LONE STAR ENERGY LIMITED

ACN: 157 789 761

Interim Financial Report
31 December 2018

CONTENTS

CORPORATE INFORMATION

ACN 157 789 761

Directors
Mr Matthew Sheldrick
Mr James Robinson
Mr Christopher Mews

Company secretary
Mr Sonu Cheema

Registered office
Suite 9, 330 Churchill Avenue
Subiaco WA 6008
Telephone: (08) 6489 1600
Fax: (08) 6489 1601

Principal place of business
Suite 9, 330 Churchill Avenue
Subiaco WA 6008
Telephone: (08) 6489 1600
Fax: (08) 6489 1601

Solicitors
Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
Perth WA 6000

Bankers
National Australia Bank
1st Floor, 1238 Hay Street
West Perth WA 6005

Auditors
HLB Mann Judd
Level 4, 130 Stirling Street
Perth WA 6000

Website
http://lonestarenergy.com.au/

DIRECTORS' REPORT

Your directors submit the interim financial report of Lone Star Energy Limited ("Lone Star" or the "Company") and the entities it controlled for the half year ended 31 December 2018. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of directors who held office during or since the end of the period and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Matthew Sheldrick	Non-executive Chairman
James Robinson	Non-executive Director
Christopher Mews	Non-executive Director

Review of Operations

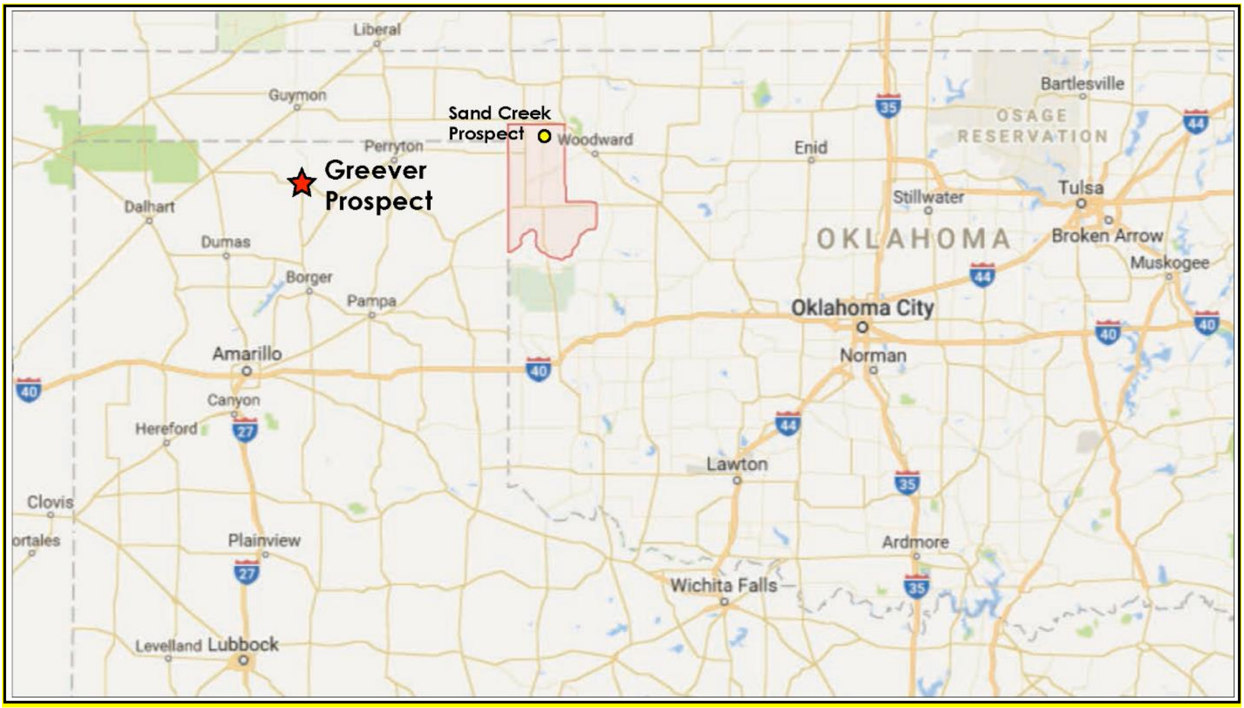
Lone Star Energy Limited, via its wholly-owned subsidiary LS Operating Pty Ltd, has entered into a Letter Agreement with BRK Oklahoma Holdings, LLC by which it will be referred opportunities to assess and undertake potential future conventional well bore drilling and/or acreage acquisition opportunities. Based on discussions with BRK Oklahoma, Lone Star anticipates receiving many such referrals of opportunities.

