
ASX Announcement (ASX: NSE)



NEW STANDARD
ENERGY

Date: 10 December 2013

NEW STANDARD ENERGY SET TO ACQUIRE EAGLE FORD SHALE AND COOPER BASIN ASSETS AND TO FORM STRATEGIC ALLIANCE WITH MAGNUM HUNTER

Highlights:

- New Standard transforming into producer, developer and frontier explorer with proposed transactions subject to New Standard shareholder approval
- Option to acquire 5,182 net acres in the prime Eagle Ford play in Atascosa County, Texas, US, from experienced U.S. energy exploration and production company, Magnum Hunter Resources Corporation (**NYSE: MHR**), and its affiliates
 - Five producing wells providing immediate cashflow
 - Acreage in volatile oil window with production predominantly liquids (95%+ revenue from oil and NGLs) and which has the potential for approximately fifty-five additional well locations
 - Immediate drilling activity with two wells to be drilled in January/February 2014
 - Attractive headline purchase price of US\$5,300 per acre including existing production
 - US\$15-\$20 million revolving reserves-based lending facility being negotiated by NSE to assist funding of acquisition and 2014 drilling program
 - Substantial upside potential in Pearsall Formation below the Eagle Ford
 - Upon exercise of option by New Standard and subsequent closing of acquisition, Magnum Hunter to become largest New Standard shareholder with one New Standard board position and to continue to operate Eagle Ford assets with its existing Eagle Ford team for an agreed-upon transition period
- Expansion of Australian exploration into the Cooper Basin through acquisition of PEL 570 farm-in with Ambassador Oil and Gas (**ASX: AQO**)
 - 52.5% operated equity in PEL570 through farm-in agreement with \$42.5 million spend over permit life
 - Access to one of the few remaining substantial opportunities in the Cooper Basin, specifically a large acreage in the Patchawarra Trough
 - Geographic and development stage diversification of New Standard's Australian portfolio
 - New Standard now holds operated assets in three of the most prospective shale and tight gas basins in Australia: the Canning, Carnarvon and Cooper Basins
- Letter of intent executed between Magnum Hunter and New Standard, signaling the intention of the parties upon closing of the transactions to formalise a strategic alliance reflecting the following:
 - Magnum Hunter's view of the Cooper Basin as a great growth opportunity and entry point into Australia
 - Magnum Hunter's intention to provide operational and technical input into Cooper Basin exploration program
 - Magnum Hunter's intention to assist with growth in the U.S. and Australia
- Significant transaction involving minimal initial dilution and leaving combined business well-funded. Shareholder approval to be sought for the transaction in January 2014



New Standard Energy Limited (**New Standard**) is, subject to shareholder approval, set to transform into an international oil and gas producer and developer through the acquisition of prime exploration and production acreage in the volatile oil and oil windows of the Eagle Ford shale in Atascosa County, Texas. In addition, the transaction also secures a significant operated equity in exploration acreage in the large and productive Cooper Basin in South Australia. All of this is anticipated to be supported through the formation of a strategic alliance following closing with listed US energy exploration and production company Magnum Hunter Resources Corporation (**Magnum Hunter**) to provide technical support and operating capabilities to both acquisitions in conjunction with Magnum Hunter becoming a significant shareholder in New Standard.

When combined with the Company's frontier exploration assets in onshore Western Australia, the transaction is expected to transform and balance New Standard's asset portfolio to combine immediate cashflow with short term appraisal and development plus mid to long term exploration upside.

"For some time now, the Board has been seeking to diversify risk away from a 100 per cent focus on high cost early stage exploration wells in remote locations towards opportunities closer to production with cashflow to support the high impact exploration," New Standard Managing Director Phil Thick said.

"The Outback Energy Hunter/Pathfinder Onshore group (**The Vendors**) has been working with Magnum Hunter to obtain Magnum Hunter's technical expertise for application in Australia and bring strong relationships with all parties. The Vendors have brought this opportunity to us and we have worked closely with them over the past two months to deliver this acquisition.

"The Vendors' founders Michael Fowler, Ian Boserio and Vince Rusciano will continue to work closely with us through the transition and in the future looking for further expansion opportunities, and their technical experience and market connections will provide substantial value to the group moving forward."

Pathfinder Energy Executive Chair Michael Fowler said "We are pleased to have finalised negotiations and executed all documents in relation to this transaction, which we think is a natural fit for all the parties. We are confident that the associations to be formed will lead to further business in the exciting unconventional space and we look forward to continuing to work with New Standard and Magnum Hunter in the years ahead."

