



NUENERGY GAS LIMITED

ANNUAL REPORT

30 June 2014



Corporate Directory

Company Name:

NuEnergy Gas Limited
ACN: 009 126 238

Directors:

Graeme Robertson - Chairman
Alan Fraser
Jonathan Warrant
Peter Cockcroft (resigned 21 August 2014)
Yong Wah Kee (appointed 21 August 2014)
Kok Keong Kong (appointed 21 August 2014)

Company Secretary:

Rozanna Lee

Administration Office:

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264 George Street
SYDNEY NSW 2000

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Fax: (02) 9247 8966
E-mail: info@nuenergygas.com

Registered Office:

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Level 20 Australia Square
264 George Street
SYDNEY NSW 2000

Share Registry Office:

Link Market Services Limited
Level 1, 333 Collins Street
MELBOURNE VIC 3000
Phone: (03) 9615 9800
Fax: (03) 9615 9900

Auditor:

Hall Chadwick
Level 40
2 Park Street
SYDNEY NSW 2000

Stock Exchange Listing:

Australian Securities Exchange Ltd
Level 8, Exchange Plaza
2 The Esplanade
Perth WA 6000
ASX Code: NGY

Incorporated:

Western Australia
26 March 1985

Website:

www.nuenergygas.com

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Directors' Report

The Directors present the financial report of NuEnergy Gas Limited ("the Company" or "NuEnergy") and its controlled entities ("the consolidated entity"), for the year ended 30 June 2014.

DIRECTORS

The Directors of the Company in office at any time during or since the end of the financial year and to the date of this report are as follows:

Graeme Robertson – Chairman and Non-Executive Director - BA, FAICD, MAIE

Appointed 29 March 2011.

Mr Robertson has had significant interests in Indonesia for the last 40 years.

He has been responsible for pioneering and managing world class mining, energy and transport infrastructure operations throughout Africa, Australia and the Asia-Pacific region. He was CEO and developer of the largest open cut coal mine in the Southern Hemisphere, PT Adaro Indonesia, and a former Managing Director (1987-2005) of New Hope Corporation Limited (ASX:NHC). In 2010, Mr Robertson was awarded the Coaltrans Lifetime Achievement Award for his contribution to the coal industry. Mr Robertson is Chairman of the Board of Directors of Intra Energy Corporation Limited (ASX:IEC).

Alan Fraser – Non-Executive Director

Appointed 20 January 1992.

Mr Fraser has over 30 years of experience in Australia and overseas on green fields mineral exploration, mine project management and mine construction. He has managed gold exploration projects through the stages of tenement acquisition, joint venture negotiation, obtaining regulatory approvals and the management of field exploration programs, at times in remote locations.

Mr Fraser was Chief Executive Officer of the Company until 30 November 2007 and is currently a Director of Resource Base Limited (ASX:RBX).

Peter Cockcroft – Non-Executive Director – BA (Geology & Geophysics), FRGS (Life), FAARM, Cert Bus Admin (EBS), GAICD

Appointed 12 April 2011.

Resigned 21 August 2014.

Since graduating as a geologist from the University of Sydney, Peter has worked in the Asian and Indonesian gas industries for over thirty years, with executive positions with both major companies and national oil companies. He has been involved in Indonesian coal bed methane since its inception, and has been invited to address and teach members of the Indonesian Petroleum Association on unconventional gas on many occasions.

Mr Cockcroft has also held board positions with various oil and gas companies in Kuwait, United Arab Emirates, India, Indonesia and Australia. He is a former Distinguished Lecturer for the Society of Petroleum Engineers, a Life Fellow of the Royal Geographical Society, Life Member of South East Asian Petroleum Exploration Society, a former Research Fellow of the Institute of South East Studies, and a Graduate of the Australian Institute of Company Directors.

Jonathan Warrand – Non-Executive Director – MBA (EXEC), CA, FFINSIA, IPAA, BCOM (Accounting)

Appointed 15 June 2011.

Mr Warrand is the Managing Director of Intrasia Capital Pty Limited, a corporate advisory and private equity firm based in Singapore and Sydney.

He has over twenty-five years of corporate advisory experience across various sectors including resources, financial services and real estate and has experience in equity and debt capital markets, strategic planning and capital management.

Mr Warrand is an Executive Director of Intra Energy Corporation Limited (ASX:IEC).

Mr Warrand holds a Masters of Business Administration (Executive) from the Australian Graduate School of Management (University of New South Wales and University of Sydney), Graduate Diploma in Applied Finance and Investment, Insolvency Law Certificate from the University of Southern Queensland and a Bachelor of Commerce (Accounting) from the University of Wollongong.

He is a Chartered Accountant, Fellow of Finsia and is an Associate of the Insolvency Practitioners Association of Australia.

Yong Wah Kee - Non-Executive Director

Appointed 21 August 2014.

Mr Kee has more 30 years of experience in the Oil and Gas exploration & production and servicing industry. Positions held include General manager of a US based international servicing company based in China, Vice President of SPT Energy Group Inc, a Hong Kong Stock Exchange listed servicing company and 26 years with Haliburton.

Mr Kee is a founder of New Century Energy Resources Limited. He is currently CEO of Lion Oil and Gas Services Limited and deputy CEO of Lion Oil and Gas Limited.

Kok Keong Kong - Non-Executive Director – BBus (Honours)

Appointed 21 August 2014

Mr Kong has 20 years of experience in the stockbroking industry from finance to dealing functions. He also has 8 years of experience working for a division involved in the manufacturing of automotive components, parts and systems which is part of Globaltec Formation Berhad, an integrated manufacturing services provider listed on the Bursa Malaysia.

Management

Christopher Newport – Chief Executive Officer - CA, BEc

Appointed 20 September 2011.

Resigned 6 January 2014

Mr Newport has worked in the oil and gas industry for over twenty five years in Asia, Australia and the UK. He has recently been Chief Operating Officer of Corsair Petroleum Limited, CH Plus Resources Limited and Energy Advisors Group Limited. He has previously worked for the Hess Corporation in Indonesia, Malaysia and Thailand, Gulf Indonesia and Santos in Indonesia and GLNG, Santos, BHP Petroleum, AGL and Delhi Petroleum in Australia.

Mr Newport has a Bachelor of Economics from Adelaide University, is a qualified Chartered Accountant, completed the International Gas Management Program in Boston and the Company Directors Program at the Institute of Company Directors.

Simon Harvey – Chief Financial Officer – CA, BCom

Appointed 1 January 2013.

Simon has worked with NuEnergy Gas Limited as Group Financial Controller since September 2011. On 1 January 2013 Simon was promoted to Chief Financial Officer of the Group. Simon has over 15 years' experience working in Australia and Europe including working at KPMG where Simon completed his CA.

Company Secretary

Rozanna Lee – Bcom, LLB

Appointed 16 August 2011.

Ms Lee is a Legal Affairs & Investor Relations Manager with Intrasia Capital Pty Limited, a corporate advisory and private equity firm based in Singapore and Sydney. Ms Lee has degrees in Law and Commerce from the University of Queensland and has experience in a range of industries including international trust company services in The Netherlands.

DIRECTORS' AND MANAGEMENT INTERESTS

At the date of this report, Directors and management held direct and indirect relevant interests in the shares and options of the Company as set out below:

	Shares Directly Held	Shares Indirectly Held	Unlisted options
AR Fraser	431,665	-	800,000
J Warrand	-	1,135,970	800,000
P Cockcroft	-	-	800,000
G Robertson	8,599,340	150,344,146	1,200,000
C Newport	305,555	-	1,500,000
S Harvey	1,131,270	-	450,000

REMUNERATION REPORT (audited)

This report outlines the remuneration arrangements in place for Directors and Executives of NuEnergy Gas Limited (the "Company").

The Board policy for determining the nature and amount of remuneration of Directors and Executives is agreed by the Board of Directors as a whole. The Board obtains professional advice where necessary to ensure that the Company attracts and retains talented and motivated Directors and employees who can enhance Company performance through their contributions and leadership.

Non-Executive Director Remuneration

Non-Executive Directors' fees are paid within an aggregate limit which is approved by the Company's shareholders from time to time. The total of Non-Executive Director fees was set at a maximum of \$500,000 per annum at a general meeting of shareholders held on 13th November 2007. Presently, the Board has determined Non-Executive Directors fees will be set at a maximum of \$40,000 per annum per Director. Retirement payments, if any, are agreed to be determined in accordance with the rules set out in the *Corporations Act 2001* at the time of the Director's retirement or termination. Non-Executive Directors' remuneration may include an incentive portion consisting of bonuses and/or options, as considered appropriate by the Board, which may be subject to shareholder approval in accordance with the ASX Listing Rules.

The amount of aggregate remuneration sought to be approved by Shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers the amount of Director fees being paid by comparable companies with similar responsibilities and the experience of the Non-Executive Directors when undertaking the annual review process.

To date, there is no relationship between the remuneration policy for Non-Executive Directors and the performance of the Company due to the existing size and scale of operations.

The Company determines the maximum amount for remuneration, including thresholds for share-based remuneration, for Directors by resolution.

Key Management Personnel Compensation

The compensation of each member of the key management personnel of the consolidated entity is set out below.

REMUNERATION REPORT (continued)

Details of Remuneration for Year Ended 30 June 2014

The remuneration for each Director and each of the Executive officers of the consolidated entity receiving the highest remuneration during the year was as follows:

	Short –term employment benefits and fees		Post-employment	Equity			
	Salary, Fees and Commissions	Consulting Fees	Superannuation Contribution	Options Received as Compensation	Shares Received as Compensation	Share based Related Compensation	Total
	\$	\$	\$	\$	\$	%	\$
Non-Executive Directors							
Mr G Robertson	40,000	-	-	-	-	-	40,000
Mr A Fraser	40,000	-	-	-	-	-	40,000
Mr J Warrand	40,000	90,000	-	-	-	-	130,000
Mr P Cockcroft	40,000	12,026	-	-	-	-	52,026
Management							
Mr C Newport	427,974	-	-	-	-	-	427,974
Mr S Harvey	160,550	-	14,450	-	-	-	175,000
Total	748,524	102,026	14,450	-	-	-	865,000

Options Issued as Part of Remuneration for the Year Ended 30 June 2014

There were no options issued as remuneration during the year ended 30 June 2014.

Shares Issued as Part of Remuneration for the Year Ended 30 June 2014

There were no shares issued as remuneration during the year ended 30 June 2014.

