LONE STAR ENERGY LIMITED

ACN: 157 789 761

Annual Financial Report
30 June 2018

Contents

CORPORATE INFORMATION
ACN 157 789 761

Directors
Mr Matthew Sheldrick
Mr James Robinson
Mr Christopher Mews

Company secretary
Mr Sonu Cheema

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Telephone: (08) 6489 1600
Fax: (08) 6489 1601

Principal place of business
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Solicitors
Eaton Hall
Suite 3, 43 Oxford Close
West Leederville
Perth WA 6007

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 annual financial report of Lone Star Energy Limited ("Lone Star" or the "Company") and the entities it controlled for the financial period ended 30 June 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 (appointed 18 May 2012)
James Robinson	Non-executive Director (appointed 13 April 2012)
Christopher Mews	Non-executive Director (appointed 7 July 2017)
Robert Clifford	Executive Director (resigned 7 July 2017)

Names, qualifications, experience and special responsibilities

Mr Matthew Sheldrick
Non-executive Chairman

Mr Sheldrick holds a Bachelor of Commerce Degree from the University of Western Australia and is a qualified Chartered Accountant. He has over 25 years' experience in the securities, finance and corporate advisory industries, with particular emphasis in the resources and energy sectors. He has founded a number of ASX listed companies, and has been involved in the growth of these companies by way of mergers and acquisitions. He has also previously acted for a number of public and ASX listed companies in a variety of executive and non-executive roles.

Mr James Robinson
Non-executive Director

Mr Robinson gained extensive capital markets experience during 10 years with one of Western Australia's leading corporate advisory and stockbroking firms. He is also a Director of corporate advisory firm Cicero Advisory Services and is a member of the Australian Institute of Company Directors. Mr Robinson holds a Bachelor of Economics from the University of Western Australia.

Mr Christopher Mews (Appointed 7 July 2017)
Non-executive Director

Mr Mews is a CPA and holds a Bachelor of Business degree (Accounting) and is a Chartered Company Secretary. He has been in financial services for over 19 years and is experienced in the financial operation, governance and compliance of Managed Investment Schemes, ASX listed companies and unlisted companies. Mr Mews has held senior positions in Finance, Corporate Secretarial and Compliance. In these roles he has been a member of senior management and participated in the due diligence and acquisition of Managed Investment Schemes, and participated in various capital raisings for Managed Investment Schemes, ASX listed Companies and unlisted Companies. Mr Mews is responsible for financial and compliance responsibilities.

Mr Robert Clifford (resigned 7 July 2017)
Executive Director

Mr Clifford is the founder and principal of Alto Cibum, which provides consultancy services to the food beverage and hospitality industries in the Asia Pacific Region. Mr Clifford has expertise in sales and marketing, and began his career in hospitality with Hyatt International Hotels and Resorts, where he held management positions in Perth, Canberra and Macau.

Mr Sonu Cheema
Company Secretary

Interests in the shares and options of the Company and related bodies corporate

The following relevant interests in shares and options of the Company or a related body corporate were held by the directors as at 30 June 2018:

DIRECTORS' REPORT (continued)

Directors	Number of options over ordinary shares	Number of fully paid ordinary shares
Matthew Sheldrick	-	-
James Robinson	-	-
Robert Clifford[i]	-	-
Christopher Mews[ii]	-	-
Totals	-	-

i. Resigned 7 July 2017

ii. Appointed 7 July 2017

Dividends

No dividends have been paid or declared since the start of the financial period and the directors do not recommend the payment of a dividend in respect of the financial period.

Principal Activities

The Company's principal activities have transitioned into the oil and gas industry. Please refer to the review of operations for further details.

