NEW GUINEA ENERGY LTD

ABN 31 112 618 238

ANNUAL REPORT 2015

CONTENTS

CORPORATE DIRECTORY

Directors

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

Company Secretary
Justin Mouchacca

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CHAIRMAN’S LETTER

Dear Shareholder,

2015 was a year of transition for New Guinea Energy Limited (**NGE** or **Company**), which saw the Company’s activities shift focus over the financial period. The first half of the year saw value realised for shareholders through the:

- Receipt of US$32M cash payment following the completion of the sale of NGE’s 50% interest in Petroleum Prospecting License (**PPL**) 269 to a subsidiary of Santos Limited;
- Repayment of A$24.1M in principal and interest of convertible equity bonds to Quantum Strategic Partners Limited; and
- Completion by NGE’s 50% joint venture, Western Drilling Limited (**WDL**), of the Interoil Corporation drilling contract.

Shareholders voted for change at a General Meeting held on 15 July 2015, with the election of three new directors to the Board, and the removal of two directors. Since that time the newly constituted Board and management have worked hard to position the Company for future growth, with the following achievements:

- Completion of a Strategy Review, where the Company laid out a new corporate strategy that will see a shift from investing in few, high cost, high risk activities to lower risk investments;
- Receipt of A$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;
- Increased the Company’s cash balance to circa A$19.9M as at 31 December 2015, with the bulk now held in Australian dollars (A$14.9M), and the remainder in Kina (PGK10.3M) and US dollars (US$0.2M);
- Lowered corporate overheads by reducing the number of employees in Australia and Papua New Guinea (**PNG**), relocating the Port Moresby office to cheaper premises, closing the Brisbane and Sydney offices, and terminating the Port Moresby accommodation agreement;
- Sold non-core, redundant assets;
- Announced and began to implement an on-market share buy-back;
- Continued to have farm-out discussions with interested parties in relation to PPL 266 and PPL 267;
- Received the required confirmation from the PNG Department of Petroleum and Energy that WDL’s drill rig is fit for use within the country; and
- Took further steps to establish WDL as a stand-alone business, including the hiring of an experienced in-country manager to promote and market the rig for further drilling contracts.

The oil and gas industry is currently going through a difficult period with a low prevailing oil price, limited appetite for high-risk projects, and reduced capex budgets. Operating conditions have also been difficult in PNG in recent times. It was against this backdrop that your Board resolved to reduce the Company’s overheads, downsize the business and focus on a new strategy to take the company forward. The Board has also taken the decision to fully impair the exploration expenditure on PPL 266 and PPL 267, and the investment in WDL at balance date. We are still looking to farm-out the two exploration licenses, and WDL is continuing its efforts to secure contracts or develop mutually advantageous partnership opportunities with third parties. Should economic conditions change, such that a farm-out or drill contract is secured in the future, then these impairments could be reversed in part or in full in future years.

CHAIRMAN'S LETTER (continued)

The Company retains significant long-term upside potential from oil and gas exploration in PNG through the previous sales of PPL 269 and PPL 277 to the three largest investors in the $19Bn PNG LNG project. If Santos, ExxonMobil, and Oil Search have exploration success and convert both of these to Petroleum Development Licences then NGE will receive one-off payments totalling US$28M and if commercial production occurs, uncapped royalty payments from all petroleum produced and sold from PPL 277.

Despite the difficult operating conditions, the Company's share price increased to 2.0¢ from 0.8¢ over the reporting period to 31 December 2015, a return of 150%. Your directors and management team will continue to work to build shareholder value, with return on equity a key focus of performance.

The Company is now on a solid financial footing, with greatly reduced overheads, and I look forward to continuing to build on the successes of 2015 in the coming year.

Yours sincerely

David Lamm
Executive Chairman

29 March 2016

REVIEW OF OPERATIONS

OPERATIONS OVERVIEW

During the first quarter of 2015, NGE completed the sale of its 50% interest in PPL 269 to a subsidiary of Santos Limited for a consideration of:

- US$32M cash payment;
- 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.

The Company was able to use part of the proceeds to repay A$24.1M in principal and interest of convertible equity bonds to Quantum Strategic Partners Limited.

During the second quarter, NGE's 50% joint venture WDL, completed its drilling contract work for Interoil, with rig release occurring on 4 July 2015. WDL received approximately US$22.3M in gross proceeds over the term of the contract. WDL repaid approximately net A$5.9M of loans to NGE during the period.

In the third quarter the Company announced the commencement of an on-market share buy-back of up to 10% of its issued capital over a 12 month period. As at year end, the Company had bought back approximately 4.4M shares out of a possible total of 85.0M at a total cost of ~A$85.6K.

The Company announced that it had surrendered PPL 268, after each of the joint venture partners completed an assessment of the finding and development costs and likely options for commercialising the top-ranked prospect within PPL 268. Based on this analysis the view was that targets within this licence are insufficient in size and quality to be economically developed.

The third quarter also saw the Board of Directors report their findings of their Strategy Review (see below for further details).

In the second half of the year, the Company worked to lower corporate overheads, right-size the operations for a company of NGE's size, sell non-core assets, continue discussions with numerous parties about the opportunity to farm into PPL 266 and PPL 267, partially recover loans that had been made to WDL, and take further steps to establish WDL as a standalone business.

STRATEGY REVIEW

The new Board reported to shareholders the results of a three month strategic review on 13 October 2015. After assessing NGE's capabilities, assets, investments, financial position, overheads, historical performance and future opportunities, the Board resolved to implement a new corporate strategy, defined as follows:

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

REVIEW OF OPERATIONS (continued)

As part of the first stage of implementing this strategy, the Board and management have worked to:

- define, consolidate and rationalize NGE's core businesses and assets;
- minimize ongoing overheads; and
- maximize the Company's cash balance.

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

The Company's annual overhead costs have been reduced through:

- Redundancies and employment terminations in Australia and PNG;
- Relocation of the Port Moresby office to cheaper premises and termination of the Brisbane and Sydney offices and Port Moresby accommodation;
- Minimisation of the use of external consultants and advisors;
- Termination of a range of services and suppliers that were not being fully utilised by the Company;
- Minimisation of travel, accommodation and communication expenses;
- Tighter delegations of authority; and
- A reduction in directors and management fees.

The Company continues to maximize its Australian dollar-denominated cash holdings. As at 31 December 2015 NGE's cash and listed shares grew to circa A$20.3M, comprising cash of A$19.9M and listed shares of circa A$0.4M.

WESTERN DRILLING LIMITED JOINT VENTURE

In March 2011 NGE entered into an incorporated joint venture with Maps Tuna Limited (**Maps Tuna**), a company incorporated in PNG and 100% owned by Sir Michael Bromley, Non–Executive Director of NGE. NGE and Maps Tuna each have a 50% interest in the joint venture entity, Western Drilling Limited (**WDL**).

The joint venture was formed for the purpose of acquiring, refurbishing and then leasing out Rig 1, a SL 7 Heli Rig, along with a 74 man camp, for drilling operations in the Western Province of PNG. The rig is highly mobile and well-suited to drilling to intermediate depths in tropical PNG conditions.

On 15 May 2014 NGE announced that WDL had signed a contract with Interoil Corporation (**Interoil**) for the use of WDL's rig and camp for a one well program. WDL commenced drilling on 17 September 2014. Rig release occurred on 4 July 2015.

The rig has since been demobilised to the Roku yard, where it has been cold stacked and preserved.

All the useful remaining parts and equipment from Rig 140, which was being stored in shipping containers in Lae, have since been either sold off or transferred to the Roku yard.

REVIEW OF OPERATIONS (continued)

During the fourth quarter of 2015, WDL was pleased to receive the required confirmation from the PNG Department of Petroleum and Energy (**DPE**) that WDL's drill rig is fit for use within the country.

Also during the fourth quarter WDL hired a respected PNG oil and gas drilling manager as WDL PNG Country Manager to lead the efforts to secure WDL's next tender, develop mutually advantageous partnership opportunities, and possibly sell equity in the business.

As at 31 December 2014, NGE had loaned WDL a total of US$11.4M. Initial loans from joint venture partners were US$5.0M each and subsequent excess loans from NGE were US$6.4M. As partial payment of NGE's excess loans NGE received US$1.9M from WDL in the second quarter of 2015 and then reloaned US$1.0M back to WDL in the first two weeks of July. As at 31 December 2015, NGE's total outstanding loan to WDL was US$7.2M (~A$9.8M) and accrued unpaid interest was US$3.4M (~A$4.7M), following the net repayment of approximately US$4.3M (~A$5.9M) in excess loans.

EXPLORATION STATUS OF EACH LICENCE

PPL 265	- subsurface mapping of permit completed
(100% NGE)	- 13 leads identified
	- 94 km seismic program acquired 4Q 2011/1Q 2012

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

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

REVIEW OF OPERATIONS (continued)

PPL 266	- one drillable prospect and 5 leads identified
(100% NGE)	- 5 year licence extension until August 2016 approved by the DPE.
	- 48 km seismic program completed in 1Q 2012

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

A 5 year licence extension was approved by the DPE on 19 October 2012, expiring 15 August 2016.

The Company is actively seeking a farm-in partner to PPL 266.

PPL 267	- 9 leads identified
(100% NGE)	- licence extension until 14 August 2017 approved by DPE

In 2010 NGE drilled a sole risk exploration well, Panakawa-1, in PPL 267 for A$14M.

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

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

A newly available option involves the use of ‘nodal’ seismic systems where long strings of geophones connected by cables are replaced with individual nodes that are battery powered and record data continuously, or during programmed intervals. The absence of cables and the ability to record continuously allows nodes to be laid up to the edge of rivers and a boat-mounted air gun to be used as a seismic source to minimise the data gaps. New systems introduced in 2014 will allow hydrophones laid across the rivers to be tied directly to the nodal recording system, thereby eliminating the data gaps and potential processing errors at a considerable cost saving.

A 5 year licence extension was approved by the DPE on 19 October 2012, expiring 14 August 2017.

The Company is actively seeking a farm-in partner to PPL 267.

PPL 268	- 5 prospects and leads identified
(50% NGE)	- regional aerogravity-aeromagnetics interpretation completed
	- 109 km Talisman-operated seismic program completed

On 21 August 2015 the Company announced that it had surrendered PPL 268, after each of the joint venture partners completed an assessment of the finding and development costs and likely options for commercialising the top-ranked prospect within PPL 268. Based on this analysis the view was that targets within this licence are insufficient in size and quality to be economically developed.