GREEVER PROSPECT

The first opportunity presented was the Texas Panhandle Greever Prospect. The Greever Prospect is a conventional horizontal drilling opportunity in the Marmaton Formation in the Hansford Oil and Gas Field in Hansford County, Texas, USA, approximately 96 miles north of Amarillio. 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 spud in July 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 Formation producing wells.

The Greever Prospect has now been drilled.

BURGESS PROSPECT



BURGESS PROSPECT (Sand Creek)

The second opportunity presented to Company is the Burgess Prospect (Sand Creek), located in Ellis County, Oklahoma, USA. 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.

DIRECTORS' REPORT (continued)

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.

Significant events after end of period
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.

Other than the above there has not been any matter or circumstance, 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.

Operating results for the period
The comprehensive loss of the Company for the financial period, after providing for income tax amounted to $71,404.

Review of financial conditions
At balance date, the Company had $2,630 in cash assets. The Directors are of the opinion that the Company is a going concern, and recognizes that additional funds may be required should the transaction with Nickelore Limited not proceed to completion.

Auditor Independence
Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the review. This Independence Declaration is set out on page 5 and forms part of this directors' report for the half year ended 31 December 2018.

Signed in accordance with a resolution of the directors.

Matthew Sheldrick

Mr Matthew Sheldrick
Chairman
Dated this 16 July 2019

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Lone Star Energy Limited for the half-year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia
16 July 2019

N G Neill
Partner

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849
T: +61 (0)8 9227 7500 **E:** mailbox@hlbwa.com.au

CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Notes	Consolidated 31 Dec 2018 $	Consolidated 31 Dec 2017 $
Continuing Operations			
Revenue		-	-
Finance expenses		(47,365)	(23,712)
Other expenses	2	(24,039)	(56,369)
Profit/(loss) before income tax expense		(71,404)	(80,081)
Income tax expense		-	-
Profit after tax from continuing operations		(71,404)	(80,081)
Discontinued operation			
Loss after tax from discontinued operation		-	-
Net loss for the period		(71,404)	(80,081)
Other comprehensive income			
Items that may be reclassified to Profit and Loss:			
Exchange differences on translation of foreign operations		-	-
Total comprehensive loss for the period		(71,404)	(80,081)
Basic and diluted loss per share from operations (cents per share)	4	(0.13)	(0.17)

The accompanying notes form part of these financial statements

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note	Consolidated 31 Dec 2018 $	Consolidated 30 Jun 2018 $
Assets			
Current Assets			
Cash and cash equivalents		2,630	5,176
Total Current Assets		**2,630**	**5,176**
Non-Current Assets			
Deferred exploration and evaluation	3	1,877,003	1,877,003
Total Non-Current Assets		**1,877,003**	**1,877,003**
Total Assets		**1,879,633**	**1,882,179**
Liabilities			
Current Liabilities			
Trade and other payables		41,308	19,815
Borrowings	7	1,020,312	1,011,385
Total Current Liabilities		**1,061,620**	**1,031,200**
Total Liabilities		**1,061,620**	**1,031,200**
Net Assets		**818,013**	**850,979**
Equity			
Issued capital	5	3,184,518	3,184,518
Reserves	6	105,626	67,188
Accumulated losses		(2,472,131)	(2,400,727)
Total Equity		**818,013**	**850,979**

The accompanying notes form part of these financial statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Consolidated			
	Issued Capital $	Accumulated Losses $	Reserves $	**Total Equity $**
Balance at 1 July 2017	2,203,786	(2,222,259)	10,000	(8,473)
Loss for the year	-	(80,081)	-	(80,081)
Total comprehensive income/(loss) for the period	-	(80,081)	-	(80,081)
Shares issued during the period net of costs	980,732	-	-	980,732
Fair value adjustment	-	-	57,188	57,188
Transaction costs on share issue	-	-	-	-
Balance at 31 December 2017	3,184,518	(2,302,340)	67,188	949,366

