

ASX ANNOUNCEMENT

29 AUGUST 2014



ABN 36 058 714 408

**LONESTAR RESOURCES LIMITED
AND CONTROLLED ENTITIES
HALF YEAR FINANCIAL STATEMENTS & APPENDIX 4D
FOR THE 6 MONTHS TO 30 JUNE 2014**

The Company's presentation currency is US dollars. All references in this report are to US dollars unless otherwise stated.



Your Directors present their report on Lonestar Resources Limited (the 'Company' or 'parent entity') and its controlled entities, (the 'Group') for the six-month period to 30 June 2014.

DIRECTORS

The following Directors were in office for the entire period and up until the date of this report, unless otherwise stated:

Frank D Bracken III
 Craig Coleman (resigned 15 August 2014)
 Bernard Lambilliotte
 Daniel Lockwood (appointed 19 May 2014)
 Dr Chris Rowland
 Robert Scott

PRINCIPAL ACTIVITIES

The principal continuing activity of the Group during the course of the period was oil and gas production, development and exploration, and the management and operation of oil and gas producing and non-producing properties in the USA. No significant changes in the nature of the activities of the Group occurred during the period.

REVIEW OF OPERATIONS

The Group's net production for the six months ended 30 June 2014 averaged 3,706 BOE per day, and was comprised of 2,725 barrels of oil per day, 358 barrels of NGL's per day, and 3,739 Mcf of natural gas per day. Production for the period rose 40% over production reported for the six months ended 30 June 2013.

The Group's net production from its Eagle Ford Shale assets averaged 3,064 BOE per day during the six months ended 30 June 2014, and was comprised of 2,250 barrels of oil per day, 355 barrels of NGL's per day, and 2,755 Mcf of natural gas per day. These Eagle Ford Shale volumes represented a 115% increase compared to the six months ended 30 June 2013. The completion of 8 new wells and the acquisition of the Clayton Williams Energy assets effective 01 January 2014 were principally responsible for the higher production in the Eagle Ford Shale.

The Group's net production from its Conventional assets averaged 641 BOE per day during the six months ended 30 June 2014, and was comprised of 474 barrels of oil per day, 3 barrels of NGL's per day and 984 Mcf of natural gas per day. 74% of the Company's Conventional production was from liquid hydrocarbons.

The Group's net revenue from ordinary activities for the six months ended 30 June 2014 was \$50.3 million versus \$32.9 million recorded for the six months ended 30 June 2013. The 53% growth was principally a function of a 40% increase in production coupled with a 16% increase in average wellhead prices. This increase in revenue was partially offset by the sale of the Group's Barnett Shale assets, which contributed \$1.5 million for four months of the six months ended June 30, 2013.

The Group reported a net loss after tax of \$1.9 million for the six months ended 30 June 2014, compared to a \$23.8 million net profit reported for the six months ended 30 June 2013. The net loss in the current six month period is significantly impacted by the \$8.3 million in unrealized fair value loss on derivatives and income tax expense of \$1.0 million. The net profit of \$23.8 million for the six month ended 30 June 2013 was significantly impacted by the \$10.6 million other income (fair value gain on acquisition of \$27.7 million offset by a loss on the sale of oil & gas properties of \$17.1 million) and an income tax benefit of \$4.1 million.

Refer to the Company's Quarterly Reports and Investor Presentations for more detailed information on the Group's operations and properties. This information is available on the Company's website (www.lonestarresources.com) and on the ASX platform.

OPERATING RESULT

The operating results for the period:

CONSOLIDATED	Six months to 30 June 2014 US\$'000	Six months to 30 June 2013 US\$'000
Gross profit from operating activities	17,200	8,765
Fair value gain on acquisition	-	27,686
Gain (Loss) on sale oil and gas properties	463	(17,096)
Other income (Expense)	(18,552)	-
Profit/(Loss) before tax	(889)	19,355
Income tax (expense)/benefit	(1,042)	4,073
Profit/(Loss) after tax	(1,931)	23,780



DIVIDENDS

No dividend has been declared or is proposed in respect of the half year period ended 30 June 2014.

CAPITAL

On May 7, 2014, 55,000,000 million ordinary fully paid shares ("Deferred Consideration Shares") were issued pursuant to the Sale & Purchase Agreement entered into by the Company and the vendors of Ecofin Energy Resources PLC ("EER") on 22 October 2012 ("SPA"). The SPA, which effected the merger between the Company and EER, was approved by shareholders at the Company's AGM on 17 December 2012 and was completed on 2 January 2013 (the "Lonestar Transaction") (refer note 9).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the Directors, there were no significant changes in the state of affairs of the consolidated entity that occurred during the period, not otherwise disclosed in this report or the financial statements.

