



NEW STANDARD  
ENERGY

ASX Code: NSE  
ACN 119 323 385

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**BOARD OF DIRECTORS:**

**Arthur Dixon, AM**  
Chairman

**Sam Willis**  
Managing Director

**Mark Hagan**  
Technical Director

**Ian Paton**  
Non-Executive Director

**Mark Clements**  
Company Secretary

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

**ISSUED CAPITAL**  
at 30 September 2011  
199,975,169 Shares  
15,500,000 Unlisted Options

**MARKET CAPITALISATION**  
\$62m  
(last @ 31c per share)

**CASH ON HAND**  
at 30 September 2011  
\$4.09m

**INVESTMENT IN BURU**  
\$13.65m (@ 91c per share)

# Quarterly Activities Report

July to September 2011

## HIGHLIGHTS

### Australian Exploration

- ConocoPhillips executes binding documents to farm into Goldwyer acreage and fund up to US\$109.5m to earn and retain a 75% working interest
- Lawford #1 deepening completed on Laurel Project
- Merlinleigh Project technical studies nearing completion and permitting efforts progressed
- Increasing levels of exploration and corporate activity in shale gas and tight gas sectors

### United States Exploration and Production

- Colorado County production continued and remedial work commenced on production wells
- Appraisal plans for Heintschel field and technical studies progress
- Production revenue of \$643,000 banked during the quarter

### Corporate Activities

- Significant capital raising commenced subsequent to end of the quarter
- Joint company secretary appointed

## OVERVIEW

New Standard is well positioned to capture value from the increasing interest that is emerging in the Australian shale gas and tight gas sector. The company has compiled a large and attractive portfolio of prospective acreage in onshore Western Australia which complements the 32.5% working interest in an established production and appraisal project in the United States.

Following the execution of binding agreements with ConocoPhillips in relation to the Goldwyer Project in the Canning Basin, the primary focus has shifted to the operational aspects of project planning, equipment and contractor procurement and the various approvals processes required to facilitate 2012 activity commencing.

Increased resources are also being allocated to progressing the Merlinleigh Project in an effort to accelerate plans for exploration activity to commence in 2012, subject to the granting of exploration permits.

Gross cash receipts of \$1.14 million were received during the quarter ended 30 September 2011, which when offset against expenditure incurred, resulted in an available cash balance of \$4.09 million as at 30 September 2011. The major cash receipts for the quarter included the following:

- income from the United States Colorado County Project of \$643,000 (May, June, July production)
- tranche two payment under the EP417 farm-in agreement with Green Rock Energy Ltd of \$250,000
- \$200,000 from the exercise of 1million unlisted options; and
- interest income of \$51,000

Whilst the cash position of \$4.09m was relatively healthy at 30 September 2011, joint ventures payments for approximately \$2.5million for the Lawford #1 deepening remain unpaid.

## AUSTRALIAN EXPLORATION PORTFOLIO & ACTIVITIES

The primary focus during the quarter was to progress the Goldwyer Project transaction with ConocoPhillips from a non-binding heads of agreement to a binding farm-in agreement. This was successfully managed and negotiations and drafting of agreements was completed during the quarter resulting in binding documents being executed and announced to the market on 30 September 2011. This was a major milestone for the Company and ensures a world class partner will be working alongside New Standard to accelerate exploration on its flagship Goldwyer Project in the Canning Basin, Western Australia.

The deepening of the Lawford #1 on EP417 was undertaken during the quarter and completed subsequent to quarter's end. The results were inconclusive given the target Laurel formation was not encountered as expected but the emerging Laurel play remains an exciting secondary asset for New Standard and the Company is well positioned with a large acreage position within a regional play that will be significantly enhanced through ongoing exploration activities to be undertaken by other regional operators in the basin over the coming 12 to 24 months.

Exploration and corporate activity generally continued to accelerate in relation to onshore hydrocarbon exploration in Western Australian. Bidding rounds for onshore acreage releases in the Canning Basin reached heights that have not been experienced for many decades as the market absorbed the growing acknowledgement of the prospectivity of the Canning Basin and the significant potential hydrocarbon resources that could exist in the region. Exploration success was experienced with New Standard's Canning Basin neighbour Buru Energy (**Buru**) providing encouraging results from the Ungani #1 well drilled as part of its joint venture with Mitsubishi Corporation. These results indicate Ungani #1 could be one of the largest oil discoveries in Western Australia for many years and also highlights the growing intrinsic and strategic value of New Standard's equity stake in Buru.