The intended acquisition of Eagle Ford acreage with producing oil wells together with Cooper Basin acreage with nearby infrastructure achieves a major corporate goal and delivers New Standard and its shareholders with a comprehensive and diversified asset portfolio.

Mr Thick said: "We are particularly pleased to have found a potential partner of the calibre of Magnum Hunter, and we look forward to a long and productive relationship together. Magnum Hunter has a market capitalisation of approximately US \$1.15 Bn and an enterprise value of approximately US \$2.2 Bn and is a highly reputable operator with strong expertise in certain of the major shale plays in North America. We view this expertise as a key ingredient to help unlock the emerging unconventional opportunity in the Cooper and other basins around Australia."

Following closing, the scheduled drilling program in the Eagle Ford will be managed and operated on behalf of New Standard by the same experienced technical team from Magnum Hunter that oversaw the company's other assets in the Eagle Ford - assets that Magnum Hunter sold for US\$401 million in April 2013. Furthermore, upon closing, New Standard will appoint one senior technical member of the Magnum Hunter team to the NSE Board, bringing additional technical oversight and development experience that can be



utilised across New Standard's existing portfolio of shale and tight gas projects in Western Australia and now South Australia.

Following completion of this transaction, and upon the closing of the debt facility arrangements, New Standard will remain in a strong cash position and well funded to pursue additional drilling in the Eagle Ford as well as progress the remainder of its exploration portfolio in the Cooper, Canning and Carnarvon Basins.

The combined transaction is subject to New Standard shareholder approval to be sought at an EGM planned for mid to late January 2014. Shareholders will be provided with more detail on the acquisitions together with a Notice of Meeting and Explanatory Statement to be prepared and issued to shareholders in the coming weeks.

Eagle Ford assets

New Standard has entered an option agreement with Magnum Hunter to purchase 5,182 net acres in Atascosa County, Texas with the acreage positioned in the volatile oil window within the regional Eagle Ford shale play. Following closing New Standard will operate the majority of this acreage through arrangements with Magnum Hunter, with the balance (being non-operated interests) operated by a third party U.S. energy company. All other Eagle Ford asset acquisition paperwork, including a full sale and purchase agreement and associated documents, have been agreed and finalised between the parties and will be executed subject to receiving New Standard shareholder approval in January 2014 and the exercise of the option by New Standard. The option runs through 21 January, 2014.

The Eagle Ford acreage contains five existing production wells, which have been drilled between 2010 and 2013, which are currently producing approximately 300 - 400 barrels of oil equivalent per day and generating revenue that will provide immediate monthly cash flow to the company. The effective date of the transaction is 1 December 2013, resulting in New Standard being entitled to all production revenues (less expenses) from that date forward.

A large portion of the acreage is currently undeveloped and up to fifty-five additional well locations have been identified for development drilling, providing low risk appraisal and development opportunities with short term cash flow benefits for New Standard. Upon closing, New Standard plans to drill two initial wells in early 2014.

The transaction will also secure access to the Pearsall Formation below the Eagle Ford, giving significant upside potential. The Pearsall is another emerging shale play in the region that was actually recognised before the Eagle Ford was developed but to date has largely been overlooked. There are now a number of companies focusing on this opportunity in the region with some impressive initial results.

"The combination of manageable well costs estimated at approximately US\$7 million per well, attractive oil production rates, established regional infrastructure to get production quickly to market and an experienced partner in Magnum Hunter as our contract operator provides a compelling investment case," Mr Thick said.

New Standard has negotiated a two stage, cash plus share consideration for the acquisition of the Eagle Ford assets.

Initially New Standard will pay US\$15 million cash and US\$9.5 million in NSE stock (65.6 million shares) to Magnum Hunter, subject to shareholder approval.



New Standard will also make a payment of A\$3 million cash spread over 10 months to the Vendors, who also have the opportunity to secure an additional 45 million shares upon achievement of performance hurdles associated with production from the first four wells to be drilled by New Standard (**Success Shares**).

The Success Shares are completely at risk and will only be awarded upon achievement of performance hurdles based on average Estimated Ultimate Recovery (**EUR**) over four wells to be drilled in 2014. The wells' performance will be a once off measurement and will be assessed by an independent reserves certifier approved and appointed by New Standard with the hurdles tied to the EURs that should provide attractive IRRs for New Standard.

In addition, New Standard is in the process of negotiating a US\$15-\$20 million term loan and revolving credit facility to use towards the initial acquisition and future well costs. Discussions are also progressed in relation to a significant additional future capacity (potentially up to US\$50 million) that would be linked to a growing reserves base and could be used to accelerate additional growth in the Eagle Ford through further drilling and/or acquisitions.

