

NEW GUINEA ENERGY LTD Annual Report 2014



DIRECTORS

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

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SOLICITORS**Norton Rose Fulbright**

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Dear Shareholder,

New Guinea Energy Limited's (**NGE / Company**) seventh year as an ASX Listed Company was a year spent working towards a number of goals, which I'm pleased to be able to say a number of which, have now been achieved. These goals included monetising our largest gas asset, securing and commencing a contract to drill a well in Papua New Guinea (**PNG**) with our Western Drilling Limited (**WDL**) 50% joint venture, tightening up our cost outlay by changing our management structure and continuing the search for farm in partners for our licences.

On 13 February 2014, we were pleased to be able to announce to shareholders that a Sale and Purchase Agreement (**Agreement**) had been signed between NGE's wholly owned subsidiary Kirkland Limited and a subsidiary of Santos Limited, Barracuda Limited (**Santos**). This agreement was for the sale of the Company's 50% interest in Petroleum Prospecting Licence (**PPL**) 269 held with subsidiaries of both Talisman Energy and Mitsubishi Corporation. This transaction is consistent with our strategy of monetising our gas assets to focus on oil exploration in Papua New Guinea as earlier articulated in 2012 with the sale of PPL 277.

Subsequent to the year end on 11 March 2015, we were pleased to be able to announce the Completion of this sale of our interest in PPL 269, having met all the conditions of the Agreement. The total consideration was:

- payment of US\$32 million cash;
- future payment of US\$2 million cash if a Petroleum Retention Licence (**PRL**) is granted over any area of PPL 269; and
- future payment of a further US\$6 million cash if a Petroleum Development Licence (**PDL**) is granted over any area of PPL 269.

However, if a PDL is granted prior to a PRL, a one off payment of US\$8 million cash will be payable instead.

The injection of these funds will now enable the Company to focus on its immediate forward strategy of taking advantage of currently depressed oil and gas markets to secure future opportunities and I look forward to be able to update you all on this strategy as it progresses.

Earlier in the first quarter of the year, we were also pleased to be able to announce that we had secured a drilling contract with Interoil Corporation for the use of WDL's SL7 Heli Rig and Camp. WDL agreed terms for a single well that saw the Rig undertake operations for approximately 150 days, with an option for a second well that could extend the contract by another 150 days.

Mobilisation of the Rig occurred early in the third quarter of 2014 with WDL commencing drilling on its first well contract on 17 September 2014. We look forward to updating you on WDL's progress when the drilling operations under this contract finish.

The 2014 financial year for the Company commenced much as 2013 finished. As such during the second quarter of the year, a restructure of the Company became necessary. Upon the departure of the Chief Executive Officer in April 2014, your Board reinstated me into the position of Executive Chairman in an effort to cut costs. Your Board of Directors reduced their directors' fees by half and a number of the dedicated staff offered to take part time positions within the Company. I would like to take this opportunity to thank the Board and those staff members for these sacrifices, it has been gratefully appreciated.

Now that the sale with Santos has completed we will take steps to implement the planned seismic program on PPL 267 and whilst doing so continue our efforts to find a suitable Farm In partner to assist with the work on this licence.

The goals that were set during 2014 are now being achieved, albeit later than anticipated, and I look forward to being able to report to you, our shareholders, more news of our activities over the coming months.

I would like to take this opportunity to thank our shareholders for their continuing support over the last year and further, to thank you on behalf of the Board of Directors and staff of the Company.

I would also like particularly to thank our small but very dedicated staff and Board Members in both Australia and Papua New Guinea for their continued efforts, dedication and loyalty throughout 2014 and I look forward to their continued contribution throughout what I hope will be an exciting 2015 for your Company.

Yours sincerely

Michael Arnett

Chairman

26 March 2015

OPERATIONS OVERVIEW

In the first quarter of 2014, NGE announced the sale of its 50% interest in Petroleum Prospecting Licence (PPL) 269 to a subsidiary of Santos Limited (Barracuda Limited) (STO) for a total consideration of:

- payment of US\$32 million cash on Completion; and
- payment of US\$2 million cash if a Petroleum Retention Licence (PRL) is granted over any area of PPL 269; and
- payment of a further US\$6 million cash if a Petroleum Development Licence (PDL) is granted over any area of PPL 269.

However, if a PDL is granted prior to a PRL, a one off payment of US\$8 million cash will be payable instead.

In the second quarter, Western Drilling Ltd (WDL, 50% owned by NGE) announced the signing of its first drilling contract for one firm well and one option well in Papua New Guinea (PNG) with InterOil Corporation (IOC) and early in the third quarter mobilisation commenced on the first contract well. Rig release is planned for late second quarter 2015.

In the third quarter, the Company announced that all the initial conditions to the sale of the Company's 50% interest in PPL 269 had been met. Subsequent to the year end on 18 February 2015, the final conditions precedent for this sale were met and sale proceeds were received on 11 March, 2015.

DRILLING RIG

In March 2011 NGE entered into an incorporated joint venture with Maps Tuna Limited (Maps Tuna), a company incorporated in PNG and 100% owned by Sir Michael Bromley, a Non-Executive Director of NGE. NGE and Maps Tuna each have a 50% interest in the joint venture entity, Western Drilling Limited. WDL aims to be the provider of choice for contract drilling services to NGE and to the broader oil and gas industry in PNG with a focus on increasing local employment and training.

On 15 May 2014 NGE was pleased to announce that WDL had signed a contract with InterOil Corporation for the use of WDL's SL 7 Heli Rig and camp (Rig) within PNG for a one well program. Mobilisation of the Rig occurred early in the third quarter of 2014 with WDL commencing drilling on its first well contract on 17 September 2014. Rig release is expected late second quarter 2015.

WDL is currently tendering for drilling contracts in PNG.

EXPLORATION STATUS OF EACH LICENCE

PPL 265 (100% NGE)

- subsurface mapping of permit completed
- 13 leads identified
- 94 km seismic program acquired 4Q 2011/IQ 2012

Applications to vary the current licence terms and extend the licence period for this licence were lodged with the DPE on 31 August 2012.

On 18 February 2015, the Company subsequently notified shareholders that the DPE had not approved the variation and extension to this licence and as a result PPL 265 will be relinquished.

PPL 266 (100% NGE)

- one drillable prospect and 5 leads identified
- 5 year licence extension until August 2016 approved by the DPE.
- 48 km seismic program completed in IQ 2012

The Macadamia Prospect in northern PPL 266 (Figure 1) is a faulted basement drape feature identified along depositional strike from the Puk Puk I area to the east. NGE calculates a mean prospective resource estimate of 209 bcf gas in place. A proposed well site lies only 1 km from a navigable river.

A 5 year licence extension was approved by the DPE on 19 October 2012.

PPL 267 (100% NGE)

- 9 leads identified
- licence extension until August 2016 approved by DPE
- planning for follow on seismic program has commenced

The southeastern portion of PPL 267 (Figure 2) is characterised by swampy terrain with tidal river crossings 2-3km wide. Seismic acquisition across these rivers would normally require mobilisation of a 'transitional zone' seismic crew with specialised seismic equipment to provide a seismic source and receivers suitable for deployment in shallow water. Unfortunately, costs for mobilising a crew into PNG for NGE's survey were found to be prohibitive. Acquisition with no source or receivers in the rivers will create data gaps of 1-2km at reservoir level which is deemed unacceptable for prospect-scale mapping.

An alternative is to record with two seismic systems simultaneously; a land system on the riverbanks, and a 'marine' hydrophone system across the rivers. While feasible, this leads to significant processing difficulties as the two surveys are 'stitched' together with potential for errors in the final product.

Seismic planning is underway on this licence and the Company is actively seeking a Farm In Partner to assist with a drilling program.

Discussions are ongoing to ensure project feasibility and commercial alignment amongst joint venturers.

Figure 1. Lead location map for PPLs 266, 268 and 269.

Figure 2. Lead location map for PPL 267.

LICENCE SCHEDULE

As at the date of this report, the Group's licence interests are as follows:

LICENCE	LOCATION	COUNTRY	INTEREST
PPL 266	Onshore Papuan Basin	Papua New Guinea	100%
PPL 267	Onshore Papuan Basin	Papua New Guinea	100%
PPL 268	Onshore Papuan Basin	Papua New Guinea	50%





DIRECTORS

The Directors present their report on the Company and its controlled entities for the financial year ended 31 December 2014.

The names of Directors in office at any time during or since the end of the year are:



Michael N Arnett

Executive Chairman and Non – Executive Chairman

- Appointed Non – Executive Chairman on 1 April 2009, assumed position of acting Executive Chairman and Chief Executive Officer on 4 May 2009 and assumed permanent position of Executive Chairman and Chief Executive Officer on 16 November 2009. On 19 May 2011 the Company appointed a Chief Executive Officer. On 1 July 2012, Mr Arnett relinquished his executive powers and re-assumed the position of Non – Executive Chairman. On 1 May 2014 Mr Arnett was once again appointed Executive Chairman upon the resignation of the Chief Executive Officer on 30 April 2014.

Mr Arnett is a former Partner and Member of the Board of the Natural Resources Business Unit of the law firm Norton Rose Fulbright (formerly Deacons). He has more than 20 years' experience in the areas of capital raising, corporate, commercial, banking and finance, mergers and acquisitions and securities predominantly in the mining, oil and gas sector.

Other Current Directorships:

NRW Holdings Limited (appointed 2002)

Previous Directorships:

Global Resources Corporation Limited (resigned 2011)

Nexus Energy Limited (resigned 2012)



Sir Michael R Bromley

Non – Executive Director – Appointed 4 October 2006

Member of Audit Committee

Member of Remuneration Committee

Sir Michael Bromley, KBE, has extensive commercial experience in Papua New Guinea having been on the board of a number of companies including Air Niugini (Chairman in 1987, 1988, 1998, 2001 and 2002) and Orogen Minerals Limited. He is currently Chairman of Heli Niugini Limited (since 2006) and Chemica Limited (since 1996) and is on the board of Steamship Trading Company Ltd (from 1986 to 1996 and since 2000), Sek No: 35 Limited (since 1990) and Maps Tuna Limited (since 1997), Chemica Ltd and Hoia Investments Ltd, all entities operating in PNG.

Other Current Directorships:

Steamships Trading Company Ltd (appointed 2000)

Previous Directorships:

Waratah Resources Limited (resigned 27 September 2013)



Andrew L Martin

Non – Executive Director – Appointed 2 August 2005

Chairman of Audit Committee

Chairman of Remuneration Committee

Mr Martin is a member of the Institute of Company Directors and has a Diploma of Agriculture and a Diploma of Rural Business Management. He has operated his own business in the services and supplies sector of the resources industry in Australia, as well as operating his own pastoral interests. From 2002 to 2003 he was an independent director of Sunshine Gas Limited, before that helping Sydney Gas Ltd with logistics. Previously, he has enjoyed high level executive involvement in Queensland and National agricultural industry politics as an elected representative for 15 years.



Andrew A Young

Non – Executive Director – Appointed 26 October 2010

Member of the Audit Committee

Member of the Remuneration Committee

Mr Young has an extensive background in the oil and gas industry, having held technical, leading management and board positions in major and small Exploration and Production companies and contract service companies, including onshore and offshore oil and gas operations, gas processing, transportation, distribution, specialist pipeline engineering services, drilling and core analysis services. Mr Young is a member of the National Safety Council of Australia Limited, a member of the Society of Petroleum Engineers (and was international President in 2003), and a member of AICD.

