



7 August 2019

Attn: Mr M Foster  
Steinepreis Paganin  
16 Milligan Street  
PERTH WA 6000

Dear Mark

**PRO-FORMA BALANCE SHEET – NICKELORE LIMITED**

This letter has been prepared at the request of the directors of Nickelore Limited ACN 086 972 429 (“Nickelore” or “the Company”). The letter has been prepared based on the historical financial information of the Company for submitting to the Australian Securities Exchange (“ASX”) in order for the Company to meet the ASX listing requirements.

We make reference to the background and use the definitions as set out in the Investigating Accountant’s Report dated 19 February 2019.

**Basis of Preparation**

This letter has been prepared to provide the ASX with information on the pro forma financial statements of Nickelore as set out in Appendix 1. The pro forma financial information is presented in a summarised form and does not reflect all the disclosure requirements of financial statements prepared using Australian Accounting Standards in accordance with the Corporations Act 2001 (Cth).

**Scope**

Pendragon has been requested to prepare a letter to review the updated pro-forma balance sheet derived from the reviewed financial information at 31 December 2018 due to the passage of time since the original report that was based on audited 30 June 2019 financial statements covering the following financial information:

- Pro forma Reviewed Statement of Financial Position;
- Pro forma Reviewed Statement of Changes in Equity; and
- Notes to and forming part of the pro forma financial statements.

The updated pro forma Reviewed financial information has been derived from historical reviewed financial information as at 31 December 2018 after adjusting for the following transactions as if they had occurred at date of lifting suspension:

- the consolidation of Nickelore and Lone Star historical financial information;
- the issue of 105,500,000 fully paid ordinary Shares at \$0.02 per share to shareholders of Lone Star;
- the issue of 52,750,000 Consideration Options valued at \$459,678 using the Black Scholes model to shareholders of Lone Star;

- the issue of 21,000,000 Advisory Fees Options valued at \$183,000 to the Lead Manager (12,500,000 options) and brokers and/or 'introducers' of investors who participate in the raising (up to 8,500,000 options). Options have been valued using the Black Scholes model;
- fair value adjustment of Lone Star Exploration and evaluation assets of \$440,082 based on a valuation provided by Pinnacle Energy Services llc;
- the transfer of the value attributable to the producing wells held by Lone Star of \$1,307,004 from Exploration and evaluation assets to Mining Properties;
- depreciation of the Mining Properties of \$487,002;
- receiving net proceeds of \$221,744 (USD\$155,560) from the producing wells held by Lone Star. The net proceeds comprises \$742,523 (USD\$520,901) of revenue less \$520,779 (USD\$365,341) of project costs;
- receiving \$50,000 from Fastwitch Pty Ltd through a loan agreement;
- forgiveness of the loan between Fastwitch Pty Ltd and Nickelore to the value of \$50,000;
- forgiveness of the loan between Fastwitch Pty Ltd and Lone Star to the value of \$205,103;
- conversion of Lone Star convertible loans totalling \$762,500 to issued capital;
- conversion of Nickelore convertible loans including interest accrued totalling \$356,667 to issued capital;
- calculation of an acquisition premium of \$547,833 which has been expensed;
- the issue of 232,836,350 fully paid ordinary Shares at an issue price of \$0.02 each to raise \$4,656,727;
- payment of estimated expenses of the Public Offer of \$370,522 representing the amount remaining payable out of total estimated expenses of \$377,700;
- adopting Lone Star's accounting policy to capitalise exploration and evaluation expenditure; and
- we have not included the possible issue of up to 10,000 shares at an issue price of \$0.02 under the Cleansing Offer which may raise an additional \$200.

The financial information for Nickelore is set out in Appendix 1 to this letter.

## 6. Review

Pendragon has conducted an independent review of the financial information listed above as set out in Appendix 1 to this letter. The review has been conducted in accordance with auditing and assurance standard ASAE 3450 "Assurance engagement involving corporate fundraisings and/or prospective financial information".

