
NICKELORE LIMITED
(TO BE RENAMED STONEHORSE ENERGY LIMITED)
ACN 086 972 429

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Meeting will be held at:

TIME: 10:00am (WST)
DATE: 18 October 2018
PLACE: Barringtons House
283 Rokeby Road
Subiaco WA 6008

Independent Expert's Report: Shareholders should carefully consider the Independent Expert's Report prepared for the purpose of the Shareholder approval required under ASX Listing Rule 10.1 (refer to Resolution 12). The Independent Expert's Report comments on the fairness and reasonableness of the transaction the subject of Resolution 12 to the non-associated Shareholders. The Independent Expert has determined the transaction the subject of Resolution 12 is **not fair but reasonable** to the non-associated Shareholders.

The business of the Meeting affects your shareholding and your vote is important.

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 5:00pm (WST) on 16 October 2018.

BUSINESS OF THE MEETING

AGENDA

1. FINANCIAL STATEMENTS AND REPORTS

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2018 together with the declaration of the directors, the director's report, the Remuneration Report and the auditor's report.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

“That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's annual financial report for the financial year ended 30 June 2018.”

Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of either of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person (the **voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (b) the voter is the Chair and the appointment of the Chair as proxy:
 - (i) does not specify the way the proxy is to vote on this Resolution; and
 - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – MR JAY STEPHENSON

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of clause 53.1 of the Constitution, and for all other purposes, Mr Jay Stephenson, a Director, retires by rotation, and being eligible, is re-elected as a Director.”

4. RESOLUTION 3 – ELECTION OF DIRECTOR – MR DAVID DELOUB

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of clause 52.2 of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Mr David Deloub, a Director who was appointed as an additional Director on 1 December 2017, retires, and being eligible, is elected as a Director.”

5. RESOLUTION 4 – CHANGE TO NATURE AND SCALE OF ACTIVITIES – PROPOSED ACQUISITION OF LONE STAR ENERGY LIMITED

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

“That, subject to and conditional upon the passing of all Essential Resolutions, for the purpose of ASX Listing Rule 11.1.2 and for all other purposes, approval is given for the Company to make a significant change to the nature and scale of its activities resulting from completion of the Proposed Acquisition of Lone Star Energy, as described in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast in favour of this Resolution by any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed or any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

6. RESOLUTION 5 – CONSOLIDATION OF CAPITAL

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, subject to and conditional upon the passing of all Essential Resolutions, pursuant to section 254H(1) of the Corporations Act, ASX Listing Rule 7.20 and for all other purposes, the issued capital of the Company be consolidated on the basis that every 6 Shares be consolidated into 1 Share (**Consolidation**) and, where this Consolidation results in a fraction of a Share being held, the Company be authorised to round that fraction down to the nearest whole Share.”*

7. RESOLUTION 6 – CHANGE OF COMPANY NAME

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

*“That, subject to completion of the Proposed Acquisition, for the purposes of section 157(1)(a) of the Corporations Act and for all other purposes, approval is given for the name of the Company to be changed to **Stonehorse Energy Limited**.”*

8. RESOLUTION 7 – CAPITAL RAISING

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 400,000,000 Shares (on a post-Consolidation basis) on the terms and conditions set out in the Explanatory Statement.”

No Voting Exclusion: The Capital Raising will be conducted as a public offer with Shareholders registered at 5:00pm (WST) on 27 August 2018 with a registered address in Australia (**Priority Shareholders**) eligible to receive a priority allocation out of an aggregate of 80,000,000 Shares of the Capital Raising. The priority allocation of the Capital Raising is at least 10% of the offer. Priority Shareholders with less than 100,000 Shares will be able to

apply for that number of additional Shares to result in an aggregate of 100,000 Shares being held when combined with their existing holding. Priority Shareholders will otherwise be limited to be issued the higher of 5% of the Shares being offered under the priority component of the Capital Raising and the number the Priority Shareholder would be entitled to under a pro rata issue of all those Shares.

9. RESOLUTION 8 – RELATED PARTY PARTICIPATION IN CAPITAL RAISING – MR ROBERT GARDNER

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 25,000,000 Shares (on a post-Consolidation basis) to Mr Robert Gardner (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of Mr Robert Gardner (and his nominee) or any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

10. RESOLUTION 9 – RELATED PARTY PARTICIPATION IN CAPITAL RAISING – MR DAVID DELOUB

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 1,000,000 Shares (on a post-Consolidation basis) to Mr David Deloub (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of Mr David Deloub (and his nominee) or any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

11. RESOLUTION 10 – RELATED PARTY PARTICIPATION IN CAPITAL RAISING – MR JAY STEPHENSON

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 1,000,000 Shares (on a post-Consolidation basis) to Mr Jay Stephenson (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of Mr Jay Stephenson (and his nominee) or any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

12. RESOLUTION 11 – ISSUE OF CONSIDERATION SECURITIES TO LONE STAR SHAREHOLDERS – UNRELATED VENDORS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, subject to and conditional upon the passing of all Essential Resolutions, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 75,500,000 Shares and up to 37,750,000 Options (both on a post-Consolidation basis) to the Lone Star Shareholders (or their nominees) as consideration for the Proposed Acquisition on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person (or those persons). However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

13. RESOLUTION 12 – ISSUE OF CONSIDERATION SECURITIES TO FASTWITCH ENTERPRISES PTY LTD – RELATED VENDOR

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, subject to the passing of all of the Essential Resolutions, for the purposes ASX Listing Rules 10.1 and 10.11 and for all other purposes, approval is given for the Company to issue up to 30,000,000 Shares and up to 15,000,000 Options (both on a post-Consolidation basis) to Fastwitch Enterprises Pty Ltd (or its nominee) as consideration for the Proposed Acquisition on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of Fastwitch Enterprises Pty Ltd (and its nominee) or any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Independent Expert's Report: Shareholders should carefully consider the Independent Expert's Report prepared for the purpose of the Shareholder approval required under ASX Listing Rule 10.1. The Independent Expert's Report comments on the fairness and reasonableness of the transactions the subject of Resolution 12 to the non-associated Shareholders. The Independent Expert has determined the Acquisition is **not fair but reasonable** to the non-associated Shareholders. A copy of the Independent Expert's Report is available on the Company's website www.nickelorelimited.com.au. If requested by a Shareholder, the Company will send to the Shareholder a hard copy of the Independent Expert's Report at no cost.

14. RESOLUTION 13 – ISSUE OF SHARES TO RELATED PARTY ON CONVERSION OF CONVERTING LOAN – FASTWITCH ENTERPRISES PTY LTD

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 5,500,000 Shares (on a post-Consolidation basis) in satisfaction of the principal and accrued interest owing in relation to the Converting Loan with Fastwitch Enterprises Pty Ltd on the terms conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of Fastwitch Enterprises Pty Ltd (and its nominee) or any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

15. RESOLUTION 14 – ISSUE OF SHARES TO RELATED PARTY ON CONVERSION OF CONVERTING LOAN – COOLCAT ENTERPRISES PTY LTD

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 1,375,000 Shares (on a post-Consolidation basis) in satisfaction of the principal and accrued interest owing in relation to the Converting Loan with Coolcat Enterprises Pty Ltd on the terms conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of Coolcat Enterprises Pty Ltd (and its nominee) or any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

16. RESOLUTION 15 – ISSUE OF SHARES TO RELATED PARTY ON CONVERSION OF CONVERTING LOAN – SWIFTYLINK PTY LTD

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 1,375,000 Shares (on a post-Consolidation basis) in satisfaction of the principal and accrued interest owing in relation to the Converting Loan with Swiftylink Pty Ltd on the terms conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of Swiftylink Pty Ltd (and its nominee) or any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

17. RESOLUTION 16 – ISSUE OF SHARES ON CONVERSION OF CONVERTING LOAN – UNRELATED PARTIES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 5,500,000 Shares (on a post-Consolidation basis) in satisfaction of the principal and accrued interest

owing in relation to Converting Loans with unrelated parties on the terms conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person (or those persons). However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

18. RESOLUTION 17 – ENABLE THE ISSUE OF OPTIONS UNDER AN EMPLOYEE INCENTIVE SCHEME – INCENTIVE OPTION PLAN

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 7.2 (Exception 9(b)) and for all other purposes, approval is given to enable the Company to issue Options under the employee incentive scheme titled Incentive Option Plan, on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of any Director except one who is ineligible to participate in any employee incentive scheme in relation to the Company, or any associates of those Directors. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

19. RESOLUTION 18 – REPLACEMENT OF CONSTITUTION

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

"That, for the purposes of sections 136(1)(b) and 136(2) of the Corporations Act and for all other purposes, approval is given for the Company to repeal its existing Constitution and adopt a new constitution in its place in the form as signed by the Chair for identification purposes."

Dated: 14 September 2018

By order of the Board



**Jay Stephenson
Director & Company Secretary**

Voting in person

To vote in person, attend the Meeting at the time, date and place set out above.

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 9426 0666.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

Resolutions 4, 5, 7, 11 and 12 are referred to as Essential Resolutions throughout this Notice. Each Essential Resolution is conditional on each other Essential Resolution being approved.

Should any of the Essential Resolutions not be approved by the requisite majority, the Company will not proceed with the Proposed Acquisition. The Company is required to re-comply with ASX's requirements for admission and quotation and therefore, the Proposed Acquisition may not proceed if those requirements are not met. The ASX has an absolute discretion in not deciding whether or not to re-admit the Company to the Official List and to quote the Company's Securities and therefore, the Proposed Acquisition may not proceed if the ASX exercises that discretion. The ASX and its officers take no responsibility for the contents of this Notice.

The Directors recommend that Shareholders vote in favour of all Resolutions.

1. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2018 together with the declaration of the directors, the directors' report, the Remuneration Report and the auditor's report.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on its website at www.nickelorelimited.com.au.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

2.1 General

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the company or the directors of the company.

The remuneration report sets out the company's remuneration arrangements for the directors and senior management of the company. The remuneration report is part of the directors' report contained in the annual financial report of the company for a financial year.

The chair of the meeting must allow a reasonable opportunity for its shareholders to ask questions about or make comments on the remuneration report at the annual general meeting.

2.2 Voting consequences

A company is required to put to its shareholders a resolution proposing the calling of another meeting of shareholders to consider the appointment of directors of the company (**Spill Resolution**) if, at consecutive annual general meetings, at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report and at the first of those annual general meetings a Spill Resolution was not put to vote. If required, the Spill Resolution must be put to vote at the second of those annual general meetings.

If more than 50% of votes cast are in favour of the Spill Resolution, the company must convene a shareholder meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the directors of the company who were in office when the directors' report (as included in the company's annual financial report for the most recent financial year) was approved, other than the managing director of the company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Following the Spill Meeting those persons whose election or re-election as directors of the company is approved will be the directors of the company.

2.3 Previous voting results

At the Company's previous annual general meeting, the votes cast against the remuneration report considered at that annual general meeting were less than 25%. Accordingly, the Spill Resolution is not relevant for this Annual General Meeting.

3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – MR JAY STEPHENSON

3.1 General

The Constitution sets out the requirements for determining which Directors are to retire by rotation at an annual general meeting.

Mr Jay Stephenson, who was last re-elected on 28 November 2017, retires by rotation and seeks re-election.

3.2 Qualifications and other material directorships

Mr Stephenson has been involved in business development for over 30 years including approximately 24 years as Director, Chief Financial Officer and Company Secretary for various listed and unlisted entities in resources, IT, manufacturing, wine, hotels and property. He has been involved in business acquisitions, mergers, initial public offerings, capital raisings, business restructuring as well managing all areas of finance for companies.

Mr Stephenson holds a Master of Business Administration, is a Fellow of the Certified Practising Accountants (Australia), a Chartered Professional Accountant (Canada), a Certified Management Accountant (Canada), a Fellow of the Governance Institute of Australia and a Member of the Australian Institute of Company Directors.

3.3 Independence

The Board does not consider that Mr Jay Stephenson is an independent director.

3.4 Board recommendation

The Board supports the re-election of Mr Jay Stephenson and recommends that Shareholders vote in favour of Resolution 2.

4. RESOLUTION 3 – ELECTION OF DIRECTOR – MR DAVID DELOUB

4.1 General

The Constitution allows the Directors to appoint at any time a person to be a Director either to fill a casual vacancy or as an addition to the existing Directors, but only where the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Pursuant to the Constitution, any Director so appointed holds office only until the conclusion of the next general meeting and is then eligible for re-election by Shareholders at that meeting but if that meeting is an annual general meeting, shall not be taken into account in determining the Directors who are to retire by rotation (if any) at that annual general meeting.

Mr David Deloub, having been appointed by other Directors on 1 December 2017 in accordance with the Constitution, will retire in accordance with the Constitution and being eligible, seeks election from Shareholders.

4.2 Qualifications and other material directorships

Mr David Deloub has over 25 years' experience in the finance and corporate sectors and holds a Bachelors Degree in economics with Honors and post graduate qualifications in banking and finance from Murdoch University and the University of Western Australia.

Previously, David was the Managing Director of Merah Resources Limited, an ASX listed exploration company.

David has held a number of executive positions including Chief Financial Officer at the ASX listed Neptune Marine Services and executive director at Patersons Capital Partners, a Perth based boutique advisory firm focused on providing strategic and financial advice to ASX listed companies.

David has considerable corporate finance, business development, management and operational experience in Australia, the United States and Africa where he has held senior management positions at Alinta Energy Limited, Alcoa Inc, and Merah Resources Limited.

David has also held non-executive board positions at Neptune Marine, Merah Resources and Minquest Limited. David is currently on the Board of Avira Resources Limited.

4.3 Independence

The Board does not consider that Mr David Deloub is an independent director.

4.4 Board recommendation

The Board supports the election of Mr David Deloub and recommends that Shareholders vote in favour of Resolution 3.

5. BACKGROUND TO THE PROPOSED ACQUISITION OF LONE STAR ENERGY

5.1 General Background

As announced on 1 December 2017, the Company has entered into a binding share sale agreement (**Share Sale Agreement**) to acquire 100% of the issued capital in Lone Star Energy Limited (ACN 157 789 761) (**Lone Star**) from the holders

of shares in Lone Star (**Lone Star Shareholders**) (**Acquisition** or **Proposed Acquisition**). The key terms of the Share Sale Agreement are set out in Schedule 1.

Completion of the Proposed Acquisition is conditional on a number of conditions precedent, including the completion of due diligence by each party on the other party and its business, operations and assets, to the absolute satisfaction of each party (refer to Schedule 1 for further detail). The Company is in the process of completing due diligence on the financial position, performance, profits and losses and prospects of Lone Star, the Existing Assets and Proposed Assets (as those terms are defined below) and confirms that this process will be completed prior to finalisation of the prospectus which is to be lodged with ASIC in respect of the Capital Raising (defined below) and ongoing thereafter.

5.2 Overview of Lone Star

Lone Star is an oil and gas exploration and development company which, through its wholly owned subsidiary, has:

- (a) a beneficial interest in two oil and gas projects located in Texas and Oklahoma, USA (**Existing Assets**); and
- (b) the opportunity to participate in two additional oil and gas projects located in Oklahoma at its election (**Proposed Assets**).

Further details on the Existing Assets and Proposed Assets are set out below, and in the Independent Expert's Report (including the "Fair Market Value Assessment Report" in Appendix A to the Independent Expert's Report).

Each of the Existing Assets and the Proposed Assets opportunities have been acquired by LS Operating pursuant to an agreement with BRK Oklahoma Holdings, LLC, a subsidiary of ASX listed Brookside Energy Limited (**BRK**) (**Step-in Agreement**).

Under the Step-in Agreement, LS Operating has a first right to participate in conventional well bore drilling and or acreage acquisition opportunities presented to BRK by Black Mesa Production, LLC. No consideration is payable by LS Operating to BRK under the Step-in Agreement.

BRK has an agreement with Black Mesa Production, LLC (**BMP**) under which BRK may participate in drilling programs introduced to it by BMP (**Drilling Program Agreement**). BMP has agreed that LS Operating exercising its rights under the Step-in Agreement will satisfy BRK's commitment under the Drilling Program Agreement to the extent of the commitment by LS Operating.

Under the Drilling Program Agreement, BMP has the right to receive a 25% carried working interest (**Carried Working Interest**) in any prospect included in a drilling program in which BMP participates. The Carried Working Interest commences after "Payout" has occurred on the prospect. "Payout" is the time at which gross proceeds from production revenue from a well equals all direct costs billed to BRK (or its assignee) in relation to the well, including costs of drilling, completing, equipping, and operating the well. This Carried Working Interest applies to any interest acquired by LS Operating under the Step-in Agreement.

Further details of the Step-in Agreement and Drilling Program Agreement are set out in Schedule 1.

Existing Assets

Greever Prospect

Pursuant to the Step-in Agreement, LS Operating has acquired a 25% Working Interest and an 19.5% Net Revenue Interest in the Greever Prospect (before Payout).

The Greever Prospect is located in the Pan Petro Field in the eastern edge of Hansford County, West Texas, which is part of the Oklahoma-Texas Panhandle region of oil and natural gas development.

The well, named Sutton #2H-52, is offsetting a recent successfully drilled (producing) horizontal well and is adjacent to an analogous field with recently drilled horizontal Marmaton producing wells.

The operator of the well is Strat Land Exploration Company of Tulsa.

The well is currently producing.

Burgess Prospect

Pursuant to the Step-in Agreement, LS Operating has acquired a 96.8156% Working Interest (with a 73.0977% Net Revenue Interest) in the Burgess Prospect (before Payout). The Burgess Prospect is located in the Southwest Fort Supply field in the north-eastern corner of Ellis County, in Oklahoma.

The operator of the well, named Burgess#28-1, is Black Mesa Production, LLC.

The Burgess#28-1 well has been drilled with two zones identified with potential to produce (Chester and Oswego) including additional potential future oil production further up well in the Oswego zone.

Refer to Section 5.14 of this Explanatory Statement for details of the proposed activities on the Assets following completion of the Proposed Acquisition, and Schedule 2 for further details of the Assets. In addition, further information on the Assets is set out in Appendix A to the Independent Expert's Report.

Proposed Assets

BMP has introduced the Proposed Assets to BRK under the Drilling Program Agreement. LS Operating has conditionally exercised its right to participate in these opportunities under the terms of the Step-in Agreement, subject to completion of the Proposed Acquisition.

Bullard Prospect

The Bullard Prospect is a conventional horizontal drilling oil and gas well opportunity located in the Woodford Formation in Garvin County, Oklahoma.

The proposed drilling location is offsetting a recent successfully drilled (producing) horizontal well and is adjacent to an analogous field with a number of recently drilled horizontal Woodford producers.

LS Operating has the opportunity to earn a 20.5702% Working Interest and a 15.3505% Net Revenue Interest in the project before Payout.

The operator of the Bullard Prospect is an experienced Oklahoma based operator (Rimrock Resource Operating LLC) with decades of experience and a successful

track record in this area. Drilling of these wells is expected to commence in the 4th quarter of 2018 and complete by end of the second quarter 2019.

STACK Prospects

The STACK (an acronym for "Sooner Trend Anadarko Canadian Kingfisher") group of prospects (**STACK Prospects**) is comprised of six different drill locations within the prolific STACK play of Blaine County, Oklahoma, in the core of the over pressured STACK play. The target reservoirs include Mississippian aged Meramec and Osage Limestones and Devonian aged Woodford Shale. The reservoirs are exploited using horizontal multistage fracturing.

The excellent rock quality and over pressured nature of the reservoirs underlying the STACK Prospects allow for initial producing rates as high as 2,000 boe/d. All identified units are in either the volatile oil window or high gas condensate window, are in proven parts of the play and have at least one producing STACK well within a mile of each identified unit.

Lone Star has the opportunity to earn between 0.25% to 5.22% Working Interest (before Payout) in a series of six different drilling units comprising the STACK Prospects. The operators of the identified units include large U.S. independents such as Continental Resources, Devon Energy and Cimarex Energy. Drilling is expected to commence in in 4th quarter 2018.

Refer to Section 5.14 of this Explanatory Statement for details of the proposed activities on the Proposed Assets following completion of the Proposed Acquisition, and Schedule 2 for further details of the Proposed Assets.

5.3 Re-compliance with Chapters 1 and 2 of the ASX Listing Rules

ASX has advised the Company that, given that the Company is proposing to make a change in its activities from a mineral exploration company to an oil and gas exploration and production company, it has exercised its discretion to require the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules prior to settlement of the Proposed Acquisition (**Settlement**).

For this purpose, the Company will be required to re-comply with the conditions to listing on ASX set out in Chapters 1 and 2 of the ASX Listing Rules in order to achieve Settlement and before it can be re-instated to trading on ASX following Settlement.

5.4 ASX waiver and confirmation obtained

The Company has obtained the following waivers from the ASX in respect of certain terms of the Proposed Acquisition and associated matters:

- (a) a waiver from the requirements of ASX Listing Rule 2.1 Condition 2 to permit it to issue Shares at an issue price of not less than \$0.02 per Share in connection with the Proposed Acquisition and the Capital Raising;
- (b) a waiver from the requirements of ASX Listing Rule 1.1 Condition 12 to permit it to issue Options with exercise prices of \$0.025 (being the Consideration Options in connection with the Proposed Acquisition);
- (c) a waiver from the requirements of ASX Listing Rule 10.13.3 to permit the Company to issue:

- (i) Consideration Securities to Fastwitch Enterprises Pty Ltd (or its nominee) at the same time as Consideration Securities are issued to unrelated parties at settlement of the Proposed Acquisition;
- (ii) Shares to Messrs Gardner, Deloub and Stephenson (or their respective nominees) as contemplated by Resolutions 8-10 at the same time as Shares are issued to unrelated party participants under the Capital Raising as contemplated by Resolution 7; and
- (iii) Shares to related party Lenders (or their respective nominees) as contemplated by Resolutions 13-15 at the same time as Shares are issued to unrelated party Lenders on conversion of Converting Loans as contemplated by Resolution 16,

in the event that any of these issues occurs more than 1 month after the date of the Meeting.

The waivers in paragraphs (a) and (b) are each subject to Shareholders approving the Company undertaking the Capital Raising at not less than \$0.02 and issuing Options in connection with the Proposed Acquisition with exercise prices not less than \$0.025.

5.5 Use of Funds

To assist the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules and to support its strategy post-completion of the Proposed Acquisition, the Company intends, subject to Shareholder approval, to conduct a capital raising under a public offer pursuant to a full form prospectus to raise up \$4,200,000 at an issue price of \$0.02 per Share (**Capital Raising**). The minimum subscription under the Capital Raising is \$4,200,000 (**Minimum Subscription**). Oversubscriptions of up to an additional \$3,800,000 Shares at an issue price of \$0.02 per Share may be issued to raise a total of \$8,000,000 (**Oversubscription Amount**).

Shareholder approval for the Capital Raising is the subject of Resolution 7.

The funds raised from the Capital Raising are intended to be used as follows:

Allocation of funds	Minimum Subscription	Over Subscription
Exploration expenditure ¹	\$2,800,000	\$ 4,155,000
Expenses of the Capital Raising ²	\$487,700	\$723,000
Repayment of Loans	\$200,000	\$200,000
Administration Costs ³	\$600,000	\$600,000
Working capital ⁴	\$112,300	\$2,322,000
Total	\$4,200,000	\$8,000,000

Notes:

1. Lone Star's wholly owned subsidiary, LS Operating Pty Ltd (**LS Operating**) has contractual rights to participate in the conventional well bore drilling and or acreage acquisition opportunities as described in Section 5.2 of this Notice. This expenditure includes both drilling and completion and program management costs associated with these well bore interests.

The key terms and conditions of the Step-in Agreement and Drilling Program Agreement which give rise to these contractual rights are set out in Section 5.2 and Schedule 1.

2. Expenses of the Capital Raising include legal fees, ASX fees, advisor fees, Investigating Accountant fees, Independent Technical Advisor Fees, Share Registry Fees and brokerage costs.
3. Administration costs include, without limitation, general corporate costs such as the provision of contract services to the Company, ASX listing fees, Board and executive remuneration, office rent, and ongoing audit and accounting costs.
4. Working capital provides for additional capital to be used for investment in new oil and gas projects not yet identified by the Directors.

In the event the amount raised is between the Minimum Subscription and the Oversubscription Amount, the funds raised above the minimum subscription will be applied to additional expenses of the Capital Raising, then exploration costs and finally working capital.

It should be noted that the Company's budgets will be subject to modification on an ongoing basis depending on the results obtained from exploration and evaluation work carried out. This will involve an ongoing assessment of the Company's interests. The results obtained from exploration and evaluation programs may lead to increased or decreased levels of expenditure on certain projects reflecting a change in emphasis.

The above table is a statement of current intentions as of the date of this Notice. As with any budget, intervening events, including exploration success or failure, and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.

5.6 Not underwritten

As at the date of this Notice, the Capital Raising is not underwritten.

5.7 Consolidation

The Company intends to consolidate its securities on a 6:1 basis (**Consolidation**) with fractional entitlements rounded down to the nearest whole Share, Shareholder approval for which is the subject of Resolution 5.

5.8 Pro forma capital structure

The proposed capital structure of the Company on a pre and post Consolidation basis following completion of the Proposed Acquisition and issues of all Securities contemplated by this Notice is set out in Schedule 3.

The Directors note that both the Company and Lone Star have not issued any securities in the six-month period preceding the date of this Notice.

5.9 Pro forma balance sheet

Set out in Schedule 4 is a pro-forma balance sheet of the Company showing the effect of the Proposed Acquisition and issues of all Shares and Options contemplated by this Notice on both a minimum and maximum Capital Raising. The historical and pro-forma information is presented in an abbreviated form, insofar as it does not include all of the disclosure required by the Australian Accounting Standards applicable to annual financial statements.

5.10 Lone Star accounts

A copy of Lone Star's latest accounts is set out in Schedule 5.

5.11 Substantial Shareholders on a Post-Consolidation Basis

Based on publicly available information, those Shareholders holding 5% or more of the Shares on issue both as at the date of this Notice and on completion of the Capital Raising (assuming minimum subscription and over subscription) are set out in the respective tables below.

As at the date of this Notice of Meeting

Shareholder	Shares	Options	% (undiluted)
Wingstar Investments Pty Ltd ¹	14,603,750	Nil	28.47
World Trend Limited	7,466,667	Nil	14.56
LL Arthur Limited	5,180,000	Nil	10.10

Notes:

1. Being, an entity controlled by Director, Mr Robert Gardner.
2. Subject to rounding following the Consolidation.

On completion of the Offers (assuming the Minimum Subscription of the Capital Raising is raised and no existing substantial Shareholder subscribes and receives additional Shares pursuant to the Capital Raising)

Shareholder	Shares	Options	% (undiluted)
Fastwitch Enterprises Pty Ltd ¹	35,500,000	15,000,000	9.33

Notes:

1. Being, an entity controlled by Director, Mr Robert Gardner.
2. Subject to rounding following the Consolidation.

On completion of the Capital Raising (assuming the Oversubscription Amount is raised and no existing substantial Shareholder subscribes and receives additional Shares pursuant to the Capital Raising)

Shareholder	Shares	Options	% (undiluted)
Fastwitch Enterprises Pty Ltd ¹	35,500,000	15,000,000	6.22

Notes:

1. Being, an entity controlled by Director, Mr Robert Gardner.
2. Subject to rounding following the Consolidation.

The Company will announce to the ASX details of its top-20 Shareholders (following completion of the Offers) prior to the Shares commencing trading on ASX.

5.12 Control effect of the proposed issue of Shares and Options

No person will acquire control of, or voting power of, 20% or more in the Company as a result of the Proposed Acquisition.

As at the date of this Notice, Mr Gardner (through his controlled entity Wingstar Investments Pty Ltd) has voting power of 28.47% in the Company.

As set out elsewhere in this Notice of Meeting, Robert Gardner (or his controlled entities) may be issued the following securities (subject to Shareholder approval):

- (a) 30,000,000 Shares and 15,000,000 Options to Fastwitch Enterprises in consideration for the acquisition of Fastwitch Enterprises' Loan Star shares (refer to Resolution 12);
- (b) 5,500,000 Shares to Fastwitch Enterprises upon conversion of a convertible loan with the Company (refer to Resolution 13); and
- (c) up to 25,000,000 Shares to Mr Gardner under the Capital Raising (refer to Resolution 8).

In addition to the above issues, two associates of Mr Gardner (being Coolcat Enterprises Pty Ltd and Swiftylink Pty Ltd) will each be issued 1,375,000 Shares (subject to Shareholder approval) upon conversion of a convertible loan with the Company (refer to Resolutions 14 and 15).

If:

- (a) the Oversubscription Amount is raised under the Capital Raising;
- (b) all of the Securities referred to above are issued; and
- (c) Fastwitch Enterprises exercises its 15,000,000 Options,

the voting power of Mr Gardner and his associates will be 16.27%.

In the event that less \$8,000,000 is raised in the Capital Raising, Mr Gardner will only subscribe for that number of Shares in the Capital Raising that will ensure that his and his associates' voting power remains below 20%.

5.13 Indicative timetable

An indicative timetable for Settlement of the Proposed Acquisition and the associated transactions is set out below:

Event	Date
Dispatch of Notice of Annual General Meeting for the Company	18 September 2018
Record Date for determining Priority Shareholders	5:00pm (WST) on 20 September 2018
Lodgement of Prospectus for Capital Raising with ASIC	21 September 2018
Opening date of Capital Raising	21 September 2018
Dispatch of Notice of General Meeting for Lone Star	25 September 2018
Lone Star General Meeting to approve Proposed Acquisition	18 October 2018
Company Annual General Meeting to approve Proposed Acquisition	18 October 2018
Closing Date of Capital Raising	22 October 2018

Issue of Shares under the Capital Raising	25 October 2018
Settlement of the Proposed Acquisition	25 October 2018
Dispatch of Holding Statements	26 October 2018
Re-compliance with Chapters 1 & 2 of the ASX Listing Rules	29 October 2018
Re-instatement to quotation of Shares (including Shares issued under the Capital Raising) on ASX	30 October 2018

Please note this timetable is indicative only and the Directors reserve the right to amend the timetable as required.

5.14 Board Intentions upon Settlement

The proposed activities and business model of the Company on completion of the Proposed Acquisition are:

- (a) implement the Exploration Strategy (see below); and
- (b) implement a growth strategy evaluating additional complementary oil and gas projects for acquisition or joint venture opportunities, providing a pipeline of projects at various stages of development, hence maximising opportunities for shareholder value creation.

Exploration Strategy

The Company's strategy is to build a portfolio of oil and gas interests by identifying and participating in US based oil and gas investment opportunities by contributing to drilling and completion costs to earn an interest in these assets. This will be achieved through the Step-in Agreement between BRK and LS Operating (which will, upon completion of the Proposed Acquisition, become a wholly owned subsidiary of the Company).

These assets are land based conventional and unconventional, vertical and horizontal oil and gas wells lodged in the states of Texas and Oklahoma. These are typically operated by large US oil and gas companies.

The Greever Prospect is operated by Strat Land Exploration Company of Tulsa, and the Burgess Prospect is operated by BMP.

Region	Well Name	Operator	Before Payout		Working Interest Cost (AUD)
			Working Interest	Net Revenue Interest	
SCOOP	Bullard #1-18/7H	Rimrock Resource Operating	20.5702%	15.3505%	\$2,799,682.06
STACK	Randolph 34-27XH	Continental Resources	0.2578%	0.1999%	\$37,708.52
STACK	Henry Federal 1-8-5XH	Continental Resources	5.2281%	4.0888%	\$922,631.62
STACK	Watonga 1-19H	TBD	0.2641%	0.1971%	\$29,707.03
STACK	TBD 7-15-10	Devon Energy	0.5281%	0.4309%	\$63,867.92
STACK	TBD 27-17-11	Cimarex Energy Company	1.0063%	0.8010%	\$121,689.17
STACK	McKinley Unit	Continental Resources	1.0156%	0.8115%	\$179,427.08

Consistent with this strategy, the Company, through the Step-in Agreement, also intends to acquire working interests in the Bullard and STACK group of assets. See table below for further details of these Assets.

The Company has the right but not the obligation to earn a 20.5702% Working Interest and a 15.3505% Net Revenue Interest (before Payout) in the Bullard Well. The operator is an experienced Oklahoma based oil and gas company (Rimrock Resource Operating LLC) with decades of experience and a successful track record in this area. This horizontal well bore is set to be drilled and completed by the 4th quarter of 2018.

Additionally, the Company has the opportunity to earn between 0.25% and 5.22% Working Interest (before Payout) in a series of well bores assets collectively known as the STACK group of assets. The operators of these 6 identified units include some of the largest US independents such as Continental Resources, Devon Energy and Cimarex Energy. Drilling of these wells is expected to commence in the 4th quarter of 2018 and complete by end of the second quarter 2019.

The Company's share of drilling and completion and program management will reflect the Working Interest the Company will have in these projects. Funds raised through the Capital Raising will be allocated to the Bullard Prospect (assuming Minimum Subscription) and then will be progressively applied to the STACK Prospects (up to the Oversubscription Amount).

The Company will also seek either a strategic partner or commercial opportunities to divest its existing Canegrass Project (comprising 6 prospecting licences in Western Australia).

The Board does not intend to change the senior management of the Company upon completion of the Proposed Acquisition.

5.15 Composition of the Board of Directors

It is intended that the Board will not change as a result of the Acquisition and will comprise the following upon Settlement:

- (a) Mr Robert Gardner;
- (b) Mr Jay Stephenson; and
- (c) Mr David Deloub.

5.16 Risk factors

The key risks of the Proposed Acquisition and of the Company following completion of the Proposed Acquisition are:

(a) Completion risk

Pursuant to the Share Sale Agreement, the key terms of which are summarised in Schedule 1, the Company has agreed to acquire 100% of the issued capital of Lone Star, completion of which is subject to the fulfilment of certain conditions. There is a risk that the conditions for completion of the Proposed Acquisition can't be fulfilled and, in turn, that completion of the Proposed Acquisition does not occur.

If the Proposed Acquisition is not completed, the Company will incur costs relating to advisors and other costs without any material benefit being achieved.

(b) **Re-quotations of shares on ASX**

As part of the Company's change in nature and scale of activities, ASX will require the company to re-comply with Chapters 1 and 2 of the ASX Listing Rules. It is anticipated that the Company's securities will remain suspended until completion of the Capital Raising, the Proposed Acquisition, re-compliance by the company with Chapters 1 and 2 of the ASX Listing Rules and compliance with any further conditions ASX imposes on such reinstatement.

There is a risk that the Company will not be able to satisfy one or more of those requirements and that its securities will consequently remain suspended from official quotation.

(c) **Liquidity risk**

On completion of the Proposed Acquisition, the Company proposes to issue Shares and Options to the Lone Star Shareholders in consideration for the Acquisition. The Company understands that ASX will treat some of these securities as restricted securities in accordance with Chapter 9 of the ASX Listing Rules.

This could be considered an increased liquidity risk as a large portion of issued capital may not be able to be traded freely for a period of time.

(d) **Exploration and development risks**

The business of oil and gas exploration, project development and production, by its nature, contains elements of significant risk with no guarantee of success. Ultimate and continuous success of these activities is dependent on many factors such as:

- (i) the discovery and/or acquisition of economically recoverable reserves;
- (ii) access to adequate capital for project development;
- (iii) design and construction of efficient development and production infrastructure within capital expenditure budgets;
- (iv) securing and maintaining title to interests;
- (v) obtaining consents and approvals necessary for the conduct of oil and gas exploration, development and production;
- (vi) access to competent operational management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees, contractors and consultants.

