



**NEW GUINEA ENERGY LTD**  
Quarterly Report for the period ending  
31 March 2014



Quarterly Activities Report  
Period Ending 31 March 2014

30 April 2014

Market Announcements Office  
ASX Limited

**Quarterly Activities Report – Period Ending 31 March 2014**

New Guinea Energy Ltd (**NGE/ Company**) is pleased to provide the following report on its activities for the period ending 31 March 2014 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 March 2014**

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**OVERVIEW**

NGE achieved the following milestones in the first quarter of 2014 after lengthy negotiations, that in some cases took more than 12 months. Over the Quarter the Company;

- Agreed to sell the Company's 50% interest in PPL 269 for up to US\$40 million;
- Ensured coverage of the A\$22 million in principal of convertible equity bonds upon Completion of this sale;
- Resolved the Arbitration proceedings with subsidiaries of Talisman Energy Limited and Mitsubishi Corporation in PPL 268 and PPL 269 with no residual disputes, liabilities, or claims in respect of either licence; and
- Received government approval to deploy the Western Drilling Limited (**WDL**) rig in PNG, which is a significant and necessary step prior to being able to earn income for a contracted rig.

NGE has implemented a strategy of monetising its gas assets, and has now successfully negotiated transactions with the three companies that collectively own more than 75% of the nearby US \$19 billion PNG LNG project. To date NGE has received US \$15 million from the sale of PPL 277, another US \$32 million is due once the sale of PPL 269 is completed, a further US \$28 million is due if ExxonMobil (**XOM**), Oil Search Limited (**OSH**), and Santos Limited (**STO**) are successful in drilling within the region and convert these licences to Petroleum Development Licences. Thereafter NGE has retained upside potential through a precedent setting production based royalty with XOM and OSH in respect of PPL 277.

Completion of monetising the gas assets will help facilitate the second element of NGE's forward strategy, namely exploring high potential oil targets near the southern shores of PNG. We are encouraged by the multiple oil seeps within the region and a 5 barrel per day light sweet crude oil seep within NGE's 100% owned PPL 267. An independent assessment completed by Gaffney Cline and Associates using recently reprocessed historic seismic data suggests at least one oil target with prospective resources of more than 20 million barrels. Additional seismic is needed to further de-risk three leads and a seismic program has been planned with the objective to identify two drill-ready targets within PPL 267. At this stage NGE will have to wait until the sale of its interest in PPL 269 to STO is completed before it can fund this work.

Prior to the capital injection from the sale of NGE's interests in PPL 269 the Company is concentrating on ensuring WDL secures a contract for its drilling rig, thereby securing a source of income through dividends from its investment in this joint venture.

**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 WDL's SL7 Heli Rig and camp (**Rig**) had been terminated by mutual agreement.

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On 28 February 2014, WDL received this requisite approval and the Company is now looking to negotiate a contract for the rig and camp.

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

On 13 February 2014, the Company was pleased to announce that NGE and its wholly owned subsidiary, Kirkland Limited (**Kirkland**) 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:

<b>Action</b>	<b>Date</b>
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.

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 0.9059, the likely effect of the payment on Completion will be to increase the Company's net assets by AUD\$9 million. More details on this transaction can be viewed on the Company's website [www.ngenergy.com.au](http://www.ngenergy.com.au).

**OPERATIONS**

**LICENCE SCHEDULE**

LICENCE	LOCATION	COUNTRY	AREA km <sup>2</sup>	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%
		<b>TOTAL</b>	<b>29,509</b>	

\*On 13 February 2014, agreement was signed for the sale of the 50% interest in PPL 269 to a subsidiary of Santos Limited, subject to conditions

**PPL 267 SEISMIC PROGRAM**

NGE intends to acquire approximately 80 km of 2D data in PPL 267 using a Terrex nodal seismic crew with additional support from Schlumberger. The program aims to mature a drilling target for 2015 and will focus on 3 leads that were identified through the 2013 seismic reprocessing project. During the quarter, the Company discussed strategies to share the Terrex crew with other potential PNG clients to defray mobilisation/ demobilisation costs.

**DRILLING RIG**

On 28 February 2014, WDL received the required PNG Department of Petroleum and Energy approval to operate its Rig in PNG. The Company is now actively negotiating a new contract for the drilling rig.

**LICENCE OVERVIEW**

**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.

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### PPL 268

The current mapped mean closure area of the top-ranked 268-1 Prospect is 28 km<sup>2</sup> corresponding to a prospective resource of 209bcf gas and condensate in place.

Each of the joint venture partners within PPL 268 have completed an assessment of the finding and development costs and likely options for commercialising the top-ranked prospect within PPL 268. Based on this analysis the view is that targets within this licence are insufficient in size and quality to be economically developed.

### PPL 269

Talisman (Operator) has proposed a work program and budget for 2014.

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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.

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 Ltd, 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 March 2014

## CORPORATE DIRECTORY

### Directors

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

### Chief Executive Officer

Grant A Worner

### Company Secretary

Lucy N Rowe

### Registered Office

Suite 401, Level 4  
2-10 Loftus Street  
Sydney NSW 2000

Telephone: 02 9252 0010  
Facsimile: 02 9252 0039  
Email: [office@ngenergy.com.au](mailto:office@ngenergy.com.au)

### Website

[www.ngenergy.com.au](http://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

OTC Markets  
304 Hudson Street, 3<sup>rd</sup> Floor  
New York, NY 10013  
USA

**ASX Code:** NGE

**POMSoX code :** NGE

**OTC 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](http://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")

MARCH 2014

#### Consolidated statement of cash flows

	Current quarter	Year to date ( 3 months)
	\$A'000	\$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	1	1
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(1,773)  (222)	(1,773)  (222)
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 (legal fees and GST)	(276)	(276)
<b>Net Operating Cash Flows</b>	<b>(2,259)</b>	<b>(2,259)</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	(33)	(33)
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
<b>Net investing cash flows</b>	<b>(33)</b>	<b>(33)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(2,292)</b>	<b>(2,292)</b>

+ 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)	(2,292)	(2,292)
	<b>Cash flows related to financing activities</b>		
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)		
	<b>Net financing cash flows</b>		
	<b>Net increase (decrease) in cash held</b>	(2,292)	(2,292)
1.20	Cash at beginning of quarter/year to date	3,653	3,653
1.21	Exchange rate adjustments to item 1.20	(85)	(85)
1.22	<b>Cash at end of quarter</b>	1,276	1,276

**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	77
1.24	Aggregate amount of loans to the parties included in item 1.10	

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	415
4.2 Development	
4.3 Production	
4.4 Administration	280
<b>Total</b>	<b>695</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	484	965
5.2 Deposits at call	792	2,688
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>	<b>1,276</b>	<b>3,653</b>

**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	<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>	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	<b>+Convertible debt securities</b> <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				
7.7	<b>Options</b> <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	<b>Debentures</b> <i>(totals only)</i>				

+ See chapter 19 for defined terms.

7.12	<b>Unsecured notes</b> ( <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:

Date: 30 April 2014

Company Secretary

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.