NEW STANDARD ENERGY LIMITED

ACN 119 323 385

Financial Report for the Half-Year Ended
31 December 2016

www.newstandard.com.au

CORPORATE DIRECTORY

Board of Directors

Hui Song	Non-Executive Chairman
Hua Li	Managing Director
Ning Han	Non-Executive Director
Xiaofeng Liu	Non-Executive Director
Dongbo Zhang	Non-Executive Director

Company Secretary

Hua Li

Place of Business

6 Outram Street
West Perth WA 6005
Ph: +61 (8) 9481 7477
Fax: +61 (8) 9322 3366
Web: www.newstandard.com.au

Auditors

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

Legal Advisors

Murcia Pestell Hillard
Suite 183, Level 6
580 Hay Street
Perth WA 6000

Share Registry

Computershare Investor Services Pty Ltd
Level 11
172 St Georges Terrace
Perth WA 6000

ASX Code | NSE

CONTENTS

	Page
Corporate Directory	1
Directors' Report	2
Auditor's Independence Declaration	4
Directors' Declaration	5
Independent Review Report	6
Consolidated Statement of Profit or Loss and Other Comprehensive Income	8
Consolidated Statement of Financial Position	9
Consolidated Statement of Changes in Equity	10
Consolidated Statement of Cash flows	11
Notes to the Consolidated Financial Statements	12

DIRECTORS' REPORT

The Directors of New Standard Energy Ltd (**New Standard** or **Company**) submit herewith the financial report for the half-year ended 31 December 2016. In order to comply with the provisions of the *Corporations Act 2001,* the Directors' report as follows:

BOARD OF DIRECTORS

The names and details of the Directors of the Company that were in office during the period and until the date of this report are as follows:

Hui Song	(Non-Executive Chairman – appointed 12th September 2016, previously Non-Executive Director)
Hua Li	(Managing Director – appointed 12th September 2016)
Ning Han	(Non-Executive Director)
Xiaofeng Liu	(Non-Executive Director)
Dongbo Zhang	(Non-Executive Director – appointed 12th September 2016)
Phil Thick	(Non-Executive Director – resigned 23rd September 2016, previously Managing Director)
Arthur Dixon AM	(Non-Executive Chairman – resigned 12th September 2016)
Sam Willis	(Executive Director – resigned 8th August 2016)

Directors were in office for the entire period unless otherwise stated.

REVIEW OF OPERATIONS

During the period New Standard continued to review its Western Australian assets while working with the Department of Mines and Petroleum (DMP) with the aim of settling a new work program for the existing permits.

The Company is seeking to diversify its existing portfolio, both in the energy sector and in other sectors and accordingly reviewed a number of new opportunities.

Western Australian Projects

During the period New Standard continued working with the Company's new largest shareholder Huizhou Energy to complete a high level review of its Western Australian assets.

As a result New Standard has chosen not to extend or renew its Canning Basin permits, EP451 and EP 456 and these have now lapsed. New Standard has retained 100% of EP481 and EP482 in the Carnarvon Basin. These are considered to be the most prospective permits in the portfolio. New Standard has also requested Department of Mines and Petroleum (DMP) withdraw from processing four exploration permit applications previously lodged by the Company in the Canning Basin.

An assessment of the Company's rehabilitation obligations and associated costs with respect to its historic drilling activities is in progress and part of a continuing dialogue with the DMP.

CORPORATE AND FINANCE

New Standard ended the six months to 31 December 2016 with a cash position of $973,129. At the end of the period the Company held 2,128,000 shares in Sundance Energy Australia Limited (ASX: SEA), of which 1,528,000 are in escrow pending finalisation of due diligence claims. The Company has no debt.

New Standard continues to review and reduce overheads wherever possible. Directors' fees remain suspended and no Directors' fees have been paid since February 2015.

On 23 December 2016 New Standard successfully completed the fully underwritten 2-for-1 rights issue raising $0.96 million (before costs). The rights issue was fully underwritten by China International Economic Hui Zhou Energy Investment (Beijing) Co., Ltd. The funds raised are to be used for general working capital and to provide the Company with a working capital to review other opportunities available to the Company.

New Standard accepted the resignations of Non-Executive Chairman, Mr Arthur Dixon, Directors Mr Sam Willis and Mr Phil Thick. The Company also appointed Mr Song as Non-Executive Chairman, Mr Hua Li as Managing Director and Company Secretary and Mr Dongbo Zhang as Director.

New Standard has also continued to review other opportunities for the Company to recover and grow both in the oil and gas space and in other areas.

EVENTS SUBSEQUENT TO REPORTING DATE

There have been no matters or circumstances that have arisen since 31 December 2016 that may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration under s.307C of the *Corporations Act 2001* in relation to the review of the half-year is included on page 4.

Signed in accordance with a resolution of the Directors.

Hui Song
Chairman
14 March 2017

AUDITOR'S INDEPENDENCE DECLARATION

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF NEW STANDARD ENERGY LIMITED

As lead auditor for the review of New Standard Energy Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of New Standard Energy Limited and the entities it controlled during the period.

Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 14 March 2017

DIRECTORS' DECLARATION

The Directors of the Company declare that:

The financial statements and notes set out on pages 8 to 19 are in accordance with the *Corporations Act 2001* and:

(i) comply with Accounting Standard AASB 134 *Interim Financial Reporting,* Corporations Regulations 2001 and other mandatory professional reporting requirements;

(ii) give a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

(iii) in the Directors' opinion, there are reasonable grounds to believe that New Standard Energy Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed on behalf of the Directors by:

Hui Song
Chairman
14 March 2017

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of New Standard Energy Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of New Standard Energy Limited, which comprises the consolidated statement of financial position as at 31 December 2016, 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 half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of New Standard Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of New Standard Energy Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of New Standard Energy Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 1 in the financial report which describes the conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

BDO Audit (WA) Pty Ltd

BDO

J Prue

Jarrad Prue

Director

Perth, 14 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the period ended 31 December 2016

	Note	Half-year ended 31 Dec 2016 $	Half-year ended 31 Dec 2015 $
Continuing operations			
Revenue and other income		754	35,273
Depreciation expenses		(6,788)	(34,786)
Administrative expenses		(170,731)	(627,849)
Employment expenses		(81,532)	(319,007)
Share based payments		(85,307)	(159,590)
Foreign exchange loss		–	(582)
Impairment of exploration and evaluation expenditure	4	(413,080)	(89,431)
Gain/(Loss) on investment in available-for-sale		42,500	(464,536)
Fair value loss on available-for-sale financial assets		–	(847,290)
Loss before income tax expense		(714,184)	(2,507,798)
Income tax benefit		–	–
Loss after income tax for the period from continuing operations		(714,184)	(2,507,798)
Discontinued operations			
Profit from discontinued operations	13	–	3,192,790
Profit/(loss) attributable to owners of the Parent entity		(714,184)	684,992
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		–	(3,229,051)
Changes in the fair value of available-for-sale financial assets	7(a)	255,360	–
Other comprehensive income for the period		255,360	(3,229,051)
Total comprehensive loss for the period		(458,824)	(2,544,059)
Total comprehensive loss for the period is attributable to:			
Owners of the Company		(458,824)	(2,544,059)
		Cents Per Share	Cents Per Share
Loss per share for loss from continuing operations attributable to the ordinary shareholders of the Company			
Basic loss per share (cents per share)	9	(0.15)	(0.63)
Diluted loss per share (cents per share)	9	(0.15)	(0.63)
Earnings per share for profit from discontinued operations attributable to the ordinary shareholders of the Company			
Basic earnings per share (cents per share)	9	N/A	0.80
Diluted earnings per share (cents per share)	9	N/A	0.80

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2016

	Note	31 Dec 16	30 Jun 16
		$	$
Current Assets			
Cash and cash equivalents		973,129	233,268
Trade and other receivables	2	23,166	28,062
Available-for-sale financial assets	3	131,560	125,000
Total Current Assets		1,127,855	386,330
Non-Current Assets			
Available-for-sale financial assets	3	336,600	152,800
Exploration and evaluation expenditure	4	–	–
Property, plant and equipment		140,848	147,636
Total Non-Current Assets		477,448	300,436
Total Assets		1,605,303	686,766
Current Liabilities			
Trade and other payables	5	700,769	259,726
Total Current Liabilities		700,769	259,726
Non-Current Liabilities			
Total Non-Current Liabilities		–	–
Total Liabilities		700,769	259,726
Net Assets		904,534	427,040
Equity			
Issued capital	6	68,738,270	67,887,259
Reserves	7	151,995	233,184
Accumulated losses	8	(67,985,731)	(67,693,403)
Total Equity		904,534	427,040

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period ended 31 December 2016

	Issued Capital	Retained Earnings/ (Accumulated Losses)	Share Based Payment Reserve	Foreign Currency Translation Reserve	Available-for-sale Financial Assets Reserve	Total
	$	$	$	$	$	$
Equity as at 1 July 2016	67,887,259	(67,693,403)	637,876	(404,692)	–	427,040
Profit for the period	–	(714,184)	–	–	–	(714,184)
Unrealised gain on available for sale financial assets	–	–	–	–	255,360	255,360
Total comprehensive loss	–	(714,184)	–	–	255,360	(458,824)
Transactions with owners in their capacity as owners;						
Issue of shares, net of transaction costs	851,011	–	–	–	–	851,011
Other comprehensive loss	–	421,856	(421,856)	–	–	–
Share based payments	–	–	85,307	–	–	85,307
Equity as at 31 December 2016	68,738,270	(67,985,731)	301,327	(404,692)	255,360	904,534
Equity as at 1 July 2015	67,011,182	(63,394,210)	604,302	2,824,359	–	7,045,633
Loss for the period	–	684,992	–	–	–	684,992
Unrealised loss on available-for-sale financial assets	–	–	–	(3,229,051)	–	(3,229,051)
Total comprehensive income / (loss)	–	684,992	–	(3,229,051)	–	(2,544,059)
Transactions with owners in their capacity as owners;						
Issue of shares, net of transaction costs	874,222	–	–	–	–	874,222
Other comprehensive loss	–	133,274	(133,274)	–	–	–
Share based payments	–	–	159,590	–	–	159,590
Equity as at 31 December 2015	67,885,404	(62,575,944)	630,618	(404,692)	–	5,535,386

The above consolidated statement of changes of equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the period ended 31 December 2016

	Note	Half-year ended 31 Dec 2016 $	Half-year ended 31 Dec 2015 $
Cash flows from operating activities			
Payments to suppliers and employees		(230,123)	(1,327,534)
Interest received		846	5,222
Cash flows from operating activities of discontinued operations	13	–	(36,260)
Net cash used in operating activities		(229,277)	(1,358,572)
Cash flows from investing activities			
Payment for exploration, evaluation and development		(93,450)	(442,317)
Proceeds from sale of plant and equipment		–	39,253
Proceeds from sale of available-for-sale financial instrument		107,364	1,064,696
Net cash provided by/(used in) by investing activities		13,914	661,632
Cash flows from financing activities			
Proceeds from issue of shares	6	955,224	874,222
Net cash flows provided by financing activities		955,224	874,222
Net increase/(decrease) in cash and cash equivalents		739,861	177,282
Cash and cash equivalents at beginning of the financial period		233,268	440,894
Exchange rate adjustments		–	344
Cash and cash equivalents at the end of the financial period		973,129	618,520

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1. Statement of compliance

The half-year financial statements are general purpose financial statements prepared in accordance with the *Corporations Act 2001* and AASB 134 'Interim Financial Reporting'. These half-year financial statements do not include notes of the type normally included in annual financial statements and shall be read in conjunction with the most recent annual financial statements for the year ended 30 June 2016 and any public announcements made by New Standard Energy Limited (Company) during the half-year reporting period with the continuous disclosure requirements of the *Corporations Act 2001*.