Whether or not income will result from projects undergoing exploration and development programs depends on successful exploration and establishment of production facilities. Factors including costs, actual hydrocarbons and formations, flow consistency and reliability and

commodity prices affect successful project development and operations.

Drilling activities carry risk as such activities may be curtailed, delayed or cancelled as a result of weather conditions, mechanical difficulties, shortages or delays in the delivery of drill rigs or other equipment. In addition, drilling and operations include reservoir risk such as the presence of shale laminations in the otherwise homogeneous sandstone porosity.

Industry operating risks include fire, explosions, unanticipated reservoir problems which may affect field production performance, industrial disputes, unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment, mechanical failure or breakdown, blow outs, pipe failures and environmental hazards such as accidental spills or leakage of liquids, gas leaks, ruptures, discharges of toxic gases or geological uncertainty (such as lack of sufficient sub-surface data from correlative well logs and/or formation core analyses. The occurrence of any of these risks could result in legal proceedings against the Company and substantial losses to the Company due to injury or loss of life, damage to or destruction of property, natural resources or equipment, pollution or other environmental damage, clean up responsibilities, regulatory investigation, and penalties or suspension of operations. Damage occurring to third parties as a result of such risks may give rise to claims against the Company.

There is no assurance that any exploration on current or future interests will result in the discovery of an economic deposit of oil or gas. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically developed.

(e) **Operational risks**

Oil and gas exploration, appraisal, development and production operations are subject to a number of operational risks and hazards including fire, explosions, blow outs, pipe failures, abnormally pressured formations and environmental hazards such as accidental spills or leakage of petroleum liquids, gas leaks, ruptures, or discharge of toxic gases. Oil and gas exploration, appraisal, development and production are generally considered a high-risk undertaking. The operations of the Company may also be affected by a range of factors, including:

- (i) operational and technical difficulties encountered in drilling;
- (ii) difficulties in commissioning and operating plant and equipment;
- (iii) mechanical failure or plant breakdown; unanticipated drilling problems which may affect production costs;
- (iv) adverse weather conditions; industrial and environmental accidents; industrial disputes; and, unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

(f) **Tenure risks**

The oil and gas interests held by Lone Star are subject to applicable laws regarding exploration, expenditure and renewal of such interests. If an oil and gas lease interest is not renewed (as the case may be) or access

cannot be secured to carry out operations, the Company could be adversely affected as a result of the consequential loss of opportunity to discover and develop any oil and gas resources within those oil and gas lease interests.

(g) **Sovereign risks**

Lone Star's key project interests are situated in the USA. Accordingly, the Company is subject to the risks associated in operating in foreign countries. These risks include economic, social or political instability or change, hyperinflation, currency non-convertibility or instability and changes of law affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, exploration licensing, export duties, repatriation of income or return of capital, environmental protection, labour relations as well as government control over natural resources or government relations that require the employment of local staff or contractors or require other benefits to be provided to local residents.

The Company and its advisers will undertake all reasonable due diligence in assessing and managing the risks associated with oil and gas exploration and production in the USA. However, any future material adverse changes in government policies or legislation in foreign jurisdictions in which the Company has projects is outside the control of the Company. Such changes may affect the foreign ownership, exploration, development or activities of companies involved in oil and gas exploration and production and in turn may affect the viability and profitability of the Company.

(h) **Environmental risks**

The operations and proposed activities of the Company are subject to laws and regulations concerning the environment applicable in the jurisdiction of those activities. As with most exploration and production, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or production proceeds. The Company will attempt to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws. Nevertheless, there are certain risks inherent in the Company's activities such as accidental leakages or spills, or other unforeseen circumstances which could subject the Company to extensive liability.

(i) **Oil and gas price fluctuations**

The demand for, and price of, oil and natural gas is highly dependent on a variety of factors, including international supply and demand, the level of consumer product demand, weather conditions, the price and availability of alternative fuels, actions taken by governments and international cartels, and global economic and political developments.

International oil and gas prices have fluctuated widely in recent years and may continue to fluctuate significantly in the future. Fluctuations in oil and gas prices and, in particular, a material decline in the price of oil or gas may have a material adverse effect on the Company's business, financial condition and results of operations.

(j) **Foreign exchange rate risk**

The Company's contractual obligations will be in United States dollars. Therefore, movements in the USD/AUD exchange rate between the date of this Notice and until the funds are available to be accessed by the Company, may adversely or beneficially affect the Company's results or operations and cash flows.

(k) **Economic and government risks**

The future viability of the Company is also dependent on a number of other factors affecting performance of all industries and not just the resources industry including, but not limited to, the following:

- (i) general economic conditions in jurisdictions in which the Company operates;
- (ii) changes in government policies, taxation and other laws in jurisdictions in which the Company operates;
- (iii) the strength of the equity markets in Australia and throughout the world, and in particular investor sentiment towards the resources sector;
- (iv) movement in, or outlook on, interest rates and inflation rates in jurisdictions in which the Company operates; and
- (v) natural disasters, social upheaval or war in jurisdictions in which the Company operates.

(l) **Permit grant and maintenance risks**

The Company's oil and gas exploration activities are dependent upon the grant, or as the case may be, the maintenance of appropriate licences, concessions, leases, permits and regulatory consents which may be withdrawn or made subject to limitations.

The maintaining of permits, obtaining renewals, or getting permits granted, often depends on the Company being successful in obtaining the required statutory approvals for its proposed activities and that the licences, concessions, leases, permits or consents it holds will be renewed as and when required. There is no assurance that such renewals will be given as a matter of course and there is no assurance that new conditions will not be imposed in connection therewith.

(m) **Title risk**

The ownership of oil and gas lease rights in the USA is a combination of private and governmental ownership (including Indian tribal ownership). The acquisition of privately owned oil and gas lease rights typically involves an initial review of the public records in the counties in which the relevant lands lie in order to determine the ownership of the oil and gas rights. Thereafter, oil and gas leases are negotiated with the owners of those rights. Verifying the chain of title for USA oil and gas leases can be complex any may result in remedial steps to be taken to correct any defect in title.

(n) **Lease expiry**

Successful drilling is fundamental to the appraisal and development of the leases in which the Company holds an interest. The Company's leases may expire if production is not established. It is not uncommon for oil and gas leases in the USA to provide that, if commercial production is not established on the leased properties within a specified period, the leases will expire and the holder of the leasehold interest loses its right to continue to explore for oil and gas on the relevant land.

(o) **Commercialisation**

Should the Company recover what would otherwise be commercial quantities of oil or gas, there is still no guarantee that the Company will be able to successfully transport the oil or gas to commercially viable markets, or sell the oil or gas to customers to achieve a commercial return the Company may not be able to secure satisfactory oil and gas transportation arrangements; there may be no readily available market; and no or limited access to pipelines. Pipeline access arrangements may also be subject to interruption rights which may adversely affect the Company.

(p) **Contractual risk**

The Company is reliant to a certain extent on the cooperation and compliance of parties to the agreements to which it is a party and the ability of the Company to achieve its objectives will depend on the performance by each of the parties of their respective obligations under these agreements. If a party defaults in the performance of their obligations it may adversely affect the Company, Lone Star or the Assets. In the event of dispute, there can be no guarantee that seeking enforcement of or compensation under such agreements will provide an efficient or satisfactory outcome.

(q) **Additional requirements for capital**

The funds to be raised under the Capital Raising are considered sufficient to meet the immediate objectives of the Company and implementation of the strategy detailed in Section 5.14. Additional funding may be required in the event costs exceed the Company's estimates and to effectively implement its business and operational plans in the future to take advantage of opportunities for acquisitions, joint ventures or other business opportunities, and to meet any unanticipated liabilities or expenses which the Company may incur. If such events occur, additional funding will be required.

Following the Capital Raising, the Company may seek to raise further funds through equity or debt financing, joint ventures, licensing arrangements, or other means. Failure to obtain sufficient financing for the Company's activities and future projects may result in delay and indefinite postponement of their activities and potential development programmes. There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing may not be favourable to the Company and might involve substantial dilution to shareholders.

(r) **Reliance on key personnel**

The Company's future depends, in part, on its ability to attract and retain key personnel. It may not be able to hire and retain such personnel at compensation levels consistent with its existing compensation and salary structure. Its future also depends on the continued contributions of its executive management team and other key management and technical personnel, the loss of whose services would be difficult to replace. In addition, the inability to continue to attract appropriately qualified personnel could have a material adverse effect on the Company's business.

(s) **Potential acquisitions**

As part of its business strategy, the Company may make acquisitions of, or significant investments in, complementary companies or prospects although no such acquisitions or investments are currently planned. Any such transactions will be accompanied by risks commonly encountered in making such acquisitions including risks associated with operating in foreign jurisdictions.

(t) **Financial markets risks**

Share market conditions may affect the value of the Company's quoted securities regardless of the company's operating performance. Share market conditions are affected by many factors such as:

- (i) general economic outlook;
- (ii) introduction of tax reform or other new legislation;
- (iii) interest rates and inflation rates;
- (iv) changes in investor sentiment toward particular market sectors;
- (v) the demand for, and supply of, capital; and
- (vi) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and mining sector stocks in particular. Neither the Company nor the directors warrant the future performance of the Company or any return on an investment in the Company.

5.17 Regulatory requirements generally

The Company notes that:

- (a) the Proposed Acquisition requires shareholder approval under the ASX Listing Rules and therefore may not proceed if that approval is not forthcoming;
- (b) the Company is required to re-comply with ASX's requirements for admission and quotation and therefore the Proposed Acquisition may not proceed if those requirements are not met;
- (c) ASX has an absolute discretion in deciding whether or not to re-admit the Company to the Official List and to quote its securities and therefore the

Proposed Acquisition may not proceed if ASX exercises that discretion;
and

- (d) investors should take account of these uncertainties in deciding whether or not to buy or sell the Company's securities.

5.18 Advantages of the Proposed Acquisition

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on the Essential Resolutions:

- (a) the Proposed Acquisition represents an attractive investment opportunity for the Company to change its business focus to that of an oil and gas exploration and production company;
- (b) the Company will obtain ownership of Lone Star;
- (c) the Share Sale Agreement requires the Company to complete a capital raising to raise not less than \$4,200,000, which will provide the Company with sufficient funds to implement the strategy detailed in Section 5.14;
- (d) completion of the Proposed Acquisition will result in the Company's securities being reinstated to trading on ASX which will give Shareholders a greater ability to trade their Shares;
- (e) the potential increase in market capitalisation of the Company following Settlement and the associated Capital Raising may lead to increased coverage from investment analysts, access to improved equity capital market opportunities and increased liquidity which are not currently present; and
- (f) the consideration for the Proposed Acquisition is Shares and Options, thereby allowing more funds raised from the Capital Raising to be used directly on activities on Lone Star and the Assets.

5.19 Disadvantages of the Proposed Acquisition

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on the Essential Resolutions:

- (a) the Company will be changing the nature and scale of its activities to primarily be an oil and gas exploration and production company, which may not be consistent with the objectives of all Shareholders;
- (b) the Proposed Acquisition will result in the issue of Shares under the Capital Raising and the issue of the Consideration Shares, both of which will have a dilutionary effect on the holdings of Shareholders, as will Shares issued on conversion of the Consideration Options proposed to be issued by the Company;
- (c) in connection with the Proposed Acquisition, the Company has been required to engage a number of advisors, lawyers and experts to facilitate and report on the Proposed Acquisition, which represent sunk, but necessary costs to the Company;
- (d) future outlays of funds from the Company may be required for the operations of Lone Star; and

- (e) there are additional risk factors associated with the change in nature of the Company's activities resulting from the Proposed Acquisition. Some of the key risks are summarised in Section 5.16.

5.20 Plans for the Company if completion of the Proposed Acquisition does not occur

If completion of the Proposed Acquisition does not occur, the Company will continue to look for potential business acquisitions with the potential to create value for Shareholders, both within the mineral resources industry and in other industries. Further, the Company will continue to evaluate either a strategic partnership or commercial opportunities to divest its interests in the Canegress Project.

5.21 Directors' interests in the Proposed Acquisition

None of the Company's existing Directors have any interest in the Proposed Acquisition or the Resolutions, other than as disclosed below and elsewhere in this Notice.

An entity associated with Mr Robert Gardner, Fastwitch Enterprises Pty Ltd, has entered into a loan agreement with LSE, under which Fastwitch Enterprises has loaned an amount of \$200,000 to LSE for working capital purposes.

The loan is repayable by LSE on 30 November 2018 and accrues interest at a rate of 5%.

Immediately before Settlement of the Acquisition, Fastwitch Enterprises will hold 24,000,000 shares in Loan Star as a result of the conversion of a convertible loan of \$600,000 from Fastwitch Enterprises to Loan Star. Please refer to Resolution 12 and the Independent Expert's Report for further details.

5.22 Lone Star's interests in the Company

None of the Lone Star Shareholders or their associates are related parties of the Company (other than Fastwitch Enterprises Pty Ltd, being an entity controlled by Director, Mr Robert Gardner) and they have no existing interest in the Company's Securities.

5.23 Directors' recommendation and voting intention

The Directors (other than Mr Robert Gardner who does not give a recommendation due to his material personal interest in the Proposed Acquisition) unanimously recommend that Shareholders vote in favour of the Essential Resolutions as they consider the Proposed Acquisition to be in the best interests of Shareholders for the following reasons:

- (a) after assessment of the advantages and disadvantages referred to in Sections 5.18 and 5.19 the Directors are of the view that the advantages outweigh the disadvantages; and
- (b) the Independent Expert has determined the Related Party Acquisition to be **not fair but reasonable** to the non-associated Shareholders.

Each of the Directors intends to vote all of their Shares in favour of each of the Resolutions in which they are entitled to vote.

5.24 Forward looking statements

The forward-looking statements in this Explanatory Statement are based on the Company's current expectations about future events. However, they are subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of the Company and the Directors, which could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by the forward-looking statements in this Explanatory Statement. These risks include but are not limited to, the risks detailed in Section 5.16. Forward looking statements include those containing words such as 'anticipate', 'estimates', 'should', 'will', 'expects', 'plans' or similar expressions.

5.25 Competent person's statement

In accordance with ASX Listing Rule 5.42, the Company confirms that the information contained in this Notice relating to prospective resources of the Assets is based on, and fairly represents, information and supporting documentation prepared by qualified petroleum reserves and resources evaluators. The estimates have been approved Mr John Paul Dick, principal of Pinnacle Energy Services, LLC. Mr Dick holds a Bachelor of Science degree in Petroleum Engineering from the University of Tulsa, is a registered Professional Engineer by the State of Oklahoma and has 35 years' experience in the petroleum industry of which over 20 years' experience are in the conduct of evaluation and engineering studies relating to both domestic U.S. oil and gas fields and international energy assets. Mr Dick is a licensed member of the Society of Petroleum Engineers and is a registered Professional Petroleum Engineer in Oklahoma (licence number PE 2055) and Texas ((licence number 69778). Mr Dick is not an employee of the Company and has consented in writing to the inclusion of this information in the form and context in which it appears in this Notice.

6. RESOLUTION 4 – CHANGE TO NATURE AND SCALE OF ACTIVITIES – PROPOSED ACQUISITION OF LONE STAR ENERGY LIMITED

6.1 General

Resolution 4 seeks approval from Shareholders for the Proposed Acquisition.

As set out above, the Proposed Acquisition will change the nature and scale of the Company's activities to an oil and gas exploration and production company, with projects located in Texas and Oklahoma, USA (**Assets**).

A summary of the terms and conditions of the Agreement is set out in Schedule 1 and a detailed description of Lone Star and the Assets is set out in Schedule 2.

6.2 ASX Listing Rule 11.1

ASX Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the nature or scale of its activities, it must provide full details to ASX as soon as practicable (and before making the change) and comply with the following:

- (a) provide to ASX information regarding the change and its effect on future potential earnings, and any information that ASX asks for;
- (b) if ASX requires, obtain the approval of holders of its shares and comply with any requirements of ASX in relation to the notice of meeting; and

- (c) if ASX requires, meet the requirements of Chapters 1 and 2 of the ASX Listing Rules as if the entity were applying for admission to the official list of ASX.

ASX has indicated to the Company that the change in the nature and scale of the Company's activities as a result of the Proposed Acquisition requires the Company, in accordance with ASX Listing Rule 11.1.2, to obtain Shareholder approval and the Company must comply with any requirements of ASX in relation to the Notice of Meeting.

6.3 Suspension until re-compliance with Chapters 1 and 2 of the ASX Listing Rules

ASX has also indicated to the Company that the change in the nature and scale of the Company's activities is a back-door listing of Lone Star which consequently requires the Company to (in accordance with ASX Listing Rule 11.1.3) re-comply with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules (including any ASX requirement to treat the Company's securities as restricted securities).

Accordingly, the Company's Securities will remain suspended from quotation until the Company has acquired Lone Star pursuant to the Share Sale Agreement and re-complied with Chapters 1 and 2 of the Listing Rules, including by satisfaction of ASX's conditions precedent to reinstatement.

If the Essential Resolutions are not approved at the Meeting, it is expected that the Company's Securities will remain suspended from quotation until the Company can demonstrate its activities are sufficient to satisfy ASX that it should be reinstated to quotation on the Official List.

7. RESOLUTION 5 – CONSOLIDATION OF CAPITAL

7.1 Background

Resolution 5 seeks Shareholder approval for the Company to undertake a 6:1 consolidation of its capital (**Consolidation**).

The purpose of the Consolidation is to implement a more appropriate capital structure for the Company going forward and to assist in complying with Chapters 1 and 2 of the ASX Listing Rules which is required to obtain re-instatement of its Shares to trading on the Official List of ASX on completion of the Proposed Acquisition.

7.2 Legal requirements

Section 254H(1) of the Corporations Act provides that a company may, by resolution passed in a general meeting, convert all or any of its shares into a larger or smaller number.

7.3 Fractional entitlements

Not all Shareholders will hold that number of Shares which can be evenly divided by 6. Any fractional entitlements of Shareholders as a consequence of the Consolidation will be rounded down to the nearest whole Share.

7.4 Effect on capital structure

The effect which the Consolidation will have on the Company's capital structure is set out in Schedule 3.

7.5 Taxation

It is not considered that any taxation implications will exist for Shareholders arising from the Consolidation. However, Shareholders are advised to seek their own tax advice on the effect of the Consolidation and neither the Company, nor the Directors or the Company's advisers, accept any responsibility for the individual taxation implications arising from the Consolidation.

7.6 Holding statements

From the date two Business Days after the Consolidation is approved by Shareholders, all holding statements for Shares will cease to have any effect, except as evidence of entitlement to a certain number of Shares on a post-Consolidation basis.

After the Consolidation becomes effective, the Company will arrange, in accordance with the timetable below, for new holding statements for Shares to be issued to Shareholders.

It is the responsibility of each Shareholder to check the number of Shares held prior to disposal or exercise (as the case may be).

7.7 Timetable

If Resolution 5 is passed, the Consolidation will take effect in accordance with the following timetable (as set out in Appendix 7A (paragraph 8) of the ASX Listing Rules):

Action	Date
Company announces Consolidation	1 December 2017
Company sends out Notice of Meeting seeking Shareholder approval for the Consolidation	18 September 2018
Company tells ASX that Shareholders have approved the Consolidation	18 October 2018
Last day for trading in pre-Consolidation Securities	19 October 2018
Trading in post-Consolidation starts on a deferred settlement basis	22 October 2018
Last day for Company to register transfers on a pre-Consolidation basis	23 October 2018
First day for Company to send to each holder notice of the change in their details of holdings.	24 October 2018
First day for the Company to register Securities on a post-Consolidation basis and first day for issue of holding statements	
Change of details of holdings date. Deferred settlement market ends	30 October 2018
Last day for Securities to be entered into holders' Security holdings	
Last day for the Company to send to each holder notice of the change in their details of holding	

8. RESOLUTION 6 – CHANGE OF COMPANY NAME

Section 157(1)(a) of the Corporations Act provides that a company may change its name if the company passes a special resolution adopting a new name.

Resolution 6 seeks the approval of Shareholders for the Company to change its name to “**Stonehorse Energy Limited**” subject to completion of the Proposed Acquisition.

If Resolution 6 is passed the change of name will take effect when ASIC alters the details of the Company’s registration.

The proposed name has been reserved by the Company and if Resolution 6 is passed, the Company will lodge a copy of the special resolution with ASIC on completion of the Proposed Acquisition in order to effect the change.

The Board proposes this change of name on the basis that it more accurately reflects the proposed future operations of the Company.

9. RESOLUTION 7 – CAPITAL RAISING

9.1 General

Resolution 7 seeks Shareholder approval for the issue of up to 400,000,000 Shares at an issue price of \$0.02 per Share, on a post-Consolidation basis, to raise up to \$8,000,000 (**Capital Raising**).

The Capital Raising will be undertaken via the issue of a prospectus (**Prospectus**) to assist in complying with Chapters 1 and 2 of the ASX Listing Rules which is required to obtain re-instatement of its Securities to trading on the Official List of ASX on completion of the Proposed Acquisition.

The Capital Raising will be conducted as a public offer with Shareholders registered at 5:00pm (WST) on 27 August 2018 with a registered address in Australia (**Priority Shareholders**) eligible to receive a priority allocation out of an aggregate of 80,000,000 Shares of the Capital Raising. The priority allocation of the Capital Raising is at least 10% of the offer. Priority Shareholders with less than 100,000 Shares will be able to apply for that number of additional Shares to result in an aggregate of 100,000 Shares being held when combined with their existing holding. Priority Shareholders will otherwise be limited to be issued the higher of 5% of the Shares being offered under the priority component of the Capital Raising and the number the Priority Shareholder would be entitled to under a pro rata issue of all those Shares.

As at the date of this Notice, the Capital Raising is not underwritten and the Company has not engaged a broker to assist with the Capital Raising. However, the Company reserves the right to pay a commission of up to 6% (exclusive of goods and services tax) of amounts subscribed under the Capital Raising through any licensed securities dealers or Australian financial services licensee in respect of any valid applications lodged and accepted by the Company and bearing the stamp of the licensed securities dealer or Australian financial services licensee. Payments will be subject to the receipt of a proper tax invoice from the licensed securities dealer or Australian financial services licensee.

Further details of the Capital Raising will be set out in the Prospectus to be lodged with the ASIC in due course. A copy of the Prospectus, together with an application form will be sent to Priority Shareholders who wish to apply for Shares under the Capital Raising.

The minimum subscription under the Capital Raising will be \$4,200,000 (**Minimum Subscription**). It is noted the Shares the subject of the Capital Raising will only be issued if:

- (a) the Minimum Subscription is raised;
- (b) the Company has received conditional approval from ASX for the Company to be reinstated to official quotation on ASX following the Company's compliance with ASX Listing Rule 11.1.3 and Chapters 1 and 2 of the ASX Listing Rules on conditions acceptable to the Company and Lone Star, each acting reasonably; and
- (c) the issue occurs contemporaneously with Settlement, which requires, amongst other things, the passing of all Essential Resolutions.

9.2 ASX Listing Rule 7.1

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolution 7 will be to allow the Company to issue the Shares pursuant to the Capital Raising during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

9.3 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Capital Raising:

- (a) the maximum number of Shares to be issued is 400,000,000 (on a post-Consolidation basis). Where Shares are issued pursuant to Resolutions 8 to 10 the maximum number of Shares issued under Resolution 7 will be reduced accordingly so that the maximum aggregate number of Shares issued under Resolutions 7 to 10 is 400,000,000;
- (b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same day;
- (c) the issue price will be \$0.02 per Share;
- (d) the Shares will be issued to applicants under the Prospectus, including Priority Shareholders and the general public at the Board's discretion. These persons will not be related parties of the Company other than those parties for which separate Shareholder approval is being sought under Resolutions 8 to 10;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) the Company intends to use the funds raised from the Capital Raising for the purposes outlined in Section 5.5.

10. RESOLUTIONS 8-10 – RELATED PARTY PARTICIPATION IN CAPITAL RAISING

10.1 General

Pursuant to Resolution 7, the Company is seeking Shareholder approval for the Capital Raising.

Messrs Gardner, Deloub, and Stephenson each wish to participate in the Capital Raising (**Participation**). Shareholder approval for the Participation is sought in Resolutions 8 to 10.

Resolution 8 seeks Shareholder approval for the issue of up to 25,000,000 Shares to Mr Gardner (or his nominee) arising from the participation by Mr Gardner in the Capital Raising.

Resolution 9 seeks Shareholder approval for the issue of up to 1,000,000 Shares to Mr Deloub (or his nominee) arising from the participation by Mr Deloub in the Capital Raising.

Resolution 10 seeks Shareholder approval for the issue of up to 1,000,000 Shares to Mr Stephenson (or his nominee) arising from the participation by Mr Stephenson in the Capital Raising.

10.2 Chapter 2E of the Corporations Act

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The Participation will result in the issue of Shares which constitutes giving a financial benefit and Messrs Gardner, Deloub, and Stephenson are related parties of the Company by virtue of being Directors.

In respect of Resolution 8, the Directors (other than Mr Gardner who has a material personal interest in the Resolution) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the Participation because the Shares will be issued to Mr Gardner on the same terms as Shares issued to non-related party participants in the Capital Raising and as such the giving of the financial benefit is on arm's length terms.

In respect of Resolution 9, the Directors (other than Mr Deloub who has a material personal interest in the Resolution) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the Participation because the Shares will be issued to Mr Deloub on the same terms as Shares issued to non-related party participants in the Capital Raising and as such the giving of the financial benefit is on arm's length terms.

In respect of Resolution 10, the Directors (other than Mr Stephenson who has a material personal interest in the Resolution) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the Participation because the Shares will be issued to Mr Stephenson on the same

terms as Shares issued to non-related party participants in the Capital Raising and as such the giving of the financial benefit is on arm's length terms.

10.3 ASX Listing Rule 10.11

ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

As the Participation involves the issue of Shares to a related party of the Company, Shareholder approval pursuant to ASX Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

10.4 Technical Information required by ASX Listing Rule 10.13

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to the Participation:

- (a) the Shares will be issued to Messrs Gardner, Deloub, and Stephenson (or their nominees);
- (b) the maximum number of Shares to be issued is 25,000,000 Shares to Mr Gardner (Resolution 8), 1,000,000 Shares to Mr Deloub (Resolution 9), and 1,000,000 Shares to Mr Stephenson (Resolution 10), each on a post-Consolidation basis;
- (c) the Shares will be issued at the same time as Shares issued under Resolution 7 (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules);
- (d) the issue price will be \$0.02 per Share, being the same as all other Shares issued under the Capital Raising;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) the funds raised will be used for the same purposes as all other funds raised under the Capital Raising as set out above in Section 5.5.

Approval pursuant to ASX Listing Rule 7.1 is not required for the Participation as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Shares to Messrs Gardner, Deloub, and Stephenson (or their nominees) will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

11. RESOLUTIONS 11 AND 12 – ISSUE OF CONSIDERATION SECURITIES

11.1 General

A summary of the Proposed Acquisition is set out in Section 5.1.

Resolution 4 seeks Shareholder approval for the Proposed Acquisition.

Resolution 11 seeks Shareholder approval for the issue of up to 75,500,000 Consideration Shares and up to 37,750,000 Consideration Options (both on a post-Consolidation basis) to those Lone Star Shareholders who are not related parties

of the Company (**Unrelated Vendor Securities**) in consideration for the acquisition of the Lone Star Shares held by those parties at Settlement.

Resolution 12 seeks Shareholder approval for the issue of up to 30,000,000 Consideration Shares and up to 15,000,000 Consideration Options (both on a post-Consolidation basis) to Fastwitch Enterprises Pty Ltd (an entity controlled by Director, Mr Robert Gardner), a Lone Star Shareholder and related party of the Company (**Related Vendor Securities**) in consideration for the acquisition of the Lone Star Shares held by Fastwitch Enterprises Pty Ltd at Settlement (**Related Party Acquisition**).

Resolutions 4, 11 and 12 are inter-conditional as well as also being inter-conditional with Resolutions 5 and 7.

11.2 ASX Listing Rule 10.1

ASX Listing Rule 10.1 provides that an entity must ensure that neither it, nor any of its child entities, acquires a substantial asset from, or disposes of a substantial asset to, amongst other persons, a related party of the entity or a substantial shareholder of the entity.

Acquisition by the Company

Completion of the Related Party Acquisition will result in an acquisition by the Company.

Substantial asset

For the purposes of ASX Listing Rule 10.1, an asset is substantial if its value, or the value of the consideration for it is, or in ASX's opinion is, 5% or more of the equity interests of the entity as set out in the latest accounts given to ASX under the ASX Listing Rules.

The equity interests of the Company as defined by the ASX Listing Rules and as set out in the latest accounts given to ASX under the ASX Listing Rules (being for 31 December 2017) were -\$83,588. 5% of this amount is -\$4,179.

As the value of the consideration for the Related Party Acquisition is more than 5% of the equity interests of the Company as set out in the latest accounts given to ASX under the ASX Listing Rules, the completion of the Related Party Acquisition will result in the acquisition of a substantial asset.

Related Party

For the purposes of ASX Listing Rule 10.1, a related party of an entity includes, amongst other persons, directors of a public company.

Fastwitch Enterprises Pty Ltd is a related party of the Company, by virtue of being an entity controlled by Mr Robert Gardner, a Director.

Substantial shareholder

For the purposes of ASX Listing Rule 10.1, a substantial shareholder is a person who has a relevant interest (either directly or through its associates), or had at any time in the 6 months before the transaction, in at least 10% of the total votes attaching to the voting securities.

Mr Robert Gardner, by virtue of his relevant interest in 28.47% of the voting Shares of the Company is a substantial holder of the Company for the purposes of ASX Listing Rule 10.1.

Requirement for shareholder approval

As a result of the above conclusions, the completion of the Related Party Acquisition will result in the acquisition of a substantial asset from a related party and substantial holder of the Company and the Company is therefore required to seek Shareholder approval under ASX Listing Rule 10.1.

11.3 Independent Expert's Report

ASX Listing Rule 10.10.2 requires a notice of meeting containing a resolution under ASX Listing Rule 10.1 to include a report on the transaction from an independent expert.

The Independent Expert's Report set out in Annexure A sets out a detailed independent examination of the transaction the subject of Resolution 12 to enable non-associated Shareholders to assess the merits and decide whether to approve Resolution 12. The Independent Expert has concluded that the transaction the subject of Resolution 12 is **not fair but reasonable** to the non-associated Shareholders.

Shareholders are urged to carefully read the Independent Expert's Report to understand its scope, the methodology of the valuation and the sources of information and assumptions made.

The Independent Expert's Report is also available on the Company's website at www.nickelorelimited.com.au. If requested by a Shareholder, the Company will send to the Shareholder a hard copy of the Independent Expert's Report at no cost.

11.4 ASX Listing Rule 7.1

A summary of ASX Listing Rule 7.1 is set out in Section 9.2.

The effect of Resolution 11 will be to allow the Company to issue the Unrelated Vendor Securities pursuant to the Proposed Acquisition during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

11.5 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to Resolution 11:

- (a) the maximum number of Unrelated Vendor Securities to be issued is:
 - (i) up to 75,500,000 Consideration Shares (on a post-Consolidation basis); and
 - (ii) up to 37,750,000 Consideration Options (on a post-Consolidation basis);
- (b) the Unrelated Vendor Securities will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Unrelated Vendor Securities will occur on the same date;

- (c) the Unrelated Vendor Securities will be issued for nil cash consideration in satisfaction of the consideration for the acquisition of the Lone Star Shares held by those parties at Settlement who are not related parties of the Company;
- (d) the Unrelated Vendor Securities will be issued to the Lone Star Shareholders, other than Fastwitch Enterprises Pty Ltd for whom Shareholder approval is being sought under Resolution 12, none of whom are related parties of the Company;
- (e) the Consideration Shares issued to the Unrelated Vendors will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares other than for escrow imposed in accordance with the ASX Listing Rules;
- (f) the Consideration Options issued to the Unrelated Vendors will be on the terms and conditions set out in Schedule 6;
- (g) no funds will be raised from the issue of the Unrelated Vendor Securities as they are being issued in satisfaction of the consideration for the acquisition of the Lone Star Shares held by those parties at Settlement who are not related parties of the Company.

11.6 Chapter 2E of the Corporations Act

A summary of Chapter 2E of the Corporations Act is set out in Section 10.2.

The issue of the Consideration Securities to Fastwitch Enterprises Pty Ltd constitutes giving a financial benefit and Fastwitch Enterprises Pty Ltd is a related party of the Company by virtue of being an entity controlled by Mr Robert Gardner, a Director of the Company.

The Directors (other than Mr Robert Gardner) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of the Shares to Fastwitch Enterprises Pty Ltd because the Share Sale Agreement pursuant to which it was agreed that the Consideration Securities would be issued to Fastwitch Enterprises Pty Ltd was negotiated on an arm's length basis.

11.7 ASX Listing Rule 10.11

A summary of ASX Listing Rule 10.11 is set out in Section 10.3.

As Resolution 12 involves the issue of Securities to a related party of the Company, Shareholder approval pursuant to ASX Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

11.8 Technical Information required by ASX Listing Rule 10.13

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to Resolution 12:

- (a) the Related Vendor Securities will be issued to Fastwitch Enterprises Pty Ltd, who is a related party of the Company by virtue of being an entity controlled by Mr Robert Gardner, a Director of the Company;
- (b) the number of Related Vendor Securities to be issued to Fastwitch Enterprises Pty Ltd (or its nominee) is up to 30,000,000 Consideration Shares

and 15,000,000 Consideration Options (both on a post-Consolidation basis) in consideration for the acquisition of the Lone Star Shares held by Fastwitch Enterprises Pty Ltd at Settlement;

- (c) the Related Vendor Securities will be issued at the same time as Unrelated Vendor Securities (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules);
- (d) the Related Vendor Securities will be issued for nil cash consideration as they will be issued in satisfaction of the consideration for the Related Party Acquisition;
- (e) the Consideration Shares issued to the Related Vendor will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares other than for escrow imposed in accordance with the ASX Listing Rules;
- (f) the Consideration Options issued to the Related Vendor will be on the terms and conditions set out in Schedule 6; and
- (g) no funds will be raised from the issue of the Related Vendor Securities as they are being issued in satisfaction of the consideration for the Related Party Acquisition.

Approval pursuant to ASX Listing Rule 7.1 is not required for the issue of the Related Vendor Securities as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of the Related Vendor Securities will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

12. RESOLUTIONS 13 - 16 – ISSUE OF SHARES ON CONVERSION OF CONVERTING LOANS

12.1 General

To fund the Company's costs of re-complying with Chapters 1 and 2 of the ASX Listing Rules, the Company has entered into converting loan agreements with various related and unrelated investors (**Lenders**), pursuant to which the Lenders have provided the Company with an aggregate amount of \$200,000 (**Converting Loans**). The Company proposes to raise a further \$50,000 on the same terms as the Converting Loans investors who are not related parties of the Company (**Additional Loans**).

Conversion of the Converting Loans into Shares is automatic subject to satisfaction of Shareholder approval, completion of the Proposed Acquisition, the Company receiving conditional approval for its securities to be reinstated to official quotation on ASX on customary terms in relation to the Proposed Acquisition and completion of the Capital Raising. The conversion price is equal to the issue price of Shares under the Capital Raising (\$0.02 per Share).

Interest accrues at a rate of 10% per annum from the date funds are advanced until the date of repayment or conversion of those funds. In the event the funds are converted or repaid prior to the first anniversary of the date the funds were advanced to the Company, the interest payable is deemed to be equal to that amount that would have accrued over a 12 month period.

