



NEW STANDARD
ENERGY

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ACN 119 323 385

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BOARD OF DIRECTORS:

Ian Paton
Chairman

Sam Willis
Managing Director

Mark Hagan
Technical Director

Mark Clements
Company Secretary

ISSUED CAPITAL
at 30.09.10

190,252,849 Shares

23,700,000 Unlisted Options

MARKET CAPITALISATION

\$37.1m
(last @ 19.5c per share)

CASH ON HAND
at 30.09.10

\$6.5m

INVESTMENT IN BURU






\$6.4m (@ 35.5c per share)

Quarterly Activities Report






July to September 2010

HIGHLIGHTS

Australian Exploration

-  Aerial gravity acquisition program over Goldwyer shale commenced
-  Technical work continues on potential unconventional hydrocarbon plays in the Canning
-  Canning Basin activity continues to increase lead by Buru Energy drilling and seismic
-  Goldwyer shale farm-out continues to progress
-  Geochemical sampling program commenced for Merlinleigh Project, onshore Carnarvon Basin, Western Australia

United States Exploration

-  Heintschel #1 well drilled, flow tested and tied to sales
-  Significant upgrade to potential Heintschel resources announced
-  Heintschel #1 successfully fraced and flowing hydrocarbons whilst cleaning up
-  Joann #1 well drilled, flow tested hydrocarbons and awaiting sales infrastructure
-  Joint venture agreement reached for drilling of additional Wilcox wells in late 2010

Corporate Activities

-  \$6.85m capital raising completed in September 2010

AUSTRALIAN EXPLORATION PORTFOLIO & ACTIVITIES

Shale Gas - Goldwyer Shale, Canning Basin (New Standard 100% operated)

EP's 443, 450, 451, 456 and application areas 1/09-0, 2/09-0 and 5/09-0

New Standard awarded the contract for the acquisition of in excess of 13,000 line km of new aerial gravity data across EPs 443, 450, 451 and 456 during the September quarter. The aerial gravity acquisition has commenced and is anticipated to take approximately 8-10 weeks to complete, following which the data will be integrated with the existing gravity and magnetic data set across the region and a complete interpretation undertaken using modern techniques.

The acquisition of this new aerial gravity data represents the first exploration undertaken in this portion of the Canning Basin for many years and will result in a modern regional data set to enhance the regional understanding of the Kidson sub-basin which hosts the majority of the Goldwyer shale gas project. This new data will hopefully provide valuable insights into the geological settings in the region and assist with the location of potential shale gas wells for the intended drilling campaigns from 2011 onwards.

Additional technical studies were continued during the quarter to enhance the understanding of the emerging potential for an unconventional "wet gas" play across the Kidson sub-basin—somewhat analogous in nature to the Eagleford shale being aggressively pursued in southern Texas. Although very early days it is clear that potential exists for a liquids rich unconventional resource play to be present in the Nita formation across the vast acreage held by New Standard and further studies are being conducted into historical drill core and data to enhance the play further. This opportunity is being viewed as a secondary target that will be tested as part of any Goldwyer shale wells to be drilled given the Nita formation immediately overlies the primary target of the Goldwyer shale sequence.

AUSTRALIAN EXPLORATION PORTFOLIO & ACTIVITIES (cont'd)

General exploration activity continued to increase across the Canning Basin lead by Buru Energy Ltd's (ASX: BRU) exploration drilling and seismic data acquisition as well as the spudding of an exploration well by Oil Basins Ltd (ASX:OBL). In this regard, BRU has announced the following activities on the short term horizon that are of particular relevance to New Standard shareholders:

- 🌊 Drilling of the large and high impact Paradise-1 well; and
- 🌊 Fraccing and flow testing of the gas saturated sands and shales in the Yulleroo-2 well.

Although within a different petroleum system and geological setting to New Standard's Goldwyer shale, the fraccing of the Yulleroo-2 well provides a point of interest given it represents the first major effort to stimulate and test an unconventional hydrocarbon play in the Canning Basin. BRU has indicated that a fraccing unit is scheduled to be brought into the basin in the next few weeks and the tight gas section (over some 400m) within the Laurel sands and shales will be fracced and flow tested. An encouraging result at Yulleroo-2 would bode well for both New Standard's investment in BRU as well as having positive implications for unconventional hydrocarbon plays in the Canning Basin more broadly.

Goldwyer Shale Farm-out:

During the quarter New Standard continued to progress discussions with numerous parties seeking to acquire an interest in and/or farm into New Standard's 100% owned Goldwyer shale acreage. The Company is pleased with the interest levels that continue to be shown in the opportunity by large international oil and gas companies. New Standard plans to receive offers from interested parties this quarter with a view to documenting a transaction by the end of the calendar year. In the meantime, work continues on advancing the project through the aerial gravity acquisition and further desktop studies (as outlined above) and working up a drilling program, including heritage clearances, for the 2011 calendar year.

