

March 2014

HIGHLIGHTS

- **NuEnergy signs Letter of Intent with a Strategic Asian Investor for the farm-out of the Rengat Production Sharing Contract (PSC)**
- **Geological and Geophysical (G&G) studies completed over the Karoo Basin in Eastern Africa**

CHAIRMAN'S COMMENTS

During the quarter NuEnergy was pleased to sign a Letter of Intent with a Strategic Asian Investor which included a provision for a farm-out of Rengat PSC in return for cash and a carry on the go forward exploration program. Negotiations continue and the Company expects to conclude a deal during the next quarter.

NuEnergy's African business continues to grow with G&G studies complete. The Company is aiming to have a Coal Bed Methane concession secured within the next 6 months covering part of a promising Karoo coal formation play in Eastern Africa.

INDONESIA

Rengat PSC

NuEnergy has a 100% interest in Rengat PSC (located in the Central Sumatra coal basin in the vicinity of a major gas pipeline from Jakarta to the Chevron Duri Steam Flood project and related infrastructure). During the quarter NuEnergy signed a Letter of Intent ("LOI") with a strategic Asian investor to farm-in to the PSC in return for cash and a carry of exploration commitments (the "Farm-in Party").

Under the terms of the proposed Farm-In transaction the Farm-in Party will be assigned a 49.9% participation interest in Rengat PSC. In return the Farm-in Party will:

- Invest directly in NuEnergy via a 10% share placement at a price equal to the higher of a 15% discount to the 14 day Volume Weighted Average Price (VWAP) or 4 cents per share, raising a minimum of AU\$1.3 million; and
- Pay NuEnergy US\$2.7 million in cash plus provide a full carry on 3 core and 3 pilot production wells, with the full value of the carry program being estimated at US\$10-12 million.

The proposed Farm-in Party has extensive experience in the Coal Bed Methane (CBM) service industry and drilling and completion techniques that can significantly enhance the productivity of the CBM wells.

Other key terms of the agreement include the following rights for the Farm-In party:

- a first right of refusal to subscribe for a further 5% of the issued capital of NuEnergy upon the company achieving a minimum specified 2C resource upgrade; and
- the right to nominate one director to the Board of NuEnergy Gas Limited.

Key deliverables and time frames for completion of the agreements are now expected to be achieved in the following order

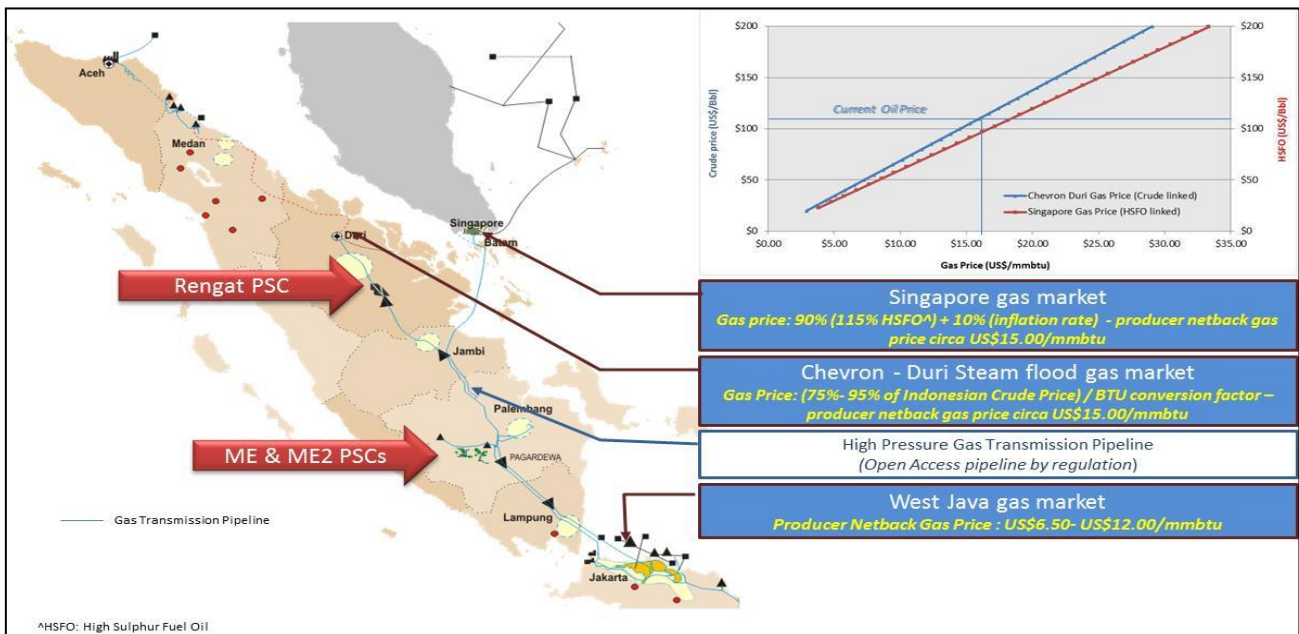
- Due diligence completion April 2014
- Share placement agreement May 2014
- Farm-in agreement Subject to CPs, finalised by 31 May 2014
- Conditions Precedent Satisfaction 31 July 2014 (subject to necessary regulatory approvals)