"The total cash plus share transaction value equates to a headline price of approximately US\$5,300/acre, prior to issue of performance shares, which includes existing production and compares very favorably to recent transactions in the Eagle Ford play. In addition the acreage is located in the volatile oil and oil windows and alongside the existing production from five wells has a further 50 to 60 well locations for future drilling." Mr Thick said.

As part of the transaction and share payment and following shareholder approval and closing, Magnum Hunter's Executive Vice President of Exploration, H. C. Kip Ferguson III, is expected to join the New Standard Board, providing additional technical expertise. Magnum Hunter will also have the right to a further Board position in the future. Magnum Hunter's technical team that oversaw the growth in the Eagle Ford acreage sold in 2013, will oversee the operational aspect of the Eagle Ford assets for an agreed-upon transition period of a minimum of one year (with the ability to extend by mutual agreement), ensuring New Standard has the right mix of technical expertise and US experience to drive the upcoming well program and forward development plans.

Cooper Basin acquisition

The transaction also involves an operated interest in the Cooper Basin PEL 570 acreage, which is prospective for basin centered gas and shale gas located in the Patchawarra Trough and close to pipeline infrastructure. Consideration for this asset is to be A\$1.6 million cash upfront, A\$1 million cash deferred over 10 months plus 15 million New Standard shares in return for the acquisition providing the farm-in rights to PEL 570. New Standard also assumes a debt of A\$1.4 million for expenses to date. The Vendors also have the right to a New Standard Board position in the future.

The Vendors have executed and settled a farm-in agreement (previously subject to a Heads of Agreement) to assume an operated 52.5 per cent working interest in PEL 570 in the Cooper Basin from Ambassador Oil and Gas Limited (**ASX:AQO**, 'Ambassador').

The addition of the 2,400 square kilometres (593,000 acres) Cooper Basin acreage (**PEL 570**) to New Standard's asset portfolio is expected to form an integral part of the potential alliance between New Standard and Magnum Hunter.



License area PEL 570 is adjacent to a proven, producing petroleum system and also pipeline infrastructure. It consists of five parts; two in the core of the Patchawarra trough and three located north of the Patchawarra trough. The Patchawarra trough is the source for the oil and liquids rich gas fields such as Tirrawarra, Fly Lake and Moorari fields, owned and operated by the Cooper Basin Joint Venture. These fields are located in the southern part of the trough and New Standard intends to target the Patchawarra tight gas sands.

In the northern part of the trough, oil and gas has been discovered at Flax, Juniper and Yarrow. The southern section of PEL 570 is also prospective for gas, being almost surrounded by gas fields including Bookabourdie, Crocus Verona, Cuttapirrie and Lamdina.

That part of the Basin has been found to contain little CO₂ and possesses a higher liquids content, particularly in the northern region on the Basin.

“We are excited about this acreage position in the Cooper as it complements our existing shale and tight gas projects in Western Australia. The Cooper acreage is nearer-term in the development lifecycle and likely to deliver value back to our shareholders in a relatively short time period compared to our frontier assets which will naturally take longer to develop,” Mr Thick said.

“The Cooper Basin has experienced significant activity in the past 24 months as some of the world’s largest energy companies seek exposure to the region. Access to the eastern states gas infrastructure and markets, and the new export facilities in Queensland are the key drivers of this Cooper activity. New Standard is pleased it now has a footprint there too.”

Following completion of the acquisition, New Standard expects to work closely with Magnum Hunter to develop a comprehensive exploration program for PEL 570 and to assess future growth opportunities in Australia that are consistent with New Standard’s business strategy.

Importantly, upon implementation of the intended strategic alliance, Magnum Hunter will provide access to technical personnel with expertise and experience in the interpretation of seismic survey and drilling results for shale gas and who have been integrally involved in the successful development and commercialisation of shale gas discoveries in North America.

The farm-in agreement to PEL 570 will be assumed by New Standard under this transaction and the agreement requires New Standard conduct a 500 square kilometre 3D seismic program in 2014 with one well to be drilled in 2015. New Standard will operate the permit and carry the costs for the five year program up to a maximum of \$42.5 million to earn a 52.5% equity interest in PEL 570, following which the parties will contribute according to the respective joint venture equity levels (i.e. New Standard 52.5% and Ambassador 47.5%).

Summary

“Prior to this transaction New Standard investors owned highly prospective, frontier assets in Western Australia. Following closing in January they will have ownership of producing assets in the Eagle Ford shale sweet spot that generates cashflow, with significant low cost opportunities to increase that cashflow, plus exposure to the eastern Australian domestic and export gas markets with nearer term exploration in the Cooper Basin, while retaining significant frontier Western Australian exploration exposure,” Mr Thick said.