Details of Remuneration for Year Ended 30 June 2013

The remuneration for each Director and each of the Executive officers of the consolidated entity receiving the highest remuneration during the year was as follows:

	Short –term employment benefits and fees		Post-employment	Equity			
	Salary, Fees and Commissions	Consulting Fees	Superannuation Contribution	Options Received as Compensation	Shares Received as Compensation	Share based Related Compensation	Total
	\$	\$	\$	\$	\$	%	\$
Non-Executive Directors							
Mr G Robertson	40,000	-	-	62,520	-	61.0	102,520
Mr A Fraser	40,000	-	-	41,680	-	51.0	81,680
Mr J Warrand	40,000	90,000	-	41,680	-	24.3	171,680
Mr P Cockcroft	40,000	10,000	-	41,680	-	45.5	91,680
Management							
Mr C Newport	389,849	-	-	67,500	17,250	17.9	474,599
Mr S Harvey	80,275	-	7,225	23,445	-	21.1	110,945
Total	630,124	100,000	7,225	278,505	17,250	28.6	1,033,104

Options Issued as Part of Remuneration for the Year Ended 30 June 2013

During the year 500,000 unlisted options were issued to the Chief Executive Officer under his remuneration package, and 5,050,000 unlisted options were issued to directors and employees under the NuEnergy Premium Option Plan approved at

the Annual General Meeting on 28 November 2013. Details of options issued to directors and the Chief Executive Officer are detailed below:

	Premium Option Plan Non-Executive Director Options	Premium Option Plan Chief Executive Options	Chief Executive Remuneration Options	Premium Option Plan Chief Financial Officer Options
Date Issued	12/12/12	12/12/12	23/07/12	12/12/12
Number	3,600,000	1,000,000	500,000	450,000
Exercise price	12.14 cents	12.14 cents	12.2 cents	12.14 cents
Vesting date	12/12/15	12/12/15	23/10/12	12/12/15
% Vested in year of grant	0%	0%	100%	0%
Expiry date	12/12/17	12/12/17	20/12/14	12/12/17
Share price at grant date	8.1cents	8.1cents	7.5 cents	8.1cents
Expected share price volatility	90%	90%	90%	90%
Risk free interest rate	2.81%	2.81%	2.30%	2.81%
Option Value	5.21 cents	5.21 cents	3.08 cents	5.21 cents
Total Value (\$)	187,560	52,100	15,400	23,445
Expense in 2013 (\$)	187,560	52,100	15,400	23,445

Options granted to the directors had been approved by shareholders and options granted to the Chief Executive Officer have been approved by the directors and shareholders. Options granted under the NuEnergy Premium Option Plan have two performance conditions:

1. Internal Measure – A proven 3P reserve certified by an independent expert before the expiry date.
2. External Measure – NuEnergy total shareholder return must achieve a compound annual growth rate of at least 10% per annum over the three year period from the issue date to the vesting date.

If the Internal Measure and the External Measure are not achieved by the expiry date the options will immediately lapse, with no retesting.

Options issued to Australian tax residents under the NuEnergy Premium Option Plan were purchased at \$0.0001 per option calculated using the Australian tax office tax valuation tables. All other options were granted for no consideration. Options carry no dividend or voting rights. The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows:

Fair values at grant date are determined using an appropriate option pricing model that takes into account the exercise price, the term of the option, the share price at grant date, expected price volatility of the underlying share and the risk free interest rate for the term of the option. The fair value of the options granted to directors and employees is deemed to represent the value of the option services over the vesting period. The model inputs for the Black-Scholes model used for options granted during the year ended 30 June 2013 are as disclosed above. Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future movements.

No options granted as part of remuneration were exercised, sold or lapsed during the current financial year.

Shares Issued as Part of Remuneration for the Year Ended 30 June 2013

During the year 250,000 shares were issued to the Chief Executive Officer under his remuneration package.

Executive Services Agreements

Mr Chris Newport was appointed Chief Executive Officer on 20 September 2011. His salary package included a sign on bonus of \$50,000 which was paid during the year, annual remuneration of \$375,000 and the issue of 250,000 shares and 500,000 unlisted options upon completion of a probationary period. By resolution of the Board, these shares and options were issued subsequent to the 30 June 2013 year end. The options have an exercise price that is 35% above the market price of the Company's shares as at vesting date. A three (3) month notice period is required for termination when the length of continuous service is up to two (2) years and a six (6) month notice period is required for more than two (2) years of continuous service. Mr Newport resigned as CEO in January 2014 and completed his full six (6) month notice period with the Company. His employment officially ended on 7 July 2014.

End of Remuneration Report

DIRECTORS' MEETINGS

The following table sets out the number of Directors' meetings held during the financial year and the number of meetings attended by each Director. There were no separate nomination and remuneration or audit and compliance committee meetings for the financial year.

DIRECTORS	MEETINGS OF DIRECTORS	
	HELD	ATTENDED
Mr G Robertson	13	12
Mr A Fraser	13	13
Mr J Warrand	13	12
Mr P Cockcroft	13	11

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the year were pursuing opportunities in the oil and gas sector. There were no significant changes in the nature of the consolidated entity's principal activities during the year.

CONSOLIDATED RESULTS

The net consolidated loss of the consolidated entity for the year after income tax attributable to members of the parent entity was \$2,470,780 (2013 loss: \$2,673,936).

DIVIDENDS

The Directors do not recommend and have not provided for payment of a dividend. No dividend was paid during or since the end of the financial year.

LIKELY DEVELOPMENTS

Disclosure of information, in addition to that provided elsewhere in this report, regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, information has not been disclosed in this report.

SHARE OPTIONS

The following options are on issue as at the date of this report:

	2014	2013
Terms of options	No. of options	No. of options
Exercisable at 48 cents on or before 8 February 2014		1,250,000
Exercisable at 60 cents on or before 1 June 2014		1,250,000
Exercisable at 80 cents on or before 28 February 2014		500,000
Exercisable at 80 cents on or before 1 December 2014	1,250,000	1,250,000
Exercisable at 12.2 cents on or before 20 December 2014	500,000	500,000
Exercisable at 12.14 cents between 12 December 2015 and 12 December 2017 subject to performance conditions	5,050,000	5,050,000
Total	6,800,000	9,800,000

STATE OF AFFAIRS – SIGNIFICANT CHANGES

During the year, the Company issued 53,360,791 shares raising \$1,867,628 in cash proceeds before costs.

EVENTS SINCE BALANCE DATE

On 10 July 2014, NuEnergy signed a binding Investment Agreement with New Century Energy Resources Limited (NCE) and on 18 August 2014 the Company signed a binding Amended and Restated Investment Agreement. (together “the Agreement”). The Agreement recapitalises the Company to fund the development of the Indonesian Production Sharing Contracts (PSCs).

NCE has extensive experience in the Coal Bed Methane (CBM) exploration and production industry, including subsurface (geological, geophysical & reservoir), well drilling, completion and production techniques that can significantly enhance the productivity of CBM wells. NCE is 60% owned by Globaltec Formation Berhad (MYX:5220), a public company listed on the Bursa Malaysia main market.

Key terms of the Agreement:

- Within three business days NCE will pay a deposit of \$200,000 to obtain exclusivity and commence due diligence for 30 days;
- Subject to successful completion of the due diligence by NCE, within three business days, NCE and/or its nominee will subscribe for circa 83 million shares at 3 cents per share to raise \$2.5 million (“Share Placement”) representing 19.9% of the expanded share capital;
- Subsequent to the Share Placement, NCE will appoint two (2) directors. One current NuEnergy Director will resign, leaving a five member Board; and
- Subject to completion of the Share Placement, NCE shall (A) subscribe for Shares via a share placement and/or (B) fully participate in and underwrite a rights issue in respect of Shares in NGY, for a total minimum commitment of A\$10,000,000, to be completed by 31 December 2014 at a minimum price of A\$0.03/Share subject to shareholder and regulatory approval. Subsequent to shareholder approval for the transaction, NCE will then nominate one further director to the Board of NuEnergy and will appoint a new Chairman. Mr Graeme Robertson will resign as chairman but remain on the Board of NuEnergy as a non-executive director and the remaining two current NuEnergy directors will resign.

On 20 August 2014, NuEnergy was notified by NCE that due diligence had been successfully completed and NCE wished to proceed with the transaction. On 21 August 2014 the Share Placement was completed. NuEnergy had received the Share Placement monies of \$2.5 million and had allotted 41,666,666 new shares to NCE and 41,666,667 new shares to JCM Auto Components Sdn Bhd (NCEs nominee).

Under the terms of the Agreement NCE has the right to appoint two directors to the Board of NuEnergy. On 20 August 2014, the Company welcomed Mr Kee Yong Wah and Mr Kong Kok Keong to the Board effective immediately following the date of completion of the Share Placement.

On 20 August, NuEnergy announced the resignation of Mr Peter Cockcroft from the Board of NuEnergy effective upon the appointment of Mr Kee Yong Wah and Mr Kong Kok Keong to the Board which will occur following the completion of the Share Placement.

As part of the recapitalisation of NuEnergy the Company intends to solely focus on its three Indonesian PSCs. NuEnergy’s core PSCs in South Sumatra will be the primary focus with the Company aiming to drill further pilot wells at its Muara Enim PSC and commence drilling at the Muara Enim II PSC, including a focus on the western area.

The secondary focus in Indonesia will be completing a farm out transaction for the Rengat PSC focusing on drilling wells that intersect the identified 15 metre coal seam revealed after extensive geological and geophysical work completed in 2013.

Based on the core focus on Indonesia, subsequent to year-end NuEnergy has entered agreements for the transfer of its Mozambique interests and assigned all associated rights and obligations to NuAfrica Gas Limited (a wholly owned subsidiary of NuEnergy). Intrasia Capital Pte Ltd, a Singapore-based investment company and related party of the Company’s Chairman, Graeme Robertson, will acquire the interests in NuAfrica Gas Limited. The acquisition for the interests in NuAfrica Gas Limited is based on direct and indirect exploration costs incurred in Mozambique. NuEnergy has not applied for or been granted any concessions or permits in Mozambique.

REVIEW OF OPERATIONS

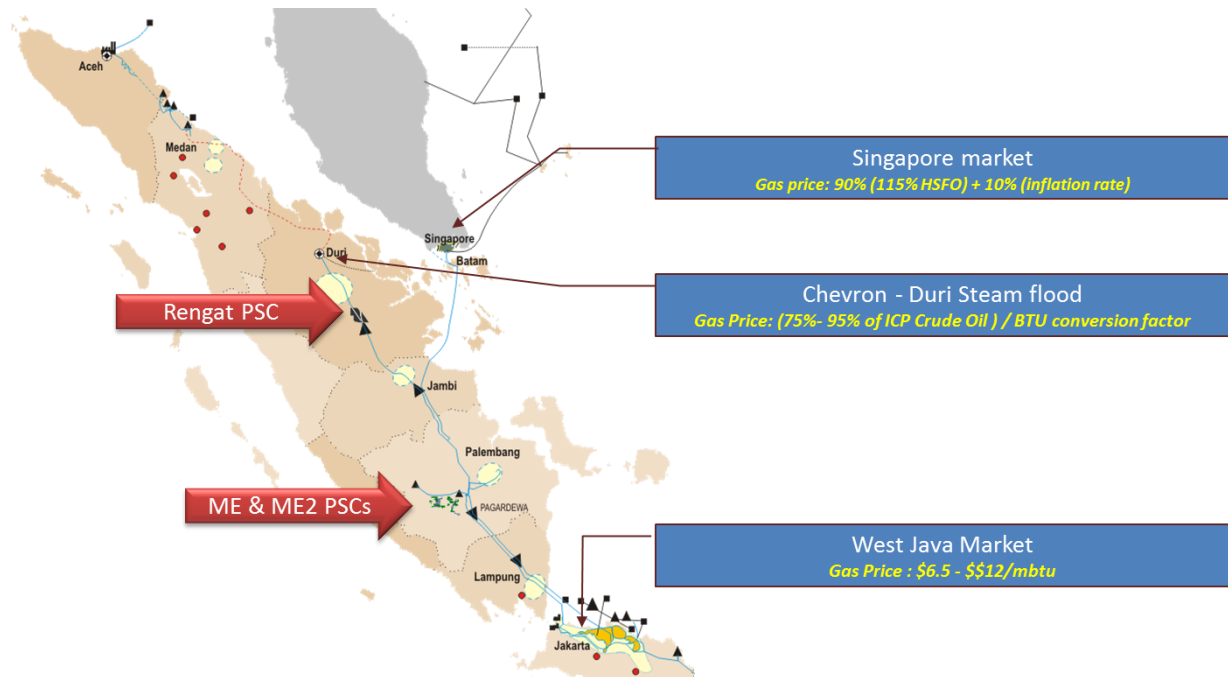
During the year ended 30 June 2014, NuEnergy continued to focus on its Coal Bed Methane (CBM) exploration and drilling activities at the Company's PSCs in Sumatra, Indonesia.

