



Executive Interview



Yong Wah Kee
Deputy
Executive
Chairman



Dr. Ian Wang
Chief Executive
Officer



Beng Hong Lim
Chief Operation
Officer



**Unggul
Setyatmoko**
Chief
Commercial
Officer



Dr. Victor Zhang
Chief Technical
Officer



Jason Chua
Chief Financial
Officer



**Heng Mun
Chen**
Non-Executive
Director
(and Executive
Director,
Globaltec)



Ben Goh
Investor
Relations
Manager

Interview by: Ross Stewart Campbell, CEO, Guanxi Energy
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Gentlemen, for those not familiar with NuEnergy Gas can you introduce your company?

Ian - Thanks Ross, NuEnergy Gas is an Australian-listed, clean energy company focused on the development of Indonesian gas assets.

You focus on Indonesia and its growing clean energy industry. How much potential is still left in the country's oil and gas industry and what role will unconventional gas play in meeting rising energy demand and domestic consumption?

Unggul - The current remaining unconventional gas reserves is approximately equal with the estimated conventional gas resources of around 138 TCF. This is based on ~120 Coal Bed Methane (CBM) wells currently drilled in Indonesia. As more wells are drilled, we expect unconventional gas resources move closer to the estimated gas in place of 453 TCF. Rising national energy demand coupled with declining conventional gas production have significantly increased the role unconventional gas (CBM) will play to fulfil clean energy demand in Indonesia.

Several companies have now demonstrated that unconventional gas can be developed commercially outside of North America. How bright is the future for unconventional gas and coal bed methane, especially in this lower commodity price environment?

Ian - The commercial development of CBM in Australia, China and the USA occurred only with the involvement and intervention of government-led 'fit for purpose' policies and incentives for CBM development. The Indonesian Government has now issued 'fit for purpose' CBM regulations and policies to help the fast-track development of their CBM assets. We believe these developments demonstrate the Indonesian Government's desire to follow in the footsteps of other countries with CBM success. Indonesian CBM has technical/geological similarities with already commercialised CBM assets in Australia and the USA (i.e. the Powder River Basin). The size of the prize is large and we are ideally positioning to capitalise on these opportunities.

What differentiates your company from other unconventional gas companies?

Lim - NuEnergy's management team are extremely hands on, with experience from subsurface to dewatering, from project completion to gas delivery. We have the right mix of experience to appraise excellent CBM assets at low cost and quickly develop them into production.

You recently received approval from SKK Migas (Indonesia's Upstream Energy Regulator) to proceed with your Plan of Development preparation and submission of the Tanjung Enim PSC. Is developing this your main strategic priority and is this award a transformational moment for NuEnergy?

Unggul - Indonesia is very keen to see the commercialisation of CBM after nine years of exploration activities. We have successfully brought our key asset, Tanjung Enim, closer towards development and commercialisation. In doing so, we are developing a synergy with the Indonesia Government to deliver Indonesia's first commercial CBM development. This is a transformational moment for Indonesia and for NuEnergy.

Recent changes to policy surrounding PSCs have sparked a lot of industry discussion about how foreign investment will now be deployed in Indonesia. What impact do these changes have on NuEnergy, are more changes expected, and how are you working with the Indonesian government and state owned energy companies to meet their own targets?

Unggul – The contentious discussion in this context is around the issuance of the Minister Decree on Gross Split Contract (GSC) in early 2017. CBM industry players, including NuEnergy, have worked with the Indonesia Government for the issuance of this GSC. Based on extensive upstream experience, both NuEnergy and our peers felt very strongly that GSC will be the most suitable contract for CBM. The issues which are pending on resolution are the issues related to taxation, asset ownership, treatment of exploration cost/ sunk cost, and scale of progressive split to improve project economic. These are the issues which have sparked a lot of industry discussion about how foreign investment will now be deployed in Indonesia. However, these issues have recently been addressed by the Government for further improvement to retain the attractiveness of investment in Indonesia.

What technical challenges (above ground and sub-surface) must you now overcome to ensure optimal commerciality on the Tanjung Enim PSC?

