

Quarterly Activities Report

For the period ended 30 September 2014



NEW STANDARD
ENERGY

Date: 31 October 2014

Summary

Atascosa Project, Eagle Ford

- Significant upgrade to reserves following an independent assessment of the Eagle Ford Shale at the Atascosa Project, Texas USA
- Independent report calculates PV10 value for Eagle Ford reserves net to New Standard at:
 - A\$30.8 million for 1P
 - A\$72.3 million for 2P
 - A\$148.5 million for 3P
- New Standard confirmed 30-day Initial Production (**IP**) rates for the Peeler Ranch-5H and 6H wells of 417 and 374 barrels of oil equivalent per day (**Boepd**) respectively
 - Up to the end of Sept, more than 68,000 barrels of oil equivalent (**BOE**) were produced from the two wells
- Production for the quarter averaged 550 Boepd across all wells
- Commenced drilling at the Peeler Ranch-7H well (25 October 2014), with a second well (Lagunillas-3H) to be drilled back to back
 - Wells to utilise longer laterals and high proppant concentrations to achieve increase in oil production IP rates, EURs and IRRs

Cooper Basin, South Australia

- Secured Santos Ltd (**Santos**) as joint venture partner alongside Drillsearch Energy Ltd (**Drillsearch**)
 - Consideration of A\$7.5 million cash has been received and Santos has agreed to fund 75 per cent of earn-in commitments in return for a 35 per cent interest in PEL570
 - New Standard has retained a 17.5% working interest and Santos has become operator
- Received approval for amendments to five year work program for PEL 570
 - Seismic and drilling program to commence in Year Two, with only minor geological studies to be completed in Year One, and whole program suspended for six months

Western Australian Assets

- Engaged Miro Advisors to commence a formal process for the farm-out of all Western Australian exploration acreage
 - Negotiated agreement with its Southern Canning Project (**SCP**) partners ConocoPhillips and PetroChina to resume 100 per cent ownership of the SCP



Corporate

- Cash position of A\$3.35 million at 30 September 2014 which has been supplemented by the receipt of A\$7.5m cash following completion of the PEL 570 farm-out to Santos
- Updated reserves report provides additional lending capacity and availability of incremental draws has been agreed with Credit Suisse
- Major restructure of staffing from 28 FTE's down to 10 in line with new business strategy and US focus, resulting in substantial overhead reduction moving forward

Strategic overview

New Standard's September quarter activities have continued to focus on the development of the Company's Atascosa Project in Texas, USA, with a core focus on growing its reserves base while managing capital commitments across all Australian assets.

The Company continues to grow its US operations in line with its business strategy to:

- Grow the business and generate value through effective execution of an ongoing drilling program in the Eagle Ford, funded through combination of cash, revenue and debt, to build reserves and therefore acreage value, and seek opportunities to grow the position to 8,000-10,000 net acres and accelerate the drilling program over the next 12 months
- Mitigate risk and manage capital commitments for all Australian operations, while retaining a valuable acreage position

New Standard has succeeded in enhancing its Eagle Ford Project profile with an independent reserves report significantly upgrading the Company's reserves base, in turn driving overall acreage value. The Company has also successfully completed the farm-out of 35% of its interest in PEL 570 in the Cooper Basin to Santos which has substantially reduced its capital commitments there in addition to engaging Miro Advisors to assist with the farm-out of its Western Australian interests.

Portfolio and activities overview

Atascosa Project, Eagle Ford, Texas, USA

The Atascosa Project has continued to be the core focus for New Standard's operational activity during the quarter. New Standard's strategy to increase its reserves base and in turn increase its overall Eagle Ford acreage value was aided by positive results from the Peeler Ranch-5H and 6H (**Peeler Ranch wells**) drilled earlier this year and their contribution to the upgraded reserves report announced to the market on October 28, 2014. These wells contributed to an 83 per cent increase in net 2P reserves to 4.89 million BOE.

The Company is well positioned to continue on the success from Peeler Ranch-5H and 6H with the upcoming Eagle Ford drilling program, which is focused on development drilling to mature the reserves profile across the broader extent of the Company's acreage, adding project value.



The upgraded independent reserves report from Netherland, Sewell & Associates Inc (**NSAI**) increased 1P, 2P and 3P reserves by 133 per cent, 83 per cent and 33 per cent respectively. Details of the new reserve figures are outlined below.

Category	Net Reserves				Future Net Revenue (million US\$)		Future Net Revenue (million A\$)
	Oil (MBBL)	NGL (MBBL)	Gas (MMCF)	BOE (MBBL)	Total	Present Value at 10%	Present Value at 10%
Total Proved (1P)	2652.9	466.7	2764.9	3580.4	70.01	27.13	30.83
Proved + Probable (2P)	3612.2	644.1	3817.1	4892.4	138.51	63.62	72.30
Proved + Probable + Possible (3P)	13332.2	703.8	14487.2	16450.4	473.08	130.64	148.45

Numbers expressed in US\$ have been converted to A\$ at foreign exchange rate A\$1.00:US\$0.88

*1 MBBL = 1,000 barrels (1 MBBL = 1,000 BOE)
1 MMCF = 1 million cubic feet (6 MMCF = 1,000 BOE)*

Oil and NGL prices are based on a NYMEX West Texas Intermediate price of \$87.00 per barrel and are adjusted for quality, transportation fees, and regional price differentials. Gas prices are based on a NYMEX Henry Hub price of \$3.66 per MMBTU and are adjusted for energy content, transportation fees, and regional price differentials.

Operating costs used in this report are based on operating expense records of NSE, the operator of the properties.

Totals may not add because of rounding

The updated Reserve Estimates provided by NSAI are summarised below and reflect net reserves based on working interest positions on an after royalties basis:

	1P ('000 BOE)	2P ('000 BOE)	3P ('000 BOE)
January 2014	1,535	2,677	12,390
September 2014*	3,580	4,892	16,450
Increase	133%	83%	33%

**Net Reserve Estimates as at 30 September 2014*

Drilling activity has recommenced at the Atascosa Project since the end of the quarter, with Peeler Ranch-7H spudded on 25 October. The Lagunillas Camp-3H well in the Allright Project area will be drilled immediately after Peeler Ranch-7H. These two wells will be drilled this year with the fracture stimulations and completions carried out in February 2015, thus pushing the majority of the well expenditure to the end of



Q1 2015. The Allright Project area has limited reserves recognition so will be a focus of New Standard's future development drilling program, as it will maximise further reserves uplift.

New Standard has been working closely with Magnum Hunter Resources Corporation (**Magnum Hunter, NYSE: MHR**) to significantly reduce drilling costs.

Total costs for the recent Peeler Ranch wells, including all site preparations, drilling and completion costs, came in under US\$6.5 million per well. This compares to costs of US\$8.5m for identical wells drilled last year, with these reductions significantly enhancing the internal rate of return for the wells. It is a trend the Company will continue to progress in order to add additional value to the overall project.

Detailed analysis of multiple analogous wells, all within a few kilometres or contiguous to New Standard's acreage, indicates that recent wells with longer laterals and that were hydraulically fractured using much higher proppant concentrations were recording significantly higher initial and sustained oil flow rates defined as Type III EF, versus previous similar wells with lower proppant concentrations defined as Type II EF (see Figure 1 below).

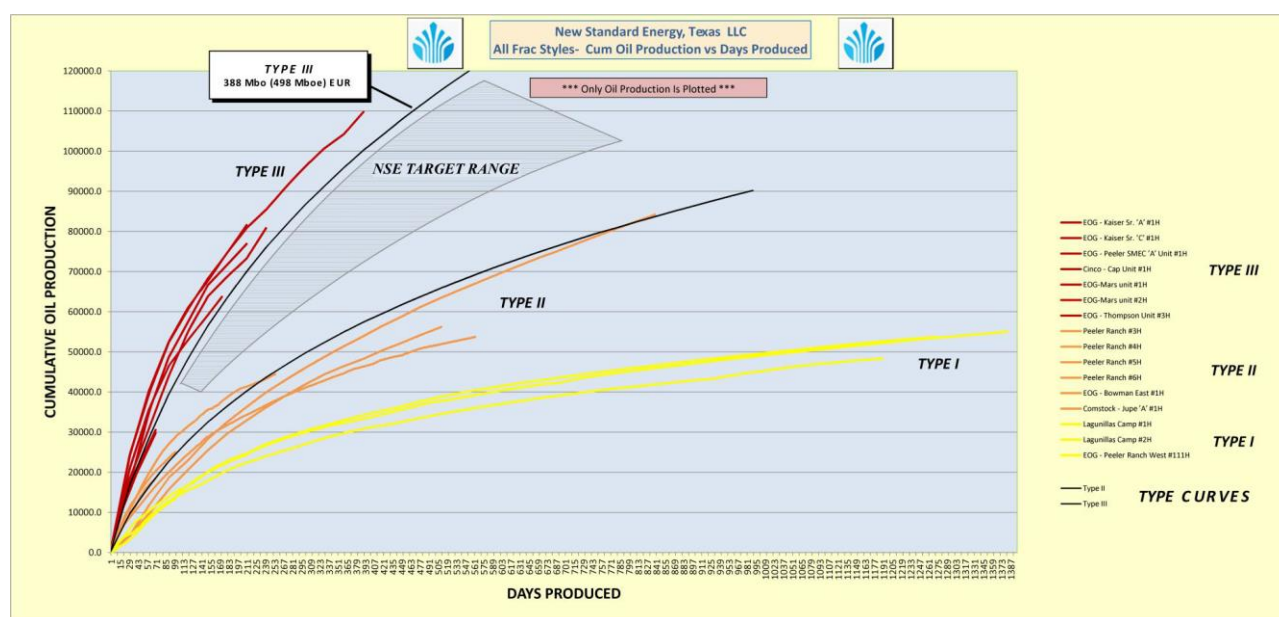


Figure 1: Cumulative oil production Atascosa County wells – evolution of fracturing types

The cost of Type III wells can be 10-15% higher but production rates increase dramatically with 35-40% higher EUR's and much greater Internal Rates of Return (IRR). As a result, payback on the capital cost of these wells becomes much shorter. Importantly, based on the review undertaken, the rate of production decline was unaffected by the initial higher production levels, so cumulative production was considerably higher. New Standard will be utilising Type III drilling, fracturing and completions in the current and future wells.

In addition the closing of substantial asset level transactions in the immediate vicinity of New Standard's acreage provide strong validation of the potential value of the Atascosa Project.



PEL 570 Project, Cooper Basin, South Australia

The PEL 570 Project in the Cooper Basin, South Australia continues to develop as an important value driver within New Standard's portfolio.

In complete alignment with its strategy to mitigate capital commitment and risk within its Australian portfolio, New Standard reached agreement to divest a portion of its interest in PEL 570 to Santos, thus significantly reducing its exploration expenditure commitments while retaining exposure to the development of the large and prospective permit. Santos farmed into New Standard's share of PEL570 and took over the operatorship to create a powerful team of Santos, Drillsearch and New Standard, to be supported on the technical side by New Standard's partner and largest shareholder Magnum Hunter Resources.

New Standard will retain a 17.5 per cent working interest in PEL 570 in return for a cash consideration of \$7.5 million coupled with a commitment from Santos to meet 75 per cent of New Standard's remaining expenditure commitments associated with its \$42.5 million earn-in obligations - of which approximately \$0.3 million has been spent to date.

Assuming the earn-in obligations are fully met, the total benefit to New Standard will be \$39.15 million. Operatorship has been transferred to Santos.

The transaction has completed having met all statutory and regulatory government approvals and the following permit interests are now held in PEL 570:

Party name	Pre deal PEL 570 equity	Post deal PEL 570 equity
New Standard Energy	52.5%*	17.5%
Drillsearch Energy (Ambassador)	47.5%	47.5%
Santos Ltd	nil	35%*

**Operated interest*

In addition, New Standard also received approvals for amendments to its five year work program in PEL 570 in late July due to the uncertainty surrounding the ownership of the Company's joint venture partner Ambassador Oil and Gas Limited (**ASX: AQO, Ambassador**) which was the subject of two competing takeover offers.

The takeover offer has since been finalised, with Drillsearch successfully acquiring 100 per cent of Ambassador and in the process becoming a joint venture partner in PEL 570.

New Standard's application to the State regulator, the Department of State Development, for variations to the work program during the quarter was successful in achieving the following:

1. suspension of all work commitments in its five year work program at PEL 570 for six months; and



2. deferral of the requirement to undertake a seismic program from Year One to Year Two of the work program, which moved the target completion date for the seismic survey back 18 months from September 2014 to March 2016.

Santos has assumed operatorship of the permit following completion of the farm-out transaction but has also indicated that a collaborative approach will be pursued in relation to technical and operational input from New Standard's partner and major shareholder, Magnum Hunter, as the program evolves. New Standard and Santos both believe that over time Magnum Hunter's participation will inject invaluable and world class technical knowledge and resources to ensure the Patchawarra Trough is explored and appraised in conjunction with a world leader in global shale plays.

Western Australian Projects

New Standard has engaged Miro Advisors (**Miro**) to commence a formal process for the farm-out of its Western Australian exploration acreage in line with its strategy to eliminate major capital commitment and focus its efforts on growing the value of its Eagle Ford acreage.

Included in the farm-out process is the Merlinleigh Project, located in the onshore Carnarvon Basin, the Laurel Project and the Southern Canning Project (**SCP**), located in the Canning Basin.

The inclusion of the SCP in the farm-out process was enabled after New Standard negotiated agreement with its Southern Canning Joint Venture (**SCJV**) partners ConocoPhillips and PetroChina to resume 100 per cent ownership of the SCP.

The restructure removes the requirement for New Standard to spend more than \$10 million to drill a third well to complete Phase 1 of the SCJV agreement with ConocoPhillips and PetroChina. The terms of the restructure also stipulate that no claims will be made by the SCJV partners for any monies spent to date or any outstanding work that is yet to be performed pursuant to the Farm-Out Agreement.

The farm-out offers potential farm-in parties significant exposure to large permit areas totaling 15.6 million acres (63,400km²) in three prospective basins and sub-basins. New Standard will be seeking partners to fund the next stages of exploration in each of our projects so that New Standard has no significant funding commitments in these projects.

New Standard continues to work closely alongside the Department of Mines and Petroleum to manage its commitments and maintain its permits in all areas.

Corporate and financial review

The Company ended the quarter with a cash position of approximately A\$3.35 million with sales revenue net of royalties from its US operations amounting to A\$3.95 million for the quarter. This cash position has been further supplemented by an additional A\$7.5m received from Santos upon closing the PEL 570 farm-out transaction.

Following the independent reserves upgrade by NSAI, New Standard has the approved capacity to make additional draws from its debt facility with Credit Suisse as and when required to support the cost of the recently commenced drilling program at the Atascosa County Project in the US. The two well drilling campaign will be funded by a combination of cashflow from producing wells, an additional debt draw down,



existing capital and cash receipts from the farm-out of PEL 570 to Santos with the bulk of the expenditure associated with the current drilling program not anticipated to be incurred until late in Q1, 2015.

New Standard is prudently managing its capital and upcoming commitments to ensure the most efficient use of company funds and to keep debt as low as possible. In line with the target of mitigating capital commitments in Australia, New Standard expects minimal expenditure with respect to its West Australian and South Australian assets for the coming quarter.

In addition to the corporate transactions during the quarter, New Standard has also completed a major restructure of the Australian business to significantly reduce overheads and align resources with the new business direction. This restructure has seen a reduction of more than 60% of staff in order to keep costs and overheads down and in line with the US focused strategy a continued focus on cost cutting measures will be maintained moving forward. Overheads for the quarter included restructuring costs and redundancies and a significant reduction will be seen in the next quarter. Also interest and financing costs for the quarter included the set-up costs and legal fees for the US\$45 million Credit Suisse debt facility.

- ENDS -

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About New Standard: New Standard Energy is an onshore hydrocarbon producer, developer and explorer with a commitment to develop and realise the oil and gas potential of the most prospective shale and tight gas basins across the US and Australia.

The Company's exploration and production program is active, well-funded and extensive. It is underpinned and complemented by targeted corporate activity to take advantage of opportunities and to build an extensive pipeline of prospective projects. New Standard's Board has substantial technical and commercial experience in the oil and gas sector.

The Company operates in four primary basins: Eagle Ford, Texas, USA; Cooper, South Australia; and the Canning and Carnarvon, Western Australia.

The Eagle Ford acreage is a development and production project. It contains seven existing production wells, in the oil window of the Eagle Ford shale, which are currently producing and generating revenue that provides monthly cash flow to the Company. New Standard is currently drilling and evaluating additional wells.

The Cooper Basin Project is later stage exploration and development, to take advantage of existing infrastructure and the domestic and export opportunities available in the Australian East Coast gas market.

The Canning and Carnarvon Projects are frontier basins, providing New Standard's investors with exposure to high risk, high reward exploration.