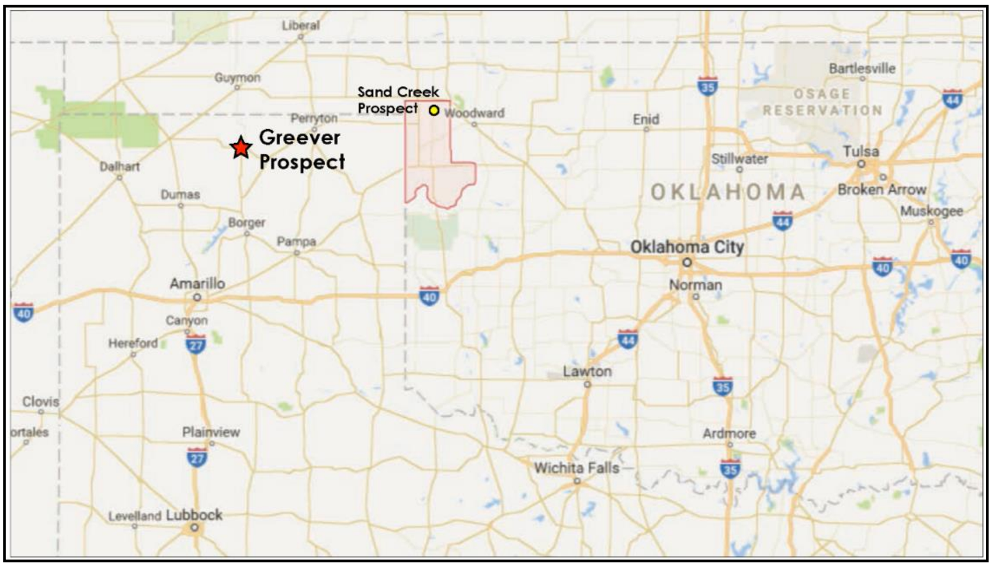
Review of Operations

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 Amarillo. 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, successfully completed and is currently flowing back to sales.

BURGESS PROSPECT



BURGESS PROSPECT (Sand Creek)

DIRECTORS' REPORT (continued)

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. Both prospects have been drilled and are capable of production to which flow rates are yet to be determined. 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.

On 11 August 2017, the Company entered into a Convertible Note Agreement for a loan of $131,250.

On 3 November 2017, the Company entered into a further Convertible Loan Agreement for a loan of $300,000. The monies raised through Converting Loan Agreements would fund dry hole costs associated with the Burgess Well.

On 1 December 2017, Nickelore Limited (ASX:NIO) (Company) is announced that it had entered into a binding agreement (Agreement), 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.

On 3 January 2018, the Company entered into an unsecured loan agreement for $200,000. The monies raised from the loan would fund the short term operational and working requirements of the Company.

Significant events after end of period

There has not been any other matter or circumstance apart from the above, 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 $178,468.

Review of financial conditions

At balance date, the Company had $5,176 in cash assets. The Directors are of the opinion that the Company is a going concern, and recognizes that additional funds may be required.

Likely developments and expected results

Disclosure of information regarding likely developments in the operations of the Company in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Company. Therefore, this information has not been presented in this report.

Environmental legislation

The Company was not subject to any environmental legislation requirements for year ended 30 June 2018.

Directors' Meetings

The number of meetings of directors (including meetings of committees of directors) held during the period and the number of meetings attended by each director was as follows:

	Board Meetings	
Director	Attended	Eligible to Attend
James Robinson	-	-
Matthew Sheldrick	-	-
Robert Clifford	-	-
Christopher Mews	-	-

DIRECTORS' REPORT (continued)

In addition, there was 10 circulating resolution executed by the Board

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for directors and senior management of Lone Star Energy Limited for the financial period ended 30 June 2018.

Key Management Personnel

The KMP of the Company during or since the end of the financial year were as follows:

Directors

Matthew Sheldrick	Non-executive Chairman
James Robinson	Non-executive Director
Robert Clifford	Executive Director (Resigned 7 July 2017)
Christopher Mews	Non-executive Director (Appointed 7 July 2017)

Remuneration philosophy

The remuneration policy of the Company has been designed to align Director's objectives with shareholder and business objectives by providing a fixed remuneration component which is assessed on an annual basis in line with market rates. The Board of the Company believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best directors to run and manage the Company, as well as create aligned goals between directors and shareholders.

Non-executive director remuneration

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders. The Company's constitution states that an aggregate remuneration of $250,000 per period can be paid to the non-executive directors. The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers advice from external shareholders as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Senior manager and executive director remuneration

Remuneration consists of fixed remuneration and Company options (as determined from time to time). In addition to the Company employees and directors, the Company has contracted key consultants on contractual basis. These contracts stipulate the remuneration to be paid to the consultants.

Fixed Remuneration

Fixed remuneration is reviewed annually by the Board. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Board has access to external, independent advice where necessary. Key management personnel received remuneration during the period ending 30 June 2018. This remuneration was deemed variable as it factors in additional directorship services conducted by the board members.

Variable Remuneration

The board collectively agreed to pay variable remuneration during the period for directorship services. The level of variable remuneration paid was accordance with the company constitution. The variable remuneration component of the key management personnel is detailed in Table 1.

