



**NEW STANDARD  
ENERGY**

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**BOARD OF DIRECTORS:**

**Arthur Dixon, AM**  
Chairman

**Sam Willis**  
Managing Director

**Mark Hagan**  
Technical Director

**Chris Sadler**  
Non-Executive Director

**Phil Thick**  
Non-Executive Director

**David Hansen-Knarhoi**  
Joint Company Secretary/CFO

**Mark Clements**  
Joint Company Secretary

**ISSUED CAPITAL**  
~ 305m Shares  
13.55m Unlisted  
Options

**MARKET CAPITALISATION**  
~ \$85.4m  
(at 31/12/12 @ 28c per share)

**CASH ON HAND**  
~ \$56m  
(at 31/12/12)

**INVESTMENT IN ELIXIR**  
\$1.3m (@ 3c per share)

# Quarterly Activities Report

October to December 2012

## HIGHLIGHTS

### Australian Exploration

- Goldwyer Phase One exploration program continued alongside joint venture partner ConocoPhillips
- Goldwyer thermal maturity model confirmed by initial Nicolay #1 results
  - Validates potential for Goldwyer formation to host a significant liquids rich resource across New Standard acreage
  - Substantial potential gas in place volumes despite lower TOC levels
- Gibb Maitland #1 well spudded as second well in the Phase One program
  - Gibb Maitland #1 location is expected to better test the basin centre with a more favourable depositional environment for richer TOC source rock
- Merlinleigh technical desktop work and potential partnering discussions continued
  - Scoping study confirms potential for conventional prospects to add significantly to development potential of larger unconventional resource potential
  - Revised work program being evaluated to ensure value of conventional plays can be maximised alongside unconventional program
- Laurel Project aerial gravity survey completed and data interpretation has commenced
  - EP417 work program agreed with JV partners to focus on refining 2014 drill targets
  - Seven Lakes SPA acreage being assessed ahead of application for conversion to exploration permit

### United States Exploration and Production

- Production continues from Colorado County project wells
- New Standard continues to monitor outcome of joint venture partner's horizontal well program (NSE non-participating)

### Corporate and Finance

- Cash position of approximately \$56 million (~19c per share cash backing) at 31 December 2012
- Proactive capital management strengthens cash balance with sale of Buru shares

## AUSTRALIAN EXPLORATION PORTFOLIO & ACTIVITIES OVERVIEW

The December 2012 quarter was highly active operationally and came at the end of a transformational year for New Standard Energy. The Goldwyer Project headed the company's primary focus for 2012 and with Phase One of the exploration program well underway alongside joint venture partner ConocoPhillips, New Standard continued to make considerable progress on its flagship exploration project.

The first well, Nicolay #1 was successfully completed during the December quarter with initial results of scientific analysis (up to the end of January 2013) providing validation of the thermal maturity modelling undertaken prior to commencement of the drilling program. Whilst the depositional environment was not ideal for the Goldwyer Formation at Nicolay #1 the initial technical analysis has confirmed the Goldwyer Formation encountered at that location to be in the late oil to wet gas generation window. This has significant implications for the Goldwyer Project as it supports the thermal maturity model underpinning the Goldwyer program and confirms the potential for substantial hydrocarbon resources to be hosted across New Standard's acreage – particularly in better depositional locations with the potential for better quality source rocks with richer TOC levels.

Drilling commenced on the second well at the Gibb Maitland #1 location on EP450 during December 2012 targeting a more attractive depositional environment for the Goldwyer. More details on the well location and a brief operational update are outlined below in this quarterly report.

## AUSTRALIAN EXPLORATION PORTFOLIO & ACTIVITIES OVERVIEW (cont'd)

### Nicolay #1 – Preliminary Data Analysis Results

The Nicolay #1 well was drilled on EP456 during the third and fourth quarters of 2012 representing the first modern exploration well to penetrate the Goldwyer Formation in the remote parts of the southern Kidson basin. Nicolay #1 was the first well of an agreed three well program that forms the basis of the Phase One work program for the Goldwyer joint venture with ConocoPhillips.

The Goldwyer Formation at Nicolay #1 was intersected slightly higher than the prognosed depth and was developed as a shale-dominated sequence over a thick section. Based on mudlogs and wireline log analysis the Goldwyer Formation, together with the overlying Nita Formation and parts of the underlying Willara Formation contained potential hydrocarbon indications over significant intervals. However, preliminary TOC values, a measure of the organic matter richness of the sediments, were less than anticipated at this location.

Importantly, positive results have been received from the thermal maturity (organic reflectance) analysis which together with the well temperature data, suggests that the Goldwyer Formation has reached the late-oil window to the wet-gas window at the Nicolay #1 location (refer Figure 1 below).

