ABN 36 058 714 408

27 February 2015

# APPENDIX 4E – PRELIMINARY FINAL REPORT

# LONESTAR RESOURCES LTD
# (ACN 058 714 408)

## TWELVE MONTHS TO 31 DECEMBER 2014

(PREVIOUS REPORTING PERIOD – TWELVE MONTHS TO DECEMBER 2013)

This Appendix 4E Preliminary Final Report is provided to the Australian Securities Exchange in accordance with ASX Listing Rule 4.3A.

Lonestar's presentation currency is US$. All $ amounts in this Appendix 4E Preliminary Final Report are in US$ unless otherwise stated.

**HIGHLIGHTS FOR THE YEAR TO 31 DECEMBER 2014:**

- Revenue from ordinary activites of $118 million, an increase of 48% over 2013
- NPAT of $36 million and EBITDAX* of $86 million, an increase of 19% and 59% over 2013
- 23 wells drilled and 21 wells completed in the Eagle Ford Shale in 2014
- Average daily production of 4,480 BOEPD, an increase of 48% over 2013
- Proved Reserves, net of royalties, were 31.0 MMBOE at 31 December 2014, an increase of 70% over 2013**
- Proved Reserves PV-10 value of $705.8 million, an increase of 65% over 2013**
- Effective 2 June 2014, Lonestar Resources, Ltd, stock commenced trading on the the OTCQX under the symbol LNREF
- Closed $71.3 million purchase of 13,156 net acres in the crude oil window of Eagle Ford Shale trend
- Closed the offering of $220 million 8.75% Senior Unsecured Notes due 15 April 2019
- Undrawn borrowing base availability of $101 million at the end of the period

**EBITDAX is a non-IFRS measure. Refer to the EBITDAX reconciliation in the summary results table below.*
*** See Reserves disclosures at Annex A and the Company's announcement and disclosure lodged on the ASX on Febraury 2, 2015*

**OPERATING RESULTS FOR THE YEAR TO 31 DECEMBER 2014 and 2013:**

| **CONSOLIDATED** | **Twelve months to 31 December 2014 US$'000** | **Twelve months to 31 December 2013 US$'000** |
|---|---|---|
| Operating profit (loss) from operating activities | 43,453 | 24,697 |
| Fair value gain on acquisition | - | 27,198 |
| Loss on sale oil and gas properties | - | (17,139) |
| Other income (loss) | 15,445 | (9,050) |
| Profit/(Loss) before tax | 58,898 | 25,706 |
| Income tax (expense)/benefit | (22,432) | 4,934 |
| Profit/(Loss) after tax | 36,466 | 30,640 |
| **EBITDAX Reconciliation** | | |
| Operating profit (loss) from operating activities | 43,453 | 24,697 |
| Add: Depreciation, depletion and amortisation | 40,723 | 28,280 |
| Add: Non-recurring expenses | 1,699 | 1,063 |
| Add: Exploration expense | 96 | - |
| Add: FX translation | - | 91 |
| **EBITDAX*** | 85,971 | 54,131 |

**COMMENTARY ON RESULTS – OPERATIONAL**

The Group's net production for the twelve months ended 31 December 2014 averaged 4,480 BOE per day, and was comprised of 3,267 barrels of oil per day, 436 barrels of NGL's per day, and 4,664 Mcf of natural gas per day. Production for the period rose 48% over production reported for the twelve months ended 31 December 2013.

The Group's net production from its Eagle Ford Shale assets averaged 3,802 BOE per day during the twelve months ended 31 December 2014, and was comprised of 2,832 barrels of oil per day, 424 barrels of NGL's per day, and 3,277 Mcf of natural gas per day. Lonestar drilled 23 and placed 21 new Eagle Ford Shale wells on stream during the period. Production from the Eagle Ford for the period rose 85% over production reported for the twelve months ended 31 December 2013.

The Group's net production from its Conventional assets averaged 679 BOE per day during the twelve months ended 31 December 2014, and was comprised of 434 barrels of oil per day, 13 barrels of NGL's per day and 1,387 Mcf of natural gas per day. 66% of the Group's Conventional production was from liquid hydrocarbons. Net production for 2013 from Conventional assets averaged 759 BOE per day, but also included 94 BOE per day of production from its non-operated Raccon Bend property which sold in 2Q14 and non-operated Oklahoma and Louisiana properties which were sold in 2Q13.