INDONESIA

NGY has three operated PSCs in Indonesia:

- Muara Enim PSC (40% participating interest)
- Muara Enim II PSC (30% participating interest)
- Rengat PSC (100% participating interest)

Location Map – NuEnergy's PSCs and surrounding infrastructure



SOUTH SUMATRA

The Muara Enim and Muara Enim II PSCs are located in the South Sumatra basin. Together they comprise a combined area of 1,861 km².

During the year, NuEnergy completed its second pilot well at the Muara Enim PSC (Pilot Well #2). The well was successfully drilled to the target total depth of 802 metres. The coals were logged and 46 metres of net coal seams were identified with one coal seam confirmed of over 13 metres continuous coal.

To maximize the water and gas productivity of all coal seams, Pilot Well #2 was successfully completed using three completion techniques:

- Radial jetting of the upper Mangus coal seams extending lateral completions of between 30 and 50 metres;
- “Fishbone” completions generating eight 12.5 metre perforations supported by titanium alloy spurs; and
- Slotted liner casing.

NuEnergy 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. First gas flows from the Pilot Well #2 coal seams were revealed during finalisation of well completions.

Muara Enim PSC Geological Study Results revealed Coal Seams up to 150 Metres Thick

During the year, the Company completed a geological and geophysical evaluation of the South Sumatra Coal Basin. 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.

Coal seams of up to 150 metres thick were confirmed in the western area of the South Sumatran PSCs. NuEnergy commenced the permitting procedure during the year in order to obtain the necessary permission to drill in the western area of both Muara Enim and Muara Enim II.

Rengat PSC (NGY Participating Interest 100%)

Rengat PSC is located in the central Sumatra coal basin. NuEnergy has a 100% interest and continued to seek partners in the PSC to balance the portfolio and source funds for other exploration and development activities. In February 2014 the Company signed a Letter of Intent with a strategic Asian investor involving a potential farm-in to the Rengat PSC. Subsequent to year-end a binding Investment Agreement was signed with this investor containing a provision for the farm-out of the PSC. The parties will work together to achieve a farm-out of the Rengat PSC during the next financial year.

The Rengat PSC covered an area of 2,995 square kilometres. During the year 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.

EASTERN AFRICA

Mozambique

During the year, NuEnergy signed a Memorandum of Understanding with a Mozambique party to explore and develop coal bed methane (CBM) in Mozambique. Subsequent to year end the Company signed a binding Investment Agreement involving a recapitalisation of NuEnergy with a core focus on Indonesia. Based on the core focus on Indonesia, NuEnergy has entered agreements for the transfer of its Mozambique interests and assigned all associated rights and obligations to NuAfrica Gas Limited (a wholly owned subsidiary of NuEnergy). Intrasia Capital Pte Ltd, a Singapore-based investment company and related party of the Company’s Chairman, Graeme Robertson, will acquire the interests in NuAfrica Gas Limited. The acquisition for the interests in NuAfrica Gas Limited is based on direct and indirect exploration costs incurred in Mozambique. NuEnergy has not applied for or been granted any concessions or permits in Mozambique.

Malawi

The NuEnergy continues to hold EPL0360/12 with further work to be considered after the recapitalisation of the Company.

Tanzania

Applications remain with Tanzanian Petroleum Development Corporation (TPDC) for a concession in the Selous Basin.

CAPITAL RAISING

During the year, NuEnergy completed a fully underwritten non-renounceable rights issue of 53,360,791 shares raising \$1,867,628 before costs.

Under the rights issue, NuEnergy offered its Australian and New Zealand based shareholders one fully paid ordinary share for every four fully paid ordinary shares that they held on 6 December 2013, at an issue price of \$0.035 per new share. The offer closed on 27 December 2013.

FINANCIAL POSITION

The consolidated entity reported a net loss after tax attributable to members of the parent entity for the year of \$2,470,780 (2013 loss: \$2,673,936). The net asset position of the consolidated entity increased during the year. The primary reasons related to additional equity funds raised during the year of \$1,867,628 before costs and expenditure capitalised on exploration activities.

ENVIRONMENTAL CONSIDERATIONS

The consolidated entity has complied with all terms and conditions of its mining and exploration licences relating to environmental rehabilitation. At the date of this report there are no outstanding environmental matters.

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITORS

The Company has not, during or since the end of the financial year in respect to any person who is or has been an officer or auditor of the Company or related body corporate:

- indemnified or made any relevant agreement for indemnifying against a liability as an officer or auditor, including costs and expenses in successfully defending legal proceedings; or
- paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer or auditor for the costs or expenses to defend legal proceedings.

NON-AUDIT SERVICES

The Directors are satisfied that the provision of non-audit services, during the year by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standards of independence for auditors imposed by the *Corporations Act 2001*.

The Directors' reasons for being satisfied that the provision of the non-audit services did not compromise the auditor's independence requirements of the Act are:

- All non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Board to ensure they do not impact the integrity and objectivity of the auditor; and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as a Company advocate or jointly sharing risks and rewards.

The Company paid \$9,000 for tax related non-audit services provided by the Company's auditor during the year to June 2014.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration required under section 307C of the Corporations Act 2001 is attached to this report.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the company is party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

Signed in accordance with a resolution of Directors.



Graeme Robertson
Chairman
Sydney, 5 September 2014

NUENERGY GAS LIMITED - CORPORATE GOVERNANCE STATEMENT

The Board of Directors of NuEnergy Gas Limited (“**NuEnergy**” or “**the Company**”) is responsible for the corporate governance of the Company. The Board and management are committed to corporate governance and, to the extent that they are applicable to the Company, have followed the “*Corporate Governance Principles and Recommendations 2nd Edition with 2010 Amendments*” (**ASX Corporate Governance Recommendations**) issued by the Australian Securities Exchange (**ASX**) Corporate Governance Council.

Commensurate with the spirit of the ASX Corporate Governance Recommendations, the Company has followed each ASX Corporate Governance Recommendation where the Board has considered it to be an appropriate benchmark for corporate governance practices, taking into account factors such as the size of the Company and the Board, the resources available and the activities of the Company.

A summary of the Company's compliance with the ASX Corporate Governance Recommendations is outlined below. Where, after due consideration, the Company's corporate governance practices depart from the ASX Corporate Governance Recommendations, the departure is noted and reasons for the departure are provided.

Copies of each of the Corporate Governance Policies adopted by the Company are available on the Company's website at www.nuenergygas.com

Corporate Governance Policy	Action taken and/or reasons if not adopted
Establish and disclose the respective roles and responsibilities of the Board and management	
Principle 1: Lay solid foundation for management and oversight	
1.1 Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions	The Board has adopted a formal Board Charter summarising the roles and responsibilities of the Board of Directors. The Board Charter details the matters reserved to the Board and the division of responsibility between the Board and senior management. In particular, the Board Charter outlines the roles and balance of responsibility between the Chairman, Chief Executive Officer and Company Secretary.
1.2 Companies should disclose the process for evaluating the performance of senior executives	Performance evaluations of the Board as a whole, the Chief Executive Officer, individual Directors and senior management will be conducted by the Board annually in accordance with the Performance Evaluation Procedure.
1.3 Companies should provide the information indicated in the 'Guide to reporting on Principle 1'	Copies of the Company's corporate governance policies and charters are available on the Company's website.

Have a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties

Principle 2: Structure the Board to add value

2.1	A majority of the Board should be independent	The Board is comprised of four Directors. Mr Alan Fraser and Mr Peter Cockcroft are considered to be independent Directors. Mr Graeme Robertson and Mr Jonathan Warrant are not considered to be independent Directors. Given the nature and size of the Company, its business interests and the stage of development, the Board is of the view that there is an adequate and broad mix of skills required and that given their experience, each of the Directors is aware of and capable of acting in an independent manner and in the best interests of the shareholders. Directors are entitled to seek independent advice at the Company's expense to assist them to carry out their responsibilities, subject to the prior approval of the Chairman which will not be unreasonably withheld.
2.2	The Chairman should be an independent Director	Mr Graeme Robertson is Chairman of the Board. Mr Robertson is not an independent Director. The Board has been structured such that its composition and size will enable it to effectively discharge its responsibilities and duties. Each Director has the relevant industry experience and specific expertise relevant to the Company's business and level of operations. All Directors are aware that they are required to bring an independent judgment to bear on Board decisions. Where a potential conflict of interest may arise, involved Directors must, unless the remaining Directors resolve otherwise, withdraw from deliberations concerning the matter. Each Director has the right to seek independent professional advice at the expense of the Company.
2.3	The roles of Chairman and Chief Executive Officer should not be exercised by the same individual	The division of responsibility between the Chairman and the Chief Executive Officer is detailed in the Board Charter. The positions of Chairman and Chief Executive Officer are not held by the same person.
2.4	The Board should establish a nomination committee	The Board has agreed that a separate nomination committee does not add any extra value as the Board currently comprises 4 members each of whom have valuable contributions to make in fulfilling the role of a nomination committee member.
2.5	Companies should disclose the process of evaluating the performance of the Board, its committees and individual Directors	The membership of the Board of Directors is reviewed on an on-going basis by the Chairman of the Board to determine if additional core strengths are required to be added to the Board in light of the nature of the Company's businesses and its objectives.
2.6	Companies should provide the information indicated in 'Guide to reporting on Principle 2'	Copies of the Company's corporate governance policies and charters are available on the Company's website.

Actively promote ethical and responsible decision-making

Principle 3: Promote ethical and responsible decision-making

3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to: 3.1.1 the practices necessary to maintain confidence in the Company's integrity; 3.1.2 the practices necessary to take into account their legal obligations and the reasonable expectations of their shareholders; and 3.1.3 the responsibility and accountability of individuals for reporting or investigating reports of unethical practices.	The Company has adopted a Code of Conduct which applies equally to all Directors, officers, employees and contractors and which sets out ethical standards for the business of the Company and guides and enhances the conduct and behaviour of the Company Directors, officers, employees and contractors.
3.2 Companies should establish a policy concerning trading in company securities by Directors, senior executives and employees and disclose the policy or a summary of that policy.	The Company's Share Trading Policy imposes trading restrictions on all key management personnel, their associates and employees of the Company and on persons who possess inside information relating directly or indirectly to the Company. A copy of the policy is available on the Company's website.
3.3 Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. This policy should include requirements for the Board to establish measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving them.	The Board is responsible for developing a culture of diversity within the Company whereby employees with a mix of skills and diverse backgrounds are employed by the Company at all levels. The recommendation in Principle 3.2 that a Company should establish a diversity policy was introduced as part of the 2010 amendments to the ASX Corporate Governance Recommendations and came into effect on 1 January 2011. The Company intends to consider the development of a diversity policy as it grows with current diversity within the organisation considered adequate.
3.4 Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them	Details of the Company's diversity policy will be made available once it has been developed.
3.5 Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	Details of the Company's diversity policy will be made available once it has been developed.
3.6 Companies should provide the information indicated in the 'Guide to Reporting on Principle 3'.	The Company will provide the information required by the Guide to Reporting on Principle 3 as soon as it is available.

