

# NEW STANDARD ENERGY LIMITED

ACN 119 323 385

## ANNUAL FINANCIAL REPORT

For the Financial Year Ended 30 June 2011

# 2011



NEW STANDARD  
ENERGY



## CORPORATE DIRECTORY

### Board of Directors

Arthur Dixon AM (Non-Executive Chairman)  
Sam Willis (Managing Director)  
Mark Hagan (Technical Director)  
Ian Paton (Non-Executive Director)

### Company Secretary

Mark Clements

### Place of Business

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Fax: +61 (8) 9486 7670  
Web: [www.newstandard.com.au](http://www.newstandard.com.au)

### Auditors

BDO Audit (WA) Pty Ltd  
38 Station Street  
Subiaco WA 6008

### Legal Advisors

Steinepreis Paganin  
Level 4, Next Building  
16 Milligan Street  
PERTH WA 6000

### Share Registry

Security Transfer Registrars Pty Ltd  
Alexandra House  
Suite 1, 770 Canning Highway  
APPLECROSS WA 6153

ASX Code: NSE

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**Competent Person:** The information in this report 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 his information in the form and context in which it appears.



# COMPANY PROFILE

## OIL AND GAS ASSETS

New Standard Energy Limited (**New Standard, the Company, Parent Entity**) is an ASX listed entity (ASX code: NSE) with onshore oil and gas exploration assets in the Canning Basin in the North-West of Western Australia, the onshore Carnarvon Basin in the Mid-West of Western Australia and in Colorado County and Wharton County in the onshore Texas Gulf Coast region, USA.

Over the last twelve months the Company's primary focus has been on the following:

- understanding and progressing the large Australian shale gas and tight gas portfolio in Western Australia with a view to strategically positioning the Company at the forefront of this emerging sector; and
- undertaking a successful initial drilling campaign on the conventional Colorado Country Project in the USA to establish cash flow and build a meaningful business.

Excellent progress has been made on achieving both of these objectives during the period and New Standard is now well placed to extract value from further exploration and development activity across its asset portfolio in 2012 and beyond.

The following table provides an overview of the Company's exploration portfolio holdings at 30 June 2011:

Australian Oil and Gas Exploration	Type	Interest	Operator	Joint Venture Partner
<b>Canning Basin</b>				
EP417	Exploration permit	65%	New Standard Onshore Pty Ltd	Buru Energy Limited, Green Rock Energy Limited
EP 443	Exploration permit	100%	New Standard Onshore Pty Ltd	-
EP 450	Exploration permit	100%	New Standard Onshore Pty Ltd	-
EP 451	Exploration permit	100%	New Standard Onshore Pty Ltd	-
EP 456	Exploration permit	100%	New Standard Onshore Pty Ltd	-
Application Area 1/09-0	Application area	100%	New Standard Onshore Pty Ltd	-
Application Area 2/09 -0	Application area	100%	New Standard Onshore Pty Ltd	-
Application Area 5/09 -0	Application area	100%	New Standard Onshore Pty Ltd	-
<b>Carnarvon Basin</b>				
STP-EPA 0014	Application area	100%	New Standard Onshore Pty Ltd	-
STP-EPA 0015	Application area	100%	New Standard Onshore Pty Ltd	-
<b>US Oil and Gas Exploration</b>				
<b>Colorado County Project</b> - Brasher #1 (32.5%) - Heintschel #1 (32.5%) - Heintschel #2 (32.5%) - D Truchard #1 (32.5%) - Joann #1 (33.68%)	Working Interest in Mineral Rights	32.5%	AKG Energy LLC	Burleson Energy Limited, AKG Energy LLC and minority interests
	Working Interest in Mineral Rights	33.68%	AKG Energy LLC	Burleson Energy Limited, AKG Energy LLC and minority interests
<b>Moeller Project</b> - Moeller #1 (38.5%)	Working Interest in Mineral Rights	38.5%	AKG Energy LLC	Burleson Energy Limited, AKG Energy LLC and minority interests
<b>Wharton County Project</b>	Working Interest in Mineral Rights	36%	AKG Energy LLC	Burleson Energy Limited, AKG Energy LLC and minority interests

## Australian Shale Gas and Tight Gas Portfolio

New Standard has amassed one of the largest shale and tight gas portfolios in Australia via its 100% operated equity interests in its flagship Goldwyer Project in the Canning Basin, the emerging Laurel Project in the Canning Basin and the Merlinleigh Project in the Carnarvon Basin. All projects, whilst at early stage, are highly prospective for large, strategic onshore hydrocarbon resources in Western Australia.

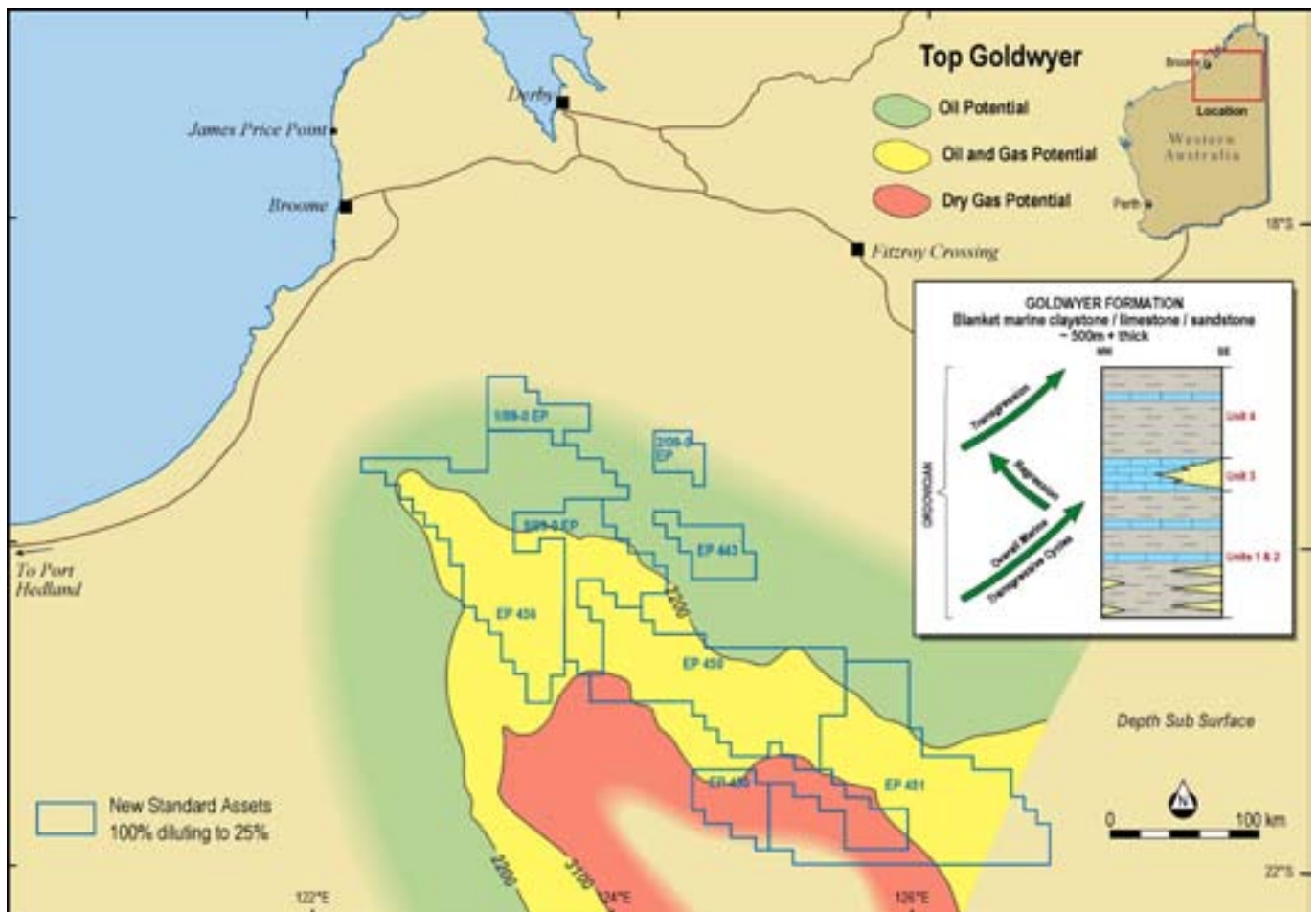
### Goldwyer Project – Canning Basin, Western Australia

The Goldwyer Project covers in excess of 45,000 kms<sup>2</sup> of prospective acreage across EP's 443, 450, 451 and 456 as well as application areas 1/09-0, 2/09-0 and 5/09-0. During the financial year New Standard met the required work commitments across the permits forming the Goldwyer Project through the acquisition of in excess of 13,000 line kms of aerial gravity data. Additional technical work concentrated on structural mapping, seismic interpretation and basin modeling for thermal maturity profiling and burial history to provide a more comprehensive technical understanding of the merits of the Goldwyer Project. This work was undertaken alongside the analysis of data from in excess of 50 historic wells that have penetrated the Goldwyer formation and provided an enhanced appreciation of the potential for liquids to be associated with a large strategic gas resource. This information had a significant impact

on the technical prospectivity of the project and provided the impetus for engagement with numerous interested parties expressing an interest in potential joint venture arrangements for the Goldwyer Project.

Independent confirmation from Netherland Sewell and Associates (NSAI), RISC Pty Ltd (RISC) and the US Government Department of the Energy Information Agency (EIA) was also forthcoming during the period. These reports provided further supportive and independent reviews in relation to the prospectivity and potential scale of the Goldwyer Project in the Canning Basin.

As a result of the work undertaken by New Standard to enhance the understanding of the technical merits of the Goldwyer Project and the emergence of these positive independent reviews, a significant level of engagement with potential partners was experienced both in late 2010 and early 2011, leading to exhaustive due diligence being undertaken by various parties. This process culminated in a non-binding Heads of Agreement with ConocoPhillips being agreed and announced on July 13, 2011 followed by binding agreements being executed and announced on 30 September, 2011, that formalise a farm-in agreement for exploration funding of up to US\$109.5m being committed by ConocoPhillips in return for the rights to earn up to a 75% interest in the Goldwyer acreage. Further information on this agreement can be found in the section on subsequent events in this report.



New Standard's Goldwyer shale acreage highlighting the prospective shale gas window.

**Laurel Project – Canning Basin, Western Australia**

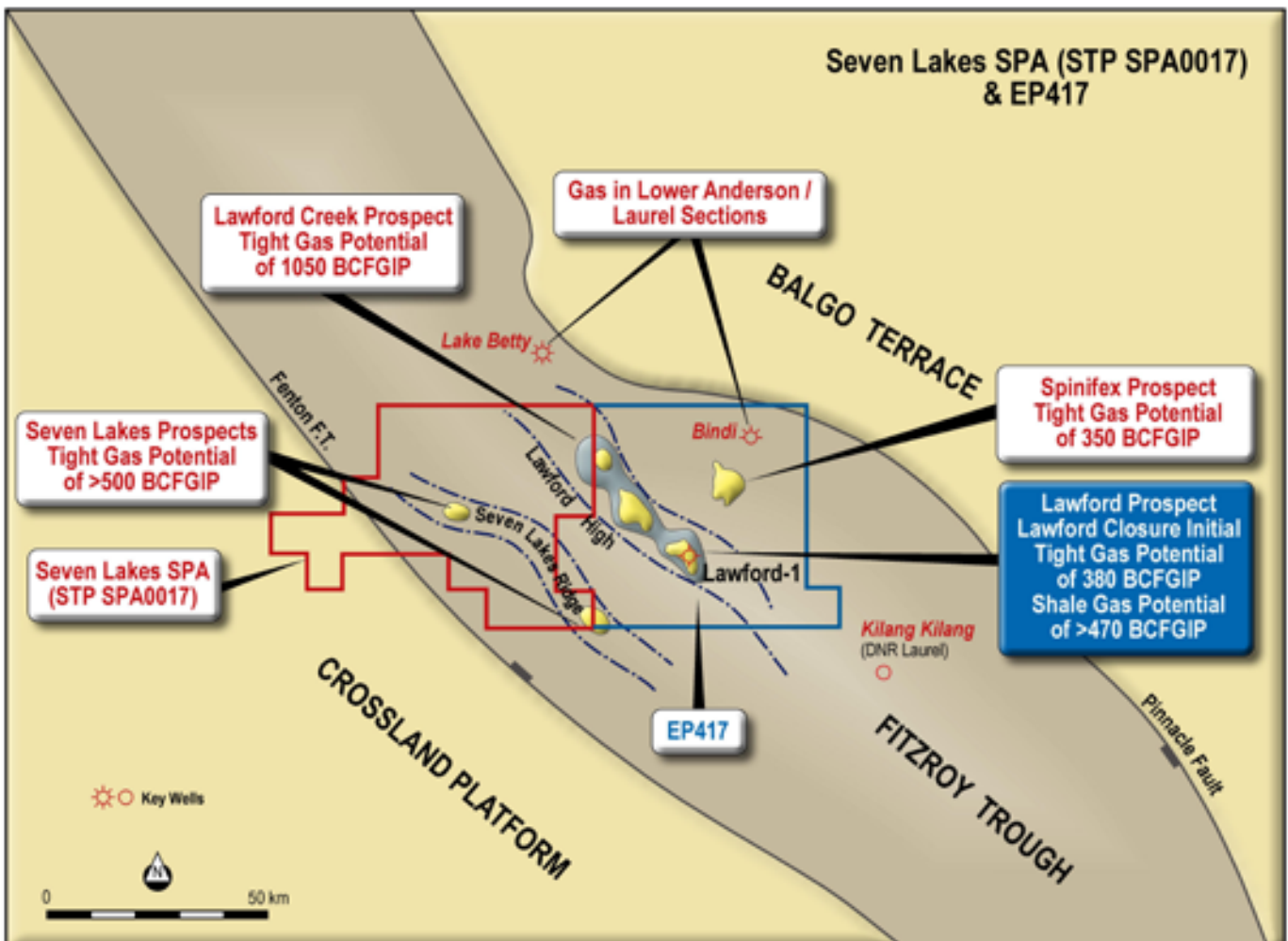
The Laurel Project is located in the northern Canning Basin in the Fitzroy Trough and comprises a 65% operated interest in EP417 and a 60% operated interest in the Seven Lakes Special Prospecting Authority (Seven Lakes SPA) that was successfully awarded in July 2011. The Laurel Project provides a second substantial asset for New Standard in the Canning Basin and is emerging as an attractive regional play following the recent exploration success being experienced by Buru Energy Ltd (ASX: BRU) and its joint venture partners in the region.

The Laurel Project was enhanced during the period via the successful farm-in agreement reached with Green Rock Energy Ltd (Green Rock) (ASX: GRK) on EP417 pursuant to which Green Rock will pay \$750,000 in back costs and

fund (subject to an expenditure cap of \$4m) 27.5% of the costs of drilling, coring, fracture stimulation, flow testing and planned deepening of the Lawford #1 well located on EP417. In return Green Rock will earn a 15% per cent interest in EP417. Green Rock has also committed to fund 22.5% of the costs of a second (but yet to be agreed) well to earn an additional 5% in EP417. At the date of this report the Lawford #1 well was being deepened by the EP417 joint venture.

*“New Standard has amassed one of the largest shale and tight gas portfolios in Australia”*

As outlined above the Laurel Project footprint was significantly enhanced subsequent to the end of the period with the successful application and award of the Seven Lakes SPA area (STP-SPA-0017) immediately adjacent to EP417 in which New Standard will have a 60% operated interest. This addition to the portfolio more than doubled the Laurel Project acreage in the region for New Standard.

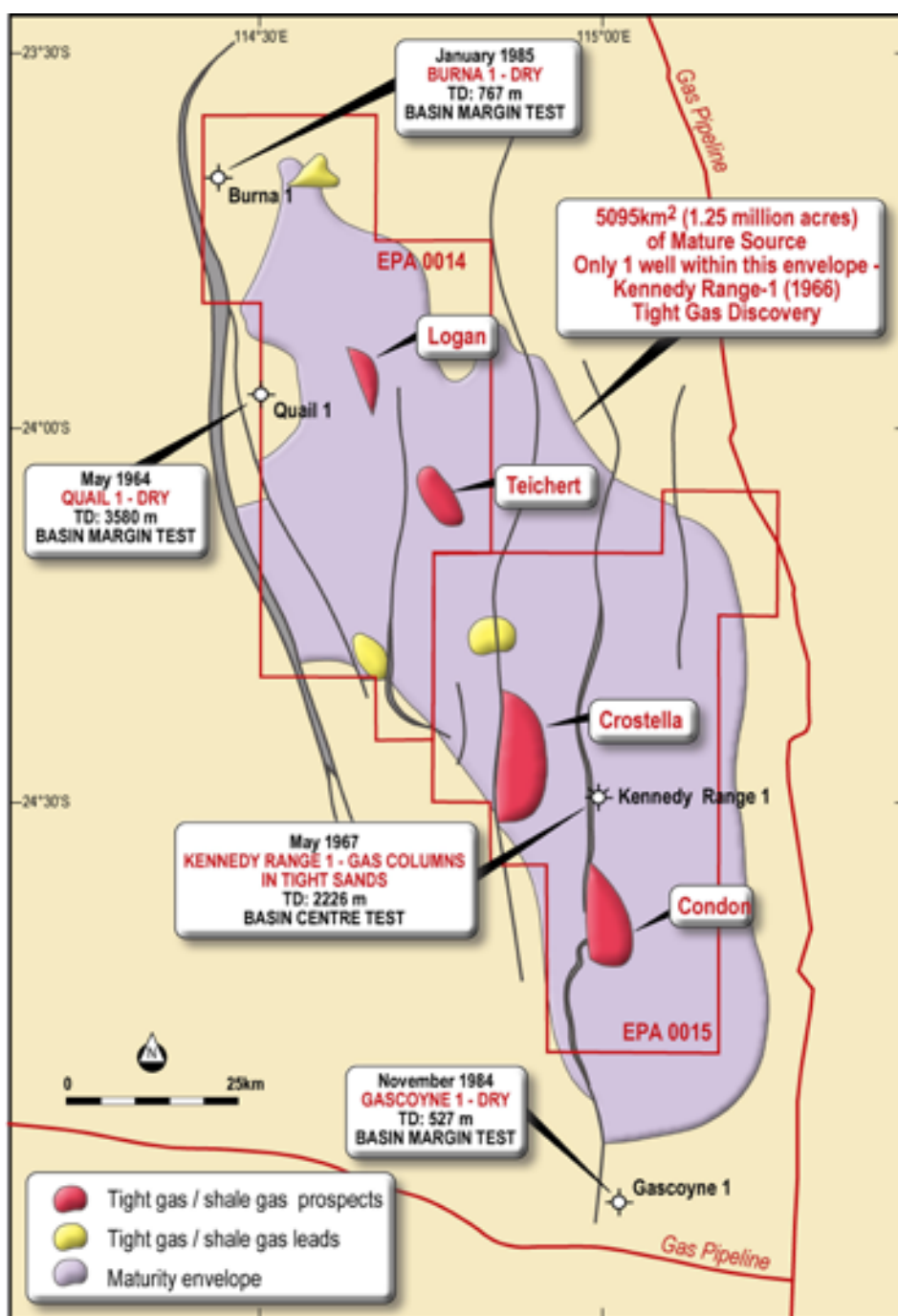


## Merlinleigh Project – Carnarvon Basin, Western Australia

During the year New Standard completed the required geochemical surveys to meet the work commitments on the Merlinleigh Project pursuant to the terms of the two special prospecting authority (SPA) areas in the onshore Carnarvon Basin. The acreage is centrally located alongside the major gas infrastructure of the Dampier to Bunbury gas pipeline which provides a strategic position from which to service the growing domestic markets of the MidWest and Pilbara mining centres as well as the burgeoning export LNG markets being developed in Western Australia. Following completion of the geochemical surveys and internal technical studies, New

Standard elected to exercise its options attaching to the SPA areas. As a result the Merlinleigh Project areas have now been refined to focus on the core areas of interest within the basin. The two acreage areas are now registered as application areas and the Company is actively progressing native discussions with the traditional owners in the region in an effort to have the permits granted in early 2012.

Significant technical work continues to be undertaken by New Standard to enhance the technical merits of the Merlinleigh Project. The Company continues to assess its alternatives in relation to progressing exploration work in 2012 on the basis native title agreement can be reached and the permits granted to New Standard.



