

# Quarterly Activities Report

For the period ended 31 December 2014



NEW STANDARD  
ENERGY

Date: 30 January 2015

## Summary

### Atascosa Project, Texas, US

- Production for the quarter averaged 400 barrels of oil equivalent per day (**Boepd**) across seven wells
- Limiting impact of recent declines in global oil prices through capital management and hedging program
  - Put options cover 80 per cent of current production until November 2016 and provide a weighted average minimum price of US\$78/barrel.
- Completed drilling activities at Peeler Ranch-7H and Lagunillas Camp-3H on time and within budget
  - Wells currently awaiting hydraulic fracture stimulation
- Working with landowners to restructure retention commitments to defer operations where possible

### Cooper Basin (PEL 570), 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 per cent working interest and Santos has become operator

### Western Australian assets

- Miro Advisors commenced a formal process for the farm-out of all Western Australian exploration acreage

### Corporate

- Cash position of \$7.4 million at 31 December 2014
- Ongoing focus on expenditure management and overhead reduction

## Overview

New Standard's December quarter activities were focused on the management of its commitments in a declining oil price environment, while judiciously advancing the Company's development and production portfolio in its Atascosa Project. A targeted two well drilling campaign was successfully completed ahead of schedule and within budget expectations. Hydraulic fracturing of the two wells is planned to commence late in the first quarter of 2015. Hydraulic fracturing operations are being delayed as far as possible to minimise new production in the current low oil price environment and to manage New Standard's capital commitments, while protecting our leases in line with minimum commitment requirements.

The Company has been focused on the ongoing prudent management of its capital and has executed a range of internal initiatives to retain a sound financial position with a continued focus on overhead and cost reduction.



## Portfolio and activities overview

### **Atascosa Project, Eagle Ford, Texas, USA**

The Company's Atascosa Project has continued to be the focus for its operational activity during the quarter. New Standard added to its existing Eagle Ford well portfolio with an additional two wells, Peeler Ranch-7H and Lagunillas Camp-3H, taking the total wells on the acreage to nine (seven are in production). Production from the seven wells averaged 400 Boepd during the quarter with a significant proportion of that hedged at prices well above the current market price.

Peeler Ranch-7H was completed on 12 November and reached a total depth (**TD**) of 4,603 metres with a total vertical depth (**TVD**) of 2,950 metres. Lagunillas Camp-3H was completed on Wednesday 10 December reaching a TD of 4,312 metres with TVD of 2,593 metres. The laterals for both wells were successfully drilled centrally within the target zones. The wells were drilled much quicker than planned which resulted in actual costs being lower than planned.

Both wells were drilled and designed to be completed as Type III wells, which are based on attractive offset wells by other operators that use longer laterals and higher proppant concentrations during hydraulic fracture stimulation to target significant increases in Initial Production rates and Estimated Ultimate Recovery.

At this stage, preliminary plans indicate the Peeler Ranch-7H will undergo 21-22 frac stages while the Lagunillas Camp-3H will undergo 23-24 frac stages.

As previously advised, in response to the decline in global oil prices hydraulic fracturing operations have been intentionally delayed, and are now scheduled to commence late in first quarter 2015. Hydraulic fracturing and completion costs for wells have fallen dramatically over recent months and continue to fall, with reductions as much as 25-40 per cent, and where possible the Company will be taking advantage of these reductions.

Discussions and negotiations with lease holders remain ongoing as part of the Company's focus of deferring and managing work commitments where appropriate.

### **PEL 570 Project, Cooper Basin, South Australia**

During the quarter, New Standard reached agreement to divest a portion of its interest in PEL 570 to Santos and successfully closed the transaction. The divestment significantly reduces the Company's exploration expenditure commitments while retaining exposure to the development of the large and prospective permit.

New Standard retained a 17.5 per cent working interest in PEL 570 in return for the cash consideration of \$7.5 million, with Santos committing to 75 per cent of the remaining New Standard earn-in obligations of \$42.2 million. This left New Standard with an effective net commitment, allowing for the cash consideration received, of around \$3.05 million, while retaining a meaningful 17.5 per cent working interest in this highly prospective permit.



The transaction completed during the period 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 Ltd	52.5%*	17.5%
Drillsearch Energy Ltd	47.5%	47.5%
Santos Ltd	nil	35%*

\*Operated interest

### Western Australian Projects

Miro Advisors commenced a formal process for the farm-out of the Company's Western Australian exploration acreage. The decision is in line with its strategy to eliminate major capital commitments and focus its primary efforts on growing the value of the remainder of its portfolio.

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

The farm-out offers potential farm-in parties significant exposure to large permit areas totalling 15.6 million acres (63,400km<sup>2</sup>) in three prospective basins and sub-basins. New Standard is 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.

The farm-out process is proceeding and a number of parties remain actively engaged in that process.

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

## Corporate and financial review

### Financial position

The Company ended the quarter with a cash position of approximately \$7.4 million. Sales revenue net of royalties from the US operations for the quarter was \$1.6 million. Further supplementing this cash position, subsequent to the end of the quarter New Standard received a Research and Development Tax Incentive refund of \$1.9 million relating to the 2013/14 financial year.

