NuEnergy Gas Limited

ABN 50 009 126 238

ANNUAL REPORT

30 JUNE 2012

Corporate Directory

Company Name:

NuEnergy Gas Limited
ACN: 009 126 238

Directors:

Graeme Robertson - Chairman
Alan Fraser
Jonathan Warrand
Peter Cockcroft

Company Secretary:

Rozanna Lee

Administration Office:

Suite 2001
Level 20 Australia Square
264 George Street
SYDNEY NSW 2000

Phone: (02) 9252 5766
Fax: (02) 9247 8966
E-mail: info@nuenergygas.com

Registered Office:

Suite 2001
Level 20 Australia Square
264 George Street
SYDNEY NSW 2000

Share Registry Office:

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

Auditor:

BDO East Coast Partnership
Level 14, 140 William Street
MELBOURNE VIC 3000

Stock Exchange Listing:

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

Incorporated:

Western Australia
26 March 1985

Website:
www.nuenergygas.com

INDEX:

NUENERGY GAS LIMITED - CORPORATE GOVERNANCE STATEMENT

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

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

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

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

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

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

Principle 2: Structure the Board to add value

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

Actively promote ethical and responsible decision-making

Principle 3: Promote ethical and responsible decision-making

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

Have a structure to independently verify and safeguard the integrity of the Company's financial reporting

Principle 4: Safeguard integrity in financial reporting

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

Promote timely and balanced disclosure of all material matters concerning the Company

Principle 5: Make timely and balanced disclosure

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

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

Principle 6: Respect the rights of shareholders

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

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

Principle 7: Recognise and manage risk

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

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

Principle 8: Remunerate fairly and responsibly

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

Directors' Report

The Directors present the financial report of NuEnergy Gas Limited ("the Company" or "NuEnergy") and its controlled entities ("the consolidated entity"), for the year ended 30 June 2012.

DIRECTORS

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

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

Appointed 29 March 2011.

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

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

Alan Fraser – Non-Executive Director

Appointed 20 January 1992.

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

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

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

Appointed 12 April 2011.

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

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

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

Appointed 15 June 2011.

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

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

Mr Warrand is an Executive Director of Intra Energy Corporation Limited (ASX:IEC) and was a Non-Executive Director of Chancery Managed Investments Limited (a subsidiary of Oxley Group, based in Singapore).

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

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

Management

Christopher Newport – Chief Executive Officer - *CA, BEc*

Appointed 20 September 2011.

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

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

Company Secretaries

Rozanna Lee

Appointed 16 August 2011.

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

Monika Kwiatkowski

Appointed 16 August 2011. Resigned 20 October 2011

Adrien Wing

Resigned 16 August 2011

DIRECTORS' AND MANAGEMENT INTERESTS

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

	Shares	Unlisted options
AR Fraser	431,665	500,000
J Warrand	678,889	-
P Cockcroft	-	-
G Robertson	30,547,991	-
C Newport	305,555	500,000

REMUNERATION REPORT (audited)

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

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

Non-Executive Director Remuneration

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

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

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

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

Key Management Personnel Compensation

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

REMUNERATION REPORT (continued)

Details of Remuneration for Year Ended 30 June 2012

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

	Short –term employment benefits and fees		Post-employment	Equity		
	Salary, Fees and Commissions $	Consulting Fees $	Superannuation Contribution $	Options Received as Compensation $	Share based Related Compensation %	Total $
Non-Executive Directors						
Mr G Robertson	40,000	-	-	-	-	40,000
Mr A Fraser	40,000	50,000	20,000	-	-	110,000
Mr J Warrand	40,000	82,500	-	-	-	122,500
Mr P Cockcroft	40,000	28,978	-	-	-	68,978
Management						
Mr C Newport	346,522	-	-	-	-	346,522
Total	506,522	161,478	20,000	-	-	688,000

Options Issued as Part of Remuneration for the Year Ended 30 June 2012

There were no options issued as remuneration during the year ended 30 June 2012.

Shares Issued as Part of Remuneration for the Year Ended 30 June 2012

There were no shares issued as remuneration during the year ended 30 June 2012.

Details of Remuneration for Year Ended 30 June 2011

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

	Short–term employment benefits		Post-employment	Equity		
	Salary, Fees and Commissions $	Consulting Fees $	Superannuation Contribution $	Options Received as Compensation $	Share based Related Compensation %	Total $
Non-Executive Directors						
Mr A Fraser (Chairman)	40,000	214,400	-	-	-	254,400
Mr J Warrand	1,676		-	-	-	1,676
Mr P Cockcroft	8,428		-	-	-	8,428
Mr G Robertson	10,000		-	-	-	10,000
Mr D Martino (resigned 18 May 2011)	8,428		-	-	-	8,428
Mr G Harper (resigned 30 April 2011)	40,000	151,122	-	-	-	191,122
Mr L Martino (resigned 29 March 2011)	30,261	8,950	-	-	-	39,211
Management						
Mr P Underwood (resigned 31 December 2010)	173,850		15,647	29,706	13.6	219,203
Mr A Wing (resigned 16 August 2011)	51,000		-	-	-	51,000
Total	363,643	374,472	15,647	29,706		783,468

REMUNERATION REPORT (continued)

Options Issued as Part of Remuneration for the Year Ended 30 June 2011

There were no options issued as remuneration during the year ended 30 June 2011

Shares Issued as Part of Remuneration for the Year Ended 30 June 2011

There were no shares issued as remuneration during the year ended 30 June 2011.

Executive Services Agreements

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

End of Remuneration Report

DIRECTORS' MEETINGS

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

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

PRINCIPAL ACTIVITIES

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

CONSOLIDATED RESULTS

The net consolidated loss of the consolidated entity for the year after income tax attributable to members of the parent entity was $1,606,299 (2011 profit: $4,612,070).

DIVIDENDS

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

LIKELY DEVELOPMENTS

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

SHARE OPTIONS

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

	2012	2011
Terms of options	**No. of options**	**No. of options**
Exercisable at 40 cents on or before 31 December 2012	1,500,000	1,500,000
Exercisable at 40 cents on or before 14 January 2013	12,500,000	12,500,000
Exercisable at 48 cents on or before 8 February 2014	1,250,000	1,250,000
Exercisable at 60 cents on or before 1 June 2014	1,250,000	1,250,000
Exercisable at 80 cents on or before 1 December 2014	1,250,000	1,250,000
Exercisable at 12.2 cents on or before 20 December 2014	500,000	-
Exercisable at 80 cents on or before 28 February 2014	500,000	500,000
Total	**18,750,000**	**18,250,000**

STATE OF AFFAIRS – SIGNIFICANT CHANGES

During the year, the Company issued 76,130,897 shares raising $6,851,781 in cash proceeds before costs.

EVENTS SINCE BALANCE DATE

The Directors are not aware of any matter or circumstance that has arisen since 30 June 2012 that has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years, except for the following:

- In July 2012 NuEnergy paid annual ground rent fees to the Malawi Government for the Exclusive Prospecting Licence No. EPL0360/12 under the Mines and Minerals Act 1981. The Prospecting Licence, signed by Malawi's Minister of Energy and Mining, grants NuEnergy the exclusive rights to over 346 square kilometres of prospective CBM ground in the south of Malawi for a period of 3 years.
- In July 2012, Christopher Newport was issued 250,000 shares and 500,000 options in NuEnergy Gas Limited as part of the sign-on commitments under his remuneration package.
- In August 2012 the independent members of the Board resolved to enter into a drilling contract with AAA Drilling Pty Limited, a subsidiary of Intra Energy Corporation (ASX:IEC), a related party of Graeme Robertson and Jonathan Warrand, for the drilling of NuEnergy's first exploration well in Tanzania. The contract is for drilling with an estimated value of $250,000.