Have a structure to independently verify and safeguard the integrity of the Company's financial reporting**Principle 4: Safeguard integrity in financial reporting**

4.1	The Board should establish an Audit Committee	The Board has agreed that a separate Audit and Risk Management Committee is not warranted given the size of the Company and the Board. The Board comprises four members who collectively perform the function of the Audit Committee.
4.2	The Audit Committee should be structured that it: - Consists of only Non-Executive Directors - Consists of a majority of independent Directors - Is chaired by an independent Chairman who is not the Chairman of the Board - Has at least three members	The Board has agreed that a separate Audit and Risk Management Committee is not warranted given the size of the Company and the Board. The Board comprises four members who collectively perform the function of the Audit Committee.
4.3	Companies should provide the information indicated in the 'Guide to reporting on Principle 4'.	The Company's corporate governance policies and charters are available on the Company's website.

Promote timely and balanced disclosure of all material matters concerning the Company**Principle 5: Make timely and balanced disclosure**

5.1	Companies should establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	The Board has established a Disclosure Policy to ensure the Company complies with its disclosure requirements and that ASX is properly informed of matters which may have a material impact on the price at which its securities are traded.
5.2	Companies should provide the information indicated in the 'Guide to reporting on Principle 5'.	The Company's amended corporate governance policies and charters are available on the Company's website.

Respect the rights of shareholders and facilitate the effective exercise of those rights

Principle 6: Respect the rights of shareholders

6.1 Companies should design and disclose a communications strategy for promoting effective communication with shareholders and encouraging their effective participation at general meetings and disclose their policy or a summary of that policy.	The Board aims to ensure that shareholders are informed of all major developments affecting the Company and has adopted a Communications Policy. In particular, the Company believes that communicating with shareholders by electronic means, particularly through its website, is an efficient way of distributing information in a timely and convenient manner. Shareholders are encouraged to use their attendance at meetings to ask questions on any relevant matter, with time being specifically set aside during the meeting for shareholder questions.
6.2 Companies should provide the information indicated in the 'Guide to reporting on Principle 6'.	The Company's corporate governance policies and charters are available on the Company's website.

Establish a sound system of risk oversight and management and internal control

Principle 7: Recognise and manage risk

7.1	The Company should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	The Board regularly reviews the Company's risk management policies which are designed to meet stakeholders' reasonable expectations and manage business risks.
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	The Board takes responsibility for monitoring and ensuring an appropriate assessment process has been established and undertaken for monitoring corporate risk and the internal controls instituted. An annual review of the Company's risk profile is undertaken by the Board and any material changes to the risk profile are noted. To assist the Board to conduct the annual review, management and key executives are required to report on any material risks identified, how the risks are being managed, the implementation of any risk management or internal control system, and whether any breaches of the risk management policies have occurred during the preceding 12 months.
7.3	The Board should disclose whether it has received assurance from the CEO (or equivalent) and the CFO (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating efficiently and effectively in all material respects in relation to reporting financial risks.	The Chief Executive Officer and Group Financial Controller are required to attest that the financial reporting, risk management and associated compliance and controls have been assessed and as to the adequacy of the system of risk oversight, management and internal control.
7.4	Companies should provide the information indicated in the 'Guide to reporting on Principle 7'.	The Company's corporate governance policies and charters are available on the Company's website.

Ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear

Principle 8: Remunerate fairly and responsibly

8.1 The Board should establish a Remuneration Committee	Given the size and nature of the Company, its business interests, remuneration and other benefits paid to its Directors, the Board does not consider it necessary to have a Remuneration Committee but collectively performs the function of the Remuneration Committee.
8.2 The Remuneration Committee should be structured so that it: - Consists of a majority of independent Directors - Is chaired by an independent Chair - Has at least three members	The Board comprises four members who collectively perform the function of the Remuneration Committee. The Board takes independent advice on remuneration schemes for its senior executive management.
8.3 Companies should clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executive Directors and senior executives.	The remuneration of Executives will be determined by the Board, giving consideration to any recommendation made by external advisors. The remuneration of Non-Executive Directors will be determined by the Board, excluding in each case, any Director or Directors with immediate conflicts of interest. The maximum remuneration of Non-Executive Directors is to be determined by the Shareholders in a general meeting in accordance with the Company's Constitution, the ASX Listing Rules and the Corporations Act 2001 (Cth). The apportionment of Non-Executive Director remuneration within the allowed maximum will be made by the Board having regard to the Committee's recommendations and evaluation of each individual Director's contribution to the Board. The practice of granting options to Non-Executive Directors as a part of their remuneration package is not in accordance with the ASX Corporate Governance Recommendations. However, the Board will from time to time consider whether equity participation by way of the grant of options to members of the Board is appropriate. In such circumstances, the meeting materials for shareholder approval relating to the issue of options will disclose that the practice is contrary to the ASX Corporate Governance Recommendations.
8.4 Companies should provide the information indicated in the 'Guide to reporting on Principle 8'.	The Company's corporate governance policies and charters are available on the Company's website.

DECLARATION BY DIRECTORS

The Directors of the Company declare that:

1. The financial statements, comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows, and accompanying notes, are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Accounting Standards and the *Corporations Regulations 2001*; and
 - (b) give a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date.
2. The Company has included in note 1 to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
3. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
4. The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:



Graeme Robertson
Chairman

Dated at Sydney, 5 September 2014

**NUENERGY GAS LIMITED
ACN 009 126 238
AND CONTROLLED ENTITIES**

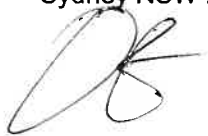
**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF NUENERGY GAS LIMITED
AND CONTROLLED ENTITIES**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2014 there have been:

- i. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.



Hall Chadwick
Level 40, 2 Park Street
Sydney NSW 2000



Drew Townsend
Partner

Date: 05 September 2014

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

		Consolidated	
	Note	2014	2013
		\$	\$
Revenues	2	300,744	160,125
Expenses:			
Directors' and employees' remuneration		949,603	793,647
Share based payments		-	295,755
Consultants		836,335	778,416
Administration	3	808,235	1,046,507
Depreciation		143,323	96,589
Impairment of Tanzanian assets		233,039	-
Loss before income tax		(2,669,791)	(2,850,789)
Income tax benefit	4	178,704	158,807
Net loss for the year		(2,491,087)	(2,691,982)
Other comprehensive income:			
Items that will be reclassified subsequently to profit or loss:			
Movement in fair value of available for sale financial assets		(7,461)	(19,896)
Foreign currency translation reserve		(278,235)	1,979,326
Income tax on other comprehensive income			-
Total comprehensive loss for the year		(2,776,783)	(732,552)
Net Loss attributable to:			
Members of the parent entity		(2,470,780)	(2,673,936)
Non-controlling interest		(20,307)	(18,046)
		(2,491,087)	(2,691,982)
Total comprehensive loss attributable to:			
Members of the parent entity		(2,756,476)	(714,506)
Non-controlling interest		(20,307)	(18,046)
		(2,776,783)	(732,552)
Basic earnings (loss) per share (cents per share)	19	(0.80)	(1.22)
Diluted earnings (loss) per share (cents per share)	19	(0.80)	(1.22)

The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

		Consolidated 2014 \$	2013 \$
	Note		
CURRENT ASSETS			
Cash and cash equivalents		67,032	4,484,302
Trade and other receivables	5	221,320	164,784
TOTAL CURRENT ASSETS		288,352	4,649,086
NON-CURRENT ASSETS			
Available for sale financial assets	6	22,383	29,844
Plant and equipment	8	347,156	430,279
Exploration and evaluation	9	57,925,433	53,894,234
Other financial assets	10	1,034,458	1,895,746
TOTAL NON-CURRENT ASSETS		59,329,430	56,250,103
TOTAL ASSETS		59,617,782	60,899,189
CURRENT LIABILITIES			
Trade and other payables	11	1,158,367	1,237,198
Provisions	12	86,796	146,992
TOTAL CURRENT LIABILITIES		1,245,163	1,384,190
NON-CURRENT LIABILITIES			
Deferred tax liabilities	13	10,166,899	10,345,603
Provisions	12	10,000	10,000
TOTAL NON-CURRENT LIABILITIES		10,176,899	10,355,603
TOTAL LIABILITIES		11,422,062	11,739,793
NET ASSETS		48,195,720	49,159,396
EQUITY			
Issued capital	14	72,899,979	71,086,872
Reserves	15	13,182,025	13,467,721
Accumulated losses		(38,186,378)	(35,715,598)
Parent entity interest		47,895,626	48,838,995
Non-controlling interest		300,094	320,401
TOTAL EQUITY		48,195,720	49,159,396

The consolidated statement of financial position should be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014

	Issued Capital	Reserves	Accumulated Losses	Non- Controlling Interest	Total Equity
	\$	\$	\$	\$	\$
At 1 July 2012	65,459,528	11,229,786	(33,041,662)	338,447	43,986,099
Shares issued	6,052,819	-	-	-	6,052,819
Share issue costs	(425,475)	-	-	-	(425,475)
Options issued	-	278,505	-	-	278,505
Total comprehensive loss for the year	-	1,959,430	(2,673,936)	(18,046)	(732,552)
At 30 June 2013	71,086,872	13,467,721	(35,715,598)	320,401	49,159,396

	Issued Capital	Reserves	Accumulated Losses	Non- Controlling Interest	Total Equity
	\$	\$	\$	\$	\$
At 1 July 2013	71,086,872	13,467,721	(35,715,598)	320,401	49,159,396
Shares issued	1,867,628	-	-	-	1,867,628
Share issue costs	(54,521)	-	-	-	(54,521)
Options issued	-	-	-	-	-
Total comprehensive loss for the year	-	(285,696)	(2,470,780)	(20,307)	(2,776,783)
At 30 June 2014	72,899,979	13,182,025	(38,186,378)	300,094	48,195,720

The consolidated statement of changes in equity should be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2014

		Consolidated 2014 \$	2013 \$
	Note		
Cash Flows from Operating Activities			
Payments to suppliers and employees		(2,221,819)	(2,018,943)
Interest received		11,062	141,328
Net Cash Flows used in Operating Activities	21	(2,210,757)	(1,877,615)
Cash Flows from Investing Activities			
Payments for mining exploration expenditure		(4,877,114)	(7,055,149)
Payments for plant and equipment		(75,436)	(337,805)
Net Cash Flows used in Investing Activities		(4,952,550)	(7,392,954)
Cash Flows from Financing Activities			
Proceeds from share issues		1,867,628	6,035,569
Costs associated with capital raising		(54,521)	(425,475)
Refundable deposits returned - Indonesia		832,930	-
Deposit received – Mozambique		100,000	-
Net Cash Flows provided by Financing Activities		2,746,037	5,610,094
Net decrease in Cash and Cash Equivalents		(4,417,270)	(3,660,475)
Cash and Cash Equivalents at the beginning of the financial year		4,484,302	8,144,777
Cash and Cash Equivalents at the end of the financial year		67,032	4,484,302

The consolidated statement of cash flows should be read in conjunction with the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report, prepared in accordance with Australian Accounting Standards, Australia Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The Group is a for profit entity for financial reporting purposes under Australian Auditing Standards.

The financial report covers the economic entity of NuEnergy Gas Limited and its controlled entities. NuEnergy Gas Limited is a listed public company, incorporated and domiciled in Australia.

The financial report was authorised for issue by the Directors on the date the Declaration by Directors was signed.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation and Statement of Compliance

The financial report complies with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

The financial report is presented in Australian Dollars and except for cash flow information, it has been prepared on an accruals basis and is based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Going Concern Basis

The consolidated entity has incurred a loss of \$2,491,087, had net cash outflows from operations of \$2,210,757 for the year ended 30 June 2014 and a deficiency in working capital of \$956,811. The consolidated entity has no ongoing source of operating income and is dependent on raising capital to fund its ongoing activities.

