

QUARTERLY ACTIVITIES REPORT

FOR THE THREE MONTHS ENDING 30 JUNE 2018

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

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

The Company is continuing with its due diligence on Lone Star and is nearing completion on its Notice of Meeting to approve the transaction. The Company is also working on the Prospectus and it is anticipated the Prospectus and Notice of Meeting will be completed in the near future. There is a requirement to vary the terms of the Agreement slightly which will be announced as soon as possible along with a revised timetable.

Details of the two oil projects are detailed below:

- **Greever Project:** located in Hansford County, Texas in the United States approximately 96 miles north of Amarillo. The Greever Prospect is a conventional horizontal drilling opportunity in the Marmaton Formation in the Hansford Oil and Gas Field in Hansford County, Texas. The Hansford Field is described as a significant field (>1,000 Billion cubic feet (**Bcf**) of gas) with over 50 years of exploitation. An initial horizontal well bore was spudded in August 2017. The well is offsetting a recent successfully drilled (producing) horizontal well and is adjacent to an analogous field with five recently drilled horizontal Marmaton producing wells. The Greever Prospect opportunity is made up of 640 acres in Section 52, Block 4T in Hansford County, Texas. The Greever Prospect also includes an Area of Mutual Interest (**AMI**) including the adjoining Section 51, Block 4T. LS Operating Pty Ltd (**LS Operating**), a wholly owned subsidiary of Lone Star, has participated for a 25% working interest (with an 18.75% net revenue interest). 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, proposes to target Morrow sands at an approximate depth of 7,850 ft. These Morrow sands are known to produce commercial quantities of natural gas from vertical wells within section 28 and adjacent sections. LS Operating has agreed to participate for up to a 100% working interest (with a 75% net revenue interest) in the drilling of the Burgess well.

Proposed Assets

In addition to the two projects owned by Lone Star, Lone Star subsidiary, LS Operating LLC (**LSO**) 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 proposed drilling location is offsetting a recent successfully drilled (producing) horizontal well and is adjacent to an analogous field with a number of recently drilled horizontal Woodford producers.

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

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.

FINANCIAL

During the quarter, the Company entered into Convertible Loan Agreements with Related and Non-Related parties to raise \$200,000. The Loans are convertible into Shares at 2 cents per Share in the Company upon re-quotation of the Company on ASX. The interest rate on the Loans are 10%. The interest may also be converted into Shares. The conversion of the Loans is subject to shareholder approval.

At 31 March 2018, Nickelore held \$169,000 in cash reserves.

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CONTACT

Investors

Robert Gardner / Jay Stephenson

Nickelore Limited

P: +61 8 9426 0666

