



Nickelore Limited

ABN 13 086 972 429

1 December 2017

NICKELORE LIMITED TO ACQUIRE US OIL PROJECTS AND BOARD CHANGES

Nickelore Limited (ASX:NIO) (**Company**) is pleased to announce it has 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 (**Assets**) (**Proposed Acquisition**). A summary of the key terms of the Agreement is set out in Schedule 1.

OVERVIEW OF THE ASSETS

1. The Assets are comprised of the following two oil projects (together **the Projects** and each a **Project**):
 - **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. The well has spud and is currently drilling ahead at approximately 2,200 feet. The well is expected to reach target depth of approximately 8,100 feet by the middle of December.
2. For details of the proposed activities on the Assets following completion of the Proposed Acquisition refer to paragraph 16 and for further details of the Assets and their location refer to Schedule 2.

SUMMARY OF THE TERMS OF THE AGREEMENT

3. The Agreement is conditional on, amongst other matters, mutual due diligence, completion of the Entitlement Issue, Public Offer and Consolidation (each defined below), each shareholder of Lone Star agreeing to the terms of the Proposed Acquisition, the parties obtaining all necessary shareholder, regulatory and third party approvals and consents to give effect to the Proposed Acquisition and no material adverse change occurring prior to satisfaction of the conditions precedent. The consideration payable by the Company on completion of the Proposed Acquisition is the issue of 105,500,000 Shares and 52,750,000 Options (exercisable at \$0.025 each within 2 years from the date of issue) to the shareholders of Lone Star. A summary of the key terms of the Agreement is set out in Schedule 1.

CAPITAL RAISING AND CONSOLIDATION

4. In accordance with a condition precedent to the Agreement and to assist the Company to re-comply with Chapters 1 and 2 of the Listing Rules and to support its exploration and development strategy post-completion of the Proposed Acquisition, the Company plans, subject to shareholder approval, to conduct a capital raising under a public offer pursuant to a full form prospectus to raise up to \$4,500,000 with a minimum of \$4,200,000, at an issue price of not less than \$0.02 per Share (**Public Offer**). The funds raised from the Public Offer are intended to be used as follows:

Allocation of funds	Minimum Subscription (\$)	Full Subscription (\$)
Exploration expenditure ¹	2,998,000	3,998,000
Expenses of the Public Offer ²	494,500	512,500
Administration costs	300,000	300,000
Working capital	407,500	389,500
Total	4,200,000	5,200,000

¹ Forecast exploration expenditure assumes continued participation by LS Operating in certain oil and gas drilling opportunities as set out in the agreement between LS Operating and BRK Oklahoma Holdings, LLC (Step-in Opportunities)

^{1.1} Pursuant to this agreements Operating has been offered the opportunity to step-in for a 50% working interest (of BRK Oklahoma's working interest) in the Bullard #1-18-7H well in Garvin County Oklahoma. The estimated share of drilling and completion costs is US\$664,000.

^{1.2} In addition, LS Operating is forecasting the participation in at least two additional wells during calendar 2018. Estimated costs of approximately US\$1.8 million are anticipated for participation in one horizontal well (similar to the Bullard well) and one vertical well (similar to the Burgess well).

² Based on a capital raising fee of 6% on proceeds raised plus costs associated with re-compliance.

In the event the amount raised is between the minimum subscription and maximum subscription the funds raised above the minimum subscription will be applied to additional expenses of the Public Offer and then working capital.

It should be noted that the Company's budgets will be subject to modification on an ongoing basis depending on the results obtained from exploration and evaluation work carried out. This will involve an ongoing assessment of the Company's interests. The results obtained from exploration and evaluation programs may lead to increased or decreased levels of expenditure on certain projects reflecting a change in emphasis.

The above table is a statement of current intentions as of the date of this announcement. As with any budget, intervening events, including exploration success or failure, and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.



5. As at the date of this announcement, the Public Offer is not underwritten.
6. To fund the costs of re-complying with Chapters 1 and 2 of the ASX Listing Rules, the Company proposes to undertake an entitlement issue to raise up to approximately \$200,000 before costs on terms to be agreed between the Company and Lone Star (**Entitlement Issue**).
7. The Company intends to consolidate its securities on a 1:6 basis (**Consolidation**) with fractional entitlements rounded down to the nearest whole Share (as the case may be) and will seek approval of its shareholders at the meeting to approve the Proposed Acquisition.

PRO FORMA FINANCIAL INFORMATION

8. The effect of the Proposed Acquisition on the Company's consolidated statement of financial position is included at Schedule 3.

