



23 January 2017

Market Announcements Office
ASX Limited

UPDATE ON PNG LICENCES

PPL 277

New Guinea Energy Limited (**NGE** or **Company**) (ASX: NGE) has received notification that the holders of Petroleum Prospecting Licence (**PPL**) 277 have lodged with the Papua New Guinea Department of Petroleum and Energy (**DPE**) a request to unconditionally surrender this licence.

NGE no longer has a working interest in this licence however the terms of the sale of its 100% interest in the licence to Esso PNG Exploration Limited and Oil Search Limited (**Purchasers**) in equal shares in 2012 provided for the following consideration components in favour of NGE:

- Payment of US\$20 million in cash if a Petroleum Development Licence (**PDL**) is granted over any area of PPL 277; and
- An uncapped royalty over all revenue received by the Purchasers from the petroleum produced and sold.

This is a disappointing outcome for the Company but a consequence of the considerable risks and capital required to drill wildcat exploration wells in the PNG highlands.

PPL 269

Earlier this month Oil Search Limited announced that after more than 4 months of drilling, the operator plugged and abandoned the wildcat exploration well Strickland 1 ST4 without penetrating the primary objective.

NGE no longer has a working interest in this licence however the terms of the sale of its 50% interest to a subsidiary of Santos Limited in 2015 provided for the following consideration components in favour of NGE:

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

We note that NGE's future potential consideration from PPL 277 and PPL 269 is valued at zero in the Company's balance sheet and therefore the above developments will have no effect on the Company's financial statements or on NGE's Net Tangible Asset backing.

Leslie Smith
CFO/Company Secretary