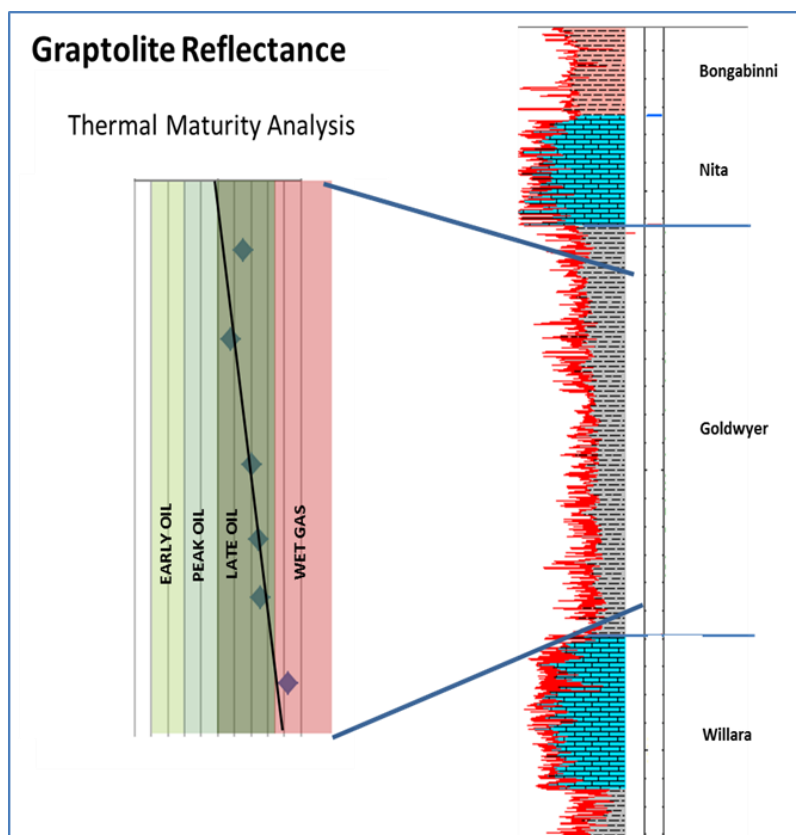


Figure 1: Nicolay #1 data analysis confirming the Goldwyer to be in the late oil/wet gas generation window

Encouragingly this maturity data correlates with the thermal maturity modelling undertaken prior to drilling. This information is significant for the Kidson sub-basin hydrocarbon potential, as any locations with improved organic matter richness (TOC) will be capable of generating significant quantities of hydrocarbons. The second well in the program (Gibb Maitland #1) is located in the centre of the Kidson sub-basin in an effort to achieve such a result.

As previously announced, elevated gas readings in the drilling mud system were seen in both the primary target of the Goldwyer Formation and the overlying Nita Formation, with a sustained level of 2% to 4.6% Total Gas throughout. Elevated gas readings were also present in the underlying Willara Formation limestones and shales with a maximum Total Gas of 6% recorded.

## AUSTRALIAN EXPLORATION PORTFOLIO & ACTIVITIES OVERVIEW (cont'd)

These gas measurements are an order of magnitude above the background gas level of 0.3% seen prior to penetrating the Lower Bongabinni Formation. Methane, ethane and propane gas were detected in the formations with elevated gas readings. These formations were also evaluated by extensive conventional coring, side-wall coring and wireline logging that formed the basis of the data acquisition program at Nicolay #1.

The encouraging gas readings are tempered by the results from laboratory analyses of the core samples. Final Total Organic Carbon (TOC) content data of up to 0.8% was recorded for the Goldwyer shales at Nicolay #1 whilst the shales and shaly limestones of the Willara Formation recorded TOC values up to 1%. These shales have clearly generated gas but the TOC values are lower than typical producing shale-gas reservoirs in the USA.

The preliminary wireline log analysis indicates that a potential Gas In Place (GIP) of 18 BCF/km<sup>2</sup> can be attributed to the Goldwyer Formation at Nicolay #1. This number should be kept in context, however, as it needs to be calibrated against lab analysis and the results to date at Nicolay #1 indicate that gas is unlikely to be producible at commercial rates at this location. As such the potential GIP numbers should be viewed as demonstrating the enormous potential for hydrocarbons to be present across the Goldwyer project.

Laboratory work is continuing on additional shale reservoir parameters with completion of this work expected during February 2013. The final wireline log results will be available after calibration to the complete laboratory sample analyses.