In the event a condition to conversion is not satisfied (e.g. Shareholder approval), the principal amount of the applicable Converting Loan/s will be repayable on 30 June 2019.

The Lenders are comprised of related parties of the Company, being Fastwitch Enterprises Pty Ltd, an entity controlled by Rob Gardner, Director, Coolcat Enterprises Pty Ltd, an entity controlled by a daughter of Rob Gardner and Swiftylink Pty Ltd, an entity controlled by a daughter of Rob Gardner, and unrelated parties of the Company.

Resolutions 13 - 15 seek separate Shareholder approval for the issue of Shares to each related party Lender and Resolution 16 seeks Shareholder approval for the issue of Shares to unrelated party Lenders and pursuant to the Additional Loans collectively. The quantity of Shares is for conversion of the principal and the accrued interest for a 12 month period.

12.2 Chapter 2E of the Corporations Act

A summary of Chapter 2E of the Corporations Act is set out in Section 10.2.

The issue of Shares to the Lenders the subject of Resolutions 13 – 15 constitutes giving a financial benefit and those Lenders are each a related party of the Company by virtue of being an entity controlled by Mr Robert Gardner, a Director, or, an entity controlled by a daughter of Rob Gardner.

The Directors (other than Mr Robert Gardner) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of these Shares because the Converting Loans are on the same terms as those entered with unrelated parties.

12.3 ASX Listing Rule 10.11

A summary of ASX Listing Rule 10.11 is set out in Section 10.3.

As Resolutions 13 – 15 involve the issue of Shares to a related party of the Company, Shareholder approval pursuant to ASX Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

12.4 Technical Information required by ASX Listing Rule 10.13

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to Resolutions 13 – 15:

- (a) the Shares will be issued to:
 - (i) Resolution 13: Fastwitch Enterprises Pty Ltd, who is a related party of the Company by virtue of being an entity controlled by Mr Robert Gardner, a Director (or its nominee);
 - (ii) Resolution 14: Coolcat Enterprises Pty Ltd, who is a related party of the Company by virtue of being an entity controlled by a daughter of Mr Robert Gardner, a Director (or its nominee); and
 - (iii) Resolution 15: Swiftylink Pty Ltd, who is a related party of the Company by virtue of being an entity controlled by a daughter of Mr Robert Gardner, a Director (or its nominee);
- (b) the number of Shares to be issued is:
 - (i) Resolution 13: up to 5,500,000 (on a post-Consolidation basis);

- (ii) Resolution 14: up to 1,375,000 (on a post-Consolidation basis); and
- (iii) Resolution 15: up to 1,375,000 (on a post-Consolidation basis);
- (c) the Shares will be issued at the same time as Shares are issued to Lenders who are not related parties of the Company pursuant to Resolution 16 (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules);
- (d) the issue price will be \$0.02 per Share in respect of the principal amount of the applicable Converting Loans converted and a deemed issue price of \$0.02 per Share in respect of the accrued interest converted;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares other than for escrow imposed in accordance with the ASX Listing Rules; and
- (f) as the Shares will be issued upon conversion of monies previously advanced to the Company no funds will be raised by the issue of Shares. The Company is using the funds advanced to fund the Company's costs of re-complying with Chapters 1 and 2 of the ASX Listing Rules.

Approval pursuant to ASX Listing Rule 7.1 is not required for the issue of the Shares under Resolutions 13 – 15 as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of these Shares will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

12.5 ASX Listing Rule 7.1

A summary of ASX Listing Rule 7.1 is set out in Section 9.2.

The effect of Resolution 16 will be to allow the Company to issue Shares on conversion of the Converting Loans with Lenders who are not related parties of the Company during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

12.6 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to Resolution 16:

- (a) the maximum number of Shares to be issued is 5,500,000 (on a post-Consolidation basis);
- (b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date, being the date of issue of the Shares under the Capital Raising and the date of issue of the Consideration Securities;
- (c) the issue price will be \$0.02 per Share in respect of the principal amount of the applicable Converting Loans converted and a deemed issue price of \$0.02 per Share in respect of the accrued interest converted;
- (d) the Shares will be issued to those Lenders who are not related parties of the Company;

- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares other than for any escrow restrictions imposed in accordance with the ASX Listing Rules; and
- (f) as the Shares will be issued upon conversion of monies previously advanced to the Company no funds will be raised by the issue of Shares. The Company is using the funds advanced to fund the Company's costs of re-complying with Chapters 1 and 2 of the ASX Listing Rules.

13. RESOLUTION 17 – ENABLE THE ISSUE OF OPTIONS UNDER AN EMPLOYEE INCENTIVE SCHEME – INCENTIVE OPTION PLAN

13.1 Background

The Company proposes to adopt an employee incentive scheme titled 'Incentive Option Plan' (**Option Plan**).

The objective of the Plan is to attract, motivate and retain key employees and it is considered by the Company that the adoption of the Plan and future issue of Options under the Plan will provide selected employees with the opportunity to participate in the future growth of the Company.

13.2 General

Resolution 17 seeks Shareholders approval to enable the Company to issue Options under the Plan, in accordance with ASX Listing Rule 7.2 (Exception 9(b)).

A summary of ASX Listing Rule 7.1 is set out in Section 9.2.

ASX Listing Rule 7.2 (Exception 9(b)) sets out an exception to ASX Listing Rule 7.1 which provides that issues under an employee incentive scheme are exempt for a period of 3 years from the date on which shareholders approve the issue of securities under the scheme as an exception to ASX Listing Rule 7.1.

If Resolution 17 is passed, the Company will be able to issue Options under the Plan to eligible employees over a period of 3 years from the date of approval without impacting on the Company's ability to issue up to 15% of its total ordinary securities without prior Shareholder approval in any 12 month period.

Any issues of Options under the Plan to a Director, an associate of the Director, or a person whose relationship with the Company, Director or associate of the Director is, in ASX's opinion, such that approval should be obtained will require additional Shareholder approval under ASX Listing Rule 10.14 at the relevant time.

13.3 Previous issues

Shareholders should note that no Options have previously been issued under the Plan, nor are any intended to be issued prior to or in conjunction with completion of the Proposed Acquisition.

13.4 Other employee incentive schemes

Other than the Plan, the Company does not operate any other employee incentive schemes.

13.5 Key terms and conditions of the Plan

A summary of the key terms and conditions of the Plan is set out in Schedule 7. In addition, a copy of the Plan is available for review by Shareholders at the registered office of the Company until the date of the Meeting. A copy of the Plan can also be sent to Shareholders upon request to the Company Secretary (+61 8 6141 3500). Shareholders are invited to contact the Company if they have any queries or concerns.

14. RESOLUTION 18 – REPLACEMENT OF CONSTITUTION

14.1 General

A company may modify or repeal its constitution or a provision of its constitution by special resolution of Shareholders.

Resolution 18 is a special resolution which will enable the Company to repeal its existing Constitution and adopt a new constitution (**Proposed Constitution**) which is of the type required for a listed public company limited by shares updated to ensure it reflects the current provisions of the Corporations Act and ASX Listing Rules. This will incorporate amendments to the Corporations Act and ASX Listing Rules since the current Constitution was adopted in 2007.

The Directors believe that it is preferable in the circumstances to replace the existing Constitution with the Proposed Constitution rather than to amend a multitude of specific provisions.

The Proposed Constitution is broadly consistent with the provisions of the existing Constitution. Many of the proposed changes are administrative or minor in nature including but not limited to:

- updating references to bodies or legislation which have been renamed (e.g. references to the Australian Settlement and Transfer Corporation Pty Ltd, ASTC Settlement Rules and ASTC Transfer); and
- expressly providing for statutory rights by mirroring these rights in provisions of the Proposed Constitution.

The Directors believe these amendments are not material nor will they have any significant impact on Shareholders. It is not practicable to list all of the changes to the Constitution in detail in this Explanatory Statement, however, a summary of the proposed material changes is set out below.

A copy of the Constitution and Proposed Constitution is available from the Company on request to the Company Secretary.

14.2 Summary of material proposed changes

Minimum Shareholding (clause 3)

Clause 3 of the Proposed Constitution outlines how the Company can manage shareholdings which represent an “unmarketable parcel” of shares, being a shareholding that is less than \$500 based on the closing price of the Company’s Shares on ASX as at the relevant time.

The Proposed Constitution is in line with the requirements for dealing with “unmarketable parcels” outlined in the ASX Listing Rules such that where the Company elects to undertake a sale of unmarketable parcels, the Company is required to give one notice (of a minimum of 6 weeks) to holders of an

unmarketable parcel to elect to retain their shareholding before the unmarketable parcel can be dealt with by the Company, saving time and administrative costs incurred by otherwise having to send out additional notices.

This procedure is broadly consistent with clause 30 of the Constitution.

Fee for registration of off market transfers (clause 8.4(c))

On 24 January 2011, ASX amended ASX Listing Rule 8.14 with the effect that the Company may now charge a "reasonable fee" for registering paper-based transfers, sometimes referred to "off-market transfers".

Clause 8.4 of the Proposed Constitution is being made to enable the Company to charge a reasonable fee when it is required to register off-market transfers from Shareholders. The fee is intended to represent the cost incurred by the Company in upgrading its fraud detection practices specific to off-market transfers.

Before charging any fee, the Company is required to notify ASX of the fee to be charged and provide sufficient information to enable ASX to assess the reasonableness of the proposed amount.

Directors' remuneration (clause 14.8)

The total aggregate fixed sum per annum to be paid to Directors (excluding salaries of executive Directors) in accordance with clause 14.7 of the Constitution shall be no more than \$150,000 and may be varied by ordinary resolution of the Shareholders in general meeting. The previous constitution did not set a limit for this purpose, and no limit has previously been set by the Company in general meeting.

Dividends (clause 22)

Section 254T of the Corporations Act was amended effective 28 June 2010.

There is now a three-tiered test that a company will need to satisfy before paying a dividend replacing the previous test that dividends may only be paid out of profits.

The amended requirements provide that a company must not pay a dividend unless:

- (a) the company's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend;
- (b) the payment of the dividend is fair and reasonable to the company's shareholders as a whole; and
- (c) the payment of the dividend does not materially prejudice the company's ability to pay its creditors.

The existing Constitution reflects the former profits test and restricts the dividends to be paid only out of the profits of the Company. The Proposed Constitution is updated to reflect the new requirements of the Corporations Act. The Directors consider it appropriate to update the Constitution for this amendment to allow more flexibility in the payment of dividends in the future should the Company be in a position to pay dividends.

Partial (proportional) takeover provisions (new clause 36)

A proportional takeover bid is a takeover bid where the offer made to each shareholder is only for a proportion of that shareholder's shares.

Pursuant to section 648G of the Corporations Act, the Company has included in the Proposed Constitution a provision whereby a proportional takeover bid for Shares may only proceed after the bid has been approved by a meeting of Shareholders held in accordance with the terms set out in the Corporations Act.

This clause of the Proposed Constitution will cease to have effect on the third anniversary of the date of the adoption of last renewal of the clause.

When the provisions cease to apply the company's constitution is modified by omitting the provisions. The Company is permitted to seek further Shareholder approval to renew this clause for further periods of up to 3 years on each occasion in the same manner in which a company can modify its constitution (i.e. by special resolution of shareholders).

Information required by section 648G of the Corporations Act

Effect of proposed proportional takeover provisions

Where offers have been made under a proportional off-market bid in respect of a class of securities in a company, the registration of a transfer giving effect to a contract resulting from the acceptance of an offer made under such a proportional off-market bid is prohibited unless and until a resolution to approve the proportional off-market bid is deemed to have been passed.

A resolution to approve the proportional off-market bid will be deemed to have passed if no resolution to approve the proportional off-market bid has been voted on in accordance with the proportional takeover approval provisions by the end of the day before that day which is 14 days before the last day of the bid period in respect of the proportional off-market bid.

Reasons for proportional takeover provisions

A proportional takeover bid may result in control of the Company changing without Shareholders having the opportunity to dispose of all their Shares. By making a partial bid, a bidder can obtain practical control of the Company by acquiring less than a majority interest. Shareholders are exposed to the risk of being left as a minority in the Company and the risk of the bidder being able to acquire control of the Company without payment of an adequate control premium.

Clause 36 of the Proposed Constitution allows Shareholders to decide whether a proportional takeover bid is acceptable in principle, and assist in ensuring that any partial bid is appropriately priced.

Knowledge of any acquisition proposals

As at the date of this Notice, no Director is aware of any proposal by any person to acquire, or to increase the extent of, a substantial interest in the Company, other than pursuant to the Proposed Acquisition.

Potential advantages and disadvantages of proportional takeover provisions

The Directors consider that the proportional takeover provisions have no potential advantages or disadvantages for them and that they remain free to make a

recommendation on whether an offer under a proportional takeover bid should be accepted.

The potential advantages of the proportional takeover provisions for Shareholders include:

- (a) the right to decide by majority vote whether an offer under a proportional takeover bid should proceed;
- (b) assisting in preventing Shareholders from being locked in as a minority;
- (c) increasing the bargaining power of Shareholders which may assist in ensuring that any proportional takeover bid is adequately priced; and
- (d) each individual Shareholder may better assess the likely outcome of the proportional takeover bid by knowing the view of the majority of Shareholders which may assist in deciding whether to accept or reject an offer under the takeover bid.

The potential disadvantages of the proportional takeover provisions for Shareholders include:

- (a) proportional takeover bids may be discouraged;
- (b) lost opportunity to sell a portion of their Shares at a premium; and
- (c) the likelihood of a proportional takeover bid succeeding may be reduced.

14.3 Recommendation of the Board

The Directors do not believe the potential disadvantages outweigh the potential advantages of adopting the proportional takeover provisions and as a result consider that the proportional takeover provision in the Proposed Constitution is in the interest of Shareholders and unanimously recommend that Shareholders vote in favour of Resolution 18.

GLOSSARY

\$ means Australian dollars.

Additional Loans means the loans on the same terms as the Converting Loans up to an aggregate principal of \$50,000 which are entered between the Company and investors who are not related parties of the Company.

Annual General Meeting or **Meeting** means the meeting convened by the Notice.

ASIC means the Australian Securities & Investments Commission.

Assets means Lone Star Energy's oil and gas projects located in Texas and Oklahoma, USA as detailed in Schedule 2.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Capital Raising means the capital raising proposed by the Company and the subject of Resolution 7.

Chair means the chair of the Meeting.

Company means Nickelore Limited (ACN 086 972 429) (to be renamed Lone Star Energy and Production Limited).

Consideration Options means the Options issued to the Lone Star Shareholders pursuant to the Agreement on completion of the Proposed Acquisition.

Consideration Shares means the Shares issued to the Lone Star Shareholders pursuant to the Agreement on completion of the Proposed Acquisition.

Consideration Securities means the Consideration Shares and Consideration Options.

Consolidation means the consolidation of the Company's issued capital pursuant to Resolution 5.

Constitution means the Company's constitution.

Converting Loan means the loans with an aggregate principal of \$200,000 which automatically convert into Shares subject to Shareholder approval and other conditions precedent as contemplated by Resolutions 13 to 16.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the current directors of the Company.

Essential Resolutions means Resolutions 4, 5, 7, 11 and 12.

Existing Assets means Lone Star Energy's present interests in oil and gas projects located in Texas and Oklahoma, USA as detailed in Schedule 2.

Explanatory Statement means the explanatory statement accompanying the Notice.

Fastwitch Enterprises Pty Ltd or **Fastwitch Enterprises** means Fastwitch Enterprises Pty Ltd (ACN 154 686 683).

Independent Expert means Pendragon Capital Limited (ACN 008 963 755).

Independent Expert's Report means the report prepared by the Independent Expert which is annexed to this Notice.

Lenders means an investor advancing funds to the Company pursuant to a Converting Loan.

Lone Star Energy or **Lone Star** means Lone Star Energy Limited (ACN 157 789 761).

Lone Star Shareholders means shareholders of Lone Star.

Lone Star Shares means a fully paid ordinary share in the capital of Lone Star.

LS Operating means LS Operating Pty Ltd (ACN 620 289 849), the wholly owned subsidiary of Lone Star.

Minimum Subscription means the minimum subscription to the Capital Raising, being \$4,200,000.

Net Revenue Interest means the total revenue interest that a party owns and is entitled to receive in respect of a prospect, after all burdens of production (such as royalties), have been deducted from the party's working interest.

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory Statement, the Schedules and the Proxy Form.

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Option Plan, Plan or **Incentive Option Plan** means the employee incentive scheme the subject of Resolution 18 as summarised in Schedule 7.

Oversubscription Amount means the amount raised under the Capital Raising assuming oversubscriptions of \$3,800,000 are issued, being \$8,000,000.

Participation means participation by the Directors (or their respective nominees) in the Capital Raising which is the subject of Resolutions 8 - 10.

Priority Shareholders means Shareholders registered at 5:00pm (WST) on 27 August 2018 with a registered address in Australia, who will be eligible to receive a priority allocation of Shares under the Capital Raising as further described in Section 9.1.

Proposed Acquisition or **Acquisition** means the proposed acquisition of 100% of the issued capital in Lone Star Energy by the Company pursuant to the Share Sale Agreement.

Proposed Assets means Lone Star Energy's proposed interests in oil and gas projects located in Texas and Oklahoma, USA as detailed in Schedule 2.

Proposed Constitution means the constitution proposed for the Company and the subject of Resolution 18.

Prospectus means the prospectus to be issued by the Company in relation to the Capital Raising.

Proxy Form means the proxy form accompanying the Notice.

Related Party Acquisition means the acquisition of all of Fastwitch Enterprise's shareholding in Lone Star by the Company.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

Schedule means a schedule accompanying the Notice.

Section means a section of the Explanatory Statement.

Security means an equity security issued by the Company, including a Share and an Option.

Settlement means settlement of the Proposed Acquisition.

Share means a fully paid ordinary share in the capital of the Company.

Share Sale Agreement or **Agreement** means the binding share sale agreement entered into between the Company, Lone Star and certain majority shareholders of Lone Star, under which the Company has agreed to acquire 100% of the issued capital in Lone Star.

Shareholder means a registered holder of a Share.

Working Interest means the percentage interest of a party in any prospect included in a drilling program (which shall be determined by BMP), which corresponds with the percentage of the costs required to be paid by that party in relation to a prospect.

WST means Western Standard Time as observed in Perth, Western Australia.

SCHEDULE 1 – KEY TERMS OF MATERIAL CONTRACTS

Share Sale Agreement

The key terms of the Agreement are as follows:

- (a) **Conditions Precedent:** Settlement of the Acquisition is subject to and conditional upon the satisfaction (or waiver if permitted) of the following conditions precedent on or before 31 December 2018 (unless otherwise mutually agreed in writing by the parties):
- (i) **Due Diligence.** Completion of due diligence by each party on the other party and its business, operations and assets, to the absolute satisfaction of each party;
 - (ii) **Consolidation.** The Company completing a consolidation of capital at a ratio of 1 new security for every 6 securities;
 - (iii) **Capital Raising.** The Company completing a capital raising of not less than \$4,200,000 before costs, or such other amount as required to re-comply with Chapters 1 and 2 of the ASX Listing Rules, through the issue of Shares at not less than \$0.02 per Share (on a post-Consolidation basis);
 - (iv) **Lone Star Shareholder Approvals.** Lone Star obtaining all necessary shareholder approvals pursuant to the Corporations Act to allow it to lawfully complete the matters set out in the Agreement, (including but not limited to approval pursuant to item 7 of section 611 of the Corporations Act);
 - (v) **Lone Star Shareholder Agreement.** Each shareholder of Lone Star applying for their respective Consideration Securities in the manner set out in the prospectus prepared by the Company for the Capital Raising which shall include an agreement to sell all of their respective rights and interests in all of their Lone Star Shares;
 - (vi) **Shareholder Approvals.** The Company obtaining all necessary shareholder approvals pursuant to the ASX Listing Rules, Corporations Act or any other law to allow the Company to lawfully complete the matters set out in the Share Sale Agreement;
 - (vii) **Third Party Approvals.** The Company obtaining all necessary third-party approvals or consents to give effect to the matters set out in the Agreement to allow the Company to lawfully complete the matters set out in the Share Sale Agreement;
 - (viii) **Regulatory Approvals.** The Company obtaining all necessary regulatory approvals pursuant to the ASX Listing Rules, Corporations Act or any other law to allow the Company to lawfully complete the matters set out in the Share Sale Agreement, including the Company obtaining conditional approval from ASX that the Company will be reinstated to the official list of ASX on terms and conditions acceptable to the Company and Lone Star; and
 - (ix) **Material Adverse Change.** There being no material adverse change to either party prior to the satisfaction (or waiver) of all of the conditions set out above, as determined by the other party acting reasonably.

- (b) **Consideration:** In consideration for the Acquisition, the Company will issue to the shareholders of Lone Star (or their nominees) at Settlement:
- (i) an aggregate of 105,500,000 Shares (**Consideration Shares**), together with 1 Option (**Consideration Option**) for every 2 Consideration Shares issued; and
 - (ii) up to an additional 30,000,000 Consideration Shares and 15,000,000 Consideration Options (each on an equivalent basis to each other Consideration Share and Consideration Option) for any additional securities issued by Lone Star between entry into the Share Sale Agreement and Settlement, which are to be used to fund completion costs for the Sand Creek Project, with the quantity to be issued based on the amount raised by those additional securities in proportion to a maximum amount of \$600,000,
- (together the **Consideration Securities**), all on a post-Consolidation basis, to be issued proportionately to Lone Star shareholders based on their shareholding in Lone Star at Settlement.
- (c) **Board Composition:** The parties agree that upon Settlement, the directors of the Company will consist of Mr Robert Gardner (Non-Executive Chair), Mr Jay Stephenson (Non-Executive Director), Mr David Deloub (Executive Director), and the company secretary will be Mr Sonu Cheema, unless otherwise agreed in writing by the Company and Lone Star.

The Share Sale Agreement otherwise contains clauses typical for agreements of this nature, including exclusivity, confidentiality, pre-completion covenants, representations, warranties and indemnities.

Step-in Agreement

The key terms and conditions of the Step-in Agreement are as follows:

- (a) **Purpose:** BRK and LS Operating have entered into the Step-in Agreement to collaborate on certain oil and gas exploration and production activities in the United States, including, without limitation, oil and gas lease acquisition, exploration and production, and so that LS Operating may step into and then acquire, working interests in opportunities related to or introduced by BRK under the Drilling Program Agreement (summarised below) and notified by BRK to LS Operating (each, a **Step-in Opportunity**).
- (b) **Step-in Rights:**
- (i) At any time within 30 days of receiving notice of a Step-in Opportunity, LS Operating may notify BRK that it wishes to enter into possession of any rights and interest arising out of or under the Drilling Program Agreement (**Interests**) in relation to the Step-in Opportunity (**Step-in Rights**).
 - (ii) If LS Operating notifies BRK of exercise of the Step-in Rights, BRK must, and must use best endeavours to procure that, any agent or contractor or other person within the control of BRK Oklahoma, shall:
 - (A) give and afford to LS Operating (and its authorised agents and contractors), possession of and access to the Interests of BRK, to the extent reasonably necessary for LS Operating to exercise its Step-in Rights; and

- (B) do all things reasonably required by LS Operating to facilitate the exercise of the Step-in Rights.
- (iii) During any period where LS Operating is exercising the Step-in Rights, LS Operating must assume the obligations and liabilities of BRK under the Drilling Program Agreement in relation to the Interests. LS Operating shall act at all times in accordance with obligations and duties imposed on BRK under the Step-in Agreement, the Drilling Program Agreement and any relevant operating agreement (together, the **Relevant Agreements**).
- (c) **First right of refusal:** BRK undertakes that it will not present any opportunities under the Drilling Program Agreement to a third party without first offering that opportunity to LS Operating (with such offer to remain open for at least 30 days). Where such offer is not accepted by LS Operating within the 30 days, BRK may then offer the opportunity to third parties on either equivalent terms or terms which are more favourable to BRK than the offer made to LS Operating.
- (d) **Assignment of Relevant Agreements:**
 - (i) BRK must use its best endeavours to:
 - (A) at the request of LS Operating, promptly assign its rights and interests in any Relevant Agreements and the underlying tenure to LS Operating, simultaneously with the assumption by LS Operating of all BRK's obligations and liabilities in relation to those agreements; or
 - (B) otherwise, if requested by LS Operating, cause BMP and any relevant tenure holder to enter into new agreements with LS Operating to replace the Relevant Agreements.
 - (ii) BRK indemnifies LS Operating from and against any and all costs, charges, expenses, taxes, liabilities and obligations, caused by, resulting from or arising in connection with any breach of this sub-section (d).
- (e) **Consent of BMP:** BRK warrants and represents that it has obtained the irrevocable consent and agreement of BMP and any underlying tenure holder (to the extent required) to the Step-in Agreement and the rights and obligations contemplated by the Step-in Agreement, including without limitation, the Step-in Rights.
- (f) **Indemnity:** LS Operating will indemnify BRK in respect of all liabilities and reasonable costs and expenses sustained or incurred by BRK in the exercise of the Step-in Rights, except to the extent that such liabilities, costs or expenses are incurred in connection with negligent conduct of BRK.

Drilling Program Agreement

The key terms and conditions of the Drilling Program Agreement are as follows:

- (a) **Purpose:** BMP proposes to conduct an oil and gas drilling program, involving the acquisition of leasehold interests in oil, gas and other hydrocarbons (**Leasehold Interests**), geological and geophysical data and other property, and the drilling, completion and production of wells (**Program**) in a contiguous geographic area identified by BMP and which, in BMP's judgment, is an appropriate area in which to attempt to, among other things, establish production of oil, gas and or other hydrocarbons (**Prospect**).
- (a) **Pre-DPC Wells:** Upon execution of the Drilling Program Agreement and until 31 December 2018, BMP intends to propose wells to be drilled by BMP (or if not drilled

by BMP, wells to which BMP recommends that BRK participates in the drilling) to BRK on Leasehold Interests that are included in the Program (the first well in a Prospect being, the **Initial Well**) (**Pre-DPC Wells**), the estimated costs of which (as determined by BMP) together with the Overhead Payment, are at least equal to the Drilling Program Commitment, provided that:

- (i) measurement of the utilisation of the Drilling Program Commitment shall be based on estimated (not actual) costs; and
 - (ii) BRK is obliged to pay actual costs, whether or not the amount exceeds the estimate provided by BMP.
- (b) **Costs of Pre-DPC Wells:** The Drilling Program Commitment shall cover BRK's obligation for:
- (i) costs associated with administration and management services provided by BMP on behalf of the Program, BRK's portion being 7% of the Drilling
and
 - (ii) costs associated with BMP fully equipping each Pre-DPC Well for production.

All other costs of the Program (such as costs incurred after the Pre-DPC Well is fully equipped for production) shall be in addition to the Drilling Program Commitment and BRK shall be obliged to pay costs to the extent of its interest in the Program (which as at the date of this Notice, is [100%]).

- (c) **BRK Interests:** Except as otherwise set out in the Drilling Program Agreement and subject to BMP's Carried Working Interest (defined below), the interest of the BRK in each Prospect in which BRK participates in the Initial Well in such Prospect (being, a **Program #1 Prospect**), the Leasehold Interest and in all other property acquired under the Drilling Program Agreement, shall be determined by BMP and shall be the same proportion as the Drilling Program Commitment BRK bears to the total Drilling Program Commitment of all participants in the Program (including BRK). At the time of entry in to the Drilling Program Agreement/As at the date of this Notice, BRK is the only participant and therefore, has a 100% interest in each Program #1 Prospect. Prior to BMP evaluating a Program #1 Prospect (by drilling or similar operations), BMP shall provide a Proposal (defined below) to BRK specifying BRK's interest in the Prospect, the estimates costs to be committed by the Program to the Prospect and expected or potential future capital requirements. Costs shall be paid proportionately by BRK as set out in the Proposal (defined below) subject to the terms of the Drilling Program Agreement.
- (d) **Prospect Proposal:** BMP shall notify BRK as to each Prospect committed to the Program by delivery of notice to BRK which proposes a particular operation, refers to a Prospect and summarises BMP's analysis of the land, geological, engineering and economic factors applying to the Prospect (**Proposal**).
- (e) **Prospect Expenditures if interests not acquired or drilled:**
- (i) It is recognised that in carrying out the Program, it may be necessary to expend monies on potential Prospects for which leasehold interests may not be acquired, or on Prospects on which, although leasehold interests may be acquired and are suitable for investment, the Program will not drill a well on such leasehold interests
 - (ii) BMP may from time to time, acquire geophysical data and or leasehold interests for the benefit of the Program, which BMP may later determine (in

its sole opinion), do not cover areas which are suitable for further investment by the Program, or which BMP determines are unable to test by the drilling of a well, or a similar operation, through the Program. If BMP farms out, sells or otherwise disposes of all or any portion of such geophysical data or leasehold interests to third parties, any cash or retained interest received by BMP shall be for the benefit of participants in the Program, subject to BMP's Carried Working Interest (defined below).

- (iii) Where BMP is unable to test geophysical data or leasehold interests acquired in Prospect by drilling of a well or similar operation prior to the Drilling Program Commitment Termination, the geophysical data and leasehold interests may be transferred to subsequent BMP drilling programs (at BMP's option) and BRK will be reimbursed for its direct costs therein or may be abandoned by BMP and BRK will not be reimbursed.
- (f) **Carried Working Interest:** BMP will immediately be vested with a carried working interest (**Carried Working Interest**) in all property included in the Program (which shall be determined by BMP), pursuant to which, upon the occurrence of a Payout (as that term is defined in the Drilling Program Agreement), BMP shall automatically receive and be entitled to, an undivided 25% of BRK's interest in such property.
- (g) **Management Rights and Responsibilities:**
 - (i) BMP shall be manager of the Program. All decisions relation to Prospect evaluation and selection, timing and presentation of Prospect Proposals, Prospect development strategies, preparation efforts conducting after the spudding of an Initial Well on a Prospect, interpretation and construction of operating agreements, location and number of wells, timing and sequence of drilling, drilling and completion of wells, equipping of wells and construction of supporting infrastructure, marketing of production and abandonment of wells and timing and operations, shall be made solely by BMP.
 - (ii) BMP shall be authorised to enter into an authority for expenditure for the purpose of proposing an operation or activity, presenting the estimated cost and as application, soliciting participation of other parties in an operation or activity on behalf of BRK for the drilling of wells on behalf of the Program in which BRK participates.
 - (iii) BMP will use commercially reasonable efforts to acquire leasehold interests for the Program, either alone or in conjunction with others.
- (h) **Operating Agreements:** BMP shall, and is authorised to, establish an operating agreement between BMP and BRK (and others if necessary), covering all or any portion of a Prospect in which BRK participates.
- (i) **Product Marketing:** Subject to BRK's right to take in kind or separately dispose of its proportionate share of all oil, gas and other hydrocarbons produced from property covered by the Drilling Program Agreement (in accordance with the terms of the Drilling Program Agreement), BMP shall have the right (but not the obligation) to make and enter into contracts for sale of BRK's share of oil, gas or other hydrocarbons produced from Program wells at prices and terms which are consistent with prevailing prices and terms (and otherwise in accordance with the terms of the Drilling Program Agreement).
- (j) **Subsequent Operations:** After the drilling, completion and equipping for production of an Initial Well on a Prospect included in the Program in which BRK has

participated (i.e. a Program #1 Prospect), in the event BMP elects to deepen or side track an Initial Well, or to drill, complete, side track, re-enter or deepen a Subsequent Well (being a well drilled on leaseholder interests after economic production is established), BMP shall notify BRK of BRK's interest in the Prospect and the estimated costs and depth of the proposed operation. Within 10 business days of receiving such notice, BRK shall confirm whether it wishes to participate in the proposed operation. If it elects to participate, it must (among other things) promptly pay its proportionate share of the funds necessary for operations. Where it elects to not participate (or is deemed to have made that election), its interest in the well (and the production and spacing of the well) may be relinquished (less any interest in a pre-existing well owned by BRK and which is capable of commercial production).

- (k) **Term:** The Drilling Program Agreement shall remain in full force and effect so long as any leasehold interests subject to the agreement continue in force whether by production, extension, renewal or otherwise.

The Drilling Program Agreement otherwise contains clauses typical for agreements of this nature, including assignment, the right to overriding royalties and carried interests, representations, warranties and indemnities.

SCHEDULE 2 – DETAILS OF THE ASSETS

Existing Assets

Project	Operating Company	Well Name	Surface Location	Description	Working Interest	Net Revenue Interest
Greever Prospect	Strat Land Exploration Company	Sutton #2H-52	260' FNL & 735' FWL in 640 acre unit in Section 52, Block 4T	Hansford County, Texas	25%	19.5%
Burgess Prospect (Sand Creek)	Black Mesa Production, LLC	Burgess #28-1	NE/4 Section 28-24N-23W	Ellis County, Oklahoma	96.8156%	73.0977%

Proposed Assets

Region	Prospect Code	Well Name	Operator	Target Zone	Net Acres	Working Interest		Working Interest Cost (AUD)
						Interest	Net Revenue Interest	
SCOOP	SC1802N02W	Bullard #1-18/7H	Rimrock Resource Operating	Woodford	246.6947	20.5702%	15.3505%	\$2,799,682.06
STACK	SK3415N13W	Randolph 34-27XHM	Continental Resources	Meramec	2.4750	0.2578%	0.1999%	\$37,708.52
STACK	SK0815N11W	Henry Federal 1-8-5XH	Continental Resources	Meramec	66.9200	5.2281%	4.0888%	\$922,631.62
STACK	SK1916N11W	Watonga 1-19H	TBD	Meramec	1.6900	0.2641%	0.1971%	\$29,707.03
STACK	SK0715N10W	TBD 7-15-10	Devon Energy	Meramec	3.3800	0.5281%	0.4309%	\$63,867.92
STACK	SK2717N11W	TBD 27-17-11	Cimarex Energy Company	Meramec	6.4400	1.0063%	0.8010%	\$121,689.17
STACK	SK2415N13W	McKinley Unit	Continental Resources	Meramec	13.0000	1.0156%	0.8115%	\$179,427.08

SCHEDULE 3 – PRO FORMA CAPITAL STRUCTURE

The indicative share capital structure of the Company following completion of the Proposed Acquisition, based on the current securities on issue and including the Capital Raising (assuming full subscription), will be as follows (subject to rounding following the Consolidation):

Shares

	Pre-Consolidation	Post-Consolidation
Shares on issue as at the date of this Prospectus ¹	307,731,740	51,288,623
Shares to be issued pursuant to conversion of Converting Loans and Additional Loans ²	82,500,000	13,750,000
Shares to be issued pursuant to the Capital Raising ³	2,400,000,000	400,000,000
Shares to be issued pursuant to the Vendor Offer ⁴	633,000,000	105,500,000
Total Shares on issue after completion of the Offers	3,423,231,740	570,538,623

Options

	Pre-Consolidation	Post-Consolidation
Options on issue as at the date of this Prospectus	Nil	Nil
Options to be issued pursuant to the Capital Raising	Nil	Nil
Options to be issued pursuant to the Vendor Offer ^{4,5}	316,500,000	52,750,000
Total Options on issue after completion of the Offers	316,500,000	52,750,000

Notes:

- 1 No securities have been issued by the Company or Lone Star in the six months preceding the date of this Notice.
- 2 Refer to Resolutions 13 to 16.
- 3 Based on the Oversubscription Amount. In the event the Minimum Subscription is raised the total Shares on issue after completion of the Offers would be 2,283,231,740 (pre-Consolidation) or 380,538,623 (post-Consolidation).
- 4 Up to an additional 30,000,000 Shares and 15,000,000 Options may be issued by the Company where Lone Star undertakes a capital raising prior to settlement of the Acquisition, with the quantity to be issued based on the amount raised by Lone Star in proportion to the maximum amount permitted to be raised under the terms of the Acquisition Agreement, being \$600,000. Lone Star has confirmed that it will not undertake a capital raising prior to settlement of the Acquisition.
- 5 The full terms and conditions of the Options are set out in Schedule 6.