New Standard benefits from a strategic alliance with its major shareholder, the US-based Magnum Hunter Resources Corporation, to efficiently develop the Atascosa Project in the Eagle Ford; to develop the Cooper Basin; and to explore in the Canning and Carnarvon Basins. The Company's portfolio includes:

Texas

- Working interests ranging from 35.4% to 100% Working Interest across 5,585 net acres in the Eagle Ford shale, onshore Texas, USA
- 32.5% working interest in the Colorado County Project, onshore Texas, USA

South Australia

- 17.5% operated interest in the PEL 570 acreage area in the Cooper Basin, South Australia

Western Australia

- 100% operated interest in the Southern Canning Project (EPs 443, 450, 451, 456), Canning Basin, Western Australia
- 100% operated interest in the Southern Canning Project (application areas STP-EPA-006, STP-EPA-007 and STP-EPA-010), Canning Basin, Western Australia
- 100% operated interest in the Laurel Project (EP 417 and Exploration Permit Application STP-EPA-0109), Canning Basin, Western Australia
- 100% operated interest in the Merlinleigh Project (EPs 481 and 482), onshore Carnarvon Basin, Western Australia
- 100% operated interest in application area STP-EPA-0092

In addition to the above portfolio, New Standard has an 11.8% equity interest in ASX listed Elixir Petroleum (**ASX: EXR**) and has formed a strategic alliance with Magnum Hunter Resources Corporation (**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")

30 September 2014

Consolidated statement of cash flows

	Current quarter \$A'ooo	Year to date (3 months) \$A'ooo
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	3,946	3,946
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(215) (4,086) (1,244) (1,750)	(215) (4,086) (1,244) (1,750)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	24	24
1.5 Interest and other costs of finance paid	(803)	(803)
1.6 Income taxes paid	-	-
1.7 Other	-	-
Net Operating Cash Flows	(4,128)	(4,128)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	(2,138) - -	(2,138) - -
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	(2,138)	(2,138)
1.13 Total operating and investing cash flows (carried forward)	(6,266)	(6,266)

+ 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)	(6,266)	(6,266)
	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)	(19)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	(19)	(19)
	Net increase (decrease) in cash held	(6,285)	(6,285)
1.20	Cash at beginning of quarter/year to date	9,069	9,069
1.21	Exchange rate adjustments to item 1.20	568	568
1.22	Cash at end of quarter	3,353	3,353

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	218
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions	
	Directors fees and salaries	

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

- 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

+ See chapter 19 for defined terms.

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 45,000,000	USD 9,000,000
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	500
4.2 Development	2,500
4.3 Production	(1000)
4.4 Administration (net of recharges)	1,200
Total	3,200

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	3,177	8,843
5.2 Deposits at call	176	226
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	3,353	9,069

+ 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	McCarty Prospect, Atascosa Country, Texas, USA	30.0%	80.0%

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 (description)	N/A		
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions			
7.3	+Ordinary securities	386,169,603	386,169,603	
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	- -	- -	
7.5	+Convertible debt securities (description)	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	
	150,000	-	81.0c	24 April 2015	
	150,000	-	90.5c	24 April 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	
	100,000	-	51.9c	13 February 2017	
	100,000	-	58.1c	13 February 2017	
	75,000	-	22.4c	27 May 2017	
	75,000	-	24.8c	27 May 2017	
	500,000	-	16.7c	05 August 2017	
	500,000	-	18.7c	05 August 2017	
7.8	Issued during quarter	500,000	-	16.7c	05 August 2017
		500,000	-	18.7c	05 August 2017
7.9	Exercised during quarter	-	-	-	-
7.10	Expired/lapsed during quarter	375,000	-	74.5c	10 August 2015
		375,000	-	83.5c	10 August 2015
7.11	Retention Rights			<i>Issue price</i>	<i>Measurement date</i>
	138,000	-	49.97c	14 September 2015	
	725,000	-	16.89c	14 September 2016	
7.12	Issued during quarter	-	-	-	-
7.13	Vested during quarter	-	-	-	-
7.14	Expired/lapsed during quarter	74,000	-	49.97c	14 September 2015
		155,000	-	16.89c	14 September 2016
7.15	Performance Rights			<i>Issue price</i>	<i>Measurement date</i>
	552,000	-	49.97c	14 September 2015	
	4,500,000	-	16.89c	14 September 2016	
7.16	Issued during quarter	-	-	-	-
7.17	Vested during quarter	-	-	-	-
7.18	Expired/lapsed during quarter	296,000	-	49.97c	14 September 2015
		620,000	-	16.89c	14 September 2016
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 October 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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