Both parties are working to reach an agreement during the next quarter.

The total cash contribution under the proposed transaction is expected to exceed \$4 million. This will assist with funding the ongoing work program at NuEnergy's South Sumatran PSCs as the Company moves closer to commercial production.

The Rengat PSC covered an area of 2,995 square kilometres. During the quarter the Company relinquished 600 square kilometres (20%) in line with the terms of the Rengat Production Sharing Contract. The relinquished areas were considered the most non-prospective areas within the Rengat PSC acreage. The PSCs size is now 2,395 square kilometres.

Location Map – NuEnergy's Indonesian PSCs and surrounding infrastructure



ME Pilot Well # 2:

During the quarter NuEnergy ceased dewatering at the Pilot Well # 2 well site with bad weather blocking entry to the site and down-hole mechanical issues necessitating repairs.

The site was placed on stand-by with the necessary repair equipment now subject to the SKKMIGAS tender process. Pilot operations are set to recommence in the next quarter.

NuEnergy's Pre Plan of Development application for the pilot production site going to early production and gas sales is currently being processed and finalised by Indonesia's upstream oil and gas industry regulator, SKKMIGAS.

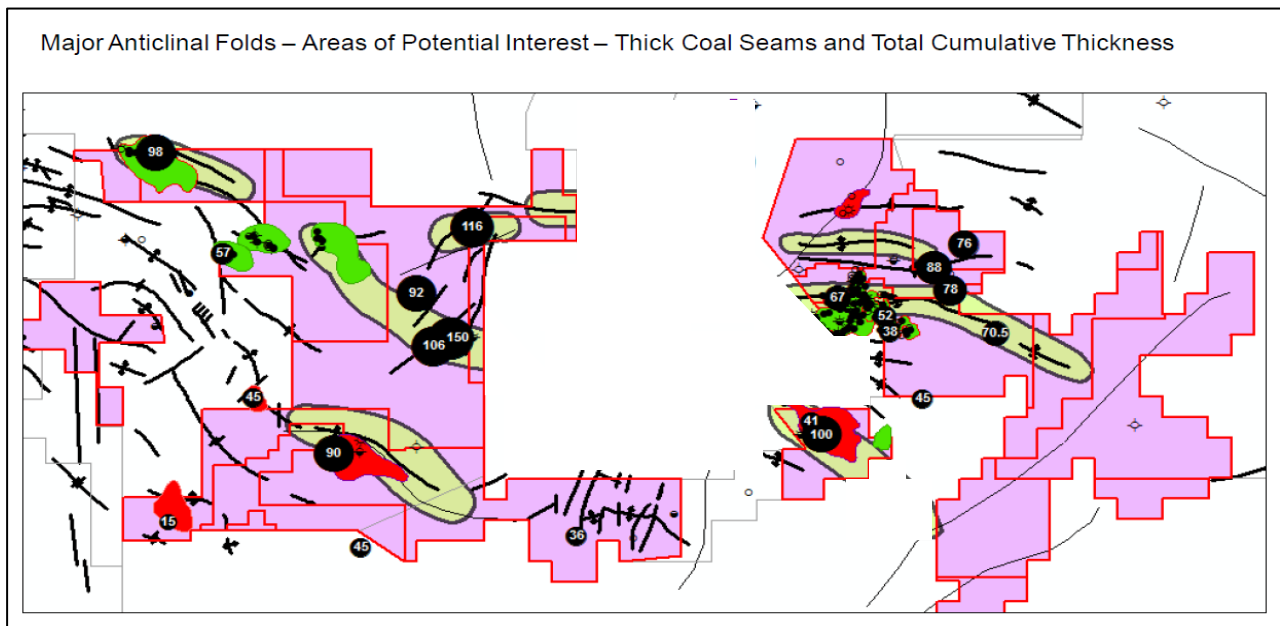
NuEnergy South Sumatra Basin Mapping Show Major Coal Seams Across Concession Areas:

