



22 November 2010

The Company Announcements Office
ASX Limited

Signing of Revised Farmout Agreements and Exploration Fund Agreement

New Guinea Energy Limited (**NGE/Company**) refers to its ASX announcement on 7 September 2010 regarding the signing of the Heads of Agreement (**HOA**) with Talisman Niugini Pty Ltd (**Talisman**). The HOA was signed in order to vary the work programmes for each of PPL 268 and PPL 269 and to confirm the workplan and timetable for these licences.

NGE considers that PPL268 and PPL269 will be significant contributors to Talisman's gas aggregation strategy in the Western Province of PNG. It is believed the licences potentially hold a Mean Prospective Resource of >2 TCF of gas in PPL 268 and >7 TCF of gas in PPL 269.

The HOA was premised upon the dates currently agreed with the Government of PNG but due to unseasonably inclement weather there have been delays to the scheduled completion of seismic programs since the HOA was signed on 7 September 2010.

On 22 November, the Company (through its wholly owned subsidiaries, Engelberg Ltd and Kirkland Ltd) and Talisman entered into amended and restated Farmout Agreements in respect of PPL 268 and 269 respectively. Those varied agreements and the operational timetable have been amended to take account of these delays.

NGE advises that it has entered into varied Farmout agreements to vary the programs in each of PPL 268 and PPL 269 as follows:

Variations to PPL 269 Program:

NGE and Talisman have agreed to vary the terms of the PPL 269 Farmout Agreement as follows:

- (1) The Firm Seismic Program of 85.5km of 2D seismic is to be completed by 31 December 2010, subject to environmental factors making the program prohibitively expensive.
- (2) Following completion of the Firm Seismic Program, Talisman may, by no later than 31 January 2011 or such later date as the Parties may agree, elect to operate the First Well on PPL 269 on behalf of the joint venture. If Talisman elects to operate the First Well, it must proceed with drilling, evaluation, testing and completion of the First Well within sixty (60) days of identification and commitment to drill the First Well.
- (3) If Talisman fails to make an election by 31 January 2011 and has not identified and committed to drill the First Well by that date, then Talisman

New Guinea Energy Ltd
ABN 31 112 618 238

Level 22, Gold Fields House, 1 Alfred Street, Sydney NSW 2000 T +61 2 9250 1800 I F: +61 2 9250 1838
PO Box 592 Port Moresby, NCD, Papua New Guinea T: (675) 321 1785 I F: (675) 321 1782
www.ngenergy.com.au



must, at NGE's election, delegate operatorship to NGE and Talisman must pay to NGE the agreed costs of the First Well up to a maximum of US\$15 million. Talisman and NGE shall each bear 50% of any expenditure over US\$15 million required to complete the First Well.

- (4) If the Parties agree to drill a Second Well as a joint operation, Talisman shall commence the drilling of the Second Well within sixty (60) days of NGE electing to exercise the Second Well Full Carry Option or by no later than 30 April 2011 unless the parties agree another date.

Variations to PPL 268 Program:

NGE and Talisman have agreed to vary the terms of the PPL 268 Farmout Agreement as follows:

- (1) Talisman will pay to NGE a sum of US\$1.2 million following completion of the Transfer in respect of a further 35% Participating Interest in PPL 268 to Talisman.
- (2) Talisman must carry out and complete a Seismic Program of 120.22km of 2D seismic by 31 December 2010 or such later date as the Parties may decide except where environmental conditions would make carrying out the Programs prohibitively expensive. Following completion of the Initial and Firm Seismic Programs, the Parties will decide whether to proceed with the First Well. The Parties must decide whether to jointly proceed with the drilling of the First Well by 31 March 2011 (or such other date as the Parties will decide), in which circumstances, Talisman must commence drilling of the First Well no later than 30 April 2011.
- (3) Talisman shall be responsible for 100% of the agreed costs of the First Well up to a maximum contribution of US\$12 million. Talisman and NGE agree that any contributions over US\$12 million for the First Well will be funded on the basis that each Party is deemed to hold a 50% Participating Interest in PPL 268.
- (4) If the Parties do not jointly agree to proceed with the First Well by 31 March 2011 (or such other date as the Parties may decide) but NGE notifies Talisman that it does intend to drill the First Well, Talisman must delegate operatorship of the First Well to NGE and the drilling of the First Well will be an Exclusive Operation under the Joint Operating Agreement between the two Parties.

The remaining terms and conditions of the previously announced arrangements are unchanged.

Exploration Fund Account

A key element of the HOA was the establishment of an Exploration Fund Account. The Company, Talisman and the subsidiaries described above have entered into an Exploration Funding Agreement which enables Talisman to utilise any exploration funds owing by NGE to Talisman, such as in respect of NGE's PPL 266 seismic program and the future use of the

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Coral Sea rig by NGE, towards possible future investments in NGE interests unless repaid by NGE in the ordinary course. NGE must begin to repay the amount outstanding upon commencement of the first production from any of its licences.

Should you have any queries, please contact the Company Secretary on 02 9250 1800.

Michael Arnett
Executive Chairman

The information in this announcement that relates to NGE's resources is based on information compiled by Dr Dan Kendrick, an employee of NGE with over 15 years experience as a practising geologist. Dr Dan Kendrick consents to the inclusion in this announcement of the information in the form and context in which it appears.

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Schedule 1 Operational Timetable

PPL 269

First Well

Firm Seismic Completed
Agreement by parties to drill First Well &
Election of Operatorship
Commence Drilling of First Well

31 December 2010

31 January 2011

1 April 2011 (60 days from date of election of
operatorship)

Second Well

NGE election to be fully carried
Commence Drilling of Second Well

30 days from rig release of First Well

Within 60 days of election by NGE to be fully carried
proceed with Second Well or if NGE elects not to be
carried, 30 April 2011 if the parties elect to proceed with
the Second Well.

PPL 268

First Well

Initial and Firm Seismic Completed
Decision as to whether to jointly drill First Well
If jointly proceed, TLM to commence drilling of First Well

31 December 2010

31 March 2011

30 April 2011

Second Well

TLM election to exercise 2nd well option
Drilling following approval of transfer of further
10% interest to Farmee

30 days after rig release of First Well

60 days after receipt of Ministerial approval

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