*Maturity map of the top Wooramel group showing New Standard's acreage and prospects within the limits of the maturity envelope.*

### Conventional Onshore United States Portfolio

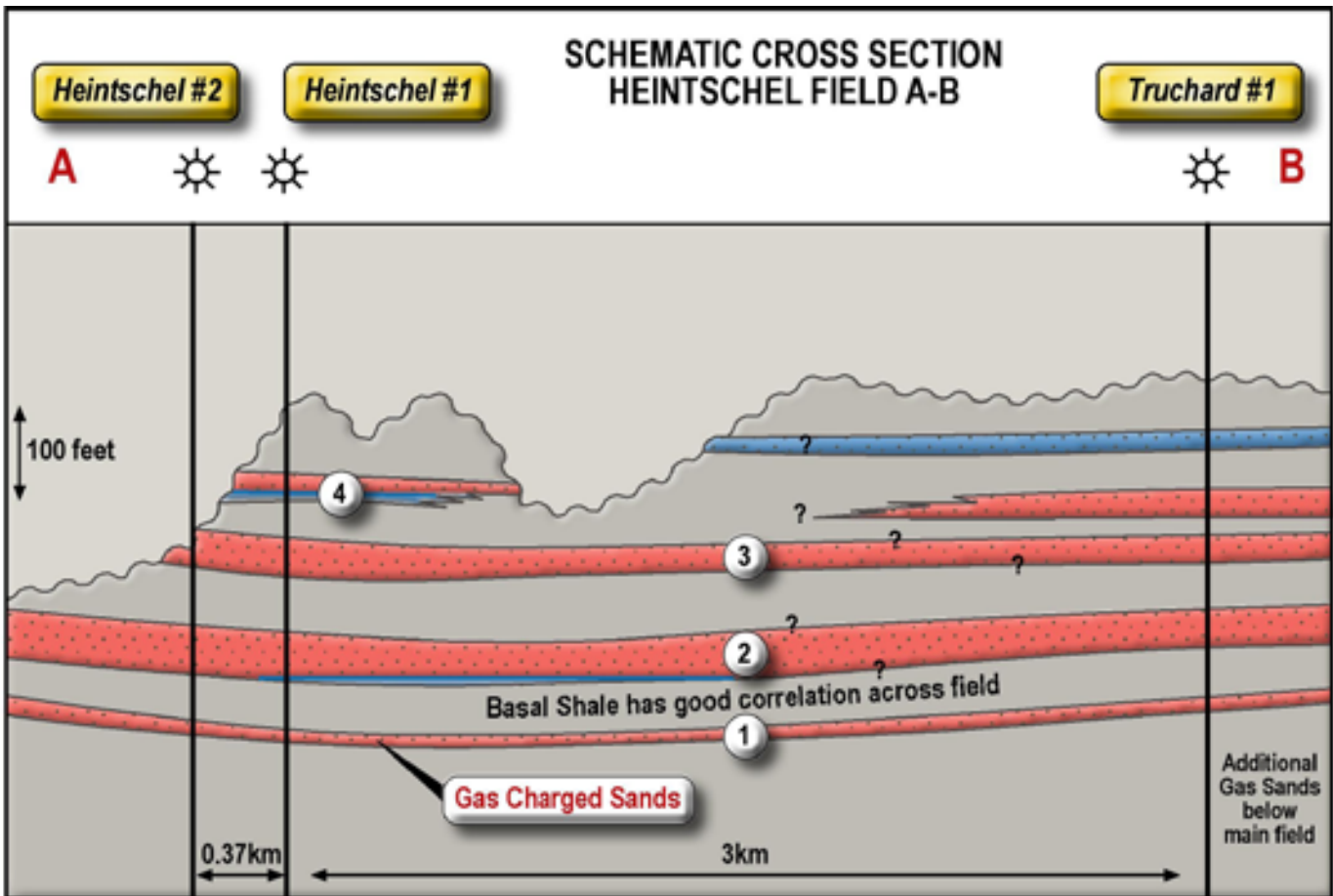
The onshore exposure in Colorado County and Wharton County in Texas, USA provides a further diversification of risk and reward. The projects are located within a very mature oil and gas production region of the Texas Gulf Coast – one of the richest onshore hydrocarbon provinces in the world. The primary focus currently remains at the Colorado County Project where the exploration and development targets are lower risk, the exploration costs are lower and more controllable than those of the Australian portfolio and the infrastructure and end user markets are both well established. These factors combine to provide an attractive combination of risk to compliment the more frontier environments of the Canning Basin and Carnarvon Basin in Western Australia.

A primary aim for the Company in participating in the USA projects was to provide access to shorter term cash flow opportunities whilst also maintaining a meaningful exposure to sufficient upside. The initial drilling campaign has delivered encouraging results and the Company has achieved its aim of becoming a producer from an onshore

project with significant upside potential. Of the initial exploration wells drilled, four are currently tied into production (Heintschel #1, Heintschel #2, D.Truchard #1 and Joann #1) and generating monthly cashflow.

Considerable technical work continues to be undertaken on the producing wells in the Heintschel field and this work has focused on identifying the source of the water being produced (to mitigate water production in future development wells) in addition to designing alternative fracs for future Heintschel development wells that will optimise the volume of the reservoir connected to the wellbore.

In conjunction with these studies, independent expert consultants DeGoyler and McNaughton have been commissioned to provide a view on the reserves and resources contained in the Heintschel field. Results from this assessment are expected in H2 2011 and will provide valuable input for future development plans for the Heintschel field. The Company continues to assess its strategic alternatives for the most appropriate method of value extraction and realisation for the US Portfolio.



Heintschel field schematic highlighting significant sand packages.



## NON-CORE ASSETS

The Company inherited a portfolio of tungsten and coal exploration assets as a result of the merger with Hawk Resources Limited (Hawk) in 2008. New Standard completed the successful divestment of these assets during the period.

*“New Standard remains well positioned in a rapidly emerging sector in Australia”*

## SUMMARY

Corporately New Standard remains well positioned in a rapidly emerging sector in Australia and is well placed with large equity positions in technically attractive projects providing the opportunity to effectively progress exploration on its portfolio of assets in the coming twelve months. New Standard has also negotiated and established good working relationships and partnerships both domestically here in Australia and overseas in the United States providing the ability to access relevant technical skills, expertise and experience as well as significant financial resources to assist with progressing its exploration efforts efficiently.

The Company is well positioned to extract value from within the current exploration portfolio and will continue to assess and progress other opportunities, both conventional and unconventional, on an ongoing basis in an effort to further enhance the potential for ongoing New Standard shareholder wealth creation.



*Merlinleigh project site visit with Traditional Owners.*

## CHAIRMAN'S REPORT

Dear New Standard Shareholders,

I am delighted to present this year's annual report and particularly honoured to have been asked to join the board of New Standard during the year to assume the role of non-executive Chairman as the company moves into an exciting new growth period.

We can look back on a year of success and forward with a good deal of confidence. As a result of the successful planning and execution over the past 12 months, we find ourselves well positioned with an attractive portfolio of projects in a rapidly emerging sector and an exciting opportunity to deliver further shareholder value.


The past year has seen the achievement of what the New Standard team has worked so hard to deliver: an agreement with a high quality partner to explore and appraise our flagship Goldwyer Project in the Canning Basin. On 13 July this year, we announced we had executed a non-binding Heads of Agreement with ConocoPhillips (Canning Basin) Pty Ltd ("ConocoPhillips") to farm into the various exploration permits and application areas comprising the Goldwyer Project, and in so doing entered into a period of exclusivity to allow full due diligence and negotiation of the agreements in detail.

I am delighted to report that as announced on 30 September 2011, binding agreements have now been executed within the agreed deadline and as a result, ConocoPhillips has the right to earn and retain a 75% working interest in the Goldwyer Project in return for completing four phases of exploration work involving the expenditure of up to \$US109 million over four years. In our view this is truly a company changing transaction that will help underpin the ability to aggressively tackle a very large, challenging and exciting project that has the potential to add significant value for all New Standard shareholders.

Although some appreciation for the potential value of shale and tight gas is starting to emerge domestically, it currently appears that overseas interests have a much greater appreciation for this potential. Having said this, the positions taken by numerous global majors within the coal seam gas sector in recent years has seen enormous value creation for early movers in the sector, and it is our view that this kind of activity could replicate itself in the shale and tight gas sector here in Australia as it develops. I therefore welcome ConocoPhillips' interest in our Goldwyer Project and look forward to a constructive and mutually-rewarding future with them. The board is extremely satisfied that we have secured a world-class partner with world-class expertise to join us in a world-class project.

Whilst the Goldwyer has demanded significant attention in recent times, the Laurel Project is also emerging as a second project with substantial potential scale in the Canning Basin that is highly prospective for both conventional and unconventional resources. The Laurel formation is the primary target within the Laurel Project and forms an emerging regional resource play in the Fitzroy trough, where Buru Energy has recently drilled two wells that have both encountered significant hydrocarbons and successfully flowed gas and condensate to surface - which is always an encouraging sign. The Laurel Project has recently reached an important milestone with the commencement of drilling activities to deepen the Lawford #1 well on EP417 in an effort to test the Laurel formation and extend the growing prospectivity of this exciting regional play.

The Merlinleigh Project rounds out New Standard's current Australian portfolio as a very large acreage position that dominates the Merlinleigh sub-basin within the onshore Carnarvon basin in Western Australia. The Merlinleigh Project is highly prospective for conventional targets as well as a broader regional resource



play within the shales that are present across the acreage. Most importantly the Merlinleigh Project has the tremendous advantage of location. It is very near the Dampier-Bunbury Natural Gas Pipeline and perfectly positioned between the world class mining centre of the Pilbara region, the emerging Mid-West resource province and other major users and utilities in and around Perth to the south. The technical data is currently being reviewed to build a conceptual exploration program and provide the basis for more substantial discussions with investors seeking participation. These discussions are able to be progressed now that the ConocoPhillips negotiations have been concluded and we anticipate that the Merlinleigh Project will receive significant additional focus during the coming year.

All three Australian project areas require the co-operation of Native Title Owners and I am especially pleased to note the good relationships, constructive discussions and on-the-ground assistance we have enjoyed with the various groups and their representatives. We look forward to maintaining and further building on these good working relationships with all these important stakeholders.

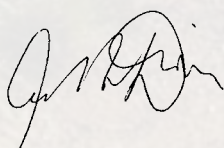
The value of the US assets the Company holds in Colorado and Wharton counties in Texas are currently under review as the Operator, AKG Energy, investigates optimum completion design and fracking procedures, and we wait to receive an independent report on resources and reserves within the Heintschel field. We are now benefitting from four wells producing cash flow whilst we evaluate our alternatives to move forward, and we remain of the view that significant potential upside remains within the US portfolio.

New Standard is entering the next 12 months with the prospect of having exploration activity planned on all four projects within the portfolio. We will naturally have to increase staff to manage these activities and a key focus will be to build the team where necessary, but the board remains conscious of the need to utilise shareholder funds carefully whilst maximising returns along the way.

Whilst the majority of our attention has recently been focused on completing the ConocoPhillips transaction and progressing the other projects in the current portfolio, moving forward additional resources will be allocated to identifying and assessing opportunities beyond those we have at present, to ensure a pipeline of value-adding prospects continues to emerge as earlier ones crystallize and mature. This remains one of New Standard's key competitive advantages and a cornerstone of the ability to continue to deliver significant value creation.

Finally, I would like to sincerely thank all our shareholders for their on-going support and loyalty, our various advisors who have assisted during the year and my fellow directors and all the staff of New Standard who have formed such a dedicated and professional team.

We look forward an active and rewarding 2012.



**Arthur Dixon AM**

Non-Executive Chairman

## DIRECTORS' REPORT

The Directors of New Standard submit herewith the annual financial report of the Company and the entities it controlled at the end of, or during the financial year ended 30 June 2011. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

### Directors

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for the period stated.

Name	Particulars
<b>Mr Arthur Dixon AM</b>	Non-Executive Chairman (Appointed 1 May 2011)
Age	69
Qualifications	B.E.
Experience	<p>Arthur Dixon graduated from Melbourne University as a Chemical Engineer. Arthur is a 40 year oil and gas veteran with Shell and of that, more than 20 years in the LNG business. He has served on the boards of Australia LNG Ship Operating Company (ALSO), Brunei LNG, Brunei Shell Tankers and Shell International Gas and has considerable experience working with joint venture partners.</p> <p>Arthur currently advises selected clients, conducts executive training courses on LNG and is Chairman of the Board of the Australian Centre for Natural Gas Management, a joint venture between the University of Western Australia and Curtin University of Technology. Arthur was made a Member of the Order of Australia in January 2008.</p>
Current and Former Directorships in listed entities in the last 3 years	Nil
Relevant interests in shares and options	36,000 fully paid ordinary shares
<b>Mr Sam Willis</b>	Managing Director (Appointed 28 July 2008)
Age	39
Qualifications	B.Com
Experience	<p>Prior to his role at New Standard, Sam worked in the corporate advisory and financial markets fields for over 10 years where his primary duties involved assisting companies achieve an ASX listing, providing general corporate advice, M&amp;A assessment, deal co-ordination and structuring and capital raising for unlisted and listed companies.</p> <p>Sam has also previously worked as a private client advisor with Hartleys, in an advisory capacity with Red Dingo (venture capital), and as an investment analyst with both Deutsche Bank and Schroders Investment Management in London.</p>
Current and Former Directorships in listed entities in the last 3 years	Base Resources Limited (ASX: BSE) Northern Energy Corporation Ltd (ASX: NEC) (resigned 28 February, 2011)
Relevant interests in shares and options	8,270,864 fully paid ordinary shares 2,625,000 options exercisable at \$0.225 on or before 30 June 2012 2,625,000 options exercisable at \$0.275 on or before 30 June 2012

<b>Dr Mark Hagan</b>	Technical Director (Appointed 28 July 2008)
Age	65
Qualifications	B.Sc, Ph.D
Experience	<p>Mark holds a Ph.D in Geology from the University of Western Australia (1974) and has over 30 years experience in oil and gas exploration and production with expertise in the integration and operation of all technical, operational and marketing aspects of oil and gas business ventures. He spent over 18 years in USA/Europe on worldwide projects in a variety of positions and was ultimately responsible for exploration activities in Europe, Africa, South America and Asia for Sun Oil Company – a large US based integrated oil company. Mark was on the Board of Sun Exploration and Production Company from 1989 to 1991 during which time new discoveries were made in diverse exploration spheres and oil production rose to 70,000 barrels/day.</p> <p>Since returning to Australia in 1991, Mark has been an independent consultant, mainly on projects in the Australia/Asia region and is past Chairman of Empire Oil and Gas NL (1999-2002) – an ASX listed exploration company.</p>
Current and Former Directorships in listed entities in the last 3 years	Nil
Relevant interests in shares and options	<p>2,166,456 fully paid ordinary shares  3,625,000 options exercisable at \$0.225 on or before 30 June 2012  3,625,000 options exercisable at \$0.275 on or before 30 June 2012</p>
<b>Mr Ian Paton</b>	Non-Executive Director (Appointed 28 July 2008; Appointed Chairman 1 July 2009 to 1 May 2011)
Age	59
Qualifications	B.Sc (Hons), M Pet Eng, MBA
Experience	<p>Ian has been working as an International Petroleum Consultant specialising in Engineering and Geoscience from 2000 until the present. Among numerous other roles, Ian has been most recently focussed on Coogee Resources projects in the Timor Sea where he has identified and developed significant oil discoveries resulting from exploration success. Production from these discoveries will approach 40,000 barrels/day.</p> <p>Prior to his consulting role Ian was Technical Director at Amity Oil where he discovered two commercial gas fields in Turkey. Ian also held positions as technical manager of CONOCO Oceania where he ran all operations in Australia and PNG as well as holding the role of exploration and development manager at Santos where he was responsible for oil field developments in South Australia and leading Santos into the north-west shelf where he oversaw numerous discoveries.</p>
Current and Former Directorships in listed entities in the last 3 years	Nil
Relevant interests in shares and options	<p>1,000,000 fully paid ordinary shares  1,000,000 options exercisable at \$0.225 on or before 30 June 2012  1,000,000 options exercisable at \$0.275 on or before 30 June 2012</p>
<b>Mr Mark Clements</b>	Company Secretary (Appointed 28 July 2008)
	<p>The Joint Company Secretary is Mark Clements. Mark has a Bachelor of Commerce degree from the University of Western Australia and is a Fellow of the Institute of Chartered Accountants of Australia. Mark is also a member of the Australian Institute of Company Directors and an affiliated member of the Institute of Chartered Secretaries in Australia. He has over 15 years management, corporate administration, finance and accounting experience working for a number of listed and unlisted public companies for which he has held the role of Company Secretary for over 10 years. Mark previously worked for an international accounting firm.</p>
<b>Mr David Hansen-Knarhoi</b>	Chief Financial Officer (Appointed 7 September 2011)
	<p>The Chief Financial Officer is David Hansen-Knarhoi. David has a Bachelor of Commerce degree from the University of Western Australia. David is a Fellow of the Institute of Chartered Accountants of Australia and a member of the Institute of Directors of the United Kingdom. He has over 17 years management, corporate administration, finance and accounting experience working for a number of listed and unlisted public companies both in Australia and the United Kingdom.</p>

## PRINCIPAL ACTIVITIES

The principal activities of the Company during the course of the year were the continued exploration for oil and gas in the Canning Basin in north-west Western Australia and investment in onshore development in the Texas Gulf region, Southern USA. In addition, resources were applied to reviewing and securing additional exploration opportunities resulting in the Merlinleigh Project in the onshore Carnarvon Basin being secured.

## OPERATING RESULTS

The consolidated entity's net loss attributable to members of New Standard for the year ended 30 June 2011 after applicable income tax was \$79,081 (2010: profit of \$3,298,537).

A summary of consolidated revenues and results for the year by reportable segment is set out below:

	Segment revenues 30 June 2011 \$	Segment results 30 June 2011 \$
Australia - oil and gas exploration	-	-
United States - oil and gas exploration	-	-
Tungsten	-	(4,200)
Total segment revenue/ result	-	(4,200)

Segment results are adjusted earnings before interest, tax, depreciation and amortisation, which is the measure of segment result that is reported to the Managing Director to assess the performance of the operating segments.

## FUTURE DEVELOPMENTS

The Company intends to pursue its current stated objectives as an oil and gas explorer.

## DIVIDENDS

No dividend has been declared or paid during the financial year and the Directors do not recommend the payment of any dividend in respect of the current or preceding financial years.

## ENVIRONMENTAL REGULATIONS

The economic entity holds participating interests in mining and exploration tenements. The authorities granting such tenements require the tenement holder to comply with the terms of the grant of the tenement and all directions given to it under those terms of the tenement. There have been no known breaches of the tenement conditions, and no such breaches have been notified by any government agencies during the year ended 30 June 2011.

### Greenhouse gas and energy data reporting requirements

Given the nature and location of the Group's operations in Australia and the USA, both the Energy Efficiency

Opportunities Act 2006 and the National Greenhouse and Energy Reporting Act 2007 are not expected to have a material impact.

## SHARE OPTIONS

Share options on issue at year end or exercised during the year:

Details of unissued ordinary shares of the Company under option at the date of this report are as follows:

Item	Number of Shares under Option	Exercise Price of Options	Expiry Date of Options
Unlisted Options	7,250,000	\$0.225	30 June 2012
Unlisted Options	7,250,000	\$0.275	30 June 2012
Unlisted Options	500,000	\$0.225	30 June 2013
Unlisted Options	500,000	\$0.275	30 June 2013

During the year and up to the date of this report the Company issued 500,000 unlisted \$0.225 options exercisable on or before 30 June 2013 and 500,000 unlisted \$0.275 options exercisable on or before 30 June 2013. 4,000,000 unlisted \$0.125 options and 4,000,000 \$0.15 options were exercised prior to expiry and 50,000 unlisted \$0.35 options and 50,000 unlisted \$0.50 options and 100,000 unlisted \$0.75 options lapsed without exercise.

At 30 June 2011, 16,500,000 unlisted options were on issue and of these, 1,000,000 unlisted \$0.20 options were exercised on 20 July 2011. Refer to the notes to the financial statements for details of options granted during the period.

## PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of the Court under Section 327 of the *Corporations Act 2001* to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any proceedings during the year.

## EVENTS SUBSEQUENT TO YEAR END

On 13 July 2011, The Company announced that it had entered into a non-binding Heads of Agreement (Heads of Agreement) and exclusive negotiating period with ConocoPhillips Australia SH4 Pty Ltd (ConocoPhillips), an affiliate of global energy company ConocoPhillips [NYSE:COP].

The Heads of Agreement sets the framework for ConocoPhillips to farm-in and jointly explore, New Standard's flagship Goldwyer Project in the Canning Basin, Western Australia. The Project comprises the following permit interests in Western Australia's Canning Basin:

Granted exploration permits (EPs) 443, 450, 451 and 456; and Application areas 1/09-0, 2/09-0 and 5/09-0. It also contains an agreed set of core commercial principles which will form the basis for negotiating and completing binding and definitive agreements.

These core commercial principles envisage ConocoPhillips funding up to US\$109.5M over four phases of unconventional hydrocarbon exploration work, including the drilling, coring and evaluation of multiple wells. In return for funding the phased work program ConocoPhillips will have the right to earn up to a 75% working interest in the Goldwyer Project which would reduce New Standard's working interest from 100% to 25%.

ConocoPhillips must complete all four phases of work to earn and retain the 75% working interest. In the event that ConocoPhillips elects not to complete all four proposed phases of work a 100% operated working interest in the Goldwyer Project will revert to New Standard.

ConocoPhillips will also make an upfront payment of A\$1M to New Standard in consideration of prior costs.

The phased nature of the exploration program provides for initial drilling, coring and evaluation of multiple wells to be undertaken following which ConocoPhillips will be required to decide if it wishes to proceed with further exploration, appraisal and pilot development work in subsequent phases. This structure provides ConocoPhillips with the option to withdraw at the completion of each phase of work on the basis that any working interest (or associated rights) is returned to New Standard.

The timing of the proposed work programs will be consistent with permit and work commitment revisions to be sought and agreed with the government. Subject to necessary approvals and rig availability, New Standard envisages that Phase 1 work would be carried out in 2012 assuming binding agreements are successfully executed.

The Heads of Agreement contemplates that New Standard will remain as operator, although ConocoPhillips would have the right to assume operatorship of the Goldwyer Project at its election. An integral part of the proposed farm-in arrangement is the proposed provision of technical support by ConocoPhillips to New Standard to enhance the operating arrangement. New Standard believes that ConocoPhillips' participation will inject invaluable and world class technical knowledge and resources to ensure the Goldwyer Project is explored and appraised in conjunction with a world leader in global shale plays.

Both parties have committed to an exclusive period to negotiate the proposed transaction with a target of executing binding agreements as soon as possible, but no later than 30 September 2011. The binding agreements will also be subject to any outstanding government approvals.

New Standard has agreed to notify ConocoPhillips of any approaches in relation to its interest in the Goldwyer Project during this exclusivity period, and to provide ConocoPhillips with a right to match any offers that relate to New Standard's interest in the Goldwyer Project.

On 20 July 2011 1,000,000 unlisted \$0.20 options were exercised raising a total of \$200,000.

Other than the above, there has been no other matter or circumstance that has arisen since the end of the year that requires disclosure.

## DIRECTORS' MEETINGS

The following table sets out the number of Directors' meetings held during the financial year and the number of meetings attended by each Director whilst in office. During the financial year, 7 Board meetings were held. There were 3 remuneration committee meetings and 2 audit committee meetings. There were no nomination committee meetings.

Directors	Board of directors		Audit Committee		Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended
Mr A Dixon AM	2	2	0	0	1	1
Mr S Willis	7	7	2	2	3	1
Dr M Hagan	7	7	2	2	3	1
Mr I Paton	7	7	2	2	3	3

## INDEMNIFICATION OF OFFICERS AND AUDITORS

During or since the financial year the Company has indemnified and entered into Deeds of Indemnity and Access with each of the current Directors to indemnify the Director or any related body corporate against a liability incurred as a Director. The Deeds provide for the Company to pay all damages and costs which may be awarded against the Directors.

The Company has paid premiums to insure each of the Directors against liabilities for cost and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of a Director of the Company, other than conduct involving a wilful breach of duty in relation to the Company. This cover has also been extended to cover the activity in the USA through the wholly owned subsidiary, New Standard Energy Inc.

The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

## NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the Company and/or the consolidated entity are important.

Details of the amounts paid or payable to the auditor BDO Audit (WA) Pty Ltd for audit and non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit Committee is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of

non-audit services by the auditor, as outlined below, did not compromise the auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principle relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

During the year no fees were paid or payable to the auditor or related entity for non-audit services.

### **AUDITOR'S INDEPENDENCE DECLARATION**

A copy of the auditor's independence declaration under s.307C of the *Corporation Act 2001* in relation to the audit of the full year is included on page 25.

### **REMUNERATION REPORT (AUDITED)**

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Share-based compensation
- E Additional information

The information provided in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001.

#### **A Principles used to determine the nature and amount of remuneration**

The Board policy for determining the nature and amount of remuneration of Directors and Executives is agreed by the Board of Directors as a whole. The Board obtains professional advice where necessary to ensure that the Company attracts and retains talented and motivated Directors and employees who can enhance Company performance through their contributions and leadership.

#### **Executive Director Remuneration**

In determining the level and make-up of executive remuneration, the Board along with the Remuneration Committee negotiates a remuneration to reflect the market salary for a position and individual of comparable responsibility and experience. The Company has established a Remuneration Committee to determine and recommend the level of appropriate Executive Director remuneration each year. Remuneration is regularly compared with the external market by participation in industry salary surveys and during recruitment activities generally. If required, the Board and the Remuneration Committee may engage an external consultant to provide independent advice

in the form of a written report detailing market levels of remuneration for comparable executive roles. The Executive Remuneration review process for the year is still under consideration at the date of this report and is being conducted with the benefit of an independent advisory group and remuneration review to assist the Board and Remuneration Committee. As a result, Executive Remuneration for the coming financial year may vary from the structure and levels outlined in this report.

Executive remuneration generally consists of a fixed remuneration plus superannuation, a short term incentive (cash) and a long term incentive portion (shares funded by non-recourse loans) as appropriate.

#### **Non-Executive Director Remuneration**

Non-Executive Directors' fees are paid within an aggregate limit which is approved by the shareholders from time to time. On 26 November 2010, shareholders approved to increase the total aggregate fixed sum per annum to be paid to the Directors (excluding salaries of executive directors) from \$250,000 to \$400,000. Retirement payments, if any, are agreed to be determined in accordance with the rules set out in the *Corporations Act 2001* at the time of the Directors retirement or termination. Non-Executive Directors' remuneration may include an incentive portion consisting of bonuses and/or options, as considered appropriate by the Board, which may be subject to shareholder approval in accordance with the ASX Listing Rules.

The amount of aggregate remuneration sought to be approved by Shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers the amount of Director fees being paid by comparable companies with similar responsibilities and the experience of the Non-Executive Directors when undertaking the annual review process.

The Company determines the maximum amount for remuneration, including thresholds for share-based remuneration, for Directors.

#### **Performance Based Remuneration**

As part of each Executive's remuneration package there is a short term incentive (STI) based component of up to 20% of base salary payable in cash each year. The Remuneration Committee considers the appropriate targets and key performance indicators (KPIs) to link the STI plan and the level of payout if targets are met. This includes setting any maximum payout under the STI plan, and minimum levels of performance to trigger payment of STI. The intention is to facilitate goal congruence between Executives with that of the business and shareholders.

For the year ended 30 June 2011, the KPIs linked to STI plans were based on capital management, partner, contractor and stakeholder relations, resource base and asset management, office and employee operations, management of technical team and database and corporate governance, weighted depending on the accountabilities of the role and impact on the Group's performance.



The Remuneration Committee is responsible for assessing whether the KPIs are met. To help make this assessment, the committee utilises the assistance of external remuneration consultants. The STI target annual payment is reviewed annually. The Remuneration Committee has assessed that the KPI's for the year ended 30 June 2011 had been achieved. Executives are entitled to a cash bonus for the year ended 30 June 2011 of \$112,667 representing 20% of the executive's base salary. The financial statements as at 30 June 2011 include a provision for this amount.

The Remuneration Committee has the discretion to adjust STI's downwards in light of unexpected or unintended circumstances.

As part of each Executive's remuneration package there is a long term incentive (LTI) based component. The LTI component is up to 30% of the applicable base salary based on the Company's share price performance over the period in both absolute and relative terms. Subject to any necessary shareholder approvals, the LTI component will be payable in shares via the Employee Share Plan.

The LTI component will be measured on the following basis:

LTI Item	LTI Weighting %	LTI Benchmark	LTI Amount Due
Absolute Return (Share Price + Dividends)	50%	Company's Shares provide an absolute return of 10% or more over the 12 month period from 1 July to 30 June based on 12 month VWAP	LTI amount will be 1% of base salary for every 1% of absolute return, capped at a maximum of 15% of base salary. Absolute return of <10% will not trigger an LTI Amount under this item.
Relative Return (Share Price + Dividends versus agreed index benchmark)	50%	Company's Shares outperform the S&P/ASX 300 Energy Accumulation Index over the 12 month period from 1 July to 30 June based on 12 month VWAP	1% of base salary for every 1% of outperformance over and above the energy accumulation index, capped at a maximum of 15% of base salary. Relative return of less than the benchmark will not trigger an LTI Amount under this item.

The LTI components have been assessed for the 2011 financial year and the performance hurdles outlined above have been met and exceeded for the period. As a result, and subject to shareholder approval, LTI components equal to the full 30% of base salary have been provided for as at 30 June 2011 for the executive team. This has resulted in a total of \$169,000 being accrued for Executive LTIs that are due including \$72,000 for Sam Willis (subject to shareholder approval), \$72,000 for Mark Hagan (subject to shareholder approval) and \$25,000 for Marcus Gracey.

#### **Employee Share Plan**

The purpose of implementing the Plan is to reward key officers and personnel for both services rendered over the past 12 months and importantly, to provide a platform to reward key personnel going forward. The Plan provides the ability to negotiate an incentive component of remuneration packages for the recruitment and retention of officers and key personnel to the Company. The major aim of the Plan is to align mid to long term interests of key officers and personnel with those of shareholders and to do so in a tax effective manner.

The issue of any securities pursuant to the Plan will be undertaken by way of provision of a non-recourse, interest free loan to be used for the purposes of subscribing for new Shares in the Company based on a price that will be not less the volume weighted average price at which Shares were traded on the ASX over the 5 trading days up to and including the trading day before the date of the offer. The issue of any securities to Directors or related parties will be subject to the requisite approvals required.

#### **Relationship between the remuneration policy and company performance**

The tables below set out summary information about the Company's earnings and movements in shareholder wealth for the period from June 2007 to June 2011:

	30 June 2011	30 June 2010	30 June 2009	30 June 2008	30 June 2007
	\$	\$	\$	\$	\$
Revenue	179,353	216,444	792,289	330,068	5,187
Net profit/(loss) before tax	(79,081)	3,298,537	(5,025,880)	(134,291)	(13,354)
Net profit/(loss) after tax	(79,081)	3,298,537	(5,025,880)	(134,291)	(13,354)
Share price at end of year	\$0.19	\$0.215	\$0.05	\$0.24	N/A
Basic earnings/(loss) cents per share	(0.04)	2.34	(3.75)	(0.43)	(0.20)
Diluted earnings/(loss) cents per share	(0.04)	1.91	(3.75)	(0.43)	(0.20)

No dividends have been declared or paid.

## B Details of Remuneration

The details of the remuneration of Directors and Key Management Personnel of the Group (as defined by AASB 124 Related Party Disclosures) are set out below:

Mr A Dixon AM	Non-Executive Chairman (Appointed 1 May 2011)
Mr S Willis	Executive Director (Appointed 28 July 2008)
Dr M. Hagan	Technical Director (Appointed 28 July 2008)
Mr I Paton	Non-Executive Director (Appointed as Non-Executive Director 28 July 2008: Appointed Non-Executive Chairman 1 July 2009: Retired as Non-Executive Chairman 1 May 2011)
Mr M Gracey	Commercial & Legal Manager (Appointed 1 February 2011)
Mr M Clements	Company Secretary (Appointed 28 July 2008)
Mr David Hansen-Knarhoi	Chief Financial Officer (Appointed 7 September 2011)

The above are among the five highest paid executives.

### Details of Remuneration for Year Ended 30 June 2011

The remuneration for each Director of the consolidated entity during the year was as follows:

Directors	Short-term employment benefits			Post-employment	Equity		Total	Remuneration Consisting Of Options %
	Salary, Fees and Commissions \$	2010 Short-term Incentive <sup>(1)</sup> Paid \$	2011 Short-term Incentive <sup>(1)</sup> Accrued/ Paid \$	Superannuation Contribution \$	2010 Long-term Incentive Received as Compensation <sup>(2)</sup> \$	2011 Long-term Incentive/ Options Accrued/Paid <sup>(2)</sup> \$		
Mr A Dixon AM	11,000	-	-	-	-	-	11,000	-
Mr S Willis	240,000	45,600	48,000	-	76,313	72,000	481,913	-
Dr M Hagan	240,000	43,764	48,000	-	83,063	72,000	486,827	-
Mr I Paton	100,637	-	-	-	-	-	100,637	-
	591,637	89,364	96,000	-	159,376	144,000	1,080,377	-
<b>Key Management Personnel</b>								
Mr M Gracey	84,098	-	16,667	7,568	-	35,546	143,879	7.7
Mr M Clements	83,750	-	-	-	-	-	83,750	-
	167,848	-	16,667	7,568	-	35,546	227,629	

Note:

(1) During the period Mr Willis and Dr Hagan were paid a cash bonus of \$45,600 and \$43,764 respectively following achievement of KPI's for the year ended 30 June 2010 and shareholder approvals received at the annual general meeting held on 26 November 2010.

Mr Willis and Dr Hagan are entitled to a cash bonus for the year ended 30 June 2011 of \$48,000 each representing 20% of their base salary, as all KPI measurements were successfully met.

Mr Gracey is entitled to a cash bonus pro rata for the year ended 30 June 2011 of \$16,667.

(2) The amounts detailed above as Equity based compensation for Messer's Willis and Hagan related to shares issued following achievement of LTI for the years ended 30 June 2010 (issued on 4 January 2011) and the year ended 30 June 2011 which are to be issued subject to shareholder approval. Refer to note D Share Based Compensation for further information.

On 4 January 2011 Mr Willis and Dr Hagan were issued fully paid ordinary shares to the value of \$76,313 and \$83,063 respectively upon achievement of LTI's for the year ended 30 June 2010 and approved by shareholder at the general meeting held 26 November 2010.

Mr Willis and Dr Hagan's LTI component of their Executive Consultancy Agreements have been achieved for the year ended 30 June 2011. As a result, resolutions will be put before shareholders at the 2011 Annual General Meeting to seek approvals for the issue of fully paid ordinary shares with a value of \$72,000 for Mr Willis and \$72,000 for Dr Hagan in accordance with the terms of the Employee Share Scheme.

Mr Gracey's LTI component of his employment contract has been achieved for the year ended 30 June 2011. As a result, subsequent to year end Mr Gracey is entitled to enter into a loan agreement with the Company in accordance with the terms of the Employee Share Scheme for shares to the value of \$25,000. The financial statements as at 30 June 2011 include a provision for this amount.

Mr Gracey was also granted options during the year in accordance with his employment contract. The pro rata value of these options as at 30 June 2011 using the Black-Scholes option pricing model was \$10,546.

The pro rata value of options granted and vested to 30 June 2011 are included in Equity – long-term incentive options. The total value of options at grant date is set out at D Share Based Compensation. These amounts do not reflect cash payments and represent accounting treatment for options received by directors or key management personnel during the period.

A company in which Mr M Clements (Company Secretary) is a director and shareholder was paid \$83,750 for accounting and company secretarial services during the year. Mr M Clements nor any associates received options as compensation.

Other than the Executive Directors, the Commercial and Legal Manager and the Company Secretary, there were no other Key Management Personnel or executives for the year ended 30 June 2011.

Details of the New Standard Energy Ltd Employee Share Scheme are set out in the notes to the consolidated financial statements at note 24.

#### **Details of Remuneration for Year Ended 30 June 2010**

The remuneration for each Director of the consolidated entity during the year was as follows:

Directors	Short-term employment benefits	Post-employment	Equity Options Received as Compensation <sup>(1)</sup>	Total	Remuneration Consisting of Options
	Salary, Fees and Commissions	Superannuation Contribution			
	\$	\$	\$	\$	%
Mr I Paton	107,234	-	92,524	199,758	46.3
Mr S Willis	254,375	-	20,191	274,566	7.3
Dr M Hagan	276,876	-	27,882	304,758	9.1
	638,485	-	140,597	779,082	
<b>Key Management Personnel</b>					
Mr M Clements	84,671	-	-	84,671	-
	84,671	-	-	84,671	

Note:

(1) The pro rata value of options granted and vested during the year to 30 June 2010. The total value of options at grant date is set out at D Share Based Compensation. These amounts do not reflect cash payments and represent accounting treatment for options received by directors during the period.

A company in which Mr M Clements (Company Secretary) is a director and shareholder was paid \$84,671 for accounting and company secretarial services during the year. Mr M Clements nor any associates received options as compensation.

The amounts detailed above as Equity based compensation for Messer's Willis and Hagan related to options that were issued partly as recompense for options already held prior to the merger with Hawk. Refer to note D Share Based Compensation for further information.

Other than the Executive Directors and the Company Secretary, there were no other Key Management Personnel or executives for the year ended 30 June 2010.

### **C Executive Services Agreements**

The Remuneration Committee reviews and agrees Executive Service Agreements for Key Management Personnel on a periodic basis. The Remuneration Committee is also assisted, where appropriate, by external consultants specialising in remuneration reviews and other employment issues.

The following Executive Consultancy Agreements were in place at 30 June 2011 and as at the date of this report;

The existing Executive Consultancy Agreements with Mr Sam Willis and Dr Mark Hagan are as follows;

- (i) Monthly fees of \$20,000 on a five day a week basis and \$20,000 on a four day a week basis for Mr Sam Willis and Dr Mark Hagan respectively,
- (ii) A short term incentive cash bonus of up to 20% of annual fees subject to achievement of agreed upon KPI's,
- (iii) A long term incentive share component of up to 30% of annual fees based upon achievement of relative and absolute share price performance.
- (iv) 3 month notice period of termination of consultancy agreement.

These agreements and Executive Remuneration packages are still under review as at the date of this report and therefore remain subject to revision for the 2012 financial year. These reviews are being conducted with the benefit of an independent advisory group and remuneration review to assist the Board and Remuneration Committee. As a result, Executive Remuneration for the coming financial year may vary from the structure and levels outlined in this report.

Mr M Gracey is subject to an employment agreement based upon the following terms;

- (i) Annual salary of \$220,000 inclusive of superannuation.
- (ii) A short term incentive cash bonus of up to 20% of annual salary subject to achievement of agreed upon KPI's.
- (iii) A long term incentive share component of up to 30% of annual salary based upon achievement of relative and absolute share price performance.
- (iv) 12 week notice period of termination of employment agreement.

Mr D Hansen-Knarhoi is subject to an employment agreement based upon the following terms;

- (i) Annual salary of \$200,000 inclusive of superannuation.
- (ii) A short term incentive cash bonus of up to 20% of annual salary subject to achievement of agreed upon KPI's.
- (iii) A long term incentive share component of up to 30% of annual salary based upon achievement of relative and absolute share price performance.
- (iv) 12 week notice period of termination of employment agreement.

Mr M Clements is subject to a service agreement for company secretarial and accounting services based upon monthly fees of \$4,000, renewed automatically for successive 1 month periods unless either party gives the other party at least 30 days prior written notice of its intention not to renew the agreement.

## D Share-based Compensation

The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows;

Directors and Key Management Personnel	Grant date	Number of Options granted	Exercise Price of Options	Expiry Date of Options	Vesting Date	Vested & Exercisable	Vested <sup>(1)</sup>	Lapsed without exercise	Value per option at grant date	Value of options at grant date
		No.	\$			No.	%		\$	\$
Mr S Willis <sup>(3)</sup>	18/07/2008	2,625,000	0.225	30/06/2012	08/08/2009	2,625,000	100%	-	0.098	256,725
	18/07/2008	2,625,000	0.275	30/06/2012	08/08/2009	2,625,000	100%	-	0.087	227,850
Dr M Hagan <sup>(3)</sup>	18/07/2008	3,625,000	0.225	30/06/2012	08/08/2009	3,625,000	100%	-	0.098	354,525
	18/07/2008	3,625,000	0.275	30/06/2012	08/08/2009	3,625,000	100%	-	0.087	314,650
Mr I Paton	18/07/2008	250,000	0.225	30/06/2012	08/08/2009	250,000	100%	-	0.098	24,450
	18/07/2008	250,000	0.275	30/06/2012	08/08/2009	250,000	100%	-	0.087	21,700
	3/12/2009	750,000	0.225	30/06/2012	03/12/2009	750,000	100%	-	0.062	46,827
	3/12/2009	750,000	0.275	30/06/2012	03/12/2009	750,000	100%	-	0.058	43,774
Mr M Gracey <sup>(2)</sup>	29/03/2011	250,000	0.225	30/06/2013	01/02/2012	-	-	-	0.037	9,345
	29/03/2011	250,000	0.225	30/06/2013	01/08/2012	-	-	-	0.052	12,940
	29/03/2011	250,000	0.275	30/06/2013	01/02/2012	-	-	-	0.029	7,127
	29/03/2011	250,000	0.275	30/06/2013	01/08/2012	-	-	-	0.043	10,742

Note:

(1) All options were issued for nil consideration.

(2) On 29 March 2011, the Company issued a total of 1,000,000 unlisted options as part of an incentive component of an employment agreement for the senior executive role of Legal and Commercial Manager for Mr Gracey. The options have been issued in different tranches and 50% have an exercise price of 22.5c and the balance have an exercise price of 27.5c. All options expire on 30 June 2013 if not exercised before. The options are non-transferrable and cannot be exercised until such time as employment periods of 12 and 18 months have been served. Provision also exists for immediate lapse in the event employment is terminated for fraud or wilful misconduct.

(3) Of the options granted on 18 July 2008, 50% vested upon relisting as New Standard Energy Ltd and 50% vested on 8 August 2009.

Fair values at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of option.

### Details of Options

Details of options over ordinary shares in the Company provided as remuneration to each director of New Standard are set out below. When exercisable, each option is convertible into one ordinary share of New Standard. Further information on the options is set out in note 26 to the financial statements.

### 2011

Directors and Key Management Personnel	Number of Options granted during the year	Number of Options vested during the year	Number of Options lapsed during the year	Value at date of lapse
	2011	2011	2011	
	No.	No.	No.	\$
Mr A Dixon AM	-	-	-	-
Mr I Paton	-	-	-	-
Mr S Willis	-	-	-	-
Dr M Hagan	-	-	-	-
Mr M Gracey	1,000,000	-	-	-
	1,000,000	-	-	-

In addition to the above it was agreed as part of Arthur Dixon's appointment in May 2011 that a package of options would be agreed during the first 6 months of his tenure as Non-Executive Chairman of the Company. At the date of this report the quantum and terms of Arthur Dixon's options package had not been agreed, however it is anticipated that such agreement will be reached in the near future and that the requisite shareholder approvals for the issue of such options will be sought at the 2011 AGM.