### Gibb Maitland #1 – Second Well Underway

The second well in Phase One of the Goldwyer Project spudded on December 5, 2012 on EP450 targeting the Goldwyer formation.

Gibb Maitland #1 is strategically located in a central position on the northern slope of the Kidson sub-basin and is designed to test a different and more favourable geological setting to the first well in the programme (Nicolay #1). The Gibb Maitland #1 region is interpreted as the source area of the migrated oil and gas shows seen in the wells to the north of EP 450, and the well is targeting hydrocarbons in-situ within the mature source rock shales of the Goldwyer formation.

Based on the information currently available to the joint venture and given the Gibb Maitland #1 well is located to test the central part of the Kidson sub-basin, the Goldwyer formation may be encountered in a more favourable depositional environment with the potential to host richer TOC levels. This is illustrated by Figures 2 and 3 below which highlight the more central location of Gibb Maitland #1 within the greater Kidson sub-basin as well as a cross section detailing the historical offset wells in the Goldwyer with oil and gas shows (updip and shallower) and gas shows (downdip and deeper).

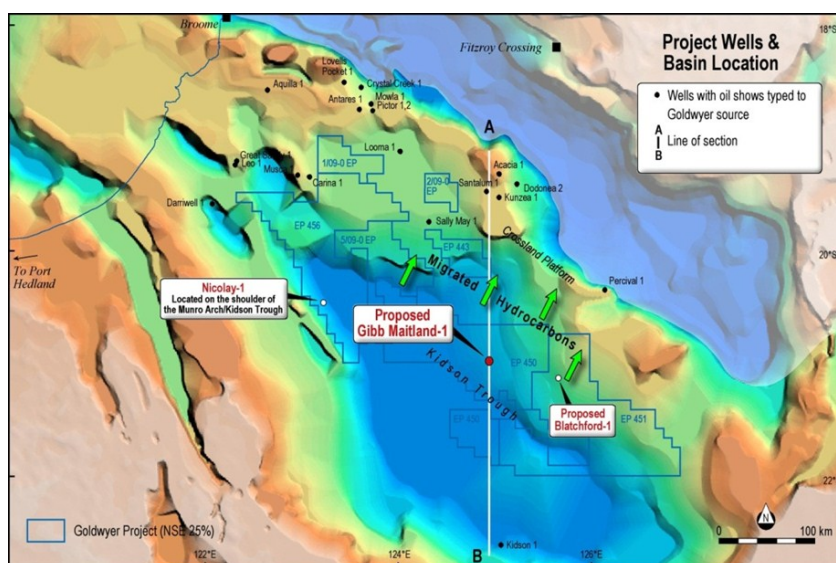


Figure 2: Depth to basement map across the Goldwyer Project illustrating the Gibb Maitland well located in the deeper and more central Kidson sub-Basin and the Nicolay #1 well on the shallower Western shoulder of the Kidson sub-Basin. Also illustrated are the historic wells to the north that had oil shows sourced from the Goldwyer formation in the Kidson sub-Basin to the south.