REVIEW OF OPERATIONS (continued)

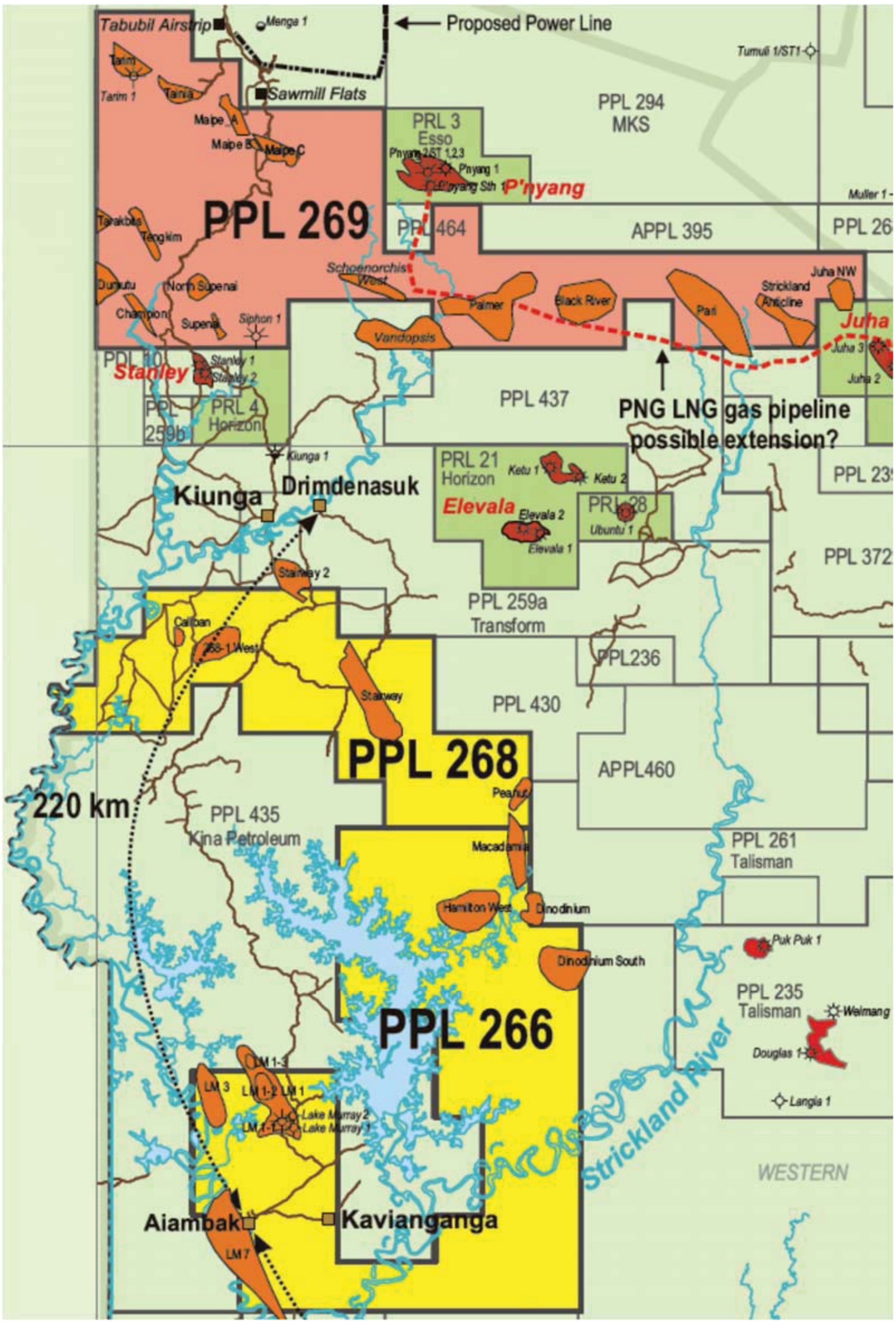

Figure 1. Lead location map for PPLs 266, 268 and 269.

REVIEW OF OPERATIONS (continued)

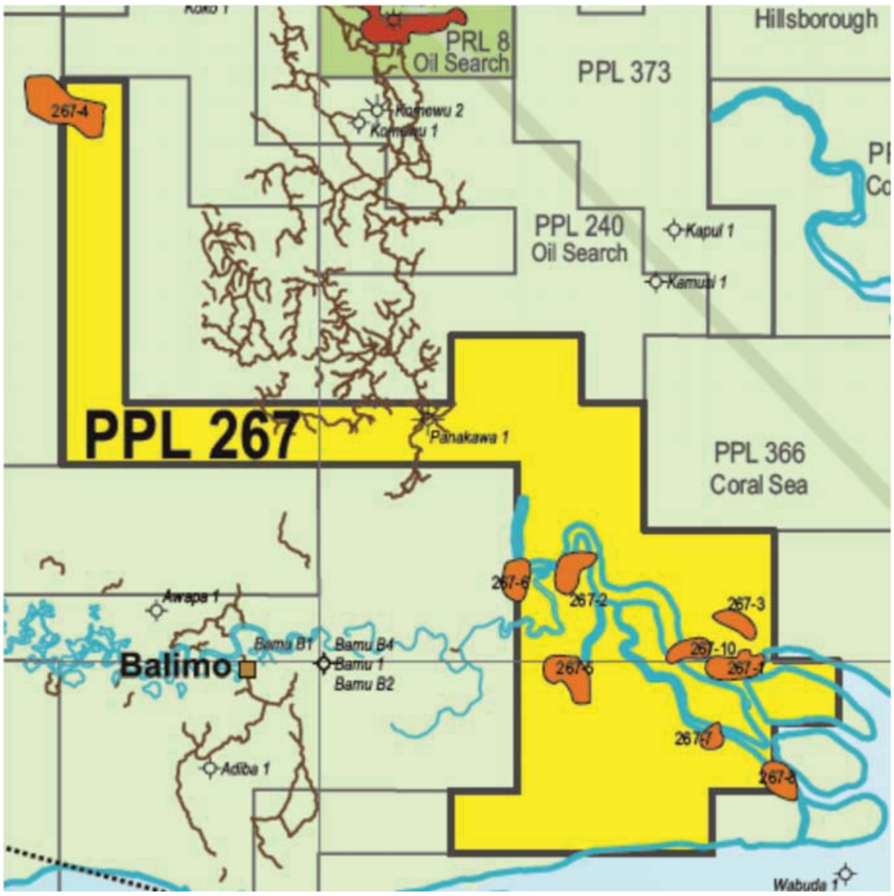

Figure 2. Lead location map for PPL 267.

PPL 269 (50% NGE)

On 13 February 2014, the Company was pleased to announce that NGE and its wholly owned subsidiary, Kirkland Limited (**Kirkland**) had signed a sale agreement with a subsidiary of Santos, regarding the proposed sale of Kirkland's 50% participating interest in PPL 269 (Figure 1) to Santos for a maximum total consideration of up to US$40 million. NGE has guaranteed Kirkland's obligations under the Sale Agreement.

The consideration for the sale of the 50% interest in PPL 269 includes:

- payment of US$32 million cash on Completion; and
- payment of US$2 million cash if a PRL is granted over any area of PPL 269; and
- payment of a further US$6 million cash if a PDL is granted over any area of PPL 269.

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

Completion of the sale of Kirkland's 50% interest in PPL 269 under the Sale Agreement was conditional on receipt of certain government approvals. The final condition to be satisfied was received on 18 February 2015 with sale proceeds received on 11 March 2015.

REVIEW OF OPERATIONS (continued)

PPL 277

On 13 December 2012, the Company was pleased to announce that it had completed the sale of PPL 277 to Esso PNG Exploration Ltd (**Esso**) and Oil Search (PNG) Limited (**OSH**).

Under the terms of the agreements Esso and OSH have each acquired a 50% participating interest in PPL 277 in exchange for a total payment of US$15 million (Esso US$7.5 million, OSH US$7.5 million). NGE may become entitled to payment of an additional US$20 million 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 (**Royalty**).

LICENCE SCHEDULE

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

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

DIRECTORS' REPORT

The Directors present their report on the Company and its controlled entities for the financial year ended 31 December 2015.

DIRECTORS

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

David Lamm
Executive Chairman (29 February 2016 – present)
Non-Executive Chairman (28 July 2015 – 28 February 2016)
Non-Executive Director (15 July 2015 – 27 July 2015)
Member of Audit Committee (15 July 2015 – 28 February 2016)
Member of Remuneration Committee (15 July 2015 – 28 February 2016)

Mr Lamm has over a decade of experience in business and financial markets including roles at Credit Suisse, Bain & Company and the Alter Family Office where he gained experience across an extensive range of sectors and industries. Mr Lamm is the founder and Managing Director of Kentgrove Capital, an investment management firm focused on listed Australian equities.

Mr Lamm qualified as an actuary, specialising in Investments and Finance, and is a Fellow of the Institute of Actuaries of Australia. Mr Lamm also holds a Bachelor in Commerce from the University of Melbourne, with First Class Honours.

Other Current Directorships:
Alchemia Limited (appointed 7 March 2016)

Sir Michael R Bromley
Non-Executive Director (4 October 2006 – present)
Member of Audit Committee
Chair of Remuneration Committee

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

Other Current Directorships
Steamships Trading Company Ltd (appointed 2000)

Previous Directorships
Waratah Resources Limited (resigned 27 September 2013)

DIRECTORS' REPORT (continued)

Adam C Saunders
Non-Executive Director (15 July 2015 – present)
Chair of Audit Committee
Member of Remuneration Committee

Mr Saunders is currently employed by investment management firm Kentgrove Capital, where he is primarily involved in the origination and analysis of investment opportunities with the focus of delivering superior returns.

Previously Mr Saunders worked at boutique corporate advisory firm GBS Finanzas in Madrid, and Credit Suisse in Melbourne in the Mergers & Acquisitions team. Mr Saunders has worked on various oil and gas deals, cross-border transactions and has been involved in various buy-side and sell-side public company mandates.

Mr Saunders holds a Bachelor in Commerce from the University of Melbourne with Honours in Finance, and is a Graduate of the Australian Institute of Company Directors.

Grant Worner
Non-Executive Director (15 July 2015 – 27 July 2015 and 16 January 2016 – present)
Managing Director (28 July 2015 – 15 January 2016)

Member of Audit Committee (29 February 2016 – present)
Member of Remuneration Committee (29 February 2016 – present)

Mr Worner has more than 25 years' experience across the entire oil industry supply chain, including 12 years international experience in a 22 year career with BP. Mr Worner has spent the last 10 years operating at executive level for BP, NGE, and his own specialist management consultancy firm. His role prior to NGE was as CFO for Australia's largest oil refinery where he led the strategy and growth of the business that delivered more than US$1bn in EBITDA during his 5 year tenure.

Mr Worner has a Bachelor of Engineering (Chemical, 1st Class Honours) degree from the University of Queensland, an MBA from the University of Western Australia, and completed executive education courses in the London School of Economics, Cambridge, Harvard, and Stanford Universities. He is a Graduate of the Australian Institute of Company Directors.

Other Current Directorships:
CUE Energy Resources Limited (appointed 4 March 2016)
Pan Pacific Petroleum NL (appointed 26 June 2015)

CEASED DIRECTORS

Michael N Arnett
Executive Chairman and Non-Executive Chairman
Appointed Non–Executive Chairman on 1 April 2009, assumed position of acting Executive Chairman and Chief Executive Officer on 4 May 2009 and assumed permanent position of Executive Chairman and Chief Executive Officer on 16 November 2009. On 19 May 2011 the Company appointed a Chief Executive Officer. On 1 July 2012, Mr Arnett relinquished his executive powers and re-assumed the position of Non – Executive Chairman. On 1 May 2014 Mr Arnett was again appointed Executive Chairman upon the resignation of the Chief Executive Officer on 30 April 2014, and ceased in that role on 15 July 2015.

DIRECTORS' REPORT (continued)

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

Other Current Directorships:
NRW Holdings Limited (appointed 2002)

Andrew L Martin
Non-Executive Director (2 August 2005 – 15 July 2015)
Chair of Audit Committee (ceased 15 July 2015)
Chair of Remuneration Committee (ceased 15 July 2015)

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

RESIGNED DIRECTOR

Andrew A Young
Non–Executive Director (26 October 2010 – 20 May 2015)
Member of the Audit Committee (resigned 20 May 2015)
Member of the Remuneration Committee (resigned 20 May 2015)

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

Other Current Directorships:
Cliq Energy Berhard (appointed 2012)

Previous Directorships:
Cue Energy Resources Limited (ceased 29 July 2015)
Real Energy Corporation Limited (resigned 26 March 2013)

COMPANY SECRETARY

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

Justin Mouchacca

Justin Mouchacca was appointed Company Secretary on 10 August 2015. He holds a Bachelor of Business majoring in Accounting. He graduated from RMIT University in 2008, became a Chartered Accountant in 2011 and since July 2013 has been a principal of the chartered accounting firm, Leydin

DIRECTORS' REPORT (continued)

Freyer Corp Pty Ltd. Justin has over 8 years' experience in the accounting profession and has extensive experience in relation to public company responsibilities, including ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting, reorganization of companies and shareholder relations.

Ms Lucy N Rowe was Company Secretary until 10 August 2015.

PRINCIPAL ACTIVITIES

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

OPERATING AND FINANCIAL REVIEW

REVIEW OF OPERATIONS

A Review of Operations for the financial year, together with future prospects, is set out on pages 5 to 11.

RESULTS

The loss of the Group after income tax for the year was $35,774,000 (2014: loss $7,026,000). This included gain on sale of an exploration licence of $14,587,000 (2014: nil), non-cash finance costs arising from fair value accounting of liabilities of $468,000 (2014: $1,931,000), fair value loss on extinguishment of debts of $1,009,000 (2014: nil), impairment charges on deferred exploration expenditure and fixed assets of $34,077,000 (2014: $7,242,000), impairment of investments using the equity method of $12,779,000 (2014: nil) and impairment of investments of $1,329,000 (2014: nil).

FINANCIAL POSITION

The net assets of the Group at 31 December 2015 decreased to $20,187,000 (2014: $56,047,000). The decrease resulted principally from impairment charges on fixed assets, deferred exploration expenditure on petroleum prospecting licences and impairment of investments during the year. At 31 December 2015 the Group had cash balances of $19,898,000 (2014: $1,021,000) and net working capital, being current assets less current liabilities, of $20,187,000 (2014: $5,437,000). The improvement in cash balances and net working capital was attributable to the sale of a licence on which a gain of $14,587,000 was realised and which enabled the payment on an early call for redemption of borrowings.

CASH FLOWS

Operating activities resulted in net outflow of $2,064,000 (2014: $604,000) as the Group is still in the exploration phase. Investing activities produced a net inflow of $45,782,000 (2014: outflow of $1,950,000) due to completion of the sale of NGE's 50% participating interest in PPL 269 for an upfront payment of USD 32M cash and loan repayment by the Company's 50% owned joint venture entity Western Drilling Limited of $5,933,000 (2014: $304,000). Net outflow from financing activities of $24,268,000 (2014: $ 115,000) was mainly due to the repayment of borrowings of $23,774,000 (2014: nil) and was funded from the Company's cash reserves.

DIRECTORS' REPORT (continued)

DIVIDENDS

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

STATE OF AFFAIRS

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

(i) on 11 March 2015, the Company announced the completion of the sale of the Group's 50% interest in PPL 269 to a subsidiary of Santos Limited and the receipt of US$32M cash;

(ii) on 7 July 2015, WDL completed its first drilling contract using its Heli rig and camp for a single well with Interoil Corporation, having commenced drilling on 17 September 2014;

(iii) on 15 July 2015 shareholders elected three new directors to the Board and voted to remove two directors;

(iv) on 17 July 2015, the Company announced an on-market share buy-back of up to 10% of the Company's issued capital;

(v) on 21 August 2015 the Company announced the surrender of PPL 268; and

(vi) on 13 October 2015, the Board announced the results of a 3 month strategic review with the Board resolving to implement a new corporate strategy focused on lower risk investments aimed at delivering benefits for shareholders over the medium to longer term.

(vii) The Company cancelled a total of 4,413,966 fully paid ordinary shares pursuant to the Company's On-market Share Buy-back facility as initially announced on 17 July 2015.

LIKELY DEVELOPMENTS

During the subsequent financial years the likely developments of the Group will be to shift from investing the Company's material cash balances in few, high cost, high risk activities to lower risk investments, marketing of the WDL rig with the aim of securing the rig's next tender or a potential sell-down of equity in the joint venture, and continuing attempts to farm out interests in the Group's PNG licences. Except as described elsewhere in this Annual Report, the likely results of these activities are unknown at the date of this report.

ENVIRONMENTAL ISSUES

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

REMUNERATION REPORT (audited)

The Directors present the Remuneration Report for Non-Executive Directors, Executive Directors and other Key Management Personnel, prepared in accordance with the Corporations Act 2001 and the Corporations Regulations 2001.

DIRECTORS' REPORT (continued)

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

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

a. Remuneration policy and practices

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

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

i) attracts and retains senior executives and motivates them to pursue the long term growth and success of the Company; and

ii) clearly sets out the relationship between an executive's performance and remuneration.

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

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

(i) Non-Executive Directors

The Board's policy is to remunerate non-executive directors at market rates for comparable companies for their time, commitment and responsibilities. The Board determines the remuneration of the Company's non-executive directors and reviews their remuneration annually.

On 1 April 2015, the Directors' fees were increased from $32,500 per annum (plus super) to $50,000 per annum (plus super). On 4 June 2015, the Board resolved to increase non-executive directors' fees to $60,000 per annum (plus super). On 21 July 2015, the incoming Board decreased non-executive directors' fees to $50,000 per annum (including super), effective from 15 July 2015. The incoming Board also resolved to reduce the fees payable to the Non-Executive Chairman to $75,000 per annum (including super), down from $120,000 (plus super), effective 15 July 2015.

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

(ii) Key management personnel

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

DIRECTORS' REPORT (continued)

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

Fixed compensation

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

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

Performance linked compensation

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

Short-term incentive bonus

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

Long-term incentive bonus

The Company had in place a long-term incentive (LTI) scheme which was provided as options over ordinary shares of the Company under the rules of the Employee Incentive Plan for no consideration. No LTI was awarded in 2015. The Board presently has no long-term incentive (LTI) scheme in place.

Company performance and director and executive remuneration

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

Employee Incentive Plan

The Company established an Employee Incentive Plan (**Plan**) on 24 February 2006 under which Directors could offer options and ordinary shares in the Company to an eligible person, being a full or part-time employee, officer, consultant or contractor of the Company or of any controlled entity of the Company. As shareholder approval has not been sought for the issue of securities under the Plan within the past 3 years, securities cannot be issued under the Plan pursuant to ASX Listing Rule 7.2 Exception 9 and the Plan has effectively lapsed. The current Board has no present intention to seek shareholder approval for issuance of securities under the Plan.

DIRECTORS' REPORT (continued)

No options or shares were issued under the Plan during the year.

Consequences of performance on shareholder wealth

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

	2015	2014	2013	2012	2011
Basic EPS (cents)	(4.21)	(0.83)	(1.39)	0.7	(0.5)
Diluted EPS (cents)	(4.21)	(0.83)	(1.39)	0.6	(0.5)
Dividends	-	-	-	-	-
(Loss)/profit ($000)	(35,774)	(7,026)	(11,827)	5,721	(4,543)
Share price ($)	0.020	0.008	0.017	0.029	0.05

Service agreements

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

Name	Position held	Term of agreement	Notice period
D Lamm	Non-Executive Chairman (appointed 15 July 2015)	Unspecified	None
Sir M Bromley	Non-Executive Director	Unspecified	None
A Saunders	Non-Executive Director (appointed 15 July 2015)	Unspecified	None
G Worner[2]	Managing Director (appointed 15 July 2015)	6 months	1 month
M N Arnett[1]	Executive Chairman (ceased 15 July 2015)	Unspecified	6 months
A L Martin	Non-Executive Director (ceased 15 July 2015)	Unspecified	None
A A Young	Non-Executive Director (resigned 20 May 2015)	Unspecified	None
D Kendrick	General Manager Technical and Operations (ceased 15 August 2015)	Unspecified	8 weeks
L N Rowe	Company Secretary (resigned 10 August 2015)	Unspecified	8 weeks
E Sam Yue	Chief Financial Officer	Unspecified	8 weeks
J Mouchacca	Company Secretary (appointed 10 August 2015)	Unspecified	1 month

[1] An Employment Services Agreement (**ESA**) between the Company and Mr Arnett was executed on 28 April 2015 upon his appointment to the position of Executive Chairman. The ESA was for an indefinite period and was terminable on 6 months' notice, with annual remuneration of $360,000 per annum plus superannuation with no long or short-term incentives. The ESA was made with effect from 1 May 2014 when he assumed the position of Acting Executive Chairman. Mr Arnett ceased to be a director on 15 July 2015 following a general meeting of shareholders.