Options

No options were granted by the Company as remuneration during the year ended 30 June 2018.

Performance-based Remuneration

The Company currently has no performance-based remuneration component built into director and executive remuneration packages.

DIRECTORS' REPORT (continued)

Remuneration Report (continued)

Remuneration of key management personnel

Table 1: Key management personnel remuneration for the period ended 30 June 2017

		Short-term employee benefits			Post-employment benefits	Equity		
		Salary & Fees $	Bonuses $	Non-Monetary Benefits $	Super-annuation $	Options Granted $	Total $	Performance Related %
Directors								
Matthew Sheldrick	2018	15,000	-	-	-	-	15,000	-
James Robinson	2018	-	-	-	-	-	-	-
Robert Clifford	2018	-	-	-	-	-	-	-
Christopher Mews	2018	-	-	-	-	-	-	-
Total		**15,000**	**-**	**-**	**-**	**-**	**15,000**	**-**

Remuneration of key management personnel

Table 1: Key management personnel remuneration for the period ended 30 June 2016

		Short-term employee benefits			Post-employment benefits	Equity		
		Salary & Fees $	Bonuses $	Non-Monetary Benefits $	Super-annuation $	Options Granted $	Total $	Performance Related %
Directors								
Matthew Sheldrick	2017	-	-	-	-	-	-	-
James Robinson	2017	-	-	-	-	-	-	-
Robert Clifford	2017	-	-	-	-	-	-	-
Christopher Mews	2017	-	-	-	-	-	-	-
Total		**-**	**-**	**-**	**-**	**-**	**-**	**-**

Option holdings of KMP

30 June 2018	Balance at Beginning	Granted as Remuneration	Options Exercised	Net Change Other	Balance at end of Period
Directors					
Mathew Sheldrick	-	-	-	-	-
James Robinson	-	-	-	-	-
Christopher Mews[1]	-	-	-	-	-
Total	-	-	-	-	-

[1] Appointed 7 July 2017

DIRECTORS' REPORT (continued)

Remuneration Report (continued)

30 June 2017	Balance at Beginning	Granted as Remuneration	Options Exercised	Net Change Other	Balance at end of Period
Directors					
Mathew Sheldrick	-	-	-	-	-
James Robinson	-	-	-	-	-
Robert Clifford[1]	-	-	-	-	-
Christopher Mews[2]	-	-	-	-	-
Total	-	-	-	-	-

[1]Resigned 7 July 2017
[2]Appointed 7 July 2017

Shareholdings of KMP

No KMP held shares in the Company as at 30 June 2018 or 30 June 2017.

Transactions with KMP

	Consolidated 2018 $	Consolidated 2017 $
The Director, James Robinson, paid costs in relation to travel for business purposes in relation to the Company. These costs were reimbursed to Mr. Robinson during the year. Amount payable at balance date $Nil (2017: $Nil)	11,807	-
	11,807	-

End of Remuneration Report

Proceedings on behalf of the Company

There are no proceedings on behalf of the Company.

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 audit of the annual report. This Independence Declaration is set out on page 9 and forms part of this directors' report for the period ended 30 June 2018.

Non-Audit Services

Details of amounts paid or payable to the auditors for non-audit services provided during the year by the auditor are outlined in Note 16 to the financial statements. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the integrity and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board.

Signed in accordance with a resolution of the directors.

Matthew Sheldrick

Mr Matthew Sheldrick
Chairman
Dated this 10 September 2018

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Lone Star Energy Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

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

Perth, Western Australia	**N G Neill**
10 September 2018	**Partner**

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

	Notes	Consolidated 2018 $	Consolidated 2017 $
Continuing Operations			
Other Income		-	76,960
Finance expenses		(60,568)	-
Other expenses	2	(117,900)	(25,379)
Profit/(loss) before income tax expense		(178,468)	51,581
Income tax expense	4	-	-
Profit after tax from continuing operations		(178,468)	51,581
Discontinued operation			
Loss after tax from discontinued operation	8	-	(406,842)
Net loss for the period		(178,468)	(355,261)
Other comprehensive income			
Items that may be reclassified to Profit and Loss:			
Exchange differences on translation of foreign operations		-	147,653
Total comprehensive loss for the period		(178,468)	(207,608)
Loss attributable to:			
Owners of the parent		-	(355,261)
Non-controlling interest		-	-
Total comprehensive income attributable to:			
Owners of the parent		-	(355,261)
Non-controlling interest		-	147,653
Basic loss per share (cents per share)	5	(0.37)	(2.84)

