



## **CHAIRMAN'S ADDRESS 14 MAY 2010**

Good Morning Ladies and Gentlemen,

Welcome to the sixth Annual General Meeting ("AGM") of New Guinea Energy Limited ("NGE") and the first Annual General Meeting to be held in Papua New Guinea. The Board and staff are very pleased to be here this morning. My name is Michael Arnett and I am the Executive Chairman and Chief Executive Officer of NGE, I am also the Chairman of today's meeting.

This past year has been a year of achievement for NGE in which, I'm pleased to say, the Company reached a number of important goals.

### **FIRST FARM OUT AGREEMENTS SIGNED**

The most significant of these goals was the signing of binding farm-in agreements for our Petroleum Prospecting Licences (PPLs) 268 and 269 with a wholly-owned subsidiary of a major multi-national oil company, Talisman Niugini Limited ("Talisman"). As I mentioned at our General Meeting in November 2009, we are very pleased to have attracted such a farm – in partner particularly in a year of continued financial instability. Having received Ministerial Approval, in March of this year, for the transfers of 15% of PPL 268 and 50% of PPL 269 to Talisman Niugini Limited we are now looking forward to continuing the preparation for the first seismic programs on these two licences during the 2<sup>nd</sup> and 3<sup>rd</sup> quarters of this year.

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In October we were pleased to be able to announce that we had also received critical approvals to the variations on our seismic and drilling programs for our PPLs 266, 267, 268 and 269. The Company, together with our partner, Talisman Niugini Limited will now commit just over \$47 million towards seismic testing and drilling activities in these four licences over the next two years.

### **SEISMIC OPERATIONS**

The first seismic testing on one of these licences commenced early in the first quarter of this year with seismic operations on PPL 266 conducted in conjunction with Talisman. Talisman extended its seismic program in respect of its adjoining licence, PPL 261, to include the north – east section of NGE’s PPL 266. This co-operative program between the two companies is an opportunity for us to achieve operational synergies and cost savings whilst pursuing our aim of identifying leads and elevating them to drillable prospect status. Recording for this program was completed in early April with results due early in the third quarter of this year.

### **FIRST WELL IN SIGHT**

Also as a result of receiving the critical approvals from the Minister last October NGE is now in the mobilisation stage of its drilling program on PPL 267. In April of this year we executed a drilling contract with Australian Drilling Services Pty Ltd (“ADS”) to secure their Kremco K 650 rig (Rig 6) for the drilling program on our wholly owned Panakawa Prospect in this PPL. Subject to the timely completion of obligations by third parties, the obtaining of necessary PNG government approvals and other technical and environmental issues we anticipate the spudding date to be in early to mid June. The well timetable is now sufficiently certain to commence the road transport phase from its current location in North Queensland next week.

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The Company is very excited to be drilling its first well in PPL 267 and we look forward to reporting on the key milestones and on the well's results over coming weeks.

Following an external review of the Panakawa Prospect PPL 267 we reported recently that there has been an increase in the area of potential closure and improved overall prospect risking. Significantly for NGE, this four – way closure of 6.5km is now recognised at Toro formation (primary reservoir) level providing a P 90 area estimate of 24 mmbbl and a Pmean estimate of 202 mmbbl.

In addition, a new lead has been delineated approximately 10km from the Pankawa drilling location which I previously mentioned. This lead provides an immediate potential follow up drilling opportunity for NGE in a location easily accessible via existing logging tracks.

#### **CASH IN BANK (CAPITAL RAISINGS AND REIMBURSEMENT OF SUNK COSTS)**

At the last Annual General Meeting, I reported that we had a small amount of cash available to fund the Company's activities. Your Board sought your approval to a placement of shares and undertook to consider a share purchase plan to allow shareholders to participate following the capital raising in April 2009. A share purchase plan was implemented in June at an issue price of 7.5 cents. The placement authority expired in August 2009 and was not utilised due to joint venture discussions with Talisman.

In November 2009, the Board sought your approval for and conducted a placement to raise \$18.5million at 16.5 cents per share. As a result of that placement and the subsequent

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reimbursement of sunk costs from Talisman under the terms of the two joint ventures, your Company now has A\$25 million available to fund its immediate activities.

## **SHARE PRICE MOVEMENT**

I am pleased to see that substantial value has been returned to shareholders through the appreciation of our share price during the last twelve months. From a low point of 2.6 cents per share in February 2009 to our current share price of around \$0.20 per share.

## **YEAR AHEAD – OUTLOOK FOR PAPUA NEW GUINEA AND ITS PEOPLE WORKING WITH NGE.**

With the substantial increase in operations in 2010 to be conducted by your Company and its partners, we will continue to prioritise the employment opportunities for the local people in and around our operations.

During the global financial crisis we maintained our commitment to continue the employment of all our national staff. We understand our social responsibilities as custodians of your potential oil and gas assets in the Western Province and we will continue to advance those assets to ensure the benefits from our activities will be shared equitably and will thereby enhance the health, well being and future of all in Papua New Guinea, as well as our shareholders.

## **MATTERS FOR FUTURE CONSIDERATION**

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Foremost in your Directors' mind is the advancement of your valuable assets in the Western Province. Talisman has, through its actions over the last year, clearly articulated a gas aggregation strategy in the Western Province foldbelt. We look forward to actively participating in a meaningful way in the continued advancement of that strategy.

Finally, I'd like to extend my gratitude to those shareholders who have supported and continued to support us, as well as those new shareholders for whom this is their first AGM. I would also like to thank our dedicated team of staff both in Papua New Guinea and Australia whose efforts have contributed greatly to our achievements throughout the year.

Michael Arnett

Executive Chairman

14 May 2010

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