[2] In July 2015, Mr Worner was appointed to the position of Managing Director of the Company by way of a Consultancy Services Agreement (**CSA**) for a 6 month period, with the key terms of the CSA being termination on one month's notice by either party, fixed remuneration of $20,000 per month inclusive of director fees, and an incentive bonus of up to 100% of the fixed remuneration payable at the discretion of the Board at the end of the term dependent on the success of meeting key deliverables. Mr Worner's position as Managing Director ceased on 15 January 2016 and he has taken a position as Non-Executive Director since that date.

DIRECTORS' REPORT (continued)

c. Details of remuneration

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

2015		Short-term employee benefits			Post employ-ment	Other long term	Termination benefits	Share-based payments		Proportion of remuneration performance related	Value of options as proportion of remuneration
	Position	Cash salary and fees $	Cash Bonus $	Non-cash benefits $	Superannua-tion $	Long service leave $	Termination payments $	Options $	Total $	%	%
Directors											
D Lamm[1]	Non-Executive Chairman	31,963	-	-	3,037	-	-	-	35,000	-	-
G Worner[2]	Managing Director	110,000	30,250	-	-	-	-	-	140,250	21.6	-
Sir M R Bromley	Non-Executive	45,625	-	-	-	-	-	-	45,625	-	-
A Saunders[3]	Non-Executive	21,309	-	-	2,024	-	-	-	23,333	-	-
M N Arnett[4]	Executive Chairman	290,231[10]	-	-	10,809	-	-	-	301,040	-	-
A L Martin[4]	Non-Executive	20,919	-	-	1,987	-	-	-	22,906	-	-
A A Young[5]	Non-Executive	14,980	-	-	-	-	-	-	14,980	-	-
Other KMP											
E Sam Yue	Chief Financial Officer	152,709	27,083	9,877	17,388	2,244	-	-	209,301[9]	12.9	-
J Mouchacca[6]	Company Secretary	20,000	-	-	-	-	-	-	20,000	-	-
D Kendrick[7]	General Manager	86,900	-	-	-	-	156,000	-	242,900	-	-
L N Rowe[8]	Company Secretary	77,500	25,937	6,525	9,233	549	-	-	119,744	21.7	-
2015 Total		872,136	83,270	16,402	44,478	2,793	156,000	-	1,175,079	7.1	-

[1] Appointed non-executive director on 15 July 2015 and Non-Executive Chairman on 28 July 2015
[2] Appointed non-executive director on 15 July 2015 and Managing Director on 28 July 2015
[3] Appointed non-executive director on 15 July 2015
[4] Ceased 15 July 2015
[5] Resigned 20 May 2015
[6] Appointed 10 August 2015
[7] Ceased 15 August 2015
[8] Resigned 10 August 2015
[9] An amount of $67,428 was shared with Western Drilling Limited
[10] Inclusive of $80,000 back pay from May 2014 when contract as Executive Chairman was finalised in April 2015

DIRECTORS' REPORT (continued)

d. Details of remuneration

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

2014		Short-term employee benefits			Post employ-ment	Other long term	Termination benefits	Share-based payments		Proportion of remuneration performance related	Value of options as proportion of remuneration
Employee		Cash salary and fees $	Cash Bonus $	Non-cash benefits $	Superannua-tion $	Long service leave $	Termination payments $	Options $	Total $	%	%
Directors											
M N Arnett[1]	Executive Chairman	182,308	-	-	17,232	-	-	-	199,540	-	-
Sir M R Bromley	Non-Executive	35,208	-	-	-	-	-	-	35,208	-	-
A L Kent[2]	Non-Executive	9,092	-	-	-	-	-	-	9,092	-	-
A L Martin	Non-Executive	32,193	-	-	3,015	-	-	-	35,208	-	-
A A Young	Non-Executive	35,208	-	-	-	-	-	-	35,208	-	-
Other KMP											
G Worner[3]	CEO	112,887	-	4,106	9,088	(14,644)	289,276	-	400,713	-	-
D Kendrick	General Manager	143,000	-	-	-	-	-	34,000[5]	177,000	-	19.2
L N Rowe	Company Secretary	135,505	-	12,319	12,943	1,806	-	17,000[5]	179,573	-	9.5
E Sam Yue	CFO	187,827	-	12,319	30,472	2,222	-	10,200[5]	243,040[4]	-	4.2
2014 Total		873,228	-	28,744	72,750	(10,616)	289,276	61,200	1,314,582	-	4.7

[1] Appointed Executive Chairman on 30 April 2014 from Non-Executive Chairman position
[2] Resigned on 19 February 2014
[3] Resigned on 30 April 2014
[4] An amount of $106,670 was shared with Western Drilling Limited
[5] EIP options issued on 30 November 2014

DIRECTORS' REPORT (continued)

Incentive bonuses included in remuneration

On his appointment in July 2015 as Managing Director for a period of six months, Director Grant Worner was entitled to an incentive bonus of up to 100% of the fixed remuneration at the discretion of the Board at the end of the term dependent on the success of meeting key deliverables. The Remuneration Committee resolved that the Managing Director be paid an incentive bonus of $33,000 at the end of the term of the CSA following the delivery of key outcomes, of which $30,250 accrued for the period to 31 December 2015 and included in his remuneration for 2015.

In the first half of the year, the Board approved the payment of bonuses to the Company Secretary and CFO.

Hedging of remuneration

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

Use of remuneration consultants

In March and June 2015, the Company's Remuneration Committee sought the advice of remuneration consultants Godfrey Remuneration Group Pty Limited (**Godfrey**), to provide remuneration recommendations in relation to the quantum and elements of the remuneration packages of the Company's KMP. Godfrey undertook benchmarking analysis for Non-Executive Directors' fees and the remuneration package of the Executive Chairman. Godfrey was paid $18,000 (plus GST) to provide the consultancy services. Godfrey made declarations for the purposes of s206M of the Corporations Act 2001 that its recommendations were made free from undue influence by any Key Management Personnel to whom the recommendations relate.

Voting and comments made at the Company's 2015 Annual General Meeting

At the Company's 2015 AGM, more than 25% of the votes cast were against the adoption of the 2014 Remuneration Report. This constituted a "first strike" for the purposes of the Corporations Act 2001. If 25% or more of votes that are cast are voted against the adoption of the remuneration report at two consecutive annual general meetings (effectively, "two strikes"), shareholders will be required to vote at the second of those annual general meetings on a resolution (referred to as a "spill resolution") that another meeting be held within 90 days at which all of the Company's Directors (other than the Managing Director and CEO) must go up for re-election.

It is noted that all Directors of the Company who were noted in the 2014 Remuneration Report, except for Sir Michael Bromley, are no longer Directors of the Company. It also noted that during the financial year, the Company's new Directors have reduced directors' fees from $60,000 (plus super) to $50,000 (including super). The Board has also reduced management's base salaries, with more at risk pay based on meeting key performance indicators.

e. Share based remuneration

Options granted over unissued shares

No options over ordinary shares in the Company were granted as remuneration to KMP during the year.

DIRECTORS' REPORT (continued)

Modification of terms of equity share based payment transactions

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

f. Other information

Options held by Key Management Personnel

The number of options to acquire shares in the Company held during the 2015 reporting period held by each of the Group's Key Management Personnel is set out below:

	Balance at start of year	Granted as compensation	Exercised	Other changes (ceased to be a KMP)	Vested & exercisable at end of the year	Vested & unexercisable at end of the year
D Lamm[1]	-	-	-	-	-	-
Sir M R Bromley	-	-	-	-	-	-
A Saunders[1]	-	-	-	-	-	-
G Worner[1]	-	-	-	-	-	-
M N Arnett[2]	-	-	-	-	-	-
A L Martin[2]	-	-	-	-	-	-
A A Young[3]	-	-	-	-	-	-
D Kendrick[4]	10,000,000	-	-	(10,000,000)	-	-
L N Rowe[5]	5,000,000	-	-	(5,000,000)	-	-
E Sam Yue	3,000,000	-	-	-	3,000,000[6]	-
	18,000,000	-	-	(15,000,000)	3,000,000	-

[1] Appointed on 15 July 2015
[2] Ceased on 15 July 2015
[3] Resigned on 20 May 2015
[4] Ceased on 15 August 2015
[5] Resigned on 10 August 2015
[6] EIP options granted on 30 November 2014 expiring on 30 November 2017 with an exercise price of $0.05 each

DIRECTORS' REPORT (continued)

Shares held by Key Management Personnel

The number of ordinary shares in the Company during the 2015 reporting period held by each of the Group's Key Management Personnel is set out below:

	Balance at start of year	Granted as remuneration	Received on exercise of options	Other changes	Balance at end of year or on ceasing to be a KMP
D Lamm[1]	-	-	-	168,785,403	168,785,403[6]
Sir M R Bromley	-	-	-	-	-
A Saunders[1]	-	-	-	-	-
G Worner[1]	-	-	-	-	-
M N Arnett[2]	3,263,333	-	-	6,708,000	9,971,333
A L Martin[2]	4,280,000	-	-	-	4,280,000
A A Young[3]	-	-	-	1,113,967	1,113,967
D Kendrick[4]	1,385,000	-	-	-	1,385,000
L N Rowe[5]	400,000	-	-	-	400,000
E Sam Yue	1,066,666	-	-	-	1,066,666
	10,394,999	-	-	176,607,370	187,002,369

[1] Appointed on 15 July 2015
[2] Ceased on 15 July 2015
[3] Resigned on 20 May 2015
[4] Ceased on 15 August 2015
[5] Resigned on 10 August 2015
[6] Shares are held by Kentgrove Capital Pty Ltd of which Mr Lamm is the Managing Director

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

End of audited Remuneration Report

DIRECTORS' REPORT (continued)

MEETINGS OF DIRECTORS

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

	Directors' Meetings		**Audit Committee**		**Remuneration Committee**	
	Number eligible to attend	**Number Attended**	**Number eligible to attend**	**Number Attended**	**Number eligible to attend**	**Number Attended**
D Lamm (appointed 15 July 2015)	5	5	1	1	1	1
Sir M R Bromley	11	9	-	-	1	1
A Saunders (appointed 15 July 2015)	5	5	1	1	1	1
Grant Worner (appointed 15 July 2015)	5	5	-	-	-	-
M N Arnett (ceased 15 July 2015)	6	6	-	-	-	-
A L Martin (ceased 15 July 2015)	6	6	-	-	-	-
A A Young (resigned 20 May 2015)	3	3	-	-	-	-

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

UNISSUED SHARES UNDER OPTION

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

Options A exercisable at $0.05 per share on or before 30 November 2017	33,500,000

INDEMNIFYING OFFICERS OR AUDITORS

During the financial year, the Company paid a premium in respect of a contract insuring the Directors and officers of the Company against a liability incurred by such Directors and officers to the extent permitted by the Corporations Act 2001. The nature of the liability and the amount of premium has not been disclosed due to confidentiality of the insurance contract.

