

QUARTERLY ACTIVITIES REPORT

FOR THE THREE MONTHS ENDING 31 DECEMBER 2018

Nickelore Limited (ASX: NIO) (**Nickelore** or the **Company**) is pleased to present this Quarterly Report for the quarter ended 31 December 2018.

On 18 October 2018, the Company held its Annual General Meeting where all 18 resolutions were passed. A majority of the resolutions involved the acquisition of Lone Star Energy Limited.

On 20 November 2018, the Company lodged a Prospectus for the offer of 210,000,000 Shares at an issue price of \$0.02 per Share to raise \$4.2 million. Oversubscriptions of up to an additional 190,000,000 Shares at an issue price of \$0.02 per Share to raise up to an additional \$3.8 million may be accepted.

On 7 December 2018, the Company lodged a Supplementary Prospectus.

As at the date of this quarterly report, the Offer under the Prospectus is still open.

Details of the Projects and Proposed Assets the Company is acquiring are found in the Prospectus. A summary of the Projects and Proposed Assets are found 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). The Sutton #2H-52 well (located within the Greever Prospect) has now been drilled, successfully completed and is currently flowing back to sales.
- **Burgess Project (Sand Creek):** located in Ellis County, Oklahoma in the United States. The Burgess Prospect, NE/4 28-24N-23W Ellis County, Oklahoma, has now been drilled with gas production coming from the Chester zone. The well also includes potential future oil production further up the well in the Oswego zone. LS Operating has a 96.8% working interest (with a 73% net revenue interest) in the Burgess well.

Proposed Assets

In addition to the two projects owned by Lone Star, Lone Star subsidiary, LS Operating LLC (**LSO**) 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. By entering the Step-in Agreement, BRK will be able to layoff its obligations under the Drilling Program Agreement where LSO exercises its right to participate in an opportunity presented by BRK.

BRK has an agreement with Black Mesa Production, LLC (**BMP**) under which BRK has agreed to commit \$10,000,000 to participate in drilling programs introduced to it by BMP up to 31 December 2018 (Drilling Program Agreement). BMP has agreed that LSO 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.

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.

The Bullard well commenced production during the quarter and has produced approximately 110,000 barrels of oil equivalent (65% oil and 35% gas) in less than 3 months of production.

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

To date LSO's share of the net revenue from this well is estimated to be approximately US\$850,000 representing approximately 45% working interest share of the drilling and completion costs of the well.

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.

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 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. Drilling is expected to commence in June 2018.



CANEGRASS PROJECT

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

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CONTACT

Investors

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Nickelore Limited

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Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

NICKELORE LIMITED (NIO)

ABN

13 086 972 429

Quarter ended (Current quarter)

31 December 2018

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 Months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for:	-	-
(a) exploration and evaluation	(3)	(11)
(b) development	-	-
(c) production	-	-
(d) staff costs	-	-
(e) administration and corporate costs	(212)	(266)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material): Payments made on behalf of Lone Star	-	(13)
1.9 Net cash from / (used in) operating activities	(215)	(290)
2. Cash flows from investing activities		
2.1 Payments to acquire:	-	-
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.2 Proceeds from disposal of:	-	-
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 Months) \$A'000
3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	125	125
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	125	125
4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	93	168
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(215)	(290)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4 Net cash from / (used in) financing activities (item 3.10 above)	125	125
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of quarter	3	3
5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	3	39
5.2 Call deposits	-	53
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3	92
6. Payments to directors of the entity and their associates		Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2		-
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3		-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2		
7. Payments to related entities of the entity and their associates		Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2		-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3		-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2		

8. Financing facilities available

Add notes as necessary for an understanding of the position

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
-	-
-	-
-	-

8.1 Loan facilities

8.2 Credit standby arrangements

8.3 Other (please specify)

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

9. Estimated cash outflows for next quarter

9.1 Exploration and evaluation

9.2 Development

9.3 Production

9.4 Staff costs

9.5 Administration and corporate costs

9.6 Other (provide details if material)

9.7 **Total estimated cash outflows**

\$A'000

4

37

19

60

10. Changes in tenements
(items 2.1(b) and 2.2(b) above)

10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced

10.2 Interests in mining tenements and petroleum tenements acquired or increased

Tenement reference and location	Nature of interest	Interest at beginning of quarter %	Interest at end of quarter %

Compliance statement

1. This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
2. This statement gives a true and fair view of the matters disclosed.



Signed:

Dated: Thursday, 31 January 2019

Company Secretary

Print name: Jay Stephenson

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.