## 2010

Directors and Key Management Personnel	Number of Options granted during the year	Number of Options vested during the year	Number of Options lapsed during the year	Value at date of lapse
	2010	2010	2010	
	No.	No.	No.	\$
Mr I Paton	1,500,000	2,000,000	-	-
Mr S Willis	-	2,625,000	(150,000)	-
Dr M Hagan	-	3,625,000	-	-
	1,500,000	8,250,000	(150,000)	-

## E Additional Information

For each grant of options included in the tables in the remuneration report, the percentage of the available grant that vested, in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. All the options granted have now met their vesting conditions hence the minimum value of the option yet to vest is nil and the maximum value of the options yet to vest is nil.

The Board currently does not have a policy in relation to limiting exposure to risk in relation to directors holding securities.

### Options

## 2011

No options vested during the 2011 financial year.

## 2010

Directors	Year Granted	Vested %	Lapsed %	Forfeited %	Financial years in which options may vest	Minimum total value of grant yet to vest \$	Maximum total value of grant yet to vest \$
Mr I Paton	2009	100	-	-	2010	-	-
	2010	100	-	-	2010	-	-
Mr S Willis	2009	100	3%	-	2010	-	-
Dr M Hagan	2009	100	-	-	2010	-	-

## End of audited Remuneration Report

Signed in accordance with a resolution of the Directors made pursuant to s.298 (2) of the *Corporations Act 2001*.

On behalf of the Directors



**Arthur Dixon AM**

Non-Executive Chairman

27 September 2011

## DIRECTOR'S DECLARATION

In the directors' opinion:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001, including:
  - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its' performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (c) the consolidated entity has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Reporting Standards; and
- (d) the remuneration disclosures included in the Director's Report (as part of the Remuneration Report) for the year ended 30 June 2011, comply with section 300A of the Corporations Act 2001.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the directors.



**Arthur Dixon AM**

Non-Executive Chairman

27 September 2011

# CORPORATE GOVERNANCE STATEMENT

On 2 August 2007, the ASX Corporate Governance Council released the 'The Revised Corporate Governance Principles and Recommendations' (second edition Corporate Governance Guidelines) ('guidelines').

In fulfilling its obligations and responsibilities to its various stakeholders, the Board of New Standard is a strong advocate of corporate governance. The Board has adopted corporate governance policies and practices consistent with the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations 2nd edition" (Recommendations) where considered appropriate for company of New Standard's size and nature.

This document describes the progress by New Standard in addressing those guidelines. It is structured to address the Council's guidelines and eight corporate governance principles.

## Principle 1 – Lay solid foundations for management and oversight

***"Companies should establish and disclose the respective roles and responsibilities of the Board and Management."***

The main function of the Board is to set strategic objectives for the company, supervising and guiding management through the implementation process. The aim is for the Board to provide the entrepreneurial leadership required for the company to evolve within a framework of prudent and effective risk management.

New Standard has adopted a formal board charter delineating the roles, responsibilities, practices and expectations of the Board collectively, the Individual directors and senior management.

The Board of New Standard ensures that each member understands its roles and responsibilities and ensures regular meeting so as to retain full and effective control of the Company.

The Board specifically emphasises on the following:

- Setting the strategic aims of New Standard and overseeing management's performance within that framework;
- Making sure that the necessary resources (financial and human) are available to the company and its senior executives to meet its objectives;
- Overseeing management's performance and the progress and development of the company's strategic plan;
- Selecting and appointing a suitable Chief Executive Officer/Managing Director with the appropriate skills to help the company in the pursuit of its objectives;
- Determining the remuneration policy for the Board members, Company Secretary and Senior Management;

- Controlling and approving financial reporting, capital structures and material contracts;
- Ensuring that a sound system risk management and internal controls is in place;
- Setting the company's values and standards;
- Undertaking a formal and rigorous review of the Corporate Governance policies; to ensure adherence to the ASX Corporate Governance Council principles;
- Ensuring that the Company's obligations to shareholders are understood and met;
- Ensuring the health, safety and well-being of Employees in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems to assure the well-being of all employees;
- Ensuring an adequate system is in place for the proper delegation of duties for the effective operative day to day running of the company without the Board losing sight of the direction that the Company is taking.

## Principle 2 - Structure the Board to add value

***"Have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties."***

The Board has been structured so as to provide an adequate mix of proficient directors that lead the Board with enterprise, integrity and judgement. The Board acts in the best interest of the Company and its stakeholders. The Board is directed on the principles of transparency, accountability and responsibility.

The ASX Corporate Governance Council guidelines recommend that ideally the Board should constitute of a majority of independent directors. The Board consisted of three directors for the majority of the year ended 30 June 2011; only one of whom was independent. The Board increased to four members effective 1 May 2011 upon the appointment of Non-Executive Chairman, Mr Arthur Dixon AM. Mr Ian Paton and Mr Dixon AM are considered to be independent directors. The remaining directors do not meet the Company's criteria for independence.

Dr Mark Hagan and Mr Sam Willis are executive directors.

Given the size and nature of the Company the Board feels the composition of the Board is appropriate at this stage. The Board endeavours to review this policy from time to time.

## Principle 3 - Promote ethical and responsible decision-making

***"Actively promote ethical and responsible decision-making"***

New Standard is aware that law and regulations alone is no guarantee of fair practice and thus to ensure the



integrity of its operations, it has adopted a code of ethics and conduct to sustain its corporate culture.

New Standard's ethical rules demands high standards of integrity, fairness, equity and honesty from all Directors, Senior Management and Employees. New Standard expects its employees to understand that the Company acts morally and that the main goal of the Company is to maximise shareholders value.

The Code of Ethics and Conduct include the following issues:

- The avoidance of conflicts of interest;
- Employees behaviour towards the use of Company property;
- Confidentiality;
- Fair dealing with customers, suppliers, employees and competitors;
- Protection and proper use of the Company's assets;
- Compliance with laws and regulations;
- Encouraging the reporting of illegal and unethical behaviour.

#### Diversity policy

The Company values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals. Accordingly the Company is developing a diversity policy. This policy will outline the Company's diversity objectives in relation to gender, age, cultural background and ethnicity. It will include requirements for the board to establish measurable objectives for achieving diversity, and for the board to assess annual both the objectives, and the Company's progress in achieving them.

#### **Principle 4 - Safeguard integrity in financial reporting**

***"Have a structure to independently verify and safeguard the integrity of the company's financial reporting"***

New Standard has a financial reporting process which includes half year and full- year results which are signed off by the Board before they are released to the market.

The Audit Committee has been developed as per the guidelines of good corporate governance and its responsibilities are delineated in the Audit Committee Charter.

The Audit Committee provides assistance to the Board of directors in fulfilling its corporate governance and oversight responsibilities, as well as advise on the modification and maintenance of the company's financial reporting, internal control structure, external audit functions, and appropriate ethical standards for the management of the company.

In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Company and the authority to

engage independent counsel and other advisers as it determines necessary to carry out its duties.

The CFO reports in writing on the propriety of compliance on internal controls and reporting systems and ensures that they are working efficiently and effectively in all material respects.

The Committee also advises on the modification and maintenance of the Company's risk management systems, the Company's risk profile, compliance and control and an assessment as to their effectiveness.

#### **Principle 5 - Make timely and balanced disclosure**

***"Promote timely and balanced disclosure of all material matters concerning the company."***

New Standard has adopted a formal policy dealing with its disclosure responsibilities. The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the ASX Listing Rules the Company immediately notifies the ASX of information:

- concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
- that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

The policy also addresses the Company's obligations to prevent the creation of a false market in its securities. New Standard ensures that all information necessary for investors to make an informed decision is available on its website.

The Managing Director has ultimate authority and responsibility for approving market disclosure which, in practice, is exercised in consultation with the Board, CFO/ Company Secretary.

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX.

In addition, the Board will also consider whether there are any matters requiring continuous disclosure in respect of each and every item of business that it considers.

#### **Principle 6 - Respect the rights of shareholders**

***"Respect the rights of shareholders and facilitate the effective exercise of those rights"***

New Standard is aware that regular and constructive two-way communications between the Company and its shareholders can help investors understand what the Board of directors is planning to achieve and how the Company intends to set about achieving its objectives.

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights, the Company is committed to:

- communicating effectively in a timely and accurate way with shareholders through releases to the market via ASX, website communication, Annual Reports, the general meetings of the Company and any information mailed to shareholders;
- sending a notice of any general meetings to which they are entitled to attend together with an explanatory memorandum of proposed resolutions (as appropriate). If shareholders cannot attend the General Meeting, they are entitled to lodge a proxy in accordance with the Corporations Act and the Company's Constitution.
- giving shareholders ready access to balanced and understandable information about the Company and corporate proposals;
- making it easy for shareholders to participate in general meetings of the Company; and
- requesting the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The address made by the Chairman and/or the Managing Director to the Annual General Meeting is released to the ASX. All ASX announcements are accessible via the Company's website.

### Principle 7 - Recognise and Manage Risk

***"Companies should establish a sound system of risk oversight and management and internal control"***

New Standard's policy is to regularly review processes and procedures to ensure the effectiveness of its internal systems control, so as to keep the integrity and accuracy of its reporting and financial results at a high level at all times. Internal controls are devised and enforced to ensure, as far as practicable in the given circumstances, the orderly and efficient conduct of the business. They include measures to safeguard the assets of the company, prevent and detect fraud and error, ensure the accuracy and completeness of accounting records and ensure the timely preparation of reliable financial information.

The Board's Charter clearly establishes that it is responsible for ensuring there is a sound system for overseeing and managing risk. As the whole Board only consisted of three (3) members for the majority of the year ended 30 June 2011 and four (4) from 1 May 2011, the Company does not have a Risk Management Committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues.

The Managing Director and Company Secretary/CFO are required to state to the Board, in writing, that to the best of their knowledge the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control which operates efficiently and effectively in all material respects.

The Managing Director, Technical Director and Company Secretary/CFO are also required to report monthly to the Board on the areas they are responsible for, including material business risks and provide an annual written report to the Board summarizing the effectiveness of the companies' management of material business risks.

### Principle 8 - Remunerate fairly and responsibly

***"Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear."***

The Company is committed to remunerating its executives in a manner that is market-competitive and consistent with best practice as well as supporting the interests of shareholders.

Consequently, the Board ensures that executive remuneration follows the guidelines of good governance and the criteria for remuneration are as follows:

- fixed salary that is determined from a review of the market and reflects core performance requirements and expectations;
- participation in any share/option scheme with thresholds approved by shareholders;
- statutory superannuation.

New Standard has devised a framework for remuneration that aligns the interest of the Company's shareholders with that of the Executives. The aim is to make the structure agreeable to both parties. The elements of consideration are as follows:

For the Shareholders:

- They should see that there is an economic profit in the remuneration structure;
- The structure is one that focuses on the continued growth of share price and sustained returns on assets;
- Attracts and retains high calibre executives.

For the Executives:

- Their capability and experience should be rewarded;
- The arrangement for reward should be clear and understandable;
- Their active contribution should be rewarded;
- Reward is competitive, tax effective and linked with growth in shareholder value.

The Board has established a Remuneration Committee which consists of three members including two independent non-executive directors, The Committee may seek external advice where appropriate.

New Standard is committed in providing the right remuneration structure so that Executives are not unaware to shareholder value. The structure provides long and short term incentive designed to retain and motivate executives in bringing more value to the Company.

A summary of how the Company has addressed the compliance with the corporate governance principles and recommendations is outlined below:

Principal No	Recommendation	Compliance	Reason for Non-compliance
<b>1.</b>	<b><i>Lay solid foundations for management and oversight</i></b>		
1.1	Establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	The Board has adopted a formal charter setting out the responsibilities of the Board. This charter can be accessed at: <a href="http://www.newstandard.com.au">www.newstandard.com.au</a> . Any functions not reserved for the Board and not expressly reserved for members by the Corporations Act and ASX Listing Rules are reserved for senior executives.	Not applicable
1.2	Disclose the process for evaluating the performance of senior executives.	The Board and remuneration committee meets at least once annually to review the performance of executives. The senior executives' performance is assessed against the performance of the company as a whole.	Not applicable
1.3	Provide the information indicated in the Guide to reporting on Principle 1.	A performance evaluation has been completed during the reporting period in accordance with the process detailed in 1.2 above.	Not applicable
<b>2.</b>	<b><i>Structure the board to add value</i></b>		
2.1	A majority of the Board should be independent of Directors.	A definition of Director independence can be accessed at <a href="http://www.newstandard.com.au">www.newstandard.com.au</a> . During the majority of the year New Standard had one independent Director and two non independent Directors. However, effective 1 May 2011, New Standard had two independent directors.	Given the size and nature of the Company the Board feels the composition of the Board is appropriate at this stage.
2.2	The chair should be an independent Director.	The position of Chairman was fulfilled by an independent director for the year ended 30 June 2011.	Not applicable
2.3	The roles of Chair and Chief Executive Officer should not be exercised by the same individual.	New Standard's Chairman and Managing Director is not the same person.	Not applicable
2.4	The Board should establish a nomination committee.	The Board has established a Nomination Committee.	Not applicable
2.5	Disclose the process for evaluating the performance of the Board, its committee and individual Directors.	The performance evaluation of Board members occurs by way of an informal review by the full Board (in the absence of the relevant Board member) and for executive directors, the remuneration committee which also reports to the Board.	Not applicable

2.6	Provide the information indicated in the Guide to reporting on Principle 2.	<p>The skills, experience and expertise relevant to the position held by each Director is disclosed in the Directors' Report which forms part of the Annual Report.</p> <p>The Board consists of two independent directors, Mr Arthur Dixon AM and Mr Ian Paton.</p> <p>The Directors are entitled to take independent professional advice at the expense of the Company. The period of office held by each Director is disclosed in the Directors' Report which forms part of this Annual Report.</p>	Not applicable
<b>3.</b>	<b><i>Promote ethical and responsible decision-making</i></b>		
3.1	<p>Establish a code of conduct and disclose the code for a summary of the code as to:</p> <ul style="list-style-type: none"> <li>the practice necessary to maintain confidence in the Company's integrity;</li> <li>the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders;</li> <li>the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.</li> </ul>	The Company has adopted a Board Code of Conduct and a Company Code of Conduct, both of which can be accessed at <a href="http://www.newstandard.com.au">www.newstandard.com.au</a> .	Not applicable
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.	The Company is developing a diversity policy.	The Company values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals. Accordingly the Company is developing a diversity policy.
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress in achieving them.	This information will be disclosed in the Annual Report.	A diversity policy being developed will outline the Company's diversity objectives in relation to gender, age, cultural background and ethnicity. It will include requirements for the board to establish measurable objectives for achieving diversity, and for the board to assess annual both the objectives, and the Company's progress in achieving them.
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	This information will be disclosed in the Annual Report.	The Company values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals. Accordingly the Company is developing a diversity policy to facilitate a greater number of women employees in the organisation, in senior executive positions and on the board.
3.5	Provide the information indicated in the Guide to reporting on Principle 3.	The information has been disclosed in the Annual Report.	Not applicable
<b>4.</b>	<b><i>Safeguard integrity in financial reporting</i></b>		
4.1	The Board should establish an audit committee.	The Board has established an Audit Committee.	Not applicable

4.2	The audit committee should be structured so that it: <ul style="list-style-type: none"> <li>• consists only of Non-Executive Directors;</li> <li>• consists of a majority of independent Directors;</li> <li>• is chaired by an independent chair, who is not chair of the Board;</li> <li>• has at least three members.</li> </ul>	The Audit Committee consists of three members, two independent non-executive directors and the Company Secretary and is chaired by an independent director.	Due to the size of the Board the Audit Committee does not consist only of non executive directors.
4.3	The Audit Committee should have a formal charter.	The formal charter can be accessed at <a href="http://www.newstandard.com.au">www.newstandard.com.au</a> .	Not applicable
4.4	Provide the information in the Guide to reporting on Principle 4.	The members of the Audit Committee for the financial year ended 30 June 2011 were Mr Arthur Dixon AM, Mr Ian Paton and Mr Mark Clements. The Audit Committee met twice during the year, before sign off of the annual and half year financial statements.	Not applicable
<b>5.</b>	<b><i>Make timely and balanced disclosure</i></b>		
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	The Company has adopted a Disclosure Policy which can be accessed at <a href="http://www.newstandard.com.au">www.newstandard.com.au</a> .	Not applicable
5.2	Provide the information indicated in the Guide to reporting on Principle 5.	The information has been disclosed in the Annual Report.	Not applicable
<b>6.</b>	<b><i>Respect the rights of shareholders</i></b>		
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose that policy or a summary of that policy.	The Company has adopted a Shareholder Communications Policy which can be accessed at <a href="http://www.newstandard.com.au">www.newstandard.com.au</a> .	Not applicable
6.2	Provide the information indicated in the Guide to reporting on Principle 6.	The information has been disclosed in the Annual Report.	Not applicable
<b>7.</b>	<b><i>Recognise and manage risk</i></b>		
7.1	Establish policies for the oversight and management of material business risk and disclose a summary of those policies.	The Company has adopted a Risk Management Policy which can be accessed at <a href="http://www.newstandard.com.au">www.newstandard.com.au</a> . This policy outlines the material risks faced by the Company as identified by the Board.	Not applicable
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	The Managing Director, Technical Director and Chief Financial Officer report monthly to the board on the areas they are responsible for, including material business risks and provide an annual written report to the Board summarising the effectiveness of the companies' management of material business risks.	Not applicable

7.3	The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	The Board receives assurance in the form of a declaration, from Mr Sam Willis (Managing Director) and Mr Mark Clements (Company Secretary fulfilling the duties of Chief Financial Officer).	Not applicable
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	The information has been disclosed in the Annual Report.	Not applicable
<b>8.</b>	<b><i>Remunerate fairly and responsibly</i></b>		
8.1	The Board should establish a Remuneration Committee.	The Board has established a Remuneration Committee.	Not applicable
8.2	The remuneration committee should be structured so that it: <ul style="list-style-type: none"> <li>• consists of a majority of independent directors</li> <li>• is chaired by an independent director</li> <li>• has at least three members</li> </ul>	The Remuneration Committee consists of three members, two independent non-executive directors, Mr Ian Paton and Mr Arthur Dixon AM and Company Secretary, Mr Mark Clements. The Remuneration Committee may seek external advice where appropriate.	Not applicable
8.3	Companies should clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executive Directors and senior executives.	The structure of Non-Executive Directors' remuneration is clearly distinguished from that of Executive Directors and Senior Executives, as described in the Directors' Report which forms part of this Annual Report.	Not applicable
8.4	Companies should provide the information indicated in the guide to reporting on Principle 8.	The information has been disclosed in the Annual Report.	Not applicable



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27 September 2011

The Directors  
New Standard Energy Limited  
Level 3, 33 Richardson Street  
West Perth WA 6005

Dear Sirs,

**DECLARATION OF INDEPENDENCE BY PETER TOLL TO THE DIRECTORS OF NEW STANDARD ENERGY LIMITED**

As lead auditor of New Standard Energy Limited for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- i the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- ii any applicable code of professional conduct in relation to the audit.

This declaration is in respect of New Standard Energy Limited and the entities it controlled during the period.

**Peter Toll**  
Director

**BDO Audit (WA) Pty Ltd**  
Perth, Western Australia



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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEW STANDARD ENERGY LIMITED

### Report on the Financial Report

We have audited the accompanying financial report of New Standard Energy Limited, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of New Standard Energy Limited, would be in the same terms if given to the directors as at the time of this auditor's report.





### Opinion

In our opinion the financial report of New Standard Energy Limited is in accordance with the *Corporations Act 2001*, including:

- (a) the financial report of New Standard Energy Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

### Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### Opinion

In our opinion, the Remuneration Report of New Standard Energy Limited for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink, appearing to read 'Peter Toll', with the BDO logo above it.