Corporately the Company has experienced increases in interest levels and enquiry into the asset portfolio, the increasing potential activity levels scheduled for 2012 and the investment proposition. This, in part, contributed to a significant capital raising being commenced subsequent to the end of the quarter which (subject to requisite shareholder approvals) will see the Company raise \$27m and leave it well-funded leading into an active and exciting 2012 in terms of exploration activity. The funds will provide flexibility and certainty for planning and accelerating the overall 2012 program, ensure any negotiations that are undertaken on the Merlinleigh Project are conducted from a position of strength, provide capacity to more aggressively assess other opportunities of merit in the market over the coming months and bolster the working capital in volatile market conditions.

Overall the activities both during and subsequent to the end of the quarter have established significant milestones for New Standard and leave the Company very well placed to focus on planning for an active 2012 exploration program in the most flexible and productive manner.

### **Goldwyer Project, 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**

During the quarter a major milestone was achieved with the execution of a binding farm-out agreement with global energy company ConocoPhillips (Canning Basin) Pty Ltd (**ConocoPhillips**) to explore and evaluate the shale gas potential of the Goldwyer Project in the Canning Basin, Western Australia.

The farm-out formalises the Heads of Agreement signed by the two companies on July 12, 2011. Under the farm-out agreement, ConocoPhillips will fund up to US\$109.5m over four phases of shale gas exploration work to earn and retain a 75% interest in the Goldwyer Project. Assuming ConocoPhillips completes all four phases of work, New Standard's working interest will be reduced to 25%. Additionally, ConocoPhillips will make an upfront payment of AUD\$1m to New Standard in the next few weeks. The farm-out agreement remains subject to regulatory approvals.

The first phase of the farm-in program requires ConocoPhillips to fund 100% of the costs (subject to agreed funding caps) to:

-  drill, log, core and suspend three (3) vertical wells;
-  complete detailed core lab analysis of the cores from each well; and
-  undertake formation evaluation tests for each well.

Current intentions are for Phase One work to be conducted during 2012, subject to rig availability and all necessary approvals being obtained. Analysis of the Phase One results will drive the ultimate design of Phases Two through Four. ConocoPhillips will have the right to withdraw following the completion of each phase of work and in the event a decision to withdraw is made at any time up until the completion of the Phase Four work, an unencumbered 100% working interest in the Goldwyer Project will revert to New Standard.

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

Under the agreed terms, ConocoPhillips is required to complete all four phases of work to earn and retain its 75% equity interest. The four phases have been designed to undertake early stage data acquisition and assessment, conduct further appraisal work and potentially pursue a pilot development program. It is currently envisaged that this work will be conducted over a period of four years with New Standard initially remaining as operator during the Phase One drilling program. Following completion of the Phase One drilling program, ConocoPhillips will have the right to assume operatorship of the Goldwyer Project at its election.

The outline of the intended four phase work program pursuant to the binding farm-in agreement will see the project progress from early stage data acquisition and evaluation, through further exploration and appraisal work and hopefully culminate in a pilot development project. This is summarised in some more details below:

	Phase 1	Phase 2	Phase 3	Phase 4
<b>Working Interest</b>	<ul style="list-style-type: none"> <li>• NSE 25%</li> <li>• COP 75%</li> </ul>	<ul style="list-style-type: none"> <li>• NSE 25%</li> <li>• COP 75%</li> </ul>	<ul style="list-style-type: none"> <li>• NSE 25%</li> <li>• COP 75%</li> </ul>	<ul style="list-style-type: none"> <li>• NSE 25%</li> <li>• COP 75%</li> </ul>
<b>Indicative Timing</b>	• 2012	• 2013	• 2014	• 2015
<b>Work program</b>	<ul style="list-style-type: none"> <li>• Drilling 3 vertical wells, coring and logging;</li> <li>• Completing detailed core lab analysis;</li> <li>• Undertaking formation evaluation tests on each well</li> </ul>	<ul style="list-style-type: none"> <li>• Drilling, logging, coring, stimulating and testing 1 horizontal well; or</li> <li>• Drilling 2 additional vertical wells and completing detailed core lab analysis; or</li> <li>• Alternative exploration activities of equal or greater value</li> </ul>	<ul style="list-style-type: none"> <li>• Drilling, logging, coring, stimulating and testing 1 horizontal well; or</li> <li>• Drilling 2 additional vertical wells and completing detailed core lab analysis; or</li> <li>• Alternative exploration activities of equal or greater value</li> </ul>	<ul style="list-style-type: none"> <li>• COP is to fund 100% of the cost of a pilot development program; being the drilling, logging, coring, stimulating and flow testing of 2 additional horizontal wells.</li> </ul>
<b>Expenditure Cap (COP 100%)</b>	• US\$26m - \$28.5m	• US\$20m	• US\$20m	• US\$40m
<b>Excess Expenditure</b>	<ul style="list-style-type: none"> <li>• NSE 100% (drilling)</li> <li>• NSE 50% (other)</li> </ul>	• NSE 25%	• NSE 25%	• NSE 25%