The financial report has been prepared on a going concern basis which assumes the realisation of assets and the discharge of liabilities in the normal course of business.

The directors believe the going concern basis is appropriate due to:

- The signing of the Investment Agreement as outlined in the subsequent events section of this Annual Report, and;
- The directors have prepared cash flow forecasts which include further capital raisings to meet all planned expenditure programs. However, in the event that future capital raisings are delayed, the consolidated entity has the ability to scale down its operations to satisfy its minimum expenditure requirements.

Based on the above, the directors are satisfied that the consolidated entity will be able to fund its operations and continue as a going concern, and it is appropriate that the financial statements have been prepared on that basis.

Significant assumptions and key estimates

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values that are not apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Basis of consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent, NuEnergy Gas Limited, and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 7.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as “non-controlling interests”. The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary’s net assets on liquidation at either fair value or at the non-controlling interests’ proportionate share of the subsidiary’s net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

Business Combinations

Business combinations occur where the acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (ie parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(ii) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Items of plant and equipment are depreciated using a straight line method over 4-5 years.

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Revaluations

Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the Statement of Financial Position unless it reverses a revaluation decrease of the same asset previously recognised in the Statement of Comprehensive Income.

Any revaluation deficit is recognised in the Statement of Comprehensive Income unless it directly offsets a previous surplus of the same asset in the Asset Revaluation Reserve.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the Statement of Comprehensive Income in the period the item is derecognised.

(iii) Exploration and evaluation expenditure

Exploration and evaluation expenditures in relation to separate areas of interest, for which rights of tenure are current, are capitalised in the year in which they are incurred and are carried at cost less accumulated impairment losses where the following conditions are satisfied:

- (i) the right to tenure of the area of interest are current; and
- (ii) at least one of the following conditions is also met;
 - the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and
 - exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Capitalised exploration costs are reviewed each reporting date as to whether an indication of impairment exists. If any such indication exists, the recoverable amount of the capitalised exploration costs is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years. Where a decision is made to proceed with development, accumulated expenditure will be tested for impairment, transferred to development properties, and then amortised over the life of the reserves associated with the area of interest once mining operations have commenced.

Restoration, Rehabilitation and Environmental Expenditure

Restoration, rehabilitation and environmental costs necessitated by exploration and evaluation activities are provided for as part of the cost of those activities. Costs are estimated on the basis of current legal requirements, anticipated technology and future costs. Estimates of future costs are re-assessed at each reporting date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Project Costs

Project costs relating to the oil and gas sector are carried forward to the extent that the following conditions have been met:

- it is probable that the future economic benefits embodied in the asset will eventuate; and
- the asset possesses a cost or other value that can be measured reliably.

Costs which no longer satisfy the above conditions are written off against the results for the year.

(iv) Impairment of assets

At each reporting date, the consolidated entity assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the consolidated entity makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(v) Cash and cash equivalents

Cash and short-term deposits in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(vi) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised at amortised cost less adjustments for impairment or uncollectible amounts. An estimate for doubtful debt is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(vii) Trade and other payables

Trade and other payables are stated at amortised cost. Trade payables and other accounts payable are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(viii) Employee Benefits

Short-term employee benefits

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any re-measurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

(ix) Leases

Operating lease payments are recognised as an expense in the Consolidated Statement of Profit or Loss and other Comprehensive Income on a straight-line basis over the lease term.

(x) Share Capital

Ordinary share capital is recognised at the fair value of the consideration received by the Company. Transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the consideration received, net of any related income tax benefit.

(xi) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the consolidated entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

Interest

Revenue is recognised as the interest accrues to the net carrying amount of the financial asset.

(xii) Income Tax

Deferred income tax is provided using the balance sheet liability method, providing for temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carried-forward unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carried-forward unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the Statement of Comprehensive Income.

(xiii) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(xiv) Investments in listed investments

Investments and other financial instruments

Financial instruments are initially measured at fair value plus directly attributable transaction costs. Subsequent to initial measurement investments in other entities are classified as available-for-sale financial assets. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Investments are designated as

available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Available-for-sale assets are carried at fair value, with changes in fair value recognised in equity. If there is a significant or prolonged decline in the fair value of a security below its cost it is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the Statement of Comprehensive Income. Impairment losses recognised in the Consolidated Statement of Profit or Loss and other Comprehensive Income on equity instruments classified as available-for-sale are not reversed through the Consolidated Statement of Profit or Loss and other Comprehensive Income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost less impairment.

(xv) Interests in Joint Venture

The Group's shares of the assets, liabilities, revenue and expenses of jointly controlled operations have been included in the appropriate line items of the consolidated financial statements. Details of the Group's interest is provided in Note 22.

(xvi) Foreign Currency Translation

Transactions and balances

Transactions in foreign currencies are translated to the respective functional currencies of each of the Company's entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments which are recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Controlled entities

The financial results and position of foreign operations whose functional currency is different from the consolidated entity's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- Income and expenses are translated at average exchange rates for the period; and
- Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the consolidated entity's foreign currency translation reserve. These differences are recognized in the Consolidated Statement of Profit or Loss and other Comprehensive Income in the period in which the operation is disposed.

(xvii) Comparative Figures

Where required by Accounting Standards comparative figures have been adjusted to conform to changes in presentation for the current financial year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

When the consolidated entity applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items, a Statement of Financial Position as at the beginning of the earliest comparative period will be disclosed.

Goods or services received or acquired in a share-based payment transaction are recognised as a increase in equity if the goods or services were received in an equity-settled share-based payment transaction or as a liability if the goods and services were acquired in a cash settled share-based payment transaction.

(xviii) Share-based payment arrangements

For equity-settled share-based transactions, goods or services received are measured directly at the fair value, measured at a market price, of the goods or services received provided this can be estimated reliably. If a reliable estimate cannot be made the value of the goods or services is determined indirectly by reference to the fair value of the equity instrument granted.

(xix) New and amended standards adopted by the Consolidated Group

The Consolidated Group has applied all new accounting standards and amendments mandatory for accounting periods commencing on or after 1 July 2013. The significant new standards adopted as of 1 July 2013 are detailed below:

- AASB 10: Consolidated Financial Statements;
- AASB 127: Separate Financial Statements
- AASB 11: Joint Arrangement, AASB128: Interest in Joint Ventures and Associates
- AASB 12: Disclosure of Interests in Other Entities;
- AASB 13: Fair Value Measurement;
- AASB 119: Employee Benefits (2011);
- AASB 2012-2; Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities;
- AASB 2012-5: Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle.

The adoption of these standards has not had a material impact on the financial statements of the Consolidated Group. Where required, new disclosures introduced by these standards have been included.

The adoption of AASBs 10, 13 and 119 resulted in changes in accounting policies for the Consolidated Group. These are explained below:

- Adoption of AASB 10 resulted in a change in the definition of control. Under the new definition, the Consolidated Group controls an entity when the Consolidated Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Consolidated Group has reviewed its investments in other entities to assess whether the consolidation conclusion in relation to these entities is different under AASB 10 compared to AASB 127. No differences were found and therefore no adjustments to any of the carrying amounts in the financial statements are required as a result of the adoption of AASB 10.
- The adoption of AASB 13 has clarified that fair value is an exit price notion and, as such, the fair value of financial liabilities should be determined based on a transfer value to a third-party market participant. The fair value of financial liabilities (including derivatives) was measured on the basis that the financial liability would be settled or extinguished with the counterparty. The Consolidated Group has reviewed its Accounting Policy and there is no material effect on the financial statements.
- The adoption of the revised AASB 119 has not changed the accounting obligations for the Consolidated Group. The Company continues to expect all annual leave will be taken within twelve months after the end of the reporting period and continues to classify as short-term employee benefits.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(xx) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2014 reporting period. The Consolidated Group's assessment of the impact of these new standards and interpretations is set out below:

- *AASB 1031: Materiality*
Revised AASB 1031 is an interim standard that cross-references to other standards and the Framework for the Preparation and Presentation of Financial Statements (issued December 2013) that contain guidance on materiality. AASB 1031 will be withdrawn once all the references to AASB 1031 in all standards and interpretations are removed.
This standard is effective for year ending 30 June 2014 and will not have any impact on the financial statements.
- *AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 132)*
AASB 2012-3 addresses inconsistencies in current practice when applying the offsetting criteria in AASB 132 Financial Instruments: Presentation.
It clarifies the meaning of 'currently has legally enforceable right of set-off' and 'simultaneous realisation and settlement'. This is effective for year ending 30 June 2014 and is not expected to have a material impact on the financial statements.

Consolidated	
2014	2013
\$	\$

NOTE 2: REVENUE

Operating Activities	-	-
Non-Operating Activities		
Interest	60,068	160,125
Sale of Mozambique interests	240,691	
Total revenues	300,744	160,125

NOTE 3: EXPENSES

Included in Administration Expenses are:

Legal	76,232	113,485
Travel	142,038	192,934
Audit fees	52,272	54,621
Stock exchange fees	24,736	15,461
Share registry	16,674	28,701
Management fees	170,973	266,573
Recruitment	-	11,211
Insurance	26,683	20,866
Foreign exchange losses	18,824	60,697
Other expenses	279,803	281,958
	808,235	1,046,507

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Consolidated	
2014	2013
\$	\$

NOTE 4: TAXATION

Income Tax Expense

Prima facie income tax (benefit) on result varies from the income tax provided in the financial statements as follows:

Prima facie income tax benefit on result before income tax at 30% (2013: 30%)	(839,720)	(855,237)
Non-deductible expenses	1,605	89,381
Temporary differences not recognised	(12,388)	(155,167)
Unused tax losses incurred in overseas controlled entities	192,580	178,931
Unused tax losses not recognised as deferred tax assets	455,451	527,467
Effect of tax rate in foreign countries	23,768	55,818
Income Tax Benefit	(178,704)	(158,807)

Deferred tax asset

Estimated deferred tax asset not recognised as an asset because recovery is not probable

Tax losses – revenue	3,507,089	2,859,058
Tax losses – capital	494,009	494,009
	4,001,098	3,353,067

Movement in deferred tax liability

Exploration and evaluation acquired	10,345,603	10,504,410
Income tax benefit	(178,704)	(158,807)

10,166,899	10,345,603

The potential deferred tax asset will only be realised if:

- i. the relevant company derives future assessable income of a nature and amount sufficient to enable the asset to be realised, or the asset can be utilised by another company in the consolidated entity in accordance with tax legislation;
- ii. the relevant company continues to comply with the conditions for deductibility imposed by the tax legislation; and
- iii. no changes in tax legislation adversely affect the relevant company in realising the asset including satisfying the continuity of ownership and/or continuity of business tests.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Consolidated	
2014	2013
\$	\$

NOTE 5: TRADE AND OTHER RECEIVABLES

Current

Interest receivable	-	16,755
Receivable on sale of Mozambique	140,675	-
GST receivable	40,570	26,624
Sundry receivables	12,495	85,697
Prepayments	27,580	35,708
	221,320	164,784

NOTE 6: AVAILABLE FOR SALE FINANCIAL ASSETS

Non-Current

(a) Available-for-sale financial assets

Shares in listed securities at fair value	22,383	29,844
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NOTE 7: CONTROLLED ENTITIES

	Country of Incorporation	Percentage Owned	
		2014	2013
Indon CBM Pty Ltd	Aust	100%	100%
PT Trisula CBM Energi	Indonesia	95%	95%
Indo CBM Sumbagsel II Pte Limited	Singapore	100%	100%
NuEnergy Gas (Singapore) Pte Limited	Singapore	100%	100%
NuEnergy Gas (Tanzania) Limited	Tanzania	100%	100%
NuEnergy Gas Zambia Limited*	Zambia	100%	-
NuAfrica Gas Limited*	Mauritius	100%	-
Rushworth Strategic Investments Pty Ltd	Aust	100%	100%
Pourmore Pty Ltd	Aust	100%	100%
Sheraton Pines Pty Ltd	Aust	100%	100%
Opinionex Pty Ltd	Aust	100%	100%

*Incorporated during the year-ended 30 June 2014.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Consolidated	
2014	2013
\$	\$

NOTE 8: PLANT AND EQUIPMENT

Non-Current

Plant and equipment at cost	613,854	625,215
Less: Accumulated depreciation	(266,698)	(194,936)
	347,156	430,279

Movement in carrying amounts for each class of plant and equipment between balances at the beginning and end of the year.

