



NEW STANDARD
ENERGY

10 October 2019

Dale Allen
ASX Limited
Level 40, Central Park
152 – 158 St Georges Terrace
PERTH WA 6000

By email only: ListingsCompliancePerth@asx.com.au

Dear Dale,

New Standard Energy Limited (Company or NSE)

We refer to your letter dated 3 October 2019 regarding the Company's condition in light of the qualified opinion contained in the Independent Auditor's Report of the 2019 Annual Report.

We respond to each of your questions as follows:

1. Is NSE able to confirm that in the Directors' Opinion the Annual Report:
(a) complies with the relevant Accounting Standards; and
(b) give a true and fair view of NSE's financial performance and position?

Having considered the question from ASX, the Directors are of the opinion that the Annual Report complies with the relevant Accounting Standards and give a true and fair view of the financial performance and financial position of the Company as at the date of the Annual Report.

2. Given the qualified opinion cites the Company as having received directions from DMIR to rehabilitate exploration permit areas by 30 November 2019 and 15 August 2020, please explain how the directors satisfied themselves that it is appropriate for the Company not to recognise a liability in respect of these obligation?

The Board is aware that the DMIR has indicated that the Company has rehabilitation obligations. The Board determined that site visits to all permits must be completed prior to obtaining a reliable estimate of the rehabilitation liability. The Company considers that the wells on the permits may have aged with time and the disturbance area may have changed.

It is the Board's position that the Company cannot recognise a liability on the rehabilitation provision until the site visits have been completed. The Company will recognise the rehabilitation liability once the site visits have been completed and accurate and reliable quotes have been received.

The Company's technical team, with over 30 years' of relevant and direct experience worldwide, believe that the activities required to rehabilitate the wells may be different to the proposed historical information available and therefore estimations and quotes based on historical information only will be inaccurate.

The Company has received quotes from contractors based on the historical information and has approached industry consultants to estimate the rehabilitation costs however the quotes received have been inconclusive.

The planned site visits are scheduled in November 2019 which is in line with the rehabilitation plan submitted to DMIRS.



3. On what date did NSE receive directions from DMIRS to rehabilitate its exploration permit areas referred to in Note 24 of the Annual Report?

The table below shows the date on which NSE received the directions from DMIRS.

Date direction received from DMIRS	Permits	Wells	Rehabilitation due date
3 Sep 2018	EP 450	Woodward 1 & Gibb Maitland 1	30 Nov 2019
3 Sep 2018	EP 451	Blatchford 1	30 Nov 2019
3 Sep 2018	EP 456	Nicolay 1	30 Nov 2019
6 Aug 2018	EP 481	Condon 1	15 Aug 2020

The Company has remained in continued communication with DMIRS in relation to these rehabilitation obligations to determine the full extent of those obligations

4. When does NSE expect to receive the estimates cited at Note 24 of the Annual Report for the rehabilitation work to be completed?

The Company plans to send a technical group to visit the permits in November 2019 and draft a final rehabilitation plan in November 2019. The Company anticipates receiving final quotes from rehabilitation contractors during November 2019.

5. What steps has NSE taken since the release of the Annual Report to obtain an unqualified opinion with regards to its future financial statements?

Prior to, and subsequent to lodgment of the Annual Report with ASX the Company contacted several technical consultants requesting their participation in site visits to each of the wells to assess the actual rehabilitation requirements.

The Company continues to engage with DMIRS and will request for a meeting on extending the rehabilitation due date and work together with DMIRS to ensure the rehabilitation is completed.

6. What steps does NSE intend to take to obtain an unqualified audit opinion with regards to its future financial statements?

The Company intends to work with its auditor to obtain an unqualified audit/review report for future financial periods, by taking steps to implement the auditor's recommendation in relation to the rehabilitation of the Company's existing permits.

In particular, the Company intends to include a rehabilitation liability in the 31 December 2019 half year review.

In addition, the Company continues to use its best endeavor to secure funding for the future rehabilitation activities and working capital



7. Does NSE consider that its level of operations is sufficient to warrant continued quotation of its securities on ASX as required under listing rule 12.1? In answering this question, please explain the basis for this conclusion. In answering this question, please comment on the nature of the NSE's current business activities.

The Board notes that the basis for the qualified opinion is limited to the rehabilitation liability and not the operations of the Company.

No other aspect of the Company's financial statement for 2019 Annual Report was queried by the auditors.