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note	Consolidated 2018 $	Consolidated 2017 $
Assets			
Current Assets			
Cash and cash equivalents	11	5,176	14,738
Total Current Assets		**5,176**	**14,738**
Non-Current Assets			
Deferred exploration and evaluation	3	1,877,003	-
Intangible assets	7	-	-
Total Non-Current Assets		**1,877,003**	**-**
Total Assets		**1,882,179**	**14,738**
Liabilities			
Current Liabilities			
Trade and other payables	12	19,815	23,211
Borrowings	10	1,011,385	-
Total Current Liabilities		**1,031,200**	**23,211**
Total Liabilities		**1,031,200**	**23,211**
Net Assets		**850,979**	**(8,473)**
Equity			
Issued capital	6	3,184,518	2,203,786
Reserves	9	67,188	10,000
Accumulated losses		(2,400,727)	(2,222,259)
Total Equity		**850,979**	**(8,473)**

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

	Consolidated				
	Issued Capital $	Accumulated Losses $	Reserves $	Non-controlling interests	**Total Equity $**
Balance at 1 July 2017	2,203,786	(2,222,259)	10,000	-	(8,473)
Loss for the year	-	(178,468)	-	-	(178,468)
Other comprehensive income, net of income tax	-	-	-	-	-
Total comprehensive income/(loss) for the period	-	(178,468)	-	-	(178,468)
Shares issued during the period	1,035,000	-	-	-	1,035,000
Fair value adjustment reserve	-	-	57,188	-	57,188
Transaction costs on share issue	(54,268)	-	-	-	(54,268)
Balance at 30 June 2018	3,184,518	(2,400,727)	67,188	-	850,979

	Consolidated				
	Issued Capital $	Accumulated Losses $	Reserves $	Non-controlling interests $	**Total Equity $**
Balance at 1 July 2016	2,206,598	(1,866,998)	27,605	(165,258)	201,947
Loss for the year	-	(355,261)	-	-	(355,261)
Other comprehensive income, net of income tax	-	-	(17,605)	165,258	147,653
Total comprehensive income/(loss) for the period	-	(355,261)	(17,605)	165,258	(207,608)
Shares issued during the period	-	-	-	-	-
Options issued during the period	-	-	-	-	-
Transaction costs on share issue	(2,812)	-	-	-	(2,812)
Balance at 30 June 2017	2,203,786	(2,222,259)	10,000	-	(8,473)

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	Note	Consolidated 2018 $	Consolidated 2017 $
		Inflows/ (Outflows)	***Inflows/ (Outflows)***
Cash flows from operating activities			
Receipts from customers		-	-
Payments to suppliers and employees		(80,541)	(40,883)
Interest paid		-	-
Net cash used in operating activities	11	(80,541)	(40,883)
Cash flows from Investing activities			
Deferred exploration expenditure		(1,877,003)	-
Net cash used in investing activities		(1,877,003)	-
Cash flows from financing activities			
Proceeds from issue of shares, net of share issue costs		1,035,000	(2,812)
Proceeds from borrowing		967,250	-
Share issue costs		(54,268)	-
Net cash (used in)/provided by financing activities		1,947,982	(2,812)
Net (decrease)/increase in cash held		(9,562)	(43,695)
Effect of exchange rate fluctuations on cash held			-
Cash and cash equivalents at the beginning of the period		14,738	58,433
Cash and cash equivalents at the end of the period	11	5,176	14,738

The accompanying notes form part of these financial statements

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law.

The financial report has also been prepared on a historical cost basis. Cost is based on the fair values of the consideration given in exchange for assets.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company as a for-profit entity. The financial report is presented in Australian dollars.

The Company's principal activities have transitioned into the oil and gas industry. Please refer to the review of operations for further details.

The accounting policies below have been consistently applied to all of the years presented unless otherwise stated.

(b) Adoption of new and revised standards

Standards and Interpretations applicable to 30 June 2018
In the year ended 30 June 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 annual reporting period. As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and, therefore, no material change is necessary to Group accounting policies.

Standards and Interpretations in issue not yet adopted
The Directors have also reviewed all Standards and Interpretations in issue not yet adopted for the year ended 30 June 2018. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Company and, therefore, no change is necessary to Group accounting policies.

(c) Statement of compliance

The financial report was authorised for issue on – 10 September 2018.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

(d) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement in with the investee; and
- has the ability to its power to affect its returns.

The Company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements listed above. When the Company has less than a majority of the voting rights if an investee, it has the power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights are sufficient to give it power, including:

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Basis of consolidation (continued)

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholder meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the controlling interest having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Company's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members are eliminated in full on consolidation.

Changes in the Company's ownership interest in existing subsidiaries
Changes in the Company's ownership interest in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in subsidiaries. Any difference between the amount paid by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Company loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between:

- The aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- The previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Company had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit and loss or transferred to another category of equity as specified/permitted by the applicable AASBs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(e) Critical accounting judgements and key sources of estimation uncertainty

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized. Revenue is measured at fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

Sale of goods
Revenue is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income
Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(g) Cash and cash equivalents

Cash comprises cash at bank and on hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(h) Trade and other receivables

Trade receivables are measured on initial recognition at fair value. Trade receivables are generally due for settlement within periods ranging from 15 days to 30 days.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Company will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Company in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Company.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary difference and to unused tax losses. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation.

It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:
- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:
- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Income tax (continued)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(j) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(k) Impairment of assets

The Group assesses at each balance date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Group's of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of assets (continued)

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each balance date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(l) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(m) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate assets but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

(n) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(o) Earnings per share

Basic earnings per share is calculated as net profit or loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit or loss attributable to members of the parent, adjusted for:

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Earnings per share (continued)

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(p) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company.

(q) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of the disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

(r) 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 financial year ended 30 June 2018, the Company incurred a loss of $178,468 and a net cash outflow of $80,541 from operating activities as disclosed in the statement of comprehensive income and the statement of cash flows, respectively. As at 30 June 2018, the Company had $5,176 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.

During the financial year ended 30 June 2018, the company raised $1,035,000 through issue of shares before costs and $761,250 through the issue of convertible debt notes.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Going concern (continued)

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.

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.

(s) 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.

(t) 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

NOTE 2: REVENUE AND EXPENSES

	Consolidated 2018 $	Consolidated 2017 $
(a) Expenses		
Administration expenses	89,796	22,099
ASIC fees	737	1,530
Legal and professional	12,367	1,750
Directors fees	15,000	-
	117,900	25,379

NOTE 3: DEFERRED EXPLORATION AND EVALUATION

Costs carried forward in respect of exploration and evaluation phase at cost.	Consolidated 30 June 2018 $	Consolidated 30 Jun 2017 $
Balance at beginning of period	-	-
Expenditure during the period	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.

NOTE 4: INCOME TAX

	Consolidated 2018 $	Consolidated 2017 $
(a) Income tax benefit	-	-
(b) Numerical reconciliation between tax-expense and pre-tax net loss		
Accounting profit/(loss) before tax from continuing operations	(178,468)	51,581
Loss before tax form a discontinued operation	-	(406,842)
Accounting loss before income tax	(178,468)	(355,261)
Income tax using Company's domestic tax rate of 27.5% (2017: 27.5%)	(49,079)	(97,697)
Current period losses for which no deferred tax asset was recognised	49,079	97,697
	-	-
Attributable to:		
Continuing operations	(49,079)	(14,184)
Discontinued operations	-	111,881

(c) Tax losses

The tax effect of unused losses for the current year of $146,776 (2017: $97,697) has not been recognised as a deferred tax asset as the future recovery of these losses is subject to the Company satisfying the requirements imposed by the regulatory authorities. The benefit of deferred tax assets not brought to account will only be brought to account if:

- Future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realized.
- The conditions for deductibility imposed by tax legislation continue to be complied with and no changes in tax legislation adversely affect the Company in realising the benefit.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

NOTE 4: INCOME TAX (continued)

(d) Unrecognised temporary differences

	Consolidated 2018 $	Consolidated 2017 $
Net deferred tax balances (calculated at 27.5%) have not been recognised in respect of the following items:		
Income tax losses not brought to account	49,079	97,697
Unrecognised deferred tax assets	49,079	97,697
Attributable to:		
Continuing operations	(49,079)	(14,184)
Discontinued operations	-	111,881