Notwithstanding the above, and the fact that numerous ongoing discussions continue, New Standard notes that there is no guarantee that any agreement will be reached by the end of the calendar year despite the high levels of interest shown to date.

EP417 (New Standard 65% operated; Buru 35%)

New Standard is re-assessing EP417, including the Lawford-1 well, to ascertain the potential of the Laurel shales as another shale gas play in the region. The testing of these sands and shales in BRU's Yulleroo-2 well in Q4, 2010 should provide valuable insight into the prospectivity of the shales in the region.

Initial discussions with joint venture partner BRU have now been held and plans will continue to be formulated to revisit the Lawford-1 well in 2011—potentially as another prospective shale gas play.

Merlinleigh Project, Carnarvon Basin (New Standard 100%)

The geochemical sampling program forming the initial work program under the conditions of the SPA's was finalised and commenced during the quarter. The sampling work involves in excess of 600 soil samples and analysis of this work will be undertaken during Q4, 2010. Native title discussions are also being progressed with the traditional owners with a view to New Standard exercising its acreage option and seeking to progress towards a granted permit early in 2011. Further technical analysis and studies are currently being undertaken on historical exploration information and drill core with a view to progressing the opportunity as quickly as possible prior to drilling.

The initial exploration phase of work has been a success for New Standard in the Colorado County Project, Texas. Of the four wells drilled to date, three have been successfully flow tested (and two tied into sales) whilst the fourth provided an unexpected outcome compared to the wireline and mudlog indications prior to testing. A small but growing production base has now been established with inherent upside present in both the Heintschel #1 well from the recent and successfully completed fracture stimulation (frac) and the Joann #1 well once it is tied into the sales network. The joint venture focus is now switching to appraisal and development wells on the larger Heintschel field, which if successful, will increase cashflow and assist in the determination of reserves.

Production:

Brasher #1: (New Standard 32.5% working interest)

The Brasher #1 continued to produce consistently throughout the quarter at between 400-500 mmcf/day with revenues being banked. Routine maintenance is currently being undertaken to flush excess water from the flowlines following which the well is expected to return to similar productions levels.

Exploration:

The first phase of Colorado County drilling activity was completed early in the quarter, with the main focus being the completion of the initial round of Wilcox drilling. In the prior quarter, New Standard participated in the drilling of three Wilcox wells with significant hydrocarbons being encountered in all three wells and successful subsequent flow testing of two of those wells. A brief update in relation of each of the wells is provided below:

Heintschel #1: (New Standard 32.5% working interest)

As previously outlined the Heintschel #1 intersected 282 feet (86 metres) of gross sands following the inclusion of the lower sand that was tested, illustrating a minimum of 160 ft (49m) of net sands and a minimum of 111 ft (34m) of net gas pay. This was considerably more gas pay and a much thicker hydrocarbon column than anticipated in the pre-drill prognosis.



Following the decision to complete the well a small sand below the major sand package was successfully flow tested at rates of between 1.0 mmcf/day and 1.45 mmcf/day and tied into the sales network. The major package of overlying Wilcox reservoir sands were successfully fraced as announced on 28 October 2010. The well is currently being choked back but is flowing gas and condensate at good rates. Recovery of frac fluid and water production have both been steadily declining whilst the well continues to clean up. Well head pressure has also been steadily increasing indicating good reservoir drive from permeability created via the frac.

Although it is still too early to establish definitive flow rates the results to date are encouraging and the well is expected to be turned to sales shortly.

Based on the preliminary information the Heintschel #1 well appears likely to achieve pre-frac expectations when compared to analogous wells and fields in the region. The well will continue to recover frac fluids and clean up which will help provide a clearer understanding of stabilised rates and well performance over time.

Photo: Heintschel #1 flare post frac and during clean up

UNITED STATES EXPLORATION PORTFOLIO & ACTIVITIES (cont'd)

On 28 July 2010, New Standard announced that following a review by US based operators AKG Energy the resource potential of the Heintschel field has been significantly upgraded with a mid case scenario of 59 Bcf and 1.1 mm bbls condensate (gross) of recoverable hydrocarbons. The potential resource scenarios are outlined in the table below and demonstrate the significant potential size of the Heintschel field as a gas/condensate discovery:

Table 1: Heintschel Field - Contingent Recoverable Resources

Category	Potential Recoverable Gas (BCF)	Potential Recoverable Condensate (mmbc)	Number Development Wells
Low Case	25.6	0.465	4-8
Mid Case	58.9	1.07	6-16
High Case	87.7	1.60	12-24

Whilst still early days, the encouraging initial results from the Heintschel #1 frac provide solid rationale for undertaking further appraisal and development work at the broader Heintschel structure in order to assess the reserve potential that is outlined in the table above.