NSE has been making progress on securing a cashflow positive project. Discussions are underway however it has not reached a stage where it is of sufficient certainty to be disclosed to ASX. The Company has also secured funding from new investors during the past 2 years who believe in the future of the Company, and being listed on ASX is an important part of NSE's strategy to attract funding and securing new projects.

The Board firmly believe that the level of NSE's operations is sufficient to warrant continued quotation on ASX.

8. Does NSE consider that the financial condition of NSE is sufficient to warrant continued listing on ASX as required under Listing Rule 12.2? In answering this question, please also explain the basis for this conclusion.

Yes. The Company has completed a capital raising via a placement to sophisticated investor in May 2019 and has the proven ability to raise capital as and when required.

9. If the answer to questions 7 or 8 is "No", please explain what steps NSE has taken, or proposes to take, to warrant continued listing on ASX under the requirements of Listing Rules 12.1 and 12.2.

Not applicable.

10. In relation to the Annual Report did the Board receive the Managing Director Declaration, as described in NSE's Corporate Governance Disclosure, that in the opinion of the Managing Director, the financial records of NSE have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of NSE and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively?

Yes.

11. If the answer to Question 10 is 'no', why did the Board not receive the Managing Director Declaration as described in NSE's Corporate Governance Disclosures?

Not applicable.

12. What enquiries did the Board make of management to satisfy itself that the financial records of NSE have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of NSE?

The Board works closely with the Managing Director to discuss the annual report, risk framework and corporate governance matters.

In relation to the qualified opinion, the Board discussed the rehabilitation matter with the auditors. The Chairman and the Managing Director also have frequent meetings to discuss ongoing matters including the rehabilitation liability.

Considering the above, the Board adopted the financial statements as giving a true and fair view of the financial position and performance of NSE.



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13. Commenting specifically on the qualified opinion, does the board consider that NSE has a sound system of risk management and internal control which is operating effectively?

The Board considers that NSE has a sound system of risk management and internal control which is operating effectively. The systems of risk management are appropriate to an entity of NSE's size and nature.

14. Please confirm that NSE is complying with the Listing Rules and, in particular, Listing Rule 3.1.

Yes, confirmed.

15. Please confirm that NSE's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of NSE with delegated authority from the board to respond to ASX on disclosure matters.

Yes, confirmed.

Yours sincerely

Kunfang Liu
Non-Executive Chairman

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3 October 2019

Reference: 08213

Mr Ming Li
Company Secretary

By email: liming@newstandard.com.au

Dear Mr Li

New Standard Energy Limited ('NSE'): Queries regarding Accounts

ASX refers to:

- A. NSE's full year accounts for the full year ended 30 June 2019 lodged with ASX Market Announcements Platform and released on 30 September 2019 ('Annual Report').
- B. ASX notes that the Independent Auditor's Report attached to the Annual Report ('Auditor's Report') contains a qualified opinion together with the Basis for qualified opinion:

Qualified opinion

We have audited the financial report of New Standard Energy Limited ("the Company") and its subsidiaries ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, except for the effects of the matter described in the Basis for qualified opinion paragraph, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and

b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for qualified opinion

As disclosed in note 24 to the financial statements, the Group has rehabilitation obligations with respect to its historic drilling activities on EP450, EP451, EP456 and EP481. Despite the Group receiving the direction from DMIR to rehabilitate the respective exploration permit areas by November 2019 and August 2022, the Group has not recognised a liability in respect of these obligations, but has stated that the likely amount of outflow of resources is currently not clear and consequently the matter has been disclosed as a contingent liability. We were unable to obtain sufficient appropriate audit evidence to determine the amount of adjustment required to the liability balance as at 30 June 2019.

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial

Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion."

- C. NSE's Corporate Governance Statement for 2019 lodged on the ASX Market Announcements Platform on 30 September 2019 which states:

"The Managing Director has provided a declaration to the Board in accordance with section 295A of the Corporations Act and has assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial risks."

(the "Managing Director Declaration")

- D. Listing Rule 12.1 which states:

12.1 The level of an entity's operations must, in ASX's opinion, be sufficient to warrant the continued +quotation of the entity's +securities and its continued listing.

- E. Listing Rule 12.2 which states:

12.2 An entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant the continued +quotation of its +securities and its continued listing.

- F. Listing Rule 19.11A which states:

19.11A If a listing rule requires an entity to give ASX +accounts, the following rules apply.