NOTE 5: LOSS PER SHARE

	2018 Cents per share	2017 Cents per share
Basic loss per share		
Continuing operations	(0.37)	(2.84)
Discontinuing operations	-	0.41
Total basic loss per share	(0.37)	(2.43)
	$	$
Loss for the year	(178,468)	(355,264)
Profit from continuing operations	-	51,581
	Number	Number
Weighted average number of ordinary shares for the purposes of basic loss per share:	50,656,258	12,500,000

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

NOTE 6: SHARE CAPITAL

	Consolidated 2018 $	Consolidated 2017 $
Ordinary shares		
Balance on 1 July	2,203,786	2,206,598
Shares issued	1,035,000	-
Less share issue costs	(54,268)	(2,812)
At 30 June	3,184,518	2,203,786

Movements in ordinary shares on issue	No.	No.
Balance on 1 July	12,500,000	12,500,000
Movements during the period:		
Shares issued	41,400,000	-
At 30 June	53,900,000	12,500,000

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.

NOTE 7: INTANGIBLE ASSETS

	Consolidated 2018 $	Consolidated 2017 $
Cost		
Balance at 1 July	-	652,550
Additions	-	-
Balance at 30 June	-	652,550
Accumulated amortisation and impairment		
Balance at 1 July	-	356,298
Amortisation expense	-	296,252
Balance at 30 June	-	652,550
Carrying value	-	-

The intangible asset acquired during the prior period was a four year exclusive licensing agreement between Okmno Asia Limited and King.com Limited to manufacture and distribute 'Candy Crush' (both Candy Crush Saga and Candy Crush Soda) branded confectionery products in China, Hong Kong, Taiwan and South Korea. Monies paid for the exclusive licensing agreement totaled $652,550 which would have been amortised over a four year period. This intangible asset was part of the discontinued operations as at 30 June 2017. As a result the balance was fully impaired in the prior period.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

NOTE 8: DISCONTINUED OPERATIONS

During the year ended 30 June 2017, the controlling entity announced its intention to sell its interest in Okmno and initiated an active program to locate a buyer and complete the sale. The division was discontinued with effect 30 June 2017 and the division disposed of was reported in the financial statements for the year ended 30 June 2017 as a discontinued operation.

Consideration received or receivable

	Consolidated 2018 $	Consolidated 2017 $
Total disposal consideration		-
Add: net liabilities disposed of	-	72,316
Gain on disposal before income tax		72,316
Income tax expense	-	-
Loss on disposal after income tax	-	72,316

The proceeds on the sale exceeded the book value of the related net assets and accordingly no impairment losses were recognised on the reclassification of these operations as held for sale.

Net assets at date of sale
The carrying amount of assets and liabilities as at the date of disposal were:

	Consolidated 2018 $	Consolidated 2017 $
Cash and cash equivalents	-	241
Other receivables	-	8,106
Total assets	-	8,347
Trade creditors	-	13,458
Other liabilities	-	67,205
Total liabilities	-	80,663
Net liabilities	-	(72,316)

Net cash inflow on disposal
The cash inflow on disposal is as follows:

	Consolidated 2018 $	Consolidated 2017 $
Cash and cash equivalents consideration received or receivable	-	-
Net cash and cash equivalents disposed of	-	241
Net cash inflow on disposal	-	241

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

NOTE 8: DISCONTINUED OPERATIONS (CONTINUED)

Financial performance and cashflow information
The financial performance and cashflow information are presented for 12 months ended 30 June 2018.

Financial performance from discontinued operation

	Consolidated 2018 $	Consolidated 2017 $
Revenue	-	71,963
Expenses	-	(551,121)
Profit on disposal of operations	-	72,316
Gross profit/ (loss)	-	(406,842)
Income tax benefit	-	-
Loss for the year from discontinued operations	-	(406,842)

	2018	2017
Cash flows from discontinued operations:		
Net cash flows from operating activities	-	(11,502)
Net cash flows from investing activities	-	-
Net cash flows from financing activities	-	-
Net cash flows	-	(11,502)

NOTE 9: RESERVES

	Consolidated 30 June 2018 $	Consolidated 30 Jun 2017 $
Option Reserve	10,000	10,000
Fair value adjustment reserve[1]	57,188	-
As at 30 June 2018	67,188	10,000

[1]Refer to note 10 for futher information

NOTE 10: 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 2018.

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 2018.

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 2018.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

NOTE 10: BORROWINGS (CONTINUED)

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 2018.

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 30 November 2018.

As at 30 June 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.