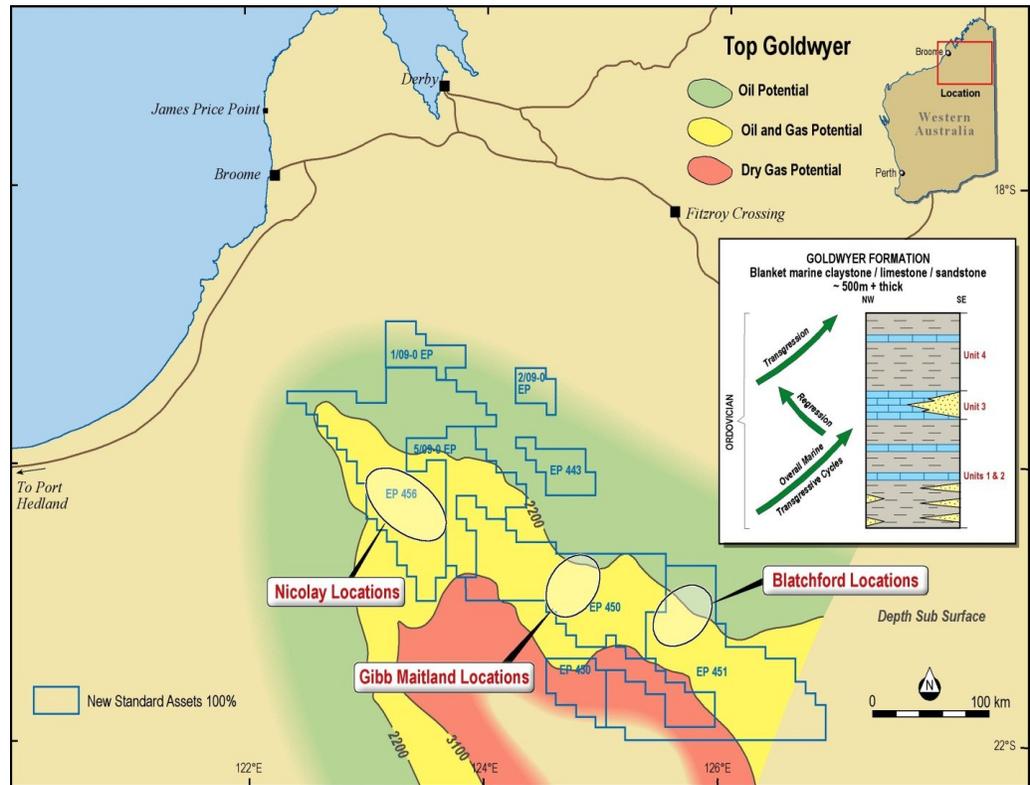
**Figure 1: Overview of the ConocoPhillips farm-in work program**

A major aspect of the ConocoPhillips partnership for New Standard lies in the additional skills, expertise and resources and experience that will be accessed through the technical services agreement and various secondment agreements between the companies. This is a major benefit for New Standard and will elevate the knowledge and resources being applied to New Standard's projects to a level well above that available to other Australian exploration companies seeking to explore and evaluate shale and other unconventional hydrocarbon projects. The structure of this partnership is invaluable to New Standard and allows access to world class resources with specific experience and expertise in evaluating liquids rich shale plays globally that would otherwise not be available to the Company.

ConocoPhillips executing the binding agreements and committing to the Goldwyer Project has provided important validation in relation to the technical merits of the asset. The Goldwyer Project has the potential host significant quantities of hydrocarbons and one of the major attractions to the project has been the prospects of high ratios of liquids (oil/condensate) to be associated with any gas resources. ConocoPhillips are a world leader in shale exploration and evaluation and have experienced a significant amount of success in two major shale plays with high liquids components – namely the Bakken and Eagleford plays in the North America. Given the Goldwyer is a well-known, rich marine source rock the capacity to generate substantial quantities of oil exists and the prospects of encountering maturity windows within the Goldwyer formation are strong. In the event liquids are associated with any gas resources in the Goldwyer Project it would substantially increase the value of the project and significantly enhance the economics for ongoing appraisal and development activities.