REVERSE ACQUISITION ACCOUNTING

On completion of the Lonestar Transaction, the business combination of the Company (formerly Amadeus Energy Limited) and Ecofin Energy Resources Plc (the UK parent of Lonestar Resources Inc.) ("EER") became effective. The Lonestar Transaction has been accounted for using the guidelines as set out in IFRS/AASB 3 'Business Combinations'. In applying the requirements of the guidelines to the Group, the Company, which was the legal acquirer, is deemed to be the accounting acquiree of the Group, and the consolidated financial information in this Report, and the Appendix 4D is presented on this basis. For additional information please refer to Note 1 in the Notes to the Consolidated Financial Statements enclosed with this Report.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

No event has occurred since 30 June 2014 that would materially affect the operations of the Group, the results of the Group or the state of affairs of the Group not otherwise disclosed in the Group's financial statements.

On 1 August 2014 the Group announced it had reached a definitive agreement to acquire approximately 5,200 net mineral acres in Brazos County, Texas at a cost of \$2,500 per net mineral acre.

Craig Coleman resigned as a non-executive director of the Company on 15 August 2014.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The likely developments of the core business of the Lonestar Group are covered in the Company's announcements. In the opinion of the Directors, disclosure of any further information on likely developments in the operations of the consolidated entity and the expected results of operations would be likely to result in unreasonable prejudice toward the Company, the consolidated entity and shareholders.

ENVIRONMENTAL REGULATION

The entity is subject to normal environmental regulation with respect to its exploration and production operations. There have not been any known significant breaches of the consolidated entity's obligations under these environmental regulations during the period under review and up until the date of this report. Given the location of the Group's operations in the USA, both the Energy Efficiency Opportunities Act 2006 and the National Greenhouse and Energy Reporting Act 2007 are not expected to have a material impact on the group.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is enclosed.

CORPORATE

The Company is limited by shares and is domiciled in Australia.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Order 98/100 dated 10 July 1988 and in accordance with that Class Order, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.



AUDITOR

BDO Audit (WA) Pty Ltd continues in office in accordance with section 327 of the *Corporations Act 2001*.

Signed in accordance with a resolution of Directors made pursuant to section 306(3)(a) of the *Corporations Act 2001*.

A handwritten signature in black ink, consisting of a stylized 'B' followed by a long horizontal line.

BERNARD LAMBILLIOTTE
Non-executive Chairman

29 August 2014

DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF LONESTAR RESOURCES LIMITED

As lead auditor for the review of Lonestar Resources Limited for the half-year ended 30 June 2014, 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 Lonestar Resources Limited and the entities it controlled during the period.



Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth, 29 August 2014

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Lonestar Resources Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Lonestar Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2014, 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 30 June 2014 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 Lonestar Resources 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 Lonestar Resources 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 Lonestar Resources 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 30 June 2014 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*

BDO Audit (WA) Pty Ltd

BDO

A handwritten signature in black ink, appearing to read 'P. Murdoch', is written over a horizontal line.

Phillip Murdoch
Director

Perth, 29 August 2014

DIRECTORS' DECLARATION

In the Directors' opinion:

- (a) the financial statements and accompanying notes are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards and the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the half-year ended on that date.
- (b) there are reasonable grounds to believe that the Group 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 pursuant to section 306(3)(a) of the *Corporations Act 2001*.

A handwritten signature in black ink, appearing to be 'B. Lambilliotte', with a stylized, flowing script.

BERNARD LAMBILLIOTTE
Non- executive chairman

Dated this 29th day of August 2014



Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	Six months ended 30 June 2014 US\$'000	Six months ended 30 June 2013 US\$'000
Revenues			
Revenues (net of royalties)	4	53,276	32,879
Hedge gains (losses)		(2,921)	48
Net revenue from ordinary activities		50,355	32,927
Operating expenses			
Lease operating expenses		(8,410)	(6,085)
Severance taxes		(2,481)	(1,591)
Ad valorem taxes		(863)	(761)
Depreciation, depletion and amortisation	4	(17,538)	(11,453)
General and administrative		(3,863)	(4,272)
Total operating expenses		(33,155)	(24,162)
Operating profit from operating activities		17,200	8,765
Other income (expenses)			
Other income	4	463	10,590
Share based compensation		(1,334)	(791)
Interest and other finance expenses	4	(8,893)	(1,312)
Fair value gain (loss) on derivatives		(8,325)	2,455
Total other income (expenses)		(18,089)	10,942
Profit/(Loss) before tax		(889)	19,707
Income tax benefit/(expense)		(1,042)	4,073
Profit/(Loss) after income tax for the period		(1,931)	23,780
Profit/(Loss) for the period is attributable to: Equity holders of Lonestar Resources Limited		(1,931)	23,780
Other comprehensive income/(expense) <i>Items that may be reclassified to the profit or loss</i>			
Exchange differences on translation of foreign operations		(293)	438
Other comprehensive income/(expense) for the period		(2,224)	438
Total comprehensive income/(loss) for the period is attributable to: Equity holders of Lonestar Resources Limited		(2,224)	24,218
Earnings/(loss) per share (cents per share)		Cents	Cents
Basic earnings/(loss) per share from continuing operations		\$(0.003)	\$0.034
Diluted earnings/(loss) per share from continuing operations		\$(0.003)	\$0.034