Other Current Directorships:

Cue Energy Resources Limited (appointed 2011)

Cliq Energy Berhard (appointed 2012)

Previous Directorships:

Real Energy Corporation Limited (resigned 26 March 2013)



RESIGNED DIRECTOR

Andrew L Kent

Non – Executive Director – Appointed 3 April 2009 – Resigned 19 February 2014

Member of Audit Committee

Member of Remuneration Committee

Mr Kent is an experienced business manager and corporate advisor with over 40 years experience in international equities and media. He is the Chairman of Aspermont Limited and was CEO of that company from 2000 to 2005. He is a member of the Australian Institute of Company Directors.

Other Current Directorships:

Aspermont Limited (appointed 2000)

Previous Directorships:

Excalibur Mining Limited (resigned 2012)

Water Resources Group Limited (resigned 2012)

COMPANY SECRETARY

The name of the company secretary of the Company as at the end of the financial year and at the date of this report is:



Lucy N Rowe

Mrs Rowe worked as Investor Relations Manager for New Guinea Energy Ltd from its incorporation in 2005, was appointed Joint Company Secretary in May 2009 and became Company Secretary on 1 July 2012. Mrs Rowe has pursued a career in the financial services industry for the last fifteen years, joining Johnson Taylor Potter in 1999 and gaining her PS 146 securities adviser accreditation in 2002 whilst working as Compliance Officer for Bell Potter Securities Limited until 2003. Mrs Rowe graduated from the University of New South Wales with a Graduate Diploma of Legal Studies in 2006 and is currently studying a Graduate Diploma of Applied Corporate Governance with Chartered Secretaries Australia.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year consisted of exploration for oil and gas in Papua New Guinea.

OPERATING AND FINANCIAL REVIEW

REVIEW OF OPERATIONS

A Review of Operations for the financial year, together with future prospects, is set out on pages 2 to 3.

RESULTS

The loss of the Group after income tax for the year was \$7,026,000 (2013: loss \$11,827,000). This included non-cash finance costs arising from fair value accounting of liabilities of \$1,931,000 (2013: \$1,717,000) and impairment charges on deferred exploration expenditure and fixed assets of \$7,242,000 (2013: \$8,080,000).

FINANCIAL POSITION

The net assets of the Group at 31 December 2014 decreased to \$56,047,000 (2013: \$62,888,000). The decrease resulted principally from impairment charges on fixed assets and deferred exploration expenditure on petroleum prospecting licences during the year. At 31 December 2014 the Group had cash balances of \$1,021,000 (2013: \$3,653,000) and net working capital, being current assets less current liabilities, of \$5,437,000 (2013: negative \$18,223,000) with the inclusion of non-current assets held for sale of \$27,279,000 (2013: nil) and \$22,668,000 (2013: \$20,808,000) fair value of borrowings related to convertible equity bonds in current liabilities (bonds holders have the option of early redemption of the equity bonds on the third anniversary of the date of issue, being 30 May 2014, and on each semi-annual date thereafter until maturity on 30 May 2016).

CASH FLOWS

Operating activities resulted in net outflow of \$604,000 (2013: \$3,370,000) as the Group is still in the exploration phase. A total of \$1,950,000 (2013: \$5,958,000) was paid for investing activities mainly in exploration and evaluation expenditure, offset by loan repayment from the Company's 50% owned joint-venture company Western Drilling Limited, proceeds from the sale of fixed assets and a refund of a security deposit. This net outflow was funded from the existing cash in hand.

DIVIDENDS

No dividends have been paid or declared by the Company since the beginning of the year.

STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the year other than:

- (i) on 15 May 2014, the Company announced that Western Drilling Limited had signed a contract with InterOil Corporation for the use of its Heli rig and camp for a single well. Drilling commenced on 17 September 2014;
- (ii) on 12 August 2014, the Company announced that the Initial Conditions Precedent, under the Sale Agreement of the Group's 50% interest in PPL 269 to a subsidiary of Santos Limited announced to the market on 13 February 2014, had been satisfied. Completion of the sale remained conditional on receipt of certain PNG governmental approvals. On 11 March 2015, the Company announced the completion of the sale and the receipt of USD32 million cash.

LIKELY DEVELOPMENTS

During the subsequent financial years the likely developments of the Group will be the farming out of interests in the licences, the implementation of an exploration program that includes a plan to drill exploration wells and acquisition of new seismic data in Papua New Guinea and to take advantage of currently depressed oil and gas markets to secure future opportunities. Except as described elsewhere in this Annual Report, the likely results of the exploration activities are unknown at the date of this report.

ENVIRONMENTAL ISSUES

The Group's operations are subject to significant environmental and other regulations. The Group has a policy of engaging appropriately experienced contractors and consultants to advise on and ensure compliance with environmental regulations in respect of its exploration activities. There have been no reports of breaches of environmental regulations in the financial year and at the date of this report.

REMUNERATION REPORT (audited)

The Directors of New Guinea Energy Ltd (**Company**) present the Remuneration Report for Non-Executive Directors, Executive Directors and other Key Management Personnel, prepared in accordance with the Corporations Act 2001 and the Corporations Regulations 2001.

The Remuneration Report is set out under the following main headings:

- a. Remuneration policy and practices
- b. Service agreements
- c. Details of remuneration
- d. Share-based remuneration; and
- e. Other information



a. Remuneration policy and practices

The Board has established a Remuneration Committee which operates in accordance with its charter as approved by the Board and is responsible for determining and reviewing compensation arrangements for the directors and key management personnel.

The Remuneration Committee is responsible for providing the Board with advice and recommendations regarding the ongoing development of an executive remuneration policy that is designed in such a way that it:

- i) attracts and retains senior executives and motivates them to pursue the long term growth and success of the Company; and
- ii) clearly sets out the relationship between an executive's performance and remuneration.

The Remuneration Committee may engage independent external consultants and advisors to provide any necessary information to assist in the discharge of its responsibilities.

The Company's policy for determining the nature and amount of remuneration of Board members and senior executives is as follows:

(i) Non-Executive Directors

The Board's policy is to remunerate Non-Executive directors at market rates for comparable companies for their time, commitment and responsibilities. The Board determines the remuneration of the Company's Non-Executive directors and reviews their remuneration annually. As at 1 February 2014, the Directors' fees were reduced from \$65,000 per annum to \$32,500 per annum in light of the reduced activity pending Completion of the sale of the Company's 50% interest in PPL 269.

The maximum aggregate annual remuneration for Non-Executive directors is subject to approval by the shareholders in general meeting. The shareholders have approved a maximum aggregate annual remuneration of \$500,000 per annum.

The Incentive Options issued to the Non-Executive Directors in 2009 and 2011 vested immediately and entitled the holder to subscribe for one fully paid ordinary share in the capital of the Company. The Incentive Options were exercisable at an exercise price of \$0.45 per share at any time on or before the expiry date. They expired at 5.00 pm on 1 October 2014 and all Incentive Options automatically lapsed.

The Incentive Rights issued to the Non-Executive Directors in 2009 and 2011 had a nil exercise price, became capable of exercise on 1 July 2012 and expired on 1 October 2014.

(ii) Key management personnel

The remuneration structure for senior executives, including executive directors, is based on a number of factors, including qualifications, particular experience, general past performance of the individual concerned, overall performance of the Company and general human resources market pricing. There is no predetermined equity compensation element within the remuneration structure nor predetermined performance conditions to be satisfied.

Compensation, where appropriate, includes a mix of fixed and variable compensation and short and long term performance-based incentives.

Fixed compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any fringe benefits tax charges related to employee benefits) as well as employer contributions to superannuation funds, as required by law.

Compensation levels are reviewed annually by the board through a process that considers individual performance and overall performance of the Company.

Performance linked compensation

Performance linked compensation includes short-term and long-term incentives and is designed to reward key management personnel for meeting or exceeding their financial and personal objectives and to keep the Company competitive in the market place. The short-term incentive (STI) is an at-risk bonus provided in the form of cash and based on agreed key performance indicators.

The long-term incentive (LTI) is provided as options over ordinary shares of the Company under the rules of the Employee Incentive Plan (Plan) which are summarised below.

Short-term incentive bonus

Each year the board of directors sets KPIs for relevant key management personnel, when it is considered appropriate to do so. The KPIs will generally include measures relating to the Company and the individual, and include financial, people, strategy and risk measures. The measures are chosen as they directly align the individual's reward to the KPIs of the Company and to its strategy and performance. The full board reviews and confirms the cash incentive to be paid to each individual. This method of assessment was chosen as it provides the board with an objective assessment of the individual's performance.

Long-term incentive bonus

Options are issued under the Plan and it provides for key management personnel to receive varying numbers of options over ordinary shares for no consideration. The actual number of options issued depends on the seniority and responsibility of the executive concerned. The exercise prices and vesting periods of options are set so as to provide an incentive to each executive and to reflect the executive's contribution to the Company and enhancement of value for all shareholders.

The grant of Incentive Rights were historically made using the same principles.

The Company's policy relating to exercising and vesting dates for options and Incentive Rights provided to executives and to certain directors is summarised above.

The exercise prices and vesting terms for options and Incentive Rights issued to the executives and directors recognised the highly competitive labour market in Australia within the oil and gas industry.

Company performance and director and executive remuneration

The aim of the Company's remuneration policy is to achieve goal congruence between the Company's shareholders, directors and executives.

Employee Incentive Plan

The Company has established a New Guinea Energy Ltd Employee Incentive Plan (**Plan**) under which the Directors may offer options and ordinary shares in the Company to an eligible person, being a full or part-time employee, officer, consultant or contractor of the Company or of any controlled entity of the Company. The Directors may at the time of making an offer to allot shares or offering an opportunity to acquire shares or upon the exercise of any option under the Plan make an offer of a loan. The conditions of such loan are determined by the Directors at the time of making the offer of the loan.

All options issued under the Plan are issued free at grant and will not be listed for quotation on any stock exchange. The exercise price of the options cannot be less than 20 cents per share or the market value of a share at the time of offer of options. All options issued under the Plan lapse five years from the date of issue. An option holder cannot sell, transfer, mortgage or pledge or otherwise encumber a Plan share. An option may not be exercised if an option holder ceases to be an eligible person.

An offer to allot Plan shares is at a subscription price calculated as the market value of the shares at the time an offer is made under the Plan.

The maximum total number of shares that may be offered or issued under the Plan, when aggregated with shares previously issued to employees during the last five years, shares issued under the Plan during the last five years and shares which would be issued were each outstanding offer or option to acquire unissued shares under the Plan accepted or exercised, may not exceed 10% of the issued shares of the Company.

Unless all amounts outstanding under any loan granted under the Plan are repaid and any share qualifying period that applies to a Plan share has expired, a holder of Plan shares cannot sell, transfer, mortgage or pledge or otherwise encumber a Plan share.

Executives participate in the Plan at the invitation of the Board after a review of performance. Directors may participate in the Plan subject to the approval of shareholders.

