



30 October 2009

ACTIVITIES REPORT QUARTER ENDED 30 SEPTEMBER 2009

CORPORATE

Capital Raising

On 17 June 2009, the Company announced a Share Purchase Plan allowing eligible shareholders to subscribe for up to A\$5,000 worth of new fully paid ordinary shares at \$0.075 per share.

During the third quarter, the Company secured an underwriting of the Share Purchase Plan. As a result of this the Company raised in aggregate under the Share Purchase Plan, net proceeds of approximately A\$4.21 million, with the completion of the underwriting in the third quarter.

Binding Farm In Agreements with Multi National Oil Company Finalised

- On 20 July NGE announced that it had entered into a Heads of Agreement with a major multi-national oil company (**Farmee**) in respect of PPLs 267, 268 and 269 in Papua New Guinea.
- On 18 September NGE was pleased to be able to advise the market that the identity of the Farmee was a wholly-owned subsidiary of Talisman Energy Inc, (**Talisman**) and that the parties had entered into binding farm-in agreements in respect of PPLs 268 and 269 and a Technical Support Agreement confirming the key legal obligations of the parties as follows:

PPL 269 Farm-in

- NGE will assign an initial 50% interest in PPL 269 to Talisman and Talisman will assume operatorship of PPL 269. The assignment is conditional upon PNG Ministerial approval.
- Talisman shall reimburse NGE for 75% of the direct costs expended by NGE in respect of PPL 269 (estimated at approximately A\$6.2 million), conduct and fund an agreed seismic program (up to a maximum of US\$6 million) and commit to drilling, completing and testing a well up to a maximum of US\$15 million.



- NGE shall have the ability to progressively assign up to an additional 20% interest in PPL 269 to Talisman based on decisions regarding their funding share in second and third optional wells up to a maximum of US\$15 million per well.
- If NGE does not elect to assign any further interest to Talisman but wishes to maintain its 50% interest, Talisman will have the right to proceed with two additional wells by contributing 75% of the agreed costs of the second well and 65% of the agreed costs of the third well up to a maximum of USD\$15 million per well.

In summary, through expenditure of approximately US\$55 million, Talisman may earn up to a 70% interest in PPL 269. By agreeing to fund US\$9 million of that expenditure, NGE can maintain its interest at 50% in PPL 269.

PPL 268 Farm-in

- NGE will assign an initial 15% interest in PPL 268 to Talisman, and Talisman will assume operatorship of PPL 268. The assignment is conditional on PNG ministerial approval.
- Talisman shall reimburse NGE for 50% of the direct costs expended by NGE in respect of PPL 268 (estimated at approximately A\$2.5 million) and conduct and fund an agreed seismic program (up to a maximum of US\$5 million).
- Talisman shall have the option to receive an assignment of an additional 35% interest in PPL 268, and if it exercises this option, will commit to drilling, completing and testing a well in respect of which Talisman will pay 80% of the agreed costs of the well up to a maximum of US\$15 million.
- Talisman shall have the option to receive an assignment of up to an additional 20% interest in PPL 268 and if it exercises this option will commit to drilling, completing and testing two further optional wells. Talisman will pay 100% of the agreed costs of the two optional wells up to a maximum of US\$15 million per well, with any additional costs being shared in accordance with the participating interests of NGE and Talisman.

In summary, through expenditure of approximately US\$50 million, Talisman may earn up to a 70% interest in PPL 268.

Technical Support

Under the terms of a Technical Support Agreement entered into between NGE and Talisman, Talisman will provide at cost technical services to NGE as and when required in relation to NGE's other licences.



PPL 268 and 269 Field Activities to Commence Immediately

In order to fast track fieldwork, NGE and Talisman have agreed to immediately discuss the commencement of preparation activities for the seismic programs on PPL 268 and PPL 269. If these programs are commenced before Ministerial approval Talisman has agreed to provide loan funds to NGE to fund these activities. Such loan will be set off against Talisman's obligations to fund the seismic programs when Ministerial approval to the proposed assignments is obtained.

OPERATIONS

Variation Applications

During the previous quarter, the Company submitted variation applications to the authorities in PNG in respect of PPLs 266, 267, 268 and 269.

During October 2009, the Company received approvals from the PNG Minister for Petroleum and Energy in respect of all four variation applications, PPLs 266, 267, 268 and 269.

The approval of the variation applications means that NGE will commit at least US\$47 million on seismic testing and drilling activities on these four 100 per cent owned licences.

Under the terms of the variations, NGE will be required to drill at least five exploration wells and undertake geological, geophysical and engineering studies across the four licences during the course of the next two years.

PPL 265 (100% owned)

An airborne geophysical survey within PPL 265 commenced in mid December 2008 and was completed in early June 2009. The survey was acquired in conjunction with the surveys of other petroleum prospecting licenses in the area. A total of approximately 23,000 line km has been acquired, with 4,411 km from PPL 265.

The data collected from this survey has been collated and is currently being analysed.