**Peter Toll**  
Director

Perth, Western Australia  
Dated this the 27<sup>th</sup> day of September 2011

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 30 JUNE 2011

	Note	CONSOLIDATED ENTITY	
		2011 \$	2010 \$
<b>Revenue from Continuing operations</b>	2	<b>179,353</b>	216,444
Gain on sale of NSEx, net of transaction costs	3	-	5,652,156
Gain on sale of available-for-sale financial assets	3	<b>1,491,960</b>	-
Gain on sale of subsidiary	3	<b>33,226</b>	-
<b>Expenses from Continuing operations</b>			
Administrative expenses		<b>(480,894)</b>	(303,426)
Employee benefit expenses		<b>(1,051,712)</b>	(617,955)
Occupancy expenses		<b>(135,607)</b>	(65,314)
Depreciation expense		<b>(46,283)</b>	(38,831)
Forgiveness of NSEx loan		-	(242,493)
Exploration costs impaired		<b>(661)</b>	(866,833)
Unrealised foreign exchange gain/(loss)		<b>10</b>	29,846
Fixed assets impaired		<b>(19,164)</b>	-
Project expenses		<b>(38,763)</b>	-
Share based payments		<b>(10,546)</b>	(465,057)
<b>Profit/(loss) before income tax expense</b>		<b>(79,081)</b>	3,298,537
Income tax expense	4	-	-
<b>Profit/(loss) attributable to owners of the Parent entity</b>		<b>(79,081)</b>	3,298,537
<b>Other comprehensive income</b>			
Changes in the fair value of available for sale financial assets		<b>3,675,000</b>	3,600,000
Exchange differences on translation of foreign operations		<b>(1,507,735)</b>	(309,573)
<b>Other comprehensive income for the year</b>		<b>2,167,265</b>	3,290,427
<b>Total comprehensive income for the year</b>		<b>2,088,184</b>	6,588,964
<b>Total comprehensive income for the year</b>			
<b>is attributable to:</b>			
Owners of the Company		<b>2,088,184</b>	6,588,964
		<b>Cents Per Share</b>	<b>Cents Per Share</b>
<b>Earnings/(loss) per Share for profit/(loss) from continuing Operations attributable to the ordinary share holders of the Company</b>	23		
Basic earnings/(loss) per share (cents per share)		<b>(0.04)</b>	2.34
Diluted earnings/(loss) per share (cents per share)		<b>(0.04)</b>	1.91

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

		CONSOLIDATED ENTITY	
	Note	2011	2010
		\$	\$
<b>Current Assets</b>			
Cash and cash equivalents	21(a)	4,552,777	1,578,480
Available for sale financial assets	8	9,825,000	6,660,000
Other current assets	7	651,455	408,758
<b>Total Current Assets</b>		<b>15,029,232</b>	<b>8,647,238</b>
<b>Non-Current Assets</b>			
Exploration and evaluation expenditure	9	12,493,737	11,042,652
Oil & gas properties	10	2,467,248	-
Property, plant and equipment	11	111,731	102,989
Other non-current assets	12	328,376	-
<b>Total Non-Current Assets</b>		<b>15,401,092</b>	<b>11,145,641</b>
<b>Total Assets</b>		<b>30,430,324</b>	<b>19,792,879</b>
<b>Current Liabilities</b>			
Trade and other payables	13	1,062,473	436,209
<b>Total Current Liabilities</b>		<b>1,062,473</b>	<b>436,209</b>
<b>Non-Current Liabilities</b>			
Other non-current liabilities	14	26,172	-
<b>Total Non-Current Liabilities</b>		<b>26,172</b>	<b>-</b>
<b>Total Liabilities</b>		<b>1,088,645</b>	<b>436,209</b>
<b>Net Assets</b>		<b>29,341,679</b>	<b>19,356,670</b>
<b>Equity</b>			
Issued capital	15	24,385,896	16,668,616
Reserves	16	7,400,726	5,053,916
Accumulated losses	16(d)	(2,444,943)	(2,365,862)
<b>Total Equity</b>		<b>29,341,679</b>	<b>19,356,670</b>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

CONSOLIDATED ENTITY						
	Issued Capital	Accumulated Losses	Share Based Payment Reserve	Available for Sale Financial Assets Reserve	Foreign Currency Translation Reserve	Total
	\$	\$	\$	\$	\$	\$
<b>Equity as at 1 July 2010</b>	16,668,616	(2,365,862)	1,763,489	3,600,000	(309,573)	19,356,670
Profit/(loss) for the year	-	(79,081)	-	-	-	(79,081)
Unrealised loss on translation of foreign operations	-	-	-	-	(1,507,735)	(1,507,735)
Unrealised gain on available for sale financial assets	-	-	-	3,675,000	-	3,675,000
<b>Total comprehensive Income</b>	-	(79,081)	-	3,675,000	(1,507,735)	2,088,184
<i>Transactions with owners in their capacity as owners;</i>						
Issue of shares, net of transaction costs	7,717,280	-	-	-	-	7,717,280
Share based payments	-	-	179,545	-	-	179,545
<b>Equity as at 30 June 2011</b>	<b>24,385,896</b>	<b>(2,444,943)</b>	<b>1,943,034</b>	<b>7,275,000</b>	<b>(1,817,308)</b>	<b>29,341,679</b>

CONSOLIDATED ENTITY						
	Issued Capital	Accumulated Losses	Share Based Payment Reserve	Available for Sale Financial Assets Reserve	Foreign Currency Translation Reserve	Total
	\$	\$	\$	\$	\$	\$
<b>Equity as at 1 July 2009</b>	16,373,883	(5,664,399)	1,298,432	-	-	12,007,916
Profit for the year	-	3,298,537	-	-	-	3,298,537
Unrealised loss on translation of foreign operations	-	-	-	-	(309,573)	(309,573)
Unrealised gain on available for sale financial assets	-	-	-	3,600,000	-	3,600,000
<b>Total comprehensive Income</b>	-	3,298,537	-	3,600,000	(309,573)	6,588,964
<i>Transactions with owners in their capacity as owners;</i>						
Issue of shares, net of transaction costs	294,733	-	-	-	-	294,733
Share based payments	-	-	465,057	-	-	465,057
<b>Equity as at 30 June 2010</b>	<b>16,668,616</b>	<b>(2,365,862)</b>	<b>1,763,489</b>	<b>3,600,000</b>	<b>(309,573)</b>	<b>19,356,670</b>

The above consolidated statement of changes of equity should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 30 JUNE 2011

	Note	CONSOLIDATED ENTITY	
		2011 \$	2010 \$
<b>Cash Flows From Operating Activities</b>			
Interest received		179,353	211,731
Payments to suppliers and employees		(1,254,722)	(842,757)
Other income		-	4,713
Net cash used in operating activities	21(b)	(1,075,369)	(626,313)
<b>Cash Flows From Investing Activities</b>			
Payments for plant and equipment		(34,362)	(37,279)
Reimbursement of prior exploration expenditure		300,000	277,052
Payment for exploration expenditure		(5,643,467)	(5,145,073)
Payment for purchase/ proceeds from sale of legal subsidiary net of cash acquired/disposed		33,226	2,769,362
Net cash used in investing activities		(5,344,603)	(2,135,938)
<b>Cash Flows From Financing Activities</b>			
Proceeds from issue of equity securities		7,947,500	297,142
Proceeds from sale of financial assets		2,001,960	
Payment for share issue costs		(389,596)	(2,410)
Net cash flows provided by financing activities		9,559,864	294,732
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>3,139,892</b>	<b>(2,467,519)</b>
Cash and cash equivalents at beginning of the financial year		1,578,480	4,008,455
Exchange rate adjustments		(165,595)	37,544
<b>Cash and cash equivalents at the end of the financial year</b>	21(a)	<b>4,552,777</b>	<b>1,578,480</b>

The above statement of cashflows should be read in conjunction with the accompanying notes.

# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. SUMMARY OF ACCOUNTING POLICIES

### Corporate Information

New Standard Energy Limited (New Standard) is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

### Statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations and complies with other requirements of the law.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the Group complies with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the Directors on 27 September 2011.

### Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost convention, as modified by the revaluation of available-for-sale financial assets.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2011.

### Presentation of financial statements

The Group applies revised AASB 101 *Presentation of Financial Statements (2007)*, which became effective as of 1 January 2009.

As a result, the Group presents in the consolidated statement of changes in equity, whereas all non-owner changes are presented in the consolidated statement of comprehensive income. This presentation has been applied in these financial statements as of and for the year ended on 30 June 2011.

Comparative information has been re-presented so that it is also in conformity with the revised standard. Since the accounting policy only impacts presentation aspects, there is no impact on earnings per share.

### Reverse Acquisition Accounting

On 28 July 2008 the merger between New Standard Energy Limited (formerly Hawk Resources Limited) and New Standard Exploration Ltd (formerly New Standard Energy Ltd) became effective. This transaction was accounted for using the guidelines as set out in AASB 3 'Business Combinations'.

In applying the requirements of AASB 3 'Business Combinations' to the Group, New Standard Exploration Ltd, which was neither the legal parent nor legal acquirer, is deemed to be the accounting acquirer of the Group and consolidated financial information was presented on that basis.

In line with the guidelines of that standard, the transaction had been accounted for as a reverse acquisition:

- (i) The assets and liabilities of the legal subsidiary, "New Standard Exploration Ltd", were recognised and measured in the consolidated financial statements at pre-combination carrying amounts.
- (ii) The retained earnings and other equity balances recognised in the consolidated financial statements were the retained earnings and other equity balances of the legal subsidiary "New Standard Exploration Ltd" immediately before the business combination.
- (iii) The amount recognised as issued equity in the consolidated financial statements was the fair value of the notional number of equity instruments that the shareholder of New Standard Exploration Pty Ltd would have had to issue to New Standard Energy Limited (NSE) to give the owners of NSE the same percentage ownership in the combined entity.

### Principals of Consolidation

#### (a) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of New Standard Energy Limited ("Company" or "parent entity") as at 30 June 2011 and the results of all subsidiaries for the year then ended. New Standard Energy Limited as its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and

effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction proves evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income and statement of financial position respectively.

**(b) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

**(c) Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivable are not discounted if the effect of discounting is immaterial.

**(d) Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- (i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- (ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cashflows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

**(e) Impairment of assets**

At each reporting date, the entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the profit or loss.

**(f) Income tax**

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

**(g) Exploration and Evaluation Expenditure**

Exploration for and evaluation of hydrocarbon resources is the search for hydrocarbon resources after the entity has obtained legal rights to explore in a specific area, as well as the determination of the technical feasibility and commercial viability of extracting the hydrocarbon resources. Accordingly, exploration and evaluation expenditures are those expenditures incurred by the Company in connection with the exploration for and evaluation of hydrocarbon resources before the technical feasibility and commercial viability of extracting a hydrocarbon resource is demonstrable.

Accounting for exploration and evaluation expenditures is assessed separately for each 'area of interest'. An 'area of interest' is an individual geological area which is considered to constitute a favourable environment for the presence of a hydrocarbon resource or has been proved to contain such a resource.

Expenditure incurred on activities that precede exploration of hydrocarbon resources, including all expenditure incurred prior to securing legal rights to explore an area, is expensed as incurred. For each area of interest the expenditure is recognised as an exploration and evaluation asset where the following conditions are satisfied:

- (a) The rights to tenure of the area of interest are current; and
- (b) At least one of the following conditions is also met:
  - i. The expenditure is expected to be recouped through the successful development and commercial exploitation of an area of interest, or alternatively by its sale; and
  - ii. Exploration and evaluation activities in the area of interest have not, at reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of 'economically recoverable reserves' and active and significant operations in, or in relation to, the area of interest are continuing. Economically recoverable reserves are the estimated quantity of product in an area of interest that can be expected to be profitably extracted, processed and sold under current and foreseeable conditions.

Exploration and evaluation assets include:

- Acquisition of rights to explore;
- Topographical, geological, geochemical and geophysical studies;
- Exploratory drilling, logging and coring; and
- Activities in relation to evaluating the technical feasibility and commercial viability of extracting the hydrocarbon resource.

General and administrative costs are expensed as incurred.



#### (h) Development Expenditure

Development expenditure is accumulated in respect of each separate area of interest. Development expenditure relates to costs incurred to access a mineral resource after the technical feasibility and commercial viability of extracting the mineral resource from the area of interest has been demonstrated. Development expenditure related to an area of interest is carried forward to the extent that they are expected to be recouped either through sale or successful exploitation of the area of interest.

When an area of interest is abandoned or the Directors decide that it is not commercial, any accumulated cost in respect of that area is written off in the financial period the decision is made. Each area of interest is reviewed at the end of each accounting period and accumulated cost written off to the extent that they will not be recoverable in the future. Impairment of assets is discussed at note 1(e).

Capitalisation of development expenditure ceases once the production commences, at which point it is transferred into Property, Plant and Equipment, and amortised on a units of production basis over the life of economically recoverable reserves.

Although production revenue has been received during the period, sufficient information has not been obtained from further technical analysis to form a definitive view regarding the economically recoverable reserves associated with the producing wells and field. At the date of this report the results of an independent resource and reserves assessment remains incomplete and technical analysis regarding the quality of the reservoir completion techniques utilised for the producing wells has yet to be fully determined. As a result the Directors deem that it is appropriate under the circumstances to continue to classify the US Oil and Gas Properties as development assets as at 30 June 2011.

#### (i) Business Combinations

The acquisition method of accounting is used to account for all business combinations. Consideration is measured at the fair value of the assets transferred, liabilities incurred and equity interests issued by the group on acquisition date. Consideration also include the acquisition date fair values of any contingent consideration arrangements, any pre-existing equity interests in the acquiree and share-based payment awards of the acquiree that are required to be replaced in a business combination. The acquisition date is the date on which the group obtains control of the acquiree. Where equity instruments are issued as part of the consideration, the value of the equity instruments is their published market price at the acquisition date unless, in rare circumstances, it can be demonstrated that the published price at acquisition date is not fair value and that other evidence and valuation methods provide a more reliable measure of fair value.

Identifiable assets acquired and liabilities and contingent liabilities assumed in business combinations are, with limited exceptions, initially measure at their fair values at acquisition date. Goodwill represents the excess of the consideration transferred and the amount of the non-controlling interest in the acquiree over fair value of the identifiable net assets acquired. If the consideration and non-controlling interest of the acquiree is less than the fair value of the net identifiable assets acquired, the difference is recognized in profit or loss as a bargain purchase price, but only after a reassessment of the identification and measurement of the net assets acquired.

For each business combination, the group measures non-controlling interests at either fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Acquisition-related costs are expensed when incurred.

Where the group obtains control of a subsidiary that was previously accounted for as an equity accounted investment in associate or jointly controlled entity, the group remeasures its previously held equity interest in the acquiree as its acquisition date fair value and the resulting gain or loss is recognized in profit or loss. Where the group obtains control of a subsidiary that was previously accounted for as an available-for-sale investment, any balance on the available-for-sale reserve related to that investment is recognised in profit or loss as if the group had disposed directly of the previously held interest.

Where settlement of any part of the cash consideration is deferred, the amounts payable in future are discounted to present value as the date of exchange using the entity's incremental borrowing rate as the discount rate.

Assets and liabilities from business combinations involving entities or businesses under common control are accounted for at the carrying amounts recognised in the group's controlling shareholder's consolidated financial statements.

#### (j) Investments and Other Financial Assets

##### Classification

The Group classifies its financial assets in the following categories: loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

#### Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in current assets as management may dispose of the investment within 12 months of the reporting date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the short term. Available for sale assets are subsequently carried at fair value with movements in fair value are recognised in equity.

Investments are recognised and derecognised on trade date where the purchase sale or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned; and are initially measured at fair value, net of the transaction costs.

#### Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less impairment.

Interest is recognised by applying the effective interest rate.

#### Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate (if applicable).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

#### Impairment of available for sale financial assets

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is reclassified from equity and recognised in profit or loss as a reclassification adjustment. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss. If there is evidence of impairment for any of the group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in profit or loss.

### **(k) Goodwill**

Goodwill acquired in a business combination is initially measured at its cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. Goodwill is subsequently measured at its cost less any impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (CGU's), or groups of CGU's, expected to benefit from the synergies of the business combination. CGU's (or groups of CGU's) to which goodwill has been allocated are tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

### **(l) Share-Based Payments**

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date and recognised over the vesting period. Fair value is measured by use of a Black Scholes model.

The above policy is applied to all equity-settled share-based payments.

**(m) Revenue**

Revenue is measured at the fair value of the consideration received or receivable.

Interest Revenues

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

**(n) Property, Plant and Equipment (other than Oil & Gas Properties)**

Owned assets

Items of property, plant and equipment are recognised at cost less accumulated depreciation (see below) and impairment losses (see Impairment Note (e)).

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation/Amortisation

Depreciation is charged to the profit or loss on a straight-line basis over the estimated useful life of an item of property, plant and equipment.

The estimated useful lives for each class of assets in the current and comparative periods are as follows:

- (i) Motor Vehicles                      5 years
- (ii) Plant and equipment              5 -15 years depending on the nature of the asset

The useful life and depreciation method applied to an asset are reassessed at least annually.

**(o) Trade and Other Payables**

Trade payables and other accounts payable are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services. They are recognised initially at fair value and subsequently at amortised cost. The amounts are unsecured and are normally settled within 30 days of recognition.

**(p) Leases**

The lease of a vehicle where the Group, as lessee, has substantially all the risks and rewards of ownership has been classified as a finance lease. The finance lease has been capitalised at the lease's inception at the fair value of the leased vehicle. The corresponding rental obligations, net of finance charges, have been included in other short-term payables and long-term borrowings. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The vehicle acquired under the finance lease is being depreciated over the asset's useful life.

**(q) Earnings per Share**

Basic earnings per share

Basic earnings per share is determined by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings per share that will arise from the exercise of options outstanding during the financial year.

**(r) Segment Reporting**

The Group has applied AASB 8 Operating Segments. AASB 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented, as the previously reported geographical segments have been disaggregated into separate segments within the Group.

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision-maker has been identified as the Managing Director that makes strategic decisions.

## (s) Provisions

Provisions are recognised when the Consolidated Entity has a present obligation as a result of a past event, the future sacrifice of economic benefits is probable, and the amount of the provision can be reliably estimated.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

## (t) Foreign Currency Translation

### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is New Standard Energy Limited's functional and presentation currency.

### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

### (iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at reporting date
- (ii) income and expenses for each item in the statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- (iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

## (u) Joint Ventures

A joint venture is either an entity or operation over which whose activities the entity has joint control, established by contractual agreement.

### Jointly controlled operations and assets

Interests in unincorporated joint ventures are reported in the financial statements by including the entity's share of assets employed in joint ventures, the share of liabilities incurred in relation to the joint ventures and its share of revenue and expenses.

**(v) Contributed Equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

**(w) Standards and Interpretations Issued not yet Effective**

New accounting standards and interpretations

Certain new accounting standards have been published that are not mandatory for 30 June 2011 reporting periods. The Group has not applied any of the following in preparing this financial report:

**AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (effective from 1 January 2013)**

AASB 9 Financial Instruments addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess its full impact. However, initial indications are that it may affect the Group's accounting for its available-for-sale financial assets, since AASB 9

only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. In the current reporting period, the Group recognised \$3,600,000 of such gains in other comprehensive income. The Group has not yet decided when to adopt AASB 9.

**Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011)**

In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party. The Group will apply the amended standard from 1 July 2011. The Group is not a government related entity. The amendment is therefore not expected to have any impact on the Group's or Parent Entity's financial statements.

**AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement (effective from 1 January 2011)**

In December 2009, the AASB made an amendment to Interpretation 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme. It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements. The Group does not make any such prepayments. The amendment is therefore not expected to have any impact on the Group's or the Parent entity's financial statements. The Group intends to apply the amendment from 1 July 2011.

**AASB 2010-6 Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets (effective for annual reporting periods beginning on or after 1 July 2011)**

Amendments made to AASB 7 Financial Instruments: Disclosures in November 2010, introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments are not expected to have any significant impact on the Group's disclosures. The Group intends to apply the amendment from 1 July 2011.

**AASB 10 Consolidated Financial Statements**

**(effective for the annual reporting periods commencing on or after 1 January 2013)**

AASB 10 introduces certain changes to the consolidation principles, including the concept of de facto control and changes in relation to the special purpose entities. The Group is continuing to assess the impact of the standard.

**AASB 11 Joint Arrangements**

**(effective for the annual reporting periods commencing on or after 1 January 2013)**

AASB 11 introduces certain changes to the accounting for joint arrangements. Joint arrangements will be classified as either joint operations (where parties with joint control have rights to assets and obligations for liabilities) or joint ventures (where parties with joint control have rights to the net assets of the arrangement). Joint arrangements structured as a separate vehicle will generally be treated as joint ventures and accounted for using the equity method. The Group is continuing to assess the impact of the standard.

### **AASB 13 Fair Value Measurement**

**(effective for annual reporting periods commencing on or after 1 January 2013)**

AASB 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value on the balance sheet or disclosed in the notes to the financial statements. The Group is continuing to assess the impact of the standard.

### **AASB 1054 Australian Additional Disclosures**

**(effective for annual reporting periods beginning on or after 1 July 2011)**

AASB 1054, issued in May 2011, moves additional Australian specific disclosure requirements for for-profit entities from various Australian Accounting Standards into this Standard as a result of Trans-Tasman Convergence Project. AASB 1054 Australian Additional Disclosures removes the requirement to disclose each class of capital commitments contracted for at the end of the reporting period (other than commitments for the supply of inventories). When the standard is adopted for the first time for the financial year ending 30 June 2012, the financial statements will no longer include disclosures about capital and other expenditure commitments as these are no longer required by AASB 1054.

### **AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements**

**(effective from 1 July 2013)**

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. The Group is listed on the ASX and is not eligible to adopt the new Australian Accounting Standards - Reduced Disclosure Requirements. The two standards will therefore have no impact on the financial statements of the entity.

### **AASB 2010-8 Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets**

**(effective from 1 January 2012)**

In December 2010, the AASB amended AASB 112 Income Taxes to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. AASB 112 requires the measurement of deferred tax assets and liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities, that is through use or through sale. The amendment introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale. The amendment is not expected to have any significant impact on the Group's financial statements. The Group intends to apply the amendment from 1 July 2012.