**COMMENTARY ON RESULTS – FINANCIAL**

The Group's net revenue from ordinary activities for the twelve months ended 31 December 2014 was $118 million versus $79 million recorded during the twelve months ended 31 December 2013. The increase reflected is primarily the result of the increase in production.

The Group reported net profit after tax of $36 million for the twelve months ended 31 December 2014, compared to $31 million reported for the twelve months ended 31 December 2013. Profit from operating activities increased to $43 million in 2014, which is an increase of 76% over operating profit of $25 million in 2013. The increase is principally attributable to the increase in net revenues noted in the preceding paragraph. EBITDAX for 2014 was $86 million compared to $54 million in 2013, an increase of 59%.

Depletion and depreciation expense for the period was $40.7 million, or $24.91 per BOE compared to $29.5 millior or $26.73 per BOE reported in the previous period. The Depletion and Depreciation expense increased overall this reporting period due to increased production from the Eagle Ford Shale properties. Depletion is calculated using the units of production method, which involves dividing the carrying value of the assets by the estimated Proved reserves and applying this depletion rate to the production reported during the period. Depreciation of property plant and equipment is calculated on a declining basis so as to write down the net cost of each asset over its useful life, which ranges from 5 to 25 years.

General and Administration costs were $8.9 million compared with an amount of $7.5 million for the 12 months to 31 December 2013. The increased costs were the result of the organisation staffing up over the course of 2014 to properly manage the growing scope of its business. The Group has begun to achieve efficiency of scale with per BOE costs decreasing from $6.79 in 2013 to $5.45 in 2014.

Finance expenses for the period totalled $19.9 million. The increased finance costs in this reporting period were due to placement of the Group's 8.75% bonds coupled with borrowings from its Senior Secured credit facility. Please refer to the Corporate Commentary on Results for additional information on the Group's borrowing arrangments and liquidity.

Hedging revenue for the period totalled $1.2 million. Lonestar continues to be an active participant in the commodity derivatives market as a tool to manage commodity price risk, create higher certainty of returns on capital expenditures, and maximize its borrowing available under its credit facilities.

As of 27 February 2015, the following derivative transactions were outstanding:

| Instrument | Total Volume | Settlement Period | | Fixed Price $ |
|---|---|---|---|---|
| Oil – WTI Fixed Price Swap | 244,200 BBL | January – December 2015 | $ | 87.00 |
| Oil – WTI Fixed Price Swap | 255,500 BBL | January – December 2015 | | 81.25 |
| Oil – WTI Fixed Price Swap | 35,460 BBL | January – March 2015 | | 92.10 |
| Oil – WTI Fixed Price Swap | 63,400 BBL | January – March 2015 | | 98.15 |
| Oil – WTI Fixed Price Swap | 35,800 BBL | January – March 2015 | | 91.60 |
| Oil – WTI Fixed Price Swap | 32,942 BBL | April – June 2015 | | 90.40 |
| Oil – WTI Fixed Price Swap | 55,300 BBL | April – June 2015 | | 95.65 |
| Oil – WTI Fixed Price Swap | 31,400 BBL | April – June 2015 | | 89.50 |
| Oil – WTI Fixed Price Swap | 32,016 BBL | July – September 2015 | | 88.87 |
| Oil – WTI Fixed Price Swap | 49,700 BBL | July – September 2015 | | 93.65 |
| Oil – WTI Fixed Price Swap | 29,992 BBL | October – December 2015 | | 87.80 |
| Oil – WTI Fixed Price Swap | 45,500 BBL | October – December 2015 | | 92.25 |
| Oil – WTI Fixed Price Swap | 205,000 BBL | January – December 2016 | | 84.45 |
| Oil – WTI Fixed Price Swap | 309,000 BBL | January – December 2016 | | 90.45 |
| Oil – WTI Fixed Price Swap | 183,400 BBL | January – December 2016 | | 56.90 |

The Company has WTI swaps covering 2,496 barrels per day for calendar 2015 at an average strike price of $88.00 per barrel and WTI swaps covering 1,905 barrels per day for calendar 2016 at an average strike price of approximately $80.00 per barrel.