33,500,000 options were issued under the Employee Incentive Plan to certain members of staff on 30 November 2014. These options vested immediately and entitle the holder to subscribe for one fully paid ordinary share in the capital of the Company. The Incentive Options are exercisable at an exercise price of \$0.05 per share at any time on or before the expiry date, a premium of more than 400% on the price of shares in the company at grant. They expire at 5.00 pm on 30 November 2017 and all Incentive Options which have not already been exercised will automatically lapse.



Consequences of performance on shareholder wealth

In considering the Group's performance and benefits for shareholder wealth, the Board have regard to the following indices in respect of the current financial year and the previous four financial years:

	2014	2013	2012	2011	2010
Basic EPS (cents)	(0.83)	(1.39)	0.7	(0.5)	(0.4)
Diluted EPS (cents)	(0.83)	(1.39)	0.6	(0.5)	(0.4)
Dividends	-	-	-	-	-
(Loss)/profit (\$'000)	(7,026)	(11,827)	5,721	(4,543)	(2,425)
Share price (\$)	0.008	0.017	0.029	0.05	0.14

b. Service agreements

The following table provides employment details of person who were, during the financial year, key management personnel of the consolidated Group:

Name	Position held	Term of agreement	Notice period
M N Amett	Executive Chairman (appointed 30 April 2014)	Unspecified	6 months
Sir M Bromley	Non-Executive Director	Unspecified	None
A L Kent	Non-Executive Director (resigned 19 February 2014)	Unspecified	None
A L Martin	Non-Executive Director	Unspecified	None
A A Young	Non-Executive Director	Unspecified	None
G Womer	Chief Executive Officer (resigned 30 April 2014)	Unspecified	9 months by Company or 3 months by employee
D Kendrick	General Manager Technical and Operations	Unspecified	Eight weeks
L N Rowe	Company Secretary	Unspecified	Eight weeks
E Sam Yue	Chief Financial Officer	Unspecified	Eight weeks

A provisional service agreement between the Company and the Executive Chairman, on his appointment to the position on 30 April 2014, is for an indefinite period and is terminable on 6 months' notice with annual remuneration of \$240,000 per annum plus superannuation in accordance with legislation. The final terms of Mr Amett's employment as Executive Chairman are still being negotiated and will be advised to the market once an Employment Services Agreement is executed between the Company and Mr Amett.



c. Details of remuneration

Details of the nature and amount of each element of the remuneration of each Key Management Personnel ("KMP") of New Guinea Energy Ltd are shown in the table below:

Employee	Year	Short-term employee benefits				Post employment		Other long term	Termination benefits		Share-based payments		Value of options as proportion of remuneration
		Cash salary and fees	Cash Bonus	Non-cash benefits	Superannuation	Long service leave	Termination payments		Options	Total	Proportion of remuneration performance related	%	
Directors													
M N Amett ¹	2014	182,308	-	-	17,232	-	-	-	-	-	-	199,540	-
Executive Chairman	2013	120,000	-	-	10,950	-	-	-	-	-	-	130,950	-
Sir M R Bromley	2014	35,208	-	-	-	-	-	-	-	-	-	35,208	-
Non-Executive	2013	65,000	-	-	-	-	-	-	-	-	-	65,000	-
A L Kent ²	2014	9,092	-	-	-	-	-	-	-	-	-	9,092	-
Non-Executive	2013	65,000	-	-	-	-	-	-	-	-	-	65,000	-
A L Martin	2014	32,193	-	-	3,015	-	-	-	-	-	-	35,208	-
Non-Executive	2013	59,565	-	-	5,435	-	-	-	-	-	-	65,000	-
A A Young	2014	35,208	-	-	-	-	-	-	-	-	-	35,208	-
Non-Executive	2013	65,000	-	-	-	-	-	-	-	-	-	65,000	-
Other KMP													
G Womer ³	2014	112,887	-	4,106	9,088	(14,644)	289,276	-	-	-	-	400,713	-
CEO	2013	347,308	12,106	-	32,267	5,832	-	-	-	-	-	397,513	-
D Kendrick	2014	143,000	-	-	-	-	-	-	34,000 ⁵	-	-	177,000	19.2
General Manager	2013	312,000	-	-	-	-	-	-	-	-	-	312,000	-
L N Rowe	2014	135,505	-	12,319	12,943	1,806	-	-	17,000 ⁵	-	-	179,573	9.5
Company Secretary	2013	155,710	-	12,106	14,508	2,579	-	-	-	-	-	184,903	-
E Sam Yue	2014	187,827	-	12,319	30,472	2,222	-	-	10,200 ⁵	-	-	243,040 ⁴	4.2
CFO	2013	161,846	-	12,106	15,138	2,666	-	-	-	-	-	191,759	-
2014 Total	2014	873,228	-	28,744	72,750	(10,616)	289,276	61,200	-	-	-	1,314,582	4.7
2013 Total	2013	1,351,429	-	36,318	78,298	11,077	-	-	-	-	-	1,477,122	-

Appointed Executive Chairman on 30 April 2014 from Non-Executive Chairman position

Resigned on 19 February 2014

³ Resigned on 30 April 2014

⁴ An amount of \$106,670 was shared with Western Drilling Limited

5 EIP options issued on 30 November 2014



Short Term Incentives for 2014

A short term incentive scheme was introduced during 2011 for the Chief Executive Officer. If pre-determined objectives set in consultation with the board are met, a short-term incentive (STI) is available to the Chief Executive Officer during the annual review. The Chief Executive Officer resigned on 30 April 2014 and no short term incentive was granted in 2014.

Bonuses included in remuneration

No bonuses were paid during the year.

Hedging of remuneration

Key management personnel and their closely related parties are prohibited from hedging their exposure to incentive remuneration.

Use of remuneration consultants

New Guinea Energy Ltd's Remuneration Committee did not seek the advice of remuneration consultants in fulfilling its role and responsibilities in determining the compensation for Directors and key management personnel over the course of the year.

Voting and comments made at the Company's 2014 Annual General Meeting

New Guinea Energy Ltd received more than 80% of "yes" votes on its Remuneration Report for the 2013 financial year. The Company received no specific feedback at the AGM on its Remuneration Report at the Annual General Meeting.

d. Share based remuneration

Options granted over unissued shares

Options over ordinary shares in the Company that were granted as remuneration to each Key Management Personnel executive under the Employee Incentive Plan during the year are set out in the table below. No options were granted to the Directors.

	Number granted	Grant date	Value per option at grant date	Exercise price	First exercise date	Last exercise date	Share-based payments expensed
G Womer ¹	-	-	-	-	-	-	-
D Kendrick	10,000,000	30/11/14	\$0.003	\$0.05	30/11/14	30/11/17	\$34,000
L N Rowe	5,000,000	30/11/14	\$0.003	\$0.05	30/11/14	30/11/17	\$17,000
E Sam Yue	3,000,000	30/11/14	\$0.003	\$0.05	30/11/14	30/11/17	\$10,200

¹ Resigned on 30 April 2014

The options were provided at no cost to the recipients and vested on grant date.

Modification of terms of equity share based payment transactions

No terms of equity based payment transactions have been altered or modified by the Company during the reporting period or prior period.

e. Other information

Options held by Key Management Personnel

The number of options to acquire shares in the Company held during the 2014 reporting period held by each of the Group's Key Management Personnel is set out below:

	Balance at start of year	Granted as compensation	Exercised	Other changes (lapsed)	Vested & exercisable at end of the year	Vested & unexercisable at end of the year
M N Amett	25,000,000	-	-	(25,000,000)	-	-
Sir M R Bromley	4,000,000	-	-	(4,000,000)	-	-
A L Kent ¹	4,000,000	-	-	(4,000,000)	-	-
A L Martin	4,000,000	-	-	(4,000,000)	-	-
A A Young	4,000,000	-	-	(4,000,000)	-	-
G Womer ²	8,000,000	-	-	(8,000,000)	-	-
D Kendrick	8,000,000	10,000,000	-	(8,000,000)	10,000,000	-
L N Rowe	800,000	5,000,000	-	(800,000)	5,000,000	-
E Sam Yue	1,000,000	3,000,000	-	(1,000,000)	3,000,000	-
	58,800,000	18,000,000	-	(58,800,000)	18,000,000	-

¹ Resigned on 19 February 2014

² Resigned on 30 April 2014

Shares held by Key Management Personnel

The number of ordinary shares in the Company during the 2014 reporting period held by each of the Group's Key Management Personnel is set out below:

	Balance at start of year	Granted as remuneration	Received on exercise of options	Other changes	Balance at end of year
M N Amett	3,263,333	-	-	-	3,263,333
Sir M R Bromley	-	-	-	-	-
A L Kent ¹	21,677,058	-	-	(21,677,058)	-
A L Martin	4,280,000	-	-	-	4,280,000
A A Young	-	-	-	-	-
G Womer ²	-	-	-	-	-
D Kendrick	1,385,000	-	-	-	1,385,000
L N Rowe	400,000	-	-	-	400,000
E Sam Yue	1,066,666	-	-	-	1,066,666
	32,072,057	-	-	(21,677,058)	10,394,999

¹ Resigned on 19 February 2014

² Resigned on 30 April 2014

None of the shares included in the table above are held nominally by Key Management Personnel.



Incentive Rights held by Key Management Personnel

	Balance at start of year	Granted as compensation	Exercised	Other changes (lapsed)	Balance at end of year
M N Amett	-	-	-	-	-
Sir M R Bromley	1,500,000	-	-	(1,500,000)	-
A L Kent ¹	1,500,000	-	-	(1,500,000)	-
A L Martin	1,500,000	-	-	(1,500,000)	-
A A Young	1,500,000	-	-	(1,500,000)	-
G Womer ²	2,000,000	-	-	(2,000,000)	-
D Kendrick	2,000,000	-	-	(2,000,000)	-
L N Rowe	-	-	-	-	-
E Sam Yue	-	-	-	-	-
	10,000,000	-	-	(10,000,000)	-

¹ Resigned on 19 February 2014

² Resigned on 30 April 2014

Incentive Rights became capable of exercise on 1 July 2012 and expired on 1 October 2014.

End of audited Remuneration Report

MEETINGS OF DIRECTORS

Attendances by each director to meetings of directors (including committee of directors) during the year were as follows:

	Directors' Meetings		Audit Committee		Remuneration Committee	
	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended
M N Amett	4	4	-	-	-	-
Sir M R Bromley	4	4	2	2	3	3
A L Martin	4	4	2	2	3	3
A L Kent (resigned 19 February 2014)	1	1	-	-	-	-
A A Young	4	4	2	2	3	3

During the year, some Board business was effected by execution of circulated resolutions.

UNISSUED SHARES UNDER OPTION

Unissued ordinary shares of the Company under option at the date of this report are:

Options J exercisable at \$0.30 per share on or before 7 February 2016	400,000
Options A exercisable at \$0.05 per share on or before 30 November 2017	33,500,000
	<u>33,900,000</u>

INDEMNIFYING OFFICERS OR AUDITORS

During the financial year, the Company paid a premium in respect of a contract insuring the Directors and officers of the Company against a liability incurred by such Directors and officers to the extent permitted by the Corporations Act 2001. The nature of the liability and the amount of premium has not been disclosed due to confidentiality of the insurance contract. The Company has not otherwise, during or since the end of the year, indemnified or agreed to indemnify an officer or an auditor of the Company, or of any related body corporate, against a liability incurred by such an officer or auditor.

PROCEEDINGS

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 a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings in the year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

In the opinion of the Directors, no items, transactions or events of a material and unusual nature have arisen in the interval between the end of the financial year and the date of this report which have significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years other than the following:

- On 18 February 2015, the Company announced that the Minister for Petroleum and Energy has not granted the extension of the Group's PPL 265 licence applied for in August 2012;
- On 18 February 2015, the Company announced that the Group had received notification that the final condition precedent for the sale of its 50% interest in PPL 269 to a subsidiary of Santos Limited has been met and the PNG Minister for Petroleum and Energy has advised his approval of the Instrument of Transfer of the 50% interest;
- On 11 March 2015, the Company announced that the sale of the Group's 50% interest in PPL 269 has been completed in exchange for a total consideration of:
 - payment of USD32 million cash on completion;
 - future payment of USD2 million cash if a Petroleum Retention Licence (PRL) is granted over any area of PPL 269; and
 - future payment of a further USD6 million cash if a Petroleum Development Licence (PDL) is granted over any area of PPL 269.

However, if a PDL is granted prior to a PRL, a one off payment of USD8 million cash will be payable instead; and

- on 26 March 2015, the Company announced that it has repaid \$24,144,976 in principal of convertible equity bonds (inclusive of interest since the last semi-annual interest payment) to Quantum Strategic Partners Limited.

NON-AUDIT SERVICES

The Board of Directors, in consultation with the Audit Committee, is satisfied that the provision of non-audit services by the auditor during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 and do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's APES 110: Code of Ethics for Professional Accountants.

No non-audit services were paid to the auditors of the Company, Grant Thornton Audit Pty Ltd, or its related practices during the year.

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with section 307C of the Corporations Act 2001 the Auditor's Independence Declaration for the year ended 31 December 2014 has been received and can be found on page 17 of the Annual Report and forms part of this report.

ROUNDING OF AMOUNTS

New Guinea Energy Ltd is a type of Company referred to in ASIC Class Order 98/100 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable), or in certain cases, to the nearest dollar under the option permitted in the Class Order.

Signed in accordance with a resolution of the Board of Directors.



Michael Amett
Director

Dated this 26th day of March 2015



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**Auditor's Independence Declaration
To the Directors of New Guinea Energy Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of New Guinea Energy Limited for the year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

C F Farley
Partner - Audit & Assurance

Sydney, 26 March 2015

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The Board is committed to achieving and demonstrating the highest standards of corporate governance. As such, New Guinea Energy Ltd and its Controlled Entities ('the Group') have adopted a corporate governance framework and practices to ensure they meet the interests of shareholders.

The Australian Securities Exchange Corporate Governance Council's Corporate Governance Principles and Recommendations – 3rd edition ('the ASX Principles') are applicable for financial years commencing on or after 1 July 2014, consequently for the Group's 31 December 2015 year end. However, as permitted by the ASX Principles, the Board has early adopted the third edition. As a result, the Group has chosen to publish its Corporate Governance Statement on its website rather than in this Annual Report.

The Corporate Governance Statement and governance policies and practices can be found in the corporate governance section of the Company's website at <http://www.ngenergy.com.au/corporate-governance.htm>.

The Group's Corporate Governance Statement incorporates the disclosures required by the ASX Principles under the headings of the eight core principles. All of these practices, unless otherwise stated, were in place for the full reporting period.



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME



for the year ended 31 December 2014

	Notes	2014 \$'000	2013 \$'000
Revenue	5	1,064	1,134
Other income	5	135	-
Depreciation expense		(8)	(29)
Employee costs		(527)	(383)
Finance costs		(2,045)	(1,826)
Gain from foreign exchange differences		1,443	1,606
Impairment of deferred exploration expenditure	15	(7,162)	(7,850)
Impairment of fixed assets	14	(80)	(230)
Other expenses	6	(186)	(3,750)
Share-based payments	21	(114)	-
Share of profit/(loss) from equity accounted investments	16	454	(499)
Loss before income tax		(7,026)	(11,827)
Income tax expense	7	-	-
Loss after income tax		(7,026)	(11,827)
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Other comprehensive income for the year		-	-
Total comprehensive loss for the year attributable to members of the Parent Entity		(7,026)	(11,827)
Earnings per share		Cents	Cents
Basic earnings per share			
Loss from continuing operations	31	(0.83)	(1.39)
Diluted earnings per share			
Loss from continuing operations	31	(0.83)	(1.39)

These financial statements should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2014

	Notes	2014 \$'000	2013 \$'000
CURRENT ASSETS			
Cash and cash equivalents	9	1,021	3,653
Trade and other receivables	10	223	89
Financial assets	11	255	292
Assets held for sale	12	27,279	-
Other short term assets	13	112	135
TOTAL CURRENT ASSETS		28,890	4,169
NON-CURRENT ASSETS			
Plant and equipment	14	528	680
Exploration and evaluation expenditure	15	33,300	66,292
Investments accounted for using the equity methods	16	13,647	12,373
Other long term assets	13	3,228	1,920
TOTAL NON-CURRENT ASSETS		50,703	81,265
TOTAL ASSETS		79,593	85,434
CURRENT LIABILITIES			
Trade and other payables	17	640	561
Borrowings	18	22,668	20,808
Provisions	19	145	1,023
TOTAL CURRENT LIABILITIES		23,453	22,392
NON-CURRENT LIABILITIES			
Provisions	19	93	154
TOTAL NON-CURRENT LIABILITIES		93	154
TOTAL LIABILITIES		23,546	22,546
NET ASSETS		56,047	62,888
EQUITY			
Issued capital	20	80,303	80,303
Reserves	20	11,377	11,192
Accumulated losses		(35,633)	(28,607)
TOTAL EQUITY		56,047	66,888

These financial statements should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY



for the year ended 31 December 2014

	Share capital	Accumulated losses	Option reserve	Equity component of convertible instrument	Total equity
Consolidated Group	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 31 December 2012	80,303	(16,780)	7,780	3,310	74,613
Total comprehensive profit for the year	-	(11,827)	-	-	(11,827)
Transactions with owners in their capacity as owners:					
Equity component of convertible instrument issued	-	-	-	102	102
	-	-	-	102	102
Balance at 31 December 2013	80,303	(28,607)	7,780	3,412	62,888
Total comprehensive loss for the year	-	(7,026)	-	-	(7,026)
Transactions with owners in their capacity as owners:					
Options issued under Employee Incentive Plan	-	-	114	-	114
Equity component of convertible instrument issued	-	-	-	71	71
	-	-	114	71	185
Balance at 31 December 2014	80,303	(35,633)	7,894	3,483	56,047

These financial statements should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2014

	Notes	2014 \$'000	2013 \$'000
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers		2	83
Payments to suppliers and employees		(625)	(3,620)
Interest received		19	167
Net cash used in operating activities	25	(604)	(3,370)
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for plant and equipment		-	(21)
Payments for exploration and evaluation expenditure		(2,322)	(4,331)
Proceeds from disposals of plant and equipment		24	124
Repayment of loans by/(Loans made to) joint venture entity		304	(1,724)
Repayment of/(Payments for) security deposits		44	(6)
Net cash used in investing activities		(1,950)	(5,958)
CASH FLOW FROM FINANCING ACTIVITIES			
Interest paid		(115)	(109)
Net cash used in financing activities		(115)	(109)
Net (decrease) in cash and cash equivalents held		(2,669)	(9,437)
Cash at beginning of period		3,653	13,356
Effect of exchange rates on cash holding in foreign currencies		37	(266)
Cash at end of period	9	1,021	3,653

These financial statements should be read in conjunction with the accompanying notes.



1 Nature of operations

New Guinea Energy Ltd and subsidiaries' (the Group) principal activities consisted of exploration for oil and gas in Papua New Guinea.

2 General information and statement of compliance

The consolidated general financial statements of the Group have been prepared in accordance with the requirements of the Corporations Act 2011, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). New Guinea Energy Ltd is a for-profit entity for the purpose of preparing the financial statements.

New Guinea Energy Ltd (NGE) is the Group's ultimate parent company. NGE is a public company incorporated and domiciled in Australia. The address of its registered office is Ground Floor, Boundary Court, 55 Little Edward St, Spring Hill, QLD 4004, Australia and its principal place of business is Suite 401, Level 4, 2-10 Loftus Street, Sydney NSW 2000, Australia.

The consolidated financial statements for the year ended 31 December 2014 were approved and authorised for issue by the board of directors on 26 March 2015.

3 Changes in accounting policies

3.1 New and revised standards that are effective for these financial statements

A number of new standards, amendments to standards and interpretations became effective for the first time to annual periods beginning on or after 1 January 2014. Information on these new standards is presented below.

- **AASB 2011-4 Amendments to Australian Accounting Standards to remove individual Key Management Personnel disclosure requirements**

The Standard amends AASB 124 Related Party Disclosures to remove the individual Key Management Personnel (KMP) disclosures required by Australian specific paragraphs. This amendment reflects the AASB's view that these disclosures are more in the nature of governance disclosures that are better dealt within the legislation, rather than by the accounting standards.

In mid-2013, the Australian Government passed Corporations and Related Legislation Amendment Regulation 2013 (No. 1) and Corporations and Australian Securities and Investments Commission Amendment Regulation 2013 (No. 1) to insert these disclosures, with minor changes, into Corporations Regulations 2001. These disclosures are required to be included in remuneration reports for financial years commencing on or after 1 July 2013.

As a result of these amendments, the Group has transferred certain individual Key Management Personnel disclosures relating to shareholdings, options holdings, loans and other transactions from the notes to the financial statements to the remuneration report.

- **AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities**

AASB 2012-3 adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlements systems may be considered equivalent to net settlement.

AASB 2012-3 is applicable to annual reporting periods beginning on or after 1 January 2014.

The adoption of these amendments has not had a material impact on the Group as the amendments merely clarify the existing requirements in AASB 132.

- **AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets**

These narrow-scope amendments address disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

When developing IFRS 13 Fair Value Measurement, the IASB decided to amend IAS 36 Impairment of Assets to require disclosures about the recoverable amount of impaired assets. The IASB noticed however that some of the amendments made in introducing those requirements resulted in the requirement being more broadly applicable than the IASB had intended. These amendments to IAS 36 therefore clarify the IASB's original intention that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal.

AASB 2013-3 makes the equivalent amendments to AASB 136 Impairment of Assets and is applicable to annual reporting periods beginning on or after 1 January 2014.

The adoption of these amendments has not had a material impact on the Group as they are largely of the nature of clarification of existing requirements.

3.2 Accounting Standards issued but not yet effective and not been adopted early by the Group

- **AASB 9 Financial Instruments (annual reporting period beginning on or after 1 January 2018)**

A finalised version of AASB 9 which contains accounting requirements for financial instruments, replacing AASB 139 Financial Instruments – Recognition and Measurement. The Standard contains requirements in the areas of classification and measurement, impairment, hedge accounting and derecognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2014

The Group has not assessed the full impact of AASB 9 as this standard does not apply mandatorily before 1 January 2018.