REVIEW OF OPERATIONS

During the year ended 30 June 2012, NuEnergy focussed on its Coal Bed Methane (CBM) exploration and drilling activities at the Company's Production Sharing Contracts (PSC) in Sumatra, Indonesia as well as exploration for CBM and shale gas acreage in East Africa.

On 19 September 2011, the Company appointed Mr Christopher Newport as Chief Executive Officer. His role is to implement NuEnergy's strategy by appraising and commercialising gas resources contained within the Company's CBM PSC areas in Indonesia and securing, exploring and developing the Company's CBM and shale gas positions in East Africa.

INDONESIA

NGY has three operated PSCs in Indonesia:

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

On 4 August 2011, NuEnergy signed its first joint operating agreement with its partner PT Pertamina Hulu Energi Metana Sumatera (an affiliated company of PT Pertamina, an Indonesian state owned oil company) for the Muara Enim PSC. This was an important milestone in strengthening the ongoing relationship and capabilities between the Company and PT Pertamina.

COMMENCEMENT OF DRILLING IN SOUTH SUMATRA

The Muara Enim and Muara Enim II PSCs are located in the South Sumatra basin. Together they comprise a combined area of 1,861 km^2.

On 24 November 2011, the Company commenced drilling at its Muara Enim PSC area to core and log gas content and quality. The Company completed two wells during the year ended 30 June 2012.

Muara Enim Well #1

On 16 January 2012, NuEnergy successfully completed drilling of its first well at its Muara Enim PSC reaching a depth of 733 metres. Results from the well are positive with a total of 38.2 metres (net) of coal confirmed with one continuous coal seam of 19 metres identified.

Laboratory results confirmed a high methane content and gas-in-place estimate.

The results of laboratory testing on coal cores from Well #1 are as follows:

Gas Content	-	115 scf/t (daf).
Gas Composition	-	92.7 % to 98.3 % for CH_4.
	-	Minor CO^2.
Gas Saturation	-	88 %.

These gas content and quality results are consistent with NuEnergy's understanding of the South Sumatra coal basin and better than previous estimates made by reserves experts of gross gas-in-place in Muara Enim PSC at 7.25 billion cubic feet ("Bcf") per km². Given Muara Enim PSC covers an area of 652.6 km², this result generates an estimated gross gas-in-place net to NuEnergy of 1.89 trillion cubic feet ("Tcf"). The gross gas-in-place estimates are generated and supported by the thick continuous coal seams in South Sumatra, high gas saturation and high methane content.

Muara Enim Well #2

On 30 May 2012, NuEnergy successfully completed Well #2 at its Muara Enim PSC which was drilled to a total depth of 840 metres. After neutron density and resistivity logging this well was cased to enable use as a future pilot production well that will test permeability, water and gas productivity from the Suban Coal seam.

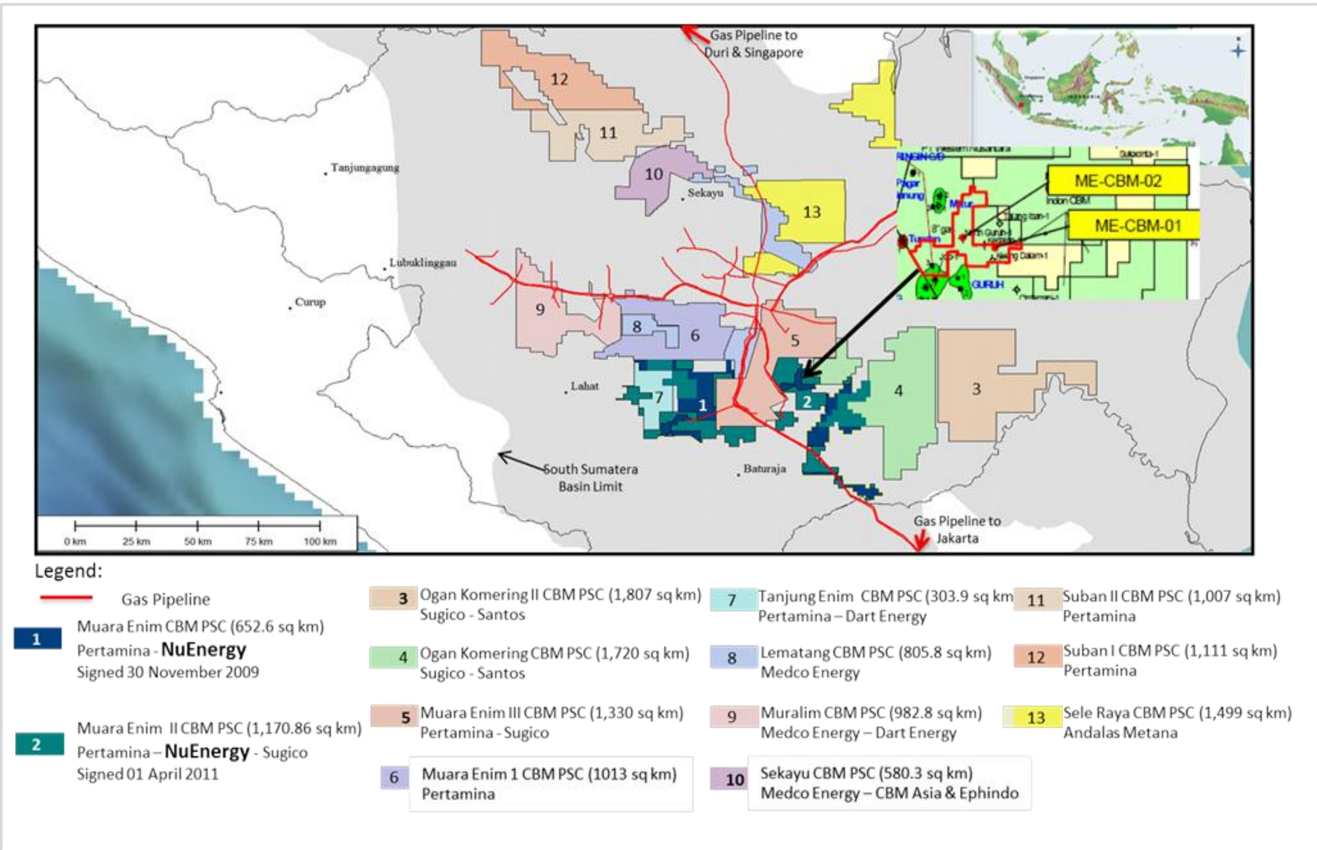
Results from Well #2 showed net coal seam thickness of 43 metres for the Suban and Mangus formations. The Suban coal seam intersected over the interval 669 to 713 metres with a total of 24 metres of coal seam thickness.

Suban Coal Quality:

- Black & Sub – Bituminous.
- Conchoidal Fractures.
- Face & Rare Butt Cleats regularly distributed with no fill.
- Ash content ~ 6%.
- Moisture content ~ 14%.
- Relative density ~ 1.33 g/cc.

Well site observations suggest that the coals intersected in Well #2 are broadly similar to those proved in Well #1 in terms of quality and total thickness. Well #2 coal cores from the Suban and Mangus seams are currently being analysed by Geoservices for gas content and quality.

Location Map – Muara Enim PSCs and Wells #1 & 2



South Sumatra Drilling and Development Operations

The next phase of the NuEnergy 2012 South Sumatra exploration and development program is to prove the permeability and productivity of the Suban and Mangus coal seams in both Muara Enim PSC and Muara Enim II PSC where the total net coal seams are up to 88 metres (288 feet) thick.