	Consolidated			
	Issued Capital $	Accumulated Losses $	Reserves $	**Total Equity $**
Balance at 1 July 2018	3,184,518	(2,400,727)	67,188	850,979
Loss for the year	-	(71,404)	-	(71,404)
Other comprehensive income, net of income tax	-	-	-	-
Total comprehensive income/(loss) for the period	-	(71,404)	-	(71,404)
Fair value adjustment	-	-	38,438	38,438
Balance at 31 December 2018	3,184,518	(2,472,131)	105,626	818,013

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Consolidated 31 Dec 2018 $	Consolidated 31 Dec 2017 $
	Inflows/ (Outflows)	***Inflows/ (Outflows)***
Cash flows from operating activities		
Payments to suppliers and employees	(2,546)	(28,044)
Net cash used in operating activities	(2,546)	(28,044)
Cash flows from Investing activities		
Deferred exploration expenditure	-	(1,665,595)
Net cash used in investing activities	-	(1,665,595)
Cash flows from financing activities		
Proceeds from issue of shares	-	1,035,000
Proceeds from borrowing	-	761,250
Share issue costs	-	(54,268)
Net cash provided by financing activities	-	1,741,982
Net increase/(decrease) in cash held	(2,546)	48,343
Cash and cash equivalents at the beginning of the period	5,176	14,738
Cash and cash equivalents at the end of the period	2,630	63,081

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These interim consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

The interim financial report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report.

This financial report is to be read in conjunction with the annual financial statements for the year ended 30 June 2018 and any public announcements made by Lone Star Energy Limited during the interim reporting period in accordance with the continuous disclosure requirements arising under the Corporations Act 2001.

Accounting policies and methods of compilation

The accounting policies and methods of compilation adopted are consistent with those of the previous financial year, and corresponding interim reporting period except for the impact of the new standards and interpretations effective 1 July 2018 disclosed below. These accounting policies are consistent with the Australian Accounting Standards and with International Financial Reporting Standards.

Basis of preparation

For the purposes of preparing the interim financial report, the half year has been treated as a discrete reporting period.

Historical cost convention

These financial statements have been prepared under the historical cost convention, and do not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair value of the consideration given in exchange for assets.

Significant accounting judgements and key estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this interim financial report, the significant judgements made by management in applying the Group's accounting policies and the keys sources of estimation uncertainty were the same as those that applied to the financial report for the year ended 30 June 2018, except for the impact of the new standards and interpretations effective 1 July 2018 disclosed below .

Adoption of new and revised standards

In the half year ended 31 December 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 reporting periods beginning on or after 1 July 2018.

As a result of this review, the Company has initially applied AASB 9 and AASB 15 from 1 July 2018.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Adoption of new and revised standards (continued)

Due to the transition methods chosen by the Company in applying AASB 9 and AASB 15, comparative information throughout the interim financial statements has not been restated to reflect the requirements of the new standards.

AASB 9 Financial Instruments

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and makes changes to a number of areas including classification of financial instruments, measurement, impairment of financial assets and hedge accounting model.

Financial instruments are classified as either held at amortised cost or fair value.

All equity instruments are carried at fair value and the cost exemption under AASB 139 which was used where it was not possible to reliably measure the fair value of an unlisted entity has been removed. Equity instruments which are non-derivative and not held for trading may be designated as fair value through other comprehensive income (FVOCI). Previously classified available-for-sale financial assets are now carried at fair value through profit or loss (FVTPL).

The AASB 9 impairment model is based on expected loss at day 1 rather than needing evidence of an incurred loss, this is likely to cause earlier recognition of bad debt expenses. Most financial instruments held at fair value are exempt from impairment testing.

The Company has applied AASB 9 retrospectively with the effect of initially applying this standard recognised at the date of initial application, being 1 July 2018 and has elected not to restate comparative information. Accordingly, the information presented for 31 December 2017 and 30 June 2018 has not been restated.

Other than the above, the Directors have determined that there is no material impact of the other new and revised Standards and Interpretations (including AASB 15) on the Company and therefore, no material change is necessary to Company accounting policies.

Standards and Interpretations issued but not yet effective to 31 December 2018.