PPL 277 (100% owned)

A geological field mapping program was conducted in the Poroma/Kagua areas of PPL 277 in the previous quarter. Data from that program has been collated and analysed. No further field work has been carried out during the quarter.

PPL 266 (100% owned)

Variations for PPL 266 were sought to accommodate revised work programs, with additional seismic programs beyond those mandated by the existing licence terms. The first seismic programs in respect of PPL 266 are scheduled to start later this year.

PPL 267 (100% owned)

The Yalis Phase II Seismic Survey in PPL 267 acquired data in the third quarter 2008 over 4 lines totalling approximately 67 km for a total investment of approximately A\$2.5 million. The survey was a follow up of the A\$3 million plus investment by the Company in 2006 with the Yalis Phase I Survey, aerogravity and magnetic surveys and geochemical studies in PPL 267.

The Yalis Phase II Seismic Survey focused on the Panakawa Lead, identified by the 2006 seismic survey. The structure at depth coincides with the surface Panakawa seep which is currently flowing oil to surface at a rate of 5 barrels of oil per day. The seep lies along a 100 km trend of oil seeps which are potentially sourced from the Wabuda Trough to the southeast. This oil seep suggests a possible new source and play type in the basin, as well as a significant upgrade to prospectivity in the PNG foreland which was previously considered a gas province.

Interpretation of data from the Yalis Phase II Seismic Survey and previously acquired data delineated a fault closed structure with a most likely (PMean) areal closure of 15.6 km² in the vicinity of the Panakawa seep.

The prospect mapped on the Toro Sandstone (primary target only) is estimated to have the following Prospective Resource Distribution:

Panakawa Prospect

	P10	PMean	P90
Million Barrels (OOIP) (Undiscovered Original Oil in Place)	415	187	9

The results have upgraded the defined potential of the PPL 267 licence and the Panakawa Prospect to a primary target.

The prospect is ideally located approximately one km from the Panakawa Logging and Veneer Plant wharf, currently used to export products direct to international



markets via barges. The proximity of the prospect to the wharf means NGE will be able to deliver rigs and drilling equipment directly from barges to the drill site without the use of helicopter support. This access facility, coupled with the relatively shallow target depth of 2,350 metres for a well, substantially reduces the cost of the proposed drilling program. NGE estimates a well to cost less than US\$10 million.

The first drilling program on PPL 267 to test Panakawa is currently in the site preparation stage and rig tenders are being sought.

PPLs 268 and 269 (100% owned)

PPLs 268 and 269 are the subject of the Farm-in Agreements with the wholly-owned subsidiary of Talisman Energy Inc, mentioned earlier.

The approved variations for PPLs 268 and 269 accommodate revised work programs and additional seismic programs beyond those mandated by the previous licence terms. The first seismic programs in respect of these PPLs are scheduled to start after Ministerial approval to the farm in agreements is received with the subsidiary of Talisman Energy Inc funding the US\$11 million programs.

**Michael Arnett
Executive Chairman**

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

New Guinea Energy Ltd

ABN

31 112 618 238

Quarter ended ("current quarter")

SEPTEMBER 2009

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (9 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration and evaluation	(695)	(2,999)
(b) development		
(c) production		
(d) administration	(437)	(1,135)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	31	65
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)	(34)	11
Net Operating Cash Flows	(1,135)	(4,058)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects		
(b)equity investments		
(c) other fixed assets		
1.9 Proceeds from sale of: (a)prospects		
(b)equity investments		
(c)other fixed assets		457
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		457
Net investing cash flows		457
1.13 Total operating and investing cash flows (carried forward)	(1,135)	(3,601)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,135)	(3,601)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	4,500	6,931
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		
	- Capital raising costs	(290)	(398)
	Net financing cash flows	4,210	6,533
	Net increase (decrease) in cash held	3,075	2,932
1.20	Cash at beginning of quarter/year to date	1,602	1,720
1.21	Exchange rate adjustments to item 1.20	7	32
1.22	Cash at end of quarter	4,684	4,684

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	53
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Payments to executive director for consulting fees and non-executive directors' fees

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	USD 5 Million	-
3.2	Credit standby arrangements		

+ See chapter 19 for defined terms.

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	3,250
4.2 Development	
Total	

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	121	31
5.2 Deposits at call	4,563	1,571
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	4,684	1,602

Changes in interests in mining tenements

Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed		
6.2	Interests in mining tenements acquired or increased		

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	557,422,778	390,972,778		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	59,997,740		7.5	7.5
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	Conversion of one ordinary share per option 12,000,000 2,000,000 3,000,000 7,500,000	- - - -	<i>Exercise price</i> 30 cents 25 cents 25 cents 27.5 cents	<i>Expiry date</i> 01 March 2012 28 December 2012 27 December 2012 28 August 2011
7.8 Issued during quarter	7,500,000	-	27.5 cents	28 August 2011
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				

+ See chapter 19 for defined terms.

7.12	Unsecured notes (<i>totals only</i>)		
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Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does /does not* (*delete one*) give a true and fair view of the matters disclosed.



Sign here:

(Company secretary)

Date: 30 October 2009

Print name: Lucy Rowe

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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