- **AASB 15 Revenue from Contracts with Customers (annual reporting period beginning on or after 1 January 2017)**

AASB 15 provides a single, principles based five-step model to be applied to all contracts with customers. Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The Group is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the Group's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 31 December 2017.

- **AASB 2014-1 Amendments to Australian Accounting Standards (Part A: Annual improvements 2010-2012 and 2011-2013 Cycles (annual reporting period beginning on or after 1 July 2014))**

Part A of AASB 2014-1 makes amendments to various Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards Annual Improvements to IFRSs 2010-2012 Cycle and Annual Improvements to IFRSs 2011-2013 Cycle.

Among other improvements, the amendments arising from Annual Improvements to IFRSs 2010-2012 Cycle:

- a. Clarify that the definition of a 'related party' includes a management entity that provides key management personnel services to the reporting entity (either directly or through a group entity); and
- b. Amend AASB 8 Operating Segments to explicitly require the disclosure of judgements made by management in applying the aggregation criteria.

When these amendments are first adopted for the year ending 31 December 2015, there will be no material impact on the Group.

- **AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interest in Joint Operations (annual reporting period beginning on or after 1 January 2016)**

This Standard sets out the guidance on the accounting for acquisition of interests in joint operations in which the activity constitutes a business.

When these amendments are first adopted for the year ending 31 December 2016, there will be no material impact on the transactions and balances recognised in the financial statements.

- **AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation (annual reporting period beginning on or after 1 January 2016)**

This Standard clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment.

When these amendments are first adopted for the year ending 31 December 2016, there will be no material impact on the transactions and balances recognised in the financial statements.

4 Summary of accounting policies

4.1 Overall considerations

The significant accounting policies that have been used in the preparation of these consolidated financial instruments are summarised below.

The consolidated financial statements have been prepared using the measurement bases specified by Australian Accounting Standards for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

Going concern basis of accounting

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Group incurred operating losses of \$7,026,000, including the impairment of deferred exploration expenditure of \$7,162,000, and negative cash flows from operations of \$2,926,000 (including \$2,322,000 for exploration activities) for the year ended 31 December 2014 and has minimum work commitments of \$26,829,000 under the petroleum prospecting licences granted to the controlled entities. Cash held decreased during the year from \$3,653,000 to \$1,021,000. However, the net working capital position of the Group at balance date improved from negative \$18,223,000 to positive \$5,437,000 with the reclassification of evaluation and exploration expenditure on licence PPL 269 from non-current assets to assets held for sale.

Assets held for sale (the Group's 50% interest in PPL 269) of \$27,279,000 were expected to be sold within 12 months of balance date. On 11 March 2015, the Company announced the completion of the sale and that proceeds of USD32 million in cash have been received on that date.

The ability of the Group to meet its minimum work commitments is dependent upon the Group being successful in its applications for licence variation.

The Directors believe it is appropriate to prepare these accounts on a going concern basis because:

- on 11 March 2015, the Group received USD32 million in cash from the sale of PPL 269;
- the Company has access to an equity subscription facility of \$40 million up to July 2015 (see Note 20.4);
- the Group is continuing its pursuit of joint venture transactions for its Petroleum Prospecting licences which would provide funding for its exploration expenditure; and
- with its joint-venture company, Western Drilling Limited, currently drilling a well under its first drilling contract the Company expects to receive cash inflows from loan repayment and dividends in due course.



The Directors consider that the Group has sufficient funds to settle its debts as and when they become due and payable. On that basis, whilst there is material uncertainty, the Directors have prepared the financial report on a going concern basis. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

4.2 Basis of consolidation

The Group financial statements consolidate those of the parent company and all of its subsidiary undertakings drawn up to 31 December 2014. Subsidiaries are all entities over which the Group has the power to control the financial and operating policies. The Group obtains and exercises control through more than half of the voting rights. All subsidiaries have a reporting date of 31 December.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

Where a controlled entity has entered or left the Group during the period, its operating results have been included/excluded from the date control was obtained or until the date control ceased.

4.3 Investments in joint ventures

Investments in joint ventures are initially recognised at cost and subsequently accounted for using the equity method. The carrying amount of the investments in joint ventures is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Group.

4.4 Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in Australian dollars (AUD), which is also the functional currency of the parent company.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the date of the transaction), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Foreign operations

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the AUD are translated into AUD upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into AUD at the closing rate at the reporting date. Income and expenses have been translated into AUD at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognised in equity are reclassified to profit or loss and recognised as part of the gain or loss on disposal.

4.5 Segment reporting

The Group identifies its reportable operating segments based on the internal reports that are reviewed by the Board of directors. Corporate office activities are not allocated to operating segments and form part of the balance of unallocated revenue, expenses, assets and liabilities.

4.6 Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Other revenue is recognised as it accrues.

4.7 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2014

4.8 Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest, and carried forward in the Statement of Financial Position where:

- (a) rights to tenure of the area of interest are current; and
- (b) one of the following conditions is met:
 - (i) such costs are expected to be recouped through successful development and exploitation of the area of interest or by its sale; or
 - (ii) exploration and/or evaluation activities in the area of interest have not at balance date yet reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the areas are continuing.

Indirect costs relating to exploration and evaluation in areas of interest are capitalised in the year they are incurred.

General and administrative costs are allocated to, and included in, the cost of an exploration and evaluation asset, but only to the extent that those costs can be related directly to operational activities in the area of interest to which the exploration and evaluation asset relates. In all other cases, these costs are expensed as incurred.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Accumulated expenditure on areas which have been abandoned, or are considered to be of no value, are written off in the year in which such a decision is made.

4.9 Plant and equipment

Plant and equipment are stated at cost. On disposal of an item of plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognised as a gain or loss. All items of plant and equipment are depreciated using the straight line method over their expected useful lives to the Group. The expected useful lives are as follows:

Office equipment and software	3 years
Leasehold improvements, furniture and fittings	2-5 years
Motor vehicles	3 years
Field equipment	3-5 years

Well equipment is stated at carrying value less impairment losses and is not depreciated until installed and ready for use. When completely installed well equipment will form part of deferred exploration and evaluation expenditure.

Depreciation of field equipment is capitalised in exploration and evaluation expenditure.

4.10 Leased assets

Operating leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged on a straight line basis.

4.11 Impairment testing of other intangible assets and property and plant

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at each reporting date and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

Plant and equipment are assessed for impairment on a cash generating unit ("CGU") basis. A cash generating unit is the smallest grouping of assets that generates independent cash flows, and generally represents an individual oil or gas field. Impairment losses recognised in respect of cash generating units are allocated to reduce the carrying amount of the assets in the unit on a pro-rata basis. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior year. A reversal of an impairment loss is recognised in profit or loss immediately.



4.12 Restoration, rehabilitation and environmental protection expenditure

Where applicable, a provision for material restoration obligations is recognised on a gradual basis over the life of the exploration licences. The amount recognised includes costs of reclamation and site rehabilitation after taking into account restoration works which are carried out during exploration. The provision for restoration costs are determined from an estimate of future costs and are capitalised as exploration expenditure.

If the effect of time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

4.13 Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through profit or loss (FVTPL)
- held-to-maturity (HTM) investments
- available-for-sale (AFS) financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include borrowings, trade and other payables. Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Convertible equity bonds

The net proceeds received from the issue of convertible equity bonds are split between a liability element and an equity component at the date of issue. The fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible equity bonds and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Company, is included in equity and is not remeasured. The liability component is carried at amortised cost.

The interest expense on the liability component is calculated by applying the prevailing market interest rate, at the time of issue, for similar non-convertible debt to the liability component of the instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2014

4.14 Income tax

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, the Australian Taxation Office (ATO) and other fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income, based on the Group's forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

4.15 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

4.16 Receivables

Receivables represent the principal amounts due at balance date plus accrued interest and less, where applicable, any unearned income and provisions for doubtful accounts.

4.17 Assets held for sale

Assets are classified as held for sale if the Group will recover the carrying amount principally through a sale transaction rather than through continuing use. Assets held for sale are measured at the lower of its carrying amount and fair value less costs to sell.

4.18 Equity, reserves and dividend payments

Share capital represents the fair value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital, net of any related income tax benefits.

Other components of equity include the following:

- Option reserve (see Note 20.5).
- Equity component of convertible instrument reserve (see Note 20.5).

Accumulated losses include all current and prior period accumulated losses.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date.

4.19 Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.



4.20 Share-based payment

The Group operates equity-settled share-based remuneration plans for its employees and contractors. None of the Group's plans feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions).

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to share option reserve. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs are allocated to share capital.

4.21 Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

4.22 Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST components of investing and financing activities, which are disclosed as operating cash flows.

4.23 Rounding of amounts

The parent entity has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial statements and directors' report have been rounded off to the nearest \$1,000.

4.24 Significant judgement in applying accounting policies

The Directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

4.25 Key estimates

Carrying value of well equipment

The estimate of the carrying value of well equipment is based on the market prices of OCTG (Oil Country Tubular Goods) for similar types of casings adjusted for the current state and conditions of the Company owned casings.

Share-based payments

The fair value of options issued under the Employee Incentive Plan is measured based on the Black Scholes option-pricing model. The contractual life of the options is used as an input into the model. The expected volatility is based on the historic volatility of the Company's share prices. Further information regarding assumptions is included in Note 21.

4.26 Parent Entity financial information

The financial information for the Parent Entity, New Guinea Energy Ltd, disclosed in Note 32 has been prepared on the same basis as the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2014

	2014 \$'000	2013 \$'000
5 Revenue and other income		
Revenue from continuing operations		
- interest income	1,064	1,072
- rental income	-	62
	1,064	1,134
Other income		
Fee income	135	-
6 Other expenses		
Audit fees (see Note 8)	83	86
Corporate promotion expenses	14	298
Directors' fees	221	391
Professional and legal fees	(370)	2,733
Listing fees	113	141
(Gain)/Loss on disposal of fixed assets	(15)	(15)
Operating leases	97	97
Other	43	19
	186	3,750



	2014 \$'000	2013 \$'000
7 Income tax expense		
The major components of tax expense and the reconciliation of the expected tax expense based on the domestic effective tax rate of New Guinea Energy Ltd at 30% (2013: 30%) and the report tax expense in profit or loss are as follows:		
(Loss) before tax	(7,026)	(11,827)
Domestic tax rate	30%	30%
Expected tax expense	(2,108)	(3,548)
Adjustments for tax effect of:		
Non-temporary differences	(240)	138
Equity capital raising costs debited to equity	(56)	(151)
Temporary differences and tax losses not recognised	2,404	3,561
Income tax expense	-	-
Tax losses		
Unused tax losses for which no tax loss has been recognised as a deferred tax asset adjusted for non-temporary differences at 30%	8,907	7,303

The taxation benefits will only be obtained if:

- (i) the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for the loss to be realised;
- (ii) the Group continues to comply with the conditions for deductibility imposed by law; and
- (iii) no changes in tax legislation adversely affect the Group in realising the benefits from the deductions for the loss.