SCHEDULE 4 – PRO FORMA BALANCE SHEET

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 May 2018

	Actual		Notes	Minimum	Over
	31 May 2018	31 May 2018		Subscription	Subscription
	(unaudited)	(unaudited)		Pro Forma	Pro Forma
	Nickeore	Lone Star			
	\$	\$	\$	\$	
CURRENT ASSETS					
Cash and cash equivalents	167,703	3,645	(2)	3,883,648	7,448,348
Trade and other receivables	8,155	-		8,155	8,155
Other financial assets	37,700	-		37,700	37,700
Other current assets	5,033	1,650		6,683	6,683
TOTAL CURRENT ASSETS	218,591	5,295		3,936,185	7,500,885
NON-CURRENT ASSETS					
Exploration and evaluation assets	-	1,877,003		1,877,003	1,877,003
Financial Assets	12,553	-		12,553	12,553
TOTAL NON-CURRENT ASSETS	12,553	1,877,003		1,889,557	1,889,557
TOTAL ASSETS	231,144	1,882,298		5,825,742	9,390,442
CURRENT LIABILITIES					
Trade and other payables	222,744	59,739		282,483	282,483
Short-term financial liabilities	220,000	-		220,000	220,000
TOTAL CURRENT LIABILITIES	442,744	59,739		502,483	502,483
NON-CURRENT LIABILITIES					
Borrowings	-	933,774		933,774	933,774
TOTAL NON-CURRENT LIABILITIES	-	933,774		933,774	933,774
TOTAL LIABILITIES	442,744	993,513		1,436,257	1,436,257
NET ASSETS	(211,600)	888,785		4,389,484	7,954,184
EQUITY					
Issued capital	24,648,541	3,188,118	(4)	30,470,841	34,035,541
Reserves	-	67,188	(5)	472,113	472,113
Accumulated losses	(24,860,142)	(2,366,521)	(3)	(26,553,470)	(26,553,470)
TOTAL EQUITY	(211,600)	888,785		4,389,484	7,954,184

PRO-FORMA ADJUSTMENTS

(a) Pro-forma Adjustments

- (i) Lone Star – The Company is to acquire Lone Star in exchange for the issue of 105,500,000 Shares and 52,750,000 Options in the Company. The Acquisition has been treated as an asset acquisition / for the purposes of the Pro Forma, a value of \$0.02 and \$0.00895 has been used as the value of the shares and options respectively.
- (ii) For accounting purposes, the acquirer has been identified as Nickelore and the business combination referred to as an asset acquisition. Accordingly, the pro-forma Group incorporates the assets and liabilities of the Company and of Lone Star as if the Group were headed by Nickelore. At the acquisition date, the assets and liabilities of Lone Star are recorded at their book value and the assets and liabilities of the Company (being the acquiree for accounting purposes) are recorded at fair value.
- Components of equity, including issued capital, retained earnings and other reserves, reflect the balances of the accounting acquirer.
- (iii) Prospectus Issue:
- (A) A Prospectus for the issue of a minimum of 210,000,000 Shares at an issue price \$0.02 to raise \$4,200,000 before estimated costs of \$487,700.
- (B) A Prospectus for the issue of a maximum of 400,000,000 Shares at an issue price \$0.02 to raise \$8,200,000 before estimated costs of \$723,000.

(b) Cash and cash Equivalents

The movement in cash and cash equivalents as reflected in the unaudited pro-forma balance sheet at 31 May 2018 is shown as follows:

	Notes	Unaudited Pro Forma After Acquisition and Capital Raising \$	Unaudited Pro Forma After Acquisition and Capital Raising \$
Cash and cash equivalents at 31 May 2018 – Actual		171,348	171,348
<i>Pro-forma adjustments</i>			
- Proceeds from issue of 210,000,000 shares at \$0.02 per share	(1)(iii)	4,200,000	-
- Proceeds from issue of 400,000,000 shares at \$0.02 per share	(1)(iii)	-	8,000,000
- Payment of estimated capital raising costs		(487,700)	(723,000)
		3,883,648	7,448,348

(c) Acquisition premium expense

Acquisition premium expense represents the excess consideration over the fair value of the Lone Star's net assets as follows:

	Notes	Unaudited Pro Forma After Acquisition and Capital Raising \$
<i>Pro-forma adjustment:</i>		
Market value of Shares immediately prior to the Asset acquisition at \$0.02 per share	(1)(i)	2,110,000
Market value of Options immediately prior to the Asset acquisition at \$0.00895 per option	(1)(i)	472,113
Less: Lone Star net assets		(888,785)
Corporate transaction accounting expense		1,693,328

(d) **Issued Capital**

The movement in issued capital as reflected in the pro forma balance sheets at 31 May 2018 is shown below:

	Notes	Issued ordinary	Unaudited	Issued ordinary	Unaudited
		Shares (minimum offer) No.	Pro Forma After Acquisition and Capital Raising (minimum offer) \$	Shares (Maximum Offer) No.	Pro Forma After Acquisition and Capital Raising (maximum offer) \$
Nickelore 31 May 2018 – Actual	(5)(a)	307,731,740	24,648,541	307,731,740	24,648,541
Opening: Value 31 May 2018 Lone Star – Actual		47,724,776	3,188,118	47,724,776	3,188,118
- Elimination of existing shares of Lone Star	(1)(ii)	(47,724,776)	(3,188,118)	(47,724,776)	(3,188,118)
- Acquisition consideration shares	(1)(i)	105,500,000	2,110,000	105,500,000	2,110,000
- Issued pursuant to Prospectus	(1)(iii)	210,000,000	4,200,000	400,000,000	8,000,000
- Transaction Costs	(1)(III)	-	(487,700)	-	(723,000)
		623,231,740	30,470,841	813,231,740	34,035,541

(e) **Options and Reserves**

The movement in reserves as reflected in the pro forma balance sheets at 31 May 2018 is shown below:

	Notes	Options	Reserve
		No.	\$
Options on issue		-	-
Opening: Lone Star 31 May 2018 – Actual		-	67,188
- Acquisition consideration options	(1)(i)	52,750,000	472,113
- Elimination of existing reserves		-	(67,188)
		52,750,000	472,113

SCHEDULE 5 – LONE STAR ACCOUNTS



ACN: 157 789 761

**Annual Financial Statements
30 June 2018**



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

	Notes	Consolidated 2018 \$	Consolidated 2017 \$
Continuing Operations			
Other Income		-(60,568)	76,960
Finance expenses		(117,900)	-
Other expenses	2	(178,468)	(25,379)
Profit/(loss) before income tax expense		-	51,581
Income tax expense	4	(178,468)	-51,581
Profit after tax from continuing operations			
Discontinued operation		-	(406,842)
Loss after tax from discontinued operation	8	(178,468)	(355,261)
Net loss for the period			
Other comprehensive income			
Items that may be reclassified to Profit and Loss: Exchange differences on translation of foreign operations		-	147,653
Total comprehensive loss for the period		(178,468)	(207,608)
Loss attributable to:			
Owners of the parent		-	(355,261)
Non-controlling interest		-	-
Total comprehensive income attributable to:			
Owners of the parent		-	(355,261)
Non-controlling interest		-	147,653
Basic loss per share (cents per share)	5	(0.37)	(2.84)

The accompanying notes form part of these financial statements



CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note	Consolidated 2018 \$	Consolidated 2017 \$
Assets			
Current Assets			
Cash and cash equivalents	11	5,176	14,738
Total Current Assets		5,176	14,738
Non-Current Assets			
Deferred exploration and evaluation	3	1,877,003	-
Intangible assets	7	-	-
Total Non-Current Assets		1,877,003	-
Total Assets		1,882,179	14,738
Liabilities			
Current Liabilities			
Trade and other payables	12	19,815	23,211
Borrowings	10	1,011,385	-23,211
Total Current Liabilities		1,031,200	23,211
Total Liabilities		1,031,200	(8,473)
Net Assets		850,979	
Equity			
Issued capital	6	3,184,518	2,203,786
Reserves	9	67,188	10,000
Accumulated losses		(2,400,727)	(2,222,259)
Total Equity		850,979	(8,473)

The accompanying notes form part of these financial statements



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

	Consolidated				
	Issued Capital	Accumulated Losses	Reserves	Non-controlling interests	Total Equity
	\$	\$	\$		\$
Balance at 1 July 2017	2,203,786	(2,222,259)	10,000	-	(8,473)
Loss for the year	-	(178,468)	-	-	(178,468)
Other comprehensive income, net of income tax	-	-	-	-	-
Total comprehensive income/(loss) for the period	-	(178,468)	-	-	(178,468)
Shares issued during the period	1,035,000	-	-	-	1,035,000
Fair value adjustment reserve	-	-	57,188	-	57,188
Transaction costs on share issue	(54,268)	-	-	-	(54,268)
Balance at 30 June 2018	3,184,518	(2,400,727)	67,188	-	850,979

	Consolidated				
	Issued Capital	Accumulated Losses	Reserves	Non-controlling interests	Total Equity
	\$	\$	\$	\$	\$
Balance at 1 July 2016	2,206,598	(1,866,998)	27,605	(165,258)	201,947
Loss for the year	-	(355,261)	-	-	(355,261)
Other comprehensive income, net of income tax	-	-	(17,605)	165,258	147,653
Total comprehensive income/(loss) for the period	-	(355,261)	(17,605)	165,258	(207,608)
Shares issued during the period	-	-	-	-	-
Options issued during the period	-	-	-	-	-
Transaction costs on share issue	(2,812)	-	-	-	(2,812)
Balance at 30 June 2017	2,203,786	(2,222,259)	10,000	-	(8,473)



CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	Note	Consolidated 2018 \$	Consolidated 2017 \$
		<i>Inflows/ (Outflows)</i>	<i>Inflows/ (Outflows)</i>
Cash flows from operating activities			
Receipts from customers		-(80,541)	-(40,883)
Payments to suppliers and employees		-	-
Interest paid	11	(80,541)	(40,883)
Net cash used in operating activities			
Cash flows from Investing activities			
Deferred exploration expenditure		(1,877,003)	-
Net cash used in investing activities		(1,877,003)	-
Cash flows from financing activities			
Proceeds from issue of shares, net of share issue costs		1,035,000	(2,812)
Proceeds from borrowing		967,250	-
Share issue costs		(54,268)	-
Net cash (used in)/provided by financing activities		1,947,982	(2,812)
Net (decrease)/increase in cash held		(9,562)	(43,695)
Effect of exchange rate fluctuations on cash held			-
Cash and cash equivalents at the beginning of the period	Cash	14,738	58,433
and cash equivalents at the end of the period	11	5,176	14,738

The accompanying notes form part of these financial statements



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**(a) Basis of Preparation**

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law.

The financial report has also been prepared on a historical cost basis. Cost is based on the fair values of the consideration given in exchange for assets.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company as a for-profit entity. The financial report is presented in Australian dollars.

The Company's principal activities have transitioned into the oil and gas industry. Please refer to the review of operations for further details.

The accounting policies below have been consistently applied to all of the years presented unless otherwise stated.

(b) Adoption of new and revised standards*Standards and Interpretations applicable to 30 June 2018*

In the year ended 30 June 2018, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current annual reporting period. As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and, therefore, no material change is necessary to Group accounting policies.

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all Standards and Interpretations in issue not yet adopted for the year ended 30 June 2018. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Company and, therefore, no change is necessary to Group accounting policies.

(c) Statement of compliance

The financial report was authorised for issue on – 10 September 2018.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

(d) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement in with the investee; and □ has the ability to its power to affect its returns.

The Company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements listed above. When the Company has less than a majority of the voting rights if an investee, it has the power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights are sufficient to give it power, including:



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Basis of consolidation (continued)

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties; □ rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholder meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the controlling interest having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Company's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members are eliminated in full on consolidation.

Changes in the Company's ownership interest in existing subsidiaries

Changes in the Company's ownership interest in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in subsidiaries. Any difference between the amount paid by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Company loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between:

- The aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- The previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Company had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit and loss or transferred to another category of equity as specified/permitted by the applicable AASBs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(e) Critical accounting judgements and key sources of estimation uncertainty

The application of accounting policies requires the use of 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 other factors that are considered to be relevant. Actual results may differ from these estimates.

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



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized. Revenue is measured at fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

Sale of goods

Revenue is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(g) Cash and cash equivalents

Cash comprises cash at bank and on hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(h) Trade and other receivables

Trade receivables are measured on initial recognition at fair value. Trade receivables are generally due for settlement within periods ranging from 15 days to 30 days.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Company will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Company in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Company.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary difference and to unused tax losses. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation.

It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Income tax (continued)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(j) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(k) Impairment of assets

The Group assesses at each balance date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Group's of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of assets (continued)

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. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each balance date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(l) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(m) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

(n) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(o) Earnings per share

Basic earnings per share is calculated as net profit or loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit or loss attributable to members of the parent, adjusted for:

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(o) Earnings per share (continued)**

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(p) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company.

(q) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of the disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

(r) Going concern

The financial report has been prepared on the basis of accounting principles applicable to a going concern, which assumes the commercial realisation of the future potential of the Company's assets and the discharge of its liabilities in the normal course of business.

For the financial year ended 30 June 2018, the Company incurred a loss of \$178,468 and a net cash outflow of \$80,541 from operating activities as disclosed in the statement of comprehensive income and the statement of cash flows, respectively. As at 30 June 2018, the Company had \$5,176 in cash and cash equivalents. The Directors consider that the Company is a going concern however current cash flow forecasts indicate that the Company will require additional funding to ensure that it can continue to fund its operations during the twelve month period from the date of approval of this financial report.

During the financial year ended 30 June 2018, the company raised \$1,035,000 through issue of shares before costs and \$761,250 through the issue of convertible debt notes.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Going concern (continued)

Nickelore Limited (ASX:NIO) announced on 1 December 2017 that it had entered into a binding agreement (Agreement), pursuant to which NIO had agreed to acquire a 100% of the issued capital in Lone Star Energy Limited. A summary of the key terms of the Agreement is set out in the ASX release dated 1 December 2017. The transaction is expected to be completed during the forthcoming months ahead in which NIO will seek to lodge the appropriate statutory and regulatory disclosure documents in order to give effect to the acquisition.

Should the above plans not materialise there exists a material uncertainty that that may cast a significant doubt about the Company's ability to continue as a going concern and, therefore, that it may be unable, therefore, to realise its assets and discharge its liabilities in the normal course of business.

(s) Exploration and evaluation

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- the rights to tenure of the area of interest are current; and □
at least one of the following conditions is also met:
 - the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
 - exploration and evaluation activities in the area of interest have not at the balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortised of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in previous years. Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

(t) Fair value of convertible notes

Convertible notes are measured at fair value at the initial recognition. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date. In respect of the liability component of convertible bonds, the market rate of interest is determined with reference to similar liabilities that do not have a conversion option.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

NOTE 2: REVENUE AND EXPENSES

	Consolidated 2018 \$	Consolidated 2017 \$
(a) Expenses		
Administration expenses	89,796	22,099
ASIC fees	737	1,530
Legal and professional	12,367	1,750
Directors fees	15,000	-
	117,900	25,379

NOTE 3: DEFERRED EXPLORATION AND EVALUATION

	Consolidated 30 June 2018 \$	Consolidated 30 Jun 2017 \$
Costs carried forward in respect of exploration and evaluation phase at cost.		
Balance at beginning of period	-1,877,003	-
Expenditure during the period	1,877,003	-
	-	-

The recoupment of cost carried forward in relation to the above area of interest in the exploration phase is dependent on the successful development and commercial exploitation or sale of the respective area.

NOTE 4: INCOME TAX

	Consolidated 2018 \$	Consolidated 2017 \$
(a) Income tax benefit	-	-
(b) Numerical reconciliation between tax-expense and pre-tax net loss		
Accounting profit/(loss) before tax from continuing operations	(178,468)	51,581
Loss before tax form a discontinued operation	-	(406,842)
Accounting loss before income tax	(178,468)	(355,261)
Income tax using Company's domestic tax rate of 27.5% (2017: 27.5%)	(49,079)	(97,697)
Current period losses for which no deferred tax asset was recognised	49,079	97,697
	-	-
Attributable to:		
Continuing operations	(49,079)	(14,184)
Discontinued operations	-	111,881

(c) Tax losses

The tax effect of unused losses for the current year of \$146,776 (2017: \$97,697) has not been recognised as a deferred tax asset as the future recovery of these losses is subject to the Company satisfying the requirements imposed by the regulatory authorities. The benefit of deferred tax assets not brought to account will only be brought to account if:

- Future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realized.
- The conditions for deductibility imposed by tax legislation continue to be complied with and no changes in tax legislation adversely affect the Company in realising the benefit.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

NOTE 4: INCOME TAX (continued)

(d) Unrecognised temporary differences

	Consolidated 2018 \$	Consolidated 2017 \$
Net deferred tax balances (calculated at 27.5%) have not been recognised in respect of the following items:		
Income tax losses not brought to account	49,079	97,697
Unrecognised deferred tax assets	49,079	97,697
Attributable to:		
Continuing operations	(49,079)	(14,184)
Discontinued operations	-	111,881

NOTE 5: LOSS PER SHARE

	2018 Cents per	2017 Cents per
<i>Basic loss per share</i>		
Continuing operations	(0.37)	(2.84)
Discontinuing operations	-	0.41
Total basic loss per share	(0.37)	(2.43)
	\$	\$
Loss for the year	(178,468)	(355,264)
Profit from continuing operations	-	51,581
	Number	Number
Weighted average number of ordinary shares for the purposes of basic loss per share:	50,656,258	12,500,000

There are no potential ordinary shares that are considered dilutive, as a result no dilutive loss per share has been disclosed.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

NOTE 6: SHARE CAPITAL

	Consolidated 2018 \$	Consolidated 2017 \$
Ordinary shares		
Balance on 1 July	2,203,786	2,206,598
Shares issued	1,035,000	-
Less share issue costs	(54,268)	(2,812)
At 30 June	3,184,518	2,203,786
<i>Movements in ordinary shares on issue</i>	No.	No.
Balance on 1 July	12,500,000	12,500,000
Movements during the period:		
Shares issued	41,400,000	-
At 30 June	53,900,000	12,500,000

Ordinary shares entitle the holder to participate in dividends and the proceeds on 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 proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

NOTE 7: INTANGIBLE ASSETS

	Consolidated	Consolidated
<i>Cost</i>		
Balance at 1 July	-	652,550
Additions	-	-
Balance at 30 June	-	652,550
<i>Accumulated amortisation and impairment</i>		
Balance at 1 July	-	356,298
Amortisation expense	-	296,252
Balance at 30 June	-	652,550
<i>Carrying value</i>	-	-

The intangible asset acquired during the prior period was a four year exclusive licensing agreement between Okmno Asia Limited and King.com Limited to manufacture and distribute 'Candy Crush' (both Candy Crush Saga and Candy Crush Soda) branded confectionery products in China, Hong Kong, Taiwan and South Korea. Monies paid for the exclusive licensing agreement totaled \$652,550 which would have been amortised over a four year period. This intangible asset was part of the discontinued operations as at 30 June 2017. As a result the balance was fully impaired in the prior period.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

NOTE 8: DISCONTINUED OPERATIONS

During the year ended 30 June 2017, the controlling entity announced its intention to sell its interest in Okmno and initiated an active program to locate a buyer and complete the sale. The division was discontinued with effect 30 June 2017 and the division disposed of was reported in the financial statements for the year ended 30 June 2017 as a discontinued operation.

Consideration received or receivable

	Consolidated	
	2018	2017
	\$	\$
Total disposal consideration		-
Add: net liabilities disposed of	-	72,316
Gain on disposal before income tax		72,316
Income tax expense	-	-
Loss on disposal after income tax	-	72,316

The proceeds on the sale exceeded the book value of the related net assets and accordingly no impairment losses were recognised on the reclassification of these operations as held for sale.

Net assets at date of sale

The carrying amount of assets and liabilities as at the date of disposal were:

	Consolidated	
	2018	2017
	\$	\$
Cash and cash equivalents	-	241
Other receivables	-	8,106
Total assets	-	8,347
Trade creditors	-	13,458
Other liabilities	-	67,205
Total liabilities	-	80,663
Net liabilities	-	(72,316)

Net cash inflow on disposal

The cash inflow on disposal is as follows:

	Consolidated	
	2018	2017
	\$	\$
Cash and cash equivalents consideration received or receivable	-	-
Net cash and cash equivalents disposed of	-	241
Net cash inflow on disposal	-	241



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

NOTE 8: DISCONTINUED OPERATIONS (CONTINUED)Financial performance and cashflow information

The financial performance and cashflow information are presented for 12 months ended 30 June 2018.

Financial performance from discontinued operation

	Consolidated	
	2018	2017
	\$	\$
Revenue	-	71,963
Expenses	-	(551,121)
Profit on disposal of operations	-	72,316
Gross profit/ (loss)	-	(406,842)
Income tax benefit	-	-
Loss for the year from discontinued operations	-	(406,842)

Cash flows from discontinued operations:

Net cash flows from operating activities	-	(11,502)
Net cash flows from investing activities	-	-
Net cash flows from financing activities	-	-
Net cash flows	-	(11,502)

NOTE 9: RESERVES

	Consolidated 30 June 2018	Consolidated 30 Jun 2017
	\$	\$
Option Reserve	10,000	10,000
Fair value adjustment reserve ¹	57,188	-
As at 30 June 2018	67,188	10,000

¹Refer to note 10 for further information

NOTE 10: BORROWINGS

On 28 July 2017 (execution date), Lone Star Energy Limited signed a converting loan agreement with Fastwitch Enterprises Pty Ltd for \$300,000 maturing nine months from date of execution at a conversion price of 2.5 cents per share or as otherwise adjusted in accordance with the terms of the agreement. The maturity for the loan has been extended to 31 December 2018.

On 9 August 2017 (execution date), Lone Star Energy Limited signed a converting loan agreement with The Trust Company (Australia) Limited <MOF A/C> for \$131,250 maturing nine months from date of execution at a conversion price of 2.5 cents per share or as otherwise adjusted in accordance with the terms of the agreement. The maturity for the loan has been extended to 31 December 2018.

On 3 October 2017 (execution date), Lone Star Energy Limited signed a converting loan agreement with Mr

John Andrew Rodgers <John Rodgers Family A/C>for \$31,250 maturing nine months from date of execution at a conversion price of 2.5 cents per share or as otherwise adjusted in accordance with the terms of the agreement. The maturity for the loan has been extended to 31 December 2018.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

NOTE 10: BORROWINGS (CONTINUED)

On 1 November 2017 (execution date), Lone Star Energy Limited signed a further converting loan agreement with Fastwitch Enterprises Pty Ltd for \$300,000 maturing nine months from date of execution at a conversion price of 2.5 cents per share or as otherwise adjusted in accordance with the terms of the agreement. The maturity for the loan has been extended to 31 December 2018.

On 3 January 2018, the Company entered into an unsecured loan agreement for \$200,000 with Fastwitch Enterprises Pty Ltd. The monies raised from the loan would fund the short term operational and working requirements of the Company. An interest rate of 5% is applicable to this loan with maturity to occur on 30 November 2018.

As at 30 June 2018, the Company had drawn down on a short facility of up to \$50,000 from Nickelore Limited. The facility will be used to settle working capital expenses. This loan does not attract any interest component.

During the year ended 30 June 2018, Cicero Corporate Services Pty Ltd, provided a short term loan of \$6,000 in order to settle short term expenses. The facility was settled by Company subsequent to 30 June 2018. This loan did not attract any interest component.

The net proceeds received from the issue of the converting loans have been split between the financial liability and an equity component, representing the residual attributable to the option to convert the financial liability into equity of the Company as follows:

	Consolidated 30 June 2018 \$	Consolidated 30 Jun 2017 \$
<i>Secured</i>		-
Secured Converting Loans	761,250	-
Fair value adjustment reserve	(57,188)	-
Finance cost for the period	54,525	-
Total unsecured borrowings	<u>758,587</u>	-
<i>Unsecured</i>		-
Unsecured Loan	200,000	-
Other Loans	46,755	-
Finance cost for the period	6,043	-
Total secured borrowings	<u>252,798</u>	-
		-
Total borrowings	<u>1,011,385</u>	-

The liability component is measured at amortised cost. The interest expense for the period of \$54,525 on convertible loans is calculated by applying an effective interest rate of 10% to the liability component since the loan was issued. The difference between the carrying amount of the liability component at the date of issue and the amount reported in the statement of financial position at 30 June 2018 represents the effective interest rate less interest paid to that date.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

NOTE 11: CASH AND CASH EQUIVALENTS

	Consolidated 2018 \$	Consolidated 2017 \$
Cash at hand and in bank	5,176	14,738
	<u>5,176</u>	<u>14,738</u>

Cash at bank earns interest at floating rates based on daily deposit rates. The Company did not engage in any non-cash financing activities for the period ended 30 June 2018 and was not party to any borrowing facilities for the same period.

Reconciliation of loss for the period to net cash flows from operating activities

Loss for the year	(178,468)	(355,261)
Amortisation of intangible	-	296,252
Net foreign exchange (gain)/loss	-	147,653
Changes in assets and liabilities:		
(Increase)/decrease in other current assets	-	14,506
Increase/(decrease) in trade payables and accruals	97,927	(227,078)
Movement in inventories	-	83,045
Net cash (used in) operating activities	<u>(80,541)</u>	<u>(40,883)</u>

NOTE 12: TRADE AND OTHER PAYABLES

	Consolidated 2018 \$	Consolidated 2017 \$
Trade payables ⁽ⁱ⁾	12,315	23,211
Accrued expenses	7,500	-
Balance at 30 June	<u>19,815</u>	<u>23,211</u>

⁽ⁱ⁾ Trade payables are non-interest bearing and are normally settled on 60-day terms.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

NOTE 13: FINANCIAL INSTRUMENTS (CONTINUED)

	Consolidated 2018	Consolidated 2017
Financial assets		
Cash and cash equivalents	5,176	14,438
Balance at end of period	5,176	14,438
Financial liabilities		
Trade and other payables	19,815	23,211
Balance at end of period	19,815	23,211

The following table details the expected maturity/s for the Group's non-derivative financial assets. These have been drawn up based on undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period.

	Weighted average effective interest rate %	Less than 1 month \$	1 – 3 Months \$	3 months – 1 year \$	1 – 5 year s \$	5+ years \$
2018						
Non-interest bearing	-	-	5,176	-	-	-
Variable interest rate instruments	-	-	-	-	-	-
Fixed interest rate instruments	-	-	-	-	-	-
		-	5,176	-	-	-
2017						
Non-interest bearing	-	-	14,738	-	-	-
Variable interest rate instruments	-	-	-	-	-	-
Fixed interest rate instruments	-	-	-	-	-	-
		-	14,738	-	-	-

The following table details the Group's expected contractual maturity for its non-derivative financial liabilities. These have been drawn up based on undiscounted contractual maturities of the financial liabilities based on the earliest date the Group can be required to repay. The tables include both interest and principal cash flows.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

NOTE 13: FINANCIAL INSTRUMENTS (CONTINUED)

	Weighted average effective interest rate %	Less than 1 month \$	1 – 3 Months \$	3 months – 1 year \$	1 – 5 years \$	5+ years \$
2018						
Non-interest bearing	-	-	19,815	-	-	-
Variable interest rate instruments	-	-	-	-	-	-
Fixed interest rate instruments	-	-	-	-	-	-
		-	19,815	-	-	-

	Weighted average effective interest rate %	Less than 1 month \$	1 – 3 Months \$	3 months – 1 year \$	1 – 5 years \$	5+ years \$
2017						
Non-interest bearing	-	-	23,211	-	-	-
Variable interest rate instruments	-	-	-	-	-	-
Fixed interest rate instruments	-	-	-	-	-	-
		-	23,211	-	-	-

The carrying amount of cash and cash equivalents approximates fair value because of their short-term maturity.

Financial risk management objectives and policies:

The Company has exposure to the following risks from their use of financial instruments: □

- Credit risk
- Liquidity risk
- Interest rate risk
- Market risk
- Capital risk

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. The Board has overall responsibility for the establishment and oversight of the risk management framework. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

The Group's principal financial instruments comprise cash and short term deposits. The main purpose of the financial instruments is to earn the maximum amount of interest at a low risk to the Group. The Group also has other financial instruments such as trade debtors and creditors which arise directly from its operations. For the period under review, it has been the Group's policy not to trade in financial instruments.

(a) Credit risk management

Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

NOTE 13: FINANCIAL INSTRUMENTS (CONTINUED)

available and, if not available, the Group uses publicly available financial information and its own trading record to rate its major customers and suppliers.

The Group's exposure and the credit ratings of its counter-parties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Board annually.

The Group does not have any significant credit risk exposure to NAB. The credit risk on liquid funds and Term Deposits is reduced because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

(b) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group did not have any undrawn facilities at its disposal as at balance date.

(c) Interest rate risk management

The Company is exposed to interest rate risk as the Group deposits the bulk of the Group's cash reserves in Short Term Deposits with NAB or other acceptable Australian banking entities. The risk is managed by the Company by maintaining an appropriate mix between short term deposits and at call deposits.

(d) Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The Group is exposed to movements in market interest rates on short term deposits. The Group does not have short or long term debt, and therefore the risk is minimal. The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have acceptable credit ratings.

(e) Capital Risk Management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it may continue to provide returns for shareholders and benefits for other stakeholders. Due to the nature of the Group's activities, being mineral exploration, it does not have ready access to credit facilities and therefore is not subject to any externally imposed capital requirements, with the primary source of Group funding being equity raisings. Accordingly, the objective of the Group's capital risk management is to balance the current working capital position against the requirements to meet exploration programs and corporate overheads. This is achieved by maintaining appropriate liquidity to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

NOTE 14: KEY MANAGEMENT PERSONNEL DISCLOSURES**KMP Compensation**

	Consolidated 2018 \$	Consolidated 2017 \$
Short-term employee benefits	15,000	-
Post-employment benefits	-	-
Other long-term benefits	-	-
Total KMP compensation	15,000	-

Other Transactions and balances with KMP

	Consolidated 2018 \$	Consolidated 2017 \$
The Director, James Robinson, paid costs in relation to travel for business purposes in relation to the Company. These costs were reimbursed to Mr. Robinson during the year. Amount payable at balance date \$Nil (2017: \$Nil)	11,807	-
	11,807	-

NOTE 15: EVENTS AFTER THE BALANCE DATE

There has not been any other matter or circumstance apart from the above, occurring subsequent to the end of the financial period that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the Group in future financial years.

NOTE 16: AUDITORS' REMUNERATION

The auditor of Lone Star Energy Limited is HLB Mann Judd.

Amounts received or due and receivable by HLB Mann Judd for:

	Consolidated 2018 \$	Consolidated 2017 \$
Audit or review of financial statements	20,000	7,500
Other services	20,000	-
	40,000	7,500

NOTE 17: DIVIDENDS

The directors of the Company have not declared any dividend for the period ended 30 June 2018.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

NOTE 18: RELATED PARTY DISCLOSURES

On 1 June 2012, the Company entered into an agreement with Cicero Corporate Services Pty Ltd (an entity Mr Robinson holds a 36% equity stake) (Cicero) defining the terms of engagement for the provision of administration services by Cicero as a contractor to the Company. Cicero Corporate Services Pty Ltd was not paid any fees during the year ended 30 June 2018 (2017: \$ Nil) pursuant to the Administration Agreement. Cicero provided the registered office, bookkeeping, company secretarial and administration services to the Company. During the period ending 30 June 2018, Cicero provided a short term loan for \$6,000 which was repaid subsequent to year end.

Cicero Advisory Services Pty Ltd, an entity in which Mr Robinson is a director, received capital raising fees of \$13,475 during the year ended 30 June 2018.



DIRECTORS' DECLARATION

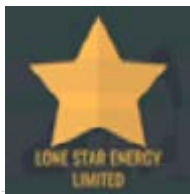
In the opinion of the directors of Lone Star Energy Limited ('the Company'):

1. The accompanying financial statements and notes thereto, as set out on pages 16 to 33, are in accordance with the Corporations Act 2001 including:
 - (a) giving a true and fair view of the Company's financial position as at 30 June 2018 and its performance for the period then ended; and
 - (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
2. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
3. The financial statements and notes thereto are in accordance with International Financial Reporting Standards used by the International Accounting Standard Board.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295(A) of the Corporations Act 2001 and is signed in accordance with a resolution of the Board of Directors.

Mr Matthew Sheldrick
Chairman

Dated this 10 September 2018



INDEPENDENT AUDITOR'S REPORT

**Independent Auditor's Report to the Members of Lone Star Energy Limited****REPORT ON THE AUDIT OF THE FINANCIAL REPORT****Opinion**

We have audited the financial report of Lone Star Energy Limited ("the Company") and its controlled entity ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material Uncertainty Regarding Going Concern

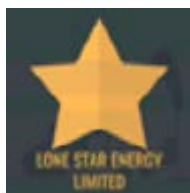
We draw attention to Note 1(r) in the financial report, which indicates the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

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Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual financial report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Lone Star Energy Limited for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.


HLB Mann Judd
Chartered Accountants


N G Neill
Partner

Perth, Western Australia
10 September 2018

SCHEDULE 6 – TERMS AND CONDITIONS OF CONSIDERATION OPTIONS

(a) **Entitlement**

Each Consideration Option entitles the holder to subscribe for one Purchaser Share upon exercise of the Consideration Option.

(b) **Exercise Price**

Subject to paragraph (i), the amount payable upon exercise of each Consideration Option will be \$0.025 (**Exercise Price**)

(c) **Expiry Date**

Each Consideration Option will expire at 5:00 pm (WST) on that date which is 2 years after the date of Settlement (**Expiry Date**). A Consideration Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The Consideration Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

The Consideration Options may be exercised during the Exercise Period by notice in writing to the Purchaser in the manner specified on the Consideration Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Consideration Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Purchaser.

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Consideration Option being exercised in cleared funds (**Exercise Date**).

(g) **Timing of issue of Purchaser Shares on exercise**

Within 15 Business Days after the Exercise Date, the Purchaser will:

- (i) issue the number of Purchaser Shares required under these terms and conditions in respect of the number of Consideration Options specified in the Notice of Exercise and for which cleared funds have been received by the Purchaser;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Purchaser is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Purchaser Shares does not require disclosure to investors; and
- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Purchaser Shares issued pursuant to the exercise of the Consideration Options.

If a notice delivered under (g)(ii) for any reason is not effective to ensure that an offer for sale of the Purchaser Shares does not require disclosure to investors, the Purchaser must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Purchaser Shares does not require disclosure to investors.

(h) **Purchaser Shares issued on exercise**

Purchaser Shares issued on exercise of the Consideration Options rank equally with the then issued Purchaser Shares.

(i) **Reconstruction of capital**

If at any time the issued capital of the Purchaser is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(j) **Participation in new issues**

There are no participation rights or entitlements inherent in the Consideration Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Consideration Options without exercising the Consideration Options.

(k) **Change in exercise price**

A Consideration Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Consideration Option can be exercised.