The Company has entered into Deeds of Indemnity, insurance and access with Directors and Officers of the Company which indemnifies them of the any loss or costs incurred, in their capacity as a Director or Officer, for which they may be held personally liable, except where there is a lack of good faith.

The Company has not otherwise, during or since the end of the year, indemnified or agreed to indemnify the auditor of the Company, or of any related body corporate, against a liability incurred by the auditor.

PROCEEDINGS

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings in the year.

DIRECTORS' REPORT (continued)

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

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

- On 29 February 2016, the Company announced that Mr David Lamm, Non-Executive Chairman, was appointed Executive Chairman effective immediately; and

- On 21 January 2016, the Company announced that a further 591,034 fully paid ordinary shares had been cancelled pursuant to the Company's On-market Share Buy-back facility.

NON-AUDIT SERVICES

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

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

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with section 307C of the Corporations Act 2001 the Auditor's Independence Declaration for the year ended 31 December 2015 has been received and can be found on page 29 of the Annual Report and forms part of this report.

ROUNDING OF AMOUNTS

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

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

David Lamm
Executive Chairman

Dated this 29th day of March 2016

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

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of New Guinea Energy Limited for the year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A G Rigele
Partner - Audit & Assurance

Sydney, 29 March 2016

CORPORATE GOVERNANCE

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

The Australian Securities Exchange Corporate Governance Council’s Corporate Governance Principles and Recommendations – 3rd edition (‘the ASX Principles’) are applicable for financial years commencing on or after 1 July 2014.

The Group has chosen to publish its Corporate Governance Statement on its website rather than in this Annual Report. The Corporate Governance Statement and governance policies and practices can be found in the corporate governance section of the Company’s website at http://www.ngenergy.com.au/corporate-governance.htm.

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 $'000	2014 $'000
Revenue	5	1,230	1,064
Other income	5	14,648	150
Depreciation expense	14	(6)	(8)
Employee costs		(275)	(527)
Finance costs		(505)	(2,045)
Gain from foreign exchange differences		1,589	1,443
Impairment of deferred exploration expenditure	15	(33,833)	(7,162)
Impairment of fixed assets	14	(244)	(80)
Impairment of investments accounted for using the equity method	13,16	(12,779)	-
Impairment of investments	11	(1,329)	-
Loss on extinguishment of debts		(1,009)	-
Other expenses	6	(1,778)	(201)
Share-based payments		-	(114)
Share of (loss)/profit from equity accounted investments	16	(1,483)	454
Loss before income tax		(35,774)	(7,026)
Income tax expense	7	-	-
Loss after income tax		(35,774)	(7,026)
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Other comprehensive income for the year		-	-
Total comprehensive (loss) for the year attributable to members of the Parent Entity		(35,774)	(7,026)
		Cents	**Cents**
Earnings per share			
Basic earnings per share			
Loss from continuing operations	29	(4.21)	(0.83)
Diluted earnings per share			
Loss from continuing operations	29	(4.21)	(0.83)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 $'000	2014 $'000
CURRENT ASSETS			
Cash and cash equivalents	9	19,898	1,021
Trade and other receivables	10	66	223
Financial assets	11	508	255
Assets held for sale	12	-	27,279
Other short term assets	13	54	112
TOTAL CURRENT ASSETS		20,526	28,890
NON-CURRENT ASSETS			
Plant and equipment	14	-	528
Exploration and evaluation expenditure	15	-	33,300
Investments accounted for using the equity methods	16	-	13,647
Other long term assets	13	-	3,228
TOTAL NON-CURRENT ASSETS		-	50,703
TOTAL ASSETS		20,526	79,593
CURRENT LIABILITIES			
Trade and other payables	17	169	640
Borrowings	18	-	22,668
Provisions	19	170	145
TOTAL CURRENT LIABILITIES		339	23,453
NON-CURRENT LIABILITIES			
Provisions	19	-	93
TOTAL NON-CURRENT LIABILITIES		-	93
TOTAL LIABILITIES		339	23,546
NET ASSETS		20,187	56,047
EQUITY			
Issued capital	20	80,217	80,303
Reserves	20	11,377	11,377
Accumulated losses		(71,407)	(35,633)
TOTAL EQUITY		20,187	56,047

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2015

	Share capital	Accumulated losses	Option reserve	Equity component of convertible instrument	Total equity
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Consolidated Group					
Balance at 31 December 2013	80,303	(28,607)	7,780	3,412	62,888
Total comprehensive loss for the year	-	(7,026)	-	-	(7,026)
Transactions with owners in their capacity as owners:					
Options issued under Employee Incentive Plan	-	-	114	-	114
Equity component of convertible instrument issued	-	-	-	71	71
	-	-	114	71	185
Balance at 31 December 2014	80,303	(35,633)	7,894	3,483	56,047
Total comprehensive loss for the year	-	(35,774)	-	-	(35,774)
Transactions with owners in their capacity as owners:					
Share buy-back	(86)	-	-	-	(86)
	(86)	-	-	-	(86)
Balance at 31 December 2015	80,217	(71,407)	7,894	3,483	20,187

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Notes	2015 $'000	2014 $'000
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers		135	2
Payments to suppliers and employees		(2,374)	(625)
Interest received		175	19
Net cash used in operating activities	24	(2,064)	(604)
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for equity investments		(4,382)	-
Payments for exploration and evaluation expenditure		(849)	(2,322)
Proceeds from disposal of plant and equipment		299	24
Proceeds from disposal of exploration licence		42,017	-
Proceeds from sale of equity investments		2,617	-
Repayment of loans by joint venture entity		5,933	304
Repayment of security deposits		140	44
Dividends received		7	-
Net cash used in investing activities		45,782	(1,950)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of borrowings		(23,774)	-
Payments for share buy-back		(86)	-
Interest paid		(408)	(115)
Net cash used in financing activities		(24,268)	(115)
Net increase in cash and cash equivalents held		19,450	(2,669)
Cash at beginning of period		1,021	3,653
Effect of exchange rates on cash holding in foreign currencies		(573)	37
Cash at end of period	9	19,898	1,021

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

Notes to the consolidated financial statements for the year ended 31 December 2015

1 Nature of operations

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

2 General information and statement of compliance

The consolidated general financial statements of the Group have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). New Guinea Energy Ltd is a for-profit entity for the purpose of preparing the financial statements.

New Guinea Energy Ltd (NGE) is the Group's ultimate parent company. NGE is a public company incorporated and domiciled in Australia. The address of its registered office and principal place of business is Level 4, 100 Albert Road, South Melbourne VIC 3205.

The consolidated financial statements for the year ended 31 December 2015 were approved and authorised for issue by the board of directors on 29 March 2016.

3 Changes in accounting policies

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

A number of new standards, amendments to standards and interpretations became effective for the first time to annual periods beginning on or after 1 January 2015. Information on the more significant standard(s) is presented below.

- **AASB 2014-1 Amendments to Australian Accounting Standards (Part A: Annual improvements 2010-2012 and 2011-2013 Cycles**

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

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

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

  Part A of AASB 2014-1 is applicable to annual reporting periods beginning on or after 1 July 2014.

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

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

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

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

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

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

- **AASB 15 Revenue from Contracts with Customers (annual reporting period beginning on or after 1 January 2018)**

  AASB 15 provides a single, principles based five-step model to be applied to all contracts with customers. Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The Group is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the Group's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 31 December 2018.

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

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

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

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

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

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

- **AASB 2015-1 Amendments to Australian Accounting Standards Annual Improvements to IFRs 2012-2014 Cycle (annual reporting period beginning on or after 1 January 2016)**

  Amendments to clarify minor points in various accounting standards, including AASB 5, AASB 7, AASB 119 and AASB 134. There will be no impact on the Group's financial position or performance.

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

- **AASB 2015-2 Disclosure Initiative – Amendments to AASB 101 (annual reporting period beginning on or after 1 January 2016)**

  The amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose in the financial statements. The effect of this amendment on the Group's financial statements has yet to be determined.

- **AASB 16 Leases (annual reporting period beginning on or after 1 January 2019)**

  AASB 16 provides a new lessee accounting model which requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Early adoption is permitted, provided the new revenue standard, AASB 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as AASB 16. The Group does not have any leases at balance date and will not be affected by this standard.

4 Summary of accounting policies

4.1 Overall considerations

The consolidated financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

Going concern basis of accounting

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Group incurred operating losses of $35,774,000, including the impairment of deferred exploration expenditure of $33,833,000, and negative cash flows from operations of $2,064,000. However, cash held increased during the year from $1,021,000 to $19,898,000 resulting mainly from the net proceeds of sale of exploration licence PPL 269 less repayment of convertible bonds. The net working capital position of the Group at balance date also improved from $5,437,000 to $20,187,000 with significant cash reserves and no borrowings.

Although the Group has minimum work commitments of US$22,100,000 due within one year of balance date under the petroleum prospecting licences granted to the controlled entities, the Group is continuing its pursuit of farm-in arrangements for its licences which would provide funding for the exploration expenditure.

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

4.2 Basis of consolidation

The Group financial statements consolidate those of the parent company and all of its subsidiary undertakings up to 31 December 2015. Subsidiaries are all entities over which the Group has the power to control the financial and operating policies. The Group obtains and exercises control through more than half of the voting rights. All subsidiaries have a reporting date of 31 December.

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.
Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

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

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

4.3 Investments in joint ventures

A joint venture is an arrangement that the Group controls jointly with one or more other investors, and over which the Group has rights to a share of the arrangement's net assets.

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

4.4 Foreign currency translation

Functional and presentation currency

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

Foreign currency transactions and balances

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

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

Foreign operations

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

On consolidation, assets and liabilities have been translated into AUD at the closing rate at the reporting date. Income and expenses have been translated into AUD at the average rate over the reporting period.

Exchange differences are charged/credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognised in equity are reclassified to profit or loss and recognised as part of the gain or loss on disposal.

4.5 Segment reporting

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

4.6 Revenue

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

Revenue from the sale of assets is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership.

