13 October 2015

Market Announcements Office
ASX Limited

NEW GUINEA ENERGY STRATEGY REVIEW

On 15 July 2015 shareholders elected three new Directors to the Board of New Guinea Energy Ltd (NGE or Company) and voted to remove two long-serving Directors, with Sir Michael Bromley continuing as a Non-Executive Director.

The new Board committed to reporting to all shareholders the results of a strategic review within three months of being elected, focussing on:

- Assessing the overhead structure of the Company;
- Increasing the level of disclosure, particularly with regards to the investment in the Western Drilling Limited (WDL) joint venture;
- Ensuring key management are properly aligned with long term share price performance;
- Undertaking a review of NGE's investment opportunities and capital management options, including the potential for share buy-backs or capital returns to all shareholders;
- Ensuring any future investments are driven by sound investment principles; and
- Setting the future strategic direction of the Company.

Today we are pleased to present the results of the strategic review.

New strategic focus

After assessing NGE's capabilities, assets, investments, financial position, overheads, historical performance and future opportunities, the Board has resolved to implement a new corporate strategy:

"NGE will aim to use its strong balance sheet and potential future revenues to invest in attractive opportunities, with the objective of maximising returns for shareholders. The Company will shift from investing in few, high cost, high risk activities to lower risk investments aimed at delivering benefits for shareholders over the medium to long term."

There have been three objectives in the first stage of implementing this strategy:

1. To define, consolidate and rationalise NGE's core business and assets;
2. To minimise ongoing overheads; and
3. To maximise the Company's cash balance.

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1. Define, consolidate and rationalise NGE's core business and assets

Core Papua New Guinea (PNG) assets:

- Petroleum Prospecting Licences (PPL) 266 and PPL 267;
- A 50% share in the Western Drilling Limited (WDL) joint venture;
- Significant long-term upside potential from oil and gas exploration in PNG through the previous sales of PPL 269 and PPL 277 to the three largest investors in the $19Bn PNG LNG project. If Santos, ExxonMobil, and Oil Search have exploration success and convert both of these to Petroleum Development Licences then NGE will receive one-off payments totalling US$28M and if commercial production occurs, uncapped royalty payments from all petroleum produced and sold from PPL 277. NGE announced the potential value of these royalty payments on completion of the sale of PPL 277 on 13 December 2012; and
- Cash balances on 30 September 2015 of PGK11.7M (A$5.6M).

Within the last 3 months the Company strengthened its security of tenure in PPL 266 and PPL 267 after it received approval from the PNG Minister for Petroleum and Energy for variations in work and expenditure programs. The Company is in preliminary discussions with interested parties with a view to potentially farming out these licences to share the costs, risks, and benefits of exploration.

As at 31 December 2014 NGE had loaned WDL a total of US$11.4M. Initial loans from the joint venture partners, NGE and Maps Tuna, were US$5M each and subsequent excess loans from NGE were US$6.4M. As partial payment of NGE's excess loans NGE received US$1.9M from WDL in the second quarter of 2015 and then reloaned US$1M back to WDL in the first two weeks of July prior to the appointment of the new directors. The Board's desire is to achieve better returns from such a significant Company investment.

Over the last 3 months NGE has:

- recovered PGK7.8M (approximately US$2.7M) in excess loan repayments from WDL and expects to receive an additional circa PGK2M (approximately US$0.7M) in the fourth quarter;
- worked to set WDL up as a stand-alone business; and
- begun conversations with interested parties to secure the rig's next tender and to sell equity in the business.

As at 30 September 2015 NGE's total outstanding loan to WDL was US$7.8M and accrued unpaid interest was US$3.3M.

Other minor non-strategic assets within PNG are being marketed and are expected to be a source of additional one-off cash inflow throughout the remainder of the year.

Core Australian assets

- Cash balances of A$12.9M on 30 September 2015;
- Cash balances of USD$0.2M on 30 September 2015;
- Usable tax losses against future potential earnings of A$24.6M; and
- Usable capital losses against future potential capital gains of A$14.7M.

The Company has been progressively converting its currency holdings to Australian dollars to maximise the Australian dollar-denominated cash balances and minimise currency risks.

2. Minimise overheads

Based on the size of the Company, the remaining opportunities to be an operator with the Company's existing assets, and the current conditions in the oil and gas market, the Board believe overhead reductions to be necessary to protect the inherent value in the Company and position NGE to successfully embark on its new investment strategy. Whilst operating capabilities of the Company have been reduced, NGE retains the capability to assess and invest in new opportunities for the future.

In the past 3 months changes have been made to reduce the Company's annual overhead costs from approximately A$2.7M to approximately A$800k effective from 1 January 2016.

This has involved:

- Redundancies and employment terminations in Australia and PNG;
- Relocation of the Port Moresby office to cheaper premises and termination of the Brisbane and Sydney offices and Port Moresby accommodation;
- Minimisation of the use of external consultants and advisors;
- Termination of a range of services and suppliers that were not being fully utilised by the Company;
- Minimisation of travel, accommodation and communication expenses;
- Tighter delegations of authority; and
- A reduction in directors fees, from $360k p.a. plus superannuation for the Executive Chairman and $60k p.a. plus superannuation for Non-Executive Directors, to $75k p.a. for the Non-Executive Chairman and $50k p.a. for Non-Executive Directors, inclusive of superannuation.

Associated restructuring and redundancy cash costs are estimated to be circa A$550k during 2H 2015.

3. Maximise the company's cash balance

Over the last 3 months the Company has focussed on consolidating the business and reducing overheads to maximise its Australian dollar-denominated cash holdings.

As a result of these actions the value of the Company's cash and listed shares has grown from A$16.3M in mid-July to A$20.0M at the end of the third quarter (comprising cash of A$12.9M, PGK11.7M, US$0.2M, and listed shares of circa A$1M).

The Board expects the Company will have at least A$20M in cash and listed shares at the end of 2015 even after restructuring costs are incurred in the fourth quarter. This expectation assumes there are no significant changes in foreign exchange rates and does not take account of funds that may be invested in growth activities or used to buy back shares.

Future investment opportunities

The Company's primary focus over the past 3 months has been on completing the strategic review, and rationalising and consolidating the business, which has increased NGE's current assets by circa 25%. The Company is in the early stage of looking for and assessing investment opportunities consistent with the new corporate strategy.

The deteriorating commodity markets and the increase in distressed asset sales provide opportunities for inorganic growth. NGE intends to exploit its advantageous position of having a debt free balance sheet and a material cash position to grow the business through:

1. Undertaking investments within and beyond the PNG oil and gas sector, with the objective of maximising returns whilst being consistent with a lower risk preference; and
2. Utilising tax losses that have accumulated over the 10 year life of the Company.

The Company is entering an exciting time and the new Board looks forward to adding more value to the Company, delivering a new era of fiscal discipline, implementing a new investment strategy, and maximising returns for all shareholders.

For and on behalf of the Board,

David Lamm	Grant Worner
Chairman	Managing Director
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Disclaimer

Any forecast or other forward-looking statement contained in this announcement involves known and unknown risks and uncertainties and significant elements of subjective judgement and assumptions as to future events which may or may not be correct. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of New Guinea Energy, and may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements.