

Quarterly Activities Report For the period ended 31 December 2013

Date: 31 January 2014



**NEW STANDARD
ENERGY**

Summary

- New Standard transforming into producer, developer and frontier explorer with transactions completed after receiving overwhelming shareholder support
 - Acquisition of 5,182 net acres in the prime Eagle Ford play in Atascosa County, Texas, US, from experienced US energy exploration and production Company, Magnum Hunter Resources Corporation (**NYSE: MHR**), and its affiliates, with Magnum Hunter to operate on New Standard's behalf
 - Expansion of Australian exploration into the Cooper Basin through acquisition of PEL 570 farm-in with Ambassador Oil and Gas (**ASX: AQO**)
 - Magnum Hunter and New Standard form strategic alliance to develop Australian and US acreage and explore new business opportunities

Overview

A transformed New Standard Energy

New Standard Energy Limited (**New Standard**) has finalised the Company's largest and most transformational corporate transaction which has diversified the risk profile and asset base of the Company.

In a post quarter event, in excess of 95 per cent of shareholder votes were cast in favour of the transaction announced in November 2013 to purchase producing and prospective acreage in both the Eagle Ford shale in onshore Texas, US, and in the Cooper Basin in South Australia, to add to the Company's frontier Western Australian assets.

New Standard now holds a diverse range of projects within the shale and tight gas space, each at different stages of the development cycle, with the US assets to produce immediate cashflow for the company.

New Standard Managing Director Phil Thick said: "The Company now possesses assets covering three distinct stages of development. Our focus now is on the active management of our projects to retain the upside in our longer dated assets and invest immediately in the new assets to generate immediate cashflow."

"We are also looking forward to drawing on the expertise of Magnum Hunter, both to drill our wells in the Eagle Ford and to work with us in our exploration and development plans in the Cooper Basin. Magnum Hunter see great opportunity in the Cooper and believe the potential is enormous. It is also great to have them as a major cornerstone shareholder."



New Standard Energy portfolio snapshot

Eagle Ford acreage

Immediate cashflow and development	<ul style="list-style-type: none"> • 5,182 net acres • Volatile oil/oil windows • Five currently producing wells • 50-60 additional well locations 	<ul style="list-style-type: none"> • Immediate cashflow (recent production ~400+ boepd) • Low risk appraisal and development opportunities • Manageable costs (~US\$7m/well), experienced operator in MHR • Flexible funding opportunities (reserve based lending potential) • Upside for production and reserves • Potential upside from Pearsall Shale and Austin Chalk • Potential upside from additional down-spacing of wells
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Cooper Basin acreage

Short to mid term exploration, appraisal and development	<ul style="list-style-type: none"> • 52.5% in PEL 570 • Basin centred gas and wet gas plays • Exposure to east coast gas market and LNG export opportunities 	<ul style="list-style-type: none"> • Near term exploration and appraisal • \$42.5 million farm-in commitment for 52.5% operated interest • Manageable seismic commitments • East coast gas demand attractive with multiple pathways to market
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West Australian portfolio

Long term exploration upside	<ul style="list-style-type: none"> • 25% operated interest in Southern Canning JV • 100% operated interest in Laurel Project • 100% operated interest in Merlinleigh Project 	<ul style="list-style-type: none"> • High risk, high reward asset portfolio • Early stage exploration, challenging infrastructure environment • Long-term exploration plays with massive upside • World class partners on SCJV (ConocoPhillips and PetroChina) • High equities to farm-out Laurel and Merlinleigh projects
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Portfolio and activities overview

US Eagle Ford assets

Drilling has commenced in the Eagle Ford shale (subsequent to quarter end) at the Company's Atascosa Project, Texas, USA, with two wells to be drilled on the same pad over the next two months. These wells are expected to be in production by May 2014. New Standard's strategic alliance partner and now largest shareholder, Magnum Hunter Resources, will act as operator of the acreage on New Standard's behalf as part of the strategic alliance, using its existing technical skillset and local knowledge base to advance the production and development project.

Mr Thick said: "It is very exciting to commence drilling our first well in the Eagle Ford almost simultaneously with New Standard becoming the owner of the acreage, with a second well to follow immediately. It puts this transaction, and the strategic rationale for it, into real perspective."

New Standard will also book the production and revenue from the Project's first five wells backdated to 1 December 2013. The acreage is currently generating around \$400,000 per month from five existing wells.

As announced on 10 January 2014, a reserves study completed by Cawley, Gillespie and Associates (**CG&A**) delineated 12.3 million barrels oil equivalent (**BOE**) of 3P reserves (of which 1.5 million BOE are 1P and 2.7 million BOE are 2P) as at 1 December 2013 from the 5,182 net acres in the Atascosa Project. CG&A used the deterministic method of petroleum reserves estimation and these numbers contemplate a conversion factor of 6MMcf = 1,000 BOE. Net reserves are based on the Company's net revenue interests, as set out in its 10 January 2014 announcement and are estimated at the gate (which is the reference point for the purposes of Listing Rule 5.26.5).

Cooper Basin acreage

The transaction also involved an operated interest in the Cooper Basin PEL 570 acreage in South Australia, which is prospective for basin-centered gas located in the tight sands and shale of the Patchawarra Trough and close to pipeline infrastructure that is already connected to eastern states markets where gas shortages are expected to support higher gas process in the future.

The farm-in to the permit held by Ambassador Oil and Gas Limited (**ASX: AQO**) has a seismic commitment in 2014 and the first well commitment is not until 2015. Magnum Hunter will be working with New Standard to plan and develop the exploration program.

Mr Thick said: "We are excited about this acreage position in the Cooper as it complements our existing shale and tight gas projects in Western Australia. The Cooper acreage is nearer-term in the development lifecycle and likely to deliver value back to our shareholders in a relatively short time period compared to our frontier assets which will naturally take longer to develop. We also believe there will be substantial activity in the Cooper over the next 12-18 months and we are delighted to possess an excellent position there."

Western Australian assets

Subsequent to announcing the transaction to acquire exploration, development and production acreage in the Eagle Ford shale and the Cooper Basin, New Standard mutually agreed with its drilling contractor Enerdrill to reschedule drilling of the Condon-1 well at the Merlinleigh Project.



New Standard had previously intended to spud the Condon-1 well in December 2013, however following the transformational acquisition the decision was made to pursue the lower risk drilling in the Eagle Ford to increase current production and grow reserves.

Mr Thick said the deferral was the best path for New Standard to manage its drilling commitments and capital allocation in the context of the new asset acquisitions and the opportunity to generate revenue and cash flow.

In the Southern Canning Project, New Standard has reached agreement with its Joint Venture Partners to amend the Southern Canning Farm Out Agreement (**FOA**). As a result Gibb Maitland-1 has been acknowledged as a completed well, despite the operational problems encountered during drilling which prevented target depth being reached, and the next well to be drilled has been agreed as the third and final well in Phase 1 of the FOA. The Department of Mines and Petroleum (**DMP**) has also formally accepted Gibb Maitland-1 as a completed commitment well in EP450.

The Joint Venture Partners have agreed to focus on the north west region of EP456 as the preferred location for drilling the third and final Phase 1 well. This has been identified as the most compelling target following a review of the data obtained from the Joint Venture's Nicolay-1 and Gibb Maitland-1 wells and reprocessing of data obtained from other nearby wells.

"The data indicates the Goldwyer formation in the north west of EP456 will be thicker, with richer source rocks and is more likely to be located in the oil window of the Canning Basin," Mr Thick said. The Laurel Project is being bolstered by the conversion of the Seven Lakes Special Prospecting License (**Seven Lakes SPA**) into an exploration permit. New Standard is currently in final discussions with the DMP on this matter and this will give the Company 100 per cent of two large adjacent permit areas, giving it complete flexibility and control over the acreage. New Standard will be commencing farm-in discussions with potential joint venture partners for the Laurel Project early this year and expects to receive interest from a number of parties in relation to its highly prospective Canning Basin acreage.

Corporate & finance

Financial Position

New Standard ended the quarter with a strong cash position of approximately \$39 million. Subsequent to the end of the quarter, New Standard has paid third parties for the acquisition of assets in the US and the Cooper Basin. Total cash paid out has been approximately \$20.7 million.

Revenue of \$0.8 million backdated to 1 December 2013 from the five existing wells in the US has been received in this month.