**COMMENTARY ON RESULTS – CORPORATE**

Properties Acquired or Divested during the period:

Clayton Willams-owned Properties (Eagle Ford Shale): With the closing of a series of acquisitions on 12 March 2014, the Group expanded its net leasehold by 13,156 net acres in the crude oil window for approximately $71.3 million. These assets contained Proved and Probable reserves of approximately 10.7 MMBOE, 93% of which is liquids, with PV-10 of $187.3 million. Refer to the Company's announcement on February 24, 2014 for further detail.

Non-Strategic Asset Rationalization (Conventional Assets): Effective 1 June 2014, the Group sold its non-operated Raccoon Bend property in south Texas for approximately $3.2 million. Recent production from this asset averaged 50 BOEPD of low-margin production. The sale of these non-strategic assets was part of the Group's strategy of increasing its focus on the Eagle Ford Shale in Texas. Refer to the Company's June 2014 Quarterly Activities Report announcement on August 1, 2014, for further details.

Reserve Upgrade:

The Group announced a reserves upgrade on 18 February 2014 effective as of 31 December 2013. This upgrade was the result of drilling completed on the Group's projects as well as property acquisitions completed. Please refer to the reserves disclosures at Annex A and the Group's announcments during the period for full details on reserves. For the most up-to-date reserves please refer to the Group's announcement on 1 February 2015 (post-period) in which reserves were materially upgraded as a result of further recent acquisitions and bringing additional wells on-line in the Eagle Ford Shale.

Borrowing Arrangements & Liquidity:

The Group dramatically improved its liquidity position with the closing of its $220 million Senior Unsecured Notes offering on 3 April 2014. The Notes bear a coupon of 8.75%, are due on 15 April 2019 and are callable after 15 April 2016. After this transaction, the Group's Senior Secured Revolving Credit Facility borrowing base was set at $108.8 million. During Q4 2014, the Group's borrowing base was increased to $150 million.

At the end of the period the Group had debt of $264.6 million, undrawn availability under the Group's credit facilitities of approximately $101 million and cash of approximately $10 million.

# APPENDIX 4E - PRELIMINARY FINAL REPORT

The numbering and headings below correspond to the numbering and headings in the Appendix 4E in the ASX Listing Rules. Where a heading does not apply to the Group, or where a heading relates to the commentary above, this has been noted.

**1. Details of Reporting Period & Previous Corresponding Period**

Current Reporting Period: 12 months ended 31 December 2014
Previous Reporting Period: 12 months ended 31 December 2013

**2. Results for Announcement to the Market**

| | Key Information | 2013 $'000 | | Change % | | 2014 $'000 |
|---|---|---|---|---|---|---|
| 2.1 | Revenue from Ordinary Activites | 79,357 | UP | 48% | To | 117,745 |
| 2.2 | Profit (Loss) from Ordinary Activities after tax | 30,640 | UP | 19% | To | 36,466 |
| 2.3 | Profit (Loss) attributable to Members | 30,640 | UP | 19% | To | 36,466 |

**2.4 Final & Interim Dividends this period**

| | A$ Per Security | A$ Franked Per Security |
|---|---|---|
| - Current Period | Nil | Nil |
| - Previous Period | Nil | Nil |

**2.5 Record Date for determining entitlements to dividends:** No dividend has been declared or proposed in the period.

**2.6 Explanation of figures presented in 2.1-2.3 above:** Please refer to the Commentary on Results and to the announcments made by the Group during the period.

**3. Statement of Comprehensive Income:** Refer to the Preliminary Consolidated Statements at Annex A.
**4. Statement of Financial Position:** Refer to the Preliminary Consolidated Statements at Annex A.
**5. Statement of Cashflows:** Refer to the Preliminary Consolidated Statements at Annex A.
**6. Statement of Changes in Equity:** Refer to the Preliminary Consolidated Statements at Annex A.

**7. Details of Individual and Total Dividends:** Not applicable.
**8. Details of any Dividend or Distribution Reinvestment Plans:** Not applicable.