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

The figure below illustrates the potential "wet gas" zone (highlighted in yellow) and the three areas of interest (being Nicolay, Gibb Maitland and Blatchford) within that prospective "wet gas" zone that will be the initial focus of the Phase 1 exploration program scheduled for 2012.



**Figure 2: Goldwyer Project acreage illustrating the prospective wet-gas window and initial areas of interest**

Following the execution of the binding agreements work is now heavily focused on project planning involving logistics, procurement (rig and other associated equipment and services) and all regulatory approvals required for the 2012 program.

### **Laurel Project, Canning Basin (New Standard 65% [50%] operated; Buru 35%, GRK earning 15%)**

During the quarter the Lawford #1 was deepened to total depth of 2,690 metres. The well encountered very thick sections of claystones and red beds of what is interpreted to be the Lower Anderson Formation and drilling was very slow due to very hard and abrasive formations. Based on the slow drilling progress, geological uncertainty about the depth of the target Laurel Formation, depth limitations of the rig and the lack of significant hydrocarbon shows, the joint venture partners decided to terminate the drilling of the well prior to reaching the Laurel Formation. The well has been logged and plugged and abandoned and the Century Rig #7 released to Buru.

The Laurel Formation is present below the Anderson Formation in all wells drilled to sufficient depth within the Fitzroy Trough and as a result is still expected to be present across EP417 and the Lawford Ridge. The Lawford #1 deepening indicates that the Laurel Formation is at a significantly greater depth on the Lawford Ridge than indicated by previous geological modeling. As a result the Laurel Formation remains untested in the basin centre of the Fitzroy Trough with the overall hydrocarbon prospectivity remaining, albeit at greater than expected depths.

The deepening of the Lawford #1 well fulfills the immediate work commitments across EP417 and enables its continued retention. The EP417 and Seven Lakes SPA joint venture partners currently intend to conduct further geoscience studies on both acreage areas over the next 12 to 24 months ahead of any further drilling activity. This work will involve both basin centre targets as well as basin margin prospects similar to those being pursued elsewhere in the Fitzroy Trough.

-  Yullerro #2 – gas and condensate flowed to surface from Laurel sands/shales following reservoir stimulation
-  Valhalla #2 – gas and condensate naturally flowed to surface from Laurel sands/shales
-  Ungani #1 – significant oil column in Laurel carbonate section, flowed to surface at peak rates of 1,650 bopd

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

Buru have announced plans to appraise all of these prospects and this appraisal work, together with any additional exploration that may be undertaken such as the impending deepening of Paradise #1, will continue to define and enhance the geological understanding of the Laurel play across the region (refer figure 3 below).