Non-Current

Plant and equipment		
Balance at beginning of year	430,279	200,379
Additions	60,448	337,805
Disposal/Writedown	(8,113)	-
Depreciation	(143,323)	(96,589)
Exchange Differences	7,865	(11,316)
	347,156	430,279

NOTE 9: EXPLORATION AND EVALUATION

Exploration and evaluation expenditure	57,925,433	53,894,234
Balance at beginning of year	12,857,743	5,885,343
Exploration rights	40,159,303	40,248,252
Expenditure incurred during the year	4,089,362	6,972,400
Impairment of Tanzanian assets	(233,039)	-
VAT Receivable ¹	1,052,064	788,239
	57,925,433	53,894,234

¹ VAT receivable is eligible to be claimed back from SKKMIGAS (The Indonesian Oil and Gas Regulator) upon production of Coal Bed Methane (CBM) on a commercial basis.

² Recoverability of the carrying amount of exploration costs is dependent on the successful exploration and sale of CBM.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Consolidated	
2014	2013
\$	\$

NOTE 10: OTHER FINANCIAL ASSETS

Non-Current

Term deposits and guarantees in relation to mining leases	1,034,458	1,895,746
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NOTE 11: TRADE AND OTHER PAYABLES

Current

Trade creditors and accruals	1,158,367	1,222,079
Related party payables	-	15,119
	1,158,367	1,237,198

NOTE 12: PROVISIONS

Current

Employee benefits	86,796	146,992
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Non-Current

Mine restoration obligations	10,000	10,000
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Movement in provision

Opening balance	10,000	10,000
Utilised	-	-

	10,000	10,000
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Provision for Employee Benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the Group does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Group does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been discussed in Note 1(viii).

NOTE 13: DEFERRED TAX LIABILITIES

Non-Current

Exploration and evaluation	10,166,899	10,345,603
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Consolidated
2014 2013
\$ \$

NOTE 14: ISSUED CAPITAL

Issued and Paid Up Capital
335,020,698 (2013: 281,659,907)
Fully paid ordinary shares

72,899,979 71,086,872

The Company has unlimited authorised share capital of no par value ordinary shares.

Movements in shares on issue

Date of issue	Particulars	Issue price	No. of Shares	\$
	Opening balance 1 July 2012		200,935,648	65,459,528
23/07/12	CEO Employment Shares		250,000	17,250
03/04/13	Rights Issue capital raising	7.5 cents	80,474,259	6,035,569
	Share issue costs - cash			(425,475)
	Closing Balance – 30 June 2013		281,659,907	71,086,872
27/12/13	Rights Issue capital raising	3.5 cents	53,360,791	1,867,628
	Share issue costs - cash			(54,521)
	Closing Balance – 30 June 2014		335,020,698	72,899,979

Movements in options on issue

Date of issue	Particulars	No. of Options	\$
	Opening balance – 1 July 2012	18,250,000	10,887,883
<i>Issued:</i>			
23/07/12	CEO Employment Options – share based payment	500,000	15,400
21/12/12	NGY Premium Option Plan – share based payment	5,050,000	263,105
<i>Expired:</i>			
31/12/12	(ex) Director Options – share based payment	(1,500,000)	-
14/01/13	Share Placement Options	(12,500,000)	-
	Closing balance – 30 June 2013	9,800,000	11,166,388
<i>Expired:</i>			
14/1/14	(ex) CEO Options – share based payment	(1,250,000)	-
28/2/14	Brokerage Options	(500,000)	-
1/6/14	(ex) CEO Options – share based payment	(1,250,000)	-
	Closing balance – 30 June 2014	6,800,000	11,166,388

Refer to the Remuneration Report section of the Directors' Report for further details.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 14: ISSUED CAPITAL (CONT'D)

Share based payment options terms and conditions:

	Premium Option Plan Non-Executive Director Options	Premium Option Plan Chief Executive Options	Chief Executive Remuneration Options	Premium Option Plan Chief Financial Officer Options
Date Issued	12/12/12	12/12/12	23/07/12	12/12/12
Number *	3,600,000	1,000,000	500,000	450,000
Exercise price *	12.14 cents	12.14 cents	12.2 cents	12.14 cents
Vesting date	12/12/15	12/12/15	23/10/12	12/12/15
% Vested in year of grant	0%	0%	100%	0%
Expiry date	12/12/17	12/12/17	20/12/14	12/12/17
Share price at grant date *	8.1cents	8.1cents	7.5 cents	8.1cents
Expected share price volatility	90%	90%	90%	90%
Risk free interest rate	2.81%	2.81%	2.30%	2.81%
Option Value *	5.21 cents	5.21 cents	3.08 cents	5.21 cents
Total Value (\$)	187,560	52,100	15,400	23,445
Expense in 2013 (\$)	187,560	52,100	15,400	23,445

Share based payment options movements:

	2014		2013	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Share based payment options				
Options outstanding at beginning of the year	9,800,000	34.94	5,750,000	58.25 cents
Expired or cancelled	(3,000,000)	58.33	(1,500,000)	40.00 cents
Granted	-		5,550,000	12.15 cents
Exercised	-		-	
Options outstanding at end of the year	6,800,000	24.50	9,800,000	34.94 cents
Exercisable at year end	1,750,000	60.57	4,750,000	59.18 cents

Option Valuations

Fair values at grant date are determined using an appropriate option pricing model that takes into account the exercise price, the term of the option, the share price at grant date, expected price volatility of the underlying share and the risk free interest rate for the term of the option. The fair value of the options granted to employees is deemed to represent the value of the option services over the vesting period. The model inputs for the Black-Scholes model used for options granted during the year ended 30 June 2014 are as disclosed above. Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future movements.

Shares and Options Issued Since Balance Date

There were no shares or options issued subsequent to balance date up to the date of this report.

Terms and Conditions of Issued Capital

Ordinary shares

The holders of ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 14: ISSUED CAPITAL (CONT'D)

Options

Option holders do not have the right to receive dividends and are not entitled to vote at a meeting of members of the Company or to participate in new issues of ordinary shares during the currency of the option. Options may be exercised at any time from the date they vest to the date of their expiry. Share options convert into ordinary shares on a one for one basis on the day they are exercised and rank equally in all respects with the then issued shares of the Company.

Capital Risk Management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

Management effectively manages capital by assessing the consolidated entity's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses may include the issue of new shares, return of capital to shareholders, the entering into of joint ventures and or the sale of assets.

There is no current intention to incur debt funding on behalf of the Company. The consolidated entity is not subject to any externally imposed capital requirements. No dividends were paid in 2014 (2013: nil).

Management reviews management accounts on a monthly basis and regularly reviews actual expenditures against budget.

Note	Consolidated	
	2014	2013
	\$	\$
NOTE 15: RESERVES		
Foreign Currency Translation Reserve	2,117,604	2,395,839
Available for Sale Financial Asset Reserve	(101,967)	(94,506)
Option Premium Reserve	11,166,388	11,166,388
	<u>13,182,025</u>	<u>13,467,721</u>

Movement in Foreign Currency Translation Reserve:

Balance at beginning of year	2,395,839	416,513
Movement during the year	(278,235)	1,979,326
	<u>2,117,604</u>	<u>2,395,839</u>

Purpose of reserve:

The foreign currency translation reserve arises from the consolidation of overseas controlled entities.

Movement in Available for Sale Financial Asset Reserve:

Balance at beginning of year	(94,506)	(74,610)
Revaluation of available for sale financial assets	(7,461)	(19,896)
	<u>(101,967)</u>	<u>(94,506)</u>

Purpose of reserve:

The available for sale financial asset reserve is used to record increments/(decrements) in the fair value of investments.

Movement in Option Premium Reserve:

Balance at beginning of year		11,166,388	10,887,883
Options Issued	14	-	278,505
		<u>11,166,388</u>	<u>11,166,388</u>

Purpose of reserve:

The options premium reserve is used to record the fair value of options issued.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Consolidated	
2014	2013
\$	\$

NOTE 16: AUDITOR'S REMUNERATION

Amounts paid or due and payable for:

Audit or review services – (PKF overseas firm)	11,772	7,974
Audit or review service – Hall Chadwick	40,500	46,647
Other services:		
Tax compliance services – Hall Chadwick	9,000	-
	61,272	54,621

NOTE 17: KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Details of Directors and Executives during the year

- (i) Directors
 - Graeme Robertson
 - Alan Fraser
 - Peter Cockcroft
 - Jonathan Warrant
- (ii) Management
 - Christopher Newport – CEO
 - Simon Harvey - CFO

(b) Key Management Personnel Compensation

The aggregate compensation of the key management personnel of the consolidated entity is set out below:

	Consolidated	
	2014 \$	2013 \$
Short-term employment benefits	748,524	637,349
Consulting fees	102,026	100,000
Post-employment benefits	14,450	-
Share based payments	-	295,755
	865,000	1,033,104

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 17: KEY MANAGEMENT PERSONNEL DISCLOSURES (CONT'D)

(c) Shareholdings of Directors and Executives

The movement in the number of ordinary shares held directly, indirectly or beneficially by each key management person, including their related parties, is as follows:

	Balance 1-Jul-13	Purchased under Entitlement issue	Purchased/sold off market (net movement)	Purchased/sold on market	Received as Remuneration	Balance 30-Jun-14
A R Fraser	431,665	-	-	-	-	431,665
P Cockcroft	-	-	-	-	-	-
G Robertson	116,130,330	41,486,156	-	1,327,000	-	158,943,486
J Warrand	1,135,970	-	-	-	-	1,135,970
C Newport	305,555	-	-	-	-	305,555
S Harvey	1,131,270	-	-	-	-	1,131,270

	Balance 1-Jul-12	Purchased under Entitlement issue	Purchased/sold off market (net movement)	Purchased/sold on market	Received as Remuneration	Balance 30-Jun-13
A R Fraser	431,665	-	-	-	-	431,665
P Cockcroft	-	-	-	-	-	-
G Robertson	59,463,497	52,946,833	300,000	3,420,000	-	116,130,330
J Warrand	678,889	632,081	-300,000	125,000	-	1,135,970
C Newport	55,555	-	-	-	250,000	305,555
S Harvey	431,960	449,310	-	250,000	-	1,131,270

(d) Option holdings of Directors and Executives

The movement in the number of options held directly, indirectly or beneficially by each key management person, including their related parties, is as follows:

	Balance 1 July 2013	Received as Remuneration	Exercised	Expired	Balance 30 June 2014
A R Fraser	800,000	-	-	-	800,000
P Cockcroft	800,000	-	-	-	800,000
G Robertson	1,200,000	-	-	-	1,200,000
J Warrand	800,000	-	-	-	800,000
C Newport	1,500,000	-	-	-	1,500,000
S Harvey	450,000	-	-	-	450,000

	Balance 1 July 2012	Received as Remuneration	Exercised	Expired	Balance 30 June 2013
A R Fraser	500,000	800,000	-	500,000	800,000
P Cockcroft	-	800,000	-	-	800,000
G Robertson	-	1,200,000	-	-	1,200,000
J Warrand	-	800,000	-	-	800,000
C Newport	-	1,500,000	-	-	1,500,000
S Harvey	-	450,000	-	-	450,000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 18: SHARE BASED PAYMENTS

There were no share based payments during the year ended 30 June 2014.

