



NEW GUINEA ENERGY LTD
Quarterly Report for the period ending
30 June 2014



Quarterly Activities Report
Period Ending 30 June 2014

30 July 2014

Market Announcements Office
ASX Limited

Quarterly Activities Report – Period Ending 30 June 2014

New Guinea Energy Ltd (**NGE/ Company**) is pleased to provide the following report on its activities for the period ending 30 June 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 30 June 2014

OVERVIEW

_ On 15 May 2014, New Guinea Energy Ltd (**NGE / Company**) was pleased to announce that it had signed a contract for the use of its 50% joint venture's (Western Drilling Limited) SL 7 Heli Rig and Camp. Mobilisation to the drill site also commenced during the Quarter;

_ On 19 May 2014, the Company held its Annual General Meeting and was pleased to report to the market that all resolutions had been passed unanimously; and

_ On 27 June 2014, just prior to the end of the financial year, the Company was also pleased to announce that the Operator of its 50% owned PPL 269, Talisman Niugini Pty Ltd had received approval from the PNG Government to vary the seismic and drilling programs on this licence.

RECENT ANNOUNCEMENTS

Western Drilling Limited

On 15 May 2014, NGE announced that its 50% joint venture with Maps Tuna Limited, Western Drilling Limited (**WDL**) had signed a contract for the use of WDL's SL 7 Heli Rig and camp.

On 27 June 2014, the Company further updated shareholders that as per that announcement, mobilisation commenced, with the rig camp equipment en route to the field.

Approval of Licence Variation – PPL 269

On 27 June 2014, the Company announced that the Operator, Talisman New Guinea Pty Ltd (**TNPL**) had obtained approval from the Papua New Guinea Government to vary the seismic and drilling programs on its 50% owned Petroleum Prospecting Licence (**PPL**) 269.

The approval to vary these programs was gazetted, on the date of the announcement, under the PNG Oil and Gas Act No 49 of 1998.

As announced earlier in the year, on 13 February 2014, obtaining this approval from the Department of Petroleum and Energy was one of the Conditions Precedent of the Sale Agreement between NGE's wholly owned subsidiary Kirkland Limited and Barracuda Limited, a subsidiary of Santos Limited (**Santos**), for the Company's 50% interest in PPL 269.

The approvals for the PPL 269 variation include the deferral of the well commitments from Years 1 and 2, to Years 3, 4 and 5 as well as approving the Work Program and Expenditure for Years 3, 4 and 5.

OPERATIONS

During the quarter, NGE's assets have been focussed on supporting the deployment of WDL Rig 1 for operations.

Seismic acquisition in PPL 267 is contingent upon farmout and/or receipt of proceeds from the PPL 269 sale.

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 announced the award of a new contract for the drilling rig and camp. Additional WDL equipment has also been rented to parties providing an unexpected revenue stream.

Significant upgrades to WDL Rig 1 have been commissioned in preparation for the drilling program including client-sponsored enhancements to the mud handling and electrical systems and an upgrade to the substructure capacity enabling the rig to drill deeper wells.

WDL entered into a contract with Tesco to provide a hydraulic top drive for the duration of the contract, further enhancing the rig's capabilities.



Figure 1. Western Drilling Rig 1 mobilising to the field.

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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	

*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 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-4Q 2014.

PPL 268

The current mapped mean closure area of the top-ranked 268-1 Prospect is 28 km² 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.

On 13 February 2014 the Company was pleased to announce that NGE and its wholly owned subsidiary, Kirkland Limited (**Kirkland**) had signed a sale agreement with a subsidiary of Santos, regarding the proposed sale of Kirkland's 50% participating interest in PPL269 to Santos for a maximum total consideration of up to US\$40 million. NGE has guaranteed Kirkland's obligations under the Sale Agreement.

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

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- 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.

Michael Arnett
Executive Chairman

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 30 June 2014

CORPORATE DIRECTORY

Directors

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

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

Website

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, 3rd 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

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")

JUNE 2014

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter	Year to date (6 months)
		\$A'000	\$A'000
1.1	Receipts from product sales and related debtors	1	2
1.2	Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(358)	(2,131)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	4	15
1.5	Interest and other costs of finance paid	(57)	(57)
1.6	Income taxes paid		
1.7	Other (legal fees refund and GST)	413	137
	Net Operating Cash Flows	(258)	(2,517)
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		(33)
1.11	Loans repaid by other entities	9	9
1.12	Other (provide details if material)		
	Net investing cash flows	9	(24)
1.13	Total operating and investing cash flows (carried forward)	(249)	(2,541)

+ 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)	(249)	(2,541)
	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	(249)	(2,541)
1.20	Cash at beginning of quarter/year to date	1,276	3,653
1.21	Exchange rate adjustments to item 1.20	24	(61)
1.22	Cash at end of quarter	1,051	1,051

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	43
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 directors.	

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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+ See chapter 19 for defined terms.

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.

	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	310
4.2 Development	
4.3 Production	
4.4 Administration	230
Total	540

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	854	484
5.2 Deposits at call	197	792
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	1,051	1,276

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

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.

	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 (description)			
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 (description)	\$23,193,868 in Unsecured convertible equity bonds due 30 May 2016, representing 115,969,340 fully paid ordinary shares in the Company	-	20 cents

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	Issue \$565,704 in Unsecured convertible equity bonds due 30 May 2016, representing 2,828,520 fully paid ordinary shares in the Company		20 cents	20 cents
7.7	Options (description and conversion factor)	Conversion of one ordinary share per option 61,700,000 400,000	- -	<i>Exercise price</i> 45 cents 30 cents	<i>Expiry date</i> 1 October 2014 07 February 2016
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter	2,500,000		45 cents	27 July 2014
7.11	Debentures (totals only)				
7.12	Unsecured notes (totals only)				

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: 
Company Secretary

Date: 30 July 2014

Print name: Lucy Rowe

+ See chapter 19 for defined terms.

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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