During the year ended 30 June 2018, Cicero Corporate Services Pty Ltd, provided a short term loan of $6,000 in order to settle short term expenses. The facility was settled by Company subsequent to 30 June 2018. This loan did not attract any interest component.

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 30 June 2018 $	Consolidated 30 Jun 2017 $
Secured		-
Secured Converting Loans	761,250	-
Fair value adjustment reserve	(57,188)	-
Finance cost for the period	54,525	-
Total unsecured borrowings	758,587	-
Unsecured		-
Unsecured Loan	200,000	-
Other Loans	46,755	-
Finance cost for the period	6,043	-
Total secured borrowings	252,798	-
		-
Total borrowings	1,011,385	-

The liability component is measured at amortised cost. The interest expense for the period of $54,525 on convertible loans is calculated by applying an effective interest rate of 10% to the liability component since the loan was issued. 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 30 June 2018 represents the effective interest rate less interest paid to that date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

NOTE 11: CASH AND CASH EQUIVALENTS

	Consolidated 2018 $	Consolidated 2017 $
Cash at hand and in bank	5,176	14,738
	5,176	14,738

Cash at bank earns interest at floating rates based on daily deposit rates.
The Company did not engage in any non-cash financing activities for the period ended 30 June 2018 and was not party to any borrowing facilities for the same period.

Reconciliation of loss for the period to net cash flows from operating activities

Loss for the year	(178,468)	(355,261)
Amortisation of intangible	-	296,252
Net foreign exchange (gain)/loss	-	147,653
Changes in assets and liabilities:		
(Increase)/decrease in other current assets	-	14,506
Increase/(decrease) in trade payables and accruals	97,927	(227,078)
Movement in inventories	-	83,045
Net cash (used in) operating activities	(80,541)	(40,883)

NOTE 12: TRADE AND OTHER PAYABLES

	Consolidated 2018 $	Consolidated 2017 $
Trade payables[(i)]	12,315	23,211
Accrued expenses	7,500	-
Balance at 30 June	19,815	23,211

[(i)] Trade payables are non-interest bearing and are normally settled on 60-day terms.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

NOTE 13: FINANCIAL INSTRUMENTS (CONTINUED)

	Consolidated 2018 $	Consolidated 2017 $
Financial assets		
Cash and cash equivalents	5,176	14,438
Balance at end of period	5,176	14,438
Financial liabilities		
Trade and other payables	19,815	23,211
Balance at end of period	19,815	23,211

The following table details the expected maturity/s for the Group's non-derivative financial assets. These have been drawn up based on undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period.

	Weighted average effective interest rate %	Less than 1 month $	1 – 3 Months $	3 months – 1 year $	1 – 5 years $	5+ years $
2018						
Non-interest bearing	-	-	5,176	-	-	-
Variable interest rate instruments	-	-	-	-	-	-
Fixed interest rate instruments	-	-	-	-	-	-
		-	5,176	-	-	-

	Weighted average effective interest rate %	Less than 1 month $	1 – 3 Months $	3 months – 1 year $	1 – 5 years $	5+ years $
2017						
Non-interest bearing	-	-	14,738	-	-	-
Variable interest rate instruments	-	-	-	-	-	-
Fixed interest rate instruments	-	-	-	-	-	-
		-	14,738	-	-	-

The following table details the Group's expected contractual maturity for its non-derivative financial liabilities. These have been drawn up based on undiscounted contractual maturities of the financial liabilities based on the earliest date the Group can be required to repay. The tables include both interest and principal cash flows.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

NOTE 13: FINANCIAL INSTRUMENTS (CONTINUED)

	Weighted average effective interest rate %	Less than 1 month $	1 – 3 Months $	3 months – 1 year $	1 – 5 years $	5+ years $
2018						
Non-interest bearing	-	-	19,815	-	-	-
Variable interest rate instruments	-	-	-	-	-	-
Fixed interest rate instruments	-	-	-	-	-	-
		-	19,815	-	-	-

	Weighted average effective interest rate %	Less than 1 month $	1 – 3 Months $	3 months – 1 year $	1 – 5 years $	5+ years $
2017						
Non-interest bearing	-	-	23,211	-	-	-
Variable interest rate instruments	-	-	-	-	-	-
Fixed interest rate instruments	-	-	-	-	-	-
		-	23,211	-	-	-

The carrying amount of cash and cash equivalents approximates fair value because of their short-term maturity.

