
ASX Announcement (ASX: NSE) (OTCQX: NWSTF)



NEW STANDARD
ENERGY

Date: 29 June 2015

Sale of US and Cooper Basin assets

New Standard Energy Limited (**New Standard** or **Company**) is pleased to announce that it has reached agreement with Sundance Energy Ltd (**ASX:SEA, Sundance**) for the sale to Sundance of New Standard's United States and Cooper Basin assets for total consideration of approximately A\$24M.

Under the Share and Asset Sale Agreement ("**Agreement**") signed with Sundance, Sundance will directly acquire New Standard's Colorado County Project in the US and will indirectly acquire its Atascosa Project and interest in Cooper Basin permit PEL 570 through the purchase of New Standard's relevant subsidiaries, inclusive of their associated assets and liabilities.

The transaction will eliminate all New Standard debt and provide sufficient ongoing liquidity to allow the Company to explore options for future development of its Western Australian onshore assets.

In conjunction with this transaction, Sundance will also immediately purchase the Company's shareholding in Elixir Petroleum Ltd (**ASX: EXR**) for approximately \$243,000. This purchase is not subject to completion of the wider transaction for the United States and Cooper Basin subsidiaries and will settle within three days.

Under the Agreement, Sundance will assume 100 per cent ownership of:

- New Standard Energy Texas LLC (a wholly owned subsidiary which holds New Standard's Atascosa Project and associated liabilities);
- the Company's working interest in the Colorado County assets; and
- New Standard Energy PEL 570 Pty Ltd (a wholly owned subsidiary which holds New Standard's 17.5 per cent share of the PEL 570 permit in the Cooper Basin).

In return, Sundance will assume all debt and liabilities associated with the Atascosa Project of approximately US\$16 million (A\$20.72m equivalent) and all forward obligations associated with PEL 570, and will issue to New Standard six million Sundance shares, the majority of which will be freely tradable. Based on the 5 day VWAP of Sundance shares of 53 cents on 25th June, 2015, the scrip component of the consideration is valued at A\$3.18 million. In total, the scrip plus debt and liability assumption equates to approximately A\$24 million as total transaction consideration.

The Agreement contains various conditions that are normal for this type of transaction, including further due diligence to be completed by Sundance within 21 days of execution and New Standard shareholder approval. A portion of the Sundance shares will be escrowed to cover any material defects identified in the due diligence investigations (of which nothing material has been identified to date) and to meet potential warranty claims post-completion (6 month maximum period).

New Standard's Board has assessed and recommended shareholder approval of the transaction based on:

- The inability of operators with insufficient scale and balance sheet strength to grow their business in the current global oil climate
- An assessment of New Standard's US commitments, estimated future cashflow and ability to service its debt if the offer is not accepted



- The strong desire expressed by its current lenders in relation to recouping their debt position in the short term
- The inability to raise equity at current levels without causing massive dilution to existing New Standard shareholders
- The value of the transaction compared to the value of other conditional offers New Standard has received for its assets after an extensive sales process over the past six months
- The ability to eliminate all of the Company's US debt and creditors
- The ability to remove all parent company guarantees and provide certainty for ongoing equity investors

New Standard will seek shareholder approval to the transaction at a meeting to be held in late July 2015. Board members have agreed to vote their shareholdings in favour of the transaction, which requires simple majority approval from shareholders who vote.

Agreement has also been reached with Credit Suisse to continue funding the Company (to the extent required) through to completion of the transaction.

New Standard Energy Chairman Arthur Dixon said the Company's growth plans and focus on the US have clearly been impacted by the speed and intensity of the collapse in global oil prices which has affected companies of all sizes across all continents.

"The Board recognised the significance of the changed commercial environment and late in 2014 initiated an extensive and intense process to seek and evaluate corporate transactions, joint ventures and asset sales or swaps for all of the Company's assets. In tandem, we slashed our corporate costs and sought out corporate and asset opportunities that would enable New Standard to completely unwind our debt position and future liabilities, while providing some capital to sustain the company and retain its remaining asset portfolio," Mr Dixon said.

"This transaction with Sundance best meets those objectives.

"The transaction endorses the quality of the assets we have been pursuing, however timing and market forces have unfortunately conspired against us and we have to consider our current and future capital position. Any additional work would require access to additional debt or equity funding to drill and fracture stimulate more wells to retain our acreage and grow our reserves base, which is prohibitive in light of our current debt facility, lender appetite and broader equity market for small oil and gas explorers and developers.

"The scrip component of this transaction does provide our shareholders with ongoing upside exposure to the US assets, but as part of a much broader and more mature portfolio that Sundance has developed. Sundance is significantly better positioned with strength of balance sheet and ability to operate, and our shareholding in it will provide exposure to their ongoing operating success alongside any uptick that may occur in the macro climate.

"Given our current debt size, repayment schedule and an upcoming reserves recertification, the ability to access additional capital and continue as a going concern is uncertain at best. Therefore extinguishing our debt and extracting some value for our US and Cooper Basin assets is the best option available and will provide access to sufficient liquidity to allow us to assess the best options to progress our Western Australian assets."



Upon successful completion of the transaction, New Standard intends to continue its ongoing discussions with other parties to seek funding and a suitable partner for the Company in its strategy to unlock the potential value in the onshore Canning and Carnarvon Basins, through its Southern Canning, Laurel and Merlinleigh Projects. New Standard remains a 100 per cent shareholder in all three projects, providing it with a significant footprint in two prospective onshore basins and substantial equity to underpin additional corporate activity.

In addition, following completion a strategic review will be undertaken by the Company to thoroughly assess the status of the remaining portfolio, the energy market outlook, the equity market for small oil and gas explorers and the best path for rebuilding shareholder wealth.

New Standard will provide a timetable of transaction milestones, including the date for a meeting for shareholders to consider the transaction, in a future announcement.

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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.

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**).