Victor – The key technical challenges we face and must are four-fold: (1) Hydrogeology is one of the key geological factors controlling CBM producibility. To optimize the CBM development of the Tanjung Enim block, the study of the hydrogeology of the Block will be deepened with additional data available. (2) Damage [contamination] to coals caused by drilling fluids can be extensive and fatal to productivity, irreparably damaging the cleats and open fracture system in highly permeable coals. Suitable rig and proper drilling fluids are required to shorten the coal exposure time and minimize damage to the permeability, leading to the desired production. (3) Completion has an important influence on well production. Completion strategy should be designed based on the reservoir characteristics to maximize the producibility. (4) CBM well performance is very sensitive to the changing in permeability during dewatering. It is essential to design the dewatering procedure based on the reservoir properties and strictly follow it to achieve optimal well performance.

You recently secured significant investment from Globaltec Formation, a conglomerate listed in Malaysia, to strengthen your balance sheet. Can you explain more detail about this partnership, what benefits it brings to both parties, and Globaltec's reason for this investment?

Jason – NuEnergy received a new lease of life after being acquired by Globaltec in 2014. As a strategic investor, Globaltec is an ideal partner as they have a strong balance sheet, extensive experience in CBM development and provide strong technical capability. The partnership has created multiple positive effects with NuEnergy making considerable progress to its assets and especially with the recent approval for Tanjung Enim's POD application.

Heng Mun – Globaltec invested into NuEnergy on the back of an experienced management team, as well as strong JV and PSC partners – Pertamina (the Indonesian National Oil & Gas Company), MedcoEnergi (the largest listed energy company in Indonesia) and Bukit Asam (Indonesian state-owned resources company). NuEnergy strategically positioned assets have enormous potential for long-term integrated development and commercialisation. Our recent capital injection demonstrates our confidence in NuEnergy to fast track the first CBM commercialisation in Indonesia. We strongly believe the management will deliver NuEnergy's vision to be the leading clean energy company in Indonesia. Furthermore, through our own manufacturing presence in Indonesia, we understand the culture and sentiment in Indonesia – this is very beneficial for our investment in NuEnergy.

What takeaways should readers go home with regarding NuEnergy and how they can help you achieve your goals?

Kee – We are the first company in Indonesia to upgrade a CBM asset from exploration to production and will be the first in the industry to deliver gas to the local market. We are proud to also be a low-cost company. From the ~120 CBM wells drilled in Indonesia, our well-to-well cost was between a third to a half lower than our peers. We have the skills, people and technology to deliver energy to the domestic market and to do so fast! Gas to pipeline, PLN, CNG/LNG and gas-to-power. Our pathway to deliver our investors with huge return is now within reach.

Ben – As Kee rightly states, we are the leading pioneer in the development of Indonesia's unconventional gas industry. Additionally, the continuous exploration appraisal on our other South Sumatra assets (Muara Enim, Muara Enim II & Muralim) also shows significant monetisation opportunities. We now seek fresh funding to achieve commercialisation across our portfolio. Rome was not built in a day and we would like to invite investors and partners to materialise our Tanjung Enim POD by joining our current fundraising exercises.

You are looking for additional funding to help develop Tanjung Enim quickly into production by 2019. It is a very exciting story. How would you describe your company in one sentence to an interested investor?

Ian – We deliver clean energy to the market whilst protect the environment, maximize returns to our investor via resolving energy needs by connecting resources to the community and people.

Looking more broadly across today's energy industry, if you could wave a magic wand over our industry, what would you change and why?

Kee – Indonesia's gas price is not impacted by the oil price but we would like to see a return of oil prices to a level of \$60-65, which would help encourage more investors to increase their exposure to the wider industry, as well as more young graduates being able to be employed.

Lim – The world needs greener, cleaner energy. We encourage more companies to follow in our footsteps to help unlock unconventional gas, an important part of the future energy mix. At NuEnergy we are preparing for the future. We invite you to join us and be part of our success.
