

# **New Guinea Energy Limited**

## **Annual General Meeting**

24 May 2016

### **Chairman's Presentation**



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References to dollars, cents or \$ in this presentation are to Australian currency, unless otherwise stated.

# Company overview

New Guinea Energy Limited (**NGE** or **Company**) is a junior oil and gas company listed on the ASX.

## Market data (as at 23 May 2016)

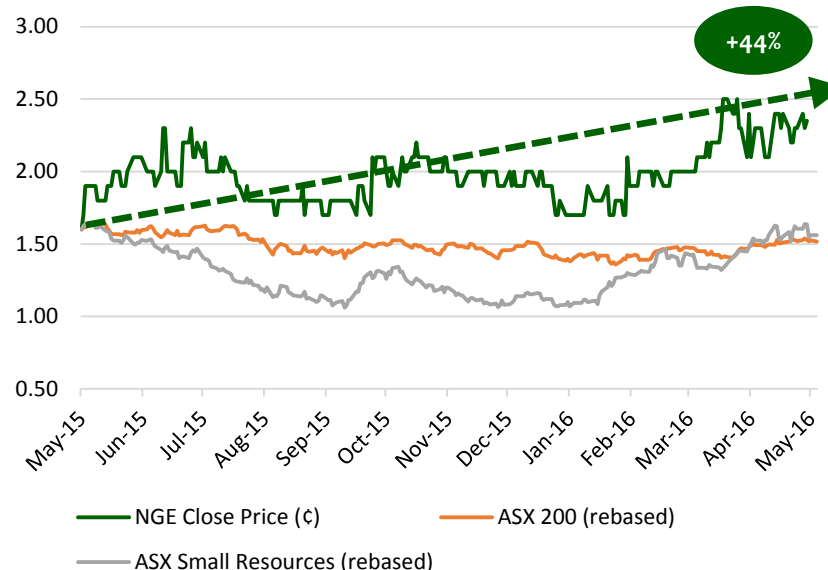
Share price	(¢)	2.3
Shares outstanding	(M)	845.0
<b>Market cap</b>	<b>(\$M)</b>	<b>19.4</b>
<b>Net cash &amp; investments</b> <sup>(1)</sup>	<b>(\$M)</b>	<b>~19.7</b>

(1) Cash of A\$12.3M, PGK8.0M, US\$0.2M and listed equities valued at ~\$3.7M.

## Board of Directors

David Lamm	Executive Chairman
Sir Michael Bromley	Non-Executive Director
Adam Saunders	Non-Executive Director
Grant Worner	Non-Executive Director

## NGE share price performance



## Top shareholders

Kentgrove Capital Pty Ltd	20.0%
Asia Image Limited	6.4%
Noontide Investments Ltd	6.2%

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## **Control costs and preserve cash balance for investment**

- ▶ Reduction in overheads and downsizing of the business against the backdrop of a low prevailing oil price environment.

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## **Invest cash balance wisely**

- ▶ Aim to generate strong risk-adjusted returns from our investments.
- ▶ Difficult to find attractive opportunities to invest in oil and gas, so we are also considering investments to diversify outside of oil and gas.
- ▶ Potential to take advantage of significant tax losses.

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## **Preserve upside potential from key licences**

- ▶ US\$8M if a PDL is granted over PPL 269. Strickland 2 well spudded and plans for Strickland 1 exploration well underway.
- ▶ US\$20M & uncapped royalty if a PDL is granted over the original area of PPL 277, and commercial production commences.

# Cost control and cash preservation

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## Ongoing cost control

- ▶ Lowered corporate overheads by reducing the number of employees in Australia and PNG, relocating the Port Moresby office to cheaper premises, closing the Brisbane and Sydney offices, terminating the Port Moresby accommodation agreement, outsourcing the company secretarial function, reducing ongoing audit costs, reducing spending authority limits.
- ▶ Move to change NGE's Constitution to allow for sale of unmarketable parcels, which will save future administration and shareholder communication costs.
- ▶ Move to delist from POMSOX saving annual listing and administration fees.

## Cash maximisation

- ▶ Receipt of ~\$5.9M loan repayments to NGE from the WDL joint venture.
- ▶ Continued the conversion of foreign currency holdings to Australian dollars to maximise the Australian dollar-denominated cash balances and minimise currency risks.
- ▶ Sold non-core, redundant assets.

## Cash preservation

- ▶ Currently difficult to extract value from our remaining oil & gas licenses (PPL 266 and PPL 267) and our 50% investment in Western Drilling Limited.
- ▶ Minimise expenditure on activities unlikely to generate a sufficient risk-adjusted return.

# Invest cash wisely

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## **Circa A\$19.7M in cash and listed equities, with no debt**

- Cash of A\$12.3M, PGK8.0M and US\$0.2M.
- Investment in listed equities currently valued at ~\$3.7M.