**9. Net Tangible Assets Per Security with Comparative Figures:**

NTA Per Security at 31 December 2014 $ 0.28
NTA Per Security at 31 December 2013 $ 0.24

**10. Details of Entities Over which Control has been gained or lost during the Period:** Not applicable.

**11. Details of Associates & Joint Venture Entities:** Not applicable.

**12. Other Significant Information Relating to Financial Performance & Financial Position:** Refer to the Commentary on Results and in particular the financial commentary, and borrowing arrangements and liquidity.

**13. Accounting Standards Used in Compiling this Report:** This Appendix 4E Preliminary Final Report is a general-purpose financial report and has been prepared in accordance with applicable Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001. The preliminary final report is also in compliance with ASX listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E and it relates to the consolidated entity consisting of Lonestar Resources Limited (the 'Company') and its subsidiaries (together referred to as the 'consolidated entity' or 'Group'). This preliminary final report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual financial report of the year ended 31 December 2014 and any public announcements made by Lonestar Resources during the year (including the mid-year report).

**14. Commentary on Results for the Period:**

Refer to the Commentary on Results.

14.1 Earnings Per Security: Refer to the Statement of Profit or Loss and Other Comprehensive Income at Annex A.

14.2 Returns to Shareholders: Refer to 2.4 above. No dividend has been declared or is proposed in respect to the current or prior period.

14.3 Operational Performance: Refer to the Operational Commentary on Results. The principal continuing activity of the Group during the course of the period was oil and gas production, development and exploration, and the management and operation of oil and gas producing and non-producing properties in the USA. No significant changes in the nature of the activities of the Group occurred during the period.

14.4 Segment Results significant to understanding of the Business as a Whole: Management has determined the operating segments based on the reports used by the Board of Directors to make strategic decisions. One reportable segment has been identified; US exploration and US production. The Board reviews internal management reports on a regular basis that are consistent with the information provided in this Appendix 4E. No reconciliation is required, because the information as presented is used by the Board to make strategic decisions.

14.5 Trends in Performance: Refer to the comparative data outlined in this report and in the Consolidated Preliminary Financial Statements which form part of this Appendix 4E. Also refer to the Company's investor presentations on the ASX platform for additional information on the Company's historical performance and its operational plans for 2015 and future periods.

14.6 Other factors affecting Results in the Period or likely to affect future Results: Commodity Pricing - average prices received for the reporting period are outlined in the table below. The Company uses commodity deriviatives as a tool to manage commodity price risk and create higher certainty of returns on capital expendiutres, and to maximize its borrowing available under its credit facilities. Please refer to the Financial Commentary on Results for further information on deriviatives.

| Average price received | 2013<br>US$ | 2014<br>US$ |
|---|---|---|
| Oil (average sales price per BO) | 96.95 | 87.41 |
| Natural Gas Liquids (average sales price per barrel) | 29.78 | 29.26 |
| Gas (average sales price per MCF) | 4.15 | 4.50 |

15. **Status of Audit for the 12 month Period to 31 December 2014:**

This Appendix 4E Preliminary Final Report is based on accounts which are in the process of being audited. The Company expects to file its audited accounts by 31 March 2015, in accordance with the Corporations Act and ASX Listing Rules.

ANNEX A

**APPENDIX 4E – ITEM 3**

## Statements of Profit or Loss and Other Comprehensive Income

**Preliminary Consolidated Statements of Profit or Loss and Other Comprehensive Income**
**For the 12 months ended 31 December 2014 and 2013**