PRO FORMA CAPITAL STRUCTURE

9. The indicative capital structure of the Company following completion of the Proposed Acquisition, based on the current securities on issue and including the Entitlement Issue and Public Offer (each assuming full subscription), will be as follows (subject to rounding following the Consolidation):

Shares

	Pre-Consolidation	Post-Consolidation
Shares currently on issue as at the date of this announcement	307,731,740	51,288,623
Shares to be issued pursuant to the Entitlement Issue	61,546,348	10,257,724
Shares issued pursuant to the Public Offer ¹	1,260,000,000	210,000,000
Shares issued pursuant to the Proposed Acquisition ²	633,000,000	105,500,000
Total Shares on issue after completion of the Proposed Acquisition	2,262,278,088	377,046,347

Options

	Pre-Consolidation	Post-Consolidation
Options on issue as at the date of this announcement	Nil	Nil
Options offered pursuant to the Proposed Acquisition ^{2,3}	316,500,000	52,750,000
Total Options on issue after completion of the Proposed Acquisition	316,500,000	52,750,000

Notes

- 1 Assuming an issue price per Share under the Public Offer of \$0.02.
- 2 Up to an additional 30,000,000 Shares and 15,000,000 Options may be issued by the Company where Lone Star undertakes a capital raising prior to Settlement of the Proposed Acquisition, with the quantity to be issued based on the amount raised by Lone Star in proportion to the maximum amount permitted to be raised under the terms of the Agreement, being \$600,000.
- 3 Being, unquoted Options exercisable at \$0.025 each, on or before 5.00pm (WST) on the date which is 2 years after the date of settlement of the Proposed Acquisition.



RELATED PARTY / CONTROL ISSUES

10. Mr Gardner, through a controlled entity Fastwitch Enterprises Pty Ltd, has provided funds of \$600,000 to Lone Star in the form a convertible note, which will convert to shares in Lone Star which will be acquired by the Company under the Proposed Acquisition for 30,000,000 shares on a post-Consolidation basis. Mr Gardner is also the major shareholder of the Company, holding 28.47% (87,622,500 shares on a pre-Consolidation basis). On completion of the Proposed Acquisition (assuming full subscription under the Entitlement Issue and Public Offer, acceptance by Mr Gardner of his full entitlement under the Entitlement Offer, not including the effects of additional consideration securities that may be issued pursuant to note 2 to the pro forma capital structure and subject to rounding following the Consolidation), Mr Gardner's holding would be approximately 23.5% (47,524,500 shares on a post-Consolidation basis). Shareholder approval pursuant to Listing Rule 10.1 will be sought for the Company's acquisition of Mr Gardner's interest in Lone Star which will require the inclusion of an independent expert's report with the notice of meeting.

BOARD CHANGES

11. Mr David Deloub will be appointed as a director of the Company (**New Director**) effective from 1 December 2017. It is intended that Messrs Robert Gardner and Jay Stephenson will remain as directors of the Company, Mr Paul Piercy has resigned as a director of the Company. The board thanks Mr Piercy for his contribution to the Company during his time as a Director.
12. The New Director's qualifications and experience are set out below.

Mr David Deloub – Proposed Executive Director

Mr Deloub has over 25 years' experience in the finance and corporate sectors and holds a Bachelors degree in economics with honors and post graduate qualifications in Banking and Finance.

Previously David was the Managing Director of Merah Resources Limited an ASX listed exploration company.

David has held a number of executive positions including Chief Financial Officer at the ASX listed Neptune Marine Services and Executive Director at Patersons Capital Partners, a Perth based boutique advisory firm focused on providing strategic and financial advice to ASX listed companies.

David has considerable corporate finance, business development, management and operational experience in Australia, the United States and Africa where he has held senior management positions at Alinta Energy Limited, Alcoa Inc, and Merah Resources Limited.

David has also held non-executive board positions at Neptune Marine, Merah Resources and Minquest Limited.

CHANGE OF COMPANY NAME

13. Following completion of the Proposed Acquisition, the Company will change its name. The proposed new name will be set out in the notice of meeting issued by the Company seeking shareholder approval for the Proposed Acquisition and associated matters.