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

	Note	30 June 2014 US\$'000	31 Dec 2013 US\$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		13,498	6,744
Trade receivables		18,196	7,919
Derivative financial instruments	6, 12	33	157
Other assets		932	545
Total current assets		32,659	15,365
NON-CURRENT ASSETS			
Oil and gas properties	5	408,131	293,574
Property, plant and equipment		1,986	1,352
Deferred tax assets		81	96
Derivative financial instruments	6, 12	10	490
Other non-current assets		4,307	1,987
Total non-current assets		414,515	297,499
Total assets		447,174	312,864
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		33,950	12,591
Provisions		1,067	3,484
Derivative financial instruments	12	7,277	-
Total current liabilities		42,294	16,075
NON-CURRENT LIABILITIES			
Borrowings	7	215,051	109,000
Deferred tax liabilities		10,136	8,943
Provision		6,580	5,937
Derivative financial instruments	6, 12	3,301	2,207
Other non-current liabilities		1,000	1,000
Total non-current liabilities		236,068	127,087
Total liabilities		278,362	143,162
Net assets		168,812	169,702
EQUITY			
Contributed equity	8	142,638	142,638
Reserves		6,419	5,378
Retained earnings		19,755	21,686
Capital and reserves attributable to equity holders of Lonestar Resources Limited			
Total equity		168,812	169,702

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.



Consolidated Statement of Changes in Equity

	Share Capital US\$'000	Foreign currency translation reserve US\$'000	Share based payments reserve US\$'000	Retained Earnings (Deficit) US\$'000	Total Equity US\$'000
Ecofin Energy Resources. Pre-Merger					
Balance as at 31 December 2012	91,202	(801)	3,502	(8,954)	84,949
Profit for the period	-	-	-	23,780	23,780
Foreign currency translation	-	438	-	-	438
Total comprehensive income for the half year	-	438	-	23,780	24,218
Transactions with owners in their capacity as owners					
Acquisition Amadeus Petroleum - 2 January 2013	51,438	-	-	-	51,438
Options issued	-	-	791	-	791
Balance as at 30 June 2013	142,640	(363)	4,293	14,826	161,396
Balance as at 31 December 2013	142,638	(369)	5,747	21,686	169,702
Profit for the period	-	-	-	(1,931)	(1,931)
Foreign currency translation	-	(293)	-	-	(293)
Total comprehensive income/(loss) for the period	-	(293)	-	(1,931)	(2,224)
Transactions with owners in their capacity as owners					
Stock-based compensation	-	-	1,334	-	1,334
Balance as at 30 June 2014	142,638	(662)	7,081	19,755	168,812

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.



Consolidated Statement of Cash Flows

		CONSOLIDATED	
		Six months ended 30 June 2014 US\$'000	Six months ended 30 June 2013 US\$'000
	Note		
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)		(1,931)	23,780
Adjustments to reconcile net income (loss) to net cash			
Inflow from operating activities:			
Fair value gain on acquisition	9	-	(27,686)
(Gain) loss on sale of oil and gas properties	4	(466)	17,096
Depreciation, depletion, amortisation		17,538	11,453
Deferred taxes		1,697	(3,910)
Share based payments		1,334	791
Oil and gas activity prepayments		-	(144)
Non-cash interest expense		275	(1,458)
Net (increase) decrease in derivatives		8,486	(1,749)
Changes in operating assets and liabilities:			
Accounts receivable		(10,277)	(3,732)
Other assets		(2,706)	(394)
Accounts payable and provisions		18,304	(12,100)
Net cash inflow from operating activities		32,254	(1,947)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for oil and gas property, plant & equipment		(63,192)	(29,947)
Acquisition of oil and gas properties		(70,978)	-
Purchases of additional working interests	9	-	(63,930)
Payment for purchase of accounting subsidiary net of cash acquired	9	-	10,286
Proceeds from sales of oil and gas properties	5	3,200	10,000
Net cash (outflow) from investing activities		(130,970)	(73,591)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net change in borrowings		(109,030)	78,000
Proceeds from bond offering		214,500	-
Proceeds from issuance of equity securities		-	3
Net cash inflow from financing activities		105,470	78,003
Net increase in cash held		6,754	6,359
Cash and cash equivalents at the beginning of the financial period		6,744	9,311
Cash and cash equivalents at the end of the financial period		13,498	15,670

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.



1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report consists of consolidated financial statements for Lonestar Resources Limited and its subsidiaries ("Group" or "Consolidated Entity").

These general purpose financial statements for the period ended June 30, 2014 have been prepared in accordance with Australian Accounting Standard 134 Interim Financial Reporting and the Corporations Act 2001.

The interim financial report does not include all the notes of the type normally included in annual financial statements.

Accordingly, this financial report should be read in conjunction with the most recent annual financial report for the year ended December 31, 2013 and any public announcements made by the Company during the interim period in accordance with the disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial period.