| | 31 December 2014 US$'000 | 31 December 2013 US$'000 |
|---|---|---|
| **Revenues** | | |
| Revenues (net of royalties) | **116,528** | 81,197 |
| Hedge gains (losses) | **1,217** | (1,840) |
| **Net revenue from ordinary activities** | **117,745** | 79,357 |
| **Operating expenses** | | |
| Lease operating expenses | **(17,530)** | (13,819) |
| Severance taxes | **(5,425)** | (3,789) |
| Ad valorem taxes | **(1,701)** | (1,238) |
| Depreciation, depletion and amortisation | **(40,723)** | (28,280) |
| General and administrative | **(8,913)** | (7,534) |
| **Total Operating Expenses** | **(74,292)** | (54,660) |
| **Operating profit/(loss) from operating activities** | **43,453** | 24,697 |
| **Other income (expenses)** | | |
| Other income (expense) | **55** | 10,752 |
| Development Expenditure Written Off | **(5,478)** | (2,762) |
| Stock based compensation | **(1,938)** | (2,245) |
| Interest and other finance expenses | **(19,950)** | (3,744) |
| Fair value gain (loss) on derivatives | **42,756** | (992) |
| **Total other income (expenses)** | **15,445** | 1,009 |
| **Profit/(Loss) before tax** | **58,898** | 25,706 |
| Income tax benefit/(expense) | **(22,432)** | 4,934 |
| **Profit/(Loss) for the year** | **36,466** | 30,640 |
| Profit/(Loss) for the period is attributable to: | | |
| Equity holders of Lonestar Resources Limited | **36,466** | 30,640 |
| Other comprehensive income/(expense) | | |
| *Items that may be reclassified to the profit or loss* | | |
| Exchange differences on translation of foreign operations | **-** | 432 |
| **Other comprehensive income/(expense) for the year** | **36,466** | 31,072 |
| Total comprehensive income/(loss) for the year is attributable to: | | |
| Equity holders of Lonestar Resources Limited | **36,466** | 31,072 |
| **Earnings/(loss) per share (cents per share)** | **Cents** | **Cents** |
| Basic earnings/(loss) per share from continuing operations | **$.048** | $0.043 |
| Diluted earnings/(loss) per share from continuing operations | **$.048** | $0.043 |

*The above Preliminary Consolidated Statement of Profit and Loss and Other Comprehensive Income should be read in conjunction with the accompanying Notes to the Preliminary Consolidated Financial Statements.*

ANNEX A
**APPENDIX 4E – ITEM 4**

## Statements of Financial Position

**Preliminary Consolidated Statements of Financial Position**
**As at 31 December 2014 and 2013**

| | 31 December 2014 US$'000 | 31 December 2013 US$'000 |
|---|---|---|
| **ASSETS** | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | **9,992** | 6,744 |
| Trade receivables | **17,484** | 7,919 |
| Derivative financial instruments | **31,045** | 157 |
| Other assets | **655** | 545 |
| **Total current assets** | **59,176** | 15,365 |
| NON-CURRENT ASSETS | | |
| Oil and gas properties | **481,079** | 293,574 |
| Property, plant and equipment | **2,366** | 1,352 |
| Deferred tax assets | **70** | 96 |
| Derivative financial instruments | **12,713** | 490 |
| Other non-current assets | **3,735** | 1,987 |
| **Total non-current assets** | **499,963** | 297,499 |
| **Total assets** | **559,139** | 312,864 |
| **LIABILITIES** | | |
| CURRENT LIABILITIES | | |
| Trade payables | **39,989** | 9,460 |
| Revenue payable | **4,961** | 4,208 |
| Provisions | **2,458** | 2,407 |
| **Total current liabilities** | **47,408** | 16,075 |
| NON-CURRENT LIABILITIES | | |
| Borrowings | **264,614** | 109,000 |
| Deferred tax liabilities | **31,580** | 8,943 |
| Retirement provision | **6,835** | 5,937 |
| Derivative financial instruments | **-** | 2,207 |
| Other non-current liabilities | **1,000** | 1,000 |
| **Total non-current liabilities** | **304,029** | 127,087 |
| **Total liabilities** | **351,437** | 143,162 |
| **Net assets** | **207,702** | 169,702 |
| **EQUITY** | | |
| Contributed equity | **142,638** | 142,638 |
| Reserves | **6,912** | 5,378 |
| Retained earnings | **58,152** | 21,686 |
| **Capital and reserves attributable to equity holders of Lonestar Resources Limited** | | |
| **Total equity** | **207,702** | 169,702 |

*The above Preliminary Consolidated Statement of Financial Position should be read in conjunction with the accompanying Notes to the Prelminary Consolidated Financial Statements.*