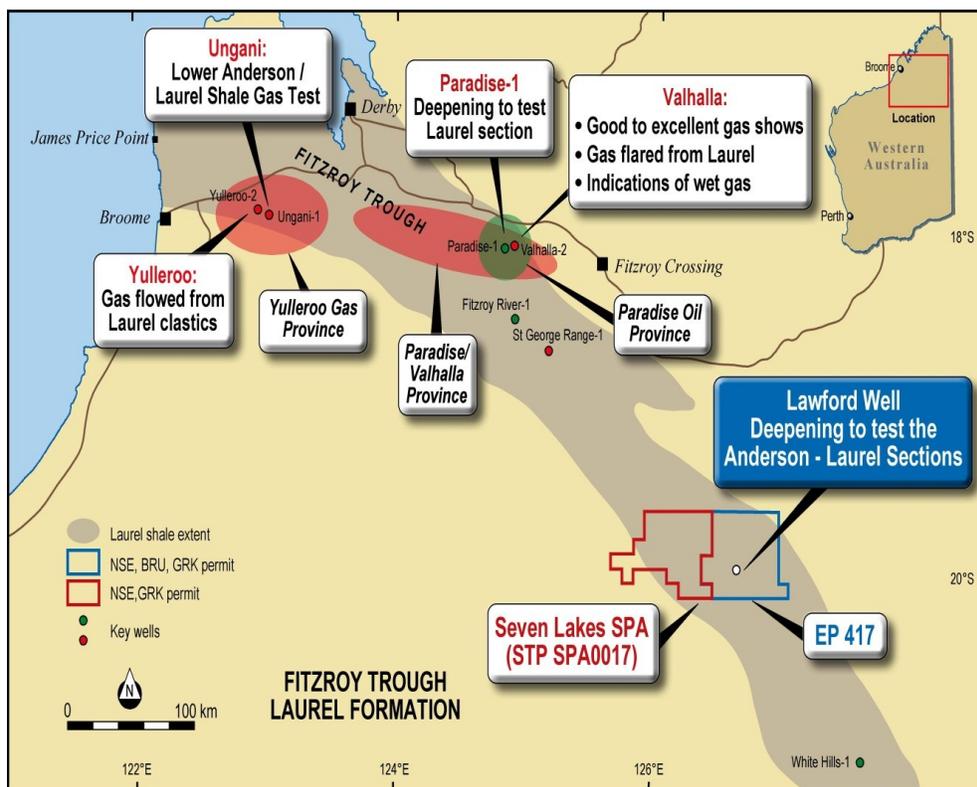


Figure 3: Laurel play emerging in the Fitzroy Trough

New Standard retains a substantial acreage opposition in this emerging regional play and is ideally positioned to benefit from other work being conducted in the region over the coming years whilst minimal expenditure commitments are required to be met. This results in the ability to sit on an effective option over a substantial secondary project in the Canning Basin whilst the prospectivity is enhanced by other operators in the region.

### Merlinleigh Project, Carnarvon Basin (New Standard 100%)

New Standard has been conducting internal technical reviews and evaluations of the Merlinleigh Project for the past few months. This technical evaluation is nearing completion and an update will be provided to the market once both the review and internal assessment of that review have been concluded. The preliminary findings have provided positive encouragement in relation to both the scale and prospectivity of the opportunity.

During the quarter New Standard has also progressed the permitting of the acreage at the Merlinleigh Project such that both areas are now applications for exploration permits that will progress towards being offered as granted exploration permits, subject to native title agreements being successfully negotiated and concluded.

Native title discussions and meetings have been held with the traditional owners and liaison bodies and draft agreements have been outlined and discussed. Further meetings are now being planned to progress these discussions and negotiations further in 2011. Notwithstanding the inherent risks generally associated with native title negotiations, the current intention is to continue working towards reaching agreement with the traditional owners in early 2012 to facilitate the conversion of the acreage into granted permits.

Assuming both the tenure and native title negotiation processes can continue to be progressed efficiently a primary focus will be to fast-track the Merlinleigh Project and assess the potential for a multiple well drilling program during 2012. Approaches continue to be received in relation to partnering opportunities on the Merlinleigh project and following completion of the technical review, a more thorough assessment of potential partnering opportunities will be considered.

## UNITED STATES EXPLORATION PORTFOLIO & ACTIVITIES

The September 2011 quarter delivered continued production from the Colorado County Project whilst significant technical work and studies were undertaken on the reservoir performance in an effort to ascertain important information for planning and designing an appraisal program for the Heintschel field. Late in the quarter, and post the end of the quarter, it was agreed to undertake remedial work on the producing wells.

New Standard remains of the view that attractive potential upside remains in the Colorado County Project and is awaiting the finalisation of technical studies, an understanding of the resources and reserves report and further discussions with joint venture partners so it can better assess the risks and rewards and make an informed view as to the most appropriate manner of extracting value for New Standard shareholders. In the meantime the project is generating monthly cashflow with relatively minimal holding costs.

### Production Update

During the quarter total gross production of 211,637 mcf gas and 7,795 bbls condensate was produced from the Colorado County Project as per the table below:

Well (NSE Working Interest)	Gas (thousand cubic feet, mcf)	Condensate (barrels)
Heintschel #1 (32.5%)	35,765	1,039
Heintschel #2 (32.5%)	43,077	1,234
D Truchard #1 (32.5%)	33,293	1,757
Joann #1 (33.68%)	99,502	3,945
<b>TOTALS</b>	<b>211,637</b>	<b>7,795</b>

New Standard's revenue receipts from production during the quarter totalled \$643,000.

Decline rates continued to be observed for production in all of the four wells during the quarter and the continued monitoring of production rates and reservoir performance was undertaken as part of ongoing appraisal and development planning for the Heintschel field. Late in the quarter remedial work was agreed for the producing wells, some of which commenced post the quarter's end.

Revenue from production during the September 2011 quarter will largely be reflected in the December 2011 quarterly as a result of the 2 month time lag in production receipts resulting from product sales.