The Group has considered the impact of new standards not yet effective and do not consider that they would have a material impact on the Group's financial statements.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards ('AASB'), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*. The Consolidated Financial Statements are presented in US dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the class order applies.

Statement of compliance

The consolidated financial statements also comply with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The final report is a general-purpose financial report and has been prepared in accordance with applicable Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Historical cost convention

These financial statements have been prepared under historical cost convention, as modified by the revaluation of available for sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

2. DIVIDENDS

No dividend has been declared or is proposed in respect of the half year period ended June 30, 2014.



3. SEGMENT REPORTING

(a) **Description of segments** - Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. One reportable segment has been identified; US exploration and production. The Board reviews internal management reports on a monthly basis that are consistent with the information provided in this report. Therefore, no reconciliation is required, because the information as presented is used by the board to make strategic decisions.

Reportable segment revenue	US – Exploration and Production US\$'000 6 months to 30 June 2014	US – Exploration and Production US\$'000 6 months to 30 June 2013
Total segment revenue	50,355	32,879
Reportable segment assets	30 June 2014 US \$'000	31 December 2013 US \$'000
Oil and gas exploration and production assets	408,131	293,574
Corporate assets:		
Cash and cash equivalents	13,498	6,744
Receivables	18,196	7,919
Deferred tax assets	81	157
Other	7,268	545
Total assets	447,174	308,939
Reportable segment liabilities		
Trade and other payables	18,111	12,591
Provisions	23,486	9,421
Derivative financial instruments	10,578	2,207
Borrowings	215,051	109,000
Deferred tax liabilities	10,136	8,943
Other non-current liabilities	1,000	1,000
	278,362	143,162
EBITDAX	6 months to 30 June 2014 US \$'000	6 months to 30 June 2013 US \$'000
Profit/(Loss) after income tax for the period	(1,931)	23,780
Add: Depreciation, depletion and amortisation	17,538	11,453
Add: Income taxes	1,042	(4,073)
Add: Interest expense	8,893	1,312
Add: Fair value (gain) loss on derivatives	8,325	(2,454)
Add: Share based compensation	1,334	170
Add: (Gain) loss on sale of oil and gas properties	(463)	(10,590)
Add: Plugging and one time costs	1,050	619
Add: FX translation	-	74
EBITDAX	35,788	20,291

4. PROFIT/(LOSS) FOR THE HALF-YEAR

	Six months to 30 June 2014 US\$'000	Six months to 30 June 2013 US\$'000
Revenues (net of royalties)		
Crude oil	47,659	28,050
Natural gas	3,476	3,854
Natural gas liquids	2,141	975
	53,276	32,879
Other income		
Fair value gain on acquisition	-	27,686
Gain (loss) on sale oil and gas properties	466	(17,096)
Other miscellaneous expense	(3)	-
	463	10,590
	Six months to	Six months to



	30 June 2014 US\$'000	30 June 2013 US\$'000
Depletion, depreciation and amortisation		
Depletion	17,271	11,233
Depreciation	170	134
Amortisation	97	86
Total depletion, depreciation and amortisation expense	17,538	11,453
Finance costs		
Interest expense	6,668	1,251
Prepayment penalty on borrowings	1,100	-
Amortisation of transaction costs	1,125	61
Total finance costs	8,893	1,312

5. OIL AND GAS PROPERTIES

	30 June 2014 US\$'000	31 Dec 2013 US\$'000
Developed properties		
At cost	460,375	329,681
Accumulated depletion	(52,244)	(36,107)
Net carrying value	408,131	293,574
Total oil and gas property		
A reconciliation of movements in oil and gas properties during the half-year is as follows:		
Developed properties		
Opening balance	329,681	130,600
Acquisition from business combination (a)	-	96,160
Acquisition of oil and gas properties	70,978	63,930
Additions	62,687	68,300
Sale of property (b)	(2,733)	(29,372)
Change in retirement provision	(238)	63
Closing balance	460,375	329,681
Accumulated depletion		
Opening balance	36,107	22,697
Depletion	17,271	27,799
Sold property accumulated depletion (b)	(1,134)	(14,389)
Closing balance	52,244	36,107
Net carrying value		
Opening carrying value	293,574	107,903
Closing carrying value	408,131	293,574

(a) See Note 9 – Business Combination for more information

(b) The Group sold its interests in the Raccoon Bend property for \$3.2 million during the second quarter 2014. In the prior year, the Group sold its interests in the Woodland Estates property in the Barnett Shale play for \$10.0 million during the second quarter 2013.



6. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2014 US\$'000	31 Dec 2013 US\$'000
Current assets		
Commodity cap / collar contracts	33	157
Non-current assets		
Commodity cap / collar contracts	10	490
Total assets	43	647
Current liabilities		
Commodity cap / collar contracts	7,277	-
Non-current liabilities		
Commodity cap / collar contracts	3,301	2,207
Total liabilities	10,578	2,207

(a) **Instruments used by the Group:** From time to time, the Group is party to derivative financial instruments, in the normal course of business, in order to hedge exposure to fluctuations in interest rates and commodity prices. The Group enters contracts to hedge a proportion of production to protect from exposure to falling commodity prices on anticipated future sales of light sweet crude oil and natural gas. Accordingly the Group has entered into cap/collar hedge contracts or swaps for both oil and gas. Commodity hedge contracts outstanding are outlined below.

The net fair value of commodity hedges at 30 June 2014 was a liability of \$10.535m (31 Dec 2013: liability of \$1.56m) comprising assets of \$0.043m (31 Dec 2013: US\$0.647m) and liabilities of \$10.58m (31 Dec 2013: US\$2.07m).

Instrument	Total Volume	Settlement Period	Fixed Price
Oil – WTI Fixed Price Swap	147,200 BBL	July – December 2014	\$ 93.90
Oil – WTI Fixed Price Swap	53,900 BBL	July – December 2014	90.70
Oil – LLS Fixed Price Swap	56,000 BBL	July – December 2014	97.00
Oil – WTI Fixed Price Swap	16,400 BBL	July – December 2014	94.00
Oil – LLS Fixed Price Swap	65,800 BBL	July – September 2014	104.65
Oil – LLS Fixed Price Swap	46,000 BBL	July – September 2014	95.40
Oil – LLS Fixed Price Swap	43,100 BBL	October – December 2014	101.38
Oil – LLS Fixed Price Swap	46,000 BBL	October – December 2014	93.20
Oil – WTI Fixed Price Swap	244,200 BBL	January – December 2015	87.00
Oil – WTI Fixed Price Swap	63,400 BBL	January – March 2015	98.15
Oil – WTI Fixed Price Swap	35,460 BBL	January – March 2015	92.10
Oil – WTI Fixed Price Swap	35,800 BBL	January – March 2015	91.60
Oil – WTI Fixed Price Swap	55,300 BBL	April – June 2015	95.65
Oil – WTI Fixed Price Swap	32,942 BBL	April – June 2015	90.40
Oil – WTI Fixed Price Swap	31,400 BBL	April – June 2015	89.50
Oil – WTI Fixed Price Swap	49,700 BBL	July – September 2015	93.65
Oil – WTI Fixed Price Swap	32,016 BBL	July – September 2015	88.87
Oil – WTI Fixed Price Swap	45,500 BBL	October – December 2015	92.25
Oil – WTI Fixed Price Swap	29,992 BBL	October – December 2015	87.80
Oil – WTI Fixed Price Swap	309,000 BBL	January – December 2016	90.45
Oil – WTI Fixed Price Swap	205,000 BBL	January – December 2016	84.45

7. BORROWINGS

Senior Revolving Credit Facility

In March 2013, Lonestar Resources America, Inc. (LRAI) entered into a \$400 million syndicated credit facility agreement (revolving credit facility) with Wells Fargo Bank (as Administrative Agent). The initial borrowing base was set at \$105 million. The borrowing base shall be re-determined semi-annually based on the credit agreement, and such re-determined borrowing base shall become effective and applicable on April 1 and October 1 of each year commencing October 1, 2013. The revolving credit facility matures on March 14, 2018. As of 30 June 2014, there were no borrowings under the revolving credit facility.

The revolving credit facility may be used for loans and, subject to a \$2,500,000 sub-limit, letters of credit. The company has drawn \$250,000 in advances on the letter of credit as at 30 June 2014 (31 December 2013: nil). The revolving credit facility provides for a commitment fee of 0.5% based on the unused portion of the borrowing base under the revolving credit facility.

Borrowings under the revolving credit facility, at LRAI's election, bear interest at either: (i) an alternate base rate (ABR) equal to the higher of (a) the Prime Rate, (b) the Federal Funds Effective Rate plus 0.5% per annum, and (c) the adjusted LIBO rate of a three-



month interest period on such day plus 1.0%; or (ii) the adjusted LIBO rate, which is the rate stated on Reuters screen LIBOR01 page market for one, two, three, six or twelve months, as adjusted for statutory reserve requirements for Eurocurrency liabilities, plus, in each of the cases described in clauses (i) and (ii) above, an applicable margin ranging from 1.0% to 2.0% for ABR loans and from 2.0 to 3.0% for adjusted LIBO rate loans.

The revolving credit facility requires LRAI to maintain certain financial ratios and limits the amount of indebtedness LRAI can incur. Subject to certain permitted liens, LRAI's obligations under the revolving credit facility have been secured by the grant of a first priority lien on no less than 80% of the value of the proved oil and gas properties of LRAI and its subsidiaries.

In connection with the revolving credit facility, LRAI and certain of its subsidiaries also entered into certain customary ancillary agreements and arrangement, which, among other things, provide that the indebtedness, obligations, and liabilities of LRAI arising under or in connection with the revolving credit facility are unconditionally guaranteed by such subsidiaries. As at 30 June 2014, LRAI was in compliance with all covenants including all financial ratios.