## **Investment opportunities**

- Strategy to invest in attractive investment opportunities aimed at maximising returns for shareholders over the medium to long term.
- The Board and management have been assessing new investment opportunities, both within oil and gas and also with a view to possibly diversifying outside of oil and gas.



## **Significant income tax and capital losses**

- Potential to offset against future earnings and capital gains.

# Karoon investment

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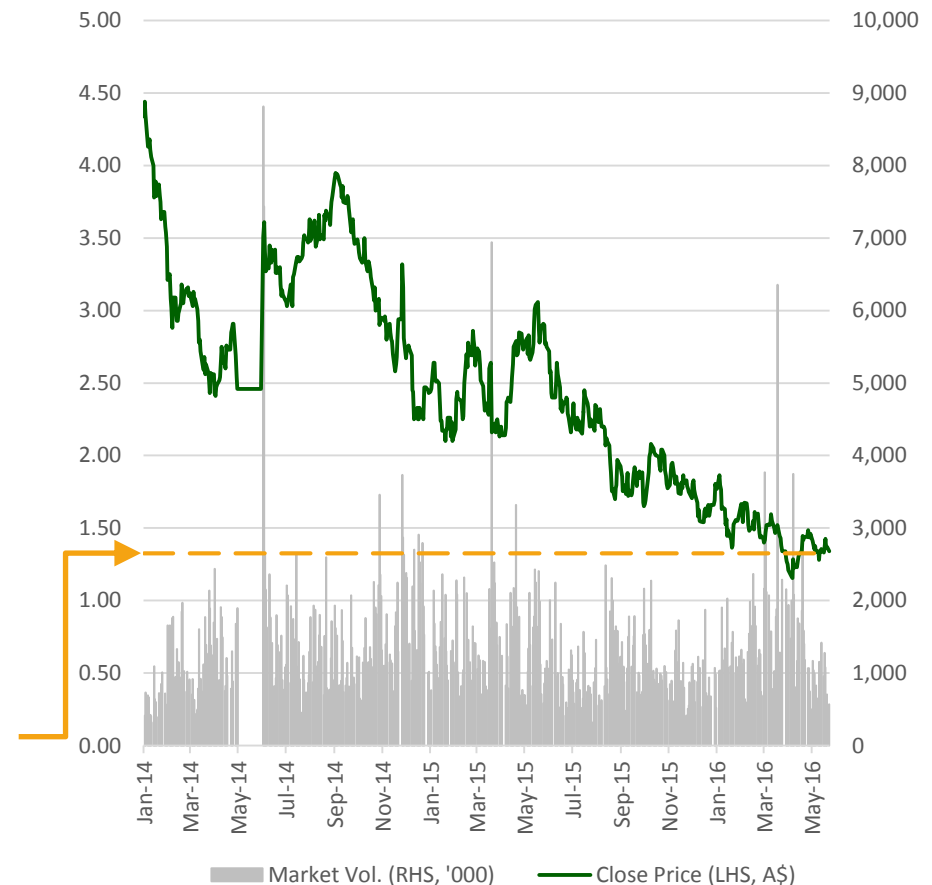


## Investment summary

- ▶ On 15 April 2016 NGE made a \$3.55M investment in Karoon Gas Australia Limited (ASX:KAR) at \$1.325 per share.
- ▶ Investment made at a significant discount to current cash per share of \$1.94 (at 31 March) and net assets per share of \$3.42 (at 31 December).
- ▶ NGE's investment is in line with NGE's stated strategy of shifting away from investing in few, high cost, high risk activities to more attractive investment opportunities aimed at maximising returns for shareholders over the medium to long term, as outlined in our Strategy Review dated 13 October 2015.