Other standards and interpretations in issue not yet adopted includes:

- AASB 16 Leases

The Directors have reviewed the above standards and determine that there is no material effect on the Company's current accounting policies.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 half year months ended 31 December 2018, the Company incurred a loss of $71,404 and a net cash outflow of $2,546 from operating activities as disclosed in the statement of comprehensive income and the statement of cash flows, respectively.

As at 31 December 2018, the Company had $2,630 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.

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. Additionally the loans totaling $1,020,312 have been extended to 31 December 2019.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018 (continued)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

NOTE 2: REVENUES AND EXPENSES

	Consolidated 31 Dec 2018 $	Consolidated 31 Dec 2017 $
(a) Expenses		
Administration expenses	13,573	16,607
ASIC fees	592	736
Legal and professional	3,874	7,240
Audit fees	6,000	31,785
	24,039	56,368

NOTE 3: DEFERRED EXPLORATION AND EVALUATION

Costs carried forward in respect of exploration and evaluation phase at cost.	Consolidated 31 Dec 2018 $	Consolidated 30 Jun 2018 $
Balance at beginning of period	1,877,003	-
Expenditure during the period	-	1,877,003
	1,877,003	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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018 (continued)

NOTE 4: LOSS PER SHARE

	31 Dec 2018 Cents per share	31 Dec 2017 Cents per share
Basic loss per share		
Continuing operations	(0.13)	(0.17)
Discontinuing operations	-	-
Total basic loss per share	(0.13)	(0.17)
	$	$
Loss for the period	(71,404)	(80,081)
Loss from discontinued operations	-	-
	Number	Number
Weighted average number of ordinary shares for the purposes of basic loss per share:	53,900,000	47,724,776

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

NOTE 5: SHARE CAPITAL

	Consolidated 31 Dec 2018 $	Consolidated 30 Jun 2018 $
Ordinary shares		
Balance on 1 July	3,184,518	2,203,786
Shares issued	-	1,035,000
Less share issue costs	-	(54,268)
At 30 June	3,184,518	3,184,518
Movements in ordinary shares on issue	No.	No.
Balance on 1 July	53,900,000	12,500,000
Movements during the period:		
Shares issued	-	41,400,000
At 30 June	53,900,000	53,900,000

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018 (continued)

NOTE 6: RESERVES

	Consolidated 31 Dec 2018 $	Consolidated 30 Jun 2018 $
Option Reserve	10,000	10,000
Fair value adjustment reserve[1]	95,626	57,188
As at BALANCE DATE	105,626	67,188

[1]Refer to note 7 for futher information

NOTE 7: 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 2019.

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 2019.

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 2019.

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 2019.

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 31 December 2019.

As at 31 December 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018 (continued)

NOTE 7: BORROWINGS (CONT)

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 31 Dec 2018 $	Consolidated 30 Jun 2018 $
Secured		-
Secured Converting Loan	758,587	761,250
Fair value adjustment reserve movement	(38,438)	(57,188)
Finance cost for the period	42,351	54,525
Total secured borrowings	762,500	758,587
Unsecured		
Unsecured Loan	200,000	200,000
Other Loans	52,798	46,755
Finance cost for the period	5,014	6,043
Total secured borrowings	257,812	252,798

The liability component is measured at amortised cost. The interest expense for the period of $47,365 is calculated by applying an effective interest rate of 10% to the liability component from 1 July 2018. 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 31 December 2018 represents the effective interest rate less interest paid to that date.

NOTE 8: EVENTS AFTER THE BALANCE DATE

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.

There has not been any other matter or circumstance, 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.

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 10 to 16, are in accordance with the Corporations Act 2001 including:

   (a) giving a true and fair view of the Group's financial position as at 31 December 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.

Matthew Sheldrick

Mr Matthew Sheldrick
Chairman
Dated this 16 July 2019

INDEPENDENT AUDITOR'S REVIEW REPORT
To the members of Lone Star Energy Limited

Report on the Condensed Interim Financial Report

Conclusion

We have reviewed the accompanying interim financial report of Lone Star Energy ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2018, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Lone Star Energy Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter - material uncertainty related to going concern

We draw attention to Note 1 in the interim financial report, which indicates that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849
T: +61 (0)8 9227 7500 E: mailbox@hlbwa.com.au

As the auditor of the entity, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
16 July 2019

Norman Glen

N G Neill
Partner