ANNEX A
**APPENDIX 4E – ITEM 5**

## Statements of Cashflows

**Preliminary Consolidated Statements of Cash Flows**
**For the 12 months ended 31 December 2014 and 2013**

| | 31 December 2014 US$'000 | 31 December 2013 US$'000 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income (loss) | **36,466** | 30,640 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Fair value gain on acquisition | **-** | (27,661) |
| (Gain) / loss on sale of oil and gas properties | **(467)** | 17,110 |
| Depreciation, depletion, amortisation | **40,522** | 28,110 |
| Increase in retirement provision | **201** | 170 |
| Deferred taxes | **23,152** | (1,745) |
| Share based payments | **1,938** | 2,245 |
| Oil and gas activity prepayments | **-** | 255 |
| Net (increase) decrease in derivatives | **(45,808)** | 1,678 |
| Development expenditure written off | **5,478** | 2,762 |
| Non-cash interest expense | **825** | 84 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | **(9,565)** | (8,108) |
| Other assets | **(1,856)** | (400) |
| Accounts payable and provisions | **30,937** | (12,912) |
| **Net cash inflow from operating activities** | **81,823** | 32,228 |
| | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Payments for oil and gas property, plant & equipment | **(165,267)** | (80,499) |
| Purchase of additional working interest | **(70,978)** | (63,930) |
| Payment for purchase of accounting subsidiary net of cash acquired | **-** | 10,286 |
| | | |
| Proceeds from sales of oil and gas properties | **3,200** | 10,008 |
| **Net cash (outflow) from investing activities** | **(233,045)** | (124,135) |
| | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net change in borrowings | **(60,030)** | 89,000 |
| Proceeds from issuance of bonds | **214,500** | - |
| **Net cash inflow from financing activities** | **154,470** | 89,000 |
| | | |
| Net increase in cash held | **3,248** | (2,907) |
| Cash and cash equivalents at the beginning of the financial period | **6,744** | 9,651 |
| **Cash and cash equivalents at the end of the financial period** | **9,992** | 6,744 |

*The above Preliminary Consolidated Statement of Cash Flows should be read in conjunction with the accompanying Notes to the Preliminary Consolidated Financial Statements.*

ANNEX A

**APPENDIX 4E – ITEM 6**

## Statements of Changes in Equity

**Preliminary Statements of Changes in Equity**
**For the 12 months ended 31 December 2014 and 2013**

| | Share Capital US$'000 | Non redeemable shares US$'000 | Foreign currency translation reserve US$'000 | Share based payments reserve US$'000 | Retained Earnings (Deficit) US$'000 | Total Equity US$'000 |
|---|---|---|---|---|---|---|
| **Balance as at 31 December 2012** | **91,202** | **-** | **(801)** | **3,502** | **(8,954)** | **84,949** |
| Profit for the period | - | - | - | - | 30,640 | 30,640 |
| Foreign currency translation | - | - | 432 | - | - | 432 |
| Total comprehensive income for the year | - | - | 432 | - | 30,640 | 31,072 |
| ***Transactions with owners in their capacity as owners*** | | | | | | |
| Acquisition Amadeus Petroleum – 2 January 2013 | 51,436 | - | - | - | - | 51,436 |
| Options issued | - | - | - | 2,245 | - | 2,245 |
| **Balance as at 31 December 2013** | **142,638** | **-** | **(369)** | **5,747** | **21,686** | **169,702** |
| Profit for the period | - | - | - | - | 36,466 | 36,466 |
| Foreign currency translation | - | - | (404) | - | - | (404) |
| Total comprehensive income for the year | - | | (404) | - | 58,152 | 57,379 |
| ***Transactions with owners in their capacity as owners*** | | | | | | |
| | | - | - | - | - | |
| Options issued | - | - | - | 1,938 | - | 1,938 |
| **Balance as at 31 December 2014** | **142,638** | **-** | **(773)** | **7,685** | **58,152** | **207,702** |

*The above Preliminary Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying Notes to the Preliminary Consolidated Financial Statements.*

ANNEX A

## Notes to the Preliminary Consolidated Financial Statements For the 12 months ended 31 December 2014

**Basis of preparation** - See item 13 “Accounting Standards Used in Compiling Report” above.

**Statement of compliance**

The preliminary final report is a general-purpose financial report and has been prepared in accordance with applicable Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001. The preliminary final report is also in compliance with ASX listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

**Historical cost convention**

The Preliminary Final Report has been prepared under historical cost convention, as modified by the revaluation of available for sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