A pilot production well project is currently underway in Muara Enim PSC with a view to generating first water and gas production for small scale power generation.

The Company has engaged Netherland Sewell and Associates Incorporated to report their assessment of the gas resources in Muara Enim PSC together with Muara Enim II and Rengat PSC's.

Rengat PSC

Rengat PSC is located in the central Sumatra coal basin. This PSC covers an area of approximately 3,000km² and is in the vicinity of major gas pipeline infrastructure. Given its 100% interest, the Company continues to seek partners in the PSC to balance the portfolio and generate funds for other exploration and development activities.

EAST AFRICA

Tanzania

During the year NuEnergy made its entry into East Africa endeavouring to expand its CBM and shale gas footprint. The Company, through its wholly owned subsidiary, NuEnergy Gas (Tanzania) Limited, signed CBM joint venture agreements on 17 November 2011 with Tancoal Energy Limited ("Tancoal"), a public private partnership subsidiary of Intra Energy Corporation Limited (ASX:IEC) and the National Development Corporation of Tanzania and Tanzacoal East Africa Mining Limited, a subsidiary of IEC and Olympic Exploration Ltd, over all of their East African coal tenements. These agreements marked the entry of NuEnergy into the CBM business in East Africa consistent with the company's strategy.

On 4 June 2012, the Company's wholly owned subsidiary, NuEnergy Gas (Tanzania) Limited, agreed and signed a variation to the Joint Venture Agreement with Tancoal dated 17 November 2011. The agreement captures all unconventional gas, including CBM and shale gas.

Malawi

Subsequent to balance date, NuEnergy paid annual ground rent fees to the Malawi Government in order to formally obtain the Exclusive Prospecting Licence No. EPL0360/12 under the Mines and Minerals Act 1981. The Prospecting Licence, signed by Malawi's Minister of Energy and Mining, grants NuEnergy the exclusive rights to over 346 km² of prospective CBM ground in the south of Malawi for a period of three (3) years.

CAPITAL RAISING

During the year, NuEnergy completed the following capital raising:

1. A 15% share placement of 18,720,712 shares at $0.09 was completed on 14 December 2011, raising approximately $1.7 million before costs.

2. A fully underwritten non-renounceable rights issue of 57,410,185 new shares, raising approximately $5.2 million before costs.

   Under the rights issue, NuEnergy offered its Australian and New Zealand based shareholders two fully paid ordinary shares for every five fully paid ordinary shares that they held on 16 December 2011, at an issue price of $0.09 per new share. The offer closed on 31 January 2012.

COMPANY NAME CHANGE

With approval of its shareholders obtained at the Company's AGM held on 25 November 2011, the Company changed its name from NuEnergy Capital Limited to NuEnergy Gas Limited. This name change was registered and made effective by ASIC during the year ended 30 June 2012.

More information on NuEnergy can be found on the Company's website: www.nuenergygas.com

UNMARKETABLE SHARE PARCEL CONSOLIDATION

During the year, NuEnergy initiated an "unmarketable parcel" share sale facility for shareholdings of under $500 in value. The offer closed on 25 May 2012, which allowed NuEnergy to reduce the administrative costs associated with maintaining a large number of small shareholdings.

FINANCIAL POSITION

The consolidated entity reported a net loss after tax attributable to members of the parent entity for the year of $1,606,299 (2011 profit: $4,612,070). The net asset position of the consolidated entity increased during the year. The primary reasons related to additional equity funds raised during the year of $6,851,781 before costs.

ENVIRONMENTAL CONSIDERATIONS

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

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITORS

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

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

NON-AUDIT SERVICES

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

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

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

The following non-audit services were provided by the Company's auditor during the year to June 2012:

- $18,057 – Taxation services

AUDITOR'S INDEPENDENCE DECLARATION

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

PROCEEDINGS ON BEHALF OF THE COMPANY

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

Signed in accordance with a resolution of Directors.

Graeme Robertson
Chairman
Sydney, 7 September 2012

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Australia

DECLARATION OF INDEPENDENCE BY JAMES MOONEY TO THE DIRECTORS OF NUENERGY GAS LIMITED

As lead auditor of NuEnergy Gas Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of NuEnergy Gas Limited and the entities it controlled during the period.

James Mooney
Partner

BDO East Coast Partnership

Melbourne, 7 September 2012

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BDO East Coast Partnership ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.

DECLARATION BY DIRECTORS

The Directors of the Company declare that:

1. The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows, and accompanying notes, are in accordance with the *Corporations Act 2001* and:

   (a) comply with Accounting Standards and the *Corporations Regulations 2001*; and

   (b) give a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date.

2. The Company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

3. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

4. The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A.

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

Graeme Robertson
Chairman

Dated at Sydney, 7 September 2012

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

	Note	Consolidated 2012 $	2011 $
Revenues	2	361,479	103,848
Expenses:			
Directors’ and employees’ remuneration		560,402	734,984
Consultants		679,316	1,017,662
Exploration costs written off		-	363,939
Administration	3	918,006	829,232
Foreign exchange loss on Indon CBM loan		-	2,281,679
Depreciation		63,544	10,965
Interest		25	22,522
Provision/(reversal) for Indon CBM loan		-	(9,326,230)
Other	25	139,487	285,644
(Loss)/profit before income tax		(1,999,301)	3,883,451
Income tax benefit	4	352,899	665,042
Net (loss)/profit for the year		(1,646,402)	4,548,493
Other comprehensive income:			
Movement in fair value of available for sale financial assets		(37,305)	-
Foreign currency translation reserve		125,355	291,158
Income tax on other comprehensive income		-	-
Total comprehensive income for the year		(1,558,352)	4,839,651
Net (Loss)/profit attributable to:			
Members of the parent entity		(1,606,299)	4,612,070
Non-controlling interest		(40,103)	(63,577)
		(1,646,402)	4,548,493
Total comprehensive income attributable to:			
Members of the parent entity		(1,518,249)	4,903,228
Non-controlling interest		(40,103)	(63,577)
		(1,558,352)	4,839,651
Basic earnings (loss) per share (cents per share)	17	(1.01)	6.21
Diluted earnings (loss) per share (cents per share)	17	(1.01)	6.21

The statement of comprehensive income should be read in conjunction with the notes to the financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

	Note	Consolidated 2012 $	2011 $
CURRENT ASSETS			
Cash and cash equivalents		8,144,777	7,812,393
Trade and other receivables	5	480,245	357,793
TOTAL CURRENT ASSETS		8,625,022	8,170,186
NON-CURRENT ASSETS			
Available for sale financial assets	6	49,740	87,045
Plant and equipment	7	200,379	158,859
Exploration and evaluation	8	45,815,648	40,242,074
Other financial assets	9	1,681,605	1,712,398
TOTAL NON-CURRENT ASSETS		47,747,372	42,200,376
TOTAL ASSETS		56,372,394	50,370,562
CURRENT LIABILITIES			
Trade and other payables	10	1,808,355	218,040
Provisions	11	63,530	53,164
TOTAL CURRENT LIABILITIES		1,871,885	271,204
NON-CURRENT LIABILITIES			
Deferred tax liabilities	12	10,504,410	10,857,309
Provisions	11	10,000	10,000
TOTAL NON-CURRENT LIABILITIES		10,514,410	10,867,309
TOTAL LIABILITIES		12,386,295	11,138,513
NET ASSETS		43,986,099	39,232,049
EQUITY			
Issued capital	13	65,459,528	59,147,126
Reserves	14	11,229,786	11,141,736
Accumulated losses		(33,041,662)	(31,435,363)
Parent entity interest		43,647,652	38,853,499
Non-controlling interest		338,447	378,550
TOTAL EQUITY		43,986,099	39,232,049