TIMETABLE

14. A timetable for the Proposed Acquisition and associated events is set out below:

Event	Date
Receipt of Independent Expert's Reports for inclusion in Notices of General Meetings for the Company and Lone Star	20 December 2017
Dispatch of Notice of General Meeting for Lone Star	22 December 2017
Lone Star General Meeting to approve Proposed Acquisition	15 January 2018
Dispatch of Notice of General Meeting for the Company	17 January 2018
Lodgement of Prospectus for Public Offer with ASIC	2 February 2018
Opening date of Public Offer	2 February 2018
Company General Meeting to approve Proposed Acquisition	16 February 2018
Closing Date of Public Offer	9 March 2018
Issue of Shares under Public Offer	14 March 2018
Settlement of the Proposed Acquisition	14 March 2018
Dispatch of Holding Statements	15 March 2018
Re-compliance with Chapters 1 & 2 of the ASX Listing Rules	16 March 2018
Re-instatement to quotation of Shares (including Shares issued under the Public Offer) on ASX	19 March 2018

Further details of the timetable for the Entitlement Issue, including the lodgement date of the offer document or prospectus, record date and closing date will be announced once determined.

PROPOSED ACTIVITIES ON THE ASSETS

15. Lone Star, via its wholly-owned subsidiary LS Operating Pty Ltd, has entered into a letter agreement with BRK Oklahoma Holdings, LLC (**BRK Oklahoma**) 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. See Schedule 2 for further details of the Assets.

RE-COMPLIANCE WITH ASX LISTING RULES CHAPTERS 1 AND 2

16. Since the Proposed Acquisition will result in a significant change to the nature and scale of the Company's activities, the Proposed Acquisition will require the Company's shareholders' approval under ASX Listing Rule 11.1.2 and will also require the Company to re-comply with Chapters 1 and 2 of the Listing Rules in accordance with ASX Listing Rule 11.1.3.

SHAREHOLDER APPROVALS

17. A notice of meeting seeking shareholder approval for the resolutions required to give effect to the Proposed Acquisition will be sent to the Company's shareholders in due course. Those approvals will include:

- (a) the change in nature and scale of the Company's activities;



- (b) the Consolidation;
 - (c) the issue of Shares and Options in connection with the Proposed Acquisition;
 - (d) the issue of Shares and Options in connection with the Public Offer;
 - (e) the appointment of the New Director; and
 - (f) the change of the Company's name.
18. The Company's securities are currently suspended from trading on ASX and it is anticipated that the Company's securities will remain suspended until completion of the Public Offer, the Proposed Acquisition, re-compliance by the company with Chapters 1 and 2 of the ASX Listing Rules and compliance with any further conditions ASX imposes on such reinstatement.

ASX WAIVERS REQUIRED

19. The Company intends to seek the following waivers from ASX:
- (a) ASX Listing Rule 2.1 (Condition 2) to allow the Company to issue Shares with an issue price below \$0.20 in connection with the Proposed Acquisition and Public Offer; and
 - (b) ASX Listing Rule 1.1 (Condition 12) to allow the Company to issue Options with an exercise price below \$0.20 in connection with the Proposed Acquisition and Public Offer.

REGULATORY REQUIREMENTS GENERALLY

20. The Company notes that:
- (a) the Proposed Acquisition requires shareholder approval under the Listing Rules and therefore may not proceed if that approval is not forthcoming;
 - (b) the Company is required to re-comply with ASX's requirements for admission and quotation and therefore the Proposed Acquisition may not proceed if those requirements are not met;
 - (c) ASX has an absolute discretion in deciding whether or not to re-admit the Company to the Official List and to quote its securities and therefore the Proposed Acquisition may not proceed if ASX exercises that discretion; and
 - (d) investors should take account of these uncertainties in deciding whether or not to buy or sell the Company's securities.
21. Furthermore, the Company:
- (a) notes that ASX takes no responsibility for the contents of this announcement; and
 - (b) confirms that it is in compliance with its continuous disclosure obligations under ASX Listing Rule 3.1.



SCHEDULE 1 – KEY TERMS OF THE AGREEMENT

The key terms of the Agreement are as follows:

1. **Conditions Precedent:** Settlement of the Proposed Acquisition (**Settlement**) is subject to and conditional upon the satisfaction (or waiver if permitted) of the following conditions precedent on or before 31 March 2018 (unless otherwise mutually agreed in writing by the parties):
 - (a) **Due Diligence.** Completion of due diligence by each party on the other party and its business, operations and assets, to the absolute satisfaction of each party;
 - (b) **Entitlement Issue.** The Company completing an entitlement issue to raise up to approximately \$200,000 before costs at an issue price and ratio to be agreed with between the Company and Lone Star;
 - (c) **Consolidation.** The Company completing a consolidation of capital at a ratio of 1 new security for every 6 securities;
 - (d) **Capital Raising.** The Company completing a capital raising of not less than \$4,200,000 before costs, or such other amount as required to re-comply with Chapters 1 and 2 of the ASX Listing Rules, through the issue of Shares at not less than \$0.02 per Share (on a post-Consolidation basis);
 - (e) **Lone Star Shareholder Approvals.** Lone Star obtaining all necessary shareholder approvals pursuant to the Corporations Act to allow Lone Star to lawfully complete the matters set out in the Agreement, (including but not limited to approval pursuant to item 7 of section 611 of the Corporations Act);
 - (f) **Lone Star Shareholder Agreement.** Each shareholder of Lone Star entering into a binding agreement with the Company to sell all of their respective rights and interests in all of their shares in Lone Star;
 - (g) **Shareholder Approvals.** The Company obtaining all necessary shareholder approvals pursuant to the ASX Listing Rules, Corporations Act or any other law to allow the Company to lawfully complete the matters set out in the Agreement;
 - (h) **Third Party Approvals.** The Company obtaining all necessary third-party approvals or consents to give effect to the matters set out in the Agreement to allow the Company to lawfully complete the matters set out in the Agreement;
 - (i) **Regulatory Approvals.** The Company obtaining all necessary regulatory approvals pursuant to the ASX Listing Rules, Corporations Act or any other law to allow the Company to lawfully complete the matters set out in the Agreement, including the Company obtaining conditional approval from ASX that the Company will be reinstated to the official list of ASX on terms and conditions acceptable to the Company and Lone Star; and
 - (j) **Material Adverse Change.** There being no material adverse change to either party prior to the satisfaction (or waiver) of all of the conditions set out above, as determined by the other party acting reasonably.
2. **Consideration:** In consideration for the Proposed Acquisition, the Company will issue to the shareholders of Lone Star (**Vendors**) (or their nominees) at Settlement:
 - (a) an aggregate of 105,500,000 Consideration Shares, together with 1 Consideration Option for every 2 Consideration Shares issued; and
 - (b) up to an additional 30,000,000 Consideration Shares and 15,000,000 Consideration Options (each on an equivalent basis to each other Consideration Share and Consideration Option) for any additional securities issued by Lone Star between entry into the Agreement and Settlement, which are to be used to fund



completion costs for the Sand Creek Project, with the quantity to be issued based on the amount raised by those additional securities in proportion to a maximum amount of \$600,000,

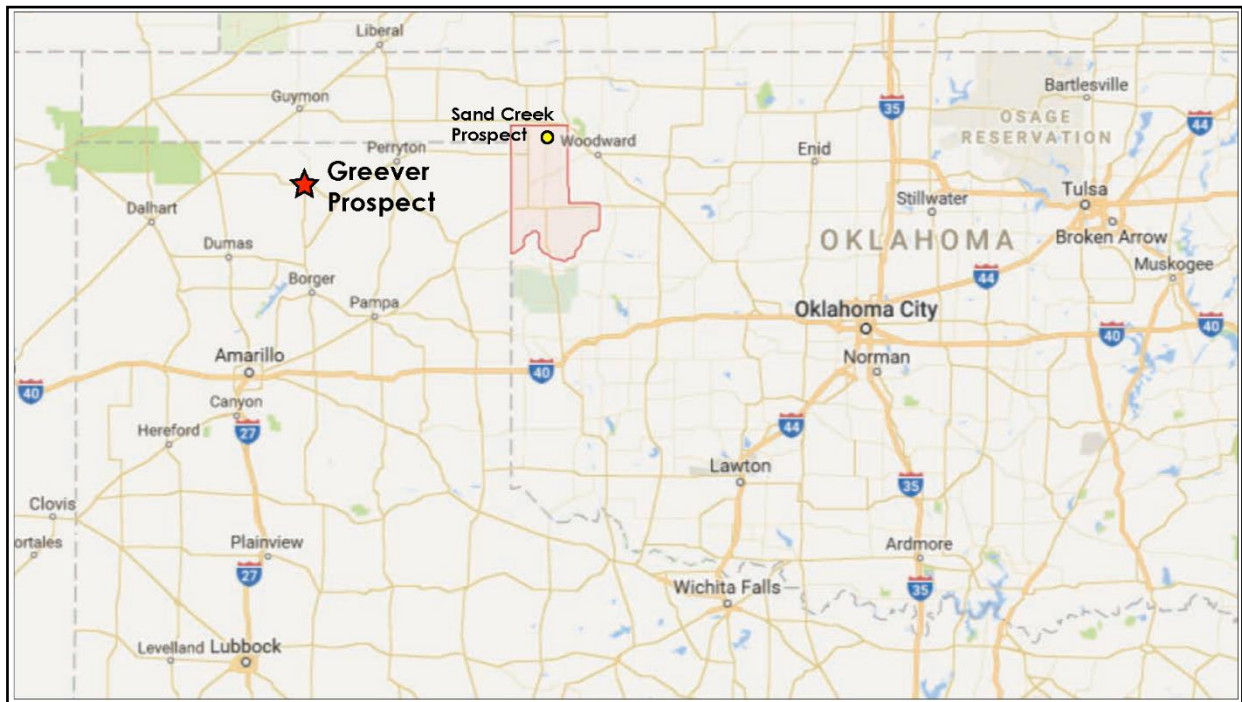
(together the **Consideration Securities**), all on a post-Consolidation basis, to be issued proportionately to Lone Star shareholders based on their shareholding in Lone Star at Settlement.