(l) **Transferability**

The Consideration Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

SCHEDULE 7 – TERMS AND CONDITIONS OF INCENTIVE OPTION PLAN

The principle terms of the Incentive Option Plan (**Option Plan**) are summarised below:

- (a) **Eligibility:** Participants in the Option Plan may be:
- (i) a Director (whether executive or non-executive) of the Company and any Associated Body Corporate of the Company (each a **Group Company**);
 - (ii) a full or part time employee of any Group Company;
 - (iii) a casual employee or contractor of a Group Company to the extent permitted by ASIC Class Order 14/1000 as amended or replaced (**Class Order**) or as otherwise permitted by the Board in its sole discretion; or
 - (iv) a prospective participant, being a person to whom the offer is made but who can only accept the offer if an arrangement has been entered into that will result in the person becoming a participant under subparagraphs (i), (ii), or (iii) above,
- who is declared by the Board to be eligible to receive grants of Options under the Option Plan (**Eligible Participants**).
- (b) **Offer:** The Board may, from time to time, in its absolute discretion, make a written offer to any Eligible Participant (including an Eligible Participant who has previously received an offer) to apply for up to a specified number of Options, upon the terms set out in the Option Plan and upon such additional terms and conditions as the Board determines.
- (c) **Plan limit:** The Company must have reasonable grounds to believe, when making an offer, that the number of Shares to be received on exercise of Options offered under an offer, when aggregated with the number of Shares issued or that may be issued as a result of offers made in reliance on the Class Order at any time during the previous 3 year period under an employee incentive scheme covered by the Class Order or an ASIC exempt arrangement of a similar kind to an employee incentive scheme, will not exceed 5% of the total number of Shares on issue at the date of the offer.
- (d) **Issue price:** Unless the Options are quoted on the ASX, Options issued under the Option Plan will be issued for no more than nominal cash consideration.
- (e) **Vesting Conditions:** An Option may be made subject to vesting conditions as determined by the Board in its discretion and as specified in the offer for the Option.
- (f) **Vesting:** The Board may in its absolute discretion (except in respect of a Change of Control occurring where Vesting Conditions are deemed to be automatically waived) by written notice to a Participant (being an Eligible Participant to whom Options have been granted under the Option Plan or their nominee where the Options have been granted to the nominee of the Eligible Participant), resolve to waive any of the Vesting Conditions applying to Options due to:
- (v) Special Circumstances arising in relation to a Relevant Person in respect of those Options; or
 - (vi) a Change of Control occurring; or

- (vii) the Company passing a resolution for voluntary winding up, or an order is made for the compulsory winding up of the Company.
- (g) **Lapse of an Option:** An Option will lapse upon the earlier to occur of:
 - (viii) an unauthorised dealing in the Option;
 - (ix) a Vesting Condition in relation to the Option is not satisfied by its due date, or becomes incapable of satisfaction, unless the Board exercises its discretion to waive the Vesting Conditions and vest the Option in the circumstances set out in paragraph (f) or the Board resolves, in its absolute discretion, to allow the unvested Options to remain unvested after the Relevant Person ceases to be an Eligible Participant;
 - (x) in respect of unvested Option only, an Eligible Participant ceases to be an Eligible Participant, unless the Board exercises its discretion to vest the Option in the circumstances set out in paragraph (f) or the Board resolves, in its absolute discretion, to allow the unvested Options to remain unvested after the Relevant Person ceases to be an Eligible Participant;
 - (xi) in respect of vested Options only, a relevant person ceases to be an Eligible Participant and the Option granted in respect of that person is not exercised within one (1) month (or such later date as the Board determines) of the date that person ceases to be an Eligible Participant;
 - (xii) the Board deems that an Option lapses due to fraud, dishonesty or other improper behaviour of the Eligible Participant;
 - (xiii) the Company undergoes a Change of Control or a winding up resolution or order is made and the Board does not exercise its discretion to vest the Option;
 - (xiv) the expiry date of the Option.
- (h) **Not transferrable:** Options are only transferrable in Special Circumstances with the prior written consent of the Board (which may be withheld in its absolute discretion) or by force of law upon death, to the Participant's legal personal representative or upon bankruptcy to the participant's trustee in bankruptcy.
- (i) **Shares:** Shares resulting from the exercise of the Options shall, subject to any Sale Restrictions (refer paragraph (k)) from the date of issue, rank on equal terms with all other Shares on issue.
- (j) **Quotation of Shares:** If Shares of the same class as those issued upon exercise of Options issued under the Option Plan are quoted on the ASX, the Company will, subject to the ASX Listing Rules, apply to the ASX for those Shares to be quoted on ASX within 10 business days of the later of the date the Shares are issued and the date any restriction period applying to the disposal of Shares ends.
- (k) **Sale Restrictions:** The Board may, in its discretion, determine at any time up until exercise of Options, that a restriction period will apply to some or all of the Shares issued to an Eligible Participant (or their eligible nominee) on exercise of those Options up to a maximum of seven (7) years from the grant date of the Options. In addition, the Board may, in its sole discretion, having regard to the circumstances at the time, waive any such restriction period determined.
- (l) **No Participation Rights:** There are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options.

- (m) **Change in exercise price of number of underlying securities:** Unless specified in the offer of the Options and subject to compliance with the ASX Listing Rules, an Option does not confer the right to a change in exercise price or in the number of underlying Shares over which the Option can be exercised.
- (n) **Reorganisation:** If, at any time, the issued capital of the Company is reorganised (including consolidation, subdivision, reduction or return), all rights of a holder of an Option are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reorganisation.
- (o) **Amendments:** Subject to express restrictions set out in the Option Plan and complying with the Corporations Act, ASX Listing Rules and any other applicable law, the Board may at any time by resolution amend or add to all or any of the provisions of the Option Plan, or the terms or conditions of any Option granted under the Option Plan including giving any amendment retrospective effect.
- (p) **Trust:** The Board may, at any time, establish a trust for the sole purpose of acquiring and holding Shares in respect of which a Participant may exercise, or has exercised, vested Options, including for the purpose of enforcing the disposal restrictions and appoint a trustee to act as trustee of the trust. The trustee will hold the Shares as trustee for and on behalf of a Participant as beneficial owner upon the terms of the trust. The Board may at any time amend all or any of the provisions of the Option Plan to effect the establishment of such a trust and the appointment of such a trustee.

Definitions: Capitalised terms used in the above summary are as defined in the Option Plan, including:

Associated Body Corporate means:

- (a) a related body corporate (as defined in the Corporations Act) of the Company;
- (b) a body corporate which has an entitlement to not less than 20% of the voting Shares of the Company; and
- (c) a body corporate in which the Company has an entitlement to not less than 20% of the voting shares.

Change of Control means:

- (a) a bona fide Takeover Bid is declared unconditional and the bidder has acquired a Relevant Interest in more than 50% of the Company's issued Shares;
- (b) a court approves, under section 411(4)(b) of the Corporations Act, a proposed compromise or arrangement for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with any other company or companies; or
- (c) in any other case, a person obtains Voting Power in the Company which the Board (which for the avoidance of doubt will comprise those Directors immediately prior to the person acquiring that Voting Power) determines, acting in good faith and in accordance with their fiduciary duties, is sufficient to control the composition of the Board.

Relevant Person means:

- (a) in respect of an Eligible Participant, that person; and
- (b) in respect of a nominee of an Eligible Participant, that Eligible Participant.

Special Circumstances means:

- (a) a Relevant Person ceasing to be an Eligible Participant due to:
 - (i) death or Total or Permanent Disability of a Relevant Person; or
 - (ii) Retirement or Redundancy of a Relevant Person;
- (b) a Relevant Person suffering Severe Financial Hardship;
- (c) any other circumstance stated to constitute "Special Circumstances" in the terms of the relevant Offer made to and accepted by the Participant; or
- (d) any other circumstances determined by the Board at any time (whether before or after the Offer) and notified to the relevant Participant which circumstances may relate to the Participant, a class of Participant, including the Participant or particular circumstances or class of circumstances applying to the Participant.

ANNEXURE A – INDEPENDENT EXPERT’S REPORT



29 August 2018

The Directors
Nickelore Limited
PO Box 587
WEST PERTH WA 6872

Dear Sirs

Independent Expert's Report to Shareholders in Nickelore Limited

1. Introduction

You have requested Pendragon Capital Limited ("Pendragon") to prepare an Independent Expert's Report ("Report") to advise the Shareholders in Nickelore Limited ("Nickelore" or "the Company" or "Purchaser") whether, for the purpose of the Australian Securities Exchange ("ASX") Listing Rule 10.1, the proposed acquisition of 100% of the shares in the capital of Lone Star Energy Limited ("Lone Star") by Nickelore is fair and reasonable to holders of the Company's ordinary securities whose votes are not to be disregarded ("Non-associated Shareholders"). The acquisition of 100% of the Lone Star shares will include the acquisition of shares from Fastwitch Enterprises Pty Ltd ACN 111 613 177 ("Fastwitch") which is an entity controlled by Mr Robert Gardner, an associated shareholder of Nickelore.

Terms and phrases used in this Report have the same meaning given to them in the Notice of Annual General Meeting ("NOM") and Explanatory Statement, unless separately defined.

Nickelore is a public company listed on the ASX. The Company is currently suspended from quotation on the ASX and has been seeking strategic opportunities.

Lone Star engages in the exploration and development of oil and gas properties in the United States. The company currently has interests in the Greever project in the Hansford oil and gas field located in Hansford County, Texas and in the Burgess project located in Ellis County, Oklahoma.

2. Opinion

Based on our analysis as outlined further in this Report, we have concluded that the Proposed Transaction is **not fair but is reasonable to Non-associated Shareholders**.

Pendragon Capital Ltd

We have concluded that the Proposed Transaction is not fair but is reasonable to all Nickelore Shareholders. As neither Fastwitch nor Mr Robert Gardner receive any benefit from the Proposed Transaction other than from the acquisition of the Fastwitch shares in Lone Star, and as this acquisition is on the same terms as for other Lone Star shareholders, we also conclude that the Proposed Transaction is not fair but is reasonable to Mr Gardner and his associated entities.

This section is a summary of our opinion and does not substitute for a complete reading of this Report.

We recommend that Shareholders carefully read all relevant documentation including any explanatory notes, contact their own professional advisors and consider their own specific circumstances before voting for or against the Proposed Transaction.

There are benefits and risks associated with implementing or not implementing the Proposed Transaction, the outcomes of which may not suit all Shareholders.

3. Proposed Transaction

3.1 Binding Terms Sheet

Nickelore has entered into a binding term sheet to acquire 100% of the equity in Lone Star ("Proposed Transaction").

The consideration consists of:

- an aggregate of 105,500,000 fully paid ordinary Nickelore Shares (Consideration Shares), together with 1 option to acquire a Nickelore Share (Consideration Options) for every 2 Consideration Shares issued (each option has an exercise price of \$0.025 and an expiry date which is two years after the settlement date of the Proposed Transaction); and
- up to an additional 30,000,000 Consideration Shares and 15,000,000 Consideration Options (each on an equivalent basis to each other Consideration Share and Consideration Option) for any additional securities issued by Lone Star between entry into the term sheet and settlement, which are to be used to fund completion costs for the Sand Creek Project (Burgess Prospect), with the quantity to be issued based on the amount raised by those additional securities in proportion to a maximum amount of \$600,000. We are advised that no additional securities have been issued by Lone Star and hence no Consideration Shares or Consideration Options will be issued under this provision.

All Consideration Shares and Consideration Options will be issued on a post-Consolidation basis.

3.2 Related Party Transaction

Mr Robert Gardner is a Director of Nickelore and through a controlled entity, Wingstar Investments Pty Ltd ACN 073 571 927, owns 87,622,500 pre-Consolidation Shares representing 28.47% of the issued Shares.

Mr Gardner, through a controlled entity Fastwitch provided \$600,000 to Lone Star in the form of convertible loans, which will convert to 24,000,000 shares in Lone Star. These shares will be acquired by the Company under the Proposed Transaction for 30,000,000 Consideration Shares and 15,000,000 Consideration Options on a post-Consolidation basis.

Subsequent to the execution of the Binding Terms Sheet, Fastwitch, together with associates of Robert Gardner, have provided converting loans totalling \$150,000 to Nickelore.

Under the terms of the converting loan agreements:

- Interest accruing daily at 10% per annum and will be deemed to accrue for a minimum period of 12 months; and
- subject to the Company receiving all necessary Shareholder approvals to issue Shares for the conversion of the loans and interest and the Company receiving conditional approval for its securities to be reinstated to official quotation on ASX, the loans and interest shall automatically convert to Shares with an issue price equal to Shares issued pursuant to the Capital Raising (ie \$0.02 each).

Fastwitch and its associates will be entitled to receive a total of 8,250,000 post-Consolidation Shares for conversion of the loans and accrued interest.

Subsequent to 31 December 2017, Fastwitch also provided a loan of \$200,000 to Lone Star which is expected to be repaid from the proceeds of the public offer.

3.3 Board Changes

As part of the Proposed Transaction the parties agreed to the following changes to the Nickelore board:

- appoint Mr David Deloub as executive director and Mr Sonu Cheema as Company secretary; and
- Mr Paul Piercy to resign from his role as non-executive Director.

We note that Mr Deloub was appointed as a non-executive director and Mr Piercy resigned on 1 December 2017.

3.4 Conditions Precedent

Completion of the Proposed Transaction is subject to a number of conditions, including but not limited to the following:

- Nickelore successfully completing a capital raising to raise not less than \$4,200,000 before costs or such other amount as required to re-comply with Chapters 1 and 2 of the ASX Listing Rules;
- Nickelore completing an entitlement issue to raise up to \$200,000 (We understand the parties have waived this condition and the entitlement issue will not take place);
- Nickelore completing a consolidation of capital at a ratio of 1 new security for every 6 securities;
- Nickelore obtaining all required Shareholder and regulatory approvals;
- each of Nickelore and Lone Star completing its due diligence; and
- Nickelore obtaining conditional approval from ASX that it will be reinstated to the official list of ASX on terms and conditions acceptable to Nickelore and Lone Star.

4. Purpose of the Report

4.1 Scope

An independent expert must, in certain circumstances, be appointed to meet the requirements of the Corporations Act 2001 (“the Act”), the ASX Listing Rules and the regulatory guides published by the Australian Securities and Investments Commission (“ASIC”).

The matters to be considered at the annual general meeting and additional information regarding those matters are set out in details in the Notice of Meeting. These documents are important and should be read in conjunction with this Report and any other information provided to the Shareholders by Nickelore regarding the Proposed Transaction.

This Report is general financial product advice only and has been prepared without taking into account the objectives, risk profile, financial situation or needs of each individual Shareholder. Before acting in relation to their investment, Shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs.

Approval or rejection of the Proposed Transaction is a matter for individual Shareholders. Shareholders who are in doubt as to the action they should take in relation to the Proposed Transaction should consult their own professional advisor.

4.2 Purpose

The sole purpose of this Report is to express Pendragon’s opinion as to whether, for the purposes of ASX Listing Rule 10.1, the Proposed Transaction, being the acquisition of a substantial asset from a related party, is fair and/or reasonable to the Non-associated Shareholders of Nickelore. This Report cannot be used by any other person for any other reason or for any other purpose. A copy of this Report will accompany the Notice of Meeting to be sent to the Shareholders.

The Directors of the Company have engaged Pendragon to prepare an Independent Expert’s Report, in relation to Resolution 12 of the Notice of Annual General Meeting, to assess whether the Proposed Transaction is fair and/or reasonable to Non-associated Shareholders of the Company.

Substantial asset

ASX Listing Rule 10.1 provides that an entity must ensure that it does not acquire a substantial asset from, or dispose of a substantial asset to, amongst other persons, a related party of the Company or a substantial shareholder of the Company, without the prior approval of holders of the entity’s ordinary shareholders.

The equity interests of the Company as defined by the ASX Listing Rules and as set out in the latest accounts given to ASX under the ASX Listing Rules (being for 31 December 2017 was (\$83,589). As the value of the consideration for the Proposed Transaction is more than 5% of the equity interests of the Company as set out in the latest accounts given to ASX under the ASX Listing Rules, the completion of the Transaction will result in the acquisition of a substantial asset.

Related party

For the purposes of ASX Listing Rule 10.1, a related party of an entity includes, amongst other persons, directors of a public company.

Fastwitch Enterprises Pty Ltd, which will hold 28.44% of the issued shares in Lone Star, is a related party of the Company, by virtue of being an entity controlled by Mr Robert Gardner, a Director.

Substantial shareholder

For the purposes of ASX Listing Rule 10.1, a substantial shareholder is a person who has a relevant interest (either directly or through its associates), or had at any time in the 6 months before the transaction, in at least 10% of the total votes attaching to the voting securities.

Mr Robert Gardner, by virtue of his relevant interest in 28.47% of the voting Shares of the Company, is a substantial holder of the Company for the purposes of ASX Listing Rule 10.1.

Therefore the Proposed Transaction will result in the acquisition of a substantial asset from a related party and a substantial Shareholder and the Company is therefore required to seek Shareholder approval under ASX Listing Rule 10.1.

ASX Listing Rule 10.10.2 requires a notice of meeting containing a resolution under ASX Listing Rule 10.1 to include a report on the transaction from an independent expert stating the expert's opinion as to whether the transaction is fair and reasonable to holders of the entity's ordinary securities whose votes are not to be disregarded.

4.3 Regulatory Guidance

In determining whether the transaction is "fair and reasonable", we have considered ASIC's Regulatory Guide 111 – Content of Expert Reports, which sets out how experts should analyse a proposed transaction, the different valuation methodologies used by experts and the treatment of assumptions.

4.4 Fair and Reasonable

The term fair and reasonable does not have a legal definition. However the ASIC Regulatory Guide 111 establishes certain guidelines in respect of the preparation of experts' reports.

What is fair and/or reasonable for Non-associated Shareholders should be judged in all circumstances of the proposal. The report must compare the likely advantages and disadvantages for Non-associated Shareholders if the proposal is agreed to and if it is not.

An offer is fair if the value of the consideration is equal to or less than the value of the acquired assets.

By definition, an offer is reasonable if it is fair. However, where an offer is not fair, it can be reasonable if, after considering other significant factors, the interests of the Shareholders are reasonably balanced.

5. Background to Nickelore

5.1 Corporate History

Nickelore was incorporated on 4 March 2000 and listed on the ASX on 24 July 2000.

Nickelore changed its name from Halcyon Group Limited on 3 December 2002.

Former names of the Company:

<u>Names</u>	<u>From</u>	<u>To</u>
Nickelore Limited	03/12/2007	current
Halcyon Group Limited	06/12/2002	03/12/2007
Daytraderhq Limited	09/08/2000	06/12/2002
Daytraderhq.com Limited	04/05/2000	09/08/2000

Nickelore is a company listed on the ASX. Nickelore's principal activity is the exploration for gold and sulphide nickel, and investment in the mineral exploration and development sector. Nickelore has been suspended from quotation on the ASX since 22 July 2016. Nickelore's main assets per the reviewed 31 December 2017 interim report were cash and cash equivalents and passive investments.

5.1.1 Proposed Transaction – Helio Energia S.A.

On 10 February 2016 Nickelore announced it had entered into a non-binding agreement to acquire 100% of the issued capital in Helio Energia S.A ("Helio"), a leading-edge, full service, end-to-end provider of roof top solar energy systems for commercial and industrial energy customers in Brazil.

On 24 March 2016 Nickelore announced an entitlement issue closure and notice of shortfall and the following securities were issued:

- Entitlement offer – 67,101,146 Shares issued at \$0.006 raising \$402,607
- Pro-rata shortfall shares – 6,055,000 Shares issued at \$0.006 raising \$36,330
- Top-up shares – 14,767,187 Shares issued at \$0.006 raising \$88,603

On 28 April 2016 Nickelore announced that key acquisition conditions had been satisfied, with a meeting of Nickelore shareholders anticipated to take place before 30 June 2016 prior to a proposed \$5 million capital raising.

On 22 July 2016, ASX Market Release advised the suspension of Nickelore from official quotation.

On 21 September 2017 Nickelore announced the transaction to acquire Helio would not proceed.

5.1.2 Proposed Transaction – Lone Star

On 1 December 2017 Nickelore announced it had entered into a binding agreement to acquire 100% issued capital in Lone Star Energy Limited. Lone Star Energy Limited has an interest in two oil projects located in Texas and Oklahoma, USA.

The principal terms of the Proposed Transaction appear in section 3 of this Report and in the NOM.

5.2 *Company Directors*

5.2.1 Robert Gardner (Executive Chairman)

Mr Gardner is a Perth based business proprietor, with over 28 years' experience in the mining industry. Mr Gardner has developed a number of projects that are now major assets of ASX listed companies and has extensive experience in the China region. Mr Gardner is also the executive Chairman of Dragon Mountain Limited.

5.2.2 Paul Piercy (Non-Executive Director) (resigned on 1 December 2017)

5.2.3 Jay Stephenson (Non-Executive Director and Company Secretary)

Mr Stephenson has been involved in business development for over 25 years, including approximately 21 years as director, chief executive officer, and company secretary of various listed and unlisted entities in resources, manufacturing, wine, hotels and property. He has been involved in business acquisitions, mergers, initial public offerings, capital raisings, and business restructuring, as well as managing all areas of finance for companies. Mr Stephenson also holds various non-executive director positions in ASX listed companies including Doray Mining Limited, Auctus Alternative Investments Limited and Blina Minerals Limited.

5.2.4 David Deloub (Non-Executive Director) (Proposed Executive Director) (appointed 1 December 2017)

Mr Deloub has over 25 years experience in the finance and corporate sectors and holds a Bachelor Degree in Economics (with honours) and post graduate qualifications in banking and finance. Mr Deloub has also held executive positions at Merah Resources Ltd, Neptune Marine Services and Patersons Capital Partners.

5.3 Historical Statement of Financial Position - Nickelore

Statement of Financial Position	AUDITED Annual Report 30 June 2017 \$	REVIEWED Interim Report 31 December 2017 \$
Current Assets		
Cash and cash equivalents	178,475	94,881
Trade and other receivables	2,780	9,982
Financial assets	8,967	9,863
Other current assets	2,458	12,500
Total Current Assets	192,680	127,226
Total Assets	192,680	127,226
Current Liabilities		
Trade and other payables	148,290	210,815
Total Current Liabilities	148,290	210,815
Total Liabilities	148,290	210,815
Net assets/(liabilities)	44,390	(83,589)
Equity		
Issued Capital	24,648,541	24,648,541
Accumulated losses	(24,604,151)	(24,732,130)
Total equity/(deficiency)	44,390	(83,589)

Subsequent to 31 December 2017, Nickelore has:

- borrowed an additional \$200,000 by issuing converting loans at 10% per annum interest and convertible on satisfaction of the Conditions Precedent of the Proposed Transaction. Fastwitch, together with associates of Robert Gardner, have provided a total of \$150,000 of this amount;
- agreed to borrow an additional \$50,000 by issuing converting loans at 10% per annum interest and convertible on satisfaction of the Conditions Precedent of the Proposed Transaction; and
- paid Lone Star expenses totalling \$29,706.

5.4 Equity Structure of Nickelore

As at the date of this Report, Nickelore has 307,731,740 fully paid ordinary shares.

5.5 Top 20 Shareholders of Nickelore

Table 5.5.1 Top 20 Shareholders of Nickelore

<u>Rank</u>	<u>Name</u>	<u>Pre-Consolidation Shares</u>	<u>% of Shares</u>
1.	Wingstar Investments Pty Ltd	87,622,500	28.47
2.	World Trend Limited	44,800,000	14.56
3.	LL Arthur Limited	31,080,000	10.10
4.	Silkridge Consulting Pty Ltd	14,937,500	4.85
5.	RJ & JG Holdings Pty Ltd <Swan Exec Super Fund A/C>	13,711,600	4.46
6.	Mr Ianaki Semerdziev	9,500,000	3.09
7.	Pinewood Asset Pty Ltd <The Fraser Family A/C>	8,531,250	2.77
8.	Vin Ethos Pty Ltd <Vin Ethos A/C>	8,531,250	2.77
9.	Tre Pty Ltd <Time Road Superannuation A/C>	5,978,000	1.94
10.	Mr Paul Piercy & Mrs Pauline Barbara Piercy <P & PB Piercy S/F A/C>	5,975,000	1.94
11.	Mrs Liliana Teofilova	5,500,000	1.79
12.	HSBC Custody Nominees (Australia) Limited	4,644,716	1.51
13.	Mr Thomas Edward Arthur & Ms Mary Jane Arthur <TE & MJ Arthur S/F A/C>	3,715,982	1.21
14.	Ms Elizabeth May Edney	3,187,500	1.04
15.	Mr Ralph Evan Jones & Mrs Jo-Anne Jones	3,092,424	1.00
16.	Mr Ryan Mark Low & Mrs Sascha Bea Low <The Low Family S/F A/C>	2,000,000	0.65
17.	Tromso Pty Limited	1,656,063	0.54
18.	Mr Zheng Cang Yi	1,431,416	0.47
19.	Mr Philip Gordon O'Prey & Mrs Karen O'Prey <Richian S/F A/C>	1,400,000	0.45
20.	Mr Tony Bollella & Mrs Antonietta Pia Bollella	1,343,397	0.44
Total - top 20 shareholders		258,638,598	84.05
Total - remaining shareholders		49,093,142	15.95

5.6 Associated Shareholdings and Options

It has been determined that Robert Gardner is the only associated Shareholder due to:

- being a Director of Nickelore;
- being the majority shareholder in Nickelore through a controlled entity, Wingstar Investments Pty Ltd; and
- being entitled to receive Consideration Shares and Consideration Options through a controlled entity, Fastwitch Enterprises Pty Ltd.

	<u>Robert Gardner</u>
Pre-Consolidation current Shares	<u>87,622,500</u>
Post-Consolidation current Shares	14,603,750
Consideration Shares – convertible loan	30,000,000
Converting loan and accrued interest	8,250,000
Subscription – Capital Raising *	<u>25,000,000</u>
Total Shares	<u>77,853,750</u>
Consideration Options – convertible loan	<u>15,000,000</u>

**Assuming Shareholder approval (and subscription by Robert Gardner or associates) of \$500,000 in the public offer.*

5.7 Voting Rights of Existing Shareholders Pre and Post Proposed Transaction

As stated in Resolution 7 of the Notice of Annual General Meeting, Nickelore will seek to raise up to \$8 million under a public offer, with a minimum subscription of \$4.2 million, by the issue of Shares at an issue price of \$0.02 each on a post-Consolidation basis.

Shares on issue following the Proposed Transaction

Issued number of Shares at Report date	Current	Post - Consolidation
Issued Shares as at date of this Report	307,731,740	51,288,623
Number held by Non-associated Shareholders	220,109,240	36,684,873
% held by Non-associated Shareholders pre the Proposed Transaction	71.53%	71.53%
	Minimum Subscription	Full Subscription
<u>Post-Consolidation issued Shares</u>		
Current Shares	51,288,623	51,288,623
Consideration Shares – Lone Star shareholders	75,500,000	75,500,000
Consideration Shares – Fastwitch convertible loan	30,000,000	30,000,000
Converting loan and interest – Fastwitch (Note 1)	8,250,000	8,250,000
Converting loan and interest – other than Fastwitch	5,500,000	5,500,000
Shares to be issued - public offer – Fastwitch (Note 2)	25,000,000	25,000,000
Shares to be issued - public offer – other than Fastwitch	185,000,000	375,000,000
Number of Shares on issue following the Proposed Transaction	380,538,623	570,538,623
Number held by existing Non-associated Shareholders	36,684,873	36,684,873
% holdings of existing Non-associated Shareholders following the Proposed Transaction (undiluted) (Note 3)	9.64%	6.43%
Consideration Options	52,750,000	52,750,000
% holdings of existing Non-associated Shareholders following the Proposed Transaction (fully diluted) (Note 3)	8.47%	5.89%

Note 1 – includes associates of Fastwitch.

Note 2 – assumes Shareholder approval (and subscription by Fastwitch or associates) of \$500,000 in the public offer.

Note 3 – the percentage holding of existing Non-associated Shareholders has been calculated assuming existing Shareholders do not participate in the public offer.

5.8 Share Market Performance of Nickelore

Nickelore shares are listed on the ASX. Nickelore has been suspended from quotation on the ASX since 22 July 2016. The charts below show Nickelore 12-month share price movements and share trading volumes for the year prior to suspension.

Table 5.8.1 Nickelore Share Price Movement

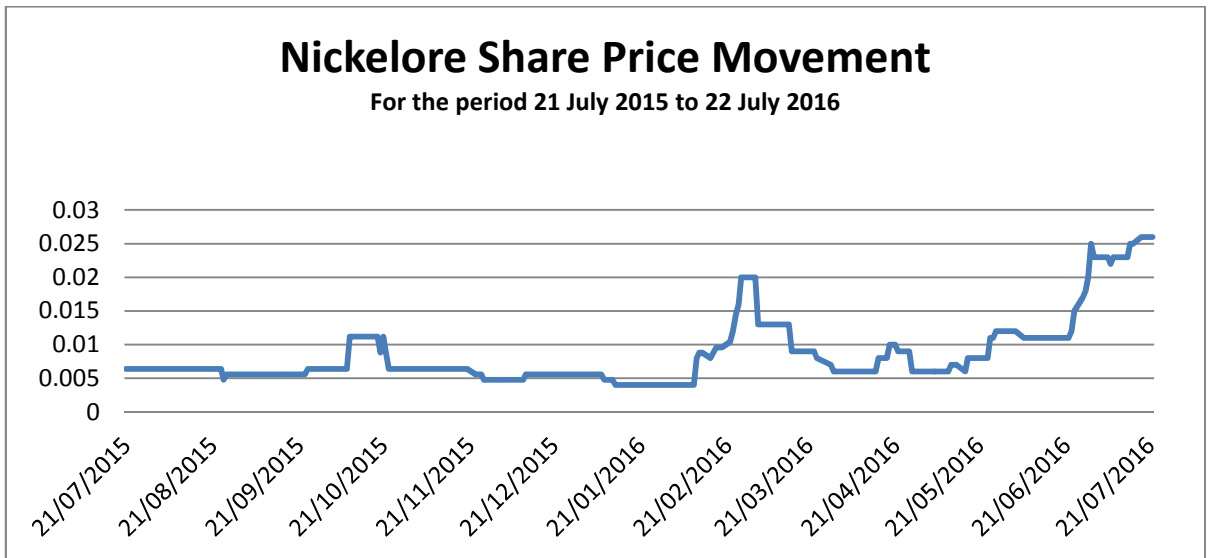
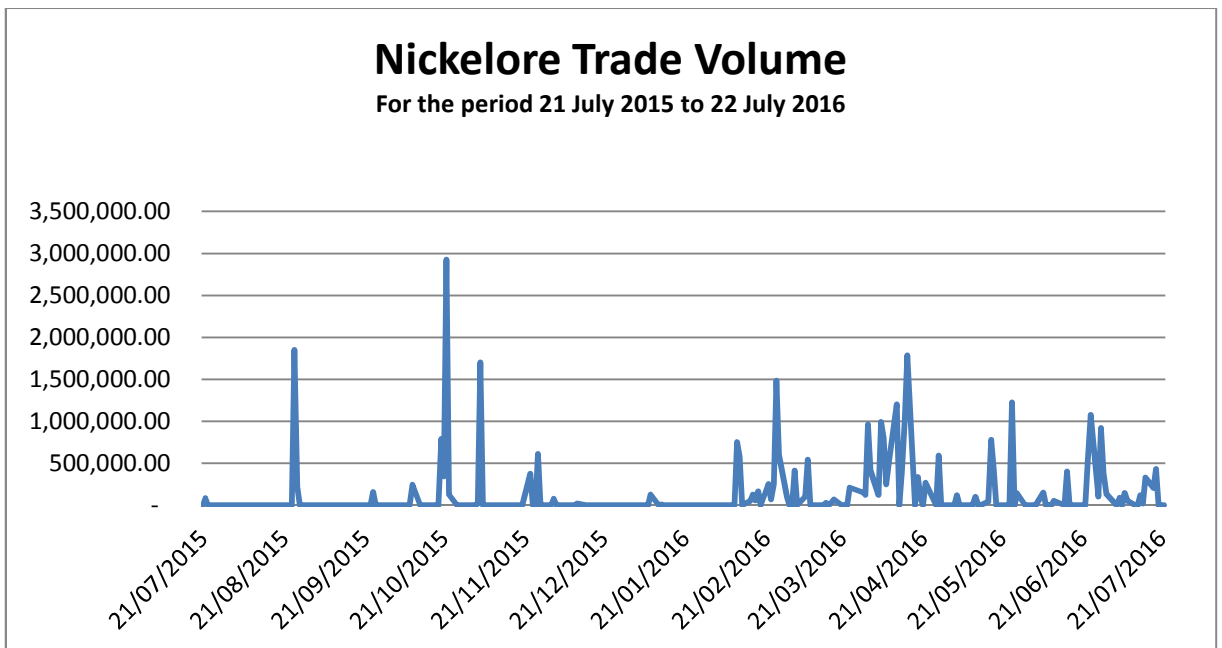


Table 5.8.2 Nickelore Trade Volume



6. Background to Lone Star

6.1 Background

Lone Star was incorporated on 13 April 2012.

Lone Star is an oil and gas exploration and development company which has an interest in two oil projects located in Texas and Oklahoma, USA.

Lone Star changed its name on 9 August 2017 from Sugar Dragon Limited (“Sugar Dragon”). Prior to changing its name, nature and scale of activities, Sugar Dragon conducted its operations through its majority owned subsidiary company, Okmno Asia Limited, the holder of a four year exclusive licensing deal with King.com Limited (NYSE: KING) for the manufacture, branding and distribution of Candy Crush Candies in China, Hong Kong, Taiwan, Macau and South Korea.

Sugar Dragon lodged a Prospectus with ASIC on 27 January 2016 which sought to raise \$3.2 million associated with an ASX listing.

On 11 April 2016, ASX informed the company in writing that it would refuse to admit the Company to the official list. ASX cited reasons including:

- The company’s limited trading history and a qualification in its 2015 financial accounts;
- The short-term and non-exclusive nature of the company’s licenses from King.com; and
- The split ownership with Ms Zhang of the company’s subsidiary Okmno Asia Ltd.

On the 29 April 2016 after the company submitted an application for in-principle advice, the ASX wrote to the company confirming its decision not to admit it to the official list on the basis that ASX did not consider the company to be suitable for admission “having regard to its structure, operations and limited history”.

6.2 Projects

Lone Star has recently acquired the following two oil projects located in Texas and Oklahoma, USA:

6.2.1 Greever Project

Located in Hansford Country, Texas in the United States approximately 96 miles north of Amarillo. The Greever Prospect is conventional horizontal drilling opportunity in the Marmaton Formation in the Hansford Oil and Gas Field in Hansford County, Texas.

The Hansford Field is described as a significant field (>1,000 Billion cubic feet (Bcf) of gas) with over 50 years of exploitation. An initial horizontal well bore was spudded in August 2017. The well is offsetting a recent successfully drilled (producing) horizontal well and is adjacent to an analogous field with five recently drilled horizontal Marmaton producing wells. The Greever Prospect opportunity is made up of 640 acres in Section 52, Block 4T in Hansford County, Texas. The Greever Prospect also includes an Area of Mutual Interest including the adjoining Section 51, Block 4T. LS Operating Pty Ltd, a wholly owned subsidiary of Lone Star, has participated for a 25% working interest (with an 18.75% net revenue interest). The Sutton #2H-52 well (located within the Greever Prospect) has now been drilled, successfully completed and is currently flowing back to sales.

6.2.2 Burgess Project (Sand Creek)

The Burgess Prospect, NE/4 28/24N-23W Ellis County, Oklahoma, United States, proposes to target Morrow sands at an approximate depth of 7,850 ft. These Morrow sands are known to produce commercial quantities of natural gas from vertical wells within section 28 and adjacent sections. LS Operating Pty Ltd has agreed to participate for up to 100% working interest (with a 75% net revenue interest) in the drilling of the Burgess well.