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

	Issued Capital	Reserves	Accumulated Losses	Non-Controlling Interest	Total Equity
	$	$	$	$	$
At 1 July 2010	26,363,715	10,953,768	(36,047,433)	-	1,270,050
Shares issued	13,000,000	-	-	-	13,000,000
Acquisition of Indon CBM	20,400,000	-	-	442,127	20,842,127
Share issue costs	(616,589)	-	-	-	(616,589)
Options issued	-	62,756	-	-	62,756
Exploration written off	-	(165,946)	-	-	(165,946)
Total comprehensive income for the year	-	291,158	4,612,070	(63,577)	4,839,651
At 30 June 2011	59,147,126	11,141,736	(31,435,363)	378,550	39,232,049

	Issued Capital	Reserves	Accumulated Losses	Non-Controlling Interest	Total Equity
	$	$	$	$	$
At 1 July 2011	59,147,126	11,141,736	(31,435,363)	378,550	39,232,049
Shares issued	6,851,781	-	-	-	6,851,781
Share issue costs	(539,379)	-	-	-	(539,379)
Options issued	-	-	-	-	-
Total comprehensive income for the year	-	88,050	(1,606,299)	(40,103)	(1,558,352)
At 30 June 2012	65,459,528	11,229,786	(33,041,662)	338,447	43,986,099

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2012

	Note	Consolidated 2012 $	2011 $
Cash Flows from Operating Activities			
Receipts from customers and others		25,325	-
Payments to suppliers and employees		(1,897,493)	(3,007,634)
Interest received		391,009	18,825
Net Cash Flows used in Operating Activities	19	(1,481,159)	(2,988,809)
Cash Flows from Investing Activities			
Payments for bank guarantees		-	(509,414)
Acquisition of Indon CBM		-	917,453
Payments for mining exploration expenditure		(4,498,859)	(675,312)
Payments for plant and equipment		-	(167,807)
Payment to Indon CBM Ltd – loan		-	(2,283,027)
Net Cash Flows used in Investing Activities		(4,498,859)	(2,718,107)
Cash Flows from Financing Activities			
Proceeds from share issues		6,851,781	13,000,000
Costs associated with capital raising		(539,379)	(583,539)
Net Cash Flows provided by Financing Activities		6,312,402	12,416,461
Net increase in Cash and Cash Equivalents		332,384	6,709,545
Cash and Cash Equivalents at the beginning of the financial year		7,812,393	1,102,848
Cash and Cash Equivalents at the end of the financial year		8,144,777	7,812,393

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report, prepared in accordance with Australian Accounting Standards (including Australia Accounting Interpretations), and the Corporations Act 2001.

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

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

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

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

Basis of Preparation and Statement of Compliance

The financial report complies with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board. NuEnergy Gas Limited is a for profit entity for the purposes of these financial statements.

The financial report is presented in Australian Dollars and is prepared on the historical cost basis.

Going Concern Basis

The consolidated entity has incurred a loss of $1,646,402 and had net cash outflows from operations of $1,481,159 for the year ended 30 June 2012. The consolidated entity has no ongoing source of operating income and is dependent on raising capital to fund its ongoing activities.

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

The directors believe the going concern basis is appropriate for the following reasons:

- At 30 June 2012 the consolidated entity had cash and cash equivalents of $8,144,777.
- The directors have prepared cash flow forecasts which include further capital raisings to meet all planned expenditure programs. However, in the event that future capital raisings are delayed, the consolidated entity has the ability to scale down its operations to satisfy its minimum expenditure requirements. The consolidated entity has sufficient cash to fund minimum expenditure requirements from existing reserves for a period of not less than 12 months from the date of this report.

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

Significant assumptions and key estimates

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

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

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

(i) Basis of consolidation

The consolidated financial statements comprise the financial statements of NuEnergy Gas Limited and its controlled entities ("the consolidated entity"). The financial statements of controlled entities are prepared for the same reporting period as the parent company, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered. Controlled entities are consolidated from the date on which control is transferred to the consolidated entity and cease to be consolidated from the date on which control is transferred out of the consolidated entity.

Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which NuEnergy Gas Limited had control.

Business Combinations

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

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

(ii) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

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

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

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

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

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

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

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

(iii) Exploration and evaluation expenditure

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

(i) the right to tenure of the area of interest are current; and

(ii) at least one of the following conditions is also met;

- the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and
- exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

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

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

Restoration, Rehabilitation and Environmental Expenditure

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

Project Costs

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

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

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

(iv) Impairment of assets

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

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

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

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

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

(v) Cash and cash equivalents

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

(vi) Trade and other receivables

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

(vii) Trade and other payables

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

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

(viii) Employee Benefits

Liabilities arising in respect of wages and salaries, annual leave, sick leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

(ix) Leases

Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term.

(x) Share Capital

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

(xi) Revenue

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

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

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

(xii) Income Tax

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

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

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

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

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

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

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

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

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

(xiii) Other taxes

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

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

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

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

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

(xiv) Investments in listed investments

Investments and other financial instruments

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

Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

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

Loans and receivables

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

(xv) Interests in Joint Ventures

The following are recognised in the financial statements:

(i) Jointly controlled operations

Assets controlled and liabilities and expenses incurred and the share of income earned from the sale of goods and services by the joint venture.

(ii) Jointly controlled assets

The share of jointly controlled assets (classified according to the nature of the assets), any liabilities and share of expenses incurred jointly, any income from the sale or use of a share of output together with share of expenses incurred and expenses incurred by the entity in respect of the joint venture.

(iii) Jointly controlled entities

Interests in jointly controlled entities are accounted for and reported using the equity method whereby an interest in a jointly controlled entity is initially recorded at cost and adjusted thereafter for the post acquisition change in the share of net assets of the jointly controlled entity. The Statement of Comprehensive Income reflects the share of the results of operations of the jointly controlled entity.

Interests in jointly controlled entities that are classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

(xvi) Foreign Currency Translation

Transactions and balances

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

Controlled entities

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

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

Exchange differences arising on translation of foreign operations are transferred directly to the consolidated entity's foreign currency translation reserve. These differences are recognized in the income statement in the period in which the operation is disposed.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

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

(xvii) Comparative Figures

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

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

(xviii) Share-based payment arrangements

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

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

(xix) Impact of Adopting New Accounting Standards and New/Revised Accounting Standards Not Yet Effective

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the consolidated entity. The consolidated entity has decided not to early adopt any of the new and amended pronouncements. The consolidated entity's assessment of the new and amended pronouncements that are relevant to the consolidated entity but applicable in future reporting periods is set out below.

AASB 9: Financial Instruments (December 2010) and AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applicable for annual reporting periods commencing on or after 1 January 2013).

These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

The consolidated entity has not yet been able to reasonably estimate the impact of these pronouncements on its financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

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

(xix) Impact of Adopting New Accounting Standards and New/Revised Accounting Standards Not Yet Effective (cont'd)

AASB 2010–8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012).

This Standard makes amendments to AASB 112: Income Taxes and incorporates Interpretation 121: Income Taxes – Recovery of Revalued Non-Depreciable Assets into AASB 112.

Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

The amendments are not expected to significantly impact the consolidated entity.

AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011), AASB 128: Investments in Associates and Joint Ventures (August 2011) and AASB 2011–7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009–11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17] (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 10 replaces parts of AASB 127: Consolidated and Separate Financial Statements (March 2008, as amended) and Interpretation 112: Consolidation – Special Purpose Entities. AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. The consolidated entity has not yet been able to reasonably estimate the impact of this Standard on its financial statements.