“This transaction will create a balanced portfolio from cashflow and low cost development assets through to high risk high reward frontier exploration – all with minimal upfront dilution”.



“Importantly, we also expect to have implemented a strong commercial relationship with Magnum Hunter. Their US expertise and operational experience can significantly accelerate development and provide tremendous growth opportunities and we anticipate cementing this arrangement more formally upon closing. New Standard has been working hard to secure an appropriate relationship and transaction to diversify and set a strong future path for the company and its shareholders and we are delighted with this outcome.”

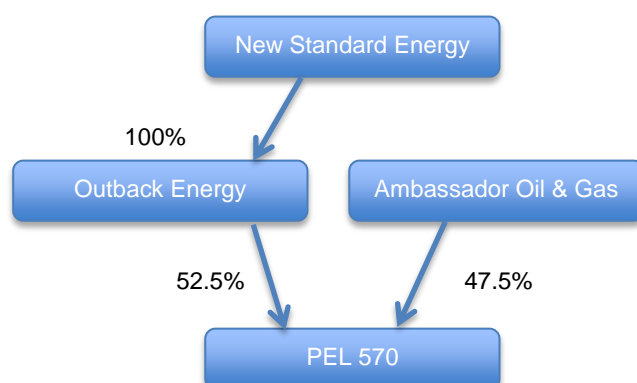
Financial summary

Asset	Stage	Cash	Shares
Acquisition of Eagle Ford assets	Stage 1	US\$15m	65.65 million
	Stage 2 (performance based)	A\$3m (over 10 months)	Up to 45 million shares
Acquisition of Cooper Basin assets	Stage 1	A\$1.6m	15 million shares
	Stage 2	A\$1.0m (over 10 months)	

Shareholder structure	Existing NSE shareholders	MHR	Vendors
Pre-transaction	305.33m (100%)	0	0
Post transaction	305.33m (79.1%)	65.65m (17.0%)	15m (3.9%)
Post transaction*	305.33m (70.8%)	65.65m (15.2%)	60m (13.9%)

* Assumes 100% performance payment

PEL 570 ownership structure post transaction and farm out completion



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About Magnum Hunter Resources Corporation: Magnum Hunter is an independent oil and gas company engaged in the exploration for and the exploitation, acquisition, development and production of crude oil, natural gas and NGLs resources in the United States and Canada. The company is currently active in three unconventional shale resource plays in North America; the Marcellus Shale in West Virginia and Ohio; the Utica Shale in southeastern Ohio and western West Virginia; and the Williston Basin/Bakken Shale in North Dakota and Saskatchewan, Canada.

About Pathfinder Energy Pty Ltd, Pathfinder Onshore and Outback Energy Hunter: Outback Energy Hunter and Pathfinder Onshore are 100% subsidiaries of private oil and gas company Pathfinder Energy Pty Ltd, owned predominantly by three founders Michael Fowler (Executive Chair), Ian Boserio (Technical Director) and Vince Rusciano (Finance Director). Through its offshore arm, Pathfinder also holds 100% interest in two permits Offshore WA adjacent to the major exploration program recently begun by Woodside and Shell.

About New Standard: New Standard Energy is an emerging hydrocarbon explorer with a mandate to explore for oil and gas. Its exploration and drilling program is active, well funded and extensive. The company's exploration program is underpinned and complemented by targeted corporate activity to take advantage of opportunities and to build an extensive pipeline of exploration projects. New Standard's board has extensive technical and commercial experience in the oil and gas sector.

New Standard's Southern Canning Project has attracted world class partners in ConocoPhillips and PetroChina and the company has strong cash resources to explore and progress its broad project portfolio. The Company is primarily focused on aggressively progressing its oil and gas exploration portfolio focused on the onshore Canning and Carnarvon Basins in Western Australia. The portfolio includes:

- 100% (diluting to 25%) operated interest in EP's 443, 450, 451, 456 in Western Australia's Canning Basin
- 100% (diluting to 25%) operated interest in application areas 1/09-0, 2/09-0 and 5/09-0 in the Canning Basin
- 100% operated interest in EP417 in the Canning Basin
- 100% operated interest in the Seven Lakes SPA area in the Canning Basin
- 100% operated interest in the Merlinleigh project, onshore Carnarvon Basin Western Australia
- 32.5% working interest in the Colorado County Project, onshore Texas USA

In addition to the above portfolio, New Standard has a 28.2% equity interest in ASX listed Elixir Petroleum Ltd (**ASX: EXR**). New Standard is also continuing to actively assess other opportunities to complement and expand its exploration portfolio.