4.7 Operating expenses

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

4.8 Exploration and evaluation expenditure

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

(a) rights to tenure of the area of interest are current; and
(b) one of the following conditions is met:

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

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

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

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

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

4.9 Plant and equipment

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

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

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

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

4.10 Leased assets

Operating leases

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

4.11 Impairment testing of other intangible assets and property and plant

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at each reporting date and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

4.12 Restoration, rehabilitation and environmental protection expenditure

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

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

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

4.13 Financial instruments

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

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

Classification and subsequent measurement of financial assets

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

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

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

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

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

Loans and receivables

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

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

Classification and subsequent measurement of financial liabilities

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

Convertible equity bonds

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

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

4.14 Income tax

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

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

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

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

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

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

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

4.15 Cash and cash equivalents

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

4.16 Receivables

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

4.17 Assets held for sale

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

4.18 Equity, reserves and dividend payments

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

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

Accumulated losses include all current and prior period accumulated losses.
Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date.

4.19 Employee benefits

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

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

4.20 Share-based payment

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

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

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

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

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

4.21 Provisions

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

4.22 Goods and services tax (GST)

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

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

4.23 Rounding of amounts

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

4.24 Significant management judgement in applying accounting policies

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Significant management judgement

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements.

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

Carrying value of investment in unlisted shares

The estimate of the carrying value of investment in shares of an unlisted company is based on the unaudited half-year accounts of the company at 31 December 2015 adjusted for impairment.

Carrying value of investments accounted for using the equity method

The Company has assessed the carrying value of its 50% owned investment in the joint venture entity, Western Drilling Limited, which is accounted for using the equity method. Details of the assessment are included in Note 16.

Carrying value of exploration and evaluation expenditure

The application of the consolidated entity's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. Management are required to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available.

As the Group is not expecting to proceed with exploration on its two licences on its own and has not budgeted for expenditure in its forecasts, it has impaired the deferred exploration expenditure for these licences.

Impairments

The consolidated entity assesses impairment at the end of each reporting period by evaluating conditions and events specific to the consolidated entity that may be indicative of impairment trigger. Recoverable amounts of relevant assets are reassessed using the higher of fair value lees cost of sell and value in-use calculations which incorporate various key assumptions.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

4.26 Parent Entity financial information

The financial information for the Parent Entity, New Guinea Energy Ltd, disclosed in Note 30 has been prepared on the same basis as the consolidated financial statements.

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

	2015	2014
	$'000	**$'000**

5 Revenue and other income

	2015 $'000	2014 $'000
Revenue from continuing operations		
- interest income	1,224	1,064
- dividend income	6	-
	1,230	1,064
Other income		
Fee income	-	135
Gain on sale of licence PPL 269	14,587	-
Gain on disposal of fixed assets	61	15
	14,648	150

6 Other expenses

	2015 $'000	2014 $'000
Audit fees (see Note 8)	79	83
Corporate promotion expenses	8	14
Directors' fees	486	221
Professional and legal fees	607	(370)
Listing costs	189	113
Operating leases	103	97
Other	259	43
Realised loss on sale of listed shares	4	-
Unrealised loss on listed shares	43	-
	1,778	201

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

	2015	2014
	$'000	$'000

7 Income tax expense

The major components of tax expense and the reconciliation of the expected tax expense based on the domestic effective tax rate of New Guinea Energy Ltd at 30% (2014: 30%) and the report tax expense in profit or loss are as follows:

	2015	2014
(Loss) before tax	(35,774)	(7,026)
Domestic tax rate	30%	30%
Expected tax expense	(10,732)	(2,108)
Adjustments for tax effect of:		
Non-temporary differences	(1,636)	(240)
Equity capital raising costs debited to equity	(1)	(56)
Temporary differences and tax losses not recognised	12,369	2,404
Income tax expense	-	-

Tax losses

	2015	2014
Unused tax losses for which no tax loss has been recognised as a deferred tax asset adjusted for non-temporary differences at 30%	14,142	8,907

The taxation benefits will only be obtained if:

(i) the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for the loss to be realised;

(ii) the Group continues to comply with the conditions for deductibility imposed by law; and

(iii) no changes in tax legislation adversely affect the Group in realising the benefits from the deductions for the loss.

8 Auditors' remuneration

	$	$
Audit and review of financial statements		
Auditor of the Company- Grant Thornton Audit Pty Ltd	63	68
Other auditors for audit and review of subsidiaries' financial statements	16	15
	79	83

9 Cash and cash equivalents

	2015	2014
Cash at bank and on hand	19,898	1,021

Cash and cash equivalents at balance date consisted of AUD14,897,000, USD 217,000 and PGK10,323,000 (2014: AUD135,000, USD321,000 and PGK999,000).

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

10 Trade and other receivables

	2015 $'000	2014 $'000
CURRENT		
Receivables	59	214
Deposits	7	9
	66	223

(a) Allowance for impairment loss

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

(b) Foreign exchange and interest rate risk

Detail regarding foreign exchange and interest rate risk exposure is disclosed in Note 28.

11 Financial assets

	2015 $'000	2014 $'000
CURRENT		
Shares in listed companies at market value	384	-
Shares in unlisted company at fair value	10	-
Security deposits	114	255
	508	255

11.1 Shares in listed companies at market value

The investments are in listed shares of ASX listed oil and gas companies.

The Group classifies financial assets at fair value through profit or loss if they are acquired principally for the purpose of selling in the short term; otherwise they are presented as non-current assets. They are presented as current assets if they are expected to be sold within 12 months after the end of the reporting period.

Changes in fair values of equity investment in listed shares are recorded in profit or loss (2015: loss $43,000; 2014: nil).

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

	2015	2014
	$'000	**$'000**
11.2 Shares in unlisted company at fair value		
At cost	1,339	-
Impairment	(1,329)	-
At 31 December 2015 at fair value	10	-

During the year the Company invested a total of $1,338,824 for the purchase of 24 shares in an unlisted company, PFE Holdings Pty Ltd (PFE), via two separate transactions. At the time of the investments NGE's Executive Chairman, Mr Michael Arnett, was a shareholder and Non-Executive Director of PFE. The investments comprised a subscription of $1,058,824 for 16 shares at $66,176 per share, completed in early May 2015 and a purchase of 8 shares at $35,000 per share from a Director of PFE, completed in late May 2015. The Company's shareholding represents 4.05% of the share capital of PFE.

After an assessment of the PFE's financial position at balance date and its prospects and forecasts and given the continuing low oil price, the investment has been written down to an amount representing the approximate share of adjusted net assets at balance date.

12 Assets held for sale

CURRENT		
Evaluation and exploration expenditure	-	27,279

This represented evaluation and exploration expenditure on PPL 269 which was in the process of being sold at 31 December 2014. On 11 March 2015, the sale was completed.

13 – Other assets

CURRENT		
Prepayments	54	112
NON-CURRENT		
Accrued interest receivable	4,726	3,228
Impairment	(4,726)	-
	-	3,228

The accrued interest receivable represents a provision for interest on loans and payments made to and on behalf of the joint venture entity, Western Drilling Limited (WDL) and its subsidiary, Rig 6 Pty Ltd. See Note 16 for an analysis of the investment in WDL and impairment assessments.

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

14 – Plant and equipment

	2015 $'000	2014 $'000
Field equipment		
At cost	-	236
Accumulated depreciation	-	(168)
	-	68
Motor vehicles		
At cost	-	202
Accumulated depreciation	-	(181)
	-	21
Office equipment and software		
At cost	-	261
Accumulated depreciation	-	(250)
	-	11
Leasehold improvements, furniture and fittings		
At cost	-	39
Accumulated depreciation	-	(31)
	-	8
Well equipment		
At carrying value	-	500
Impairment	-	(80)
	-	420
Total plant and equipment	-	528

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

Movements during the year

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

	Field equipment $'000	Well equipment $'000	Motor vehicles $'000	Office equipment & software $'000	Leasehold improvements, furniture & fittings $'000	Total $'000
2015						
At beginning of year	68	420	21	11	8	528
Disposals	(39)	(176)	(13)	(8)	(5)	(241)
Depreciation charged to exploration and evaluation expenditure	(29)		(8)	-	-	(37)
Depreciation charge	-	-	-	(3)	(3)	(6)
Impairment	-	(244)	-	-	-	(244)
At the end of year	-	-	-	-	-	-
2014						
At beginning of year	112	508	33	17	10	680
Disposals	-	(8)	-	-	-	(8)
Depreciation charged to exploration and evaluation expenditure	(44)	-	(12)	-	-	(56)
Depreciation charge	-	-	-	(6)	(2)	(8)
Impairment	-	(80)	-	-	-	(80)
At the end of year	68	420	21	11	8	528

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

15 Exploration and evaluation expenditure

	2015 $'000	2014 $'000
Exploration and evaluation expenditure at cost	-	33,300

Movements during the year

	2015 $'000	2014 $'000
Exploration areas:		
At beginning of year	33,300	66,292
Additions at cost	533	1,449
Transfer to assets held for sale	-	(27,279)
Impairment charges	(33,833)	(7,162)
At end of year	-	33,300

Following a review of the Group's Petroleum Prospecting Licences (PPLs) at balance date, cumulative impairment charges were fully recognised for deferred exploration expenditure on PPL 266 of $9,310,000 and $24,523,000 on PPL 267. PPL 266 will expire in August 2016 and PPL 267 in August 2017. No significant exploration work has been undertaken on the licences over the past year as the Group is continuing its pursuit of farm-in arrangements for these licences which would provide funding for the exploration expenditure. The Group is not expecting to proceed with exploration on the licences on its own and has not budgeted for expenditure in its forecasts. Under these circumstances and in accordance with accounting standard AASB 6 Exploration for and Evaluation of Mineral Resources the Group has fully impaired the deferred exploration costs on these licences.

16 Investments accounted for using the equity method

	2015 $'000	2014 $'000
Investment in shares in Western Drilling Limited (WDL)	-	-
Loans to WDL	9,814	13,925
Share of losses accounted for using the equity method	(1,761)	(278)
Impairment	(8,053)	-
At end of year	-	13,647

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

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

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

	2015	2014
	$'000	$'000

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

Assets	20,150	27,958
Liabilities	24,069	28,732
Revenues	14,051	13,188
(Loss)/Profit for the year	(2,966)	907
(Loss)/Profit attributable to the Group	(1,483)	454

The assessment of recoverable value for the investment in WDL, including loan and accrued interest, is a complex process requiring the application of appropriate assumptions and forecasts of future cash flows or the identification of a fair value less costs of disposal. The Group's investment in WDL is underpinned by WDL's major asset being a Heli Rig. Due to the current depressed nature of the global oil & gas industry there is a lack of supportable evidence in the Papua New Guinea market regarding demand and reliable market value for this asset at the present time. The current lack of relevant contracts for drilling or hire of the asset or an active market for the sale of such assets makes it very difficult to support any assumptions or estimate of future cash flows for this asset under a value in use approach or to reliably estimate a fair value less costs of disposal. The Directors have therefore assessed that a full impairment of the investment in WDL is required at balance date under the accounting standards. WDL is continuing its efforts to secure contracts or develop mutually advantageous partnership opportunities with third parties. Should economic conditions change, such that contracts are secured in the future or an active market for the asset is established then the impairment could be reversed in part or in full in future years.