Our review was limited primarily to the following procedures performed as our professional judgement considered reasonable in the circumstances:

- considered the reviewed interim financial report for Nickelore for the period ended 31 December 2018;
- considered the reviewed interim financial report for Lone Star for the period ended 31 December 2018;
- considered the Prospectus lodged on 19 November 2018;
- considered the Supplementary Prospectus dated 5 December 2018;
- considered the Supplementary Prospectus dated 20 February 2019;
- considered the Supplementary Prospectus dated 10 April 2019;
- comparison of consistency in application of accounting standards and policies adopted by the Company. The Directors have confirmed that, where Nickelore does not currently have a relevant accounting policy, it will apply the corresponding Lone Star policy; and
- enquiry of Company officeholders and other relevant employees or consultants.

These procedures do not provide all the evidence that would be required in an audit and, therefore, the level of assurance provided is less than that given in an audit. As we have not performed any audit activity, we do not express an audit opinion.

The Directors of Nickelore are responsible for the preparation and presentation of financial information that has formed the basis of our review.

Pendragon disclaims any responsibility for any reliance on this letter or the financial information on which it is based for any purpose other than for which it was prepared.

## **7. Review Statement**

Based on our review, which was not an audit, nothing has come to our attention which causes us to believe that the historical and pro forma financial information set out in Appendix 1 is not presented fairly, in accordance with the measurement and recognition requirements (but not the disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia and the accounting policies adopted by Nickelore as disclosed in Note 1 of Appendix 1.

## **8. Subsequent Events**

To the best of our knowledge and belief, there have been no other material items, transactions or events outside the Company's ordinary business subsequent to 31 December 2018 that require comment or adjustment to our letter or that would cause such information to be misleading or deceptive.

Should you have any questions, please do not hesitate to contact me.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Keith Platel', with a long horizontal flourish extending to the right.

**Keith Platel**  
Director

**APPENDIX 1 NICKELORE LIMITED  
STATEMENT OF FINANCIAL POSITION**

	Note	Nickelore Reviewed 31 Dec 18 \$	Lone Star Reviewed 31 Dec 18 \$	Pro Forma Reviewed \$
<b>Current Assets</b>				
Cash and Cash Equivalents	2	2,692	2,630	4,564,521
Trade and Other Receivables		39,209	-	39,209
Other Asset and Receivables		48,727	-	48,727
Financial Asset		13,450	-	13,450
Loans	3	52,709	-	-
<b>Total Current Assets</b>		<b>156,787</b>	<b>2,630</b>	<b>4,665,907</b>
<b>Non-Current Assets</b>				
Exploration and Evaluation Assets	4	-	1,877,003	1,010,081
Mining Properties	5	-	-	820,002
<b>Total Non-Current Assets</b>		<b>-</b>	<b>1,877,003</b>	<b>1,830,083</b>
<b>Total Assets</b>		<b>156,787</b>	<b>1,879,633</b>	<b>6,495,990</b>
<b>Current Liabilities</b>				
Trade and Other Payables	6	469,074	41,308	422,560
Short Term Financial Liabilities	7	352,292	1,020,312	-
<b>Total Current Liabilities</b>		<b>821,366</b>	<b>1,061,620</b>	<b>422,560</b>
<b>Total Liabilities</b>		<b>821,366</b>	<b>1,061,620</b>	<b>422,560</b>
<b>Net Assets</b>		<b>(664,579)</b>	<b>818,013</b>	<b>6,073,430</b>
<b>Equity</b>				
Issued Capital	8(a)	24,648,541	3,184,518	31,354,019
Reserves	9(a)	-	105,626	642,678
Retained Profits	10(a)	(25,313,120)	(2,472,131)	(25,923,267)
<b>Total Equity</b>		<b>(664,579)</b>	<b>818,013</b>	<b>6,073,430</b>

*The statement of Financial Position is to be read in conjunction with the notes set out in this section*