### **Critical accounting judgements and key source of estimation uncertainty**

In the application of the Group's accounting policies, which are described in Note 1, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### **Key sources of estimation uncertainty and significant judgements**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty and significant judgements at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### Carrying value of exploration expenditure

The recoverability of the carrying amount of the exploration and evaluation assets is dependent upon the successful development and commercial exploitation, or alternatively, sale of the respective areas of interest. The carrying amount of exploration expenditure at the reporting date was \$12,493,737 following an impairment adjustment of \$661. Details of the impairment can be found in note 9.

#### Deferred tax assets

The Group has carried forward tax losses which have not yet been recognised as deferred tax assets as it is not considered sufficiently probable that these losses will be recouped by means of future profits taxable in the appropriate jurisdictions.

#### Share-based payment transactions

The Group measures the cost of equity-settled transactions with directors and employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes model.

#### Rehabilitation and decommissioning obligations

The Group estimates the future rehabilitation costs of production facilities, wells and pipelines at different stages of the development and construction of assets or facilities. In most instances, removal of assets occurs many years into the construction of assets or facilities. In most instances, removal of assets occurs many years into the future. This requires judgemental assumptions regarding removal date, future environmental legislation, the extent of restoration activities, the future removal technology available and liability specific discount rates to determine the present value of these cash flows. As at 30 June 2011 the carrying value of rehabilitation obligations have not been calculated given the preliminary stage of development.

#### Impairment

Assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts exceed their recoverable amounts. The assessment of the carrying amount often requires estimates and assumptions such as discount rates, exchange rates, commodity prices, future capital requirements and future operating performance.

#### Recoverability of development assets

The ultimate recoupment of costs carried forward for development assets is dependent upon the successful development and commercial exploitation, or sale, of the respective areas of interest.

## 2. REVENUE

	CONSOLIDATED ENTITY	
	2011 \$	2010 \$
Revenue from continuing operations consisted of the following items:		
Interest revenue	179,353	211,731
Well income	-	4,713
<b>Total Revenue</b>	<b>179,353</b>	<b>216,444</b>

As detailed in Note 1(h) well revenues of \$1,462,409 have been capitalised and offset against the development expenditure incurred to date on the development wells producing the revenue. This amount is reflected at Note 10.

## 3. PROFIT / (LOSS) FROM OPERATIONS

	CONSOLIDATED ENTITY	
	2011 \$	2010 \$
Profit/(loss) before income tax has been arrived at after crediting/ (charging) the following gains and losses:		
Gain on sale of subsidiary	33,226	-
Gain on sale of available-for-sale financial assets	1,491,960	-
Gain on disposal of NSEx, net of transaction costs	-	5,652,156
Unrealised foreign exchange gain	10	29,846
Share based payments	(10,546)	(465,057)
Impairment of exploration expenditure	(661)	(866,833)
Impairment of fixed assets	(19,164)	-
Project Expenses	(38,763)	-

#### 4. INCOME TAX EXPENSE

	CONSOLIDATED ENTITY	
	2011 \$	2010 \$
<b>(a) The components of tax expense comprise:</b>		
Current Tax	-	-
Deferred Tax	-	-
<b>(b) The prima facie tax from ordinary activities before income tax is reconciled to the income tax expense as follows:</b>		
Profit/(loss) before tax	(79,081)	3,298,537
Tax expense (benefit) calculated at 30%	(23,724)	989,561
Tax effect of amounts which are not deductible (taxable) in calculating taxable income		
Gain on sale of investments	139,511	(941,260)
Forgiveness of NSEx loan		(214,499)
Goodwill impaired		-
Share based payments	3,164	139,517
Other permanent differences	707	287,718
Difference in overseas tax rate	(7,303)	(3,058)
Prior year tax losses applied against income tax expense	-	(395,358)
	<b>112,355</b>	<b>(137,379)</b>
Tax losses and timing differences not recognised	<b>112,355</b>	<b>(137,379)</b>
Income tax expense	-	-
<b>Unrecognised deferred tax assets</b>		
Deferred tax assets have not been recognised in the statement of financial position for the following items;		
Unused tax losses		
(i) Australia	5,435,926	4,931,483
(ii) United States	2,012,285	1,497,166
Deductible temporary differences	685,325	103,294
	<b>8,133,536</b>	<b>6,531,943</b>
<b>Unrecognised deferred tax liabilities</b>		
Deferred tax liabilities have not been recognised in the statement of financial position for the following items;		
(i) Foreign currency translation	183	8,954
(ii) Financial assets held for sale	701,315	-
(iii) Capitalised exploration expenditure	4,488,295	3,312,796
	<b>5,189,795</b>	<b>3,321,750</b>

New Standard and its wholly owned Australian subsidiaries entered into a tax consolidated group effective 1 July 2008. The Company has unrecognised deferred tax assets in the form of carried forward tax losses. The deferred tax assets arising from these balances has not been recognised as an asset because recovery of tax losses is not probable at this point in time.

The potential tax benefit will only be obtained if the relevant company derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised; and

- i. the relevant company continues to comply with the conditions for deductibility imposed by the law; and
- ii. no changes in tax legislation adversely affect the relevant company in realising the benefit.



## 5. KEY MANAGEMENT PERSONNEL COMPENSATION

### (a) Key management personnel compensation

Directors and other Key Management Personnel	CONSOLIDATED ENTITY	
	2011	2010
	\$	\$
Short term employee benefits	961,516	723,156
Post employment benefits	7,568	-
Non-monetary benefits	-	-
Share based payments	338,922	140,597
	<b>1,308,006</b>	<b>863,753</b>

Detailed remuneration disclosures are provided in the remuneration report included in the Director's Report.

### (b) Equity instrument disclosures relating to key management personnel

#### (i) Options provided as remuneration and shares

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options can be found in section D of the audited Remuneration Report of the Directors Report.

#### (ii) Option holdings

The number of options over ordinary shares in the Company held during the financial year by Key Management Personnel are set out below.

#### 2011

	Balance 1.7.2010	Granted as Compensation <sup>(1)</sup>	Net Change Other	Balance 30.6.2011	Vested and Exercisable	Unvested
Mr A Dixon AM	-	-	-	-	-	-
Mr S Willis	5,250,000	-	-	5,250,000	5,250,000	-
Dr M Hagan	7,250,000	-	-	7,250,000	7,250,000	-
Mr I Paton	2,000,000	-	-	2,000,000	2,000,000	-
Mr M Gracey	-	1,000,000	-	1,000,000	-	1,000,000
Mr M Clements	-	-	-	-	-	-
	<b>14,500,000</b>	<b>1,000,000</b>	<b>-</b>	<b>15,500,000</b>	<b>14,500,000</b>	<b>1,000,000</b>

#### 2010

	Balance 1.7.2009	Granted as Compensation <sup>(2)</sup>	Net Change Other <sup>(3)</sup>	Balance 30.6.2010	Vested and Exercisable	Unvested
Mr I Paton	500,000	1,500,000	-	2,000,000	2,000,000	-
Mr S Willis	5,400,000	-	(150,000)	5,250,000	5,250,000	-
Dr M Hagan	7,250,000	-	-	7,250,000	7,250,000	-
Mr M Clements	-	-	-	-	-	-
	<b>13,150,000</b>	<b>1,500,000</b>	<b>(150,000)</b>	<b>14,500,000</b>	<b>14,500,000</b>	<b>-</b>

Note:

- (1) On 29 March 2011, the Company issued a total of 1,000,000 unlisted options as part of an incentive component of an employment agreement for the senior executive role of Legal and Commercial Manager, Mr M Gracey. The options have been issued in different tranches and 50% have an exercise price of 22.5c and the balance have an exercise price of 27.5c. All options expire on 30 June 2013 if not exercised before.

The options are non-transferrable and cannot be exercised until such time as employment periods of 12 and 18 months have been served. Provision also exists for immediate lapse in the event employment is terminated for fraud or wilful misconduct.

- (2) Issued on 3 December 2009 following shareholder approval.  
 (3) Expired without exercise on 14 May 2010.

## 5. KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

### (iii) Share holdings

The number of shares in the Company held during the financial year by Key Management Personnel of the Group are set out below. There were no shares granted during the reporting period as compensation.

#### 2011

	Balance 1.7.2010	Options Exercised	Granted as Compensation <sup>(iii)</sup>	Net Change Other	Balance 30.6.2011	Balance held nominally at 30.6.2011
Mr A Dixon AM <sup>(i)</sup>	-	-	-	36,000	36,000	36,000
Mr S Willis	6,800,000	-	345,864	1,125,000	8,270,864	8,270,864
Dr M Hagan	1,650,000	-	376,456	140,000	2,166,456	2,166,456
Mr I Paton	-	-	-	1,000,000	1,000,000	1,000,000
Mr M Gracey <sup>(ii)</sup>	-	-	-	10,000	10,000	10,000
Mr M Clements	50,000	-	-	370,000	420,000	420,000
	8,500,000	-	722,320	2,681,000	11,903,320	11,903,320

#### 2010

	Balance 1.7.2009	Options Exercised	Net Change Other	Balance 30.6.2010	Balance held nominally at 30.6.2010
Mr I Paton	-	-	-	-	-
Mr S Willis	5,920,000	-	880,000	6,800,000	6,800,000
Dr M Hagan	1,650,000	-	-	1,650,000	1,650,000
Mr M Clements	50,000	-	-	50,000	50,000
	7,620,000	-	880,000	8,500,000	8,500,000

#### Note.

- (i) Mr Dixon AM was appointed as Chairman on 1 May 2011 and held 36,000 fully paid ordinary shares at the time of his appointment.
- (ii) Mr Gracey was appointed as Commercial and Legal Manager on 1 February 2011 and held 10,000 fully paid ordinary shares at the time of his appointment.
- (iii) On 4 January 2011, the Company allotted and issued a total of 722,320 fully paid ordinary shares (Shares) to Managing Director, Mr Sam Willis and Technical Director, Dr Mark Hagan, under the Employee Share Plan (Share Plan) as approved by shareholders on 26 November 2010.

New Standard has granted Mr Willis and Dr Hagan an interest free limited recourse loan for the full amount to purchase these Shares on the terms set out in the Share Plan as summarised in the Notice of Annual General Meeting dated 25 October 2010 (**Loan**).

The Loan is repayable in full by 31 December 2013 (**Loan Repayment Date**).

As set out in the Share Plan, all or part of the Loan may be repaid prior to the Loan Repayment Date. The issued Shares are subject to certain restrictions, including restrictions on transfer until the Loan is repaid in full. In addition, the Loan must be repaid early in certain circumstances as set out in the Share Plan.

#### (c) Other transactions with key management personnel

Other than above there have been no transactions with related parties during the year other than loans between subsidiaries.

## 6. AUDITORS REMUNERATION

	CONSOLIDATED ENTITY	
	2011	2010
	\$	\$
Auditor of the Parent Entity – (a) <i>Audit Services</i>		
BDO Audit (WA) Pty Ltd	36,257	35,419
	<u>36,257</u>	<u>35,419</u>

## 7. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED ENTITY	
	2011	2010
	\$	\$
<b>Current</b>		
Goods and services tax recoverable	51,978	-
Prepayments	508,520	400,269
Other	90,957	8,489
	<u>651,455</u>	<u>408,758</u>

The average credit period on trade and other receivables is 30 days. No interest is charged on prepayments and receivables. The Consolidated Entity has financial risk management policies in place to ensure that all receivables are received within the credit timeframe. Due to the short term nature of these receivables, their carrying value is assumed to be approximately their fair value. None of the receivables are past due or impaired. Refer to note 22 for the Group's risk management objectives and policies.

Refer Note 5(b) for details regarding loans receivable to related parties which are in accordance with the Company's Employee Share Plan.

## 8. AVAILABLE FOR SALE FINANCIAL ASSETS

	CONSOLIDATED ENTITY	
	2011	2010
	\$	\$
<b>Listed Securities</b>		
Equity Securities	9,825,000	6,660,000
	<u>9,825,000</u>	<u>6,660,000</u>

On 10 May 2011, the Company sold 3 million Buru Energy Limited (ASX: BRU) shares at \$0.67 per share to realise a gain of \$1,491,960. The remaining holding as at 30 June 2011 is 15 million BRU shares.

The fair value of available for sale securities is based on quoted market price at the end of the reporting period. The quoted market price used for available for sale financial assets held by the Group is the current bid price which as at 30 June 2011 was \$0.655 (30 June 2010: \$0.37). Refer to note 22 for the Group's risk management objectives and policies.

## 9. EXPLORATION AND EVALUATION EXPENDITURE

	CONSOLIDATED ENTITY	
	2011	2010
	\$	\$
<b>Movement in Exploration and Evaluation Expenditure</b>		
Balance at beginning of the year	11,042,652	8,120,114
Acquisition /(disposal) of exploration expenditure from business combination	-	(410,957)
Expenditure incurred	4,329,001	4,200,328
Expenditure impaired;		
Lanagan 2	(661)	-
Coal & Tungsten permits	-	(866,833)
Expenditure recovered <sup>(1)</sup>	(300,000)	-
Expenditure transferred to development assets	(2,577,255)	-
Balance at end of the year	12,493,737	11,042,652

### Note

(1) On 17 March 2011 the Company announced that it had entered into a farm-in agreement with Green Rock Energy Ltd (Green Rock; ASX code: GRK). GRK has agreed to partner New Standard in EP417 by paying \$750,000 in back costs and contributing 27.5% of the costs of drilling, coring, fracture stimulation, flow testing and planned completion of the Lawford #1 well located on EP417. In return Green Rock will earn a 15% per cent interest in EP417. Green Rock has also committed to fund 22.5% of the costs of a second (but yet to be agreed) well to earn an additional 5% in EP417. At 30 June 2011 a total of \$300,000 had been received pursuant to this agreement.

The exploration expenditure incurred during the year largely relates to the Company's oil and gas permits and working interest in the Colorado County Project.

The Board assesses impairment of all exploration expenditure at each reporting date by evaluating the conditions specific to the Company and to the particular asset that may lead to impairment. These include if substantive expenditure has been incurred on exploration and evaluation of resources and this has not led to the discovery of commercial viable quantities of resources or sufficient data exists to indicate that the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

The ultimate recoupment of exploration expenditure carried forward is dependent on successful development and exploitation, or alternatively sale, of the respective area of interest.

## 10. DEVELOPMENT ASSETS

	CONSOLIDATED ENTITY	
	2011	2010
	\$	\$
<b>Development Assets</b>		
At cost	2,467,248	-
Accumulated amortisation	-	-
Net carrying value	2,467,248	-

## 10. DEVELOPMENT ASSETS (continued)

	Tangible Costs	Intangible Costs	Prepaid Drilling, Completion and Lease Acquisition Costs	Total
	\$	\$	\$	\$
<b>Development Assets</b>				
<b>2011</b>				
<b>Cost</b>				
At 1 July 2010	-	-	-	-
Transfer from Exploration Projects	796,173	1,781,082	-	2,577,255
Additions	-	1,352,402	-	1,352,402
Impairment	-	-	-	-
Revenue offset	-	(1,462,409)	-	(1,462,409)
Foreign exchange movement	-	-	-	-
At 30 June 2011	796,173	1,671,075	-	2,467,248
<b>Provision for future restoration costs</b>				
At 1 July 2010	-	-	-	-
Disposals	-	-	-	-
At 30 June 2011	-	-	-	-
<b>Accumulated amortisation</b>				
At 1 July 2010	-	-	-	-
Charge for the Year	-	-	-	-
Disposals	-	-	-	-
Foreign exchange movement	-	-	-	-
At 30 June 2011	-	-	-	-
<b>Net carrying value</b>				
At 1 July 2010	-	-	-	-
At 30 June 2011	796,173	1,671,075	-	2,467,248

The ultimate recoupment of development assets carried forward is dependent on successful development and exploitation, or alternatively sale, of the respective area of interest.

## 11. PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED ENTITY	
	2011	2010
	\$	\$
Property, plant and equipment	226,628	204,203
Accumulated depreciation	(114,897)	(101,214)
Net book amount	111,731	102,989

	Furniture and equipment	Motor Vehicles	Leasehold Improvements	Total
	\$	\$	\$	\$
<b>Year ended 30 June 2011</b>				
Opening net book amount	63,462	14,959	24,568	102,989
Additions	30,248	39,541	4,400	74,189
Disposals	-	-	(19,164)	(19,164)
Depreciation expense	(34,065)	(6,165)	(6,053)	(46,283)
Closing net book amount	59,645	48,335	3,751	111,731

	Furniture and equipment	Motor Vehicles	Leasehold Improvements	Total
	\$	\$	\$	\$
<b>Year ended 30 June 2010</b>				
Opening net book amount	52,358	18,967	33,216	104,541
Additions	37,279	-	-	37,279
Depreciation expense	(26,175)	(4,008)	(8,648)	(38,831)
Closing net book amount	63,462	14,959	24,568	102,989

## 12. OTHER NON-CURRENT ASSETS

	CONSOLIDATED ENTITY	
	2011	2010
	\$	\$
Loans Receivable from related parties		
Directors	303,376	-
Other Key Management Personnel	25,000	-
	<hr/>	
	328,376	-

Non-recourse loans were issued or accrued relating to the issue of shares following achievement of LTI for the years ended 30 June 2010 which were issued on 4 January 2011 and 30 June 2011 which are to be issued subject to shareholder approval. In the event shareholder approval is not granted this amount would reduce by \$144,000.

## 13. TRADE AND OTHER PAYABLES

Current	CONSOLIDATED ENTITY	
	2011	2010
	\$	\$
Trade payables	505,540	436,209
Finance lease-vehicle	13,656	-
Sundry payables and accrued expenses	543,277	-
	<hr/>	
	1,062,473	436,209

The average credit period on purchases is 30 days. No interest is charged on the trade payables.

The consolidated entity has financial risk management policies in place to ensure that all payables are paid within the credit time frame. Refer to note 22 for the Group's risk management objectives and policies.

## 14. OTHER NON-CURRENT LIABILITIES

	CONSOLIDATED ENTITY	
	2011	2010
	\$	\$
<b>Borrowings</b>		
Finance lease-vehicle	26,172	-
	<hr/>	
	26,172	-

A finance lease was taken out on the purchase of a vehicle on 18 June 2011. The finance lease has been separated into current and non-current liabilities as required by AASB117.

## 15. ISSUED CAPITAL

	CONSOLIDATED ENTITY	
	2011 \$	2010 \$
198,975,169 fully paid ordinary shares (2010: 143,028,723)	24,385,896	16,668,616
	No.	\$
<b>(a) Fully paid ordinary shares</b>		
<b>2010</b>		
Balance at beginning of financial year	141,543,009	16,373,883
14 May 2010 – Exercise of 1,485,714 \$0.20 options	1,485,714	297,143
Less: Issue costs	-	(2,410)
Balance at end of financial year	143,028,723	16,668,616
	No.	\$
<b>2011</b>		
Balance at beginning of financial year	143,028,723	16,668,616
On 30 July 2010, issue of shares pursuant to Tranche 1 of a Placement	13,679,307	1,983,500
On 2 September 2010, fully paid ordinary shares issued pursuant to a Share Purchase Plan	16,189,643	2,347,500
On 8 September 2010, issue of shares pursuant to Tranche 2 of a Placement	17,355,176	2,516,500
On 4 January 2011, issue of shares pursuant to employee share plan	722,320	159,376
On 3 June 2011, issue of shares following the exercise of 3,600,000 12.5c options and 3,600,000 15c options	7,200,000	990,000
On 15 June 2011, issue of shares following the exercise of 378,691 12.5c options	378,691	47,336
On 23 June 2011, issue of shares following the exercise of 21,309 12.5c options and 400,000 15c options	421,309	62,664
Less: Issue costs	-	(389,596)
Balance at end of financial year	198,975,169	24,385,896

### (b) Terms and Conditions of Issued Capital

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At the shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

### (c) Options

Information on options granted to Directors and promoters/consultants as remuneration during the period including the employee option plan are disclosed in Note 26 of the consolidated financial statements.

On 22 July 2010, the Company announced it had reached an agreement for a \$6.5 million capital raising (Capital Raising) via a \$4.5 million two tranche placement of 31.0 million shares at \$0.145 per share to institutional and sophisticated investors (Placement) together with a fully underwritten \$2.0 million Share Purchase Plan (SPP). Euroz Securities acted as Lead Manager to the Placement and Underwriter to the SPP.

The Placement was made in two tranches:

- Tranche one comprising the Placement of 13,679,307 shares to raise \$A2.0 million, was issued under the Company's available 15% capacity, and
- Tranche two comprising the Placement of 17,355,176 shares to raise \$A2.5 million, was issued following receipt of shareholder approval at a general meeting held on Monday 6 September, 2010.

New Standard directors participated in Tranche two of the Placement, following shareholder approval at the general meeting.

In conjunction with the Placement, New Standard offered eligible shareholders the opportunity to acquire additional shares in the Company up to a maximum of \$15,000 per shareholder under a share purchase plan (SPP). Shares under the SPP were offered at A\$0.145 per share, which is the same price offered to the Placement participants.