6.2.3 Future Projects

LS Operating Pty Ltd (“LS Operating”), a wholly owned subsidiary of Lone Star, has an agreement with BRK Oklahoma Holdings, LLC (“BRK”) under which LS Operating has a first right to participate in conventional well bore drilling and or acreage acquisition opportunities presented to BRK. LS Operating has conditionally exercised its right to participate in opportunities presented by BRK subject to completion of the Proposed Transaction. Further details are included in the Explanatory Statement and Schedule 2 of the NOM.

6.3 Top 20 Shareholders of Lone Star

Rank	Name	Lone Star Shares	% of Shares	Entitlement to Consideration Shares
1.	Mr John Andrew Rodgers <John Rodgers Family A/C> (Note 1)	10,750,000	19.94	15,000,000
2.	The Trust Company (Australia) Limited <Mof A/C> (Note 1)	8,625,000	16.00	17,343,750
3.	Ms Freyja Mei-Liang Bruun	4,300,000	7.98	5,375,000
4.	Ajava Holdings Pty Ltd	4,000,000	7.42	5,000,000
5.	Joyress Pty Ltd	4,000,000	7.42	5,000,000
6.	Rimoyne Pty Ltd	2,000,000	3.71	2,500,000
7.	Resource Star Limited	1,923,077	3.57	2,403,846
8.	Fifehead Mill Pty Ltd <Fifehead Mill S/F A/C>	1,600,000	2.97	2,000,000
9.	Pelagya Pty Ltd <Caprice Super Fund A/C>	1,500,000	2.78	1,875,000
10.	Auto Management Pty Ltd <Branchi Family A/C>	1,375,000	2.55	1,718,750
11.	Sayers Investments(Act)Limited <Sayers Super Fund A/C>	1,250,000	2.32	1,562,500
12.	Mrs Joan Christine Cook	1,200,000	2.23	1,500,000
13.	Ms Loraine Von Der Weid-De	1,200,000	2.23	1,500,000
14.	Bellaire Capital Pty Ltd <Bellaire Capital Invest A/C>	1,000,000	1.86	1,250,000
15.	Demasiado Pty Ltd <Demasiado Family A/C>	1,000,000	1.86	1,250,000
16.	Station Nominees Pty Ltd <Station Super Fund A/C>	967,000	1.79	1,208,750
17.	Pranayama Pty Ltd <Pranayama S/F A/C>	800,000	1.48	1,000,000
18.	Mr Jonathan Whittle & Mrs Linda Beatrix Whittle	800,000	1.48	1,000,000
19.	Mr Paul Simon Dongray <The Dongray Family No 2 A/C>	650,000	1.21	812,500
20.	Mr Owen John Clare & Mrs Rosalind Mare Clare	600,000	1.11	750,000
Total - top 20 shareholders		49,540,077	91.9	70,050,096
Total - other shareholders		4,359,923	8.1	5,449,904

6.4 Convertible Loans in Lone Star

Lender	Principal (\$)	Conversion Price (\$)	Lone Star shares on conversion	Entitlement to Consideration Shares
Fastwitch Enterprises Pty Ltd	600,000	0.025	24,000,000	30,000,000
The Trust Company (Australia) Limited <MOF A/C>	131,250	0.025	5,250,000	6,562,500
Mr John Andrew Rodgers <John Rodgers Family A/C>	31,250	0.025	1,250,000	1,562,500

7. Valuation Methodology

7.1 Available Valuation Methodologies

To estimate the fair market value of Nickelore before and after the Proposed Transaction we have considered common market practice and the valuation methodologies recommended in RG 111. There are a number of methods that can be used to value an entity including:

7.1.1 Discounted Cash Flow Method

This method values an entity by discounting the future net cash flows to their present day value using an appropriate discount rate. The discount rate is representative of the opportunity cost of capital being the expected rate of return that could be obtained by investing in equivalent risk investments. This method is generally appropriate where future cash flows can be projected with a reasonable degree of confidence.

7.1.2 Market Based Methods

- Capitalisation of Maintainable Earnings

This method places a value on the entity by estimating the likely future maintainable earnings capitalised at a rate which reflects business outlook, business risk, investor expectations, future growth prospects and other factors specific to the entity. Use of this method relies on the availability and analysis of comparable market data.

- Industry Specific Methods

Uses industry specific assumptions and comparisons to form a valuation.

- Availability of Alternative Offers

Where there are other similar offers, a comparison between offers can be used to determine the market value of the entity.

- Quoted Market Price Basis (Market Value)

Where there is a ready market for securities such as the ASX through which shares are traded, recent prices at which shares are bought and sold may be taken as the market value of a security. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a share displays regular trading, in a liquid market.

This method relies on the efficient market hypothesis which states in general terms that the market price at any point in time should fully reflect available information given willing buyers and willing sellers.

7.1.3 Asset Based Methods

- Liquidation of Assets Method

This method values a company based on the net value of its assets should they be sold in a distressed scenario.

- Orderly Realisation of Assets Method

This method values an entity based on the net value of its assets should the assets be put to market and held out for a fair value sale price given the market and condition of the assets.

- Net Tangible Asset Value on a Going Concern Value (“NTA”)

NTA is appropriate where the majority of assets consist of cash or passive investments. The combined market value of the entity’s assets and liabilities is used to value the entity.

Each of these methods is appropriate in certain circumstances and often more than one approach is applied. Per RG 111, an expert should, when possible, use more than one valuation methodology.

The choice of methods depends on factors such as the nature of the business being valued, the return on the assets employed in the business, the valuation methodologies usually applied to value such businesses and the availability of the required information.

7.2 Selection of Valuation Methodologies – Nickelore

In selecting an appropriate valuation methodology to value Nickelore we have considered the following factors:

- Nickelore’s main assets before the Proposed Transaction are cash and passive investments.
- Nickelore currently does not have any operating business generating cash flows. As such, capitalisation of earnings and discounted cash flows are unlikely to be appropriate.
- A quoted market basis relies on a regulated and observable market where shares can be traded. Although Nickelore is listed on the ASX, it is noted that Nickelore has been suspended from quotation since 22 July 2016. As such a market based method is unlikely to be appropriate.

Based on the above factors, we believe that the appropriate valuation method to use is the net asset valuation methodology.

7.3 Selection of Valuation Methodologies – Lone Star

In selecting an appropriate valuation methodology to value Lone Star we have considered the following factors:

- Lone Star has been trading since 2012;
- After Lone Star’s failed listing attempt, the company has significantly changed its nature of activities. Lone Star assets consist predominately of cash and two oil projects; and
- A petroleum expert report on the value of the two oil projects has been obtained.

Lone Star currently has no observable market for its shares and has assets which consist of the projects and cash. It is considered inappropriate to use a market based method to value the company. We note the petroleum expert has prepared his report on the value of Lone Star’s petroleum assets using a discounted cash flow method. We are of the opinion that the appropriate valuation method to use is the net asset valuation methodology which incorporates the values determined by the petroleum expert for the projects.

8. Valuation of Lone Star

8.1 Net assets valuation of Lone Star

The net asset value methodology estimates the market value of an entity's securities based on the realisable value of its identifiable net assets. There are three net asset value methods:

- liquidation of assets method;
- orderly realisation of assets method; and
- net assets on a going concern method.

The asset based method that we believe is appropriate to value the net assets of Lone Star is the net asset on a going concern method. The assets and liabilities are valued at market value and the resulting value of the net assets forms the basis for the entity's valuation.

The asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise value of intangible assets. We believe due to the nature of the assets in Lone Star that the net asset method is the most appropriate. We note that the petroleum expert has used a discounted cash flow method to value the petroleum projects owned by Lone Star and these values are incorporated as the measure of market value.

The values of Lone Star assets on a going concern basis are reflected below:

	Reviewed 31 December 2017	Notes	Pro Forma Balance Sheet
	\$		\$
Assets			
Current Assets			
Cash and cash equivalents	63,081	3	64,331
Trade and other receivables	1,650		1,650
Other current assets	1,810	2	3,810
Total Current Assets	66,541		69,791
Non-Current Assets			
Exploration & evaluation assets	1,877,003	1	2,177,495
Total Non-Current Assets	1,877,003		2,177,495
Total Assets	1,943,544		2,247,286
Liabilities			
Current Liabilities			
Trade and other payables	(234,619)	2	(264,325)
Borrowings	(727,774)	3,4	(200,000)
Accruals	(31,785)	2	(11,785)
Total Current Liabilities	(994,178)		(476,110)
Total Liabilities	(994,178)		(476,110)
Net Assets	949,366		1,771,176

The pro forma balance sheet takes into account the following material adjustments.

Note 1 – Fair Value Adjustment of Exploration and Evaluation Assets

The report provided by Pinnacle Energy Services, Ilc titled 'Fair Market Value Assessment. Sutton and Burgess Projects located in West Oklahoma and Texas Panhandle, USA', dated 29 August 2018, assessed the fair value for Lone Star's projects as USD 1,625,500. The report was prepared at the request of Pendragon and was prepared in accordance with the Australian Institute of Mining and Metallurgy's Code and Guidance for Technical Assessment and/or Valuation of Mineral and Petroleum assets and Mineral and Petroleum Securities for Independent Expert reports (the VALMIN Code). The report is attached as Appendix A.

	USD	Exchange Rate (AUD/USD)*	AUD
Petroleum expert report value	1,625,500	0.7465	2,177,495
Less: Value per 31 December accounts Adjustment			<u>(1,877,003)</u>
			<u>300,492</u>

* the exchange rate used is the rate on 15 June 2018 as published by the RBA.

Note 2 – Payment of Loan Star expenses by Nickelore

Subsequent to 31 December 2017, Nickelore paid Lone Star expenses, including GST, totalling \$29,706.

Note 3– Conversion of Convertible Loans to Issued Capital

Borrowings	727,774
Cash and cash equivalents (Note)	1,250
Reserves	57,188
Accumulated losses	(23,712)
Issued Capital	(762,500)

Note - an additional \$1,250 was paid to Lone Star subsequent to 31 December 2017

Note 4 – Funds loaned by Fastwitch

Subsequent to 31 December 2017, Fastwitch loaned \$200,000 to Lone Star. The funds were expended on the projects and are therefore reflected in the petroleum expert's valuation.

8.2 Conclusion as to the value of Lone Star

Based on the value determined using the net assets on a going concern valuation method, we conclude that the valuation of Lone Star for the purpose of this Report is \$1,771,176.

9. Valuation of Nickelore prior to the Proposed Transaction

9.1 Quoted Market Basis

The most recent share trading history can normally provide evidence of the fair market value of the shares in a company where it is publically listed. As Nickelore is listed on the ASX, a possible method for valuation of Nickelore is the quoted market price basis of valuation.

Market value is influenced by the market's perception of many factors including the value of assets, profitability, the industry within which the company operates, managerial skills within the company and future expectations for the company. These market perceptions can change significantly over a short period of time. Share price is also influenced by the supply and demand for the shares.

To provide further analysis of the market prices for Nickelore Shares, we have considered the volume weighted average market price ("VWAP") on a 21, 30, 42, 50 and 60 day period to 22 July 2016. Nickelore Shares have been suspended from quotation on ASX since 22 July 2016.

Table 9.1.1 Summary of Share Value and Trade Volume

Days	Low \$	High \$	Cumulative Volume Traded	As a % of Issued Shares	VWAP \$
21	0.022	0.026	1,484,934	0.48%	0.0247
30	0.011	0.026	4,633,548	1.51%	0.0191
42	0.011	0.026	5,083,548	1.65%	0.0184
50	0.011	0.026	5,229,897	1.70%	0.0182
60	0.011	0.026	6,594,897	2.14%	0.0167

The VWAP indicates a low of \$0.0167 and a high of \$0.0247.

9.2 Nickelore Share Price

Between the periods 1 July 2015 and 31 August 2016, Nickelore's shares traded at a high of \$0.026 and a low of \$0.004.

9.3 Liquidity of Shares

Nickelore has been in suspended from quotation on ASX since 22 July 2016. Using share information before the suspension, as outlined in Table 9.1.1 above indicates that Nickelore Shares displayed a low level of liquidity, with 2.14% of the Company's current issued capital being traded over a 60 day period between 30 November 2015 and 29 January 2016.

Per RG 111.69, an expert is to consider the quoted market price for listed securities, when there is a deep and liquid market.

We consider the characteristics of a deep and liquid market to be:

- an active market which always has willing buyers when sellers choose to sell;
- securities can be sold without materially affecting the market price;
- there is regular trading in a company's securities;
- a minimum of approximately 1% of the company's securities are traded on a weekly basis; and
- there are no significant but unexplained movements in the security's price.

We consider there was not a deep market for Nickelore Shares prior to the Company's Shares being suspended from quotation on 22 July 2016. In addition, the net assets of the Company has reduced from \$44,390 on 30 June 2016 to negative \$83,589 on 31 December 2017 which further indicates that the market price prior to suspension from quotation is an inappropriate basis for a current valuation.

Hence, we consider the quoted market price is not the most appropriate methodology for the valuation of Nickelore.

9.4 Net Asset Valuation of Nickelore

The net asset value methodology estimates the market value of an entity's securities based on the realisable value of its identifiable net assets. There are three net asset value methods:

- liquidation of assets method;
- orderly realisation of assets method; and
- net assets on a going concern method.

The asset based method that we believe is appropriate to value the net assets of Nickelore is the net assets on a going concern method. This method is best used to value entities where the majority of their assets consist of cash and passive investments. The assets and liabilities are valued at market value and the market value of the net assets forms the basis for the valuation.

The asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise value of intangible assets.

The estimated value of Nickelore assets on a going concern basis is reflected below:

Statement of Financial Position	Reviewed 31 December 2017* \$
Current Assets	
Cash and cash equivalents	94,881
Trade and other receivables	9,982
Financial assets	9,863
Other current assets	12,500
Total Current Assets	127,226
Total Assets	127,226
Current Liabilities	
Trade and other payables	210,815
Total Current Liabilities	210,815
Total Liabilities	210,815
Net (liabilities) / assets	(83,589)
Shares on Issue (pre-Consolidation)	307,731,740
Value per Share	\$(0.00027)

**We have been advised by the Directors that no material change has occurred to the Statement of Financial Position since 31 December 2017 other than the receipt of \$250,000 cash from the issue (\$200,000) and proposed issue (\$50,000) of converting loans and the payment of Lone Star expenses totalling \$29,706. None of these transactions materially affect the net asset value of the Company pre the Proposed Transaction.*

The value obtained under the net asset value methodology is \$(0.00027) per pre-Consolidation Share (\$(0.00163) on a post-Consolidation basis).

9.5 Conclusion as to the value of Nickelore Shares – pre Proposed Transaction

As discussed above, there is not a deep and liquid market for Shares in Nickelore, therefore we believe that the quoted market price value is not appropriate.

As the net asset value methodology results in a net asset deficit, we believe that this method is also inappropriate because a fully paid share cannot have a negative value. This is based on shareholders generally not being individually liable for the liabilities of a company and on the possibility that, should the Company go into liquidation, based on the small creditor value a liquidator may potentially be able to extract some value for existing shareholders.

As such, we have assessed the value of Nickelore Shares based on the above factors to be \$0.00. We consider it is inappropriate without the Proposed Transaction and associated capital raising to put a value on a shell company which has negative net assets.

9.6 Control Premium

The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

Per RG 111.11, when considering the value of a company's shares the expert should consider a premium for control. An acquirer could be expected to pay a premium for control due the advantages they will receive should they obtain 100% control of another company.

A control premium is an amount that a buyer is usually willing to pay over the current market price of a publicly traded company in order to acquire a controlling share in that company.

Control premium is industry-specific and amounts between 10-50% can be applied. It is appropriate to consider all factors when deciding on a control premium that is to be applied.

A premium for control is not relevant to the Proposed Transaction, as the associated Shareholder is considered to have a controlling interest in the Company before the Proposed Transaction.

10. Valuation of Consideration Options – Black-Scholes method

The Black-Scholes option pricing model is used to value European call options. This methodology takes into account the following:

- exercise price of the option;
- current price of underlying stock;
- volatility of the price of the underlying stock;
- time to expiry of option; and
- risk free rate of return.

As the Proposed Transaction is conditional on Nickelore raising a minimum of \$4.2 million from the issue of Shares at \$0.02 each, we have determined that the current price of the Share for the purpose of valuing the Consideration Options should be \$0.02.

As Nickelore is moving into a new industry, after the Proposed Transaction, in conjunction with the fact Nickelore has been suspended from quotation on ASX since July 2016, we believed that it is unreasonable to consider the actual share trading volatility of Nickelore. Instead the volatility of ASX listed companies comparable to Lone Star has been used. Volatility was calculated as the average volatility of comparable companies, (Appendix B), based on following factors:

- ASX listed
- Oil and Gas Exploration and Production industry
- market capitalisation of less than \$5 million
- volatilities were based on Sirca Ltd December 2017 Risk Measurement

Using the Black-Scholes method we have valued the 52,750,000 Consideration Options to be issued to Lone Star shareholders as part of the Proposed Transaction at \$0.00895 each. The estimated total value of the Consideration Options to be issued is \$472,113.

11. Value of Proposed Transaction

The Proposed Transaction requires Nickelore to issue 105.5 million Consideration Shares and 52.75 million Consideration Options in exchange for 100% of the issued capital of Lone Star.

Proposed Transaction Consideration Value	\$
Consideration Shares value at \$0.02 per Share*	2,110,000
Consideration Options Value at \$0.00895 per Option	472,113
Total Transaction Value	2,582,113

*The value of \$0.02 per Consideration Share has been based on the proposed public offer of up to \$8 million at the price of \$0.02 per Share.

12. Valuation of Nickelore following the Proposed Transaction

The estimated value of Nickelore shares following the Proposed Transaction is set out below:

Value of Nickelore following the Proposed Transaction	Minimum Subscription \$	Full Subscription \$
Net assets of Nickelore prior to the Proposed Transaction (section 9.4)	(83,589)	(83,589)
Value of Lone Star Shares (section 8.2)	1,771,176	1,771,176
Cash raised from converting loans	250,000	250,000
Cash raised from Capital Raising	4,200,000	8,000,000
Cash raised from entitlement offer	-	-
Less public offer costs	(487,700)	(723,000)
Value of Nickelore following the Proposed Transaction	5,649,887	9,214,587
Number of Shares on issue following the Proposed Transaction (section 5.7)	380,538,623	570,538,623
Value per share (\$)	\$0.0148	\$0.0162

13. Assessment of Fairness

An offer is fair if the value of the consideration is equal to or less than the value of the acquired assets.

	Report reference	\$
Proposed Transaction consideration	11	2,582,113
Value of Lone Star under net asset method	8.2	1,771,176

13.1 Conclusion as to Fairness of the Proposed Transaction

The assessed value of Lone Star is \$1,771,176 and the assessed value of the Consideration Shares and the Consideration Options is \$2,582,113. As the consideration is greater than the assessed value of Lone Star, we have concluded that the Proposed Transaction is **not fair** to Non-associated Shareholders of Nickelore.

14. Assessment as to Reasonableness

Although we have concluded that the Proposed Transaction is not fair, Regulation Guide 111 states that the Proposed Transaction can be reasonable if, after considering other significant factors, the interests of the shareholders are reasonably balanced.

In assessing whether the Proposed Transaction is reasonable, we believe it is appropriate to consider the ability of Nickelore to raise equity funds at a price per Share greater than \$0.02.

Due to Nickelore Shares being suspended from quotation on ASX since July 2016 and without the Proposed Transaction (or another transaction which is not currently being considered arises), it is probable that Nickelore will not be able to raise funds through a Share issue or debt raising. The inability to raise funds places a significant doubt on the capacity of Nickelore to continue as a going concern and retain its ASX status.

14.1 Advantages of the Proposed Transaction

The main advantages of the Proposed Transaction to Non-associated Nickelore Shareholders include:

- existing Shareholders can share in any future success of Lone Star;
- Lone Star's Greever Prospect has been drilled and is currently flowing back to sales. As a result, Nickelore will have a source of revenues from the project which will assist in meeting cash flow requirements;
- Lone Star's existing oil and gas projects, Greever Prospect and Burgess Prospect, are located in the prolific Anadarko basin, which has historically produced 125 trillion cubic feet of natural gas and 5.4 billion barrels of oil;
- Lone Star, through the agreement between LS Operating and BRK, has the opportunity to participate in further oil and gas opportunities;
- the Proposed Transaction allows Nickelore to re-comply with the ASX Listing Rules, thus removing the Company's Shares from suspension from quotation on the ASX and providing Shareholders a greater ability to trade their Shares;
- the proposed capital raising to be undertaken will provide the Company with sufficient funds to progress the development and exploration of the projects;
- the Proposed Transaction provides value to existing Nickelore Shareholders, whose Shares are effectively worthless pre-transaction (section 9.5). It is estimated Shares will have a value of between \$0.0148 and \$0.0162 after the Proposed Transaction (section 12);
- the consideration for the Proposed Acquisition is Shares and Options thereby allowing more funds raised from the capital raising to be used directly on activities of Lone Star;
- exploration and production success may lead to an increase in market capitalisation of the Company;
- Nickelore is not actively developing an in house business. If it does not acquire business investments then, in the absence of further capital raising, there is material uncertainty to its continuation as a going concern; and
- the Proposed Transaction, including the capital raising, will address the material uncertainty regarding going concern raised in the audit report of Nickelore's 31 December 2017 Half-year Report.

14.2 *Disadvantages of the Proposed Transaction*

The main disadvantages of the Proposed Transactions to Nickelore shareholders include:

- the issue of new securities under the Proposed Transaction consisting of a capital raising and issue of Consideration Shares and Consideration Options will have a dilutionary effect on existing shareholders of Nickelore. Existing Non-associated Shareholder ownership will be diluted to less than 10% of the Company;
- the Proposed Transaction results in additional risk factors associated with the change in nature and location of Nickelore's activities; and
- the Proposed Transaction changes the nature and scale of Nickelore's activities, which may not be consistent with the objectives of existing Shareholders.

14.3 *Conclusion as to Reasonableness*

Based on an assessment of the advantages and disadvantages on the Proposed Transaction to Non-associated Nickelore Shareholders, we believe the transaction to be **reasonable** for Non-associated Shareholders.

15. Sources of Information

This Report has been based on the following information:

- Draft Notice of Meeting
- Interim Report for Nickelore and Lone Star for the half-year ended 31 December 2017
- ASX Announcements for Nickelore
- ASX data and related information on Nickelore's shares
- Discussions and correspondence with Directors of Nickelore
- Lone Star audited Annual Report for the year ended 30 June 2017 and 30 June 2016
- Binding Term Sheet
- Pinnacle Energy Services, llc Fair Market Value Assessment, Sutton and Burgess Projects located in West Oklahoma and Texas Panhandle, USA
- Company information provided by S&P Capital IQ
- Reserve Bank of Australia Historical Exchange Rate data.

In preparing this Report, we have reviewed the information described above as well as other published and unpublished information.

We have relied upon information provided by the Directors of Nickelore. We have not independently verified the information supplied to us, nor have we conducted anything similar to an audit. It is the Directors' responsibility to ensure that all information provided in relation to the Company is complete and accurate and that all information which may be relevant to this Report has been provided to us.

16. Disclosure of Interests

Pendragon is entitled to receive a fee for preparing this Report. Pendragon will be paid a fee based upon normal change out rates for professional time incurred in the preparation and compilation of this report. Except for this fee, Pendragon, and their directors, employees and associates, have not received and will not receive any other benefit whether direct or indirect in connection with the preparation of this Report.

17. Indemnity

Pendragon has been provided with an indemnity from Nickelore in the following form:

“Nickelore indemnifies Pendragon and any employees or associates from any claims arising out of any omission or any misstatement in relation to any material provided (or which, being relevant, is not provided) by Nickelore”.

18. Qualifications

Pendragon holds Australian Financial Services Licence number 237549 issued by ASIC. Pendragon has experience in the provision of corporate finance advice. Mr Keith Platel, the director responsible for and signing this Report, is a Fellow of the Institute of Chartered Accountants and has many years experience in company valuations and reports.

The Financial Services Guide from Pendragon is available to investors upon request.

19. Disclaimers and Consents

This Report has been prepared at the request of Nickelore for inclusion in its Notice of Annual General Meeting for Shareholders to be forwarded to Shareholders in relation to the Proposed Transaction.

Pendragon hereby consents to this Report accompanying the Notice of Annual General Meeting for Nickelore Shareholders. Pendragon takes no responsibility for the contents of the Notice of Annual General Meeting other than this Report. This Report has been prepared for the Directors of Nickelore to forward to Shareholders and apart from such use, neither whole nor any part of this Report may be used for any other purpose.

In providing our opinion, we have relied on information provided by Directors of Nickelore. Where financial forecasts have been provided, it should be noted that there are likely to be differences to actual results due to various and unpredictable commercial and external factors.

Pendragon has not independently verified the information supplied to us and it has not conducted anything in the nature of an audit of Nickelore. Pendragon has no reason to believe that any information relied on by us is incorrect or incomplete. The opinions and statements in this Report are given in good faith and in the reasonable belief they are not false, misleading or incomplete.

Yours sincerely



Keith Platel
Director

Appendix A



**Pinnacle Energy Services, llc
9420 Cedar Lake Ave.
Oklahoma City, OK 73114**

29 August 2018

Mr Keith Platel
Director
Pendragon Capital Ltd
283 Rokeby Road
Subiaco WA 6904

Subject: Fair Market Value Assessment - Sutton and Burgess Projects located in West Oklahoma and Texas Panhandle, USA.

PROJECT ASSESSMENT OVERVIEW

Pinnacle Energy Services LLC has been requested by Pendragon Capital Ltd to undertake a valuation of the following interests of LS Operating Pty Ltd, a subsidiary of Lone Star Energy Limited ("Lone Star"). These interests take the form of "Step-In Opportunities" and have been created in accordance with the terms and conditions contained in the Letter Agreement between BRK Oklahoma Holdings LLC (BRK Oklahoma) and LS Operating Pty Ltd, a subsidiary of Lone Star, dated 17 July 2017 pursuant to the terms and conditions of the Drilling Program Agreement between Black Mesa Production LLC and BRK Oklahoma dated 1 November 2015.

OVERVIEW OF OPERATORSHIP OF PRODUCTION, LOCATION AND WORKING INTERST IN THE ASSETS

The assets of Lone Star are located in the Oklahoma-Texas Panhandle portion of the Anadarko Basin and consist of one producing well, two behind pipe zones and one proven undeveloped drill location.

The Burgess 28-1 well is located in Section 28-T24N-R23W in the Northwestern Oklahoma county of Ellis (96.8156% working interest with a 73.0977% net revenue interest).

The Sutton 2H-52 well (Greever Prospect) and the accompanying lease hold for the purpose of drilling an offset horizontal well ("Sutton East Offset PUD") in the Marmaton Formation (25% working interest with a 19.5% net revenue interest) are located in the Texas Panhandle County of Hansford.

Property	State / County	Operator	Working Interest	Net Revenue Interest
Burgess 28-1	Section 28-T24N-R23W, Ellis County, Oklahoma	Black Mesa Production LLC	96.8156%	73.0977%
Burgess 28-1	Section 28-T24N-R23W, Ellis County, Oklahoma	Black Mesa Production LLC	96.8156%	73.0977%
Sutton 2H-52	Section 52, Block 4-T, T&NO Survey, Hansford County, Texas.	Strat Land Exploration Company	25%	19.5%
Sutton East Offset	Section 52, Block 4-T, T&NO Survey, Hansford County, Texas.	Strat Land Exploration Company	25%	19.5%

- (1) BRK Oklahoma has a beneficial interest in the Greever Project and Burgess Project through Black Mesa pursuant to that certain *Black Mesa Drilling Program #1 Drilling Program Agreement* dated November 1, 2015 between Black Mesa Production, LLC ("Black Mesa") and BRK Oklahoma Holdings, LLC (as the *Participant*); and
- (2) LS Operating has a beneficial interest in the Greever Project and the Burgess Project through that certain *Letter Agreement* dated July 17, 2017 between BRK Oklahoma Holdings LLC ("BRK Oklahoma") an Oklahoma company, and LS Operating Pty Ltd ("LS Operating") an Australian company.

ECONOMIC ASSUMPTIONS

We have employed a reserve-based approach to the valuation of the subject interests which currently have production or activity. Oil and gas mineral interests can be valued based on a projection of revenues received from the oil and gas volumes that are likely to be recovered from the properties in the future. Such volumes are defined as reserves and fall into several sub-categories. Such projected volumes must be commercially recoverable to be classified as reserves.

Reserves associated with producing wells are categorized as Proved Developed Producing reserves (PDP). Those drilled and completed and behind pipe are categorized as Proved Developed Not Producing (PDNP) and those undeveloped are categorized as Proven Undeveloped (PUD) The value of the wells in this evaluation was determined on a combination of the three categories described and was performed using guidelines set forth by the Society of Petroleum Evaluation Engineers.

Economics for the reserves identified in the producing properties described were modelled using revenue and net interest information. The future pricing applied represents the five year NYMEX strip as of November 2017 held flat (no additional escalation or de-escalation) and operating cost parameters held constant for the life of the production.

State of Texas and State of Oklahoma severance taxes and estimated local property taxes as well as US Federal Corporate Tax which was estimated to be 35% have been considered and deducted from the revenue streams.

FAIR MARKET VALUE ASSESSMENT

This opinion has been prepared following the guidance provided by the Australian Institute of Mining and Metallurgy's Code and Guidelines for Technical Assessment and/or Valuation of Mineral and Petroleum assets and Mineral and Petroleum Securities for Independent Expert Reports (the VALMIN Code).

The definition of Value or Fair Market Value of a Petroleum Asset or Security is the amount of money (or the cash equivalent of some other consideration) determined by the Expert in accordance with the provisions of the VALMIN Code for which the Petroleum Asset or Security should change hands on the 25th February 2018 (**Valuation Date**) in an open and unrestricted market between a willing buyer and a willing seller in an "arms-length" transaction, with each party acting knowledgeably, prudently and without compulsion.

Value is usually comprised of two components, the underlying or "Technical Value" of the Mineral or Petroleum Asset or Security and a premium or discount relating to market, strategic or other considerations. Value should be selected as the most likely figure from within a range after taking account of risk and the possible variation in recovery, capital and operating costs, commodity prices, exchange rates and the like.

We have included estimates of the net petroleum reserves, future annual production and future net income attributable to the net working interest of four proposals submitted and reviewed. Two of the proposed operations are a recompletion of behind-pipe intervals (Chester and Oswego Lime formations) in the Burgess 28-1 well located in Section 28-T24N-R23W in the Northwestern Oklahoma county of Ellis. The other two proposals involve a producing horizontal well (Sutton 2H-52) and the accompanying lease hold for the purpose of drilling an offset horizontal well ("Sutton East Offset PUD") in the Marmaton Formation. Both are located in the Texas Panhandle County of Hansford.

We have estimated the fair market value of the PDP reserves as the 10% discounted value of the projected future revenue streams, 75% of the 10% discounted value for the PDNP reserves and 60% of the 10% discounted value for the PUD reserve. Cashflows for this report were determined on a monthly basis and compounded annually. The discount factor and adjustments are considered a reasonable value metric considering the risks involved, included but not limited to poorer than anticipated results, commodity market price variations and operator decisions and mechanical failure.

The discounted net present values (NPV_{10}) are net present value of future net revenue, before income taxes and using a discount rate of 10% presented in the report should be considered as the "Technical Value" of the petroleum asset with respect to the VALMIN standard quoted above. All evaluations of future net revenue in this report have been calculated after deduction of royalties, drilling and development costs and production costs.

Financial projections including Earnings before income tax, depreciation and amortization (EBITDA) projections in this announcement are based on detailed financial modelling using a discounted cash flow analysis and include assumptions on oil and gas prices, discount rate, production estimates, reserve life estimates, operating cost estimates, capex estimates and taxation assumptions. These estimates and assumptions are subject to change and as additional information becomes available, these estimates are likely to change and impact these financial projections. As a result these estimates are forward looking and subject to the same risk as other forward looking estimates.

These proved petroleum reserve classifications (1P) were assigned following the Society of Petroleum Engineers (SPE) guidelines. Economics were run utilizing future oil and gas prices from the 5- Year NYMEX Strip pricing as of 1 November 2017, held flat (no additional escalation or de- escalation) and operating cost parameters held constant for the life of the production.

The summary of Net Future Estimated Reserves and Discounted Net Present Value are presented in the Reserve Table shown below. These values are calculated using a 10% discount factor, calculated at the middle of each year.

BASIS FOR DETERMINING PETROLEUM RESERVES

The deterministic method is based on qualitative assessment of relative uncertainty using consistent interpretation guidelines. The independent engineers using a deterministic incremental (risk based) approach estimates the quantities at each level of uncertainty discretely and separately. The assets are both conventional and unconventional assets and subject to extraction techniques standard to both types of reservoir in the States of Texas and Oklahoma.

Oil and Gas reserves and resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates that were valid when originally calculated may alter significantly when new information or techniques become available. Additionally, by their very nature, reserve and resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional drilling and analysis, the estimates are likely to change. This may result in alterations to development and production plans which may in turn impact Lone Star's operations. As a result, these estimates are forward looking and subject to the same risk as other forward looking estimates.

SUMMARY OF ESTIMATED QUANTITIES (IN AGGREGATE) TO BE RECOVERED

	1P	1P	1P
	Oil	Gas	
Asset	Mbl	MMcf	MMcfe
Burgess 28-1 (Chester) (PDP)	0.754	753.670	758.192
Burgess 28-1 (Oswego) (PDNP)	17.525	35.050	140.200
Sutton 2H-52 (PDP)	15.933	76.397	171.993
Sutton East Offset (PUD)	30.961	227.769	413.534
Total	65.173	1,092.886	1,483.919

Definitions:

Mbl means thousands of barrels of oil

MMcf means million standard cubic feet

MMcfe means million standard cubic feet equivalent determined using a ratio of 6,000 cubic feet of natural gas to one barrel of oil.

STATEMENT IN RELATION TO UNDEVELOPED PETROLEUM RESERVES

For the reserves in the Proven Undeveloped (PUD) category, development is anticipated to take place at a time of the Company's choosing. The immediate focus is the Proved Developed Producing (PDP) and the Proved Developed Not Producing (PDNP). Following economic extraction of those reserves the Company will target the economic PUD reserves. This is likely to occur from 2019 onwards. The PUD reserves can be delivered directly to market through the same channel that current oil and gas is sold to market. This applies to all of the assets in the portfolio. No new environmental approvals are required for the PUD reserves.

The value of each asset is summarized in the tables below.