	2014 \$	2013 \$
8 Auditors' remuneration		
Audit and review of financial statements		
Auditor of the Company- Grant Thornton Audit Pty Ltd	67,500	65,000
Other auditors for audit and review of subsidiaries' financial statements	15,500	21,490
	83,000	86,490

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2014

	2014 \$'000	2013 \$'000
9 Cash and cash equivalents		
Cash at bank and on hand	1,021	3,653
10 Trade and other receivables		
CURRENT		
Receivables	214	69
Deposits	9	20
	223	89

(a) Allowance for impairment loss

All amounts are short-term. The net carrying value of receivables is considered a reasonable approximation of fair value. A provision for impairment loss is recognised when there is objective evidence that an individual receivable is impaired. No impairment has been recognised by the Group in the current year.

(b) Foreign exchange and interest rate risk

Detail regarding foreign exchange and interest rate risk exposure is disclosed in Note 30.

11 Financial assets

CURRENT

Security deposits	255	292
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12 Assets held for sale

CURRENT

Evaluation and exploration expenditure	27,279	-
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This represents evaluation and exploration expenditure on PPL 269 which was in the process of being sold at 31 December 2014. On 11 March 2015, the Company announced the completion of the sale of the Group's 50% interest in the licence and that proceeds of USD32 million in cash have been received on that date.

13 Other assets

CURRENT

Prepayments	112	135
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NON-CURRENT

Accrued interest receivable	3,228	1,920
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The accrued interest receivable represents a provision for interest on loans and payments made to and on behalf of the joint venture entity, Western Drilling Limited and its subsidiary, Rig 6 Pty Ltd.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2014



	2014 \$'000	2013 \$'000
I4 Plant and equipment		
Field equipment		
At cost	236	289
Accumulated depreciation	(168)	(177)
	68	112
Motor vehicles		
At cost	202	202
Accumulated depreciation	(181)	(169)
	21	33
Office equipment and software		
At cost	261	261
Accumulated depreciation	(250)	(244)
	11	17
Leasehold improvements, furniture and fittings		
At cost	39	39
Accumulated depreciation	(31)	(29)
	8	10
Well equipment		
At carrying value	500	738
Impairment	(80)	(230)
	420	508
Total plant and equipment	528	680

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2014

Movements during the year

Movements in the carrying amounts for each class of plant and equipment are as follows:

	Field equipment \$'000	Well equipment \$'000	Motor vehicles \$'000	Office equipment & software \$'000	Leasehold improvements, furniture & fittings \$'000	Total \$'000
2014						
At beginning of year	112	508	33	17	10	680
Additions	-	-	-	-	-	-
Disposals	-	(8)	-	-	-	(8)
Depreciation charged to exploration and evaluation expenditure	(44)	-	(12)	-	-	(56)
Depreciation charge	-	-	-	(6)	(2)	(8)
Impairment	-	(80)	-	-	-	(80)
At the end of year	68	420	21	11	8	528
2013						
At beginning of year	149	820	45	29	12	1,055
Additions	7	-	-	15	-	22
Disposals	-	(82)	-	-	-	(82)
Depreciation charged to exploration and evaluation expenditure	(44)	-	(12)	-	-	(56)
Depreciation charge	-	-	-	(27)	(2)	(29)
Impairment	-	(230)	-	-	-	(230)
At the end of year	112	508	33	17	10	680

	2014 \$'000	2013 \$'000
15 Exploration and evaluation expenditure		
Exploration and evaluation expenditure at cost	33,300	66,292
Movements during the year		
Exploration areas:		
At beginning of year	66,292	70,903
Additions at cost	1,449	3,239
Disposals	(27,279)	-
Impairment charges	(7,162)	(7,850)
At end of year	33,300	66,292



Following a review of the Group's Petroleum Prospecting Licences (PPL) at balance date, cumulative impairment charges were fully recognised for deferred exploration expenditure on PPL 265 of \$6,994,000 and \$8,014,000 on PPL 268. The Group had been awaiting approval of its extension application for PPL 265 since August 2012. In February 2015, the Group received notification from the Minister of Petroleum and Energy that the extension application of PPL 265 has not been granted. During the year, additional costs incurred on PPL 268, which had been fully written off in 2013, were also written off.

Evaluation and exploration expenditure on licence PPL 269 has been reclassified to assets held for sale as it was expected that the Group's 50% interest in the licence would be sold within 12 months of balance date. On 11 March 2015, the Company announced the completion of the sale and that proceeds of USD32 million in cash had been received on that date. Under the terms of the sale and purchase agreement of PPL 269, additional consideration will be due as follows:

- Future payment of USD2 million cash if a Petroleum Retention Licence (PRL) is granted over any aread of PPL 269; and
- Future payment of a further USD6 million cash if a Petroleum Development Licence (PDL) is granted over any area of PPI 269. However, if a PDL is granted prior to a PRL, a one off payment of USD8 million cash will be payable instead.

Ultimate recoupment of the carrying value of the exploration areas is dependent on successful development and exploitation, or alternatively sale of the respective areas of interest.

16 Investments accounted for using the equity method

Investment in shares in Western Drilling Limited (WDL)

Loans to WDL

Share of losses accounted for using the equity method

At end of year

	2014 \$'000	2013 \$'000
Investment in shares in Western Drilling Limited (WDL)	-	-
Loans to WDL	13,925	13,105
Share of losses accounted for using the equity method	(278)	(732)
At end of year	13,647	12,373

The Group holds a 50% voting and equity interest in Western Drilling Limited (WDL), a jointly controlled company registered in Papua New Guinea. Maps Tuna Limited, a company related to Non-Executive Director Sir M Bromley, holds the remaining 50%. The Company's investment in WDL is accounted for using the equity method of accounting and will share the results of WDL group based on the Company's % interest in WDL. WDL has a wholly-owned subsidiary registered in Australia and both companies have a reporting date of 31 December.

Loans were repaid to the Company during the year. The loans are denominated in USD and will bear interest at market rate. Accrued interest receivable to balance date has been provided for under other non-current assets (note 13).

The shares are not publicly listed on a stock exchange and hence published price quotes are not available. The aggregate amounts of certain financial information of the jointly controlled entity can be summarised as follows:

Assets	27,958	20,611
Liabilities	28,732	22,241
Revenues	13,188	-
Profit/(loss)	907	(998)
Profit/(loss) attributable to the Group	454	(499)

Dividends are subject to the approval of a majority of directors of the joint venture entity. During 2013 and 2014 the Group received no dividends.

17 Trade and other payables

CURRENT

Trade payables

Sundry payables and accrued expenses

Trade payables	140	473
Sundry payables and accrued expenses	500	88
	640	561

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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	2014 \$'000	2013 \$'000
18 Borrowings		
CURRENT		
Equity Bonds 2016	22,668	20,808

On 30 May 2011, the Company issued \$20 million of unlisted, unsecured, transferrable convertible Equity Bonds due 5 years from the date of issue. The convertible Equity Bonds are convertible into fully paid ordinary shares of New Guinea Energy Ltd at \$0.20 per convertible Equity Bond and the underlying shares will rank equally with existing fully paid shares of the Company once issued. The coupon rate is 5% per annum payable semi-annually with the issue of additional convertible Equity Bonds 2016 with a face value equal to the coupon payments. On the third anniversary of the date of issue of the convertible Equity Bonds and on each semi-annual date thereafter, a holder of Equity Bonds will have the option to require the Company to redeem the Equity Bonds (in full or in part) at a price equal to the principal amount of the Equity Bonds plus any accrued unpaid interest.

On 30 May 2014 and 30 November 2014, the Company issued \$565,704 and \$579,846 respectively of unlisted, unsecured, transferrable convertible Equity bonds representing the second and third semi-annual interest payable on the Equity Bonds. At balance date, the nominal value of convertible Equity Bonds issued amounted to \$23,773,715 (2013: \$22,628,164).

The redemption amount of the Equity Bonds and interest have been discounted to net present value using a market interest rate of 9% over the period to maturity. The equity component of the fair value of convertible Equity Bonds has been credited to reserves.

The Company had received the consent of the holders of the convertible bonds on issue to repay all outstanding monies in relation to the convertible bonds following receipt of the sale consideration of PPL 269. The sale consideration was received on 11 March 2015. On 26 March 2015, repayment of \$24,144,976 in principal of convertible equity bonds (inclusive of interest since the last semi-annual interest payment) was made to the holders of the convertible bonds.

19 Provisions

CURRENT

Employee provisions	145	69
Provisions for exploration expenditure	-	954
	145	1,023

NON-CURRENT

Employee provisions	93	154
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Current employee provisions relate to annual leave entitlements. Non-current employee provisions relate to long service leave.

20 Equity

20.1 Share capital

849,991,193 (2013: 849,991,193) fully paid ordinary shares	80,303	80,303
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Ordinary shares entitle the holder to participate in dividends and the proceeds on winding-up of the Company in proportion to the number of shares held. Every ordinary shareholder present at a meeting of the Company, in person or by proxy, is entitled to one vote, and upon a poll each ordinary share is entitled to one vote.

Ordinary shares have no par value.



	2014 Number	2013 Number
20.2 Options over unissued shares		
Unlisted options:		
Options G exercisable at \$0.45 each on or before 1 October 2014:		
Balance at beginning of reporting period	61,700,000	61,700,000
Lapsed during the year	(61,700,000)	-
Balance at end of reporting period	-	61,700,000
Options I exercisable at \$0.45 each on or before 27 July 2014:		
Balance at beginning and end of reporting period	2,500,000	2,500,000
Lapsed during the year	(2,500,000)	-
Balance at end of reporting period	-	2,500,000
Options J exercisable at \$0.30 each on or before 7 February 2016:		
Balance at beginning and end of reporting period	400,000	400,000
Options A exercisable at \$0.05 each on or before 30 November 2017:		
Balance at beginning of reporting period	-	-
Issued during the year	33,500,000	-
Balance at end of reporting period	33,500,000	-
Total at end of year	33,900,000	64,600,000
20.3 Rights over unissued shares		
Incentive Rights:		
Balance at beginning of reporting period	10,000,000	10,000,000
Lapsed during the year	(10,000,000)	-
Balance at end of reporting period	-	10,000,000

No Incentive Rights were issued to directors or executives during the year. The Incentive Rights had a nil exercise price, became capable of exercise on 1 July 2012 and expired on 1 October 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2014

20.4 Capital 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 adjusts the capital structure to the extent possible to take advantage of favourable costs of capital or high return on assets. As the market is constantly changing, management may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

In July 2010 the Company secured a \$25 million equity subscription facility with US-based investment fund YA Global Master SPV Ltd ("YA Global"). The facility was increased to \$40 million in February 2011. Under the terms of the facility, the Company may, at its discretion, issue shares to YA Global at any time over the period to July 2015 up to a total value of \$40 million. The Company has not yet activated the facility and has no obligation to issue any shares until it activates the facility and issues a funding request to YA Global. Shares issued in satisfaction of each advance of funds will be priced at the lowest daily volume weight average price (VWAP) of the Company's shares traded on each of the 10 trading days which follow an advance notice by the Company. A commission of 5% of the value of each advance will be payable by the Company at the time of issue of the relevant shares.

The Group is not subject to any externally imposed capital requirements, nor does it focus on obtaining debt as a key capital management tool.

20.5 Reserves

	2014 \$'000	2013 \$'000
Option reserve	7,894	7,780
Equity component of convertible instrument	3,483	3,412
	11,377	11,192
Option reserve		
Balance at beginning of year	7,780	7,780
33,500,000 Incentive Options under Employee Incentive Plan	114	-
Balance at end of year	7,894	7,780

The option reserve records items recognised as expenses on share options and rights granted for compensation and services rendered. The options and rights have been valued at the invoiced amounts or if granted for nil consideration, at fair value.