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 via G&G work for appraisal;
- ✓ generating further proof of concept of the productivity of coal seams to investors;
- ✓ providing water and gas production curves for reservoir engineering and gas recovery estimates;
- ✓ generating early cash flows and booking additional resources reserves; and
- ✓ optimising completion and drilling techniques in coal seams which are up to 40 metres thick continuous and 150 metre cumulative thickness in some areas,

all with a view to support a significant gas project development in the order of 25 mmscfd.



AFRICA

The Company continues its push for expansion into Eastern Africa with a target generation study involving Geographical Information System (GIS) mapping and regional and basin specific geological studies conducted during the quarter. NuEnergy continues to search for the most prospective CBM acreage within the Karoo basin.

RESIGNATION OF CHIEF EXECUTIVE OFFICER

NuEnergy advises that during the quarter Christopher Newport resigned as Chief Executive Officer of the Company.

Mr Newport will remain in the role until his successor is appointed and will assist the Board in implementing a transition plan. In accordance with his employment contract Mr Newport has a six month notice period ending 7 July 2014.

NuEnergy would like to thank Chris for his service to the business. Chris and his team have delivered certified gas resources, CBM pilot wells and a CBM pilot plant in Indonesia and contributed to NuEnergy's expansion into Africa.

The Company has commenced a search for a new Chief Executive Officer.

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.

Yours sincerely



Rozanna Lee
Company Secretary
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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 March 2014

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (six months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration & evaluation	(219)	(471)
(b) development	(1,341)	(4,332)
(c) production		
(d) administration	(484)	(1,343)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received		11
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)	(17)	(22)
	(2,061)	(6,157)
Net Operating Cash Flows		
Cash flows related to investing activities		
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)		
	-	-
Net investing cash flows		
1.13 Total operating and investing cash flows (carried forward)	(2,061)	(6,157)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(2,061)	(6,157)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	700	1,868
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)	827	827
	Net financing cash flows	1,527	2,695
	Net increase (decrease) in cash held	(534)	(3,462)
1.20	Cash at beginning of quarter/year to date	1,542	4,473
1.21	Exchange rate adjustments to item 1.20	1	(2)
1.22	Cash at end of quarter	1,009	1,009

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'000
1.23	Aggregate amount of payments to the parties included in item 1.2	137
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

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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

The \$827,000 in 1.19 above relates to refundable deposits due to NuEnergy under the terms of the Muara Enim Production Sharing Contract (PSC) in South Sumatra, Indonesia. These deposits supported bank guarantees held in place until the first three years of the Muara Enim PSC commitments had been fulfilled.

+ See chapter 19 for defined terms.

	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	80
4.2 Development	500
4.3 Production	
4.4 Administration	360
Total	940

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	387	289
5.2 Deposits at call	622	1,253
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	1,009	1,542

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 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	335,020,698	335,020,698		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	53,360,791	53,360,791		
7.5 *Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>			Exercise price	Expiry date
	1,250,000		\$0.60	01-Jun-2014
	1,250,000		\$0.80	01-Dec-2014
	500,000		\$0.122	20-Dec-2014
	5,050,000		\$0.12	12-Dec-2017
7.8 Issued during quarter			Exercise price	Expiry date
7.9 Exercised during quarter			Exercise price	Expiry date

+ See chapter 19 for defined terms.

7.10	Expired during quarter			<i>Exercise price</i>	<i>Expiry date</i>
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:

Date: 30 April 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.
- 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.

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly 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.