**APPENDIX 1 NICKELORE LIMITED  
STATEMENT OF CHANGES IN EQUITY**

	<b>Note</b>	<b>Nickelore Reviewed 31 Dec 18 \$</b>	<b>Lone Star Reviewed 31 Dec 18 \$</b>	<b>Pro Forma Adjustment \$</b>	<b>Pro Forma After Public Offer \$</b>
Balance at 1 July 2018		(264,831)	850,979	-	586,148
Profit/(Loss) Attributable to members of the company	10(b)	(399,748)	(71,404)	1,861,984	1390,832
Other comprehensive Income		-	-	-	-
<b>Total comprehensive income/(loss) for the period</b>		<b>(399,748)</b>	<b>(71,404)</b>		<b>1,390,832</b>
Issue of Shares	8(b)	-	-	3,520,960	3,520,960
Reserves	9(b)	-	38,438	537,052	575,490
<b>Balance</b>		<b>(664,579)<sup>1</sup></b>	<b>818,013<sup>1</sup></b>		<b>6,073,430</b>

<sup>1</sup>Balance as at 31 Dec 2018.

*The Statement of Changes in Equity is to be read in conjunction with the notes set out in this section.*

**APPENDIX 1 NICKELORE LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

	<b>Nickelore</b>	<b>Lone Star</b>	
	<b>Reviewed</b>	<b>Reviewed</b>	<b>Reviewed</b>
	<b>31 Dec 18</b>	<b>31 Dec 18</b>	<b>Pro Forma</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>NOTE 2 – CASH AND CASH EQUIVALENTS</b>			
Balance pre-acquisition	2,692	2,630	5,322
Adjustments to the pro forma cash balance are summarised as follows:			
Lone Star additional convertible loans	-	-	1,250
Lone Star net proceeds from well production			221,744
Loan from Fastwitch Pty Ltd	-	-	50,000
Issue of ordinary Shares pursuant to Public Offer	-	-	4,656,727
Expenses of the Public Offer	-	-	(370,522)
<b>Total cash balance</b>	<b>2,692</b>	<b>2,630</b>	<b>4,564,521</b>
<b>NOTE 3 – LOANS</b>			
Balance pre-acquisition	52,709	-	52,709
Elimination of inter-entity loans	-	-	(52,709)
<b>Total Loans</b>	<b>52,709</b>	<b>-</b>	<b>-</b>
<b>NOTE 4 – EXPLORATION AND EVALUATION ASSETS</b>			
Balance pre-acquisition	-	1,877,003	1,877,003
Transfer to mining properties			(1,307,004)
Fair value adjustment			440,082
<b>Total Exploration and Evaluation Assets</b>	<b>-</b>	<b>1,877,003</b>	<b>1,010,081</b>
<b>NOTE 5 – MINING PROPERTIES</b>			
Balance pre-acquisition	-	-	-
Transfer from exploration and evaluation assets			1,307,004
Depreciation on mining properties			(487,002)
<b>Total Mining Properties</b>	<b>-</b>	<b>-</b>	<b>820,002</b>
<b>NOTE 6 – TRADE AND OTHER PAYABLES</b>			
Balance pre-acquisition	469,074	41,308	510,382
Payment of costs of the offer			(87,822)
<b>Total Trade and Other Payables</b>	<b>469,074</b>	<b>41,308</b>	<b>422,560</b>

**APPENDIX 1 NICKELORE LIMITED  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)**

	Nickelore Reviewed 31 Dec 18 \$	Lone Star Reviewed 31 Dec 18 \$	Reviewed Pro Forma \$
<b>NOTE 7 – SHORT TERM FINANCIAL LIABILITIES</b>			
Balance pre-acquisition	352,292	1,020,312	1,372,604
Conversion of Lone Star convertible loans to issued capital	-	-	(762,500)
Conversion of Nickelore convertible loans to issued capital	-	-	(352,292)
Loan from Fastwitch Pty Ltd			50,000
Forgiveness of loan from Fastwitch Pty Ltd			(50,000)
Eliminate of Inter-entity loans			(52,709)
Forgiveness of loan and interest	-	-	(205,103)
<b>Total Short Term Financial Liabilities</b>	<b>352,292</b>	<b>1,020,312</b>	<b>-</b>