Basis of Preparation

The consolidated financial statements have been prepared on the basis of historical cost as modified by the revaluation of certain financial assets. Cost is based on the fair values of the consideration given in exchange for assets. The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The accounting policies and methods of computation adopted in the preparation of the half-year financial statements are consistent with those adopted and disclosed in the Company's annual financial statements for the financial year ended 30 June 2016. It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2016 and any public announcements made by the Company and its controlled entities during the half-year in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Going Concern

The Directors believe that the consolidated entity will continue as a going concern. As a result the financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

During the period the consolidated entity incurred a net loss after income tax of $714,184 (per Consolidated Statement of Profit or Loss and Other Comprehensive Income) and incurred net cash outflows from operating and investing activities of $215,363 (per Consolidated Statement of Cash Flow), and had net working capital of $427,086 at 31 December 2016

The ability of the consolidated entity to continue as a going concern is dependent on securing additional funding through capital raisings as and when required to continue to meet its working capital requirements in the next 12 months. These conditions indicate a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors believe that they will be able to raise additional capital as required and that the Group will continue as a going concern and as a result the financial report has been prepared on a going concern basis. In arriving at this position the Directors have considered the following pertinent matters:

- The Company holds 2.13 million fully paid ordinary Sundance Energy Australia Limited (ASX: SEA) shares, including escrowed shares, which can be used by the Group as a future funding source;
- In response to the weak oil price environment, the Non-Executive Chairman and all Non-Executive Directors have agreed to suspend their fees starting from 1 February 2015 until market conditions improve and remain suspended to date and until the Group has the financial capacity to pay the Non-Executive Chairman and Non-Executive Directors' fee;
- Huizhou Energy Investment (Beijing) Co., Ltd have agreed that they will provide financial support to the consolidated entity in the event that the company does not have the financial capacity to meet any liabilities that become due and payable; and
- Should it be required the Directors are satisfied that they will be able to raise additional funds by either a form of equity raising, implementing strategic joint ventures or by asset sale to fund ongoing exploration commitments and for working capital.

However, should the consolidated entity not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that different from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the consolidated entity not continue as a going concern.

Impairment of assets

At each reporting date, the entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

1. Statement of compliance (cont'd)

Impairment of assets (cont'd)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Critical accounting judgements and key source of estimation uncertainty

In the application of the consolidated entity's accounting policies, (which are described in Note 1 of the most recent annual financial statements for the year ended 30 June 2016), management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty and significant judgements

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty and significant judgements at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Carrying value of exploration and evaluation expenditure

The recoverability of the carrying amount of the exploration and evaluation assets is dependent upon the successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

The ultimate recoupment of costs carried forward for exploration and evaluation assets is dependent either upon the successful development and commercial exploitation, or sale, of the respective areas of interest. If the asset is successfully developed it will be transferred and reclassified as a production asset. The production asset will then be accounted within Oil and Gas properties to which its carrying value will be depleted as production value is extracted from the asset.

Deferred tax balances

The Group has carried forward losses which have not been recognised as deferred tax assets as it is not probable that the company will derive future assessable income of a nature and amount sufficient to enable the benefit to be realised.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with directors and employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes model.