For the prior year-end 30 June 2013:

- a) 250,000 shares were granted to key management personnel on 1 August 2012.
- b) Options granted to key management personnel during the year were as follows:

Grant Date	Number
23 July 2012	500,000
12 December 2012	5,050,000

Options granted to the directors had been approved by shareholders and options granted to the Chief Executive Officer have been approved by the directors and shareholders. Options granted under the NuEnergy Premium Option Plan have two performance conditions:

1. Internal Measure – A proven 3P reserve certified by an independent expert before the expiry date.
2. External Measure – NuEnergy total shareholder return must achieve a compound annual growth rate of at least 10% per annum over the three year period from the issue date to the vesting date.

If the Internal Measure and the External Measure are not achieved by the expiry date the options will immediately lapse, with no retesting.

Options issued to Australian tax residents under the NuEnergy Premium Option Plan were purchased at \$0.0001 per option calculated using the Australian tax office tax valuation tables. All other options were granted for no consideration. Options carry no dividend or voting rights. The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows:

Fair values at grant date are determined using an appropriate option pricing model that takes into account the exercise price, the term of the option, the share price at grant date, expected price volatility of the underlying share and the risk free interest rate for the term of the option. The fair value of the options granted to directors and employees is deemed to represent the value of the option services over the vesting period. The model inputs for the Black-Scholes model used for options granted during the year ended 30 June 2014 are as disclosed above. Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future movements.

No options granted as part of remuneration were exercised, sold or lapsed during the current financial year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 19: LOSS PER SHARE

Income and share data used in the calculations of basic and diluted earnings (loss) per share

	Consolidated	
	2014	2013
	\$	\$
Net loss to members of the parent entity	(2,470,780)	(2,691,982)
	No. of	No. of
	Shares	Shares
Weighted average number of ordinary shares used in calculation of basic and diluted earnings (loss) per share	308,705,787	220,565,743
Loss per share	(0.80)	(1.22)

No options that could potentially dilute earnings per share in the future have been included in the calculation of diluted earnings per share because as they are considered anti-dilutive.

NOTE 20: EXPENDITURE COMMITMENTS

	Consolidated	
	2014	2013
	\$	\$
Minimum expenditure commitments contracted for under production sharing contracts ("PSCs") not provided for in the financial statements:		
Not longer than 1 year	6,016,719	4,905,179
Longer than 1 year and not longer than 5 years	33,691,507	41,779,723
Longer than 5 years	-	-
	39,708,226	46,684,902

In addition, the PSCs stipulate aggregate bonus payments in the event of production in each contract area reaching cumulative 250 bcf of \$1,140,736, cumulative 500 bcf of \$1,697,840 and cumulative 1 tcf of \$2,254,943.

Minimum expenditure commitments may, subject to negotiation and with approval, be avoided by sale, farm-out or relinquishment. Expenditure commitments may also be postponed subject to agreement with the Indonesian regulator.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Consolidated	
2014	2013
\$	\$

NOTE 21: CASH FLOW STATEMENT

Reconciliation of loss after income
tax to net cash used in operating activities:

Loss after income tax	(2,491,087)	(2,691,982)
Adjustments for non-cash items:		
Share based payments	-	295,755
Depreciation and loss on disposal of fixed assets	151,436	96,589
Impairment of Tanzanian assets	233,039	-
Provision for available for sale assets	7,461	-
Changes in assets and liabilities:		
Receivables	(48,408)	56,111
Prepayments	(8,128)	126,763
Payables	183,829	314,494
Deferred Tax Liability	(178,704)	(158,807)
Provisions	(60,196)	83,462
Net cash used in operating activities	(2,210,757)	(1,877,615)

NOTE 22: JOINT VENTURE

A controlled entity, NuEnergy Gas (Tanzania) Limited (“NGTL”) has a 70% interest in an unincorporated CBM joint venture with Tancoal Energy Limited, a company incorporated in Tanzania. The joint ventures principal activity is collaboration to allow NGTL to conduct exploration activities for unconventional gas on Tancoal Energy Limited’s coal concessions. Subsequent to year-end, on 5 August 2014, this joint venture was terminated by the mutual consent of both parties.

The consolidated group’s share of assets employed in the joint venture is:

Consolidated	
2014	2013
\$	\$

NON-CURRENT ASSETS

Costs carried forward in respect of areas of interest:

- Exploration and Evaluation	- 347,186
	- 347,186

CURRENT LIABILITIES

- Payables	- 136,570
	- 136,570

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 23: SEGMENT INFORMATION

The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the management team in assessing performance and determining the allocation of resources.

The operating segments are identified by management based on the manner in which the expenses are incurred and resources allocated. Discrete financial information about each of these operating segments is reported to the Board on a regular basis.

The reportable segments are based on aggregated operating segments determined by similarity of expenses, where expenses in the reportable segments exceed 10% of the total expenses for either the current and/or previous reporting period.

The consolidated entity's operations are predominately confined to mineral exploration within Australia and coal bed methane gas exploration, Indonesia.

Business segment	Oil & Gas		Mineral Exploration		Corporate		Consolidated	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	\$	\$	\$	\$
Segment revenue	-	-	-	-	300,744	160,125	300,744	160,125
Segment result	(406,145)	(493,793)	-	-	(2,263,646)	(2,356,996)	(2,669,791)	(2,850,789)
	2014	2013	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	\$	\$	\$	\$
Segment assets	59,486,579	56,228,266	10,000	10,000	121,203	4,487,566	59,617,782	60,899,189
Segment liabilities	11,283,431	11,477,568	10,000	10,000	128,631	252,225	11,422,062	11,739,793

Segment accounting policies are the same as the economic entity's accounting policies described in Note 1.

NOTE 24: RELATED PARTY TRANSACTIONS

Key Management Personnel

Details of key management personnel remuneration and retirement benefits are set out in the Remuneration Report forming part of the Directors' Report.

Payables and Receivables

Accounts payable to related parties are disclosed in Note 11. There are no receivables owing from related parties outside of NuEnergy's controlled entities. Receivables from controlled entities are as follows:

- Indon CBM Pty Limited: \$26,636,523
- NuEnergy Gas (Singapore) Pte Limited: \$1,811,311
- NuEnergy Gas (Tanzania) Limited: \$455,132

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 24: RELATED PARTY TRANSACTIONS (CONT'D)

Contracts and Agreements

During the year, the Company paid Intrasia Capital Pty Limited, a related party of Graeme Robertson and Jonathan Warrand, a monthly fee of \$11,800 (plus GST) for accounting, administration, investor relations and back office support services to NuEnergy. The total paid during the year was \$181,108 including reimbursements. The terms are to be reviewed annually.

During the year, the Company paid \$51,983 in fees and reimbursements to Intrasia Mining Pte Ltd (a wholly owned subsidiary of Intrasia Capital Pte Limited), a related party of Graeme Robertson, for the provision of legal services by a qualified lawyer employed by Intrasia Capital Pte Ltd and for reimbursement of administration and travel expenses incurred on behalf of NuEnergy.

No Corporate Advisory fees were paid to Intrasia Capital Pty Limited, a related party of Graeme Robertson and Jonathan Warrand, during the year.

During the year, the Company entered into underwriting agreements with Farjoy Pty Limited, a related party of Graeme Robertson. Underwriting fees of \$28,000 were paid to Farjoy Pty Limited.

During the year the Company paid management fees and reimbursements to Tancoal Energy Limited, a related party to Mr Graeme Robertson and Mr Jonathan Warrand, totalling \$23,420.

During the year the Company reimbursed \$2,628 to Intra Energy Corporation Limited, a related party to Mr Graeme Robertson and Mr Jonathan Warrand, for costs incurred on behalf of NuEnergy.

Controlled Entities

Information relating to controlled entities is set out in Note 6. Loans to and from controlled entities are charged at a commercial rate of interest and payable on demand, subject to the ability of the relevant entity to satisfy such demand.

	2014 \$	2013 \$
Parent Entity Information:		
Current assets	202,125	4,396,433
Total assets	49,642,287	49,432,441
Current liabilities	225,191	265,915
Total liabilities	235,191	275,915
Net assets	<u>49,609,221</u>	<u>49,156,526</u>
Issued capital	72,899,979	71,086,871
Reserves	11,064,421	11,071,882
Accumulated losses	(34,335,179)	(33,002,227)
Total equity	<u>49,609,221</u>	<u>49,156,526</u>
(Loss)/Profit of the parent entity	(1,352,951)	(1,538,938)
Comprehensive income of the parent entity	(1,352,951)	(1,538,938)

Consulting fees

Mr Cockcroft provided additional services during the year amounting to \$12,026 (2013: \$10,000).
Mr Warrand provided additional services during the year amounting to \$90,000 (2013: \$90,000).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 25: SUBSEQUENT EVENTS

On 10 July 2014, NuEnergy signed a binding Investment Agreement with New Century Energy Resources Limited (NCE) and on 18 August 2014 the Company signed a binding Amended and Restated Investment Agreement. (together “the Agreement”). The Agreement recapitalises the Company to fund the development of the Indonesian Production Sharing Contracts (PSCs).

NCE has extensive experience in the Coal Bed Methane (CBM) exploration and production industry, including subsurface (geological, geophysical & reservoir), well drilling, completion and production techniques that can significantly enhance the productivity of CBM wells. NCE is 60% owned by Globaltec Formation Berhad (MYX:5220), a public company listed on the Bursa Malaysia main market.

Key terms of the Agreement:

- Within three business days NCE will pay a deposit of \$200,000 to obtain exclusivity and commence due diligence for 30 days;
- Subject to successful completion of the due diligence by NCE, within three business days, NCE and/or its nominee will subscribe for circa 83 million shares at 3 cents per share to raise \$2.5 million (“Share Placement”) representing 19.9% of the expanded share capital;
- Subsequent to the Share Placement, NCE will appoint two (2) directors. One current NuEnergy Director will resign, leaving a five member Board; and
- Subject to completion of the Share Placement, NCE shall (A) subscribe for Shares via a share placement and/or (B) fully participate in and underwrite a rights issue in respect of Shares in NGY, for a total minimum commitment of A\$10,000,000, to be completed by 31 December 2014 at a minimum price of A\$0.03/Share subject to shareholder and regulatory approval. Subsequent to shareholder approval for the transaction, NCE will then nominate one further director to the Board of NuEnergy and will appoint a new Chairman. Mr Graeme Robertson will resign as chairman but remain on the Board of NuEnergy as a non-executive director and the remaining two current NuEnergy directors will resign.

On 20 August 2014, NuEnergy was notified by NCE that due diligence had been successfully completed and NCE wished to proceed with the transaction. On 21 August 2014, NuEnergy had received the Share Placement monies of \$2.5 million and had allotted 41,666,666 new shares to NCE and 41,666,667 new shares to JCM Auto Components Sdn Bhd (NCEs nominee).