Equity component of convertible instrument

Balance at beginning of year	3,412	3,310
Convertible Equity Bonds issued during the year	71	102
Balance at end of year	3,483	3,412

The equity component of the fair value of convertible Equity Bonds issued has been credited to reserves



21 Share-based payments

Options

On 30 November 2014, 33,500,000 unlisted options A were issued under the Employee Incentive Plan. The options were provided at no cost to the recipients and vested on grant date. The options are exercisable at \$0.05 per share on or before 30 November 2017.

The model inputs for assessing the fair value of options, applying the Black-Scholes Option Pricing model, during the year were as follows:

Description	Issue and grant date	Share price at grant date	Life assumption	Risk free rate	Expected price volatility of the Company's share price	Value of each option
Issue of 33,500,000 EIP Options	30/11/14	\$0.009	3 years	2.40%	113%	\$0.0034

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future tender, which may not eventuate.

22 Controlled and jointly controlled entities

Controlled Entities	Country of Incorporation	Ownership Interest %
Engelberg Limited	Papua New Guinea	100
Kelliher Limited	Papua New Guinea	100
Kingsbury Limited	Papua New Guinea	100
Kirkland Limited	Papua New Guinea	100
Ladysmith Limited	Papua New Guinea	100
NGE Administration Limited	Papua New Guinea	100
Roebuck Limited	Papua New Guinea	100
Taylor Limited	Papua New Guinea	100

Jointly Controlled Entities		
Western Drilling Limited	Papua New Guinea	50
- Rig 6 Pty Ltd	Australia	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2014

23 Related party transactions

The Group's related parties include its joint venture company and key management.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

23.1 Wholly owned group

The Company provides all controlled entities with support services and funds for expenditure interest free with no fixed repayment dates and recovers overhead expenses from the controlled entities.

23.2 Jointly controlled entity

The Group holds a 50% voting and equity interest in Western Drilling Limited (WDL), a jointly controlled company registered in Papua New Guinea. Maps Tuna Limited, a company related to director Sir M Bromley, holds the remaining 50%. Rig 6 Pty Ltd, registered in Australia, is a wholly-owned subsidiary of WDL.

Loans were made to WDL group in previous years to finance the acquisition of assets and working capital for its drilling business. During the year, WDL made some repayments on the loans. The loans are denominated in USD and will bear interest at market rate. Accrued interest receivable to balance date has been provided for under other non-current assets. The balances outstanding at balance date were:

	2014 \$'000	2013 \$'000
Loans	13,925	13,105
Accrued interest receivable	3,228	1,920

The Company provided consulting and advisory services to its joint venture company, Western Drilling Limited, as well as share the costs of administration and project management staff. Fees for consulting and advisory services for the year were \$135,000 which is included in trade receivables at balance date.

23.3 Transactions with key management personnel

Key Management Personnel remuneration includes the following expenses:

Short-term employee benefits	901,972	1,387,747
Post-employment benefits	72,750	78,298
Other long-term benefits	(10,616)	11,077
Termination benefits	289,276	-
Share-based payments	61,200	-
	1,314,582	1,477,122

24 Employee benefits

Superannuation

The Group makes contributions based on each employee's salary to superannuation plans that provide employees with benefits on retirement in accordance with the requirements of superannuation legislations.

Employee incentive plan

The Company has established a New Guinea Energy Ltd Employee Incentive Plan under which the Directors may offer options and ordinary shares in the Company to eligible persons. The Directors may also offer interest free loans for terms of up to 5 years under the plan for subscription of shares and under such loans the Company holds a lien over the issued shares until the loans are fully repaid. No shares or options were granted under the plan during the year.



	2014 \$'000	2013 \$'000
25 Reconciliation of cash flows from operating activities		
Cash flows from operating activities		
Loss for the period	(7,026)	(11,827)
Adjustments for :		
Depreciation	8	29
Equity settled share-based payment transactions	114	-
Exploration licence sale expenses	-	428
Finance costs	1,931	1,717
Foreign exchange differences	(1,443)	(1,606)
Impairment of exploration expenditure	7,162	7,850
Impairment of fixed assets	80	230
Interest paid included in financing	115	109
(Gain) on disposal of fixed assets	(15)	(15)
Interest income accrued	(1,041)	(899)
Provision for employee entitlements	6	20
Share of (profit)/loss of equity accounted investments	(454)	499
Changes in assets and liabilities relating to operations		
Change in creditors and accruals	53	51
Change in receivables	(109)	20
Change in prepayments	15	24
Net cash used in operating activities	(604)	(3,370)

26 Non – cash financing activities

During the year coupon interest on convertible Equity Bonds of \$1,145,550 was settled by the issue of convertible Equity Bonds.

27 Segment reporting

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

The reportable operating segment is exploration for oil and gas in Papua New Guinea which is the Group's principal activity. The Group is still in the exploration stage and does not generate any revenue from sales.

Corporate office activities are not allocated to operating segments and form part of the balance of unallocated revenue, expenses, assets and liabilities.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment.

Segment liabilities include trade and other payables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2014

	2014			2013		
	Exploration	Unallocated	Total	Exploration	Unallocated	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
PROFIT AND LOSS						
Revenue						
From external customers	-	1,199	1,199	-	1,134	1,134
	-	1,199	1,199	-	1,134	1,134
Depreciation expenses	-	(8)	(8)	-	(29)	(29)
Employee costs	-	(527)	(527)	-	(383)	(383)
Finance costs	-	(2,045)	(2,045)	-	(1,826)	(1,826)
Foreign exchange gains	-	1,443	1,443	-	1,606	1,606
Impairment of deferred exploration expenditure	(7,162)	-	(7,162)	(7,850)	-	(7,850)
Impairment of fixed assets	(80)	-	(80)	(230)	-	(230)
Other expenses	-	(186)	(186)	-	(3,750)	(3,750)
Share-based payments	-	(114)	(114)	-	-	-
Share of profit/(loss) from equity accounted investments	-	454	454	-	(499)	(499)
Profit/(Loss) before income tax	(7,242)	216	(7,026)	(8,080)	(3,747)	(11,827)
Income tax expense	-	-	-	-	-	-
Profit/(Loss) after tax	(7,242)	216	(7,026)	(8,080)	(3,747)	(11,827)
BALANCE SHEET						
Assets and liabilities						
Segment assets	61,390	18,203	79,593	67,280	18,154	85,434
Segment liabilities	289	23,257	23,546	1,204	21,342	22,546



28 Commitments

Petroleum prospecting licences

The Group has been granted five petroleum prospecting licences in Papua New Guinea. A condition of the licences is that the Group is required to meet minimum committed expenditure requirements to maintain current rights of tenure. These commitments may be subject to renegotiation, may be farmed out or may be relinquished and have not been provided for in the financial statements and are due as follows from balance date:

	2014 \$'000	2013 \$'000
Within twelve months	26,829	2,242
Twelve months or longer and not longer than five years	945	31,844
	27,774	34,086

The Group has obligations to restore and rehabilitate areas disturbed during exploration. Bank guarantees of \$255,000 (2013: \$292,000) collateralised by cash deposits have been provided as security for compliance with the conditions of the licences.

Operating leases

Minimum payment under non-cancellable operating leases according to the time expected to elapse from balance date to the expected date of payment:

Not later than one year	69	77
Later than one year and not later than five years	-	-
	69	77

Bank guarantees for \$22,000 (2013: \$22,000) collateralised by cash deposits have been provided for fulfilment of the obligations under the operating leases.

29 Contingent assets and liabilities

At balance date the Group has no contingent liabilities.

30 Financial instruments

30.1 Risk management objectives and policies

The Group's financial instruments consist mainly of cash and deposits with banks, accounts receivable and payable and loans to subsidiaries. The Group's overall risk management program seeks to minimise potential adverse effects on the financial performance of the group and may use a range of derivative financial instruments to manage risk exposures.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, credit risk, liquidity risk and price risk. Senior management, in conjunction with the Board, reviews and agrees policies for managing each of these risks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2014

30.2 Foreign currency risk

The Group is exposed to foreign currency risk on purchases that are denominated in a currency other than Australian dollar. The currencies giving rise to this are primarily United States dollars and Papua New Guinea Kina. The Group does not currently enter into derivative financial instruments to hedge such transactions denominated in a foreign currency.

	2014 \$'000	2013 \$'000
At 31 December 2014, the Group had the following exposure to various foreign currencies:		
Financial assets		
Cash and cash equivalents	885	1,640
Trade and other receivables	83	116
Security deposits	233	270
Investments accounted for using the equity method	13,925	13,104
Other	3,228	1,920
	18,354	17,050
Financial liabilities		
Trade and other payables - Current	(323)	(1,060)
Net exposure	18,031	15,990

The Group has performed sensitivity analysis relating to its exposure to foreign currency risk at balance date. This sensitivity analysis demonstrates the effect on the net exposure which could result from a change in this risk.

Foreign currency sensitivity analysis

Increase/(decrease) in net exposure

-Australian dollar depreciates by 5% against USD	837	703
-Australian dollar depreciates by 5% against PGK	(22)	(59)
-Australian dollar appreciates by 5% against USD	(837)	(703)
-Australian dollar appreciates by 5% against PGK	22	59

30.3 Interest rate risk

Interest rate risk is managed with a mixture of fixed and floating rate debt. At 31 December 2013 the Group had issued convertible Equity Bonds with face value of \$23,773,715 with coupon interest fixed at 5% per annum and had no floating rate debt.

At balance date the Group had the following mix of financial assets exposed to variable interest rate risk:

Financial assets		
Cash and cash equivalents	611	3,378
Other current assets	255	292
	866	3,670



30.4 Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date, to recognised financial assets, is the carrying amount, net of any provision for impairment of those assets, as disclosed in the Statement of Financial Position and notes to the financial statements.

The Group does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the group other than the loans to and accrued interest receivable from its 50% owned joint venture entity, Western Drilling Limited.

30.5 Liquidity risk

The Group manages liquidity risk by monitoring forecast cash flows and raising additional capital when needed. The Group's operations require it to raise capital on an on-going basis to fund its planned exploration program, carry out the minimum work commitments under the conditions of its petroleum prospecting licences and to commercialise its tenement assets. If the Group does not raise capital in the short term, it can continue as a going concern by reducing planned but not committed exploration expenditure until funding is available and/or entering into joint venture arrangements where exploration is funded by the joint venture partner or sell its petroleum prospecting licences. However, if funding is not available to satisfy the minimum work commitments of the licences, the Group will have to renegotiate those work commitments and if unsuccessful, relinquish the relevant licences.

As at 31 December 2014, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	Current	Non-current	
	< 1 year \$'000	1 to 5 years \$'000	Later than 5 years \$'000
2014			
Trade and other payables	639	-	-
Borrowings ¹	24,427	-	-
Total	25,066	-	-
¹ If the Equity Bonds holders exercise the option to redeem the Bonds on the fourth anniversary (30 May 2015) of the date of issue of the convertible bonds.			

2013

Trade and other payables	561	-	-
Borrowings ¹	23,250	-	-
Total	23,811	-	-

¹ If the Equity Bonds holders exercise the option to redeem the Bonds on the third anniversary (30 May 2014) of the date of issue of the convertible bonds.