In June 2013 LRAI entered into a \$35 million second lien term loan agreement ("2nd lien facility") with Wells Fargo Energy Capital, Inc. (as Administrative Agent). The 2nd lien facility provides for a commitment fee of 0.75% based on the unused portion of the commitment amount under the 2nd lien facility. The 2nd lien facility matures on September 14, 2018. In February 2014, the 2nd lien facility was amended increasing the commitment amount to \$55 million. In April 2014 the 2nd lien facility was completely paid off and subsequently terminated. Under the 2nd lien facility, the Company was required to pay a fee of \$1.1 million in connection with the early prepayment of the facility equal to 2.0% of the principal balance that was paid off.

8.75% Senior Notes

On April 4, 2014, LRAI issued at par \$220 million of 8.75% Senior Unsecured Notes due April 15, 2019 ("Notes") to U.S. based institutional investors. The net proceeds from the offering of approximately \$212 million (after deducting purchasers' discounts and offering expenses) were used to repay the Company's revolving credit facility and 2nd lien facility, and for general corporate purposes.

The Company received a \$108.8 million borrowing base commitment under the senior revolving credit facility, upon closing of the Notes offering.

On or after April 15, 2016, LRAI may redeem the Notes in whole or in part at the redemption prices (expressed as percentages of the principal amount) set forth in the following table plus accrued and unpaid interest, if any, on the Notes redeemed, to the applicable date of redemption, if redeemed during the twelve-month period beginning on April 15 of the years indicated below:

<u>Year</u>	<u>Percentage</u>
2016	106.563%
2017	104.375%
2018 and thereafter	100.000%

In addition, upon a change of control of LRAI, holders of the Notes will have the right to require the LRAI to repurchase all or any part of their Notes for cash at a price equal to 101% of the aggregate principal amount of the Notes repurchased, plus any accrued and unpaid interest. The Notes were issued under and governed by an Indenture dated April 4, 2014, between LRAI, Wells Fargo Bank, National Association, as trustee and LRAI's subsidiaries named therein as guarantors (the "Indenture"). The Indenture contains covenants that, among other things, limit the ability of LRAI and its subsidiaries to: incur indebtedness; pay dividends or make other distributions on stock; purchase or redeem stock or subordinated indebtedness; make investments; create liens; enter into transactions with affiliates; sell assets; refinance certain indebtedness; and merge with or into other companies or transfer substantially all of LRAI's assets.

In conjunction with the issuance of the Notes, LRAI recorded a discount of approximately \$5.5 million to be amortized over the remaining life of the Notes using the effective interest method. The remaining unamortized discount was \$5.2 million at June 30, 2014.

Debt Issuance Costs

LRAI capitalises certain direct costs associated with the issuance of long-term debt and amortizes such costs over the lives of the respective debt. During the six months ended June 30, 2014, LRAI capitalized approximately \$3.5 million in costs associated with the issuance of the Notes and costs incurred for amendments to LRAI's Senior Revolving Credit Facility. With the payoff and termination of the 2nd lien facility, LRAI expensed approximately \$0.7 million of debt issuance costs. At June 30, 2014 and December 31, 2013, LRAI had approximately \$3.7 million and \$1.5 million, respectively, of debt issuance costs remaining that are being amortized over the lives of the respective debt.



8. CONTRIBUTED EQUITY

Date	Details	Number of shares	US\$'000
January 2013	Share for share exchange – reverse business combination (i)	460,000,000	91,200
January 2013	Acquisition Amadeus Petroleum	236,687,211	51,338
January 2013	Shares issued in lieu of board compensation	500,000	100
31 December 2013	Balance	697,187,211	142,638
May 2014	Shares issued (ii)	55,000,000	-
30 June 2014	Balance	752,187,211	142,640

- (i) Following the reverse acquisition on 2 January 2013, the number of shares outstanding represents the contributed equity of the legal parent, being Lonestar Resources Limited.
- (ii) An additional 55 million shares were issued on May 7, 2014 representing the Deferred Consideration Shares in accordance with the Lonestar Acquisition agreement announced December 18, 2012.

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds of winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

9. BUSINESS COMBINATION

For the half year ended 30 June 2014

Eagle Ford Shale Acquisition:

The Group completed an acquisition during March 2014 of approximately 13,156 net acres with an effective date of January 1, 2014. The acquisition consisted of working interests in approximately 50 producing oil and gas wells, with an additional total of 56 drilling locations in undeveloped acreage.