Impact of New or Revised Accounting Standards

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2016. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

	31 Dec 2016 $	30 Jun 2016 $
2. Trade and other receivables		
Current		
Trade receivables	–	–
Other receivables	23,166	28,062
	23,166	28,062

The average credit period on trade and other receivables is 30 days. No interest is charged on prepayments and receivables. The Group has financial risk management policies in place to ensure that all receivables are received within the credit timeframe. Due to the short term nature of these receivables, their carrying value is assumed to be approximately their fair value. None of the receivables are past due or impaired.

		31 Dec 2016 $	30 Jun 2016 $
3.	Available-for-sale financial assets		
	Listed securities		
	Current		
	Sundance Energy Australia Ltd (i)	131,560	125,000
		131,560	125,000
	Non-current		
	Sundance Energy Australia Ltd (i)	336,600	152,800
		336,600	152,800

(i) On 10 August 2015 the Group completed the sale of assets to Sundance Energy Australia Ltd (SEA). The Company received 6,000,000 SEA fully paid ordinary shares. The Company held 600,000 fully paid ordinary SEA shares, freely tradable and 1.53 million SEA shares on escrow pursuant to the share sale agreement as at 31 December 2016.

		31 Dec 2016 $	30 Jun 2016 $
4.	Exploration and evaluation expenditure		
	Balance at beginning of period	–	4,500,000
	Expenditure incurred	413,080	472,450
	Expenditure impaired (i)	(413,080)	(4,726,476)
	Foreign exchange movement	–	–
	Expenditure recovered (ii)	–	(245,974)
	Balance at end of period	–	–

(i) During the half year period the Company recognised a non-cash impairment charge of $413,080 relating to the capitalised exploration expenditure associated with its exploration assets based in Western Australia. The impairment of the exploration, evaluation and development expenditure has arisen as a result of the relinquishment of licences and applications for exemptions of minimum expenditure requirements that have yet to be approved. The Company has taken a conservative view of the carrying value for the projects at 31 December 2016 considering no exploration expenditure, other than rental and incidental land costs, has been budgeted for the financial year ended 30 June 2017. This charge reflects the steps and measures followed pursuant to the Australian Accounting Standards (AASB6) when testing for impairment indicators. This charge has been recognised in the consolidated statement of profit or loss and other comprehensive income.

(ii) The Company received a Research & Development Tax Concession claim for $245,974 (2015: $1,889,670) relating to applicable works undertaken in the year ended 30 June 2015 in the Canning and Carnarvon Basins.

The Board assess impairment of all exploration expenditure at each reporting date by evaluating the conditions specific to the Company and the particular asset. These include if substantive expenditure has been incurred on exploration and evaluation of resources and this has not led to the discovery of commercially viable quantities of resources or sufficient data exists to indicate that the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development of by sale.

The Company is currently in discussion with the Department of Mines and Petroleum (DMP) and has submitted an application for variations and exemptions on the exploration work commitments for the existing permits which allows the Company to renew the permits at the end of 2016. In the event the application is not approved the Company will have to reassess the existing permits, including potential relinquishment of all or part of the permits. The Company has taken a conservative view and have fully impaired the capitalised exploration and evaluation expenditure of the carrying value for the projects at 31 December 2016 considering no exploration expenditure, other than rental and incidental land costs, has been budgeted for the financial year ended 30 June 2018.

The ultimate recoupment of exploration expenditure carried forward is dependent on successful development and exploitation, or alternatively sale, of the respective area of interest.

		31 Dec 2016 $	30 Jun 2016 $
5.	Trade and other payables		
	Current		
	Trade payables	494,346	19,678
	Other payables and accrued expenses	206,423	240,048
		700,769	259,726

The average credit period on purchases is 30 days. No interest is charged on the trade payables. The consolidated entity has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

	31 Dec 2016 $	30 Jun 2016 $
6. Issued capital		
716,418,005 fully paid ordinary shares (30 Jun 2016: 477,612,003)	68,738,270	67,887,259