The above amounts reflect the contractual undiscounted cash flows, which may differ to the carrying values of the liabilities at reporting date.

30.6 Price risk

The Group is mainly exposed to drilling and seismic survey services price risk. Management constantly monitors price movements and seeks ways to minimise the cost on drilling and seismic survey activities. Once exploration activities are completed and production commences, the Group will be exposed to oil and gas price fluctuations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2014

30.7 Financial assets and liabilities

The carrying amounts presented in the statement of financial position relate to the following categories of financial assets and liabilities:

	Note	2014 \$'000	2013 \$'000
Financial assets at amortised cost			
Cash and cash equivalents	9	1,021	3,653
Trade and other receivables	10	223	89
Financial assets - current	11	255	292
Investments accounted for using the equity method	16	13,647	12,373
Other long term assets	13	3,228	1,920
		18,374	18,327
Financial liabilities			
Financial liabilities measured at amortised cost:			
- Trade and other payables - current	17	640	561
- Borrowings – current	18	22,668	20,808
		23,308	21,369

30.8 Fair value hierarchy

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The hierarchy of the fair value measurement of the Group's financial assets and financial liabilities is as follows:

Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2014				
Assets				
Total	-	-	-	-
Liabilities				
Convertible Equity Bonds (a)	-	22,668	-	22,668
Total	-	22,668	-	22,668
Net fair value	-	(22,668)	-	(22,668)

2013

Assets

Total	-	-	-	-
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Liabilities

Convertible Equity Bonds (a)	-	20,808	-	20,808
Total	-	20,808	-	20,808
Net fair value	-	(20,808)	-	(20,808)



Measurement of fair value

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

(a) The fair values are estimated using net present value discounting based on observable market inputs e.g. interest rates and are included in Level 2 of the fair value hierarchy.

30.9 Sensitivity analysis

The Group has performed sensitivity analysis relating to its exposure to interest rate risk and price risk at balance date. This sensitivity analysis demonstrates the effect on the current year results which could result from a change in these risks.

	2014 \$'000	2013 \$'000
Interest rate sensitivity analysis		
Decrease/ (increase) in profit/(loss)		
- increase in interest rate by 2%	27	153
- decrease in interest rate by 2%	(27)	(153)

30.10 Price risk sensitivity analysis

As the Group does not derive revenue from sale of products, the effect on profit and equity as a result of changes in the price risk is not considered material. The fair value of the exploration projects will be impacted by commodity price changes (predominantly oil and gas) and could impact future revenues once operational. However, management monitors current and projected commodity prices.

31 Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing net profit for the year attributable to shareholders of the Parent Company, as adjusted for the effect of dilutive potential ordinary shares where applicable, by the weighted average number of ordinary shares outstanding during the year plus the weighted average of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

Earnings used in the calculation of basic and diluted earnings per share were as follows:

(Loss) used in the calculation of basic and diluted earnings per share	(7,026)	(11,827)
--	---------	----------

	Number of shares	
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic and diluted earnings per share	849,991,193	849,991,193

The options and convertible equity bonds on issue are non dilutive for the 31 December 2014 year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2014

	2014 \$'000	2013 \$'000
32 Parent Entity information		
Assets		
Current assets	793	2,792
Non-current assets	79,408	75,437
Total assets	80,201	78,229
Liabilities		
Current liabilities	23,192	21,389
Non-current liabilities	30	97
Total liabilities	23,222	21,486
Equity		
Issued capital	80,303	80,303
Option reserve	7,894	7,780
Equity component of convertible instrument	3,483	3,412
Accumulated losses	(34,701)	(34,752)
	56,979	56,743
Financial performance		
Profit/(loss) for the year	51	(8,192)
Other comprehensive income	-	-
Total comprehensive income	51	(8,192)

The Parent Entity has not entered into any financial guarantees which is outstanding and has no commitments for the acquisition of property, plant and equipment as at 31 December 2014 and 31 December 2013.

33 Events occurring after the reporting period

There has not arisen in the interval since 31 December 2014 and up to the date of this report, any matter that, in the opinion of the Directors, has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years other than the following:

- on 18 February 2015, the Company announced that the Minister for Petroleum and Energy has not granted the extension of the Group's PPL 265 licence applied for in August 2012;
- on 18 February 2015, the Company announced that the Group had received notification that the final condition precedent for the sale of its 50% interest in PPL 269 to a subsidiary of Santos Limited has been met and the PNG Minister for Petroleum and Energy has advised his approval of the Instrument of Transfer of the 50% interest;
- on 11 March 2015, the Company announced that the sale of the Group's 50% interest in PPL 269 has been completed in exchange for a total consideration of:
 - payment of USD32 million cash on completion;
 - future payment of USD2 million cash if a Petroleum Retention Licence (PRL) is granted over any area of PPL 269;
 - future payment of a further USD6 million cash if a Petroleum Development Licence (PDL) is granted over any area of PPL 269.

However, if a PDL is granted prior to a PRL, a one off payment of USD8 million cash will be payable instead; and

- on 26 March 2015, the Company announced that it has repaid \$24,144,976 in principal of convertible equity bonds (inclusive of interest since the last semi-annual interest payment) to Quantum Strategic Partners Limited.

DIRECTORS' DECLARATION

for the year ended 31 December 2014



- I In the opinion of the directors of New Guinea Energy Ltd:
 - (a) the consolidated financial statements and notes of New Guinea Energy Ltd are in accordance with the Corporations Act 2001, including
 - (i) giving a true and fair view of its financial position as at 31 December 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that New Guinea Energy Ltd will be able to pay its debts as and when they become due and payable.
- 2 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 31 December 2014.
- 3 Note 2 confirms that the consolidated financial statements also comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Dated this 26th day of March 2015

Michael Arnett

Executive Chairman



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Independent Auditor's Report To the Members of New Guinea Energy Limited

Report on the financial report

We have audited the accompanying financial report of New Guinea Energy Limited (the "Company"), which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

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 us to comply with relevant ethical requirements relating to audit engagements and

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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 judgement, 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 Company's preparation of the financial report that gives a true and fair view 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 Company'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 requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

- a the financial report of New Guinea Energy 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 31 December 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 the notes to the financial statements.

Material uncertainty regarding continuation as a going concern

Without qualifying our opinion, we draw attention to Note 4.1 in the financial report which indicates that the consolidated entity incurred a net loss of \$7,026,000 and negative cash flows from operations of \$2,926,000 (including \$2,322,000 for exploration activities) for the year ended 31 December 2014. These conditions, along with other matters as set forth in Note 4.1, 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

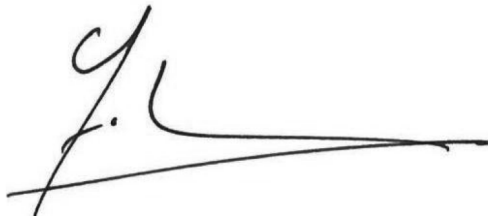
consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

Report on the remuneration report

We have audited the remuneration report included in pages 8 to 15 of the directors' report for the year ended 31 December 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.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



C F Farley
Partner - Audit & Assurance

Sydney, 26 March 2015



Additional information included in accordance with Listing Rules of the ASX Limited.

I. SHAREHOLDINGS

(a) Distribution of Shareholders as at 12 March 2015

Size of holding	Holders	Ordinary shares held	%
1-1,000	117	11,506	0.001
1,001-5,000	210	823,450	0.097
5,001-10,000	273	2,343,735	0.276
10,001-100,000	1,332	61,234,602	7.204
100,001 and over	786	782,127,900	92.422
	2,718	849,991,193	100.000

1,063 shareholders held less than a marketable parcel.

(b) Top Twenty Shareholders as at 12 March 2015

Shareholder	Number of ordinary shares	% Held of issued ordinary capital
BUTTONWOOD NOMINEES PTY LTD	108,813,520	12.802
CS FOURTH NOMINEES PTY LTD	54,771,883	6.444
ASIA IMAGE LIMITED	48,000,000	5.647
J P MORGAN NOMINEES AUSTRALIA LIMITED	23,602,583	2.777
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	23,167,181	2.726
CANNAVO INVESTMENTS PTY LTD	13,098,685	1.541
MAYBURY PTY LTD <CARMICH SUPER FUND A/C>	9,971,332	1.173
NATIONAL NOMINEES LIMITED <DB A/C>	8,300,000	0.976
DOUBLE EAGLE PTY LIMITED <SHARE PORTFOLIO A/C>	8,096,180	0.953
UCAN NOMINEES PTY LTD	7,546,333	0.888
MRS MAN SUN NG	7,300,000	0.859
ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	7,168,268	0.843
MEGAHILLS LTD	7,090,000	0.834
CITICORP NOMINEES PTY LIMITED	6,904,206	0.812
CAPITAL NOMINEES LIMITED	6,624,384	0.779
YARANDI INVESTMENTS PTY LTD <GRIFFITH FAMILY NO 2 A/C>	6,582,963	0.774
NATIONAL NOMINEES LIMITED	6,345,467	0.747
PACIFIC NOMINEES LIMITED	5,768,290	0.679
DOUBLE EAGLE PTY LTD	5,685,503	0.669
INVIA CUSTODIAN PTY LIMITED <CD RAWLINGS SUPER FUND A/C>	5,018,600	0.590
Twenty largest shareholders	369,855,378	43.513
Others	480,135,815	56.487
	849,991,193	100.000

2. UNLISTED OPTION HOLDINGS

Distribution of Option holders as at 12 March 2015

(a) Options J – \$0.30 exercisable on or before 7 February 2016

Size of holding	Holders	Options held	%
1-1,000	-	-	-
1,001-5,000	-	-	-
5,001- 10,000	-	-	-
10,001-100,000	-	-	-
100,001 – and over	1	400,000	100.00
	1	400,000	100.00
Holder of 20% or more:			
Cooper Global Communications LLC		400,000	

(b) Options A – \$0.05 exercisable on or before 30 November 2017

Size of holding	Holders	Options held	%
1-1,000	-	-	-
1,001-5,000	-	-	-
5,001- 10,000	-	-	-
10,001-100,000	-	-	-
100,001 – and over	10	33,500,000	100.00
	10	33,500,000	100.00
Holder of 20% or more:			
Dan Kendrick		10,000,000	
John Paul McDonald		7,500,000	

3. VOTING RIGHTS

- At meetings of members each member entitled to vote may vote in person or by proxy or attorney or, in the case of a member which is a body corporate, by representative duly authorized.
- On a show of hands every member entitled to vote and be present in person or by proxy or attorney or representative duly authorised shall have one (1) vote.
- On a poll every member entitled to vote and be present in person or by proxy or attorney or representative duly authorised shall have one (1) vote for each fully paid share of which he is a holder.

4. AUDIT COMMITTEE

As at the date of this report the Group has an Audit Committee and a Remuneration Committee - subcommittees of the Board of Directors.

5. SUBSTANTIAL SHAREHOLDERS

The securities held by substantial shareholders are as follows:

Name	Number of shares
BUTTONWOOD NOMINEES PTY LTD	108,813,520
CS FOURTH NOMINEES PTY LTD	54,771,883
ASIA IMAGE LIMITED	54,500,000