Details of the purchase consideration and assets acquired are as follows:

Net Assets Acquired	Fair Value \$'000
Oil and gas properties	70,978
Purchase consideration	
Cash paid total consideration	70,978

For the half year ended 30 June 2013

Lonestar Transaction – reverse acquisition:

On 22 October 2012 Lonestar Resources Limited (formerly Amadeus Energy Limited) announced that it had entered into a binding agreement to acquire UK-based Ecofin Energy Resources Plc, ("EER") the holding company for Texas-based Lonestar Resources, Inc., from its controlling shareholder Ecofin Water & Power Opportunities Plc and EER's other minority investors (the "Lonestar Transaction"). The Lonestar Transaction was satisfied by the initial issuance of 460,000,000 ordinary shares at an issue price of USD\$0.22 each, followed by a further issuance of 55,000,000 ordinary shares in the event of certain performance criteria being met within 18 months of completion ("Deferred Consideration Shares"). The conditions necessary for the issuance of the Deferred Consideration Shares were achieved in early 2014 and accordingly the Deferred Consideration Shares were issued on 7 May 2014. The issue price of the shares was based on the market price of the shares at the date of acquisition. The transaction was completed and effective 2 January 2013.



The net assets acquired in the business combination are as follows:

Net Assets Acquired	Carrying Amount Before Business Combination \$'000	Fair Value Adjustments \$'000	Fair Value \$'000
Cash and cash equivalents	10,286	-	10,286
Trade and other receivables	3,565	(660)	2,905
Other current assets	126	-	126
Intangibles	3,315	(3,315)	-
Oil and gas properties	77,671	18,487	96,158
Plant, property and equipment	540	408	948
Deferred tax asset	226	14,147	14,373
Trade and other payables	(11,206)	114	(11,092)
Retirement provision	(2,817)	(2,671)	(5,488)
Tax liability	-	(1,000)	(1,000)
Deferred tax liability	(11,486)	(16,626)	(28,112)
Total net assets acquired	70,220	8,884	79,104

Fair value of Lonestar Resources Ltd before business combination 236,687,211 fully paid ordinary shares at US\$0.22 each

Less: Option assumed and FX translation differences

Total consideration

Fair value gain on acquisition

52,071

(653)

51,418

27,686

The cash inflow on acquisition is as follows:

Net cash acquired with subsidiary

Net cash inflow

10,286

10,286

Beall Ranch Acquisition:

The Group completed the acquisition on 14 March 2013 of an additional 46.7% working interest in the Beall Ranch property for \$58.4 million. This transaction has been accounted for using the guidelines as set out in IFRS/AASB 3 'Business Combinations'. The Group acquired an additional 2.0% working interest in its Beall Ranch property for \$5.5 million in June 2013.

Details of the purchase consideration and assets acquired are as follows:

Net Assets Acquired	Fair Value \$'000
Oil and gas properties	63,930
Purchase consideration	
Cash paid total consideration	63,930

10. CONTINGENCIES

The Consolidated Entity has no material contingent assets or liabilities at reporting date.

11. RELATED PARTY TRANSACTIONS

The Group has loaned \$539K to Mr. Bracken and Mr. Olle, to assist with their tax obligations as a result of stock compensation awarded to them during calendar 2013. The loans are repayable within 2 years and they are on arms-length commercial terms.

During the period the Company had a consultancy services contract with Butterfly Flaps Limited, a company in which Mr Rowland (a non-executive Director of the Company) has an interest. Under that contract, Butterfly Flaps Limited provides consultancy services covering various strategic, tax structuring and investor matters at a cost approximating \$25,000 per quarter.

The Group has no other material related party transactions at reporting date other than director Board fees and Board remuneration.



12. FAIR VALUE MEASUREMENTS

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date and represent fair value. The fair value of current financial assets and liabilities settled within 12 months approximate fair value due to their short-term nature. The fair value of financial assets and liabilities together with their carrying value are as follows:

	30 June 2014 US\$'000 Carrying Value	30 June 2014 US\$'000 Fair Value	31 Dec 2013 US\$'000 Carrying Value	31 Dec 2013 US\$'000 Fair Value
Current Financial assets				
Derivative financial instruments	33	33	157	157
	33	33	157	157
Non Current Financial assets				
Derivative financial instruments	10	10	490	490
	10	10	490	490
Current Financial liabilities				
Derivative financial instruments	7,277	7,277	-	-
	7,277	7,277	-	-
Non Current Financial liabilities				
Borrowings	215,051	215,051	109,000	109,000
Derivative financial instruments	3,301	3,301	2,207	2,207
	218,352	218,352	111,207	111,207

The following tables classify financial instruments recognised in the statement of financial positions of the Group, according to the hierarchy stipulated in AASB 7 as follows:

Level 1: the instrument has quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: a valuation technique is used using other than quoted prices within Level 1 that are observable for the financial instrument either directly (i.e. as prices) or indirectly (i.e. derived from prices); or

Level 3: a valuation technique is used using inputs that are not based on observable market data (unobservable inputs).