**NOTE 8 – ISSUED CAPITAL**

**(a) Reconciliation of issued capital**

**Historical financial information:**

Balance pre-acquisition	24,648,541	3,184,518	27,833,059
Pro forma movements in issued capital (note 7(b))	-	-	3,520,960
<b>Total issued capital balance</b>	<b>24,648,541</b>	<b>3,184,518</b>	<b>31,354,019</b>

**(b) Reconciliation of pro forma movements in issued capital**

	Pro forma Movements \$
Conversion of Lone Star convertible loans to Lone Star Shares	762,500
Eliminate Lone Star issued capital	(3,947,018)
Share consideration for 100% of Lone Star	2,110,000
Conversion of Nickelore convertible loans to Nickelore Shares	356,667
Public Offer	4,656,727
Issue of Advisory Fees Options	(183,000)
Expenses of the offer	(234,916)
<b>Pro forma movement balance</b>	<b>3,520,960</b>

**APPENDIX 1 NICKELORE LIMITED  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)**

	Nickelore Reviewed 31 Dec 18 \$	Lone Star Reviewed 31 Dec 18 \$	Reviewed Pro Forma \$
<b>(c) Number of fully paid shares:</b>			
	Number	Number	Number
Current fully paid Shares in Nickelore	51,288,623	-	51,288,623
Nickelore Converting Loan and interest	-	-	17,833,339
Public Offer	-	-	232,836,350
Consideration Shares for 100% of Lone Star issued capital	-	-	105,500,000
<b>Total issued Shares</b>	<b>51,288,623</b>	<b>-</b>	<b>407,458,312</b>

**NOTE 9 – RESERVES**

**(a) Reconciliation of reserves**

**Historical financial information:**

Balance pre-acquisition	-	105,626	105,626
Pro forma movements in reserves (note 8(b))	-	-	537,052
<b>Total reserve balance</b>	<b>-</b>	<b>105,626</b>	<b>642,678</b>

**(b) Reconciliation of pro forma movements in reserves**

	Pro forma Movements \$
Conversion of Lone Star convertible loans	(95,626)
Revaluation reserve	440,082
Elimination of investment	(450,082)
Issue of Consideration Options <sup>1</sup>	459,678
Issue of Advisor Fee Options <sup>2</sup>	183,000
<b>Pro forma reserve balance</b>	<b>537,052</b>

<sup>1</sup>Consideration Options have been valued at \$459,678 by the Directors using the Black Scholes model.

<sup>2</sup>Advisor Fee Options have been valued at \$183,000 by the Directors using the Black Scholes model.

**(c) Number of Options on issue**

	Number	Number	Number
Current Options	-	-	-
Issue of Consideration Options	-	-	52,750,000
Issue of Advisor Fee Options	-	-	21,000,000
<b>Total</b>	<b>-</b>	<b>-</b>	<b>73,750,000</b>



**APPENDIX 1 NICKELORE LIMITED  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)**

	<b>Nickelore</b>	<b>Lone Star</b>	
	<b>Reviewed</b>	<b>Reviewed</b>	<b>Reviewed</b>
	<b>31 Dec 18</b>	<b>31 Dec 18</b>	<b>Pro Forma</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>

**NOTE 10 – RETAINED PROFITS**

**(a) Reconciliation of retained profits**

Balance pre-acquisition	(25,313,120)	(2,472,131)	(27,785,251)
Pro forma movements in retained profits (note 9(b))	-	-	1,861,984
<b>Total retained profit balance</b>	<b>(25,313,120)</b>	<b>(2,472,131)</b>	<b>(25,923,267)</b>

**(b) Reconciliation of pro forma movements in retained profits**

	<b>Pro forma</b>
	<b>Movements</b>
	<b>\$</b>
Lone Star revenue from well production	742,523
Lone Star project costs from well production	(520,779)
Conversion of Lone Star Convertible Loans	96,876
Elimination of pre-acquisition accumulated losses	2,153,511
Nickelore converting loans interest expense	(4,375)
Depreciation on mining properties	(487,002)
Forgiveness of loan and interest	255,103
Acquisition premium expensed	(326,089)
Expenses of the Public Offer	(47,784)
<b>Reviewed pro forma movement in retained profits</b>	<b>1,861,984</b>