AASB 11 replaces AASB 131: Interests in Joint Ventures (July 2004, as amended). AASB 11 requires joint arrangements to be classified as either "joint operations" (where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or "joint ventures" (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement). Joint ventures are required to adopt the equity method of accounting (proportionate consolidation is no longer allowed).

AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a "structured entity", replacing the "special purpose entity" concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. This Standard will affect disclosures only and is not expected to significantly impact the consolidated entity.

To facilitate the application of AASBs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued. These Standards are not expected to significantly impact the consolidated entity.

AASB 13: Fair Value Measurement and AASB 2011–8: Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009–11, 2010–7, 101, 102, 108, 110, 116, 17, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132] (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurement.

AASB 13 requires:

- inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and

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

(xix) Impact of Adopting New Accounting Standards and New/Revised Accounting Standards Not Yet Effective (cont'd)

- enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) to be measured at fair value.

These Standards are not expected to significantly impact the consolidated entity.

- AASB 2011–9: Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049] (applicable for annual reporting periods commencing on or after 1 July 2012).

The main change arising from this Standard is the requirement for entities to consolidated entity items presented in other comprehensive income (OCI) on the basis of whether they are potentially re-classifiable to profit or loss subsequently.

This Standard affects presentation only and is therefore not expected to significantly impact the consolidated entity.

	Consolidated	
	2012	2011
	$	$
NOTE 2: REVENUE		
Operating Activities	-	-
Non-Operating Activities		
Interest	361,479	103,848
Total revenues	361,479	103,848
NOTE 3: EXPENSES		
Included in Administration Expenses are:		
Legal	54,726	283,008
Travel	257,159	80,036
Accounting fees	55,913	70,526
Audit fees	47,798	65,229
Stock Exchange fees	47,395	122,378
Share Registry	30,520	35,593
Management fees	200,750	-
Recruitment	65,625	-
Insurance	20,997	21,545
Other administrative expenses	137,123	150,917
	918,006	829,232

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 4: TAXATION

	Consolidated 2012 $	Consolidated 2011 $
Income Tax Expense Prima facie income tax (benefit) on result varies from the income tax provided in the financial statements as follows:		
Prima facie income tax benefit on result before income tax at 30% (2011: 30%)	(599,790)	1,165,035
Non-deductible expenses	531	723,337
Non assessable income	-	(2,812,025)
Temporary differences not recognised	27,002	32,067
Unused tax losses incurred in overseas controlled entities	65,802	-
Unused tax losses not recognised as deferred tax assets	200,040	438,148
Effect of tax rate in foreign countries	(46,484)	(211,604)
Income Tax Benefit	(352,899)	(665,042)
Deferred tax asset Estimated deferred tax asset not recognised as an asset because recovery is not probable		
Tax losses – revenue	2,514,091	2,314,051
Tax losses – capital	494,009	494,009
	3,008,100	2,808,060
Movement in deferred tax liability		
Exploration and evaluation acquired	10,857,309	11,522,351
Income tax benefit	(352,899)	(665,042)
	10,504,410	10,857,309

The potential deferred tax asset will only be realised if:

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	Consolidated 2012 $	2011 $
NOTE 5: TRADE AND OTHER RECEIVABLES		
Current		
Interest receivable	52,197	85,023
GST receivable	23,822	77,115
Sundry receivables	241,755	195,655
Prepayments	162,471	-
	480,245	357,793

NOTE 6: AVAILABLE FOR SALE FINANCIAL ASSETS

Non-Current

	2012 $	2011 $
(a) Available-for-sale financial assets		
Shares in listed securities at fair value	49,740	87,045

(b) Controlled Entities

The controlled entities listed below are 100% owned (unless stated otherwise), (2011 – 100%) incorporated in Australia (unless stated otherwise) and have a balance date of 30 June.

- Indon CBM Pty Ltd – acquired on 1 March 2011
- PT Trisula CBM Energi (Incorporated in Indonesia) – acquired 95% on 1 March 2011
- NuEnergy Gas (Singapore) Pte Limited
- NuEnergy Gas (Tanzania) Limited
- Rushworth Strategic Investments Pty Ltd
- Pourmore Pty Ltd
- Sheraton Pines Pty Ltd
- Opinionex Pty Ltd

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	Consolidated	
	2012	2011
	$	$

NOTE 7: PLANT AND EQUIPMENT

Non-Current		
Plant and equipment at cost	280,560	175,496
Less: Accumulated depreciation	(80,181)	(16,637)
	200,379	158,859

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

Non-Current		
Plant and equipment		
Balance at beginning of year	158,859	-
Acquisition of Indon CBM	-	2,017
Additions	105,064	167,807
Depreciation	(63,544)	(10,965)
Balance at end of year	200,379	158,859

NOTE 8: EXPLORATION AND EVALUATION

Exploration expenditure incurred	45,815,648	40,242,074

Balance at beginning of year	40,242,074	270,046
Acquisition of Indon CBM	-	39,826,601
Write off against asset revaluation reserve	-	(165,946)
Expenditure incurred during the year	5,469,870	675,312
Revaluation due to foreign currency movement	103,704	-
Expenditure written off	-	(363,939)
Balance at end of year	45,815,648	40,242,074

	Consolidated 2012 $	Consolidated 2011 $
NOTE 9: OTHER FINANCIAL ASSETS		
Current		
Loan to Indon CBM Ltd	-	-
Allowance for impairment loss (a)	-	-
	-	-
(a) Allowance for impairment loss		
Opening balance	-	9,326,230
Allowance reversed in prior year	-	(9,326,230)
Closing balance	-	-

The loan provided to Indon CBM Ltd is secured by way of a Deed of Charge over all the assets and undertakings of Indon CBM Ltd.

	2012 $	2011 $
Non-Current		
Term deposits and guarantees in relation to mining leases	1,681,605	1,712,398

		Consolidated	
		2012	**2011**
		$	**$**

NOTE 10: TRADE AND OTHER PAYABLES

Current			
Trade creditors and accruals		1,808,258	140,431
Related party payables	22	97	77,609
		1,808,355	218,040

NOTE 11: PROVISIONS

Current		
Employee benefits	63,530	53,164
Non-Current		
Mine restoration obligations	10,000	10,000
Movement in provision		
Opening balance	10,000	10,000
Utilised	-	-
	10,000	10,000

NOTE 12: DEFERRED TAX LIABILITIES

Non-Current		
Exploration and evaluation	10,504,410	10,857,309

	Consolidated 2012 $	Consolidated 2011 $
NOTE 13: ISSUED CAPITAL		
Issued and Paid Up Capital 200,935,648 (2011: 124,804,751) Fully paid ordinary shares	65,459,528	59,147,126

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

Movements in shares on issue

Date of issue	Particulars	Issue price	No. of Shares	$
	Opening balance 1 July 2010		**188,629,912**	**26,363,715**
	1 for 4 Share consolidation		(141,472,220)	-
17/01/11	Options exercised	20 cents	10,000,000	2,000,000
23/02/11	Options exercised	20 cents	10,000,000	2,000,000
01/03/11	Acquisition of Indon CBM Limited	51 cents	40,000,000	20,400,000
01/03/11	Prospectus capital raising	51 cents	17,647,059	9,000,000
	Share issue costs – cash			(583,539)
	Share issue costs – options			(33,050)
	Closing Balance – 30 June 2011		**124,804,751**	**59,147,126**
14/12/11	Placement capital raising	9 cents	18,720,712	1,684,864
31/01/12	Rights Issue capital raising	9 cents	57,410,185	5,166,917
	Share issue costs - cash			(539,379)
	Closing Balance – 30 June 2012		**200,935,648**	**65,459,528**

Movements in options on issue

Date of issue	Particulars	No. of Options	$
	Opening balance 1 July 2010	**121,000,000**	**10,825,127**
01/07/10	Chief Executive Officer options – share based payment (i)	-	29,706
25/08/10	Options cancelled	(10,000,000)	-
25/08/10	1 for 4 consolidation	(83,250,000)	-
17/01/11	Piggyback Options exercised	(10,000,000)	-
17/01/11	Replacement Options issued	10,000,000	-
23/02/11	Replacement Options exercised	(10,000,000)	-
01/03/11	Prospectus brokerage fees	500,000	33,050
	Closing balance – 30 June 2011	**18,250,000**	**10,887,883**
	There were no options issued during the year ended 30 June 2012.	-	-
	Closing balance – 30 June 2012	**18,250,000**	**10,887,883**

(i) Adjustment to value of options issued and vested in the year ended 30 June 2010, which were cancelled and reissued with new exercise terms.