Financial risk management objectives and policies:
The Company has exposure to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Interest rate risk
- Market risk
- Capital risk

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. The Board has overall responsibility for the establishment and oversight of the risk management framework. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

The Group's principal financial instruments comprise cash and short term deposits. The main purpose of the financial instruments is to earn the maximum amount of interest at a low risk to the Group. The Group also has other financial instruments such as trade debtors and creditors which arise directly from its operations. For the period under review, it has been the Group's policy not to trade in financial instruments.

(a) Credit risk management

Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where

NOTE 13: FINANCIAL INSTRUMENTS (CONTINUED)

available and, if not available, the Group uses publicly available financial information and its own trading record to rate its major customers and suppliers.

The Group's exposure and the credit ratings of its counter-parties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Board annually.

The Group does not have any significant credit risk exposure to NAB. The credit risk on liquid funds and Term Deposits is reduced because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

(b) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group did not have any undrawn facilities at its disposal as at balance date.

(c) Interest rate risk management

The Company is exposed to interest rate risk as the Group deposits the bulk of the Group's cash reserves in Short Term Deposits with NAB or other acceptable Australian banking entities. The risk is managed by the Company by maintaining an appropriate mix between short term deposits and at call deposits.

(d) Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The Group is exposed to movements in market interest rates on short term deposits. The Group does not have short or long term debt, and therefore the risk is minimal. The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have acceptable credit ratings.

(e) Capital Risk Management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it may continue to provide returns for shareholders and benefits for other stakeholders. Due to the nature of the Group's activities, being mineral exploration, it does not have ready access to credit facilities and therefore is not subject to any externally imposed capital requirements, with the primary source of Group funding being equity raisings. Accordingly, the objective of the Group's capital risk management is to balance the current working capital position against the requirements to meet exploration programs and corporate overheads. This is achieved by maintaining appropriate liquidity to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

NOTE 14: KEY MANAGEMENT PERSONNEL DISCLOSURES

KMP Compensation

	Consolidated 2018 $	Consolidated 2017 $
Short-term employee benefits	15,000	-
Post-employment benefits	-	-
Other long-term benefits	-	-
Total KMP compensation	15,000	-

Other Transactions and balances with KMP

	Consolidated 2018 $	Consolidated 2017 $
The Director, James Robinson, paid costs in relation to travel for business purposes in relation to the Company. These costs were reimbursed to Mr. Robinson during the year. Amount payable at balance date $Nil (2017: $Nil)	11,807	-
	11,807	-

NOTE 15: EVENTS AFTER THE BALANCE DATE

There has not been any other matter or circumstance apart from the above, 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.

NOTE 16: AUDITORS' REMUNERATION

	Consolidated 2018 $	Consolidated 2017 $
The auditor of Lone Star Energy Limited is HLB Mann Judd.		
Amounts received or due and receivable by HLB Mann Judd for:		
Audit or review of financial statements	20,000	7,500
Other services	20,000	-
	40,000	7,500

NOTE 17: DIVIDENDS

The directors of the Company have not declared any dividend for the period ended 30 June 2018.

NOTE 18: RELATED PARTY DISCLOSURES

On 1 June 2012, the Company entered into an agreement with Cicero Corporate Services Pty Ltd (an entity Mr Robinson holds a 36% equity stake) (Cicero) defining the terms of engagement for the provision of administration services by Cicero as a contractor to the Company. Cicero Corporate Services Pty Ltd was not paid any fees during the year ended 30 June 2018 (2017: $ Nil) pursuant to the Administration Agreement. Cicero provided the registered office, bookkeeping, company secretarial and administration services to the Company. During the period ending 30 June 2018, Cicero provided a short term loan for $6,000 which was repaid subsequent to year end.

Cicero Advisory Services Pty Ltd, an entity in which Mr Robinson is a director, received capital raising fees of $13,475 during the year ended 30 June 2018.

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 16 to 33, are in accordance with the Corporations Act 2001 including:

(a) giving a true and fair view of the Company's financial position as at 30 June 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 10 September 2018

HLB Mann Judd

Accountants | Business and Financial Advisers

Independent Auditor's Report to the Members of Lone Star Energy Limited

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Lone Star Energy Limited ("the Company") and its controlled entity ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Regarding Going Concern

We draw attention to Note 1(r) in the financial report, which indicates the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

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HLB Mann Judd

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual financial report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Lone Star Energy Limited for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
10 September 2018

Norman Glad

N G Neill
Partner