As a result of the demand to participate in the SPP, the maximum amount to be raised under the SPP was increased to \$2.35 million. Applications totaling \$2.347 million were accepted and 16,189,643 fully paid ordinary shares were allotted and issued. Refer to note 22 for the group's risk management objectives and policies.

## 16. RESERVES AND ACCUMULATED LOSSES

	CONSOLIDATED ENTITY	
	2011 \$	2010 \$
Available for sale financial assets reserve	7,275,000	3,600,000
Share based payments reserve	1,943,034	1,763,489
Foreign currency translation reserve	(1,817,308)	(309,573)
	<u>7,400,726</u>	<u>5,053,916</u>

### (a) Movements in Available for sale financial assets reserve

Balance at beginning of year	3,600,000	-
Revaluation of financial assets available for sale	3,675,000	3,600,000
Balance at end of year	<u>7,275,000</u>	<u>3,600,000</u>

### Nature and purpose of reserve

The available for sale investments revaluation reserve represents the unrealised gain or loss on the market value of available for sale financial assets

### (b) Movements in share based payments reserve

Balance at the beginning of the year	1,763,489	1,298,432
Add: Issue of options		
- Directors	144,000	142,519
- Promoters/consultants	-	322,538
- Employees	35,545	-
Balance at the end of year	<u>1,943,034</u>	<u>1,763,489</u>

### Nature and purpose of reserve

The share based payments reserve represents the value of options issued to employees, directors and promoters.

### (c) Movements in foreign currency translation reserve

Balance at the beginning of the year	(309,573)	-
Unrealised loss on translation of foreign operation	(1,507,735)	(309,573)
Balance at the end of the year	<u>(1,817,308)</u>	<u>(309,573)</u>

### Nature and purpose of reserve

The foreign currency translation reserve represents the unrealised gain or loss upon translation of subsidiaries with a different functional currency.

### (d) Accumulated losses

	CONSOLIDATED ENTITY	
	2011 \$	2010 \$
<b>Movements in Accumulated Losses</b>		
Balance at the beginning of the year	(2,365,862)	(5,664,399)
Net profit/(loss) attributable to members of the Company	(79,081)	3,298,537
Balance at the end of the year	<u>(2,444,943)</u>	<u>(2,365,862)</u>

## 17. DIVIDENDS

There have been no dividends paid or proposed in the 2010 or 2011 financial years.



## 18. COMMITMENTS FOR EXPENDITURE

### Exploration Permits and Tenements – Commitments for Expenditure

In order to maintain current rights of tenure to Australian exploration permits and tenements, the Group's required to outlay rentals and to meet the minimum expenditure requirements established with the Western Australian Department of Mines and Petroleum (DMP). Minimum expenditure commitments may be subject to renegotiation and with approval may otherwise be mitigated or reduced by sale, farm out or relinquishment. These work commitments or obligations are not provided for in the accounts but are to be incurred as outlined below:

	CONSOLIDATED ENTITY	
	2011	2010
	\$	\$
Not longer than 1 year	17,431,434	8,735,000
Longer than 1 year and not longer than 5 years	44,055,000	35,075,000
Longer than 5 years	-	-
	<u>61,486,434</u>	<u>43,810,000</u>

#### Australian Exploration Permits

The above commitments reflect approvals from the DMP on 23 September 2011 for applications for Variations to the Work Commitment and 12 month Suspension and Extension for permit year 3 for EP's 443, 450, 451 and 456.

It is anticipated that expenditure commitments relating to EP 443, 450, 451 and 456 will be met by ConocoPhillips assuming binding agreements are executed that broadly reflect the terms outlined in the Heads of agreement announced on 13 July, 2011.

#### Goldwyer Project

On 13 July 2011, the Company announced that it had entered into a non-binding Heads of Agreement (Heads of Agreement) and exclusive negotiating period with ConocoPhillips Australia SH4 Pty Ltd (ConocoPhillips), an affiliate of global energy company ConocoPhillips [NYSE:COP].

The Heads of Agreement sets the framework for ConocoPhillips to farm-in and jointly explore, New Standard's flagship Goldwyer Project in the Canning Basin, Western Australia. The Project comprises the following permit interests in Western Australia's Canning Basin: Granted exploration permits (EPs) 443, 450, 451 and 456; and Application areas 1/09-0, 2/09-0 and 5/09-0. It also contains an agreed set of core commercial principles which will form the basis for negotiating and completing binding and definitive agreements.

These core commercial principles envisage ConocoPhillips funding up to US\$109.5M over four phases of unconventional hydrocarbon exploration work, including the drilling, coring and evaluation of multiple wells. In return for funding the phased work program ConocoPhillips will have the right to earn up to a 75% working interest in the Goldwyer Project which would reduce New Standard's working interest from 100% to 25%.

ConocoPhillips must complete all four phases of work to earn and retain the 75% working interest. In the event that ConocoPhillips elects not to complete all four proposed phases of work a 100% operated working interest in the Goldwyer Project will revert to New Standard.

ConocoPhillips will also make an upfront payment of A\$1M to New Standard in consideration of prior costs.

The phased nature of the exploration program provides for initial drilling, coring and evaluation of multiple wells to be undertaken following which ConocoPhillips will be required to decide if it wishes to proceed with further exploration, appraisal and pilot development work in subsequent phases. This structure provides ConocoPhillips with the option to withdraw at the completion of each phase of work on the basis that any working interest (or associated rights) is returned to New Standard.

The timing of the proposed work programs will be consistent with permit and work commitment revisions to be sought and agreed with the government. New Standard envisages that Phase 1 work would be carried out in 2012 assuming binding agreements are successfully executed.

The Heads of Agreement contemplates that New Standard will remain as operator, although ConocoPhillips would have the right to assume operatorship of the Goldwyer Project at its election. An integral part of the proposed farm-in arrangement is the proposed provision of technical support by ConocoPhillips to New Standard to enhance the operating arrangement. New Standard believes that ConocoPhillips' participation will inject invaluable and world class technical knowledge and resources to ensure the Goldwyer Project is explored and appraised in conjunction with a world leader in global shale plays.

## 18. COMMITMENTS FOR EXPENDITURE (continued)

Both parties have committed to an exclusive period to negotiate the proposed transaction with a target of executing binding agreements as soon as possible, but no later than 30 September 2011. The binding agreements will also be subject to any outstanding government approvals. As at the date of this report negotiations are continuing between NSE and ConocoPhillips.

New Standard has agreed to notify ConocoPhillips of any approaches in relation to its interest in the Goldwyer Project during this exclusivity period, and to provide ConocoPhillips with a right to match any offers that relate to New Standard's interest in the Goldwyer Project.

Should binding agreements be executed with ConocoPhillips, success fees will be payable to Euroz Limited for up to 3.5% of the value of ConocoPhillips' funding. Timing of payments to Euroz Limited will be aligned with the provision of funding from ConocoPhillips.

### US Exploration Permits

United States oil and gas exploration working interests do not have minimum expenditure requirements and due to the expenditure being largely discretionary there are no amounts included in the above table.

### Leases

The Company entered into a 3 year operating lease agreement effective 1 February 2011 for the corporate head offices at Level 3, 33 Richardson Street, West Perth. The lease obligation is not provided for in the Consolidated Statement of Financial Position but is to be incurred as outlined below:

	CONSOLIDATED ENTITY	
	2011	2010
	\$	\$
Not longer than 1 year	109,160	-
Longer than 1 year and not longer than 5 years	181,270	-
Longer than 5 years	-	-
	<u>290,430</u>	<u>-</u>

## 19. SEGMENT REPORTING

The segment information provided to the Managing Director for the reportable segments for the year ended 30 June 2011 are as follows:

Segment Results	Australia	Tungsten	United States	Total
	Oil and Gas Exploration		Oil and Gas Exploration	
30 June 2011	\$	\$	\$	\$
Total Segment Revenues	-	-	-	-
Profit Before Tax	-	(4,200)	-	(4,200)
Total Segment Assets	7,172,978	-	7,803,726	14,976,704
Total Segment Liabilities	(359,175)	-	(326,062)	(685,237)

Segment Results	Australia	Tungsten	United States	Total
	Oil and Gas Exploration		Oil and Gas Exploration	
30 June 2010	\$	\$	\$	\$
Total Segment Revenues	-	-	4,713	4,713
Loss Before Tax	(43,107)	(867,585)	(76,454)	(987,146)
Total Segment Assets	4,843,215	-	6,199,437	11,042,652
Total Segment Liabilities	(74,115)	-	(173,018)	(247,133)

## 19. SEGMENT REPORTING (continued)

### Australia - Oil and Gas Exploration

Canning Basin comprises of exploration associated with the Group's interests in oil and gas permits in the Canning Basin including EP 417, 443, 450, 451 & 456.

Carnarvon Basin comprises of exploration associated with the Group's interests in oil and gas permits in the Carnarvon Basin namely in the Merlinleigh Project (STP-EPA-0014 and STP-EPA-0015).

### United States - Oil and Gas Exploration

Colorado Country comprises of exploration expenditure associated with the Group's working interest in oil and gas projects in the Colorado County Project in Texas, U.S.A. including the Heintschel #1, Heintschel #2, D Truchard #1 and Joann #1 wells.

Wharton County comprises of exploration expenditure associated with the Group's interests in oil and gas in the Wharton County Project in Texas, U.S.A.

Moeller comprises of exploration expenditure associated with the Group's interest in oil and gas in the Moeller #1 well.

### Tungsten

Tungsten comprises of exploration expenditure associated with the Group's interest in the tungsten projects in Australia.

The Managing Director assesses the performance of the operating segments based on the results of its exploration activities.

#### (a) Other segment information

##### (i) Segment revenue

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties reported to the Managing Director is measured in a manner consistent with that in the statement of comprehensive income.

Revenues from external customers are derived from the sale of gas. However these are minimal and therefore there are no major customers to report.

Segmented revenue reconciles to total revenue from continuing operations as follows:

	CONSOLIDATED ENTITY	
	2011	2010
	\$	\$
<b>Total Segment Revenue</b>	-	4,713
Interest revenue	179,353	211,731
Other income	-	-
<b>Total revenue from continuing operations (note 2)</b>	<b>179,353</b>	<b>216,444</b>

A reconciliation of adjusted segment loss to profit/loss before income tax from continuing operations is provided as follows:

	CONSOLIDATED ENTITY	
	2011	2010
	\$	\$
<b>Adjusted Segment Profit/(loss)</b>		
<b>(Loss) per above segments</b>	<b>(4,200)</b>	<b>(987,145)</b>
Intersegment eliminations	2,218	1,889,179
Interest	179,353	211,731
Gain on sale of NSEx, net of transaction costs	-	5,652,156
Gain on sale of financial assets	1,491,960	-
Gain on sale of subsidiary	33,226	-
Share based payments	(10,546)	(465,057)
Forgiveness of NSE loan	-	(242,493)
Other non-segment and corporate	(1,771,092)	(2,759,834)
<b>Profit/(loss) before income tax from continuing operations</b>	<b>(79,081)</b>	<b>3,298,537</b>

## 19. SEGMENT REPORTING (continued)

### (ii) Segment assets

The amounts provided to the Managing Director with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

Investment in shares (classified as available-for-sale financial assets) held by the Group are not considered to be segment assets but rather managed by the corporate office.

Reportable segment assets are reconciled to total assets as follows:

	CONSOLIDATED ENTITY	
	2011	2010
	\$	\$
<b>Segment Assets</b>	<b>14,976,704</b>	11,042,652
Unallocated:		
Available-for-sale financial assets	9,825,000	6,660,000
Cash	4,552,777	1,578,480
Other non-segment and corporate	1,075,843	511,747
<b>Total assets as per the statement of financial position</b>	<b>30,430,324</b>	19,792,879

### (iii) Segment liabilities

The amounts provided to the Managing Director with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

Reportable segment liabilities are reconciled to total liabilities as follows:

	CONSOLIDATED ENTITY	
	2011	2010
	\$	\$
<b>Segment Liabilities</b>	<b>685,237</b>	247,133
Unallocated:		
Other non-segment and corporate	403,408	189,076
<b>Total liabilities as per the statement of financial position</b>	<b>1,088,645</b>	436,209

## 20. RELATED PARTY DISCLOSURES

### (a) Key Management Personnel Compensation

Disclosures relating to Key Management Personnel are set out at Note 5.

### (b) Transactions with related parties loans

Other than loans to subsidiary companies, there have been no additional transactions with related parties.

#### Transactions with Related Parties

	CONSOLIDATED ENTITY	
	2011	2010
	\$	\$
Share based payments(i)	328,376	-
Option issue(ii)	10,546	140,597
	<b>338,922</b>	140,597

Note:

- (i) On 4 January 2011, the Company issued 722,320 fully paid ordinary shares for a value of \$159,676 to Mr Willis and Dr Hagan pursuant to the Employee Share Plan as approved by shareholders at the Annual General Meeting held 26 November 2010. Mr Willis and Dr Hagan's LTI component of their Executive Consultancy Agreements have been achieved for the year ended 30 June 2011. As a result, resolutions will be put before shareholders at the 2011 Annual General Meeting to seek approvals for the issue of fully paid ordinary shares with a value of \$72,000 for Mr Willis and \$72,000 for Dr Hagan in accordance with the terms of the Employee Share Scheme. Mr Gracey's LTI component of his employment contract has been achieved for the year ended 30 June 2011. As a result, subsequent to year end Mr Gracey is entitled to enter into a loan agreement with the Company in accordance with the terms of the Employee Share Scheme for shares to the value of \$25,000.
- (ii) On 29 March 2011, the Company issued 500,000 unlisted \$0.225 options exercisable on or before 30 June 2013 and 500,000 unlisted \$0.275 options exercisable on or before 30 June 2013 to Mr Gracey as part of an incentive component of an employment agreement in his role of Legal and Commercial Manager.

## 21. NOTES TO THE CASH FLOW STATEMENTS

	CONSOLIDATED ENTITY	
	2011	2010
	\$	\$
<b>(a) Reconciliation of Cash and Cash Equivalents</b>		
For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the cash flow statements are reconciled to the related items in the statement of financial position as follows:		
Cash and cash equivalents	4,552,777	1,578,480
<b>(b) Reconciliation of Net Profit / (Loss) After Tax to Net Cash Flows From Operating Activities</b>		
Profit / (loss) after income tax	(79,081)	3,298,537
Non-cash expenditure:		
Share based payments	10,546	465,057
Gain on sale of subsidiary, net of transaction costs	(33,226)	(5,652,156)
Gain on sale of financial assets	(1,491,960)	-
Loss on sale of fixed assets	19,164	-
Impairment of exploration expenditure	661	866,833
Depreciation	46,283	38,831
Unrealised foreign exchange gain	-	(19,843)
Forgiveness of NSEx loan	-	242,493
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:		
(Increase)/decrease in assets:		
Receivables	(15,925)	2,500
Other current assets	(45,708)	2,503
Increase/(decrease) in liabilities:		
Current payables	513,877	128,932
Net cash used in operating activities	(1,075,369)	(626,313)

### (c) Non-cash Financing and Investing Activities

#### 2011

There were no non-cash financing and investing activities during the year.

#### 2010

On 3 December 2009, 4,000,000 \$0.125 options exercisable at \$0.125 and expiring 30 June 2011 and 4,000,000 \$0.15 options exercisable at \$0.15 and expiring 30 June 2011 were issued to a consultant as part remuneration for marketing services. Other than this transaction, there were no other non-cash financing and investing activities during the year.

## 22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents and also includes available for sale financial assets and payables. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as receivables and trade payables, which arise directly from its operations. It is, and has been throughout the entire period, the Group's policy is that no trading in financial instruments shall be undertaken.

The main risks arising from the consolidated entity's financial instruments are currency risk, credit risk, price risk, liquidity risk and cash flow interest rate risk. The Board reviews and agrees policies for managing each of these risks.

### (a) Cash flow interest rate risk

The Group's exposure to the risks of changes in market interest rates relates primarily to the Group's short-term deposits with a floating interest rate. These financial assets with variable rates expose the consolidated entity to cash flow interest rate risk. All other financial assets and liabilities in the form of receivables and payables are non-interest bearing. The Group does not engage in any hedging or derivative transactions to manage interest rate risk.

The following tables set out the carrying amount of the Group's exposure to interest rate risk and the effective weighted average interest rate for each class of these financial instruments.

The Group has not entered into any hedging activities to cover interest rate risk. In regard to its interest rate risk, the Group continuously analyses its exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative investments and the mix of fixed and variable interest rates.

A sensitivity analysis has not been disclosed in relation to variable rate instruments for Group as the results are immaterial to the statement of comprehensive income.

	Note	CONSOLIDATED ENTITY			
		Float Interest Rate		Total Carrying Amount	
		2011	2010	2011	2010
Financial Assets		\$	\$	\$	\$
Cash at Bank	21 (a)	4,552,777	1,578,480	4,552,777	1,578,480
<b>Total</b>		<b>4,552,777</b>	<b>1,578,480</b>	<b>4,552,777</b>	<b>1,578,480</b>
Weighted average interest rate		4.86%	4.53%		

### (b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to ensure the ability to meet debt requirements. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows. The Group aims at maintaining flexibility in funding by having in place operational plans to source further capital as required.

All trade payables are contractually due within 30 days.

Liquidity risk is measured using liquidity ratios such as working capital as follows:

	CONSOLIDATED ENTITY	
	2011	2010
Current Assets	15,029,232	8,647,238
Current Liabilities	(1,062,473)	(436,209)
Surplus	13,966,759	8,211,029

### (c) Currency risk

The Group has operations located in the United States where both revenues and expenditures are recorded. The statement of financial position can be affected by movements in the USD/AUD exchange rates upon translation of the US operations into AUD.

Foreign exchange risk arises from commercial transactions and recognised assets and liabilities denominated in a currency that is not the Group's functional currency.

This risk arises as at times the Group is exposed to purchasing goods and services denominated in US dollars, which is unavoidable due to the nature of the working interest acquired in the US oil and gas permits.

## 22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The Group has a wholly owned subsidiary incorporated in Delaware which operates in the United States and this entity will continue to pay for services and costs associated with exploration in the United States in US dollars and also anticipates receiving income in US dollars over time. If the cross rates between the US dollar and the Australian dollar move the consolidated entity is exposed to corresponding foreign exchange gains or losses depending upon the direction of the movement.

At present no currency hedging is undertaken and no sensitivity analysis has been performed as the Company has deemed it will not have a material impact on the Consolidated Financial Statements as at 30 June 2011.

### (d) Fair Value

The fair value of available for sale securities is based on quoted market price at the end of the reporting period. The quoted market price used for available for sale financial assets held by the Group is the current bid price.

The following tables classify financial instruments recognised in the statement of financial positions of the Group, according to the hierarchy stipulated in AASB 7 as follows:

Level 1 – the instrument has quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – a valuation technique is used using other than quoted prices within Level 1 that are observable for the financial instrument either directly (i.e. as prices) or indirectly (i.e. derived from prices); or

Level 3 – a valuation technique is used using inputs that are not based on observable market data (unobservable inputs).

Comparative information has not been provided as permitted by the transitional provisions of the new rules.

CONSOLIDATED ENTITY				
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>2011</b>				
Available for sale financial assets				
Listed equity securities	9,825,000	-	-	9,825,000
<b>2010</b>				
Available for sale financial assets				
Listed equity securities	6,660,000	-	-	6,660,000

The fair value of financial instruments traded in active markets is based upon quoted market price at the end of the reporting period. The quoted market price is the quoted bid prices which are included in Level 1.

### (e) Credit Risk

Credit risk is the potential that the Group will suffer a financial loss due to the unwillingness or inability of counterparty to fully meet their contractual debts and obligations. Credit risk arises from potential trading activities and holding cash. The carrying amount of financial assets represents the maximum credit exposure.

The Group trades only with recognised, credit worthy third parties and has apportioned cash reserves amongst several financial institutions.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings:

CONSOLIDATED ENTITY		
	2011	2010
	\$	\$
Cash at Bank and short term bank deposits (AA)	3,366,211	1,289,021
Cash at Bank and short term bank deposits (A+)	1,000,000	289,459
Cash at Bank and short term bank deposits (A-1)	186,566	-
Total	4,552,777	1,578,480

## 22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### (f) Price Risk

The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified on the Statement of Financial Position as available-for-sale financial assets. The Group has no formal policies with respect to managing the price risk with respect to this investment.

The assessed volatility rate is 102% for the year. The table below summarises the impact of increases/decreases in the investment using volatility rate of 102%.

#### CONSOLIDATED ENTITY

Impact on Pre-Tax Profit 2011		Impact on Other Components of Equity	
Increase	Decrease	Increase	Decrease
\$	\$	\$	\$
-	-	6,793,200	(6,660,000)

### (g) Capital Risk Management

The Group manages capital to ensure that the Group will be able to continue as a going concern. In order to maintain or adjust the capital structure, the Group may issue new shares.

The Group defines capital as equity and net debt.

The Group defines net debt as total borrowings less cash and equity as the sum of share capital, reserves and retained earnings (or accumulated losses) as disclosed in the statement of financial position.

The Board of Directors monitors capital on an ad-hoc basis by reviewing its future operating cashflows to ensure it maintains an appropriate amount of capital to be able to meet its exploration programs. No formal targets are in place for return on capital, or gearing ratios as the Group has not derived any income from their mineral exploration and currently has no debt facilities in place.