Joann #1: (New Standard 33.68% working interest)

Following completion of the well, one of four prospective reservoir zones identified during logging was perforated over a small interval and subsequently flowed gas at 2.1 mmcf/day and approximately 38 bbls condensate per day. The flow test was conducted over 16 hours through a 16/64 (1/4) inch choke with a flowing well head pressure of 2,160 psi. Encouragingly the gas flow rates were stable and the flowing well head pressure continued to rise throughout the test. Towards the end of the test the condensate volumes increased but had not stabilised before the test was completed and as a result the stabilised condensate flow rate is unknown at this stage. Subsequent testing resulted in a calculated absolute open flow rate for the Joann #1 well of in excess of 4.3 mmcf/day — a healthy rate given the tests were only conducted over a 4 foot interval.

The well is now shut-in and awaiting hook-up to gas and condensate sales. US operator AKG advises that good progress is being made on arrangements for tie into the sales network and it is currently anticipated that the Joann #1 will be tied into production by the end of the calendar year.

Moeller #1: (New Standard 38.5% working interest)

Following further testing a decision was made to plug and abandon the Moeller #1 well during the quarter. Assessment of the updip potential at Moeller will be ongoing with a view to considering a second well to test the thick reservoir sands encountered some 175 feet updip from the Moeller #1 location.

Additional Wilcox Drilling — Late 2010

In early October 2010 the Colorado County Project joint venture partners agreed to a forward program and to work towards securing a drilling rig to enable a further two Wilcox wells to be drilled in late 2010. At the time the Heintschel #1 frac timing was still uncertain and it was agreed that a mixture of one Wilcox exploration well and further development drilling at the Heintschel structure would be pursued and that the order of any additional drilling may be affected by the timing and results of the Heintschel #1 frac.

In light of the encouraging initial frac results from Heintschel #1, the joint venture is now better placed to discuss the merits of pursuing appraisal and development work at the Heintschel field in preference to, or in conjunction with, additional wildcat drilling in an effort to focus on securing cash additional cashflow and assess potential reserves at the broader Heintschel structure.

On 8 September 2010 New Standard successfully completed a \$6.85m capital raising, supported and underwritten by Euroz Securities. Despite its substantial exploration activity, this was New Standard's first capital raising in the two years since listing on the ASX.

The capital raising was completed after settlement of Tranche 2 of the placement which followed receipt of shareholder approval for the issue of 17.3 million shares to raise \$2.5 million. Following strong shareholder interest, New Standard's Share Purchase Plan also closed oversubscribed resulting in an increased amount of \$2.35 million being accepted. These two amounts were in addition to Tranche 1 of the placement which was completed in early July and raised \$2.0 million. All funds were raised at the same price of 14.5c per share and the raising resulted in a broadening of the investor base in addition to the introduction of some small institutional investors to the share register.

The capital raising has left New Standard well funded and in addition to funding additional Wilcox drilling in the United States drilling, the funds from the capital raising will be used to:

- 🌊 Acquire in excess of 13,000 line km of aerial gravity data in the Canning Basin in late 2010;
- 🌊 Prepare and finalise a shale gas drilling program for 2011 in New Standard's 48,000 square kilometre Canning Basin exploration area, targeting the Goldwyer shale;
- 🌊 Undertake an initial geochemical program at the Merlinleigh Project in the Carnarvon Basin in late 2010; and
- 🌊 Provide additional working capital

OTHER OPPORTUNITIES

New Standard continues to assess opportunities that are outside the current portfolio but of interest due to pricing, the size and nature of the opportunity or because they fall within the core technical expertise of the New Standard technical team. Shale gas opportunities (particularly the Canning Basin and Merlinleigh Project) form a core focus within the portfolio and the 10% strategic shareholding in Buru provides exposure to the broader Canning Basin supplemented by the upcoming farm-in activity with Mitsubishi Corporation. The board is now focused on delivery of value and working to progress and de-risk the large scale shale gas plays in the portfolio. This focus has been supplemented by the lower risk entry into the Colorado County and Wharton County Projects in Texas and the initial success experienced is providing access to short term cashflow as well as providing significant upside through large targets.

New Standard will continue to assess other opportunities in a focused manner on the basis that they have the potential to contribute to creating shareholder wealth over time.

Competent Person: *The information in this announcement in relation to the Colorado County Project is based on information provided to New Standard Energy by AKG Energy LP and Burleson Energy Ltd and 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 his information in the form and context in which it appears.*