HIGH CASE (Based on BOK Strip pricing +\$5/Bbl & +\$0.25/MMbtu)

Asset	Location	Reservoir	Status	W.I.	N.P.V. @ 10% (\$000's)
Burgess 28-1	Oklahoma	Chester	WOC	96.81570%	US\$ 466.4
Burgess 28-1	Oklahoma	Oswego	WOC	96.81558%	US\$ 348.4
Sutton 2H-52	Texas	Marmaton	Producing	25.00000%	US\$ 625.9
Sutton East Offset	Texas	Marmaton	WOR	25.00000%	US\$ 519.2
Total					US\$ 1,959.9

LOW CASE (Based on BOK Strip pricing -\$5/Bbl & -\$0.25/MMbtu)

Asset	Location	Reservoir	Status	W.I.	N.P.V. @ 10% (\$000's)
Burgess 28-1	Oklahoma	Chester	WOC	96.81570%	US\$ 238.6
Burgess 28-1	Oklahoma	Oswego	WOC	96.81558%	US\$ 252.8
Sutton 2H-52	Texas	Marmaton	Producing	25.00000%	US\$ 501.9
Sutton East Offset	Texas	Marmaton	WOR	25.00000%	US\$ 302.2
Total					US\$ 1,295.5

PREFERRED CASE (Based on BOK Strip pricing)

Asset	Location	Reservoir	Status	W.I.	N.P.V. @ 10% (\$000's)
Burgess 28-1	Oklahoma	Chester	WOC	96.81570%	US\$ 358.5
Burgess 28-1	Oklahoma	Oswego	WOC	96.81558%	US\$ 300.3
Sutton 2H-52	Texas	Marmaton	Producing	25.00000%	US\$ 558.4
Sutton East Offset	Texas	Marmaton	WOR	25.00000%	US\$ 408.3
Total					US\$ 1,625.5

It is our opinion that this value of US\$1,625,500 represents a fair price should the assets change hands on the Valuation Date in an open an unrestricted market between a willing buyer and a willing seller in an "arms-length" transaction, with each party acting knowledgeably, prudently and without compulsion.

EVALUATION PRICE/COST ASSUMPTIONS**Forecast of Prices and Costs**

The oil and gas prices used in the economic forecast are derived from publicly available sources including the preferred case valuation as published by the Bank of Oklahoma using a NYMEX Strip pricing as of November 1 2017 with the both the low case and high case (+/-) \$5/bbl for oil and (+/-) \$0.25/MMbtu for gas.

The prices were then held flat for the duration of each year as shown in the table below with no additional escalation or de-escalation applied.

High case strip (Based on BOK Strip pricing +\$5/Bbl & +\$0.25/MMbtu)

Year	Gas	Oil
2018	\$3.20	\$57.28
2019	\$3.17	\$56.38
2020	\$3.23	\$57.44
2021	\$3.32	\$59.01
2022	\$3.41	\$60.63
2023+	\$3.51	\$62.30

Low case (Based on BOK Strip pricing (-)\$5/Bbl & (-)\$0.25/MMbtu)

Year	Gas	Oil
2018	\$2.70	\$47.28
2019	\$2.67	\$46.38
2020	\$2.73	\$47.44
2021	\$2.82	\$49.01
2022	\$2.91	\$50.63
2023+	\$3.01	\$52.30

Preferred case (Bank of Oklahoma using a NYMEX Strip pricing as of November 1 2017)

Year	Gas	Oil
2018	\$2.95	\$52.28
2019	\$2.92	\$51.38
2020	\$2.98	\$52.44
2021	\$3.07	\$54.01
2022	\$3.16	\$55.63
2023+	\$3.26	\$57.30

Cost Parameters

The operating costs used in the economic calculations include the direct operating charges applicable to each well and allocated general and administrative overhead charges from the Operator. The economics also include Texas and Oklahoma oil and gas production taxes and ad valorem taxes (7% for both oil and gas in Oklahoma, and 4.6% and 7.5% for oil and gas respectively in Texas) as well as US Federal Corporate Tax which was estimated to be 35%. The future Operating Costs were held constant for the economic life of each property.

Well cost estimates based on actual vertical and horizontal drilling experiences on the project area have been reviewed and accepted as reasonable and normal for the area and depth of drilling.

Estimated Future Remaining Reserves contained in this report are based upon our extensive subsurface review of well logs, core information, historical oil and gas production. No existing environmental liabilities are currently identified with regard to the daily operations of Sutton 2H-52. No environmental impact report has been provided for this property by the Operator.

The values for working interest and net revenue interest, furnished in connection with this report were accepted as given and without further verification. Future estimates in this report are based on available data through October 2014.

Tax Considerations

The Pro-forma economics and Net Present Values shown are net of Texas and Oklahoma Oil and Gas severance taxes. Currently these tax rates are 7.1% for both Oil and Gas Production in Oklahoma, and 4.6% and 7.5% for oil and gas respectively in Texas. These taxes are paid upon sale of the various hydrocarbons at the well-head and are deducted from the Net Present Value calculations. The economics also include U.S. Federal Income Tax which was estimated to be 35%.

DISCLOSURE STATEMENT

Independence and Conflict of Interest - This report has been prepared by Pinnacle Energy Services, LLC based on a brief directed by Pendragon Capital Ltd (“Pendragon”). Pinnacle is an independent oil and gas advisory firm headquartered in Oklahoma City, Oklahoma. Mr. John Paul Dick, the primary report writer, holds no economic interest in either the Sutton or Burgess projects or in Black Mesa Production LLC and/or LS Operating Pty Ltd. This report is produced under a “fee for services rendered” engagement for the amount of \$5,000 USD and in compliance with the ASIC Regulatory Guide 112 in relation to Independence of Experts.

Purpose, Scope and Use of this Report - This report was commissioned by Pendragon for inclusion in a Notice for General Meeting in relation to Australian Securities Exchange Listing Rule 10.1 relating to the acquisition of a substantial asset from a related party and specifically to seek the approval of shareholders to issue fully paid ordinary shares to the seller. The scope of this report includes economic evaluation and an assessment of future present worth based on stated economic considerations. Recommendations for future development plans are outlined in the report and have been included in the economic forecasts.

Available Data - This study was based on and fairly represents data supplied by the project Operator Black Mesa Production, LLC, and supplemented by publicly available data and Pinnacle in-house information. The supplied data was reviewed for reasonableness from a technical perspective. As is common in oil field situations, basic physical measurements taken over time cannot be verified independently in retrospect. As such, beyond the application of normal professional judgment, such data must be accepted as representative. While we are not aware of any falsification of records or data pertinent to the result of this study, Pinnacle does not warrant the accuracy of the data and accepts no liability for any losses from actions based upon reliance on data which is subsequently shown to be falsified or erroneous.

Although evaluated and calculated in a professional manner and in accordance with Industry Standards, reserve estimates may increase or decrease in the future, and revenues from such reserves and the actual costs related may be more or less than the estimated amounts. It is understood that due to uncertainties of supply and demand, the prices actually received for the reserves included in the Black Mesa proposals and the costs incurred in recovering such reserves may vary from the price and cost assumptions utilized. Therefore, in all cases. Estimates of reserves may increase or decrease as a result of future operations.

In evaluating the information available for this analysis, items excluded from consideration were all matters as to which legal or accounting, rather than engineering interpretation, may be controlling. As in all aspects of oil and gas evaluation, there are uncertainties inherent in the interpretation of engineering data and such conclusions necessarily represent only informed professional judgments. The titles to the properties have not been examined nor has the actual degree or type of interest targeted been independently confirmed. A field inspection of the properties is not usually considered necessary for the purpose of this report.

Pinnacle Energy Services is registered as a Professional Engineering Firm in Oklahoma and Texas and focuses on Petroleum Reservoir Engineering consulting in the Mid- continent areas of Oklahoma, Kansas, and Texas. Information reviewed will be retained and is available for review at any time. Pinnacle Energy Services, L.L.C. can take no responsibility for the accuracy of the data used in the analysis, whether gathered from public sources or otherwise.

QUALIFIED PETROLEUM RESERVES EVALUATOR STATEMENT

This valuation has been prepared following the guidance provided by the Australian Institute of Mining and Metallurgy's Code and Guidelines for Technical Assessment and/or Valuation of Mineral and Petroleum assets and Mineral and Petroleum Securities for Independent Expert Reports (the VALMIN Code).

The reports have been prepared using definitions and guidelines consistent with the 2007 Society of Petroleum Engineers (SPE)/World Petroleum Council (WPCI)/American Association of Petroleum Geologists (AAPG)/Society of Petroleum Evaluation Engineers (SPEE) and Petroleum Resource Management System (PRMS). The reserves in this report are based on and fairly represent information and supporting documentation reviewed by the following qualified Petroleum Engineer. The individual below has consented to the publication of the reserves and estimates from each of the assets in the form and context in which they appear in this report.

EVALUATOR AND REVIEWER

This review and evaluation was conducted by Mr. John Paul Dick. He has practiced Petroleum Engineering and reserve, petrophysical, and geological evaluations for thirty-five (35) years. He began oil and gas consulting in November, 1998 when he founded Pinnacle Energy Services LLC.

John Paul Dick started Pinnacle Energy Services, LLC, a Petroleum (Reservoir) Engineering Consulting firm, in November 1998. From his office in Oklahoma City, Oklahoma, he and his staff provide reserve and economic evaluations, regulatory and litigation expert testimony, well and field reviews, and various reservoir and operations analyses on conventional and unconventional resources to numerous clients concerning oil and gas activities.

From 1994 to 1998, Mr. Dick was a Senior Petroleum Engineer with JMA Resources in Oklahoma City, directing and performing their reservoir engineering activities and providing corporate support to MCNIC Oil and Gas, the primary company partner on over 1000 operated and non-operated wells in Oklahoma, Texas, and Kansas. From 1991 to 1994, Mr. Dick held the position of Advanced Petroleum Engineer with Marathon Oil Company in Oklahoma City, where he was responsible for reservoir and exploitation engineering for fields and properties in Oklahoma, Michigan, and Arkansas. From 1983 to 1991, John performed reservoir and operations engineering duties for Enserch Exploration, Inc. in Dallas and Bridgeport, Texas and Oklahoma City, Oklahoma. Included in his responsibilities were development well proposals, field supervision, production optimization, and other engineering activities related to overseeing operated and non-operated properties in Oklahoma and North Texas

QUALIFICATIONS

I, John Paul Dick, a consulting Petroleum Engineer, maintaining offices at 9420 Cedar Lake Avenue, Oklahoma City, OK 73114 hereby certify:

1. That I am a Principal of Pinnacle Energy Services LLC and I did prepare this internal review and evaluation at the instruction of Pendragon and independent of LS Operating Pty Ltd.
2. That I graduated in Petroleum Engineering in 1983 with a Bachelor of Science degree in Petroleum Engineering from the University of Tulsa
3. That I am a registered Professional Petroleum Engineer in Oklahoma (PE 20455) and Texas (69778), and my firm Pinnacle Energy Services LLC is a registered Engineering Firm in Oklahoma (CA 4238 PE) and Texas (F-6204). That I have thirty- five (35) years of experience as a Petroleum Engineer.
4. That I maintain memberships in the following professional associations: SPE, SPEE, SPWLA.

5. That I have no financial interests (past, present or future) in any of the parties involved in this business transaction.

Pinnacle Energy Services, LLC

A handwritten signature in black ink, appearing to read "John Paul Dick". The signature is stylized and cursive.

John Paul Dick,
P.E. Petroleum Engineer

FORWARD LOOKING STATEMENTS

This document contains certain statements which may constitute “forward-looking statements”. It is believed that the expectations reflected in these statements are reasonable but may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially., including but not limited to; price fluctuations, actual demand, currency fluctuations, drilling and production results, reserve and resource estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial markets conditions in various countries and regions, political risks, project delays or advancements, approvals and cost estimates.

Lone Star’s operations and activities are subject to regulatory and other approvals and their timing and order may also be affected by weather, availability of equipment and materials and land access arrangements. Although we believe that the expectations raised in this document are reasonable, there can be no certainty that the events or operations described in this document will occur in the time frame or order presented or at all.

No representation or warranty, expressed or implied, is made by any person that the material contained in this report will be achieved or prove to be correct.

EXECUTIVE SUMMARY

The Burgess 28-1 (well) is a vertical well located in Southwest Fort Supply Field in the northeastern corner of Ellis County, Oklahoma. Geologically the asset is located within the prolific Anadarko Basin which has produced 125 trillion cubic feet of natural gas and 5.4 billion barrels of oil. The Burgess 28-1 well was spud November 26, 2017 and reached a total depth of 8,125 ft on December 8, 2017. Hydrocarbon shows were observed during the drilling of the well. Wire line logs were also run during the drilling phase of the well. Multiple zones calculate as being hydrocarbon bearing and warrant testing. The well was completed in the first quarter of 2018.

LAND AND LEGAL – BURGESS 28-1

The Burgess 28-1 is located in NW SE NE quarter of section 28 township 24N range 23W in northeastern Ellis County, Oklahoma. Latitude and longitude are 36.531640 and -99.663007.

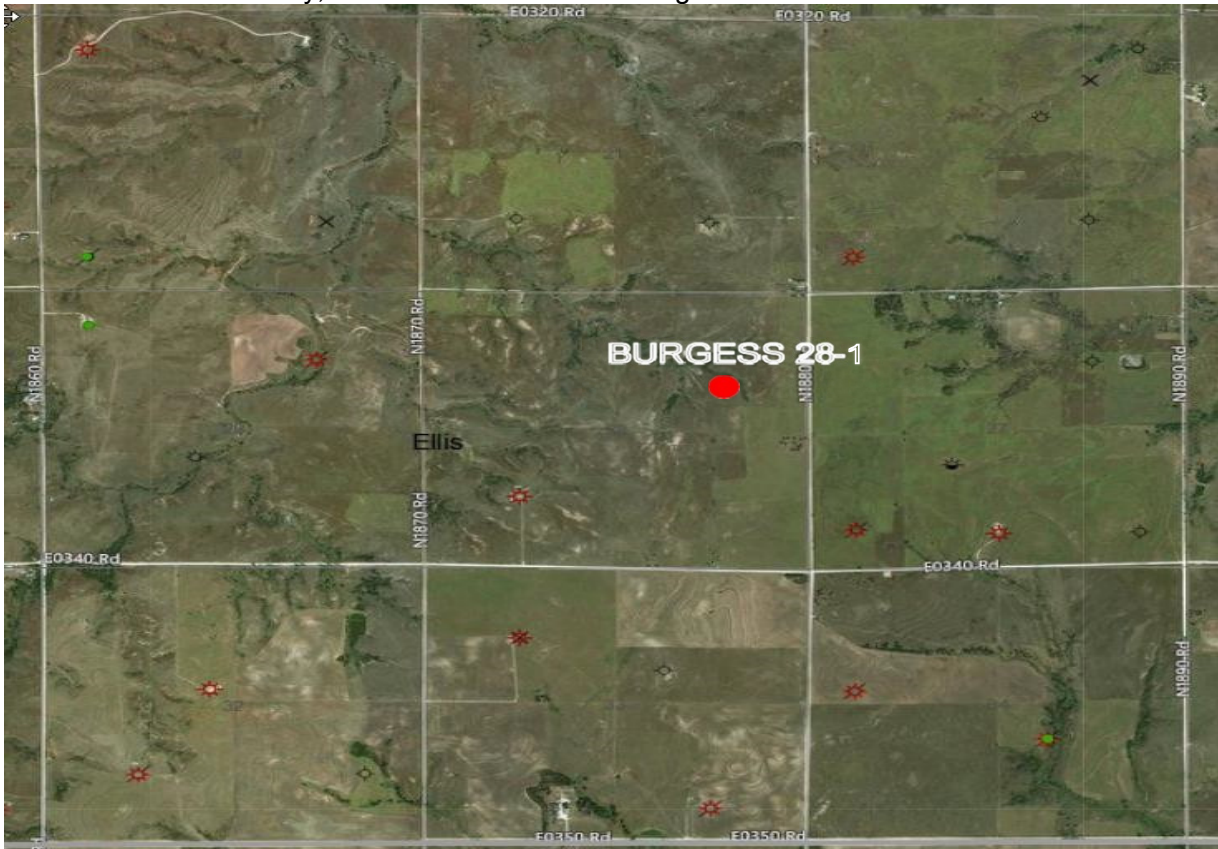


Figure 1 – Detailed location map showing the well position

The Black Mesa Drilling Program #1 acquired its interest in the Burgess well via several Farmouts under varying terms and from Non-Consent elections under the governing JOA

Reservoir	BPO WI	BPO NRI	APO WI	APO NRI
OSWEGO	96.81558%	73.09771%	72.61169%	54.82328%
CHESTER	96.81570%	73.7004%	72.61178%	55.27530%

Table 1 – detailing the ownership for each formation in the Burgess 28-1

BRK Oklahoma Holdings, LLC/Lone Star has an ownership in the Black Mesa Drilling Program #1. BRK Oklahoma Holdings, LLC/Lone Star is the only Participant in the Black Mesa Drilling Program #1 and thus before "Payout" BRK owns 100% of the Program's interest. After "Payout" the Program's interest will be shared 75% BRK/ 25% Black Mesa Production, LLC. "Payout" is defined as the day after gross receipts from production revenues equal all direct costs billed to BRK, including but not limited to land costs, legal costs, G&G costs, overhead, gross production and severance taxes, and the cost of drilling, testing, completing, equipping and operating the well.

GEOLOGY

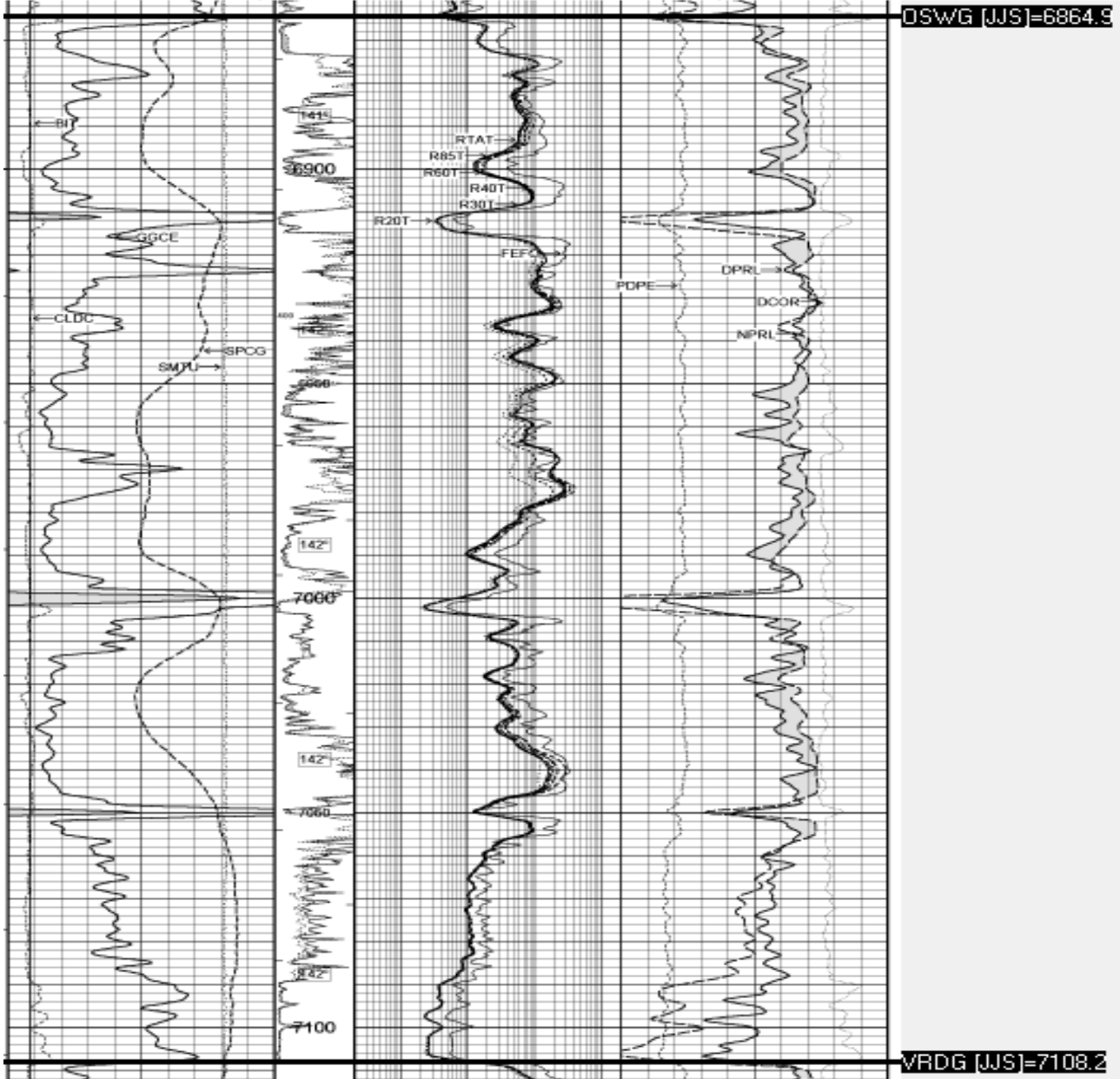
The Burgess 28-1 contains two prospective zones behind pipe, the Oswego Limestone and Chester Limestone. Both zones are prospective for oil and natural gas. The well penetrated a localized structural nose that greatly increases the likelihood of access to commercial quantities of oil and natural gas.

The Oswego interval is from 6,865 ft – 7,108 ft (Measured Depth). The Oswego can be subdivided into 5 distinct limestone benches. These benches, while similar in overall mineralogy, have distinct depositional and burial histories that help differentiate rock that is likely to be reservoir quality. Some significant indicators of reservoir quality can be observed in the Oswego mudlog samples. Further, the Oswego benches are separated by distinctive gamma ray markers that likely indicate the presence of organic material. These gamma markers are also likely sources for much of the hydrocarbon stored within the various Oswego benches.

Samples taken from the 5 Oswego benches contain Dolomite, in varying amounts. Dolomite mineralogies are more pronounced within the 2nd, 3rd, and 5th Oswego benches. This increase is significant given that it often accompanies an increase in porosity, in what is most often a low porosity/tight rock (limestone). Samples show a marked increase in "vuggy" porosity with some fracturing in these referenced zones with increased Dolomite. These "Vugs" are larger voids or pore spaces that are created by secondary/diagenetic processes within the Oswego shortly after burial. These secondary processes, such as introduction of a water source, help dissolve the limestone host rock creating secondary pore structures that enhance the Oswego's ability to store hydrocarbon. Further, these secondary processes also create conditions where additional minerals, such as Dolomite, are precipitated out within these voids. Such additional minerals have unique crystalline structures that differ from the surrounding host rock. This difference helps create additional, complex pore geometry's that enhance the Oswego porosity.

Both significant and minor hydrocarbon shows were observed within the 5 Oswego benches. Samples "cut" with a solvent may fluoresce under a black light to indicate the presence of hydrocarbon. Samples from the 3rd and 5th Oswego benches contained such a "cut". Further hydrocarbon shows were observed as formation gas was detected from the various Oswego benches. The best gas shows were from the 2nd and 3rd Oswego benches. This includes a maximum gas show of 376 units (well above background gas) and a significant increase in C4/C5 gas streams within the more porous, dolomitic portions of each zone. A large increase and separation of C4/C5 streams at approximately 7,020' MD, may indicate the presence of liquid hydrocarbon in these zones.

Wire line logs showing petrophysical characteristics of Oswego Limestone.



The Chester interval is from 7,970 ft – 8,125 ft (Measured Depth). The Chester, like the Oswego, is primarily limestone. The top of the Chester represents an unconformable surface. This is a surface that represents a significant period of little to no deposition of sediment and is very often an erosional surface, subject to many surface processes and weather events. This exposure to surface processes, such as rain and freeze/thaw cycles, can and do dramatically alter a limestone's composition and even physical appearance. Some changes may include dissolution of the bulk limestone framework, precipitation of secondary minerals such as Dolomite, and enhanced fracturing along weakened surfaces. While such processes often act as destructive forces on the primary rock fabric, they may also greatly enhance characteristics favorable to the storage and possible production of hydrocarbon. Two such favorable characteristics are enhanced porosity and permeability.

Chester samples “cut” with a solvent exhibit a yellow fluorescence, under a black light, with the best cut coming from a sample taken approximately 80 ft. below the top of the Chester. This referenced sample had the strongest yellow/straw color and cut readily and quickly when the solvent was added. This sample also had some of the best “vuggy” porosity with the most observed Dolomite. Formation gas was consistent at around 240 units with a maximum gas show of 339 units in the upper Chester. The hydrocarbon shows and enhanced porosity observed in the Chester may point to the prospectivity of the Chester in this location.



Wire line logs showing petrophysical characteristics of Chester Limestone.

ECONOMICS

The below cash flows represent the book values for both behind pipe zones in the Burgess 28- 1 well.

BURGESS 1-28
CHESTER
PDNP
ELLIS
OK

DATE : 01/12/18
TIME : 16:29:03
PROD. QUAL. : BMP
DATA FILE : BMP
SCENARIO : RES2018
INPUT SETTINGS:

RESERVES AND ECONOMICS

EFFECTIVE DATE: 10/17

END-MO-YR	GROSS OIL PRODUCTION	GROSS GAS PRODUCTION	NET OIL PRODUCTION	NET GAS PRODUCTION	NET OIL PRICE	NET GAS PRICE	NET OIL SALES	NET GAS SALES	TOTAL NET REVENUE
	---MBBLS---	---MMCF---	---MBBLS---	---MMCF---	---\$/BBL---	---\$/MCF---	---M\$---	---M\$---	---M\$---
12-17	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
12-18	0.237	237.434	0.175	174.990	49.280	2.450	8.623	428.725	437.348
12-19	0.153	153.063	0.113	112.808	48.380	2.420	5.458	272.996	278.453
12-20	0.107	107.281	0.079	79.066	49.440	2.480	3.909	196.084	199.993
12-21	0.083	82.611	0.061	60.885	51.010	2.570	3.106	156.474	159.580
12-22	0.067	67.163	0.049	49.500	52.630	2.660	2.605	131.669	134.274
12-23	0.057	56.575	0.042	41.696	54.300	2.760	2.264	115.082	117.346
12-24	0.049	48.865	0.036	36.014	54.300	2.760	1.956	99.398	101.353
12-25	0.043	42.999	0.032	31.691	54.300	2.760	1.721	87.466	89.187
12-26	0.038	38.387	0.028	28.291	54.300	2.760	1.536	78.084	79.620
12-27	0.035	34.665	0.026	25.549	54.300	2.760	1.387	70.514	71.901
12-28	0.032	31.599	0.023	23.289	54.300	2.760	1.265	64.277	65.542
12-29	0.029	29.013	0.021	21.383	54.300	2.760	1.161	59.016	60.177
12-30	0.027	26.692	0.020	19.672	54.300	2.760	1.068	54.294	55.362
12-31	0.025	24.556	0.018	18.098	54.300	2.760	0.983	49.951	50.933
S-TOT	0.981	980.904	0.723	722.930	51.238	2.578	37.042	1864.029	1901.071
AFTER	0.042	41.710	0.031	30.740	54.300	2.760	1.669	84.843	86.512
TOTAL	1.023	1022.614	0.754	753.670	51.363	2.586	38.711	1948.872	1987.583
CUM	0.000	0.000							
ULT	1.023	1022.614							

END-MO-YR	ADV. WPT & PROD TAXES	DIRECT OPER EXPENSE	EQUITY INVESTMENT	BFIT NET CASHFLOW	CUM BFIT PW DISC. 10.0%	DEPRECIATION & DEPLETION	FED & STATE INCOME TAX	AFIT NET CASHFLOW	CUM AFIT PW DISC. 10.0%
	---M\$---	---M\$---	---M\$---	---M\$---	---M\$---	---M\$---	---M\$---	---M\$---	---M\$---
12-17	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
12-18	30.614	141.561	309.538	-44.365	-55.007	16.120	20.231	-64.596	-75.110
12-19	19.492	103.139	0.000	155.822	77.446	27.627	49.568	106.254	14.821
12-20	14.000	80.977	0.000	105.017	158.521	19.730	32.977	72.040	70.251
12-21	11.171	69.035	0.000	79.374	214.199	14.090	25.243	54.131	108.115
12-22	9.399	61.557	0.000	63.318	254.564	10.074	20.587	42.730	135.287
12-23	8.214	56.432	0.000	52.700	285.100	10.063	16.486	36.214	156.221
12-24	7.095	52.699	0.000	41.559	306.988	10.074	12.174	29.385	171.664
12-25	6.243	49.860	0.000	33.084	322.829	5.031	10.847	22.237	182.288
12-26	5.573	47.627	0.000	26.420	334.328	0.000	10.216	16.204	189.326
12-27	5.033	45.826	0.000	21.043	342.655	0.000	8.136	12.906	194.422
12-28	4.588	44.341	0.000	16.613	348.632	0.000	6.423	10.189	198.080
12-29	4.212	43.089	0.000	12.875	352.844	0.000	4.978	7.897	200.656
12-30	3.875	41.966	0.000	9.521	355.677	0.000	3.682	5.840	202.389
12-31	3.565	40.932	0.000	6.436	357.419	0.000	2.489	3.948	203.453
S-TOT	133.075	879.040	309.538	579.418	357.419	112.809	224.038	355.380	203.453
AFTER	6.056	75.860	0.000	4.596	358.534	0.000	1.777	2.819	204.132
TOTAL	139.131	954.900	309.538	584.014	358.534	112.809	225.815	358.199	204.132

	GROSS	W. I.	NET	BFIT	AFIT	P.W. %	BFIT P.W.	AFIT P.W.	
	---	---	---	---	---	---	---	---	
EQU RESERVES, EMMF	1028.749	995.991	758.192	RATE OF RETURN, PCT.	81.67	49.74	0.00	584.014	358.199
OIL RESERVES, MB	1.023	0.990	0.754	UNDISC. PAYOUT, YRS.	1.53	1.86	5.00	452.425	268.719
GAS RESERVES, MMF	1022.614	990.050	753.670	DISC. PAYOUT, YRS.	1.67	2.09	9.00	375.050	215.546
NGL RESERVES, MB	0.000	0.000	0.000	UNDISC. NET/INVESTMENT	2.89	2.16	10.00	358.534	204.132
CND RESERVES, MB	0.000	0.000	0.000	DISC. NET/INVESTMENT	2.19	1.68	15.00	288.777	155.639
REVENUE, M\$	2696.841	2610.966	1987.583				20.00	235.186	118.031
OPER. EXPENSE, M\$	986.307	954.900	954.900	DISCOUNT %	10.00		25.00	192.857	88.076
TANGIBLES, M\$	0.000	112.809	112.809	LIFE, YRS.	16.2		40.00	106.847	26.397
INTANGIBLES, M\$	0.000	196.729	196.729	GROSS OIL WELLS	0.0		60.00	41.561	-21.293
INITIAL OIL PRICE	49.280			GROSS GAS WELLS	1.0		80.00	2.361	-50.355
INITIAL GAS PRICE	2.450						100.00	-23.577	-69.772

INITIAL WI (PCT)	96.816	FINAL WI (PCT)	96.816
INITIAL NET OIL (PCT)	73.700	FINAL NET OIL (PCT)	73.700
INITIAL NET GAS (PCT)	73.700	FINAL NET GAS (PCT)	73.700
(\$1B)		FINDING COST, \$/MCFE	0.408

BURGESS 1-28
OSWEGO
PDNP
ELLIS
OK

DATE : 01/12/18
TIME : 16:29:03
PROD. QUAL : BMP
DATA FILE : BMP
SCENARIO : RES2018
INPUT SETTINGS:

RESERVES AND ECONOMICS

EFFECTIVE DATE: 10/17

END-MO-YR	GROSS OIL PRODUCTION	GROSS GAS PRODUCTION	NET OIL PRODUCTION	NET GAS PRODUCTION	NET OIL PRICE	NET GAS PRICE	NET OIL SALES	NET GAS SALES	TOTAL NET REVENUE
---	---MBBLS---	---MMCF---	---MBBLS---	---MMCF---	---\$/BBL---	---\$/MCF---	---M\$---	---M\$---	---M\$---
12-17	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
12-18	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
12-19	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
12-20	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
12-21	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
12-22	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
12-23	11.827	23.655	8.646	17.291	54.300	2.760	469.452	47.723	517.175
12-24	5.670	11.339	4.144	8.289	54.300	2.760	225.042	22.877	247.919
12-25	3.328	6.655	2.432	4.865	54.300	2.760	132.078	13.427	145.505
12-26	2.188	4.377	1.600	3.199	54.300	2.760	86.858	8.830	95.687
12-27	0.962	1.924	0.703	1.406	54.300	2.760	38.181	3.881	42.062
12-28									
12-29									
12-30									
12-31									
S-TOT	23.975	47.950	17.525	35.050	54.300	2.760	951.610	96.738	1048.348
AFTER	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
TOTAL	23.975	47.950	17.525	35.050	54.300	2.760	951.610	96.738	1048.348
CUM	0.000	0.000							
ULT	23.975	47.950							

END-MO-YR	ADV. WPT & PROD TAXES	DIRECT OPER EXPENSE	EQUITY INVESTMENT	BFIT NET CASHFLOW	CUM BFIT PW DISC. 10.0%	DEPRECIATION & DEPLETION	FED & STATE INCOME TAX	AFIT NET CASHFLOW	CUM AFIT PW DISC. 10.0%
---	---M\$---	---M\$---	---M\$---	---M\$---	---M\$---	---M\$---	---M\$---	---M\$---	---M\$---
12-17	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
12-18	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
12-19	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
12-20	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
12-21	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
12-22	0.000	0.000	96.816	-96.816	-59.167	0.000	-24.333	-72.483	-43.695
12-23	36.202	86.716	0.000	394.257	170.614	4.842	150.571	243.686	97.177
12-24	17.354	71.812	0.000	158.752	254.616	8.299	58.174	100.578	150.034
12-25	10.185	66.143	0.000	69.176	287.899	5.927	24.456	44.720	171.399
12-26	6.698	63.386	0.000	25.603	299.131	4.232	8.263	17.340	178.930
12-27	2.944	36.214	0.000	2.904	300.314	10.586	-2.970	5.874	181.296
12-28									
12-29									
12-30									
12-31									
S-TOT	73.384	324.271	96.816	553.877	300.314	33.885	214.162	339.715	181.296
AFTER	0.000	0.000	0.000	0.000	300.314	0.000	0.000	0.000	181.296
TOTAL	73.384	324.271	96.816	553.877	300.314	33.885	214.162	339.715	181.296

	GROSS	W.I.	NET	BFIT	AFIT	P.W. %	BFIT P.W.	AFIT P.W.
	---	---	---	---	---	---	---M\$---	---M\$---
EQU RESERVES, EMMF	191.799	185.691	140.200			100.00	553.877	339.715
OIL RESERVES, MB	23.975	23.211	17.525			5.55	404.572	246.128
GAS RESERVES, MMF	47.950	46.423	35.050			5.56	318.371	192.488
NGL RESERVES, MB	0.000	0.000	0.000			4.51	300.314	181.296
CND RESERVES, MB	0.000	0.000	0.000			6.08	226.188	135.547
REVENUE, M\$	1434.174	1388.504	1048.348			20.00	172.619	102.720
OPER. EXPENSE, M\$	334.937	324.271	324.271			10.00	133.328	78.806
TANGIBLES, M\$	0.000	33.885	33.885			9.8	65.390	37.930
INTANGIBLES, M\$	0.000	62.930	62.930			0.0	28.460	16.143
INITIAL OIL PRICE	54.300					1.0	80.00	7.641
INITIAL GAS PRICE	2.760					100.00	7.192	3.927
INITIAL WI (PCT)	96.816		FINAL WI (PCT)	96.816				
INITIAL NET OIL (PCT)	73.098		FINAL NET OIL (PCT)	73.098				
INITIAL NET GAS (PCT)	73.098		FINAL NET GAS (PCT)	73.098	FINDING COST, \$/MCFE	0.691		

Grand Total

DATE : 01/12/18
 TIME : 16:29:03
 PROD. QUAL : BMP
 DATA FILE : BMP
 SCENARIO : RES2018
 INPUT SETTINGS:

RESERVES AND ECONOMICS

EFFECTIVE DATE: 10/17

END-MO-YR	GROSS OIL PRODUCTION	GROSS GAS PRODUCTION	NET OIL PRODUCTION	NET GAS PRODUCTION	NET OIL PRICE	NET GAS PRICE	NET OIL SALES	NET GAS SALES	TOTAL NET REVENUE
---	---MBBLS---	---MMCF---	---MBBLS---	---MMCF---	---\$/BBL---	---\$/MCF---	----M\$---	----M\$---	----M\$---
12-17	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
12-18	0.237	237.434	0.175	174.990	49.280	2.450	8.623	428.725	437.348
12-19	0.153	153.063	0.113	112.808	48.380	2.420	5.458	272.996	278.453
12-20	0.107	107.281	0.079	79.066	49.440	2.480	3.909	196.084	199.993
12-21	0.083	82.611	0.061	60.885	51.010	2.570	3.106	156.474	159.580
12-22	0.067	67.163	0.049	49.500	52.630	2.660	2.605	131.669	134.274
12-23	11.884	80.230	8.687	58.987	54.300	2.760	471.716	162.805	634.521
12-24	5.719	60.204	4.180	44.303	54.300	2.760	226.997	122.275	349.272
12-25	3.371	49.654	2.464	36.555	54.300	2.760	133.799	100.893	234.692
12-26	2.227	42.764	1.628	31.491	54.300	2.760	88.394	86.914	175.308
12-27	0.997	36.589	0.729	26.955	54.300	2.760	39.568	74.395	113.963
12-28	0.032	31.599	0.023	23.289	54.300	2.760	1.265	64.277	65.542
12-29	0.029	29.013	0.021	21.383	54.300	2.760	1.161	59.016	60.177
12-30	0.027	26.692	0.020	19.672	54.300	2.760	1.068	54.294	55.362
12-31	0.025	24.556	0.018	18.098	54.300	2.760	0.983	49.951	50.933
S-TOT	24.956	1028.854	18.248	757.980	54.179	2.587	988.652	1960.767	2949.418
AFTER	0.042	41.710	0.031	30.740	54.300	2.760	1.669	84.843	86.512
TOTAL	24.997	1070.563	18.279	788.720	54.179	2.594	990.321	2045.610	3035.930
CUM	0.000	0.000							
ULT	24.997	1070.563							

END-MO-YR	ADV. WPT & PROD TAXES	DIRECT OPER EXPENSE	EQUITY INVESTMENT	BFIT NET CASHFLOW	CUM BFIT PW DISC. 10.0%	DEPRECIATION & DEPLETION	FED & STATE INCOME TAX	AFIT NET CASHFLOW	CUM AFIT PW DISC. 10.0%
---	---M\$---	---M\$---	---M\$---	---M\$---	---M\$---	---M\$---	---M\$---	---M\$---	---M\$---
12-17	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
12-18	30.614	141.561	309.538	-44.365	-55.007	16.120	20.231	-64.596	-75.110
12-19	19.492	103.139	0.000	155.822	77.446	27.627	49.568	106.254	14.821
12-20	14.000	80.977	0.000	105.017	158.521	19.730	32.977	72.040	70.251
12-21	11.171	69.035	0.000	79.374	214.199	14.090	25.243	54.131	108.115
12-22	9.399	61.557	96.816	-33.498	195.397	10.074	-3.745	-29.753	91.592
12-23	44.416	143.148	0.000	446.957	455.714	14.905	167.057	279.900	253.398
12-24	24.449	124.511	0.000	200.312	561.604	18.372	70.349	129.963	321.698
12-25	16.428	116.003	0.000	102.260	610.728	10.958	35.303	66.957	353.687
12-26	12.272	111.013	0.000	52.023	633.460	4.232	18.479	33.544	368.256
12-27	7.977	82.039	0.000	23.947	642.969	10.586	5.166	18.781	375.718
12-28	4.588	44.341	0.000	16.613	648.946	0.000	6.423	10.189	379.376
12-29	4.212	43.089	0.000	12.875	653.158	0.000	4.978	7.897	381.952
12-30	3.875	41.966	0.000	9.521	655.991	0.000	3.682	5.840	383.685
12-31	3.565	40.932	0.000	6.436	657.734	0.000	2.489	3.948	384.749
S-TOT	206.459	1203.311	406.354	1133.295	657.734	146.694	438.200	695.095	384.749
AFTER	6.056	75.860	0.000	4.596	658.848	0.000	1.777	2.819	385.427
TOTAL	212.515	1279.171	406.354	1137.891	658.848	146.694	439.977	697.914	385.427

	GROSS	W.I.	NET	BFIT	AFIT	P.W. % BFIT	P.W. AFIT
	---	---	---	---	---	---M\$---	---M\$---
EQV RESERVES, EMMF	1220.548	1181.682	898.393	RATE OF RETURN, PCT.	88.91	58.21	0.00
OIL RESERVES, MB	24.997	24.201	18.279	UNDISC. PAYOUT, YRS.	1.53	1.86	5.00
GAS RESERVES, MMF	1070.563	1036.473	788.720	DISC. PAYOUT, YRS.	1.67	2.09	9.00
NGL RESERVES, MB	0.000	0.000	0.000	UNDISC. NET/INVESTMENT	3.80	2.72	10.00
CND RESERVES, MB	0.000	0.000	0.000	DISC. NET/INVESTMENT	2.82	2.07	15.00
REVENUE, M\$	4131.015	3999.469	3035.930			20.00	407.804
OPER. EXPENSE, M\$	1321.244	1279.171	1279.171	DISCOUNT %	10.00	25.00	326.184
TANGIBLES, M\$	0.000	146.694	146.694	LIFE, YRS.	16.2	40.00	172.237
INTANGIBLES, M\$	0.000	259.660	259.660	GROSS OIL WELLS	0.0	60.00	70.021
INITIAL OIL PRICE	54.201			GROSS GAS WELLS	2.0	80.00	16.103
INITIAL GAS PRICE	2.478					100.00	-16.385

INITIAL WI (PCT)	96.816	FINAL WI (PCT)	96.816
INITIAL NET OIL (PCT)	73.700	FINAL NET OIL (PCT)	73.700
INITIAL NET GAS (PCT)	73.700	FINAL NET GAS (PCT)	73.700
		FINDING COST, \$/MCFE	0.452

BRK Oklahoma Holdings, LLC/Lone Star has an ownership in the Black Mesa Drilling Program #1. BRK Oklahoma Holdings, LLC/Lone Star is the only Participant in the Black Mesa Drilling Program #1 and thus before "Payout" BRK owns 100% of the Program's interest. After "Payout" the Program's interest will be shared 75% BRK/ 25% Black Mesa Production, LLC. "Payout" is defined as the day after gross receipts from production revenues equal all direct costs billed to BRK, including but not limited to land costs, legal costs, G&G costs, overhead, gross production and severance taxes, and the cost of drilling, testing, completing, equipping and operating the well.

GEOLOGY

The Greever Prospect is located along the Hansford/Ochiltree county boarder and is surrounded with recent economic Marmaton horizontal completions and new well locations that directly offset section 52. Old vertical Marmaton production and recent horizontal Marmaton production with economic reserves support targeting the Marmaton in the Greever Prospect area.

The Marmaton is an inter-bedded sand and limestone in the Greever prospect area. The Marmaton gross thickness averages approximately 35 feet with a net porosity averaging 15 feet in the prospect area. Recent horizontal Marmaton completions offsetting the Greever prospect have an average EUR of 200 Mbo and 750 MMcf.

ECONOMICS

The below cash flows represent the book values for both the Sutton 2H-52 PDP well and the Sutton East Offset PUD location.

P.W. Date : 10/2017 Primary PW% : 10.0 Discount Freq. : MO
 Report Date : 10/2017

SUTTON 2H-52
 MARMATON
 PDP
 HANSFOR
 D TX

DATE : 01/12/18
 TIME : 15:06:08
 PROD. QUAL : BMP
 DATA FILE : BMP
 SCENARIO : RES2018
 INPUT SETTINGS:

RESERVES AND ECONOMICS

EFFECTIVE DATE: 10/17

-END- MO-YR	GROSS OIL PRODUCTION	GROSS GAS PRODUCTION	NET OIL PRODUCTION N	NET GAS PRODUCTION N	NET OIL PRICE	NET GAS PRICE	NET OIL SALES	NET GAS SALES	TOTAL NET REVENUE
----	---MBBLS---	---MMCF---	---MBBLS---	---MMCF---	---\$/BBL---	---\$/MCF---	---M\$---	---M\$---	---M\$---
12-17	11.828	27.251	2.307	5.314	49.970	2.970	115.256	15.782	131.038
12-18	22.722	82.157	4.431	16.021	49.780	2.970	220.567	47.581	268.148
12-19	8.539	45.292	1.665	8.832	48.880	2.938	81.387	25.945	107.332
12-20	5.635	32.323	1.099	6.303	49.940	3.002	54.871	18.924	73.795
12-21	4.286	25.472	0.836	4.967	51.510	3.100	43.048	15.396	58.444
12-22	3.491	21.178	0.681	4.130	53.130	3.197	36.173	13.202	49.375
12-23	2.963	18.212	0.578	3.551	54.800	3.305	31.662	11.737	43.399
12-24	2.584	16.031	0.504	3.126	54.800	3.305	27.609	10.331	37.940
12-25	2.297	14.352	0.448	2.799	54.800	3.305	24.548	9.249	33.797
12-26	2.072	13.018	0.404	2.538	54.800	3.305	22.146	8.389	30.535
12-27	1.891	11.926	0.369	2.326	54.800	3.305	20.208	7.686	27.893
12-28	1.738	10.971	0.339	2.139	54.800	3.305	18.573	7.070	25.643
12-29	1.599	10.093	0.312	1.968	54.800	3.305	17.087	6.504	23.592
12-30	1.471	9.286	0.287	1.811	54.800	3.305	15.720	5.984	21.704
12-31	1.353	8.543	0.264	1.666	54.800	3.305	14.463	5.505	19.968
S-TOT	74.470	346.104	14.522	67.490	51.187	3.101	743.319	209.285	952.603
AFTER	7.236	45.676	1.411	8.907	54.800	3.305	77.328	29.435	106.763
TOTAL	81.706	391.779	15.933	76.397	51.507	3.125	820.646	238.720	1059.366
CUM	0.000	0.000							
ULT	81.706	391.779							

-END- MO-YR	ADV. WPT & PROD TAXES	DIRECT OPER EXPENSE	EQUITY INVESTMENT	BFIT NET CASHFLOW	CUM BFIT PW DISC. 10.0%	DEPRECIATION & DEPLETION	FED & STATE INCOME TAX	AFIT NET CASHFLOW	CUM AFIT PW DISC. 10.0%
----	---M\$---	---M\$---	---M\$---	---M\$---	---M\$---	---M\$---	---M\$---	---M\$---	---M\$---
12-17	6.485	12.233	0.000	112.320	110.920	0.000	40.772	71.548	70.700
12-18	13.715	31.989	0.000	222.444	320.502	0.000	80.747	141.697	202.622
12-19	5.690	17.442	0.000	84.200	392.105	0.000	30.565	53.636	248.018
12-20	3.943	14.680	0.000	55.171	434.692	0.000	20.027	35.144	275.059
12-21	3.135	13.361	0.000	41.949	464.108	0.000	15.227	26.721	293.750
12-22	2.654	12.572	0.000	34.149	485.870	0.000	12.396	21.753	307.582
12-23	2.337	12.042	0.000	29.020	502.678	0.000	10.534	18.486	318.269
12-24	2.045	11.659	0.000	24.236	515.436	0.000	8.798	15.438	326.382
12-25	1.823	11.369	0.000	20.605	525.296	0.000	7.480	13.126	332.653
12-26	1.648	11.140	0.000	17.747	533.016	0.000	6.442	11.305	337.563
12-27	1.506	10.955	0.000	15.432	539.118	0.000	5.602	9.830	341.444
12-28	1.385	10.797	0.000	13.461	543.957	0.000	4.886	8.575	344.522
12-29	1.274	10.653	0.000	11.664	547.769	0.000	4.234	7.430	346.947
12-30	1.172	10.521	0.000	10.011	550.744	0.000	3.634	6.377	348.839
12-31	1.078	10.399	0.000	8.490	553.038	0.000	3.082	5.408	350.297
S-TOT	49.889	201.813	0.000	700.901	553.038	0.000	254.427	446.474	350.297
AFTER	5.765	74.983	0.000	26.015	558.452	0.000	9.444	16.572	353.738
TOTAL	55.654	276.796	0.000	726.917	558.452	0.000	263.871	463.046	353.738

	GROSS	W.I.	NET	BFIT	AFIT	P.W. %	BFIT P.W.	AFIT P.W.	
	---	---	---	---	---	---	---	---	
EQV RESERVES, EMMF	882.017	220.504	171.993	RATE OF RETURN, PCT.	100.00	100.00	0.00	726.917	463.046
OIL RESERVES, MB	81.706	20.427	15.933	UNDISC. PAYOUT, YRS.	0.00	0.00	5.00	625.831	397.591
GAS RESERVES, MMF	391.779	97.945	76.397	DISC. PAYOUT, YRS.	0.00	0.00	9.00	570.055	361.306
NGL RESERVES, MB	0.000	0.000	0.000	UNDISC. NET/INVESTMENT	0.00	0.00	10.00	558.452	353.738
CND RESERVES, MB	0.000	0.000	0.000	DISC. NET/INVESTMENT	0.00	0.00	15.00	510.413	322.305
REVENUE, M\$	5432.648	1358.162	1059.366				20.00	474.298	296.550
OPER. EXPENSE, M\$	1107.183	276.796	276.796	DISCOUNT %	10.00		25.00	445.997	279.843
TANGIBLES, M\$	0.000	0.000	0.000	LIFE, YRS.	21.8		40.00	387.923	241.139
INTANGIBLES, M\$	0.000	0.000	0.000	GROSS OIL WELLS	0.0		60.00	341.491	209.833
INITIAL OIL PRICE	49.970			GROSS GAS WELLS	1.0		80.00	311.280	189.284
INITIAL GAS PRICE	2.970						100.00	289.542	174.422
INITIAL WI (PCT)	25.000	FINAL WI (PCT)	25.000						
INITIAL NET OIL (PCT)	19.500	FINAL NET OIL (PCT)	19.500						
INITIAL NET GAS (PCT)	19.500	FINAL NET GAS (PCT)	19.500	FINDING COST, \$/MCFE	0.000				

SUTTON EAST OFFSET
MARMATON
PUD
HANSFORD
TX

DATE : 01/12/18
TIME : 15:06:08
PROD. QUAL : BMP
DATA FILE : BMP
SCENARIO : RES2018
INPUT SETTINGS:

RESERVES AND ECONOMICS

EFFECTIVE DATE: 10/17

-END- MO-YR	GROSS OIL PRODUCTION	GROSS GAS PRODUCTION	NET OIL PRODUCTIO N	NET GAS PRODUCTIO N	NET OIL PRICE	NET GAS PRICE	NET OIL SALES	NET GAS SALES	TOTAL NET REVENUE
----	---MBBLS---	---MMCF---	---MBBLS---	---MMCF---	---\$/BBL---	---\$/MCF---	----M\$---	----M\$---	----M\$---
12-17	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
12-18	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
12-19	57.701	301.124	11.252	58.719	48.880	2.938	549.981	172.494	722.474
12-20	24.527	188.631	4.551	34.890	49.940	3.002	227.280	104.753	332.033
12-21	14.712	125.184	2.152	18.308	51.510	3.100	110.829	56.748	167.577
12-22	10.791	95.447	1.578	13.959	53.130	3.197	83.852	44.624	128.476
12-23	8.622	77.860	1.261	11.387	54.800	3.305	69.102	37.632	106.734
12-24	7.229	66.130	1.057	9.671	54.800	3.305	57.934	31.962	89.896
12-25	6.251	57.700	0.914	8.439	54.800	3.305	50.100	27.888	77.988
12-26	5.524	51.324	0.808	7.506	54.800	3.305	44.275	24.806	69.081
12-27	4.961	46.318	0.726	6.774	54.800	3.305	39.760	22.387	62.147
12-28	4.510	42.275	0.660	6.183	54.800	3.305	36.148	20.433	56.581
12-29	4.138	38.858	0.605	5.683	54.800	3.305	33.167	18.781	51.948
12-30	3.807	35.749	0.557	5.228	54.800	3.305	30.513	17.279	47.792
12-31	3.503	32.890	0.512	4.810	54.800	3.305	28.072	15.896	43.968
S-TOT	156.277	1159.489	26.632	191.557	51.104	3.110	1361.014	595.682	1956.696
AFTER	29.597	247.597	4.329	36.211	54.800	3.305	237.205	119.670	356.875
TOTAL	185.874	1407.086	30.961	227.769	51.620	3.141	1598.218	715.353	2313.571
CUM	0.000	0.000							
ULT	185.874	1407.086							

-END- MO-YR	ADV. WPT & PROD TAXES	DIRECT OPER EXPENSE	EQUITY INVESTMENT	BFIT NET CASHFLOW	CUM BFIT PW DISC. 10.0%	DEPRECIATION & DEPLETION	FED & STATE INCOME TAX	AFIT NET CASHFLOW	CUM AFIT PW DISC. 10.0%
----	---M\$---	---M\$---	---M\$---	---M\$---	---M\$---	---M\$---	---M\$---	---M\$---	---M\$---
12-17	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
12-18	0.000	0.000	465.776	-465.776	-416.759	0.000	-134.673	-331.103	-291.377
12-19	38.236	30.960	434.850	218.428	-247.236	25.061	99.450	118.978	-209.296
12-20	18.311	18.677	0.000	295.044	-18.492	42.950	91.510	203.534	-52.690
12-21	9.354	12.009	0.000	146.214	84.119	30.673	41.941	104.272	20.247
12-22	7.204	10.730	0.000	110.542	154.584	21.904	32.175	78.366	70.080
12-23	6.001	9.984	0.000	90.749	207.149	15.661	27.257	63.492	106.784
12-24	5.062	9.490	0.000	75.344	246.813	15.644	21.671	53.673	134.990
12-25	4.396	9.137	0.000	64.455	277.653	15.661	17.712	46.743	157.322
12-26	3.897	8.871	0.000	56.314	302.145	7.822	17.603	38.711	174.135
12-27	3.508	8.662	0.000	49.977	321.903	0.000	18.141	31.835	186.705
12-28	3.195	8.494	0.000	44.891	338.036	0.000	16.296	28.596	196.969
12-29	2.934	8.352	0.000	40.661	351.319	0.000	14.760	25.901	205.421
12-30	2.700	8.224	0.000	36.868	362.269	0.000	13.383	23.485	212.388
12-31	2.484	8.106	0.000	33.379	371.281	0.000	12.116	21.262	218.122
S-TOT	107.283	151.697	900.626	797.090	371.281	175.376	289.344	507.746	218.122
AFTER	19.887	117.875	0.000	219.113	408.382	0.000	79.538	139.575	241.724
TOTAL	127.169	269.572	900.626	1016.204	408.382	175.376	368.882	647.322	241.724

	GROSS	W.I.	NET	BFIT	AFIT	P.W. %	BFIT P.W.	AFIT P.W.
	----	----	----	----	----	----	---M\$---	---M\$---
EQV RESERVES, EMMF	2522.329	530.172	413.534	RATE OF RETURN, PCT.	38.43	31.18	1016.204	647.322
OIL RESERVES, MB	185.874	39.694	30.961	UNDISC. PAYOUT, YRS.	3.09	3.33	629.206	389.896
GAS RESERVES, MMCF	1407.086	292.011	227.769	DISC. PAYOUT, YRS.	3.43	3.97	444.312	265.898
NGL RESERVES, MB	0.000	0.000	0.000	UNDISC. NET/INVESTMENT	2.13	1.72	10.00	408.382
CND RESERVES, MB	0.000	0.000	0.000	DISC. NET/INVESTMENT	1.51	1.30	15.00	268.974
REVENUE, M\$	14105.201	2966.116	2313.572				20.00	174.390
OPER. EXPENSE, M\$	1375.978	269.572	269.572	DISCOUNT %	10.00		25.00	106.866
TANGIBLES, M\$	0.000	175.376	175.376	LIFE, YRS.	30.2		40.00	-10.556
INTANGIBLES, M\$	0.000	725.250	725.250	GROSS OIL WELLS	0.0		60.00	-78.706
INITIAL OIL PRICE	48.880			GROSS GAS WELLS	1.0		80.00	-107.409
INITIAL GAS PRICE	2.938						100.00	-119.247
INITIAL WI (PCT)	25.000	FINAL WI (PCT)	18.750					
INITIAL NET OIL (PCT)	19.500	FINAL NET OIL (PCT)	14.625					
INITIAL NET GAS (PCT)	19.500	FINAL NET GAS (PCT)	14.625	FINDING COST, \$/MCFE	2.178			

Grand Total - Greever Prospect

2

DATE : 01/12/18
TIME : 15:06:08
PROD. QUAL : BMP
DATA FILE : BMP
SCENARIO : RES2018
INPUT SETTINGS:

RESERVES AND ECO

NOMICS EFFECTIVE

DATE: 10/17

END-MO-YR	GROSS OIL PRODUCTION	GROSS GAS PRODUCTION	NET OIL PRODUCTION	NET GAS PRODUCTION	NET OIL PRICE	NET GAS PRICE	NET OIL SALES	NET GAS SALES	TOTAL NET REVENUE
---	---MBBL5---	---MMCF---	---MBBL5---	---MMCF---	---\$/BBL---	---\$/MCF---	---M\$---	---M\$---	---M\$---
12-17	11.828	27.251	2.307	5.314	49.970	2.970	115.256	15.782	131.038
12-18	22.722	82.157	4.431	16.021	49.780	2.970	220.567	47.581	268.148
12-19	66.239	346.416	12.917	67.551	48.880	2.938	631.368	198.438	829.806
12-20	30.161	220.954	5.650	41.193	49.940	3.002	282.151	123.677	405.828
12-21	18.998	150.656	2.987	23.275	51.510	3.100	153.878	72.144	226.022
12-22	14.283	116.625	2.259	18.089	53.130	3.197	120.024	57.826	177.851
12-23	11.585	96.072	1.839	14.938	54.800	3.305	100.764	49.369	150.133
12-24	9.812	82.160	1.561	12.797	54.800	3.305	85.544	42.293	127.837
12-25	8.548	72.052	1.362	11.237	54.800	3.305	74.648	37.137	111.785
12-26	7.597	64.341	1.212	10.045	54.800	3.305	66.422	33.195	99.617
12-27	6.852	58.244	1.094	9.100	54.800	3.305	59.968	30.072	90.040
12-28	6.248	53.246	0.999	8.322	54.800	3.305	54.721	27.503	82.224
12-29	5.737	48.951	0.917	7.651	54.800	3.305	50.254	25.285	75.540
12-30	5.278	45.035	0.844	7.039	54.800	3.305	46.233	23.263	69.496
12-31	4.856	41.432	0.776	6.476	54.800	3.305	42.535	21.402	63.936
S-TOT	230.747	1505.593	41.154	259.048	51.133	3.107	2104.332	804.967	2909.299
AFTER	36.833	293.273	5.740	45.118	54.800	3.305	314.532	149.105	463.638
TOTAL	267.580	1798.866	46.894	304.166	51.582	3.137	2418.865	954.072	3372.936
CUM	0.000	0.000							
ULT	267.580	1798.866							

END-MO-YR	ADV. WPT & PROD TAXES	DIRECT OPER EXPENSE	EQUITY INVESTMENT	BFIT NET CASHFLOW	CUM BFIT PW DISC. 10.0%	DEPRECIATION & DEPLETION	FED & STATE INCOME TAX	AFIT NET CASHFLOW	CUM AFIT PW DISC. 10.0%
---	---M\$---	---M\$---	---M\$---	---M\$---	---M\$---	---M\$---	---M\$---	---M\$---	---M\$---
12-17	6.485	12.233	0.000	112.320	110.920	0.000	40.772	71.548	70.700
12-18	13.715	31.989	465.776	-243.331	-96.257	0.000	-53.926	-189.406	-88.755
12-19	43.926	48.402	434.850	302.628	144.869	25.061	130.015	172.614	38.722
12-20	22.255	33.357	0.000	350.215	416.199	42.950	111.538	238.678	222.369
12-21	12.489	25.370	0.000	188.162	548.228	30.673	57.169	130.994	313.997
12-22	9.858	23.302	0.000	144.691	640.454	21.904	44.571	100.119	377.662
12-23	8.338	22.026	0.000	119.769	709.827	15.661	37.791	81.978	425.052
12-24	7.107	21.149	0.000	99.580	762.249	15.644	30.469	69.111	461.372
12-25	6.219	20.506	0.000	85.060	802.950	15.661	25.192	59.868	489.975
12-26	5.545	20.011	0.000	74.061	835.161	7.822	24.045	50.016	511.698
12-27	5.014	19.617	0.000	65.409	861.021	0.000	23.743	41.666	528.149
12-28	4.580	19.291	0.000	58.352	881.993	0.000	21.182	37.171	541.492
12-29	4.208	19.006	0.000	52.326	899.088	0.000	18.994	33.331	552.368
12-30	3.871	18.745	0.000	46.879	913.013	0.000	17.017	29.862	561.227
12-31	3.562	18.506	0.000	41.869	924.318	0.000	15.198	26.670	568.419
S-TOT	157.172	353.510	900.626	1497.992	924.318	175.376	543.771	954.220	568.419
AFTER	25.651	192.858	0.000	245.129	966.834	0.000	88.982	156.147	595.461
TOTAL	182.823	546.368	900.626	1743.120	966.834	175.376	632.753	1110.368	595.461

	GROSS	W.I.	NET	BFIT	AFIT	P.W. %	BFIT P.W.	AFIT P.W.	
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EQU RESERVES, EMMF	3404.346	750.676	585.528	RATE OF RETURN, PCT.	100.00	100.00	0.00	1743.120	1110.368
OIL RESERVES, MB	267.580	60.120	46.894	UNDISC. PAYOUT, YRS.	0.00	0.00	5.00	1255.037	787.486
GAS RESERVES, MMF	1798.866	389.956	304.165	DISC. PAYOUT, YRS.	0.00	0.00	9.00	1014.367	627.205
NGL RESERVES, MB	0.000	0.000	0.000	UNDISC. NET/INVESTMENT	2.94	2.23	10.00	966.834	595.461
CND RESERVES, MB	0.000	0.000	0.000	DISC. NET/INVESTMENT	2.21	1.74	15.00	779.388	470.049
REVENUE, M\$	19537.850	4324.280	3372.937				20.00	648.687	382.504
OPER. EXPENSE, M\$	2483.161	546.368	546.368	DISCOUNT %	10.00		25.00	552.863	318.415
TANGIBLES, M\$	0.000	175.376	175.376	LIFE, YRS.	30.2		40.00	377.366	202.052
INTANGIBLES, M\$	0.000	725.250	725.250	GROSS OIL WELLS	0.0		60.00	262.785	128.215
INITIAL OIL PRICE	49.173			GROSS GAS WELLS	2.0		80.00	203.872	92.093
INITIAL GAS PRICE	2.942						100.00	170.295	72.833
INITIAL WI (PCT)	25.000	FINAL WI (PCT)	18.750						
INITIAL NET OIL (PCT)	19.500	FINAL NET OIL (PCT)	14.625						
INITIAL NET GAS (PCT)	19.500	FINAL NET GAS (PCT)	14.625	FINDING COST, \$/MCFE	1.53				

Decline Curve Analysis provides basis for economic model

A pro forma decline curve for the Sutton East Offset PUD location was constructed using the following assumptions:

Assumptions:	
Initial Rate Oil	290 bopd
Initial Rate Gas	1300 mcfpd
Initial GOR	4,137 cu. ft/bbl
Abandonment Oil Rate	2 bopd
Recoverable Oil Volume	185,847 bbls

Recoverable Gas Volume	1,407,086 mcf
Calculated Result:	
Producing Life	30 years

These assumptions were to produce the pro-forma decline curve for future oil and natural gas production. Based on the production forecasts, a fully discounted cash flow model was constructed to determine net present value, discounted cash flow, return on investment and other economic parameters reported.

Forecast of Prices and Costs

The oil and gas prices used in the economic forecast are derived from publicly available sources as published by the Bank of Oklahoma using a NYMEX Strip pricing as of November 1 2017. The prices were then held flat for the duration of each year as shown in the table below with no additional escalation or de-escalation applied.

Year	Gas	Oil
2018	\$2.95	\$52.28
2019	\$2.92	\$51.38
2020	\$2.98	\$52.44
2021	\$3.07	\$54.01
2022	\$3.16	\$55.63
2023+	\$3.26	\$57.30

Appendix B

Comparable Company Analysis

Companies	SX Quote Symbol	Market Capitalisation (\$)	Standard Deviation	Annualised Volatility
Abilene Oil and Gas Limited	ABL	3,976,144	25.6	89%
Antilles Oil and Gas NL	AVD	3,746,669	51.4	178%
Argo Exploration Limited	AXT	5,306,130	28.7	99%
Bounty Oil & Gas N.L.	BUY	6,673,807	11.8	41%
BPH Energy Limited	BPH	2,865,562	26.3	91%
Delecta Limited	DLC	3,167,481	30.7	106%
Emperor Energy Limited	EMP	2,597,573	25.4	88%
Enegex Limited	ENX	2,012,493	18.1	63%
Fremont Petroleum Corporation Limited	FPL	2,144,609	21.7	75%
Gas2grid Limited	GGX	2,594,577	27.8	96%
Grand Gulf Energy Limited	GGE	3,069,995	21.6	75%
Greenvale Energy Limited	GRV	2,800,661	25.9	90%
Interpose Holdings Limited	IHS	4,699,080	20.3	70%
IPB Petroleum Limited	IPB	1,763,688	40	139%
Jacka Resources Limited	JKA	1,382,579	23.2	80%
K2 Energy Limited	KTE	2,178,995	19.6	68%
Lion Energy Limited	LIO	6,919,750	20.8	72%
Peako Limited	PKO	1,296,372	40.6	141%
Pilot Energy Limited	PGY	2,988,096	41.6	144%
Planet Gas Limited	PGS	2,688,113	29.6	103%
Rawson Oil and Gas Limited	RAW	4,412,122	27.2	94%
South Pacific Resources Limited	SPB	2,813,760	32.3	112%
Red Sky Energy Limited	ROG	3,043,640	20.7	72%
Samson Oil & Gas Limited	SSN	6,566,001	22	76%
Average		3,404,496	27.20	94%

PROXY FORM

NICKELORE LIMITED
ACN 086 972 429

ANNUAL GENERAL MEETING

I/We

of:

being a Shareholder entitled to attend and vote at the Meeting, hereby appoint:

Name:

OR: the Chair of the Meeting as my/our proxy.

or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the Meeting to be held at 10:00am (WST) on 18 October 2018 at Barringtons House, 283 Rokeby Road, Subiaco, Western Australia, and at any adjournment thereof.

AUTHORITY FOR CHAIR TO VOTE UNDIRECTED PROXIES ON REMUNERATION RELATED RESOLUTIONS

Where I/we have appointed the Chair as my/our proxy (or where the Chair becomes my/our proxy by default), I/we expressly authorise the Chair to exercise my/our proxy on Resolution 17 (except where I/we have indicated a different voting intention below) even though Resolution 17 is connected directly or indirectly with the remuneration of a member of the Key Management Personnel, which includes the Chair.

CHAIR'S VOTING INTENTION IN RELATION TO UNDIRECTED PROXIES

The Chair intends to vote undirected proxies in favour of all Resolutions. In exceptional circumstances the Chair may change his/her voting intention on any Resolution. In the event this occurs an ASX announcement will be made immediately disclosing the reasons for the change.

Voting on business of the Meeting	FOR	AGAINST	ABSTAIN
Resolution 1 ADOPTION OF REMUNERATION REPORT	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 RE-ELECTION OF DIRECTOR – MR JAY STEPHENSON	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 ELECTION OF DIRECTOR – MR DAVID DELOUB	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 CHANGE TO NATURE AND SCALE OF ACTIVITIES – PROPOSED ACQUISITION OF LONE STAR ENERGY LIMITED	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 CONSOLIDATION OF CAPITAL	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 CHANGE OF COMPANY NAME	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7 CAPITAL RAISING	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8 RELATED PARTY PARTICIPATION IN CAPITAL RAISING – MR ROBERT GARDNER	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9 RELATED PARTY PARTICIPATION IN CAPITAL RAISING – MR DAVID DELOUB	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 10 RELATED PARTY PARTICIPATION IN CAPITAL RAISING – MR JAY STEPHENSON	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 11 ISSUE OF CONSIDERATION SECURITIES TO LONE STAR SHAREHOLDERS – UNRELATED VENDORS	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 12 ISSUE OF CONSIDERATION SECURITIES TO FASTWITCH ENTERPRISES PTY LTD – RELATED VENDOR	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 13 ISSUE OF SHARES TO RELATED PARTY ON CONVERSION OF CONVERTING LOANS – FASTWITCH ENTERPRISES PTY LTD	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 14 ISSUE OF SHARES TO RELATED PARTY ON CONVERSION OF CONVERTING LOANS – COOLCAT ENTERPRISES PTY LTD	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 15 ISSUE OF SHARES TO RELATED PARTY ON CONVERSION OF CONVERTING LOANS – SWIFTYLINK PTY LTD	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 16 ISSUE OF SHARES TO UNRELATED PARTIES ON CONVERSION OF CONVERTING LOANS	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 17 ENABLE THE ISSUE OF OPTIONS UNDER AN EMPLOYEE INCENTIVE SCHEME – INCENTIVE OPTION PLAN	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 18 REPLACEMENT OF CONSTITUTION	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is: _____ %

Signature of Shareholder(s):

Individual or Shareholder 1

Sole Director/Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

Date: _____

Contact name: _____

Contact ph (daytime): _____

E-mail address: _____

Consent for contact by e-mail in relation to this Proxy Form: YES NO

Instructions for completing Proxy Form

1. **(Appointing a proxy):** A Shareholder entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy to attend and vote on their behalf at the Meeting. If a Shareholder is entitled to cast 2 or more votes at the Meeting, the Shareholder may appoint a second proxy to attend and vote on their behalf at the Meeting. However, where both proxies attend the Meeting, voting may only be exercised on a poll. The appointment of a second proxy must be done on a separate copy of the Proxy Form. A Shareholder who appoints 2 proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointments do not specify the proportion or number of the Shareholder's votes each proxy is appointed to exercise, each proxy may exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded. A duly appointed proxy need not be a Shareholder.
2. **(Direction to vote):** A Shareholder may direct a proxy how to vote by marking one of the boxes opposite each item of business. The direction may specify the proportion or number of votes that the proxy may exercise by writing the percentage or number of Shares next to the box marked for the relevant item of business. Where a box is not marked the proxy may vote as they choose subject to the relevant laws. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing instructions):**
 - **(Individual):** Where the holding is in one name, the Shareholder must sign.
 - **(Joint holding):** Where the holding is in more than one name, all of the Shareholders should sign.
 - **(Power of attorney):** If you have not already provided the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Form when you return it.
 - **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held. In addition, if a representative of a company is appointed pursuant to section 250D of the Corporations Act to attend the Meeting, the documentation evidencing such appointment should be produced prior to admission to the Meeting. A form of a certificate evidencing the appointment may be obtained from the Company.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
 - (a) post to Nickelore Limited, 283 Rokeby Road, Subiaco WA 6008;
 - (b) email to the Company at sharon.straw@wolfstargroup.com.au; or
 - (c) facsimile to the Company on facsimile number +61 8 6141 3599,

so that it is received not less than 48 hours prior to commencement of the Meeting.

Proxy Forms received later than this time will be invalid.