Dividends are subject to the approval of a majority of directors of the joint venture entity. During 2014 and 2015 the Group received no dividends.

17 Trade and other payables

CURRENT		
Trade payables	52	140
Sundry payables and accrued expenses	117	500
	169	640

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

18 Borrowings

	2015 $'000	2014 $'000
CURRENT		
Equity Bonds 2016	-	22,668

On 26 March 2015, repayment of $24,144,976 in principal of convertible equity bonds (inclusive of interest since the last semi-annual interest payment of 30 November 2014) was made to the holders of the convertible bonds.

19 Provisions

	2015 $'000	2014 $'000
CURRENT		
Employee provisions	170	145
NON-CURRENT		
Employee provisions	-	93

Current employee provisions relate to annual leave and long service leave entitlements.

20 Equity

20.1 Share capital

	2015 Shares	2014 Shares	2015 $'000	2014 $'000
Shares issued and fully paid:				
- At beginning of year	849,991,193	849,991,193	80,303	80,303
- Shares buy-back	(4,413,966)	-	(86)	-
Total contributed equity at 31 December	845,577,227	849,991,193	80,217	80,303

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding-up of the Company in proportion to the number of shares held. Every ordinary shareholder present at a meeting of the Company, in person or by proxy, is entitled to one vote, and upon a poll each ordinary share is entitled to one vote.

Ordinary shares have no par value.

20.2 On-market share buy-back

In accordance with its on-market share buy-back scheme announced on 17 July 2015, New Guinea Energy Ltd bought back 4,413,966 (2014: nil) shares during the period to balance date. 4,413,966 shares were cancelled by 31 December 2015. The number of shares bought back and cancelled during

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

the period was within the '10/12 limit' imposed by s257B of the Corporations Act 2001, and as such, shareholder approval was not required. The shares were acquired at an average price of $0.0194 with prices ranging from $0.0190 to $0.0200. The total cost of $86,000 (2014: nil), including transaction costs, was deducted from contributed equity. Up to the date of this report a total of 5,005,000 shares have been cancelled.

20.3 Options over unissued shares

	2015 Number	2014 Number
Unlisted options:		
Options G exercisable at $0.45 each on or before 1 October 2014:		
Balance at beginning of reporting period	-	61,700,000
Lapsed during the year	-	(61,700,000)
Balance at end of reporting period	-	-
Options I exercisable at $0.45 each on or before 27 July 2014:		
Balance at beginning of reporting period	-	2,500,000
Lapsed during the year	-	(2,500,000)
Balance at end of reporting period	-	-
Options J exercisable at $0.30 each on or before 7 February 2016:		
Balance at beginning and end of reporting period	400,000	400,000
Options A exercisable at $0.05 each on or before 30 November 2017:		
Balance at beginning of reporting period	33,500,000	-
Issued during the year	-	33,500,000
Balance at end of reporting period	33,500,000	33,500,000
Total at end of year	33,900,000	33,900,000

20.4 Rights over unissued shares

	2015 Number	2014 Number
Incentive Rights:		
Balance at beginning of reporting period	-	10,000,000
Lapsed during the year	-	(10,000,000)
Balance at end of reporting period	-	-

No Incentive Rights were issued to directors or executives during the year.

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

20.4 Capital risk management

The Group currently has no long term debt or short term debt and is not subject to any externally imposed capital requirements, nor does it focus on obtaining debt as a key capital management tool. The operating cash flows of the Group are financed by its cash holdings. The capital risk management is continually reviewed as the Group has surplus cash available for investment.

	2015 $'000	2014 $'000
20.5 Reserves		
Option reserve	7,894	7,894
Equity component of convertible instrument	3,483	3,483
	11,377	11,377

Option reserve

Balance at beginning of year	7,894	7,780
33,500,000 Incentive Options under Employee Incentive Plan	-	114
Balance at end of year	7,894	7,894

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

Equity component of convertible instrument

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

The equity component of the fair value of convertible Equity Bonds issued has been credited to reserves. The convertible bonds were repaid in full in March 2015.

21. Controlled and jointly controlled entities

Controlled Entities	Country of Incorporation	Ownership Interest %
New Energy Resources Pty Ltd	Australia	100
Engelberg Limited	Papua New Guinea	100
Kelliher Limited	Papua New Guinea	100
Kingsbury Limited	Papua New Guinea	100
Kirkland Limited	Papua New Guinea	100
Ladysmith Limited	Papua New Guinea	100
NGE Administration Limited	Papua New Guinea	100
Roebuck Limited	Papua New Guinea	100
Taylor Limited	Papua New Guinea	100
Jointly Controlled Entities		
Western Drilling Limited	Papua New Guinea	50
- Rig 6 Pty Ltd	Australia	100

22 Related party transactions

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

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

22.1 Wholly owned group

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

22.2 Jointly controlled entity

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

Loans were made to WDL group in previous years to finance the acquisition of assets and working capital for its drilling business. During the year, WDL made some repayments on the loans. The loans are denominated in USD and will bear interest at market rate. Accrued interest receivable to balance date has been provided for under other non-current assets. The balances outstanding at balance date have been fully impaired as noted in Note 16 above as follows:

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

	2015	2014
	$'000	$'000
Loans	-	13,925
Accrued interest receivable	-	3,228

During the year, the Group sold equipment and a vehicle to WDL for an amount of $101,000 (2014: nil) based on market values at the time of sale.

The Company shared the costs of administration and project management staff with its joint venture company, Western Drilling Limited.

22.3 Transactions with key management personnel

Key Management Personnel remuneration includes the following expenses:

Short-term employee benefits	971,808	901,972
Post-employment benefits	44,478	72,750
Other long-term benefits	2,793	(10,616)
Termination benefits	156,000	289,276
Share-based payments	-	61,200
	1,175,079	1,314,582

23 Employee benefits

Superannuation

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

Employee incentive plan

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

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

24 Reconciliation of cash flows from operating activities

	2015 $'000	2014 $'000
Cash flows from operating activities		
Loss for the period	(35,774)	(7,026)
Adjustments for :		
Depreciation	6	8
Dividends received	(7)	-
Equity settled share-based payment transactions	-	114
Finance costs	97	1,931
Foreign exchange differences	(1,589)	(1,443)
Impairment of exploration expenditure	33,833	7,162
Impairment of fixed assets	244	80
Impairment of investments accounted for using the equity method	12,779	-
Impairment of investments	1,329	-
Interest paid included in financing	408	115
(Gain) on disposal of fixed assets	(61)	(15)
(Gain) on disposal of licence	(14,587)	-
Interest income accrued	(1,070)	(1,041)
Loss on extinguishment of debt	1,009	-
Loss on sale of listed shares	5	-
Provision for employee entitlements	(32)	6
Share of loss/(profit) of equity accounted investments	1,483	(454)
Unrealised losses on listed shares	43	-
Changes in assets and liabilities relating to operations		
Change in creditors and accruals	(323)	53
Change in receivables	111	(109)
Change in prepayments	32	15
Net cash used in operating activities	(2,064)	(604)

25 Segment reporting

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

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

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

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

Segment assets

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

Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Segment liabilities include trade and other payables.

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

	2015			2014		
	Exploration	**Unallocated**	**Total**	**Exploration**	**Unallocated**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
PROFIT AND LOSS						
Revenue						
From external customers	-	1,230	1,230	-	1,199	1,199
Gain on sale of licence	14,587	-	14,587	-	-	-
Gain on disposal of fixed assets	61	-	61	15	-	15
	14,648	1,230	15,878	15	1,199	1,214
Depreciation expenses	-	(6)	(6)	-	(8)	(8)
Employee costs	-	(275)	(275)	-	(527)	(527)
Finance costs	-	(505)	(505)	-	(2,045)	(2,045)
Foreign exchange gains	-	1,589	1,589	-	1,443	1,443
Impairment of deferred exploration expenditure	(33,833)	-	(33,833)	(7,162)	-	(7,162)
Impairment of fixed assets	(244)	-	(244)	(80)	-	(80)
Impairment of investments using the equity method	-	(12,779)	(12,779)	-	-	-
Impairment of investments	-	(1,329)	(1,329)	-	-	-
Loss on extinguishment of debts	-	(1,009)	(1,009)	-	-	-
Other expenses	-	(1,778)	(1,778)	-	(201)	(201)
Share-based payments	-	-	-	-	(114)	(114)
Share of (loss)/profit from equity accounted investments	-	(1,483)	(1,483)	-	454	454
Profit/(Loss) before income tax	(19,429)	(16,345)	(35,774)	(7,227)	201	(7,026)
Income tax expense	-	-	-	-	-	-
Profit/(Loss) after tax	(19,429)	(16,345)	(35,774)	(7,227)	201	(7,026)
FINANCIAL POSITION						
Assets and liabilities						
Segment assets	112	20,414	20,526	61,390	18,203	79,593
Segment liabilities	35	304	339	289	23,257	23,546

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

26 Commitments

Petroleum prospecting licences

At balance date the Group holds two petroleum prospecting licences in Papua New Guinea, PPL 266 and PPL 267. A condition of the licences is that the Group is required to meet minimum committed expenditure requirements to maintain current rights of tenure. These commitments may be subject to renegotiation, may be farmed out or may be relinquished and have not been provided for in the financial statements and are due as follows from balance date:

	2015	2014
	$'000	$'000
Within twelve months	30,278	26,829
Twelve months or longer and not longer than five years	-	945
	30,278	27,774

The Group's two licences will expire in August 2016 (PPL 266) and August 2017 (PPL 267). The Group continues to pursue potential farm-in arrangements for these licences which would provide funding for exploration expenditure to meet the commitments.

The Group has obligations to restore and rehabilitate areas disturbed during exploration. Bank guarantees of $91,000 (2014: $255,000) collateralised by cash deposits have been provided as security for compliance with the conditions of the licences.