**Reverse Acquisition Accounting**

On 2 January 2013, Lonestar Resources Ltd (formerly Amadeus Energy Ltd) acquired UK-based Ecofin Energy Resources PLC (“EER”), the holding company for Texas-based Lonestar Resources, Inc. from its controlling shareholder Ecofin Water & Power Opportunities PLC and EER’s other minority investors (the “Lonestar Transaction”). On completion of the Lonestar Transaction, the business combination of the Company and EER became effective. The Lonestar Transaction has been accounted for using the guidelines as set out in IFRS/AASB 3 'Business Combinations'. In applying the requirements of the guidelines to the Group, the Company, which was the legal acquirer, is deemed to be the accounting acquiree of the Group, and the consolidated financial information in this Report, and the Appendix 4E is presented on this basis. In line with the guidelines of that standard, the transaction has been accounted for as a reverse acquisition which requires that:

- The assets and liabilities of the legal subsidiary, Ecofin Energy Resources Plc (“EER”), are recognised and measured in the consolidated financial statements at its pre-combination carrying amounts.
- The retained earnings and other equity balances recognised in the consolidated financial statements are the retained earnings and other equity balances of the legal subsidiary EER immediately before the business combination.
- The amount recognised as issued equity in the consolidated financial statements are determined by adding to the issued equity of the legal subsidiary EER immediately before the business combination, the fair value of the acquisition by the accounting acquiree.
- Comparative information presented in the consolidated financial statements are of EER.

**Subsequent Events**

(a) Reserves Upgrade: The Company’s Proved reserves at 31 December 2014 were reported to the market post-period on 1 February 2015. Please refer to the reserves information below and the Company’s announcement on 01 February 2015 for full details on the Company’s current reserves position.

(b) The likely developments of the core business of the Lonestar Group are covered in the Company’s announcements. In the opinion of the Directors, disclosure of any further information on likely developments in the operations of the consolidated entity and the expected results of operations would be likely to result in unreasonable prejudice toward the Company, the consolidated entity and shareholders.

**Reserves Reporting & Disclosures:**

Pursuant to ASX Listing Rules (“LR”) the reserves information in this document:

(i) is effective as at 31 December 2014 (LR 5.25.1)
(ii) has been estimated and is classified in accordance with SPE-PRMS (Society of Petroleum Engineers - Petroleum Resources Management System) (LR 5.25.2)
(iii) is reported according to the Company’s economic interest in each of the reserves and net of royalties (LR 5.25.5)
(iv) has been estimated and prepared using the deterministic method (LR 5.25.6)
(v) has been estimated using a 6:1 BOE conversion ratio for gas to oil, pursuant to the information in the disclaimer section of this document (LR 5.25.7)

Other Reserves Information:

Lonestar operates most of its properties which are generally held by standard oil and gas lease arrangements. Detailed information on the operator and lease arrangements is disclosed in the Company announcement related to the initial acquisition of properties.

The Company's working interest ownership (WI%) and net-revenue interest ownership (NRI%) in relation to each of its properties are generally included in the Company's presentations which are available on the ASX or the Company's websites. Well spacing assumptions and lateral length assumptions are generally included in the Company's presentations as additional information on capital cost and taxation assumptions. In accordance with ASX LR 5.43 the Company confirms that it is not aware of any new information or data that materially affects the reserves information included in previous Company announcements including as to material assumptions and technical parameters underpinning the estimates, other than as set out in this announcement.

Qualified Petroleum Reserves and Resources Evaluators:

In accordance with ASX Listing Rules 5.41 and 5.42:

The reserve reporting provided in this document in relation to the Company's Eagle Ford Shale properties is based on and fairly represents information and supporting documentation that has been prepared by Mr. William D. Von Gonten, Jr., P.E., and Mr. Taylor D. Matthes, P.E. who are employed by W. D. Von Gonten & Co Petroleum Engineering. Mr. Von Gonten holds a Bachelor of Science degree in Petroleum Engineering from Texas A&M University and Mr. Matthes holds a Bachelor of Science degree in Petroleum Engineering from Texas A&M University. Both of these persons are Registered Texas Professional Engineers. Mr. Von Gonten has 24 years of experience as a Petroleum Engineer and Mr. Matthes has more than 5 years of experience as a Petroleum Engineer. Both of these persons are members of the Society of Petroleum Engineers . Messrs. Von Gonten and Matthes have consented to the inclusion in this document of the information and context in which it appears.