Negotiations continue with several parties to secure debt funding for the US wells. New Standard is in receipt of term sheets offering up to US\$30 million debt funding to fund the first four wells in the Eagle Ford. The facility will include expandable capacity as reserves grow through further drilling. The Company expects to finalise these arrangements over the coming months.



Table 1: Current petroleum tenements as at 31 December 2013

Permit	Percentage held	Joint Venture Partner
Australian acreage		
Canning Basin, Western Australia		
EP 443	Diluting to 25%	ConocoPhillips (Canning Basin) Pty Ltd PetroChina International Investment (Australia) Pty Ltd
EP 450	Diluting to 25%	ConocoPhillips (Canning Basin) Pty Ltd PetroChina International Investment (Australia) Pty Ltd
EP 451	Diluting to 25%	ConocoPhillips (Canning Basin) Pty Ltd PetroChina International Investment (Australia) Pty Ltd
EP 456	Diluting to 25%	ConocoPhillips (Canning Basin) Pty Ltd PetroChina International Investment (Australia) Pty Ltd
STP-EPA-006	100% with option to dilute to 25%	ConocoPhillips (Canning Basin) Pty Ltd PetroChina International Investment (Australia) Pty Ltd
STP-EPA-007	100% with option to dilute to 25%	ConocoPhillips (Canning Basin) Pty Ltd PetroChina International Investment (Australia) Pty Ltd
STP-EPA-010	100% with option to dilute to 25%	ConocoPhillips (Canning Basin) Pty Ltd PetroChina International Investment (Australia) Pty Ltd
STP-EPA-0092	100%	-
EP 417	100%	-
STP-SPA-0017	100%	-
Carnarvon Basin, Western Australia		
EP 481	100%	-
EP 482	100%	-
United States acreage		
Colorado County Project		
Heintschel-1	32.5%	Burleson Energy Ltd, AKG Energy LLC and minority interests
Heintschel-2	32.5%	Burleson Energy Ltd, AKG Energy LLC and minority interests
D Truchard-1	32.5%	Burleson Energy Ltd, AKG Energy LLC and minority interests
Joann-1	33.68%	Burleson Energy Ltd, AKG Energy LLC and minority interests

The information in this announcement relating to petroleum reserves and resources has been previously announced by the Company in an announcement dated on 10 January 2013. New Standard confirms that it is not aware of any new information or data that materially affects this information and all material assumptions and technical parameters underpinning the estimates set out in its announcement dated 10 January 2014 continue to apply and have not materially changed.

- ENDS -



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About New Standard: New Standard Energy is an emerging hydrocarbon explorer, producer and developer with a mandate to explore for oil and gas. Its exploration and drilling program is active, well funded and extensive. The Company's exploration program is underpinned and complemented by targeted corporate activity to take advantage of opportunities and to build an extensive pipeline of exploration projects. New Standard's Board has extensive technical and commercial experience in the oil and gas sector.

The Company is primarily focused on aggressively progressing its oil and gas exploration portfolio focused on the onshore Canning and Carnarvon Basins in Western Australia and the Cooper Basin in South Australia while growing its production base in the Eagle Ford shale in the United States. The portfolio includes:

- 100% (diluting to 25%) operated interest in EP's 443, 450, 451, 456 in Western Australia's Canning Basin
- 100% (diluting to 25%) operated interest in application areas 1/09-0, 2/09-0 and 5/09-0 in the Canning Basin
- 100% operated interest in EP417 in the Canning Basin
- 100% operated interest in the Seven Lakes SPA area in the Canning Basin
- 100% operated interest in the Merlinleigh project, onshore Carnarvon Basin Western Australia
- 52.5% operated interest in the PEL 570 acreage area in the Cooper Basin, South Australia (upon farm-in completion)
- 100% operated interest in 5,182 net acres in the Eagle Ford shale, onshore Texas, USA
- 32.5% working interest in the Colorado County Project, onshore Texas USA

In addition to the above portfolio, New Standard has a 28.2% equity interest in ASX listed Elixir Petroleum Ltd (**ASX: EXR**) and has formed a strategic alliance with Magnum Hunter Recourses (**NYSE: MHR**) to deliver expertise and corporate growth. New Standard is also continuing to actively assess other opportunities to complement and expand its exploration portfolio.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

NEW STANDARD ENERGY LIMITED

ABN

20 119 323 385

Quarter ended ("current quarter")