	CONSOLIDATED ENTITY	
	2011 \$	2010 \$
Equity	29,341,679	19,356,670
Net Cash/(Debt)	4,512,949	1,578,480
Surplus	33,854,628	20,935,150

## 23. EARNINGS/(LOSS) PER SHARE

	2011 Cents Per Share	2010 Cents Per Share
Basic earnings/(loss) per share	(0.04)	2.34
Diluted earnings/(loss) per share	(0.04)	1.91

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

	2011 \$	2010 \$
Profit/(loss) for the year	(79,081)	3,298,537

	2011 No.	2010 No.
Weighted average number of ordinary shares used in the calculation of basic EPS	183,865,943	140,934,319
Weighted average number of ordinary shares used in the calculation of diluted EPS	207,165,314	172,528,018



## 24. INTERESTS IN JOINT VENTURE OPERATIONS

The Consolidated Entity has an interest in the following joint ventures as at 30 June 2011 whose principal activities were oil and gas exploration.

Permit	2011 Interest	Operator
EP417	65%	New Standard Onshore Pty Ltd

The Consolidated Entity's interest in assets / liabilities venture operations are detailed below. The amounts are included in the financial statements under their respective categories.

	CONSOLIDATED ENTITY	
	2011 \$	2010 \$
<b>Current Assets</b>		
Cash and cash equivalents	11,952	11,609
Other current assets	57,563	20,013
<b>Total current assets</b>	<b>69,515</b>	<b>31,622</b>
<b>Non-current assets</b>		
Exploration expenditure	3,241,587	3,171,963
<b>Total non-current assets</b>	<b>3,241,587</b>	<b>3,171,963</b>
<b>Share of total assets of joint venture operations</b>	<b>3,311,102</b>	<b>3,203,585</b>
<b>Income</b>		
Operations overhead recovered	-	-
Interest	-	-
Other income	250	-
<b>Total Income</b>	<b>250</b>	<b>-</b>
<b>Share of net income from joint venture operations</b>	<b>250</b>	<b>-</b>

Details of joint venture agreements entered into during the year are provided in the Review of Operations.

## 25. SUBSIDIARIES

Name of Entity	Country of Incorporation	Ownership Interest	
		2011 %	2010 %
<b>Parent Entity</b>			
New Standard Energy Limited	Australia		
<b>Subsidiaries</b>			
Tungsten Australia Pty Ltd <sup>(1)</sup>	Australia	-	100
New Standard Onshore Pty Ltd	Australia	100	100
New Standard Energy Inc	Delaware, USA	100	100

Note:

(1) Disposal of Subsidiary

On 28 February 2011, New Standard sold its wholly owned subsidiary, Tungsten Australia Pty Ltd for cash consideration of \$40,727.

## 25. SUBSIDIARIES (continued)

Effect of disposal on the financial position of the Group:

	CONSOLIDATED ENTITY
	2011
	\$
Exploration and evaluation expenditure	-
Trade and other receivables	392
Cash and cash equivalents	10,744
Deferred tax liabilities	-
Trade and other payables	(3,000)
<b>Net assets</b>	<b>8,136</b>
Consideration received, satisfied in cash, net of transaction costs	40,727
Cash and cash equivalents disposed of	(10,744)
<b>Net cash inflow</b>	<b>29,983</b>

## 26. SHARE BASED PAYMENTS

### *Employee Share Scheme*

Outlined below is a summary of the key terms of the Company's Employee Share Plan.

- a) **Eligibility:** Participants in the Plan may be Directors, full-time and part-time employees of the Company or any of its subsidiaries (Participants).
- b) **Administration of Plan:** The Board is responsible for the operation of the Plan and has a broad discretion to determine which Participants will be offered Shares under the Plan.
- c) **Number of Shares offered:** The Board determines the number of Shares offered to Participants in the Plan having regard to:
  - (i) the seniority of the Participant and the position the Participant occupies with the Company or any Subsidiary;
  - (ii) the length of service of the Participant with the Company and its Subsidiaries;
  - (iii) the record of employment of the Participant with the Company and its Subsidiaries;
  - (iv) the potential contribution of the Participant to the growth and profitability of the Company and its Subsidiaries; and
  - (v) any other matters which the Board considers relevant.
- d) **Offer:** The Board may issue an offer to a Participant to participate in the Plan. The offer:
  - (i) will invite application for the number of Shares specified in the offer;
  - (ii) will specify the issue price for the Shares;
  - (iii) may invite applications for a loan up to the amount payable in respect of the Shares accepted by the Participant in accordance with the offer;
  - (iv) will specify any restriction conditions applying to the Shares;
  - (v) will specify an acceptance period; and
  - (vi) specify any other terms and conditions attaching to the Shares.
- e) **Issue price:** the issue price of each Share will be not less the volume weighted average price at which Shares were traded on the ASX over the 5 trading days up to and including the trading day before the date of the offer.
- f) **Restriction Conditions:** Shares may be subject to restriction conditions (such as a period of employment) which must be satisfied before the Shares can be sold, transferred, or encumbered. Shares cannot be sold, transferred or encumbered until any loan in relation to the Shares has been repaid or otherwise discharged under the Plan.
- g) **Loan:** A Participant who is invited to subscribe for Shares may also be invited to apply for a loan up to the amount payable in respect of the Shares accepted by the Participant (Loan), on the following terms:
  - (i) the Loan will be interest free;
  - (ii) the Loan made available to a Participant shall be applied by the Company directly toward payment of the issue price of the Shares;
  - (iii) the Loan repayment date and the manner for making such payments shall be determined by the Board and set out in the offer;

## 26. SHARE BASED PAYMENTS (continued)

- (iv) a Participant must repay the Loan in full by the loan repayment date but may elect to repay the Loan amount in respect of any or all of the Shares at any time prior to the loan repayment date;
  - (v) the Company shall have a lien over the Shares in respect of which a Loan is outstanding and the Company shall be entitled to sell those Shares in accordance with the terms of the Plan; and
  - (vi) a Loan will be non recourse except against the Shares held by the Participant to which the Loan relates.
- h) Unsatisfied Restriction Condition:** Where a restriction condition in relation to Shares is not satisfied by the due date, or becomes incapable of satisfaction in the opinion of the Board, the Company must, unless the Restriction Condition is waived by the Board:
- (i) arrange to sell the Shares as soon as reasonably practicable either on the ASX or to an investor who falls within an exemption under Section 708 of the Corporations Act provided that the sale must be at a price that is no less than 80% of the volume weighted average price at which Shares were traded on the ASX on the 10 trading days before the sale date; and
  - (ii) apply the sale proceeds (Sale Proceeds) in the following priority:
    - A. first, to pay the Company any outstanding Loan Amount (if any) in relation to the Shares and the Company's reasonable costs in selling the Shares;
    - B. second, to the extent the Sale Proceeds are sufficient, to repay the Participant any cash consideration paid by the Participant or Loan Amount repayments (including any cash dividends applied to the Loan Amount) made by or on behalf of the Participant. The Participant acknowledges that the Company is not liable to repay the Participant any cash consideration or Loan Amount repayments except to the extent covered by the remaining Sale Proceeds; and
    - C. lastly, any remainder to the Company to cover its costs of managing the Plan.
- i) Sale of Shares to repay Loan:**
- (i) A Loan shall become repayable in full where:
    - A. the Participant (or, where the Participant is an Associate of an Eligible Employee, the Eligible Employee) ceases to be an Eligible Employee for any reason (including death);
    - B. the Participant suffers an event of insolvency;
    - C. the Participant breaches any condition of the Loan or the Plan; or
    - D. a Restriction Condition in relation to Shares subject to the Loan is not satisfied by the due date, or becomes incapable of satisfaction in the opinion of the Board (and is not waived).
  - (ii) Where a Loan becomes repayable and at that time a Restriction Condition in relation to Shares subject to the Loan is not satisfied, or is incapable of being satisfied in the opinion of the Board (and is not waived), the Shares must be sold and the Sale Proceeds applied to repay the Loan in accordance to the Plan.
  - (iii) Where a Loan in relation to Shares becomes repayable and at that time Restriction Conditions in relation to the Shares have either been satisfied or are waived, the Company must give the Participant a 30 day period to repay the Loan, failing which the Company must sell the Shares and apply the Sale Proceeds in accordance with the Plan.
- j) Power of Attorney:** The Participant irrevocably appoints each of the Company and each director of the Company severally as his or her attorney to do all things necessary to give effect to the sale of the Participant's Shares in accordance with the Plan.
- k) Plan limit:** The Company must take reasonable steps to ensure that the number of Shares offered by the Company under the Plan when aggregated with:
- (i) the number of Shares issued during the previous 5 years under the Plan (or any other employee share plan extended only to Eligible Employees); and
  - (ii) the number of Shares that would be issued if each outstanding offer for Shares (including options to acquire unissued Shares) under any employee incentive scheme of the Company were to be exercised or accepted, does not exceed 5% of the total number of Shares on issue at the time of an offer (but disregarding any offer of Shares or option to acquire Shares that can be disregarded in accordance with relevant ASIC Class Orders).
- l) Restriction on transfer:** Participants may not sell or otherwise deal with a Plan Share until the Loan Amount in respect of that Plan Share has been repaid and any restriction conditions in relation to the Shares have been satisfied or waived. The Company is authorised to impose a holding lock on the Shares to implement this restriction.
- m) Quotation on ASX:** The Company will apply for each Plan Share to be admitted to trading on ASX upon issue of the Plan Share. Quotation will be subject to the ASX Listing Rules and any holding lock applying to the Shares.
- n) Rights attaching to Shares:** Each Plan Share shall be issued on the same terms and conditions as the Company's issued Shares (other than in respect of transfer restrictions imposed by the Plan) and it will rank equally with all other issued Shares from the issue date except for entitlements which have a record date before the Issue Date.

## 26. SHARE BASED PAYMENTS (continued)

If there is a bonus issue to shareholders, the number of shares over which the Option is exercisable may be increased by the number of shares which the holder of the Option would have received if the Option had been exercised before the record date for the bonus issue.

In the event that a pro rata issue (except a bonus issue) is made to the holders of the underlying securities in the Company, the exercise price of the Options may be reduced in accordance with Listing Rule 6.22.

### Expenses arising from share-based payment transactions

	CONSOLIDATED ENTITY	
	2011 \$	2010 \$
Shares issued to directors	328,376	-
Options issued to directors	-	140,597
Options issued to promoters/consultants	-	322,538
Options issued to key management personnel	10,546	-
	<b>338,922</b>	<b>463,135</b>

### 2011

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at the end of the year	Vested and exercisable at end of the year
		\$	No.	No.	No.	No.	No.	No.
3 December 2009	30 June 2012	0.225	7,250,000	-	-	-	7,250,000	7,250,000
3 December 2009	30 June 2012	0.275	7,250,000	-	-	-	7,250,000	7,250,000
3 December 2009	30 June 2011	0.125	4,000,000	-	4,000,000	-	-	-
3 December 2009	30 June 2011	0.150	4,000,000	-	4,000,000	-	-	-
29 March 2011	30 June 2013	0.225	-	500,000	-	-	500,000	-
29 March 2011	30 June 2013	0.275	-	500,000	-	-	500,000	-
			<b>22,500,000</b>	<b>1,000,000</b>	<b>8,000,000</b>	<b>-</b>	<b>15,500,000</b>	<b>14,500,000</b>
Weighted Average exercise price			0.21	0.25	0.14	-	0.25	0.25

### 2010

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at the end of the year	Vested and exercisable at end of the year
		\$	No.	No.	No.	No.	No.	No.
3 December 2009	30 June 2012	0.225	6,750,000	750,000	-	(250,000)	7,250,000	7,250,000
3 December 2009	30 June 2012	0.275	6,750,000	750,000	-	(250,000)	7,250,000	7,250,000
3 December 2009	30 June 2011	0.125	-	4,000,000	-	-	4,000,000	4,000,000
3 December 2009	30 June 2011	0.150	-	4,000,000	-	-	4,000,000	4,000,000
			<b>13,500,000</b>	<b>9,500,000</b>	<b>-</b>	<b>(500,000)</b>	<b>22,500,000</b>	<b>22,500,000</b>
Weighted Average exercise price			0.25	0.15	-	0.25	0.21	0.21

The weighted average remaining contractual life of share options outstanding at the end of the year was 1.06 years (2010 – 1.65 years).

Options granted as part of remuneration have been valued using a Black-Scholes option pricing model, which takes into account various factors including the option exercise price, the current level and volatility of the underlying share price, the risk-free interest rate, expected dividends on the underlying share, current market price of the underlying share and the expected life of the option. The value of the options at grant date issued in the year ended 30 June 2011 was calculated at \$0.16 cents per option. The expected volatility has been based on the historic volatility (based upon the life of the option) adjusted for non trading days and any expected changes to future volatility.

## 26. SHARE BASED PAYMENTS (continued)

### 2011

Fair value of share options and assumptions for the year ended 30 June 2011:

Fair value at grant date of \$0.225 and \$0.275 options	\$0.037 – \$0.052
Share price	\$0.160
Exercise price	\$0.225 – \$0.275
Expected volatility (expressed as a weighted average volatility used in the modelling under Black Scholes model)	90%
Option life (expressed as weighted average life used in the modelling under Black Scholes model)	2.25 years
Expected dividends	0%
Risk-free interest rate (based on government bonds)	5.75%

The fair value of services received in return for share options have been fair valued based upon the fair value of equity securities granted, measured using a Black Scholes model. The fair value of the options issued has been used as the fair value of the services cannot be reliably measured.

### 2010

Fair value of share options and assumptions for the year ended 30 June 2010:

Fair value at grant date of \$0.225 and \$0.275 options	\$0.058 – \$0.062
Share price	\$0.110
Exercise price	\$0.225 – \$0.275
Expected volatility (expressed as a weighted average volatility used in the modelling under Black Scholes model)	120%
Option life (expressed as weighted average life used in the modelling under Black Scholes model)	2.60 years
Expected dividends	0%
Risk-free interest rate (based on government bonds)	5.75%
Fair value at grant date of \$0.125 and \$0.15 options	\$0.039 - \$0.042
Share price	\$0.086
Exercise price	\$0.125 – \$0.15
Expected volatility (expressed as a weighted average volatility used in the modelling under Black Scholes model)	120%
Option life (expressed as weighted average life used in the modelling under Black Scholes model)	1.61 years
Expected dividends	0%
Risk-free interest rate (based on government bonds)	5.75%

The fair value of services received in return for share options have been fair valued based upon the fair value of equity securities granted, measured using a Black Scholes model. The fair value of the options issued has been used as the fair value of the services cannot be reliably measured.

## 27. CONTINGENCIES

There were no material contingent liabilities or contingent assets for the Company or the Group as at 30 June 2011 or as at the date of the report other than those disclosed at Note 18 Commitments for Expenditure.

## 28. PARENT ENTITY INFORMATION

The following details information related to the parent entity, New Standard Energy Limited, as at 30 June 2011. The information presented here has been prepared using consistent accounting policies as presented in Note 1.

	2011 \$	2010 \$
Current assets	29,824,786	19,392,650
Non-current assets	99,818	35,293
<b>Total assets</b>	<b>29,924,604</b>	<b>19,427,943</b>
Current liabilities	408,016	189,074
Non-current liabilities	26,172	-
<b>Total liabilities</b>	<b>434,188</b>	<b>189,074</b>
Contributed equity	33,545,738	25,531,314
Accumulated losses	(13,291,876)	(11,971,596)
Reserves	9,236,554	5,679,151
<b>Total equity</b>	<b>29,490,416</b>	<b>19,238,869</b>
Profit/(loss) for the year	(1,320,279)	2,757,121
Other comprehensive income for the year	3,675,000	3,600,000
Total comprehensive income for the year	2,354,721	6,357,121

## 29. EVENTS AFTER THE REPORTING DATE

On 13 July 2011, the Company announced that it had entered into a non-binding Heads of Agreement (Heads of Agreement) and exclusive negotiating period with ConocoPhillips Australia SH4 Pty Ltd (ConocoPhillips), an affiliate of global energy company ConocoPhillips [NYSE:COP].

The Heads of Agreement sets the framework for ConocoPhillips to farm-in and jointly explore, New Standard's flagship Goldwyer Project in the Canning Basin, Western Australia. The Project comprises the following permit interests in Western Australia's Canning Basin: Granted exploration permits (EPs) 443, 450, 451 and 456; and Application areas 1/09-0, 2/09-0 and 5/09-0. It also contains an agreed set of core commercial principles which will form the basis for negotiating and completing binding and definitive agreements.

These core commercial principles envisage ConocoPhillips funding up to US\$109.5MM over four phases of unconventional hydrocarbon exploration work, including the drilling, coring and evaluation of multiple wells. In return for funding the phased work program ConocoPhillips will have the right to earn up to a 75% working interest in the Goldwyer Project which would reduce New Standard's working interest from 100% to 25%.

ConocoPhillips must complete all four phases of work to earn and retain the 75% working interest. In the event that ConocoPhillips elects not to complete all four proposed phases of work a 100% operated working interest in the Goldwyer Project will revert to New Standard.

ConocoPhillips will also make an upfront payment of A\$1M to New Standard in consideration of prior costs.

The phased nature of the exploration program provides for initial drilling, coring and evaluation of multiple wells to be undertaken following which ConocoPhillips will be required to decide if it wishes to proceed with further exploration, appraisal and pilot development work in subsequent phases. This structure provides ConocoPhillips with the option to withdraw at the completion of each phase of work on the basis that any working interest (or associated rights) is returned to New Standard.

The timing of the proposed work programs will be consistent with permit and work commitment revisions to be sought and agreed with the government. New Standard envisages that Phase 1 work would be carried out in 2012 assuming binding agreements are successfully executed.

The Heads of Agreement contemplates that New Standard will remain as operator, although ConocoPhillips would have the right to assume operatorship of the Goldwyer Project at its election. An integral part of the proposed farm-in arrangement is the proposed provision of technical support by ConocoPhillips to New Standard to enhance the operating arrangement. New Standard believes that ConocoPhillips' participation will inject invaluable and world class technical knowledge and resources to ensure the Goldwyer Project is explored and appraised in conjunction with a world leader in global shale plays.

Both parties have committed to an exclusive period to negotiate the proposed transaction with a target of executing binding agreements as soon as possible, but no later than 30 September 2011. The binding agreements will also be subject to any outstanding government approvals.

New Standard has agreed to notify ConocoPhillips of any approaches in relation to its interest in the Goldwyer Project during this exclusivity period, and to provide ConocoPhillips with a right to match any offers that relate to New Standard's interest in the Goldwyer Project.

On 20 July 2011 1,000,000 unlisted \$0.20 options were exercised raising a total of \$200,000.

Other than the above, there has been no other matter or circumstance that has arisen since the end of the year that requires disclosure.

# SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 30 September 2011.

## 1. Distribution of Shareholders

(a) Analysis of number of shareholders by size of holding.

Category of Holding	Holders	Number of Shares	% of capital
1 – 1,000	77	4,166	0.00%
1,001 – 5,000	154	507,037	0.25%
5,001 – 10,000	140	1,254,195	0.63%
10,001 – 100,000	680	28,451,944	14.23%
100,001 and over	240	169,757,827	84.89%
<b>Total</b>	<b>1291</b>	<b>199,975,169</b>	<b>100%</b>

(b) There are 89 shareholders with less than a marketable parcel of ordinary shares.

## 2. Twenty Largest Shareholders

The names of the twenty largest shareholders by account holding of quoted ordinary shares are listed below:

Shareholder	Holding	%
Buru Energy Ltd	18,057,930	9.03
Deck Chair Holdings PL	11,800,000	5.90
Phoenix Properties International PL	9,508,453	4.75
Richard J and S E Harris	8,855,000	4.43
TC Investments Pte Ltd	8,250,000	4.13
Alan Young	6,905,252	3.45
Robert Young	4,524,081	2.26
Mahsor Holdings PL	4,400,000	2.20
Samuel J C and C M Willis	4,150,000	2.08
Tilpa PL	3,800,000	1.90
Carossa Holdings PL	3,775,000	1.89
William Taylor NOM PL	2,800,000	1.40
Bayrunner PL	2,769,000	1.38
Jakana PL	2,400,000	1.20
Teston Investments PL	2,200,000	1.10
Xanadu WA PL	2,081,752	1.04
Dennis M and A N Deniz	1,764,000	0.88
Venus Bay PL	1,650,000	0.83
Sodell Investments PL	1,600,000	0.80
Christopher and J S Murphy	1,578,069	0.79
<b>Total</b>	<b>102,868,537</b>	<b>51.44</b>

## 3. Substantial Shareholders

As at 30 September 2011, the Company has received substantial notices from the following shareholders:

Name of Shareholder	No of Shares	% of Issued Capital at the Time of Notice
Buru Energy Ltd	13,749,999	9.71
Deck Chair Holdings Pty Ltd	11,800,000	5.93

*Note: The above details may not reconcile to the information in the Twenty Largest Shareholders list as revised substantial shareholders notices had not been received by the Company as at 30 September 2011.*

## 4. Voting Rights

At a general meeting of shareholders:

- On a show of hands, each person who is a member or sole proxy has one vote.
- On a poll, each shareholder is entitled to one vote for each fully paid share.



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