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

NOTE 13: ISSUED CAPITAL (CONT'D)

Share based payment options terms and conditions:

	Brokerage Options
Date Issued	01/03/11
Number (post consolidation)	500,000
Vesting date	01/03/11
Expiry date	28/02/14
Exercise price (post consolidation)	80 cents
Option term (years)	3
Share price at grant date	20 cents
Expected share price volatility	95%
Risk free interest rate	5.09%
Option Value	6.61 cents

	2012		**2011**	
Share based payment options	**Number of Options**	**Weighted Average Exercise Price**	**Number of Options**	**Weighted Average Exercise Price**
Options outstanding at beginning of the year	5,750,000	58.25 cents	71,000,000	10.14 cents
Expired or cancelled	-	-	(10,000,000)	20 cents
1 for 4 consolidation	-	-	(45,750,000)	-
Granted	-	-	10,500,000	22.06 cents
Exercised	-	-	(20,000,000)	20 cents
Options outstanding at end of the year	5,750,000	58.25 cents	5,750,000	58.25 cents
Exercisable at year end	5,750,000	58.25 cents	5,750,000	58.25 cents

Option Valuations

Fair values at grant date are determined using an appropriate option pricing model that takes into account the exercise price, the term of the option, the share price at grant date, expected price volatility of the underlying share and the risk free interest rate for the term of the option. The fair value of the options granted to employees is deemed to represent the value of the option services over the vesting period. The model inputs for the Black-Scholes model used for options granted during the year ended 30 June 2011 are as disclosed above. Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future movements.

Shares and Options Issued Since Balance Date

250,000 shares and 500,000 options were issued to Christopher Newport, Chief Executive Officer, subsequent to balance date as part of his sign-on arrangement under his remuneration agreement. Refer to the Remuneration Report section of the Directors' Report for further details.

Terms and Conditions of Issued Capital

Ordinary shares

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

NOTE 13: ISSUED CAPITAL (CONT'D)

Options

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

Capital Risk Management

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

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

There is no current intention to incur debt funding on behalf of the Company. The consolidated entity is not subject to any externally imposed capital requirements. No dividends were paid in 2012.

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

	Note	Consolidated 2012 $	Consolidated 2011 $
NOTE 14: RESERVES			
Foreign Currency Translation Reserve		416,513	291,158
Available for Sale Financial Asset Reserve		(74,610)	(37,305)
Options Premium Reserve		10,887,883	10,887,883
		11,229,786	11,141,736
Movement in Foreign Currency Translation Reserve:			
Balance at beginning of year		291,158	-
Movement during the year		125,355	291,158
		416,513	291,158

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

	Note	2012 $	2011 $
Movement in Available for Sale Financial Asset Reserve:			
Balance at beginning of year		(37,305)	(37,305)
Revaluation of available for sale financial assets		(37,305)	-
		(74,610)	(37,305)

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

	Note	2012 $	2011 $
Movement in Options Premium Reserve:			
Balance at beginning of year		10,887,883	10,825,127
Options Issued	13	-	62,756
		10,887,883	10,887,883

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

	Consolidated 2012 $	Consolidated 2011 $
NOTE 15: AUDITOR'S REMUNERATION		
Amounts paid or due and payable for:		
Audit or review services – BDO (formerly PKF)	42,000	41,229
Audit or review services – (overseas BDO firms)	1,953	-
Audit or review services – (non BDO firms)	3,845	24,000
Other services:		
Tax compliance services - BDO	18,057	4,000
Corporate advisory services – BDO	-	18,000
	65,855	87,229

NOTE 16: KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Details of Directors and Executives during the year

(i) Directors
Graeme Robertson
Alan Fraser
Peter Cockcroft
Jonathan Warrand

(ii) Management
Christopher Newport – CEO (appointed 20 September 2011)

(b) Key Management Personnel Compensation

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

	Consolidated	
	2012 $	2011 $
Short-term employment benefits	506,522	363,643
Consulting fees	161,478	374,472
Post-employment benefits	20,000	15,647
Other long-term benefits	-	-
Termination benefits	-	-
Share based payments	-	29,706
	688,000	783,468

NOTE 16: KEY MANAGEMENT PERSONNEL DISCLOSURES (CONT'D)

(c) Shareholdings of Directors and Executives

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

	Balance 30 June 2011	Purchased under Entitlement issue	Purchased/sold off market (net movement)	Purchased/sold on market	Balance 30 June 2012
A R Fraser	431,665	-	-	-	431,665
P Cockcroft	-	-	-	-	-
G Robertson	15,867,612	14,680,379	-	-	30,547,991
J Warrand	-	-	228,889	450,000	678,889
C Newport	-	-	-	55,555	55,555

	Balance 30 June 2010	1 for 4 Consolidation	Balance upon appointment	Purchased on market	Balance 30 June 2011
A R Fraser	1,726,657	(1,294,992)	-	-	431,665
P Cockcroft	-	-	-	-	-
G Robertson	-	-	14,654,412	1,213,200	15,867,612
J Warrand	-	-	-	-	-
D Martino	-	-	5,182,331	-	5,182,331
P Underwood	-	-	-	-	-
G Harper	419,998	(314,998)	-	-	105,000
L Martino	450,000	(337,500)	-	-	112,500
A Wing	50,000	(37,500)	-	-	12,500

(d) Option holdings of Directors and Executives

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

	Balance 30 June 2011	Received as Remuneration	Expired	Balance 30 June 2012
A R Fraser	500,000	-	-	500,000
P Cockcroft	-	-	-	-
G Robertson	-	-	-	-
J Warrand	-	-	-	-

	Balance 30 June 2010	Received as Remuneration	Expired	1 for 4 Consolidation	Balance 30 June 2011
A R Fraser	2,000,000	-	-	(1,500,000)	500,000
P Cockcroft	-	-	-	-	-
G Robertson	-	-	-	-	-
J Warrand	-	-	-	-	-
D Martino	-	-	-	-	-
P Underwood	25,000,000	-	(10,000,000)	(11,250,000)	3,750,000
G Harper	2,000,000	-	-	(1,500,000)	500,000
L Martino	2,000,000	-	-	(1,500,000)	500,000
A Wing	-	-	-	-	-

Domenic Martino resigned 18 May 2011; Paul Underwood resigned 31 December 2010; Gavin Harper resigned 30 April 2011; Luke Martino resigned 29 March 2011; Adrien Wing resigned 16 August 2011.

