



Nickelore Limited

ABN 13 086 972 429

31 October 2018

QUARTERLY ACTIVITIES REPORT

FOR THE THREE MONTHS ENDING 30 SEPTEMBER 2018

Nickelore Limited (ASX: NIO) (**Nickelore** or the **Company**) is pleased to present this Quarterly Report for the quarter ended 30 September 2018.

On 1 December 2017, the Company announced that it had entered into a binding agreement (**Agreement**), pursuant to which the Company has agreed to acquire a 100% of the issued capital in Lone Star Energy Limited (ACN 157 789 761) (**Lone Star**), an oil and gas exploration and development company which has an interest in two oil projects located in Texas and Oklahoma, USA. Details of the transaction can be found in the 1 December 2017 announcement.

The Company has completed its due diligence on Lone Star and the General Meeting of Shareholders to approve the acquisition was held on 18 October 2018 where all resolutions were passed by shareholders. Full details of the results of the meeting can be found in the Announcement of 18 October 2018.

The Company is nearing completion of the Prospectus and it is anticipated the Prospectus will be lodged in the near future.

Details of the two oil projects are detailed below:

- **Greever Project:** located in Hansford County, Texas in the United States approximately 96 miles north of Amarillo. The Greever Prospect is a 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 (**AMI**) including the adjoining Section 51, Block 4T. LS Operating Pty Ltd (**LS Operating**), a wholly owned subsidiary of Lone Star, has participated for a 25% working interest (with an 18.75% net revenue interest).
- **Burgess Project (Sand Creek):** located in Ellis County, Oklahoma in the United States. The Burgess Prospect, NE/4 28-24N-23W Ellis County, Oklahoma, 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 has agreed to participate for up to a 100% working interest (with a 75% net revenue interest) in the drilling of the Burgess well.

Proposed Assets

In addition to the two projects owned by Lone Star, Lone Star subsidiary, LS Operating LLC (**LSO or Lone Star**) has an agreement with BRK Oklahoma Holdings, LLC (**BRK**) under which LSO has a first right to participate in conventional well bore drilling and or acreage acquisition opportunities presented to BRK under the Drilling Program Agreement (Step-in Agreement). No consideration is payable by LSO to BRK under the Step-in Agreement.

BMP has introduced the prospects described below to BRK under the Drilling Program Agreement (**Proposed Assets**). LSO 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 the Anadarko Basin in Garvin County, Oklahoma.

Well production commenced August this year and initial production rates achieved 1,828 BOE/day (IP24) (67% oil) and 1,479 BOE/day (IP30) producing from the Woodford Shale in the SCOOP Play.

The well has produced ~73,000 BOE (69% oil) in its first ~60-days of production Initial production results provide further confirmation of the productivity and reserve potential of the Woodford Shale in the SCOOP Play.

Lone Star has the opportunity to earn a 20.57% working interest and a 15.35% net revenue interest in the project.

Stack Prospects

The STACK group of prospects is comprised of several different drill locations within the prolific 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. Horizontal laterals range from approximately 4,800' to 10,000'.

The six different STACK units identified to be acquired are all located in Blaine County, Oklahoma in the core of the over pressured STACK play. The excellent rock quality and over pressured nature of the reservoirs underlying the STACK Prospect units allow for initial producing rates in excess of 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 5.52% to 0.25% working interest in six different drilling units. The operators of the identified units include large U.S. independents such as Continental Resources, Devon Energy and Cimarex Energy.

CANEGRASS PROJECT

Nickelore continued to fund its obligations in respect to the Canegrass Project during the quarter.

FINANCIAL

At 30 September 2018, Nickelore held \$92,000 in cash reserves.

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