) for CBM which will be mobilized to Mozambique in 2014.

## **CORPORATE**

During the quarter the Company completed a partially underwritten non-renounceable Rights Issue of one New Share for every four shares held on the Record Date of 6 December 2013 at the issue price of \$0.035 (3.5c) per share.

The Rights Issue was partially underwritten by Farjoy Pty Limited (an existing shareholder of NGY). The Offer closed on 27 December 2013 with take-up of \$1.17 million. Including partial underwriting the funds raised totalled \$1.87 million.

Funds raised by the Rights Issue will predominantly be applied to continue the expansion of NuEnergy's pilot development program in South Sumatra, Indonesia.

- ENDS -



*An emerging gas and ancillary power  
generating development company with a  
focus on Indonesia and Eastern Africa.*

## **ABOUT NUENERGY GAS LIMITED**

NuEnergy Gas Limited (ASX:NGY) is an emerging ASX listed gas and ancillary power generation development company with an immediate focus on establishing unconventional gas exploration & production in Indonesia and Eastern Africa.

The company's overall strategy is to rapidly prove up CBM and shale gas resources and bring these resources to production through small scale power generation and connection to the local gas grid.

NuEnergy has secured strategically located CBM and shale gas concessions in areas that are short of power supply, where there is a significantly undersupplied gas market and/or where there is abundant gas and power infrastructure to take gas or power to market.

NuEnergy has three operated PSCs in Indonesia, two operated CBM & shale gas joint ventures in Tanzania, an Exclusive Prospecting Licence in Malawi and is now exploring for CBM in Mozambique.

We encourage shareholders and interested parties to contact us on (+612) 9199 5522 [info@nuenergygas.com.au](mailto:info@nuenergygas.com.au) or alternatively via our website at [www.nuenergygas.com.au](http://www.nuenergygas.com.au).

# Appendix 5B

## Mining 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

Name of entity

NuEnergy Gas Limited

ABN

50 009 126 238

Quarter ended ("current quarter")

31 December 2013

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (six months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(96) (1,863)  (402)	(252) (2,989)  (859)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	11	11
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)	(9)	(5)
	<b>(2,360)</b>	<b>(4,096)</b>
<b>Net Operating Cash Flows</b>		
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets		
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
	-	-
<b>Net investing cash flows</b>		
1.13 Total operating and investing cash flows (carried forward)	<b>(2,360)</b>	<b>(4,096)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(2,360)	(4,096)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	(1,168)	(1,168)
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)		
	<b>Net financing cash flows</b>		
	<b>Net increase (decrease) in cash held</b>	<b>(1,192)</b>	<b>(2,928)</b>
1.20	Cash at beginning of quarter/year to date	2,724	4,473
1.21	Exchange rate adjustments to item 1.20	9	(3)
1.22	<b>Cash at end of quarter</b>	<b>1,542</b>	<b>1,542</b>

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

		Current quarter \$A'ooo
1.23	Aggregate amount of payments to the parties included in item 1.2	109
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Directors fees, salaries, consulting fees, management fees and expense reimbursements.

**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

1 for 4 Rights issue partially underwritten to \$0.7 million raised a total of \$1.87 million. Only \$1.17 million is recognised above as the \$0.7 million underwriting was received in January 2014. All shares under the Offer were not allotted until January.

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

**Financing facilities available**

+ See chapter 19 for defined terms.



Add notes as necessary for an understanding of the position.

	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	95
4.2 Development	1,200
4.3 Production	
4.4 Administration	420
<b>Total</b>	<b>1,715</b>

### 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	289	732
5.2 Deposits at call	1,253	1,992
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>	<b>1,542</b>	<b>2,724</b>

### Changes in interests in mining tenements

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

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

**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.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>*Ordinary securities</b>	281,659,907	281,659,907		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 <b>*Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>			<b>Exercise price</b>	<b>Expiry date</b>
	1,250,000		\$0.48	08-Feb-2014
	1,250,000		\$0.60	01-Jun-2014
	1,250,000		\$0.80	01-Dec-2014
	500,000		\$0.80	28-Feb-2014
	500,000		\$0.122	20-Dec-2014
	5,050,000		\$0.12	12-Dec-2017
7.8 Issued during quarter			<b>Exercise price</b>	<b>Expiry date</b>
7.9 Exercised during quarter			<b>Exercise price</b>	<b>Expiry date</b>

+ See chapter 19 for defined terms.

7.10	Expired during quarter		
		<i>Exercise price</i>	<i>Expiry date</i>
7.11	<b>Debentures</b> <i>(totals only)</i>	-	-
7.12	<b>Unsecured notes</b> <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: ..... Date: 31 January 2014  
Company Secretary

Print name: Rozanna Lee

## 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 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, 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.

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+ See chapter 19 for defined terms.

## Appendix 5B Mining exploration entity quarterly report

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- 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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