NOTE 17: EARNINGS/(LOSS) PER SHARE

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

	Consolidated 2012 $	Consolidated 2011 $
Net (loss)/profit to members of the parent entity	(1,606,299)	4,612,070
	No. of Shares	**No. of Shares**
Weighted average number of ordinary shares used in calculation of basic and diluted earnings (loss) per share	158,761,901	74,240,690

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

NOTE 18: EXPENDITURE COMMITMENTS

	Consolidated 2012 $	Consolidated 2011 $
Minimum expenditure commitments contracted for under production sharing contracts ("PSCs") not provided for in the financial statements:		
Not longer than 1 year	3,816,044	4,421,855
Longer than 1 year and not longer than 5 years	42,905,851	33,392,795
Longer than 5 years	-	8,593,595
	46,721,895	46,408,245

In addition, the PSCs stipulate aggregate bonus payments in the event of production in each contract area reaching cumulative 250 bcf of $1,049,566, cumulative 500 bcf of $1,562,145 and cumulative 1 tcf of $2,074,723.

Minimum expenditure commitments may, subject to negotiation and with approval, be avoided by sale, farm-out or relinquishment.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 19: CASH FLOW STATEMENT

	Consolidated	
	2012	**2011**
	$	**$**
Reconciliation of loss after income tax to net cash used in operating activities:		
Loss after income tax	(1,646,402)	4,548,493
Adjustments for non-cash items:		
Share based payments	-	29,706
Depreciation	63,544	10,965
Unrealised foreign exchange on Indon CBM loan	-	2,328,866
Write down exploration expenditure	-	363,939
Gain on Indon CBM Loan	-	(9,373,417)
Changes in assets and liabilities:		
Receivables	62,655	(108,854)
Prepayments	162,471	7,960
Payables	219,106	(110,761)
Deferred Tax Liability	(352,899)	(665,042)
Provisions	10,366	(20,664)
Net cash used in operating activities	(1,481,159)	(2,988,809)

Non-Cash Financing and Investing Activities:
Refer to Note 20 for details on the acquisition of a controlled entity during the 2011 financial year upon the issue of 40,000,000 shares.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 20: ACQUISITION OF CONTROLLED ENTITIES

Effective 1 March 2011, under the terms of a Prospectus dated 13 August 2010, as varied by the Supplementary Prospectuses dated 12 October 2010, 12 January 2011 and 14 February 2011, the parent entity acquired Indon CBM Limited (Indon CBM) and its 95% owned Indonesian domestic entity PT Trisula CBM Energy (Trisula). The Company obtained approval from shareholders on 25 August 2010 for the acquisition to occur and the issue of shares pursuant to a Prospectus referred to above to satisfy various regulatory and statutory requirements.

Indon CBM and Trisula have been awarded three Coal Bed Methane production sharing contracts (PSC's) in Indonesia, being the two Muara Enim (or South Sumatra) PSC's and the Rengat PSC. Allocation of the purchase price was as follows:

	$
(a) Purchase Consideration	
40,000,000 shares issued	20,400,000

The shares issued have been valued at 51 cents based upon the price in the third Supplementary Prospectus dated 14 February 2011.

(b) Assets and Liabilities Acquired	**Fair Value $**	**Book Value $**
Cash and cash equivalents	917,453	917,453
Receivables	191,566	191,566
Prepayments	7,960	7,960
Bank guarantee	1,192,984	1,192,984
Plant and equipment	2,017	2,017
PSC exploration rights	39,826,601	2,117,089
Trade and other payables	(155,367)	(155,367)
Deferred tax liabilities	(11,522,351)	-
Loan payable – NuEnergy Gas Limited	(9,618,736)	(9,618,736)
Non-controlling interest	(442,127)	181,665
	20,400,000	(5,163,369)

The loan payable to NuEnergy Gas Limited is eliminated upon consolidation following the completion of the acquisition.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 21: SEGMENT INFORMATION

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

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

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

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

Business segment	**Oil & Gas**		**Mineral Exploration**		**Corporate**		**Consolidated**	
	2012 $	**2011 $**	**2012 $**	**2011 $**	**2012 $**	**2011 $**	**2012 $**	**2011 $**
Segment revenue	-	-	-	-	361,484	103,848	361,484	103,848
Segment result	(802,042)	7,861,957	-	(105,795)	(1,197,259)	(3,872,711)	(1,999,301)	3,883,451
Income tax benefit							352,899	665,042
Net (loss)/profit for the year							(1,646,402)	4,548,493
	June 2012 $	**June 2011 $**	**June 2012 $**	**June 2011 $**	**June 2012 $**	**June 2011 $**	**June 2012 $**	**June 2011 $**
Segment assets	49,041,240	42,957,997	10,000	10,000	7,321,154	7,402,565	56,372,394	50,370,562
Segment liabilities	12,106,221	10,878,860	10,000	10,000	270,074	249,653	12,386,295	11,138,513

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 22: RELATED PARTY TRANSACTIONS

Key Management Personnel

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

Payables and Receivables

Accounts payable to related parties are disclosed in Note 10. There are no receivables owing from related parties outside of NuEnergy's controlled entities. Receivables from controlled entities are as follows:

- Indon CBM Pty Limited: $16,975,656
- NuEnergy Gas (Singapore) Pte Limited: $443,121
- NuEnergy Gas (Tanzania) Limited: $5,310

As at 30 June 2012, an unsecured loan of $97 is payable to Intrasia Mining Pte Limited (a related party of Mr Graeme Robertson)

As at 30 June 2011, an unsecured loan of $18,049 was payable by Indon CBM Ltd to Santino Pty Ltd (a related party of Mr Domenic Martino) as at 1 March 2011, the acquisition date. The rate of interest on this loan was fixed at 10% per annum. The loan was repaid during the previous year.

Contracts and Agreements

During the year, the Company resolved to pay Intrasia Capital Pty Limited, a related party of Graeme Robertson and Jonathan Warrand, for accounting, administration, investor relations and back office support services to NuEnergy, a monthly fee of $18,250 (plus GST) until 30 June 2012. The total paid during the year was $200,750. The terms are to be reviewed annually.

During the year, the Company paid $18,357 in fees to Intrasia Mining Pte Ltd (a wholly owned subsidiary of Intrasia Capital Pte Limited), a related party of Graeme Robertson, for the provision of legal services by a qualified lawyer employed by Intrasia Capital Pte Ltd and for reimbursement of administration and travel expenses incurred on behalf of NuEnergy.

During the year, the Company paid Graeme Robertson's Chairman's fees to Intrasia Capital Pty Limited (ICPL), a related party of Graeme Robertson and Jonathan Warrand, the sum of $40,000 as per his contract.

Corporate Advisory fees of $102,777 (plus GST) were paid to ICPL, a related party of Graeme Robertson and Jonathan Warrand, during the year for work performed for NuEnergy's capital raising during the months of December 2011 and January 2012.

During the year, the Company entered into underwriting agreements with Aspac Mining Limited and Farjoy Pty Limited, both related parties of Graeme Robertson. Underwriting fees of $50,000 and $100,000 were paid to Aspac Mining Limited and Farjoy Pty Limited respectively.

During the year, the Company entered into Joint Ventures with Intra Energy Corporation Limited's (ASX:IEC) subsidiaries, Tancoal Pty Limited and Tanzacoal Pty Limited, related parties of Graeme Robertson and Jonathan Warrand, for drilling for unconventional gas on Tancoal and Tanzacoal coal tenements in Tanzania.