During the quarter the Company successfully applied for the trading of its securities to commence on the OTCQX market under the ticker code NWSTF.



The Company continues to prudently look at all options and opportunities to develop and manage its program and assets, particularly in the current challenging global environment, including discussions around partnerships, JV's and asset acquisitions, sales or swaps.

New Standard's lenders have made available additional debt funding for operational needs in the current quarter if required and the Company's hedging position on existing production is assisting protection of revenue in the current low oil price environment.

**- 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 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, USA**

##### **Atascosa Project**

- Operated working interests ranging from 35.4% to 100% across 5,585 net acres in the Eagle Ford shale, onshore Texas

##### **Colorado Project**

- 32.5% non-operated working interest, Colorado County, onshore Texas

#### **South Australia**

##### **Cooper Basin Project**

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

#### **Western Australia**

##### **Southern Canning Project**

- 100% operated interest in exploration permits (EPs 443, 450, 451, 456), Southern Canning Basin, Western Australia
- 100% operated interest in exploration permit application areas (STP-EPA-006, STP-EPA-007 and STP-EPA-010), Southern Canning Basin, Western Australia

##### **Laurel Project**

- 100% operated interest in exploration permit EP 417, Northern Canning Basin, Western Australia
- 100% operated interest in exploration permit application areas (STP-EPA-0092 and STP-EPA-0109), Northern Canning Basin, Western Australia

##### **Merlinleigh Project**

- 100% operated interest in exploration permits (EPs 481 and 482), onshore Carnarvon Basin, Western Australia

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

<b>NEW STANDARD ENERGY LIMITED</b>
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ABN

<b>20 119 323 385</b>
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Quarter ended ("current quarter")

<b>31 December 2014</b>
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### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	1,602	5,548
1.2 Payments for (a) exploration & evaluation	(525)	(740)
(b) development	(2,465)	(6,551)
(c) production	(1,475)	(2,718)
(d) administration	(1,690)	(3,440)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	26	50
1.5 Interest and other costs of finance paid	(414)	(1,218)
1.6 Income taxes paid	-	-
1.7 Other	-	-
<b>Net Operating Cash Flows</b>	<b>(4,941)</b>	<b>(9,069)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	(1,024)	(3,162)
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a) prospects	6,696	6,696
(b) equity investments	-	-
(c) other fixed assets	50	50
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	(281)	(281)
<b>Net investing cash flows</b>	<b>5,441</b>	<b>3,303</b>
1.13 Total operating and investing cash flows (carried forward)	500	(5,766)

+ 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)	500	(5,766)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	3,628	3,628
1.17	Repayment of borrowings	(112)	(131)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	<b>Net financing cash flows</b>	<b>3,516</b>	<b>3,497</b>
	<b>Net increase (decrease) in cash held</b>	<b>4,016</b>	<b>(2,269)</b>
1.20	Cash at beginning of quarter/year to date	3,353	9,069
1.21	Exchange rate adjustments to item 1.20	11	580
1.22	<b>Cash at end of quarter</b>	<b>7,380</b>	<b>7,380</b>

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

		Current quarter \$A'ooo
1.23	Aggregate amount of payments to the parties included in item 1.2	366
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	USD 12,212
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	(1,600)*
4.2 Development	6,800
4.3 Production	(350)
4.4 Administration (net of recharges)	1,000
<b>Total</b>	<b>5,850</b>

\*Inclusive of \$1,900,000 R&D claim

### 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	4,703	3,177
5.2 Deposits at call	2,677	176
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>7,380</b>	<b>3,353</b>

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+ 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 PEL 570 Cooper Basin South Australia	Farm-out in accordance with ASX announcement dated 23 <sup>rd</sup> October 2014	52.5%	17.5%
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	<b>Preference + securities</b> (description)	N/A		
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions			
7.3	<b>+Ordinary securities</b>	<b>386,169,603</b>	<b>386,169,603</b>	
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	- -	- -	
7.5	<b>+Convertible debt securities</b> (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	<b>Options</b> (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
	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				
7.9	Exercised during quarter				
7.10	Expired/lapsed during quarter	6,250,000 3,750,000	- -	38.5c 43.0c	20 December 2014 20 December 2014
7.11	<b>Retention Rights</b>			<i>Issue price</i>	<i>Measurement date</i>
	138,000	-		49.97c	14 September 2015
	725,000	-		16.89c	14 September 2016
	890,000	-		15.90c	14 September 2017
7.12	Issued during quarter	890,000	-	15.90c	14 September 2017
7.13	Vested during quarter	-	-	-	-
7.14	Expired/lapsed during quarter				
7.15	<b>Performance Rights</b>			<i>Issue price</i>	<i>Measurement date</i>
	552,000	-		49.97c	14 September 2015
	4,500,000	-		16.89c	14 September 2016
	7,860,000	-		15.90c	14 September 2017
7.16	Issued during quarter	7,860,000	-	15.90c	14 September 2017
7.17	Vested during quarter	-	-	-	-
7.18	Expired/lapsed during quarter				
7.19	<b>Debentures</b> (totals only)	-	-		
7.20	<b>Unsecured notes</b> (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  
30 January 2015

## 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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