### Gas Contract and Tax Rate

A new contract was negotiated during the quarter which involves removing LPG liquids from the gas stream (after the condensate has been removed) and selling the LPGs separately. This should increase gas revenues and provides a premium of ~50% over the local gas marker (Henry Hub which is currently ~US\$3.80 per million British thermal units). Condensate is sold for approximately the same price as the WTI oil marker (currently ~US\$88 per barrel). In addition, application has been made to have the Heintschel gas reclassified as tight gas. As a result the severance tax should drop from the current rate of 7.5% to approximately 4% of revenue.

### Heintschel Field

Three wells are on production in the Heintschel Field being Heintschel #1, Heintschel #2 and D Truchard #1. Despite the fact none of the three Heintschel wells were treated with the maximum recommended fracture stimulation (frac), the reservoir has proved to be highly productive and the three wells are providing a relatively healthy cash stream.

Considerable work has been undertaken by the US based partner and operator AKG Energy (**AKG**), and specialist consulting companies Integrated Petroleum Technologies (IPT) and Nutech, on the analyses of data related to the production histories of the three existing wells, as well as on planning future well designs, fracking and completions. IPT has generated models for theoretical horizontal wells in the Heintschel field, based on the rock, reservoir and production properties in the existing wells. The models indicate that a multi-stage fraced 2,000foot (610m) horizontal lateral in the Heintschel reservoir could produce at rates, and generate hydrocarbon volumes, several times greater than from the existing vertical wells, with marginal added cost. Assuming such elevated rates could be achieved, the Heintschel Field will be clearly commercial to develop, however IPT's theoretical work will need to be confirmed by drilling and fracking of a horizontal well.

## UNITED STATES EXPLORATION PORTFOLIO & ACTIVITIES (cont'd)

### Independent Reserves/Resources Report

US-based petroleum consultancy firm DeGoyler and McNaughton (D&M) has been commissioned to provide an independent view on the reserves and resources contained in the Heintschel Field. After extensive delays in undertaking the review and generating the report, the results are now expected to be received in the coming quarter.

### Other Producing Wells

The Joann #1 well was drilled in July 2010 and made a gas and condensate discovery in Wilcox sandstone reservoirs. The well intersected four separate reservoir sands, all containing gas and condensate. One of these zones was completed for production and the well was connected to a sales pipeline in April 2011.

The well was recently shut in due to mechanical problems and the partners decided to take the opportunity to test (and complete for production if successful) one of several lower reservoir zones in the well, prior to re-opening the existing producing zone. The original section will be re-perforated and connected following depletion of the lower zone(s), or failure of the lower test

## CORPORATE

Post the end of the quarter New Standard commenced a significant capital raising to raise up to \$27m at 30c per share. The capital raising was announced to the market on 26 October, 2011 and comprises the following elements:

-  Two tranche placement of \$23m to institutional and sophisticated investors with the second tranche subject to shareholder approval in early December 2011 (**Placement**); and
-  Shareholder Purchase Plan (**SPP**) for up to \$4m to all eligible shareholders on the New Standard register on the record date.

Eligible New Standard shareholders will be afforded the opportunity to acquire additional shares in the Company up to a maximum of \$15,000 per shareholder under the SPP. Shares under the SPP will be offered at \$0.30 per share, which is the same price offered to the Placement participants. The SPP will be capped at \$4.0 million and will not be underwritten.

Eligible shareholders are those with a registered address in Australia or New Zealand and that are on the shareholder register at 7.00pm (AEDT) on 25 October 2011. Further details of the SPP will be contained in the SPP Offer documentation that is currently being prepared for mailing to shareholders together with the general meeting documentation.

The capital raising will leave new Standard will pro-forma cash of approximately \$30m (before offer costs) and followed substantial investment interest from professional and institutional investors. The additional capital significantly strengthens the balance sheet in a volatile equities market and leaves the Company well placed ahead of a major increase in potential exploration activity associated with multiple exploration projects in 2012. The funds will primarily be used to:

-  accelerate the Merlinleigh and other Australian tight gas and shale projects;
-  fund working capital; and
-  strengthen the balance sheet for future growth opportunities

The raising also provides flexibility to retain the corporate equity holding in Buru which continues to grow in both inherent and strategic value whilst providing exposure to the emerging Laurel Project and the additional conventional prospectivity of the Acacia oil play that was involved with the genesis of New Standard's Buru holding in 2009.

During the quarter David Hansen-Knahroi was appointed joint company secretary in addition to his permanent role as Chief Financial Officer.

**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 Burlison 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.