NOTE 22: RELATED PARTY TRANSACTIONS (CONT'D)

Controlled Entities

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

	2012 $	2011 $
Parent Entity Information:		
Current assets	7,197,043	19,102,482
Total assets	44,358,360	39,604,835
Current liabilities	362,261	352,414
Total liabilities	372,261	362,414
Net assets	43,986,099	39,242,421
Issued capital	65,459,528	59,147,126
Reserves	10,813,273	10,850,578
Accumulated losses	(32,286,702)	(30,755,283)
Total equity	43,986,099	39,242,421
(Loss)/Profit of the parent entity	(1,531,419)	5,399,010
Comprehensive income of the parent entity	(1,531,419)	5,399,010

Consulting fees

Mr Fraser provided additional services during the year amounting to $50,000 (2011: $214,400).
Mr Cockcroft provided additional services during the year amounting to $28,978 (2011: $nil).
Mr Warrand provided additional services during the year amounting to $82,500 (2011: $nil).

Mr Harper provided additional services during the year amounting to $nil (2011: $151,122).
Mr L Martino provided additional services during the year amounting to $nil (2011: $8,950).

NOTE 23: SUBSEQUENT EVENTS

The Directors are not aware of any matter or circumstance that has arisen since 30 June 2012 that has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years, except for the following:

- In July 2012, NuEnergy paid annual ground rent fees to the Malawi Government for the Exclusive Prospecting Licence No. EPL0360/12 under the Mines and Minerals Act 1981. The Prospecting Licence, signed by Malawi's Minister of Energy and Mining, grants NuEnergy the exclusive rights to over 346 km² of prospective CBM ground in the south of Malawi for a period of 3 years.
- In July 2012, Christopher Newport was issued 250,000 shares and 500,000 options in NuEnergy Gas Limited as part of the sign-on commitments under his remuneration package.
- In August 2012, the independent members of the Board resolved to enter into a drilling contract with AAA Drilling Pty Limited, a subsidiary of Intra Energy Corporation Limited (ASX:IEC), a related party of Graeme Robertson and Jonathan Warrand, for drilling NuEnergy's first exploration well in Tanzania. The contract is for drilling with an estimated value of $250,000.

NOTE 24: CONTINGENT LIABILITIES

The consolidated entity has bank guarantees amounting to $1,671,605 (2011: $1,712,398) at year end.

NOTE 25: FRAUD

During June 2012, the Directors were notified of a fraudulent payment made to an outgoing employee in the Jakarta office. The total amount of the fraud within Other Expenses equates to $97,634. The Company has commenced recovery proceedings under Indonesian law. The full amount of the fraud has been expensed in this year's financial statements.

NOTE 26: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

The main risks arising from the consolidated entity's financial instruments are cash flow interest rate risk and equity price risk. Other minor risks are either summarised below or disclosed at Note 13 in the case of capital risk management. The Board reviews and agrees policies for managing each of these risks.

(a) Cash Flow Interest Rate Risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 26: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Consolidated Entity:

	Notes	Floating Interest Rate $		Non-Interest Bearing $		Total Carrying Amount $		Interest Rate Risk Sensitivity Effect on profit and equity 2012 +100 basis points $	2012 -100 basis points	2011 +100 basis points $	2011 -100 basis points
		2012	2011	2012	2011	2012	2011	Profit	Equity	Profit	Equity
Financial Assets:											
Cash at bank		8,144,777	7,812,393	-	-	8,144,777	7,812,393	81,448	(81,448)	78,124	(78,124)
Trade and other receivables	5	-	-	480,245	357,793	480,245	357,793	-	-	-	-
Available-for-sale investments	6	-	-	49,740	87,045	49,740	87,045	-	-	-	-
Other financial assets	9	1,681,605	1,712,398	-	-	1,681,605	1,712,398	16,816	(16,816)	17,124	(17,124)
Total		9,826,382	9,524,791	529,985	444,838	10,356,367	9,969,629	98,264	(98,264)	95,248	(95,248)
Financial Liabilities:											
Trade and other payables	10	-	-	1,808,355	218,040	1,808,355	218,040	-	-	-	-
Total		-	-	1,808,355	218,040	1,808,355	218,040	-	-	-	-
Net financial assets/(liabilities)		9,826,382	9,524,791	(1,278,370)	226,798	8,548,012	9,751,589	-	-	-	-

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

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

(b) Price Risk

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

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

	Notes	Carrying Amount $		Price Risk Sensitivity 2012 10% $		2011 10% $	
		2012	2011	Profit	Equity	Profit	Equity
Financial Assets: Available-for-sale investments	6	49,740	87,045	4,974	4,974	8,705	8,705

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

NOTE 26: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Liquidity Risk

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

(d) Commodity Price Risk

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

(e) Foreign Exchange Risk

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

(f) Credit Risk

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

(g) Net Fair Values

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

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

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

NOTE 27: CORPORATE INFORMATION

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

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INDEPENDENT AUDITOR'S REPORT

To the members of NuEnergy Gas Limited

Report on the Financial Report

We have audited the accompanying financial report of NuEnergy Gas Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a statement of significant accounting policies and other explanatory information, and the declaration by directors of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

BDO East Coast Partnership ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of NuEnergy Gas Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of NuEnergy Gas Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 10 to 12 of the directors' report for the year ended 30 June 2012. 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.

Opinion

In our opinion, the Remuneration Report of NuEnergy Gas Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership

BDO

James Mooney
Partner

Melbourne, 7 September 2012

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SHAREHOLDER AND OTHER INFORMATION

SHAREHOLDINGS

The issued capital of the Company as at 3 September 2012 is 201,185,648 ordinary fully paid shares. There are no listed options.

Ordinary shares	No. of holders	No. of shares
1 - 1,000	74	28,570
1,001 - 5,000	86	227,154
5,001 – 10,000	95	714,076
10,001 - 100,000	273	10,981,406
100,001 and over	220	189,234,442
Number holding less than a marketable parcel	202	514,530

Voting Rights

At general meetings of members:

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

INTEREST IN MINING TENEMENTS

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

Top 20 Shareholders of Ordinary Shares as at 3 September 2012

	Name	No. of shares held	% held
1	ASPAC MINING LIMITED	29,138,400	14.48%
2	FARJOY PTY LTD	28,915,506	14.37%
3	ANSON CENTURY LIMITED	5,837,336	2.90%
4	CARDY & COMPANY PTY LIMITED	5,040,000	2.51%
5	STEVE RASMUSSEN	4,250,000	2.11%
6	MS MELANIE THERESE VERHEGGEN	4,077,484	2.03%
7	GREENGATE PTY LTD	3,362,500	1.67%
7	FANUCCI PTY LTD	3,362,500	1.67%
8	ADRIAN BORRIELLO	3,125,000	1.55%
9	MRS MELANIE VERHEGGEN & MISS SASHA VERHEGGEN	3,106,751	1.54%
10	PINE VALLEY ENTERPRISES PTY LTD	3,000,000	1.49%
11	GREENRIDGE HOLDINGS PTY LTD	2,875,000	1.43%
12	MR STEWART PHILIP CRANSWICK	2,443,000	1.21%
13	BOAMBEE BAY PTY LTD	2,375,000	1.18%
14	CANTAB CONNECTIONS LTD	2,125,000	1.06%
15	ROXTRUS PTY LTD	2,000,000	0.99%
16	HAZARDOUS INVESTMENTS PTY LTD	1,828,050	0.91%
17	HARUN ABIDIN	1,750,000	0.87%
18	ZENDALE HOLDINGS PTY LTD	1,696,875	0.84%
18	ZENDALE HOLDINGS PTY LTD	1,696,875	0.84%
19	MINIMUM RISK PTY LTD	1,612,500	0.80%
20	BANNABY INVESTMENTS PTY LTD	1,589,512	0.79%
	TOTAL	**115,207,289**	**57.26%**
	Balance of Register	**85,978,359**	**42.74%**
	Grand TOTAL	**201,185,648**	**100.00%**

NOTES