## AUSTRALIAN EXPLORATION PORTFOLIO &amp; ACTIVITIES OVERVIEW (cont'd)

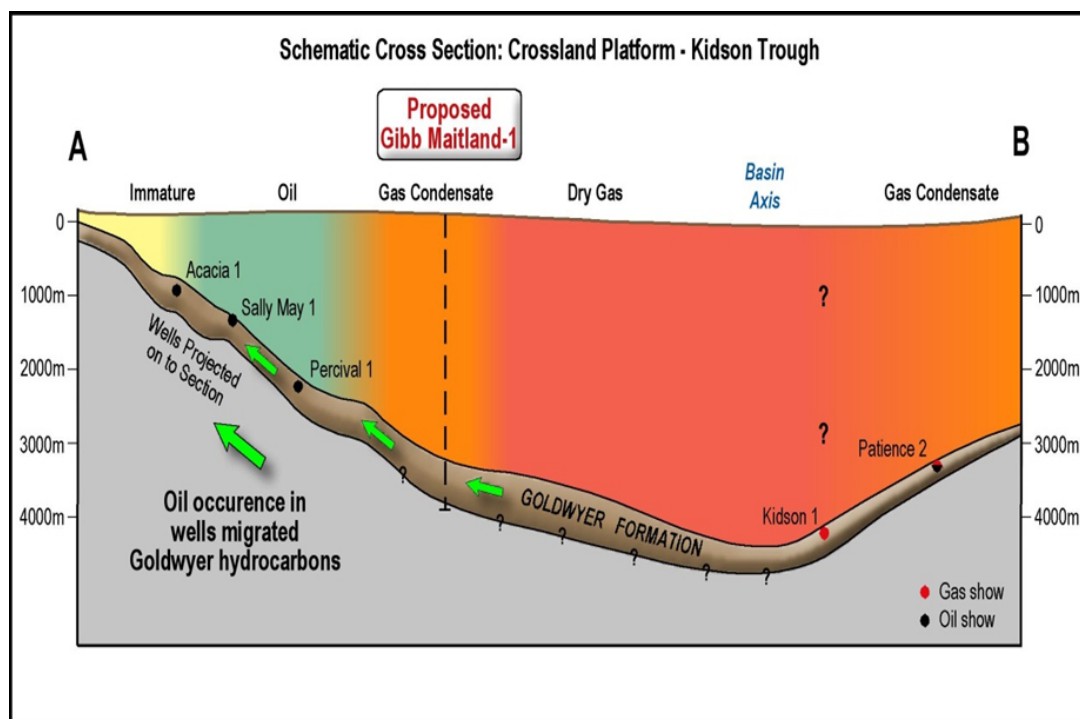


Figure 3: Schematic cross section illustrating the historic wells with migrated hydrocarbon shows (projected onto section) and the Gibb Maitland #1 well location positioned to encounter the Goldwyer down dip from oil shows and up dip from dry gas.

Drilling operations at the Gibb Maitland #1 well commenced on 5 December 2012 and reached a depth of approximately 2,900m before complications arose with the drill pipe and bottom hole assembly getting stuck in the hole whilst pulling out to change the drill bit. Significant efforts were unsuccessfully made to free the stuck pipe before a decision was made to side track the well in order to drill ahead. The side track operation is planned to commence from a depth of 900m in order to get around the equipment stuck in the wellbore and cement plugs have been set in the wellbore in preparation for side tracking the Gibb Maitland #1 well.

Routine pressure testing was successfully completed on the BOPs and operations were about to commence with drilling ahead when recurring electrical issues with the MB Century Rig #14's SCR unit (power controller) arose. These have delayed the recommencement of drilling and the primary focus remains on working with third party experts and drilling contractor MB Century to address these issues to facilitate ongoing operations. New Standard management has been working intensively with the contractor in order to see the SCR issues (amongst others) addressed and overcome.

Whilst the operational difficulties encountered during drilling at Gibb Maitland #1 are highly frustrating for New Standard, they do not invalidate in any way the geological potential of the well or the wider potential of the Goldwyer formation within the Kidson sub-basin. Based on very preliminary estimates the drilling of the Gibb Maitland #1 side track well may extend to late March 2013 should drilling resume shortly. In the meantime the rig is on "zero day rate" (i.e. nil charge) whilst the SCR unit is being repaired. Further updates will be provided as material events arise.

### Merlinleigh Project

During the quarter potential partnering discussions with a varied group of interested parties continued alongside additional desktop technical work carried out internally. The work undertaken to date has highlighted the significant potential value of the Merlinleigh Project and the geological similarities to the Perth basin remain encouraging in the light of progress that is currently being made by other operators in the region.

## AUSTRALIAN EXPLORATION PORTFOLIO & ACTIVITIES OVERVIEW (cont'd)

New geochemical analyses were undertaken on the Early Permian source shales from the Kennedy Range-1 well, and this has confirmed excellent levels of Total Organic Carbon (TOC 2% to 6%, average 3%). These source rocks have reached high levels of thermal maturity and are at relatively shallow depths (wet gas window >1700m), highlighting the potential for both conventional and unconventional gas that can be exploited by cost-effective drilling. Further field work was also undertaken during the quarter with the progression of environmental requirements and the completion of heritage surveys over the Condon #1 drilling location.

A scoping study into the potential economics of the Merlinleigh Project was commissioned by New Standard to quantify the potential value and development options for both the conventional and unconventional opportunities present within the Merlinleigh acreage. The findings of the scoping study have highlighted the value and economic attractiveness of the conventional prospects as an initial development scenario to underpin the larger unconventional potential resource play within the Merlinleigh portfolio.

These findings have prompted further investigation into a revised work program that may incorporate the acquisition of additional seismic data over the key prospects to de-risk these prospects and optimise well locations prior to drilling activity commencing. Further work is currently being undertaken on the potential Merlinleigh development scenarios to ensure maximum value can be created at the Merlinleigh Project.

The Company continues to receive enquiries from parties demonstrating an interest in partnering on the Merlinleigh Project and these discussions will be progressed in conjunction with further assessment of a revised exploration program and updates will be provided to the market as appropriate.