	No.	$
Fully paid ordinary shares		
Balance at 1 July 2015	386,169,603	67,011,182
On 1 December 2015, issue of shares to Huizhou Energy Investment (Beijing) Co Ltd	91,442,400	914,424
On 3 June 2016, consideration for forfeited shares held by the Company	–	1,855
Less: Transaction costs		(40,202)
Balance at 30 June 2016	477,612,003	67,887,259
On 29 December 2016, issue of shares to shareholders for Right Issue 2-for-1	39,051,377	156,206
On 30 December 2016, issue of shares to Huizhou Energy Investments	199,754,625	799,018
	716,418,005	68,842,483
Less: Transaction costs arising from share issues		(104,213)
Balance at 31 December 2016	716,418,005	68,738,270

	31 Dec 2016 $	30 Jun 2016 $
7. Reserves		
Available for sale financial assets reserve	255,360	–
Share based payments reserve	301,327	637,876
Foreign currency translation reserve	(404,692)	(404,692)
	151,995	233,184
(a) Movements in available for sale financial assets reserve		
Balance at beginning of period	–	–
Revaluation of financial assets available for sale	255,360	–
Impairment of financial assets available for sale	–	–
Balance at the end of period	255,360	–

Nature and purpose of reserve

The available for sale investments revaluation reserve represents the unrealised gain or loss on the market value of available for sale financial assets.

	31 Dec 2016 $	30 Jun 2016 $
(b) Movements in share based payments reserve		
Balance at beginning of period	637,876	604,302
Add: Issue of options		
Directors	85,307	125,216
Employees	–	96,639
Less: Option and/or rights expired and lapsed	(421,856)	(188,281)
Balance at the end of period	301,327	637,876

Nature and purpose of reserve

The share based payments reserve represents the value of shares and options issued to employees and directors.

	31 Dec 2016 $	30 Jun 2016 $
7. Reserves (cont'd)		
(c) Movements in foreign currency translation reserve		
Balance at beginning of period	(404,692)	2,824,359
Unrealised profit on translation of foreign operation	–	–
Realised gain from discontinued operations	–	(3,229,051)
Balance at the end of the period	(404,692)	(404,692)

Nature and purpose of reserve

The foreign currency translation reserve represents the unrealised gain or loss upon translation of subsidiaries with a different functional currency.

	31 Dec 2016 $	30 Jun 2016 $
8. Accumulated losses		
Balance at the beginning of period	(67,693,403)	(63,394,210)
Net loss attributable to members of the Company	(714,184)	(4,487,474)
Items of other comprehensive income recognised directly in retained earnings		
Expired options / rights in prior periods	421,856	188,281
	(67,985,731)	(67,693,403)

9. (Loss)/earnings per share

	31 Dec 2016 Cents per share	31 Dec 2015 Cents per share
Basic (loss)/earnings / loss per share		
Continuing operations	(0.15)	(0.63)
Discontinued operations	–	0.80
Diluted (loss)/earnings / loss per share		
Continuing operations	(0.15)	(0.63)
Discontinued operations	–	0.80
The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:		
	$	$
(Loss)/profit for the period		
Continuing operations	(714,184)	(2,507,798)
Discontinued operations	–	3,192,790
	No.	No.
Weighted average number of ordinary shares used in the calculation of basic EPS	479,122,097	401,078,690
Weighted average number of ordinary shares used in the calculation of diluted EPS	479,122,097	401,078,690

* Restatement relates to discontinued operations. Refer to note 13 for further information.

10. Segment reporting

The segment information provided to the Managing Director for the reportable segments for the half-year ended 31 December 2016 and the prior comparative period are as follows:

Australia

During the half year period, the Group operated within 2 geological basins, being the Canning and Carnarvon. As of 1 January 2017, the Group operates within the Carnarvon basin only.

