



13 February 2014

The Company Announcements Office
ASX Limited

NGE TO SELL 50% INTEREST IN PPL 269 FOR UP TO US\$40 MILLION (AUD\$44M)

New Guinea Energy Ltd (**NGE / Company**) is pleased to announce that NGE and its wholly owned subsidiary, Kirkland Limited (**Kirkland**) have signed an agreement with a subsidiary of Santos Limited, Barracuda Limited (**Santos**), regarding the proposed sale of Kirkland's 50% participating interest in Petroleum Prospecting Licence 269 (**PPL269**) to Santos for a maximum total consideration of up to US\$40 million (**Sale Agreement**). NGE has guaranteed Kirkland's obligations under the Sale Agreement.

The consideration for the sale of the 50% interest in PPL 269 includes:

- payment of US\$32 million cash on Completion; and
- payment of US\$2 million cash if a Petroleum Retention Licence (**PRL**) is granted over any area of PPL269; and
- payment of a further US\$6 million cash if a Petroleum Development Licence (**PDL**) is granted over any area of PPL269. (However, if a PDL is granted prior to a PRL, a one off payment of US\$8 million cash will be payable instead).

Completion of the sale of Kirkland's 50% interest in PPL269 under the Sale Agreement is conditional on receipt of certain government approvals, some of which must be satisfied within 6 months of the execution date. The Sale Agreement also contains a number of conditions which must be satisfied within 6-9 months of the execution date, including that the variation to PPL269 submitted on 11 March 2013 is approved by the Minister and that Santos executes an on-sale agreement under which it will on-sell a portion of the 50% participating interest being acquired from Kirkland (**On-Sale Agreement**). Completion of the sale of Kirkland's participating interest to Santos is conditional on all of the conditions under the On-Sale Agreement being satisfied.

Under the Sale Agreement, Santos has agreed to fund Kirkland's participating share of expenditure under certain pre-approved Work Programs and Budgets. Kirkland will not be liable to repay any funds advanced by Santos in relation to this expenditure other than in very limited circumstances.

A timetable of the latest dates for the implementation of the transaction is:

Action	Date
Execution Date	13 February 2014
Initial Conditions Precedent satisfied or waived	By no later than 13 August-November 2014
Remaining conditions, including Government approvals and On-Sale Agreement.	By no later than 13 August-November 2015
Completion and Consideration Received	At least 10 business days after conditions satisfied.

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The Company has received the consent of the holders of the convertible bonds on issue to enter into and complete the Sale Agreement, and the Company will repay all outstanding monies in relation to the convertible bonds following receipt of the sale consideration. Using the 12 February 2014 exchange rate of AUD/USD 0.9057, the likely effect of the payment on Completion will be to increase the Company's net assets by AUD\$9 million. A more detailed description of the impact on the Company's finances is provided as an Appendix to this announcement.

NGE Chief Executive Officer, Grant Worner commented:

"This transaction is consistent with NGE's strategy of monetising its gas assets so the Company can focus on oil exploration in Papua New Guinea. The sale of PPL277 in late 2012 has, and this sale of PPL269 will, provide material cash injections whilst allowing NGE to retain an interest in the potential upside of developing these assets. This upside is dependent on the success of experienced oil and gas companies in PNG through bonus payments on the grant of a PRL or PDL in respect of PPL269 and PPL277 and an uncapped royalty over any production from PPL277.

When the sale of Kirkland's interest in PPL269 completes, the US\$32 million will significantly strengthen NGE's balance sheet and provide capital to further progress our exploration opportunities."

Michael Arnett
Chairman

About New Guinea Energy

New Guinea Energy Ltd (ASX: **NGE**; OTC: **NGELY**; POMSOX: **NGE**) is an Australian company focused on oil and gas exploration in Papua New Guinea (**PNG**). Prior to any sale of PPL 269 taking effect, the company has 5 onshore Petroleum Prospecting Licences (**PPLs**) covering more than 29,500km² (7 million acres) and a royalty right over another 8,000km² (2 million acres) in a PPL running parallel to the PNG LNG Project. As a reflection of the prospectivity of NGE's portfolio, more than 1 billion barrels of oil and 15 Tcf of gas have already been discovered in adjacent licences.

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.

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APPENDIX: CONSOLIDATED STATEMENT OF THE FINANCIAL POSITION AS AT 30 JUNE 2013 AND PROFORMA FINANCIAL POSITION AFTER SALE AND RECEIPT OF THE US\$32 MILLION, APPLYING THE 12 FEBRUARY 2014 AUD/USD EXCHANGE RATE OF 0.9057

	Historical (Auditor reviewed) AUD \$'000	PPL 269 AUD \$'000	Pro-forma (Unaudited) AUD \$'000
CURRENT ASSETS			
Cash and cash equivalents	7,375	35,332	42,707
Trade and other receivables	201		201
Financial assets	315		315
Other current assets	102		102
TOTAL CURRENT ASSETS	7,993	35,332	43,325
NON-CURRENT ASSETS			
Plant and equipment	821		821
Exploration and evaluation expenditure	72,382	(26,293)	46,089
Investments accounted for using the equity method	11,298		11,298
Other long term assets	1,387		1,387
TOTAL NON-CURRENT ASSETS	85,888	(26,293)	59,595
TOTAL ASSETS	93,881	9,039	102,920
CURRENT LIABILITIES			
Trade and other payables	641		641
Borrowings	19,986		19,986
Provisions	78		78
TOTAL CURRENT LIABILITIES	20,705		20,705
NON-CURRENT LIABILITIES			
Provisions	146		146
TOTAL NON-CURRENT LIABILITIES	146		146
TOTAL LIABILITIES	20,851		20,851
NET ASSETS	73,030	9,039	82,069
EQUITY			
Issued capital	80,303		80,303
Reserves	11,145		11,145
Accumulated losses	(18,418)	9,039	(9,379)
TOTAL EQUITY	73,030	9,039	82,069

PRO-FORMA EFFECT OF SALE OF PPL 269 ON THE RESULTS OF THE GROUP

	Pro-forma (unaudited) AUD \$'000
Other income : Gain on disposal of PPL 269	9,039
Increase in profit before tax	<u>9,039</u>

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