### Laurel Project

Following the completion of a comprehensive aerial gravity survey last quarter the data has been processed across both EP417 and the more recently acquired Seven Lakes Special Prospecting Area (SPA). To date an initial interpretation has been undertaken across Seven Lakes SPA and shows several encouraging basin centred structural highs. The survey was funded through the respective joint ventures partners with Buru Energy Ltd (**Buru**) and Green Rock Energy Ltd (**Green Rock**) and further work will be completed during the coming quarter to interpret the newly acquired data and integrate with the existing database across both acreage areas.

EP417 joint venture work in 2013 will involve integration of the recently acquired aerial gravity data, reprocessing of all seismic lines across EP417 together with the completion of additional studies on the rocks from previous Lawford drilling to help understand the formation properties in more detail. Joint venture sessions will also be held to focus on the emerging Laurel trend and in particular the lessons learned by Buru who remain an important joint venture partner across the EP417 acreage.

This 2013 work program is aimed at identifying and ranking prospects across EP417 for potential drilling activities in 2014 when a commitment well is due on the permit.

The aerial gravity data for the Seven Lakes SPA is also currently undergoing processing and interpretation following which a determination in relation to which blocks to retain upon making an application to convert the SPA into an Exploration Permit can be made. This recent work on the Seven Lakes SPA fulfils the minimum work requirements as required under the SPA terms.

The Laurel play continues to show encouraging results for both oil and gas in the region. Buru announced an update to the Ungani contingent resources (as completed by RISC) of 9.9 million barrels of gross 2C contingent resources in the Ungani Field (Buru interest 50%), representing a 1.9 million barrel increase on previous estimates from production data. Further upside potential of up to 20 million barrels to be determined from completion of the 3D seismic survey and further appraisal drilling and flow testing in 2013 was also released.



### AUSTRALIAN EXPLORATION PORTFOLIO & ACTIVITIES OVERVIEW (cont'd)

The demonstrated gas potential is also large with Buru previously announcing that the Valhalla accumulation, within Buru's permits in the Valhalla area, contains a mean unrisked gross recoverable volume of 15 TCF of gas and 432 million barrels of liquids (condensate and LPG). On a risked basis the mean gross recoverable volumes are 6.5 TCF of gas and 187 million barrels of hydrocarbon liquids, within the assessment area of the Buru permits.

New Standard is focused on accelerating the progress of its Laurel Project throughout 2013 in a systematic manner to ensure it is well placed in 2014 to be able to drill at least one exploration well on an attractive and well defined prospect on EP417 and to obtain a stronger understanding of the geological prospectivity of the Seven Lakes area.

### UNITED STATES EXPLORATION PORTFOLIO & ACTIVITIES

New Standard continues to receive monthly income from its equity stake in the Colorado County Project in onshore Texas such that the US portfolio is virtually self-sufficient in terms of covering associated holding costs.

The first horizontal well in the Heintschel field was drilled and fraced during the last quarter by AKG Energy, Burleson Energy Ltd (ASX: BUR) and others. New Standard elected not to participate in this well in 2Q 2012. The well has remained on production and the participants are continuing to monitor the production whilst the gas and condensate is being sent to sales. The results of this well will continue to be monitored by New Standard over the coming weeks as the outcome will likely have a bearing on the future steps associated with the US portfolio.

### CORPORATE & FINANCE

As a result of proactive capital management the company remains in a very strong financial position with a cash balance as at December 31, 2012 of approximately \$56m (~19c cash backing per share). The cash balances were enhanced during the quarter with the sale of 10 million shares in Buru at \$2.74 per share to realise proceeds of \$27.4m before costs.

Outflows during the December quarter were primarily to meet the costs associated with the Phase One drilling program pursuant to the joint venture with ConocoPhillips. The expected cash outflows for the coming quarter in the attached Appendix 5B reflect the net amounts that New Standard anticipates expending on its asset portfolio and exploration activities and these amounts include anticipated expenditure on the Goldwyer, Merlinleigh and Laurel Projects. It should be noted that these anticipated expenditures are somewhat uncertain in light of the current operational issues being experienced at Gibb Maitland #1.

Contributions are being made to the Goldwyer JV costs in excess of the ConocoPhillips funding limits across the three well program. The estimated expenditures largely reflect excess costs associated with drilling, civils and logistics as well as investment in regional infrastructure. New Standard's administrative costs have increased over the past two quarters to a higher level to reflect the resources required to efficiently manage expanded on ground operations.

**Competent Person:** *The information in this announcement is based on information reviewed by Dr Mark Hagan (BSc Hons, PhD) who is a Petroleum Geologist and Geophysicist with more than 35 years' experience in the industry. Dr Hagan is Technical Director of New Standard Energy and consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.*