(a) If the entity controls an entity within the meaning of section 50AA of the Corporations Act or is the holding company of an entity, required by any law, regulation, rule or accounting standard, or if ASX requires, the +accounts must be consolidated +accounts.

(b) The +accounts must be prepared to Australian accounting standards. If the entity is a +foreign entity the +accounts may be prepared to other standards agreed by ASX.

(c) If the listing rule requires audited +accounts, the audit must be conducted in accordance with Australian auditing standards by a registered company auditor. If the entity is a +foreign entity, the audit may be conducted in accordance with other standards agreed by ASX and may be conducted by an overseas equivalent of a registered company auditor.

(d) If the listing rule requires +accounts to be reviewed, the review must be conducted in accordance with Australian auditing standards. If the entity is a +foreign entity, the review may be conducted in accordance with other standards agreed by ASX. Unless the listing rule says an independent accountant may conduct the review, it must be

conducted by a registered company auditor (or, if the entity is a +foreign entity, an overseas equivalent of a registered company auditor).

- (e) *If there is a +directors' declaration that relates to the +accounts, the +directors' declaration must be given to ASX with the +accounts.*
- (f) *If there is a +directors' report that relates to the period covered by the +accounts, the +directors' report must be given to ASX with the +accounts.*

Request for Information

In light of the information contained in the Annual Report and the Auditor's Report, and the application of the Listing Rules stated above, please respond to each of the following questions:

1. Is NSE able to confirm that in the Directors' Opinion the Annual Report:
 - (a) complies with the relevant Accounting Standards; and
 - (b) give a true and fair view of NSE's financial performance and position?
2. Given the qualified opinion cites the Company as having received directions from DMIR to rehabilitate exploration permit areas by 19 November 2019 and 15 August 2020, please explain how the directors satisfied themselves that it is appropriate for the Company not to recognise a liability in respect of these obligation? In answering this question, reference should be made to the underlying assumptions used by the directors in coming to this conclusion.
3. On what date did NSE receive directions from DMIRS to rehabilitate its exploration permit areas referred to in Note 24 of the Annual Report?
4. When does NSE expect to receive the estimates cited at Note 24 of the Annual Report for the rehabilitation work to be completed?
5. What steps has NSE taken since the release of the Annual Report to obtain an unqualified opinion with regards to its future financial statements?
6. What steps does NSE intend to take to obtain an unqualified audit opinion with regards to its future financial statements?
7. Does NSE consider that its level of operations is sufficient to warrant continued quotation of its securities on ASX as required under listing rule 12.1? In answering this question, please explain the basis for this conclusion. In answering this question, please comment on the nature of the NSE's current business activities.
8. Does NSE consider that the financial condition of NSE is sufficient to warrant continued listing on ASX as required under Listing Rule 12.2? In answering this question, please also explain the basis for this conclusion.
9. If the answer to questions 7 or 8 is "No", please explain what steps NSE has taken, or proposes to take, to warrant continued listing on ASX under the requirements of Listing Rules 12.1 and 12.2.
10. In relation to the Annual Report did the Board receive the Managing Director Declaration, as described in NSE's Corporate Governance Disclosure, that in the opinion of the Managing Director, the financial records of NSE have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of NSE and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively?
11. If the answer to Question 10 is 'no', why did the Board not receive the Managing Director Declaration as described in NSE's Corporate Governance Disclosures?

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12. What enquiries did the Board make of management to satisfy itself that the financial records of NSE have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of NSE?
13. Commenting specifically on the qualified opinion, does the board consider that NSE has a sound system of risk management and internal control which is operating effectively?
14. Please confirm that NSE is complying with the Listing Rules and, in particular, Listing Rule 3.1.
15. Please confirm that NSE's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of NSE with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

Please note that ASX reserves its right under Listing Rule 18.7A to release this letter and NSE's response to the market. Accordingly, NSE's response should address each question separately and be in a format suitable for release to the market.

Unless the information is required immediately under Listing Rule 3.1, a response is requested as soon as possible and, in any event by no later than **3.00 pm AWST Wednesday, 9 October 2019**.

Any response should be sent to me by return email at ListingsCompliancePerth@asx.com.au. It should not be sent to the ASX Market Announcements Office.

Enquiries

If you have any queries regarding any of the above, please contact me.

Regards

Dale Allen
Principal Adviser, Listings Compliance (Perth)

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