Operating leases

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

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

Bank guarantees for $22,000 (2014: $22,000) collateralised by cash deposits have been provided for fulfilment of the obligations under the operating leases. The Company is awaiting refund of the bank guarantees since expiry of office lease in October 2015.

27 Contingent assets and liabilities

At balance date the Group has no contingent assets or contingent liabilities.

28 Financial instruments

28.1 Risk management objectives and policies

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

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

28.2 Foreign currency risk

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

At 31 December 2015, the Group had the following exposure to various foreign currencies:

	2015	2014
	$'000	$'000
Financial assets		
Cash and cash equivalents	5,001	885
Trade and other receivables	63	83
Security deposits	91	233
Investments accounted for using the equity method	-	13,925
Other	-	3,228
	5,155	18,354
Financial liabilities		
Trade and other payables - Current	(70)	(323)
Net exposure	5,085	18,031

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

Foreign currency sensitivity analysis

Increase/(decrease) in net exposure		
-Australian dollar depreciates by 5% against USD	14	837
-Australian dollar depreciates by 5% against PGK	(228)	(22)
-Australian dollar appreciates by 5% against USD	(14)	(837)
-Australian dollar appreciates by 5% against PGK	228	22

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

28.3 Interest rate risk

Interest rate risk is managed with a mixture of fixed and floating rate debt. At 31 December 2015 the Group had no fixed or floating rate debt.

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

	2015	2014
	$'000	$'000
Financial assets		
Cash and cash equivalents	15,195	611
Other current assets	113	255
	15,308	866

28.4 Credit risk

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

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

28.5 Liquidity risk

Liquidity risk is the risk that the Group might be unable to meet its obligations. The Group manages its liquidity needs by continuously monitoring forecast and actual cash flows and ensuring there are appropriate plans in place to finance these future cash flows.

At balance date the Group holds $19.9 million in cash and has no borrowings.

As at 31 December 2015, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	Current	Non-current	
	< 1 year	1 to 5 years	Later than 5 years
	$'000	$'000	$'000
2015			
Trade and other payables	169	-	-
Total	169	-	-
2014			
Trade and other payables	640	-	-
Borrowings[1]	24,427	-	-
Total	25,067	-	-

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

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

28.6 Price risk

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

The Group is also exposed to movement in market prices of its equity investments.

28.7 Financial assets and liabilities

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

	Note	2015 $'000	2014 $'000
Financial assets at amortised cost			
Cash and cash equivalents	9	19,898	1,021
Trade and other receivables	10	66	223
Financial assets - current	11	508	255
Investments accounted for using the equity method	16	-	13,647
Other long term assets	13	-	3,228
		20,472	18,374
Financial liabilities			
Financial liabilities measured at amortised cost:			
- Trade and other payables - current	17	169	640
- Borrowings – current	18	-	22,668
		169	23,308

28.8 Fair value hierarchy

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

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

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

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

		Level 1	Level 2	Level 3	Total
	Note	**$'000**	**$'000**	**$'000**	**$'000**
2015					
Assets					
Total	(a)	384	-	10	394
Liabilities					
Total		-	-	-	-
Net fair value		384	-	10	394
2014					
Assets					
Total		-	-	-	-
Liabilities					
Convertible Equity Bonds	(b)	-	22,668	-	22,668
Total		-	22,668	-	22,668
Net fair value		-	(22,668)	-	(22,668)

Measurement of fair value

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

(a) The fair values are estimated using market prices of listed investments and impairment assessment of unlisted investments.

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

28.9 Sensitivity analysis

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

	2015	2014
	$'000	**$'000**
Interest rate sensitivity analysis		
Decrease/ (increase) in profit/(loss)		
- increase in interest rate by 2%	227	27
- decrease in interest rate by 2%	(227)	(27)

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

28.10 Price risk sensitivity analysis

As the Group does not derive revenue from sale of products, the effect on profit and equity as a result of changes in the price risk is not considered material. The fair value of the exploration projects will be impacted by commodity price changes (predominantly oil and gas) and could impact future revenues once operational. Equity investment in listed shares is subject to movement in the market prices of the shares.

29 Earnings per share

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

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

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

	2015	2014
	$'000	$'000
(Loss) used in the calculation of basic earnings per share	(35,774)	(7,026)

	Number of shares	
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic and diluted earnings per share	849,779,968	849,991,193

The options on issue are non-dilutive for the 31 December 2015 year.

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

30 Parent Entity information

	2015 $'000	2014 $'000
Assets		
Current assets	15,273	793
Non-current assets	5,172	79,408
Total assets	20,445	80,201
Liabilities		
Current liabilities	269	23,192
Non-current liabilities	-	30
Total liabilities	269	23,222
Equity		
Issued capital	80,217	80,303
Option reserve	7,894	7,894
Equity component of convertible instrument	3,483	3,483
Accumulated losses	(71,418)	(34,701)
	20,176	56,979
Financial performance		
(Loss)/Profit for the year	(36,717)	51
Other comprehensive income	-	-
Total comprehensive (loss)/income	(36,717)	51

The Parent Entity has not entered into any financial guarantees which is outstanding and has no commitments for the acquisition of property, plant and equipment as at 31 December 2015 and 31 December 2014.

31 Events occurring after the reporting period

There has not arisen in the interval since 31 December 2015 and up to the date of this report, any matter that, in the opinion of the Directors, has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years other than the following:

- On 29 February 2016, the Company announced that Mr David Lamm, Non-Executive Chairman, was appointed Executive Chairman effective immediately; and
- On 21 January 2016, the Company announced that a further 591,034 fully paid ordinary shares had been cancelled pursuant to the Company's On-market Share Buy-back facility.

Directors' Declaration
for the year ended 31 December 2015

1 In the opinion of the directors of New Guinea Energy Ltd:

(a) the consolidated financial statements and notes of New Guinea Energy Ltd are in accordance with the Corporations Act 2001, including

(i) giving a true and fair view of its financial position as at 31 December 2015 and of its performance for the year ended on that date; and

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

(b) there are reasonable grounds to believe that New Guinea Energy Ltd will be able to pay its debts as and when they become due and payable.

2 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 31 December 2015.

3 Note 2 confirms that the consolidated financial statements also comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Dated this 29th day of March 2016

David Lamm
Executive Chairman

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

Report on the financial report

We have audited the accompanying financial report of New Guinea Energy Limited (the "Company"), which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

a the financial report of New Guinea Energy Limited is in accordance with the Corporations Act 2001, including:

  i giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the year ended on that date; and

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

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report

We have audited the remuneration report included in pages 17 to 25 of the Directors' Report for the year ended 31 December 2015. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of New Guinea Energy Limited for the year ended 31 December 2015, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A G Rigele
Partner - Audit & Assurance

Sydney, 29 March 2016

ADDITIONAL INFORMATION

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

1. SHAREHOLDINGS

(a) Distribution of Shareholders as at 9 March 2016

Size of holding	Holders	Ordinary shares held	%
1-1,000	121	12,769	0.002
1,001-5,000	200	774,116	0.092
5,001-10,000	262	2,247,473	0.266
10,001-100,000	1,221	55,187,558	6.520
100,001 and over	693	786,764,277	93.120
	2,497	844,986,193	100.000

935 shareholders held less than a marketable parcel.

(b) Top Twenty Shareholders as at 9 March 2016

Shareholder	Number of ordinary shares	% Held of issued ordinary capital
KENTGROVE CAPITAL PTY LTD <KENTGROVE CAPITAL FUND A/C>	110,000,000	12.94%
J P MORGAN NOMINEES AUSTRALIA LIMITED	67,066,020	7.89%
PARKBAY CAPITAL PTY LTD <PARKBAY A/C>	58,785,403	6.92%
ASIA IMAGE LIMITED	48,000,000	5.65%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	17,136,049	2.02%
CANNAVO INVESTMENTS PTY LTD	13,098,685	1.54%
CUSTODIAL SERVICES LIMITED <BENEFICIARIES HOLDING A/C>	11,923,000	1.40%
NATIONAL NOMINEES LIMITED <DB A/C>	8,300,000	0.98%
DOUBLE EAGLE PTY LIMITED <SHARE PORTFOLIO A/C>	8,096,180	0.95%
UCAN NOMINEES PTY LTD <COWEN FAMILY A/C>	7,546,333	0.89%
SPORRAN LEAN PTY LTD <SPORRAN LEAN SUPER FUND A/C>	7,196,000	0.85%
MRS MAN SUN NG	6,860,000	0.81%
MAYBURYS PTY LTD <CARMICH SUPER FUND A/C>	6,708,000	0.79%
YARANDI INVESTMENTS PTY LTD <GRIFFITH FAMILY NO 2 A/C>	6,582,963	0.77%
PETO PTY LTD <THE 1953 SUPER FUND A/C>	6,500,000	0.76%
CAPITAL NOMINEES LIMITED	6,336,939	0.75%
CITICORP NOMINEES PTY LIMITED	6,301,276	0.74%
NATIONAL NOMINEES LIMITED	6,279,467	0.74%
ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	5,863,798	0.69%
PACIFIC NOMINEES LIMITED	5,768,290	0.68%
Twenty largest shareholders	414,348,403	48.75
Others	430,637,790	51.25
	844,986,193	100.00

ADDITIONAL INFORMATION (continued)

2. UNLISTED OPTION HOLDINGS

Distribution of Option holders as at 9 March 2016

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

Size of holding	Holders	Options held	%
1-1,000	-	-	-
1,001-5,000	-	-	-
5,001- 10,000	-	-	-
10,001-100,000	-	-	-
100,001 – and over	10	33,500,000	100.00
	10	33,500,000	100.00

3. VOTING RIGHTS

(a) At meetings of members each member entitled to vote may vote in person or by proxy or attorney or, in the case of a member which is a body corporate, by representative duly authorized.

(b) On a show of hands every member entitled to vote and be present in person or by proxy or attorney or representative duly authorised shall have one (1) vote.

(c) On a poll every member entitled to vote and be present in person or by proxy or attorney or representative duly authorised shall have one (1) vote for each fully paid share of which he is a holder.

4. AUDIT COMMITTEE

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

5. SUBSTANTIAL SHAREHOLDERS

As at the date of this report substantial shareholder notices had been lodged in relation to the Company's securities indicating the number of securities held by substantial shareholders are as follows:

Name	Number of shares
KENTGROVE CAPITAL PTY LTD	168,785,403
ASIA IMAGE LIMITED	54,500,000
NOONTIDE INVESTMENTS LTD	52,034,028