3. **Board Composition:** The parties agree that upon Settlement the directors of the Company will consist of Mr Robert Gardner (Non-Executive Chair), Mr Jay Stephenson (Non-Executive Director), Mr David Deloub (Executive Director), and the company secretary will be Mr Sonu Cheema, unless otherwise agreed in writing by the Company and Lone Star.
4. The Agreement otherwise contains clauses typical for agreements of this nature, including exclusivity, confidentiality, pre-completion covenants, representations, warranties and indemnities.



SCHEDULE 2 – DETAILS OF THE ASSETS

Project	Operating Company	Well Name	Surface Location	Description	Working Interest	Net Revenue Interest	Estimated Cost
Greever Prospect	Strat Land Exploration Company	Sutton #2H-52	260' FNL & 735' FWL in 640 acre unit in Section 52, Block 4T	Hansford County, Texas	25%	18.75%	US\$900,000
Burgess Prospect	Black Mesa Production, LLC	Burgess #28-1	NE/4 Section 28-24N-23W	Ellis County, Oklahoma	100%	75%	US\$830,000



SCHEDULE 3 – PRO FORMA FINANCIAL INFORMATION

	Note	Nickelore Audited 30 June 2017 \$	Lone Star Group Unaudited 30 June 2017 \$	Minimum Subscription Pro Forma 30 June 2017 \$	Maximum Subscription Pro Forma 30 June 2017 \$
CURRENT ASSETS					
Cash and cash equivalents	(1)(2)(3)	178,475	14,738	4,197,213	4,940,463
Trade and other receivables		2,780	-	2,780	2,780
Other current assets		2,458	-	2,458	2,458
TOTAL CURRENT ASSETS		183,713	14,738	4,202,451	4,945,701
NON-CURRENT ASSETS					
Exploration and evaluation assets	(3)(5)	-	-	3,358,932	3,358,932
Financial Assets		8,967	-	8,967	8,967
TOTAL NON-CURRENT ASSETS		8,967	-	3,367,899	3,367,899
TOTAL ASSETS		192,680	14,738	7,570,350	8,313,600
CURRENT LIABILITIES					
Trade and other payables		148,290	8,252	156,542	156,542
TOTAL CURRENT LIABILITIES		148,290	8,252	156,542	156,542
TOTAL LIABILITIES		148,290	8,252	156,542	156,542
NET ASSETS		44,390	6,486	7,413,808	8,157,058
EQUITY					
Issued capital	(2)(4)	24,648,541	2,206,106	31,264,041	32,007,291
Reserves		-	10,000	753,919	753,919
Accumulated losses		(24,604,152)	(2,209,620)	(24,604,152)	(24,604,152)
TOTAL EQUITY		44,389	6,486	7,413,808	8,157,058

NOTE 1 UNAUDITED PRO FORMA TRANSACTIONS

- (1) Company completion of an entitlement issue of \$200,000 with estimated costs of 10% (being \$20,000).
- (2) Company completion of a minimum prospectus offer of \$4,200,000 less \$494,500 in expenses of the offer plus \$200,000 entitlement offer, up to a maximum prospectus offer of \$4,500,000 less \$512,500 in expenses of the offer plus \$200,000 entitlement offer.
- (3) Lone Star issued \$762,500 in convertible notes (which convert a part of the acquisition) and raised approximately \$976,000. Proceeds were used to fund the acquisition of the projects for \$1,640,000 with the balance of the proceeds used for working capital.
- (4) Company pays consideration of 105,500,000 in ordinary shares (up to 135,500,000 ordinary shares upon conversion of convertible notes) and 52,750,000 2.5 cent options (up to 79,125,000 2.5 cent options upon conversion of convertible notes) expiring 2 years from the date of issue and valued at 0.953 cents per option for the purposes of this pro forma.
- (5) Pro forma excess of consideration over the fair value of the identifiable net assets ascribed to the Prospects acquired after elimination of Lone Star equity balances.