United States

On 10 August 2015 the Group completed the sale of assets including NSE Texas LLC, which held the producing Eagleford asset located within the Atascosa and Colorado counties and NSE PEL 570 Pty Ltd which held the Copper Basin asset to Sundance Energy Australia Ltd. In accordance with AASB 5 the revenue, expenses, assets and liabilities of New Standard Energy Texas LLC (United States) and New Standard Energy PEL 570 Pty Ltd (Australia) are disclosed as discontinued operations. Refer to note 13 for further information.

	Australia		United States		Total	
	31 Dec 16	31 Dec 15	31 Dec 16	31 Dec 15	31 Dec 16	31 Dec 15
	$	$	$	$	$	$
Administration and employment expenses	(293,915)	(1,037,694)	(23,642)	(65,411)	(317,557)	(1,103,105)
Depreciation expenses	(6,788)	(34,786)	–	–	(6,788)	(34,786)
Impairment expense	(413,080)	(89,431)	–	–	(413,080)	(89,431)
Loss on available-for-sale financial assets	42,500	(464,536)	–	–	42,500	(464,536)
Fair value adjustment	–	(847,290)	–	–	–	(847,290)
Reportable segment loss	(671,283)	(2,473,737)	(23,642)	(65,411)	(694,925)	(2,539,148)
Other income	754	35,273	–	–	754	35,273
Other costs	(20,013)	(3,923)	–	–	(20,013)	(3,923)
Net loss before tax	(690,542)	(2,442,387)	(23,642)	(65,411)	(714,184)	(2,507,798)

	Australia		United States		Total	
	31 Dec 16	30 Jun 16	31 Dec 16	30 Jun 16	31 Dec 16	30 Jun 16
	$	$	$	$	$	$
Segment assets						
Exploration assets	–	–	–	–	–	–
Available-for-sale financial assets	468,160	277,800	–	–	468,160	277,800
Other assets	1,137,141	408,964	2	2	1,137,143	408,966
Total assets	1,605,301	686,764	2	2	1,605,303	686,766
Segment liabilities						
Other liabilities	700,769	259,726	–	–	700,769	259,726
Total liabilities	700,769	259,726	–	–	700,769	259,726
Net assets	904,532	427,038	2	2	904,534	427,040

(i) On 10 August 2015 the Group completed the sale of assets including NSE Texas LLC, which held the producing Eagleford asset located within the Atascosa and Colorado counties and NSE PEL 570 Pty Ltd which held the Copper Basin asset to Sundance Energy Australia Ltd. In accordance with AASB 5 the revenue, expenses, assets and liabilities of New Standard Energy Texas LLC (United States) and New Standard Energy PEL 570 Pty Ltd (Australia) are disclosed as discontinued operations. Refer to note 13 for further information.

11. Related party transactions

(a) Key management personnel remuneration

Mr Li entered into an employment agreement as Managing Director of the Company on 12 September 2016. The remuneration package comprised $65,000 per annum (exclusive of statutory superannuation entitlements), 1% of the Company's after tax profit paid in three equal instalments and reimbursement of work related expenses. Either party can terminate the arrangement with 4 weeks' written notice and payment by the Company of all statutory annual and long service leave entitlements.

During the year, the Company's Non-Executive Chairman and Non-Executive Directors agreed to continue suspending all non-executive directors' fees until market conditions improve.

(b) Transaction with other related parties

China International Economic Hui Zhou Energy Investment (Beijing) Co., Ltd (Huizhou), of which Mr Song is a Director, fully underwrote the rights issue completed on 23 November 2016.

Pursuant to the Underwriting Agreement, the Company agreed to pay Huizhou an underwriting fee of 4% of the value of the Underwritten Shares which amounted to $38,209. As at 31 December 2016 $38,209 was owing to Huizhou.

12. Fair value measurement

The directors consider that the carrying amounts of assets and liabilities recognised in the consolidated financial statements approximate their fair values.

Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

	Level 1 $	Level 2 $	Level 3 $	Total $
31 Dec 2016				
Available-for-sale financial assets (i)	468,160	–	–	468,160
	468,160	–	–	468,160
30 Jun 2016				
Available-for-sale financial assets (i)	277,800	–	–	277,800
	277,800	–	–	277,800

(i) The fair value of the available-for-sale financial assets is derived from quoted market prices in an active market.

13. Discontinued operations: disposal of subsidiary – (loss)/gain on sale of subsidiary

31 Dec 2015

On 10 August 2015 the Group completed the sale of assets including NSE Texas LLC, which held the producing Eagleford asset located within the Atascosa and Colorado counties and NSE PEL 570 Pty Ltd which held the Copper Basin asset to Sundance Energy Australia Ltd (Sundance).

(a) Financial performance and cash flow information

	1 month ended 10 Aug 2015 $	6 months ended 31 Dec 2015 $
The following were the results of the business for the half-year:		
Revenue	180,555	4,161,958
Operating expenses	(633,571)	(3,917,668)
Foreign exchange impact during the period	112,865	–
Loss before income tax	(340,151)	244,290
Income tax expense/(credit)	–	1,876,484
Loss after income tax	(340,151)	2,120,774

13. Discontinued operations: disposal of subsidiary – (loss)/gain on sale of subsidiary (cont'd)

31 Dec 2015 (cont'd)

	1 month ended 10 Aug 2015 $	6 months ended 31 Dec 2015 $
The following were the net cash outflow for the period		
Net cash (outflow)/inflow from operating activities	(36,260)	3,427,062
Net cash outflow from investing activities	–	(7,083,054)
Net cash inflow from financing activities	–	3,497,313
Net decrease in cash generated by subsidiary	(36,260)	(158,679)

(b) Financial performance and cash flow information

The net assets of NSE Texas LLC and New Standard Energy PEL570 Pty Ltd at the date of disposal were as follows:

	10 Aug 2015 $
Consideration	2,850,000
Less: Carrying value of net assets disposed	(2,546,109)
Reclassification of foreign exchange reserve	3,229,050
	3,532,941
Revenue	180,555
Operating expenses	(633,571)
Foreign exchange impact during the period	112,865
Profit from discontinued operations	3,192,790

A gain of $3,192,790 was recognised on the disposal of NSE Texas LLC and New Standard Energy PEL570 Pty Ltd, no tax charge or credit arose on the transaction. The sales proceed for the net assets above is 6,000,000 Sundance Energy Australia Limited's ordinary shares, the majority of which will be freely tradable. Based on the share price of 47.5 cents as at 10 August 2015, the scrip component of the consideration was valued at A$2,850,000 and was transferred to available-for-sale financial assets (refer to note 4).

14. **Commitments and contingent liability**

On 10 August 2015 the Group completed the sale of assets including NSE Texas LLC, which held the producing Eagleford asset located within the Atascosa and Colorado counties and NSE PEL 570 Pty Ltd which held the Copper Basin asset to Sundance Energy Australia Ltd (**Sundance**). In accordance with the Share and Asset Sale Agreement Sundance made a claim in relation to Due Diligence Defects (**DD Defects**) associated with the Eagleford asset. There is a potential liability associated with the DD Defects which will be covered partially or wholly by escrowed SEA shares which formed part of consideration of the sale as disclosed in note 3. Whilst the maximum exposure to the Group is approximately $500k, certain claims made by Sundance have been disputed by the Group and the likely outflow of economic benefits is currently not clear and as such a provision has not been recognised in relation to the claim.

The Company continues to assess the Company's rehabilitation obligations and associated costs with respect to its historic drilling activities and is part of a continuing dialogue with the DMP. The likely outflow of economic benefits is currently not clear and as such a provision has not been recognised in relation to the rehabilitation obligations.

There have been no material changes in commitments since 30 June 2016 and contingent liabilities since 31 December 2016 or as at the date of the report other than the above.

15. Events occurring after reporting date

There have been no matters or circumstances that have arisen since 31 December 2016 that may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.