Under the terms of the Agreement NCE has the right to appoint two directors to the Board of NuEnergy. On 20 August 2014, the Company welcomed Mr Kee Yong Wah and Mr Kong Kok Keong to the Board effective immediately following the date of completion of the Share Placement.

On 20 August, NuEnergy announced the resignation of Mr Peter Cockcroft from the Board of NuEnergy effective upon the appointment of Mr Kee Yong Wah and Mr Kong Kok Keong to the Board which will occur following the completion of the Share Placement.

As part of the recapitalisation of NuEnergy the Company intends to solely focus on its three Indonesian PSCs. NuEnergy’s core PSCs in South Sumatra will be the primary focus with the Company aiming to drill further pilot wells at its Muara Enim PSC and commence drilling at the Muara Enim II PSC, including a focus on the western area.

The secondary focus in Indonesia will be completing a farm out transaction for the Rengat PSC focusing on drilling wells that intersect the identified 15 metre coal seam revealed after extensive geological and geophysical work completed in 2013.

Based on the core focus on Indonesia, subsequent to year-end NuEnergy has entered agreements for the transfer of its Mozambique interests and assigned all associated rights and obligations to NuAfrica Gas Limited (a wholly owned subsidiary of NuEnergy). Intrasia Capital Pte Ltd, a Singapore-based investment company and related party of the Company’s Chairman, Graeme Robertson, will acquire the interests in NuAfrica Gas Limited. The acquisition for the interests in NuAfrica Gas Limited is based on direct and indirect exploration costs incurred in Mozambique. NuEnergy has not applied for or been granted any concessions or permits in Mozambique.

NOTE 26: CONTINGENT LIABILITIES

The consolidated entity has bank guarantees amounting to \$1,034,458 (2013: \$1,885,746) at year end.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 27: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The consolidated entity's principal financial instruments comprise cash, short-term deposits and available-for-sale investments.

The main purpose of these financial instruments is to finance the consolidated entity's operations. The consolidated entity has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. It is, and has been throughout the entire period under review, the consolidated entity's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the consolidated entity's financial instruments are cash flow interest rate risk and equity price risk. Other minor risks are either summarised below or disclosed at Note 14 in the case of capital risk management. The Board reviews and agrees policies for managing each of these risks.

(a) Cash Flow Interest Rate Risk

The consolidated entity's exposure to the risks of changes in market interest rates relates primarily to the consolidated entity's cash and short term deposits with a floating interest rate. These financial assets with variable rates expose the consolidated entity to cash flow interest rate risk. All other financial assets and liabilities in the form of receivables and payables are non-interest bearing. The consolidated entity does not engage in any hedging or derivative transactions to manage interest rate risk.

The following tables set out the carrying amount by maturity of the parent entity and consolidated entity's exposure to interest rate risk and effective weighted average interest rate for each class of these financial instruments. Also included is the effect on profit and equity after tax if interest rates at that date had been 10% higher or lower with all other variables held constant as a sensitivity analysis.

The consolidated entity has not entered into any hedging activities to cover interest rate risk. In regard to its interest rate risk, the consolidated entity continuously analyses its exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative investments and the mix of fixed and variable interest rates.

Consolidated Entity:

Notes	Floating Interest Rate		Non Interest Bearing		Total Carrying Amount		Interest Rate Risk Sensitivity Effect on profit and equity			
	Rate						2014		2013	
							+100 basis Points	-100basis Points	+100 basis Points	-100basis Points
	\$		\$		\$		\$		\$	
	2014	2013	2014	2013	2014	2013	Profit	Equity	Profit	Equity
Financial Assets:										
Cash at bank	67,032	4,484,302	-	-	67,032	4,484,302	670	(670)	44,843	(44,843)
Trade and other receivables	5	-	221,321	164,784	221,321	164,784	-	-	-	-
Available-for-sale investments	6	-	22,383	29,844	22,383	29,844	-	-	-	-
Other financial assets	9	1,034,458	1,895,746	-	1,034,458	1,895,746	10,345	(10,345)	18,957	(18,957)
Total		1,101,490	6,380,048	243,704	1,345,194	6,574,676	11,015	(11,015)	63,800	(63,800)
Financial Liabilities:										
Trade and other payables	10	-	1,158,367	1,237,198	1,158,367	1,237,198	-	-	-	-
Total		-	1,158,367	1,237,198	1,158,367	1,237,198	-	-	-	-
Net financial assets/(liabilities)		1,101,490	6,380,048	(914,663)	186,827	5,337,478	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 27: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

A sensitivity of 100 basis points (1%) has been selected as this is considered reasonable given the current level of both short term and long term Australian dollar interest rates.

Based on the sensitivity analysis only interest revenue from variable rate deposits and cash balances is impacted resulting in a decrease or increase in overall income.

(b) Price Risk

The consolidated entity is exposed to equity securities price risk. This arises from investments held and classified on the statement of financial position as available-for-sale. The investments are traded on the ASX.

The following table sets out the carrying amount of the consolidated entity's exposure to equity securities price risk on available for sale investments. Also included is the effect on profit and equity after tax if these prices at that date had been 10% higher or lower with all other variables held constant as a sensitivity analysis.

	Notes	Carrying Amount		Price Risk Sensitivity			
				2014		2013	
				10%		10%	
		\$		\$		\$	
		2014	2013	Profit	Equity	Profit	Equity
Financial Assets:							
Available-for-sale investments	6	22,383	29,844	2,238	2,238	2,984	2,984

A sensitivity of 10% has been selected as this is considered reasonable given the current and recent trending and volatilities of both Australian and international stock markets.

(c) Liquidity Risk

The consolidated equity manages liquidity risk by maintaining sufficient cash reserves and marketable securities and through the continuous monitoring of budgeted and actual cash flows. The consolidated entity does not hedge its exposures.

(d) Commodity Price Risk

The consolidated entity is exposed to commodity price risk. This risk arises from its activities directed at exploration and development mineral commodities. If commodity prices fall, the market for companies exploring for these commodities is affected. The consolidated entity does not hedge its exposures.

(e) Foreign Exchange Risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Company currently holds a loan with a subsidiary that is denominated in US\$ Dollars. This loan is repayable in US\$ Dollars and as such is subject to foreign currency risk.

(f) Credit Risk

Given the nature of the receivables detailed in Note 5, the consolidated entity's exposure to credit risk is not considered to be material.

(g) Net Fair Values

For financial assets and liabilities, the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form, other than listed investments. The consolidated entity has no financial assets where carrying amount exceeds net fair values at balance date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 27: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

The consolidated entity's receivables at balance date are detailed in Note 5 and primarily comprise GST input tax credits refundable by the ATO and amounts receivable from related parties.

The credit risk on financial assets of the economic entity which have been recognised on the Statement of Financial Position is generally the carrying amount.

NOTE 28: CORPORATE INFORMATION

The Company operates in the mineral exploration sector in Australia and in the coal bed methane gas sector in Indonesia and Eastern Africa. The Company's registered and administration office is located at Suite 2001, Level 20, Australia Square, 264 George Street, Sydney.

NOTE 29: FAIR VALUE

The Group measures and recognises the following assets and liabilities at fair value on a recurring basis after initial recognition:

- available-for-sale financial assets;

The Group does not subsequently measure any liabilities at fair value on a non-recurring basis.

Fair Value Hierarchy

AASB 13: *Fair Value Measurement* requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Company's available for sale financial assets are valued using Level 1, as follows:

	Note	Consolidated	
		2014	2013
		\$	\$
<i>Available-for-sale financial assets</i>			
- Shares in listed securities at fair value	6	22,383	29,844

NUENERGY GAS LIMITED
ACN 009 126 238**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
NUENERGY GAS LIMITED AND CONTROLLED ENTITIES****Report on the Financial Report**

We have audited the accompanying financial report of NuEnergy Gas Limited which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirement of the Corporation Act 2001.

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NUENERGY GAS LIMITED
ACN 009 126 238

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
NUENERGY GAS LIMITED AND CONTROLLED ENTITIES**

Auditor's Opinion

In our opinion:

- a. the financial report of NuEnergy Gas Limited is in accordance with the Corporations Act 2001 including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 in the financial report which indicates that the consolidated entity incurred a net loss of \$2,491,087 and incurred net cash outflows from operations of \$2,210,757 during the year ended 30 June 2014 and as of that date, the company's current liabilities exceeded its current assets by \$956,811. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the remuneration report included in pages 3 to 5 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the remuneration report of NuEnergy Gas Limited for the year ended 30 June 2014 complies with Section 300A of the Corporations Act 2001.


Hall Chadwick
Level 40, 2 Park Street
Sydney NSW 2000


Drew Townsend
Partner

Date: 05 September 2014

SHAREHOLDER AND OTHER INFORMATION

SHAREHOLDINGS

The issued capital of the Company as at 26 August 2014 is 418,354,031 ordinary fully paid shares. There are no listed options.

Range	Securities	%
100,001 and Over	407,347,535	97.37
10,001 to 100,000	10,144,805	2.42
5,001 to 10,000	632,394	0.15
1,001 to 5,000	201,082	0.05
1 to 1,000	28,215	0.01
Total	418,354,031	100.00
Unmarketable Parcels	1,501,690	0.36

Voting Rights

At general meetings of members:

- Each member entitled to vote may vote in person or by proxy, attorney or representative;
- On a show of hands, every person present who is a member or a proxy, attorney or representative of a member has one vote; and
- On a poll, every person who is a member or a proxy, attorney or representative of a member shall, in respect of each fully paid share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the share.

INTEREST IN MINING TENEMENTS

	Area	Interest
VICTORIA		
Fosterville & Eppalock Exploration Licence (part former 3211 & 3271)	3539	2.5% gross gold royalty

Top 20 Shareholders of Ordinary Shares as at 26 August 2014

Rank	Name	26 Aug 14	%IC
1	FARJOY PTY LTD	102,775,289	24.57%
2	ASPAC MINING LIMITED	46,179,968	11.04%
3	JCM AUTO COMPONENTS SDN BHD	41,666,667	9.96%
4	NEW CENTURY ENERGY RESOURCES LIMITED	41,666,666	9.96%
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	15,465,466	3.70%
6	MR GRAEME LANCE ROBERTSON	8,599,340	2.06%
7	PINE VALLEY ENTERPRISES PTY LTD	7,017,484	1.68%
8	CARDY & COMPANY PTY LIMITED	5,605,834	1.34%
9	ROXTRUS PTY LTD	5,000,000	1.20%
10	ANSON CENTURY LIMITED	4,837,336	1.16%
11	BNP PARIBAS NOMS PTY LTD	4,764,250	1.14%
12	GREENGATE PTY LTD	3,362,500	0.80%
13	MR GREGORY ROBERT HACKSHAW	3,114,748	0.74%
14	MRS MELANIE VERHEGGEN & MISS SASHA VERHEGGEN	3,106,751	0.74%
15	CITICORP NOMINEES PTY LIMITED	2,913,291	0.70%
16	PERRYVILLE INVESTMENTS PTY LTD	2,872,648	0.69%
17	DOUGLAS FINANCIAL CONSULTANTS PTY LTD	2,761,996	0.66%
18	MR ANTHONY JOHN MORGAN	2,693,750	0.64%
19	HAZARDOUS INVESTMENTS PTY LTD	2,678,050	0.64%
20	FILMRIM PTY LTD	2,586,242	0.62%
TOTAL		309,668,276	74.02%
Balance of Register		108,685,755	25.98%
Grand TOTAL		418,354,031	100.00%

NOTES