31 December 2013

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	12	47
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(3,389) (40) - (926)	(5,068) (40) - (2,876)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	369	802
1.5 Interest and other costs of finance paid	(4)	(8)
1.6 Income taxes paid	-	-
1.7 Other (R&D tax offset claim)	6,031	6,031
Net Operating Cash Flows	2,053	(1,112)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	(284) - (8)	(284) (1,004) (65)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets	- - -	- - -
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	(292)	(1,353)
1.13 Total operating and investing cash flows (carried forward)	1,761	(2,465)

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	1,761	(2,465)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(19)	(37)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	(19)	(37)
	Net increase (decrease) in cash held	1,742	(2,502)
1.20	Cash at beginning of quarter/year to date	37,320	41,538
1.21	Exchange rate adjustments to item 1.20	-	26
1.22	Cash at end of quarter	39,062	39,062

Payments to directors of the entity, associates of the directors, 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	287
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

The amounts at 1.1 include petroleum sales from the Colorado County Project in USA. The amounts at 1.2(a) include (amongst other items) costs relating to preparation for drilling the Condon #1 well in the Merlinleigh Project, Carnarvon Basin. The amount at 1.7 consists of a Research & Development tax offset claim. The amount at 1.8(a) pertains to deposits paid in relation to the acquisition of Eagle Ford assets in Texas, USA, and Outback Energy Hunter Pty Ltd. The amounts at 1.23 include payments to directors pursuant to employment and consulting agreements as well as non-executive director 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

N/A

+ See chapter 19 for defined terms.

- 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

N/A

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	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,700
4.2 Development	6,200
4.3 Production	-
4.4 Administration (net of recharges)	1,500
Total	9,400

NOTE: Estimated cash outflows do not include the acquisition costs for the assets in the recently completed corporate transaction. There is also no allowance for the revenue associated with that transaction or for the debt facility currently being negotiated.

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	12,284	5,106
5.2 Deposits at call	26,778	32,214
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	39,062	37,320

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Changes in interests in mining tenements and petroleum tenements

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

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>	N/A		
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions			
7.3	+Ordinary securities	305,331,847	305,331,847	
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	- -	- -	
7.5	+Convertible debt securities <i>(description)</i>	N/A		

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options (description and conversion factor)			<i>Exercise price</i>	<i>Expiry date</i>
	500,000	-		22.5c	30 June 2015
	500,000	-		27.5c	30 June 2015
	6,250,000	-		38.5c	20 December 2014
	3,750,000	-		43.0c	20 December 2014
	300,000	-		81.0c	24 April 2015
	300,000	-		90.5c	24 April 2015
	375,000	-		74.5c	10 August 2015
	375,000	-		83.5c	10 August 2015
	300,000	-		39.0c	12 December 2015
	300,000	-		44.0c	12 December 2015
	1,000,000	-		40.0c	02 April 2016
	1,000,000	-		50.0c	02 April 2016
7.8	Issued during quarter	1,000,000	-	40.0c	02 April 2016
		1,000,000	-	50.0c	02 April 2016
7.9	Exercised during quarter	-	-	-	-
7.10	Expired/lapsed during quarter	-	-	-	-
7.11	Retention Rights			<i>Issue price</i>	<i>Measurement date</i>
	212,000	-		49.97c	14 March 2014
	212,000	-		49.97c	14 September 2015
7.12	Issued during quarter	-	-	-	-
7.13	Exercised during quarter	-	-	-	-
7.14	Expired during quarter	-	-	-	-
7.15	Retention Rights			<i>Issue price</i>	<i>Measurement date</i>
	848,000	-		49.97c	14 March 2014
	848,000	-		49.97c	14 September 2015
7.16	Issued during quarter	-	-	-	-
7.17	Exercised during quarter	-	-	-	-
7.18	Expired during quarter	-	-	-	-
7.19	Debentures (totals only)	-	-		
7.20	Unsecured notes (totals only)	-	-		

+ See chapter 19 for defined terms.

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 5).
- 2 This statement does give a true and fair view of the matters disclosed.



David Hansen-Knarhoi
Joint Company Secretary
31 January 2014

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 and petroleum 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 or petroleum 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 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting 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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+ See chapter 19 for defined terms.