The reserve reporting provided in this document in relation to the Company's Conventional properties is based on and fairly represents information and supporting documentation that has been prepared by Mr. William M. Kazmann who is President and Senior Partner La Roche Petroleum Consultants, Ltd. Mr. Kazmann received his Bachelor of Science and Master of Science degrees in Petroleum Engineering from the University of Texas at Austin in 1973 and 1975 respectively. He has worked in the oil and gas industry since that time. Mr. Kazmann is a Licensed Professional Engineer in the State of Texas and is a member of the American Association of Petroleum Geologists, Society of Petroleum Engineers, Society of Independent Professional Earth Scientists (serving as National Director from 1993 to 1996 and National Treasurer in 1994 and 1995), Dallas Geological Society, and Dallas Petroleum Club (serving as Director from 2004 through 2006). Mr. Kazmann has consented to the inclusion in this document of the information and context in which it appears.

Commodity Pricing Used:

Lonestar's reserves and PV-10 have been estimated using index prices determined in accordance with US SEC pricing guidelines for oil and natural gas, without giving effect to derivative transactions, and were held constant throughout the life of the properties. The unweighted arithmetic averages of the first-day-of-the-month prices for the year ended December 31, 2014 were $94.99 per bbl for oil and $4.35 per mmbtu for natural gas and for the year ended December 31, 2013 were $96.94 bbl for oil and $3.66 per mmbtu for natural gas. These prices were adjusted by lease for quality, energy content, regional price differentials, transportation fees, marketing deductions and other factors affecting the price received at the wellhead.

Reserves Cautionary Statement:

Hydrocarbon reserves and resource estimates are expressions of judgment 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, adversely impact the Company's operations. Reserves estimates and estimates of future earnings are, by nature, forward looking statements and subject to the same risks as other forward looking statements.

**The information set out in this Appendix 4E Preliminary Final Report is to be read in conjunction with the December 2014 Annual/Financial Report which will be released in March 2015.**

**Sign here:** **Date:** 27 February 2015

**Print name:** Mitchell M. Wells

For further information regarding these results please contact:

Mitchell Wells, Company Secretary
11 Ventor Avenue, Ground Floor, West Perth, Western Australia 6009
Telephone: +61 8 6355-6888, Facsimile: +61 8 6460 9897
info@lonestarresources.com www.lonestarresources.com

**Terms**

| | |
|---|---|
| LNR | ASX code for Lonestar Resources Limited |
| Company | Lonestar Resources Limited (ABN 36 058 714 408) and its controlled entities |
| BCF | Billion cubic feet of natural gas |
| BO | Barrel or barrels of oil or natural gas liquids ("NGLs") |
| BOPD | Barrels of oil or NGLs per day |
| BOE | Barrel of oil equivalent. For purposes of computing such units, a conversion rate of 6,000 cubic feet of natural gas to one barrel of oil equivalent (6:1) is used. The conversion ratio of 6:1 is based on an energy equivalency conversion method which is primarily applicable at the burner tip and does not represent value equivalence at the wellhead. |
| BOEPD | Barrels of oil or NGLs equivalent per day |
| EBITDA | Earnings before interest, tax, depreciation and amortisation |
| EBITDAX | Earnings before interest, tax, depreciation and amortisation, and exploration |
| FY | Financial year or full-year |
| LLS | Louisianna Light Sweet crude |
| MCF | Thousand cubic feet of natural gas |
| MMBO | Million barrels of oil |
| MMBOE | Million barrels of oil equivalent |
| MMCF | Million cubic feet of natural gas |
| WTI | West Texas Intermediate |
| Net Revenue | Is calculated net of royalties, production taxes, lease operating expenses, and capital expenditures, before Federal Income Taxes for calculation of Proved or Probable Reserves |
| PV-10 or NPV10 | Future Net Revenues of the Company's Proved or Probable Reserves, discounted at 10% per annum. The estimated future net revenue values do not necessarily represent the fair market value of the Company's reserves. |