As at 30 June 2014	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
Fair value through profit and loss:				
Oil and gas derivatives	-	10,535	-	10,535
	-	10,535	-	10,535
As at 31 Dec 2013	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
Fair value through profit and loss:				
Oil and gas derivatives	-	1,560	-	1,560
	-	1,560	-	1,560

The fair value of financial instruments traded in active markets is based upon quoted market price at the end of the reporting period. The quoted market price is the quoted bid prices that are included in Level 1. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group makes a number of assumptions based upon observable market data existing at each reporting period. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

13. SUBSEQUENT EVENTS

Craig Coleman resigned as a non-executive director of the Company on 15 August 2014.

No other event has occurred since 30 June 2014 that would materially affect the operations of the Group, the results of the Group or the state of affairs of the Group not otherwise disclosed in the Group's financial statements.



14. SHARE BASED PAYMENTS

The Group employee option incentive plan was approved by shareholders at the annual general meeting held on 17 December 2012. Eligible employees (as defined in the Plan and which includes Executive Directors and employees) are able to participate in the Plan. The terms of the Plan include:

- Options are issued to eligible employees for free
- The allotment of options is at the discretion of the Board of Directors
- Shares allotted on the exercise of options are to be issued at an exercise price to be determined by the Board in its absolute discretion
- Options expire four years after grant date
- Options are unlisted; and
- Options carry no dividend rights or voting rights.

The Company has a total of 122,181,630 employee options over ordinary shares in the Company as at 30 June 2014 (31 December 2013: 92,930,275). There were 31,751,355 options issued during the reporting period to employees (82,730,275: six months ended 30 June 2013). Set out below are summaries of options granted under the Plan:

Grant date	Expiry date	Exercise price A\$	Balance at start of the period Number	Granted during the period Number	Exercised during the period Number	Cancelled or expired during the period Number	Balance at end of the period Number	Vested and Exercisable at end of period Number
17 May 12	17 May 16	0.36	7,700,000	-	-	-	7,700,000	7,700,000
2 Jan 13	31 Dec 16	0.30	82,730,275	9,551,355	-	-	92,281,630	24,608,435
30 Apr 14	31 Dec 17	0.40	-	22,200,000	-	-	22,200,000	-
Total			90,430,275	31,751,355	-	-	122,181,630	32,308,435
Weighted average exercise price			A\$0.32	0.37			0.32	A\$0.32

Weighted average contractual life of share options outstanding at the end of the period was 3 years.

Fair value of options granted: The assessed fair value at grant date of options granted during the half year ended 30 June 2014 was 10 cents per option. The fair value at grant date is independently determined using a Black Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option. The expected price volatility is based on volatility, adjusted for any expected changes to future volatility due to publicly available information. The model inputs for options granted during the half year ended 30 June 2014 included:

- a) Exercise price: A\$0.40
- b) Grant date: 30 April 2014
- c) Expiry date: 31 Dec 2017
- d) Share price at grant date: A\$0.28
- e) Expected volatility of the company's shares: 58.5%
- f) Expected dividend yield: 0%
- g) Risk free interest rate: 2.9%

Expenses arising from share based payment transactions: Existing share options became fully vested on the effective date of the business combination. Share based payment expense relating to existing options was approximately \$1,334,000 during 2014. Total expenses arising from share based payment transactions recognised during the half year as part of employee benefit expense were as follows:

	June 2014 US\$'000	Dec 2013 US\$'000
Options issued under employee option plan	1,334	2,245

RESULTS FOR ANNOUNCEMENT TO THE MARKET

APPENDIX 4D

Half-Year Report

For the six months ended 30 June 2014

Name of entity: Lonestar Resources Limited
ABN: 36 058 714 408
Reporting period: Half-year ended 30 June 2014
Previous period: Half-year ended 30 June 2013

Results for announcement to the market		%		US\$ '000
Revenues from continuing operations	Up	53%	To	50,355
Profit after income tax	Down	108%	To	(1,931)
Profit attributable to members	Down	109%	To	(2,224)

Commentary on results for the period

Please refer to the Directors' Report included in the Half-Year Financial Report and to the Company's ASX announcements including the Quarterly Reports.

Dividends	Amount per security	Franked amount per security
Interim dividend	NIL¢	NIL¢
Previous period (special dividend)	NIL¢	NIL¢

Net tangible assets per security	30 June 2014	31 December 2013
Net tangible asset backing per ordinary share as at 30 June 2014 and at 31 December 2013	\$0.224	\$0.231

Control gained/lost over entities having material effect:

On 2 January 2013, Lonestar Resources Limited (formerly Amadeus Energy Limited) acquired UK based Ecofin Energy Resources Plc., the holding company for Texas based Lonestar Resources, Inc. from its controlling shareholder Ecofin Water & Power Opportunities Plc. and EER's other minority investors (the "Lonestar Transaction").

Details of aggregate share of profits (losses) of associated and joint venture entities – N/A

Audit: This Report is based on accounts that have been reviewed by BDO Audit (WA) Pty Ltd.

The information set out in this Appendix 4D and the Half-Year Report for the 6 months to 30 June 2014 is to be read in conjunction with the Annual Report for the 12 months to 31 December 2013.

Sign here:

Print name: Mitchell Wells



Date: 29 August 2014