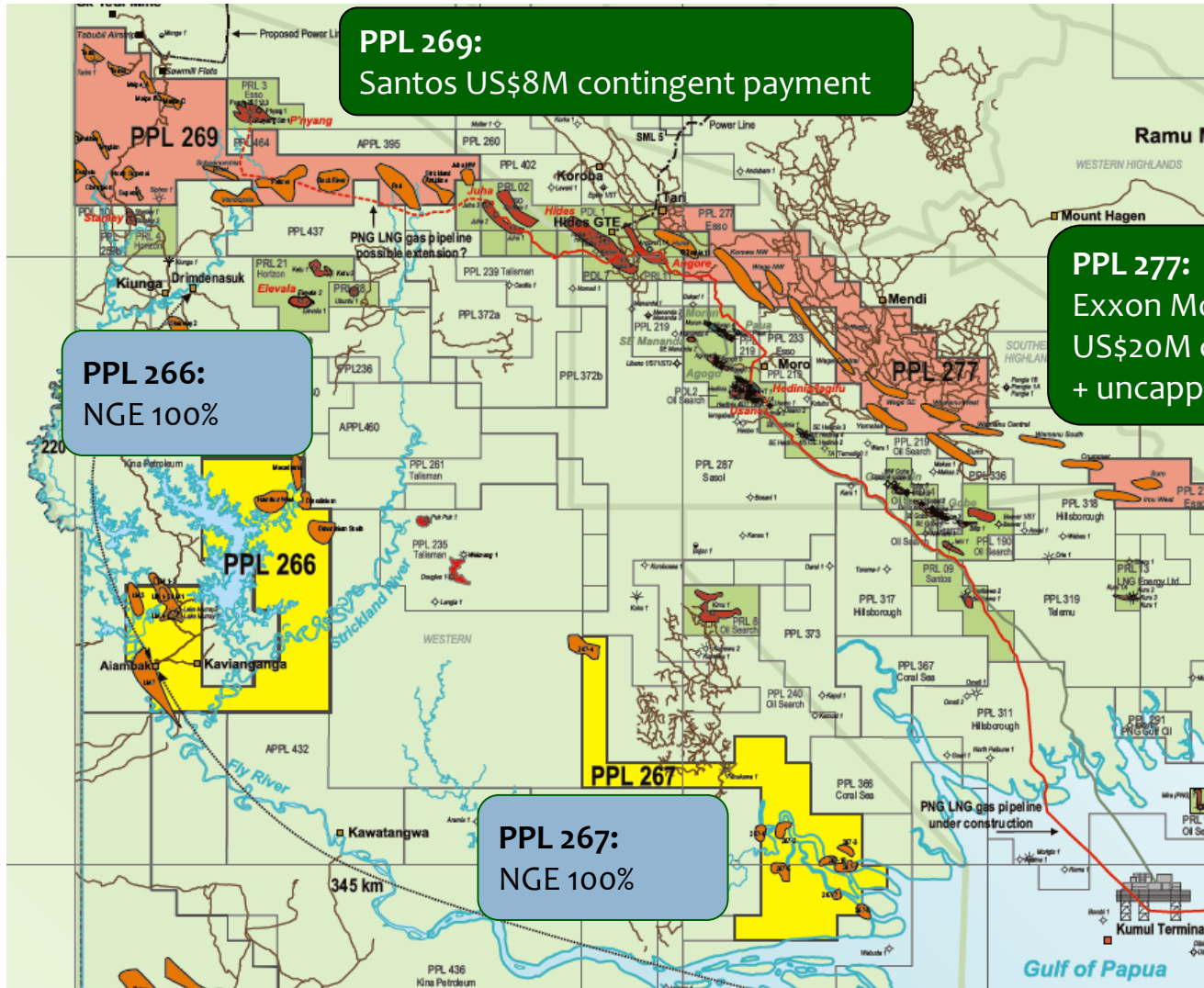
NGE's investment price of \$1.325 per share

## KAR share price performance (since Jan-14)



# Contingent payments and royalties from PNG licenses

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Legend:  
Held licenses (Yellow)  
Sold licenses (Green)



# PPL 269: Upside potential

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## Summary of contingent payments

- ▶ Following the sale of a 50% interest in PPL 269 to a subsidiary of Santos Limited for a consideration of US\$32M cash upfront, NGE is additionally entitled to the following contingent payments:
  - Future cash payment of US\$2M if a Petroleum Retention License (**PRL**) is granted over any area of PPL 269; and
  - Future cash payment of US\$6M if a Petroleum Development License (**PDL**) is granted over any area of PPL 269.
- ▶ Should a PDL be granted prior to a PRL, a one off cash payment of US\$8M will be payable instead.

## Drilling activity

- ▶ Strickland 2 exploration well **spudded on 8 May 2016** and is currently drilling ahead, with a planned total depth of 890 metres.
- ▶ During April, Rig 103 was rigged up in preparation to drill the Strickland 1 exploration well.

## Ownership

Repsol S.A. (Operator)	50%
Barracuda Ltd (Santos)	30%
Oil Search (PNG) Ltd	10%
Diamond Gas Foreland 269 B.V. (Mitsubishi)	10%
<b>Total</b>	<b>100%</b>

# PPL 277: Upside potential

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## Summary of contingent payments and royalty

- ▶ Following the sale of its 100% interest in PPL 277 to Esso PNG Exploration Ltd, a subsidiary of Exxon Mobil, and Oil Search (PNG) Limited for a US\$15M upfront cash payment, NGE may become entitled to additional payments as follows:
  - US\$20M cash payment if a PDL is granted from the original PPL 277 area; and
  - If commercial production occurs, a royalty over all revenue received from the petroleum produced and sold.

## Ownership

Esso PNG Exploration Ltd (Exxon Mobil) (Operator)	50%
Oil Search (PNG) Ltd	50%
<b>Total</b>	<b>100%</b>

# Summary

- ✓ **Simplified business**
- ✓ **Clear strategy**
- ✓ **Positioned for future growth**
- ✓ **Focused on shareholder returns**

# Contact details



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