Biannual Report – Nona Mills Project

January 2018 to June 2018

Issue #8

Nona Mills Pty Ltd
(08) 9417 4727
info@nonamills.com.au
PO Box 5143
South Lake WA 6964
AUSTRALIA

Contents

LETTER FROM THE DIRECTOR 3
OIL MARKET HIGHLIGHTS 4
Crude Oil Six-Month Summary 4
World Economy 4
World Oil Demand 5
World Oil Supply 7
Crude Oil Price Movements 8
NONA MILLS PROJECT REPORT UPDATE 9
AMERICAN MUD WORKS PROJECT INTRODUCTION 10
DISCLAIMER 12

LETTER FROM THE DIRECTOR

Oil futures continued improvement throughout the first half of 2018 exceeding $70/b and settling at $65/b by the end of Q2. Experts in this field are optimistic of continued future growth for the market.

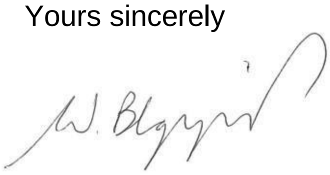
Year-to-date (y-t-d) at the end of May, crude oil prices were 30% higher than in the same period last year, with ICE Brent averaging above $70/b for the first time since 2014. Draws in crude oil inventories, healthy oil demand and geo-political developments have supported this rising trend. NYMEX WTI futures also rose to average $65.09/b during this time, but were trailing other markets due to high US oil production as well as the strengthening of the US dollar.

High conformity levels observed by OPEC and non-OPEC producing countries in the Declaration of Cooperation, led to a downward trend in oil inventories, particularly in the OECD, further enhancing market stability in 1H18. However by the end of Q2 some momentum was lost amid uncertainty as traders prepared for potentially more supply returning to the market.

The global growth forecast remains at 3.8%, with a pick up expected in the second half of the year, led by the US, whose economic performance will be supported by the fiscal stimulus measures. Moreover, Japan and the Euro-zone are projected to accelerate in 2H18, following a slow start to the year. While the OECD shows upside potential, the major emerging economies will likely slow from relatively higher activity in 1H18. China is expected to continue financial tightening, which combined with monetary measures in the US, could dampen growth in 2H18.

We at Nona Mills believe that the continued rebalancing of the market is a positive thing and have an optimistic outlook for returns in the future. Further to this, we are pleased to announce confirmation of the transfer of 0.5% of the shareholding of American Mud Works Partners Ltd (“AMW”) to Nona Mills Pty Ltd, at nil cost to the latter, which will provide an additional revenue stream to the venture. Two water treatment plants came online as scheduled at the end of 2018 and we expect to see revenue contributions from these in the next few months. For more information on AMW please see the details attached.

Yours sincerely



Wayne Blazejczyk
DIRECTOR

NONA MILLS

OIL MARKET HIGHLIGHTS

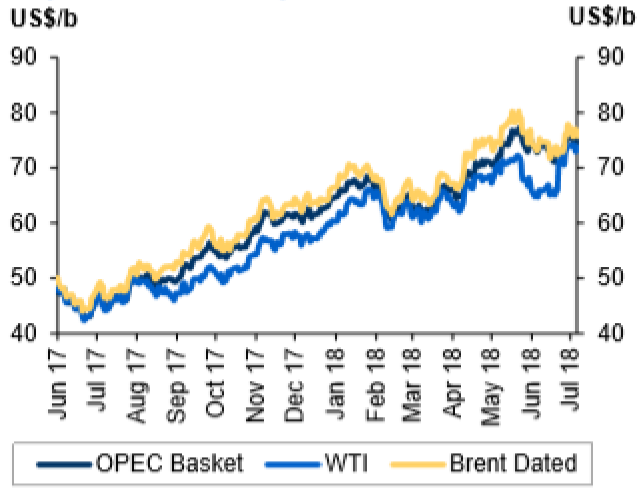
Crude Oil Six-Month Summary

The OPEC Reference Basket (ORB) declined 1.2% in June, but remained within its three-year high at $73.22/b. All ORB component values decreased in Q2 alongside their perspective crude oil benchmarks, with lighter grades slipping the most. Meanwhile, the ORB ended the first half of the year significantly higher compared to the same period a year earlier. Compared to the previous year, the ORB value in 1H18 was 36.3%, or $18.21, higher than the same period in 2017 at $68.43/b.

Oil futures declined, with ICE Brent ending lower, but stayed above $75/b. NYMEX WTI futures weakened more, due to high US oil supplies. Oil prices mostly fell on expectations that OPEC and participating non-OPEC countries will gradually increase output to make up for the potential disruption to oil flows.

Year-to-date (y-t-d), ICE Brent is $18.48, or 35.1%, higher at $71.16/b, while NYMEX WTI rose by $15.51, or 31.1%, to $65.46/b compared to the same period a year earlier. The spread between the first-month NYMEX WTI and ICE Brent widened further by $1.60 in June to $8.62/b, the widest since the summer of 2015 on increasing US supplies.

Graph 1 - 1: Crude oil price movement



Sources: Argus Media, OPEC Secretariat and Platts.

Reference: OPEC Monthly Oil Market Report –July 2018

World Economy

At the beginning of 2018 growth in major OECD economies showed signs of slowing however by 2Q18 growth dynamic resumed to expected levels. With emerging economies also sustaining healthy growth levels, the 2018 global economic growth forecast remains unchanged at 3.8%. However, some soft spots become visible as numerous challenges emerge and the risk to global economic growth skews to the downside.

The consequences of monetary tightening in the US, and to some extent in the Euro-zone and to a lesser extent in Japan, are reducing the OECD growth dynamic in the coming year. This – in combination with the financial tightening in China and the impact these lowering liquidity measures are expected to have on growth in the coming year –

are leading to a global economic growth level of 3.6% in 2019. However, the forecast considers that there will be no significant rise in trade tariffs and that the current disputes will be sorted out soon. Rising trade tensions, with the outcome of mounting uncertainties, translating into falling business and consumer sentiment may provide a significant downside risk to the currently relatively positive outlook. Intensifying protectionism may negatively impact investments, capital flows and consumer spending, with a consequently negative effect on the global oil market.

After some softening of the growth trend in 1Q18, US growth is forecast to rebound considerably, driven by fiscal stimulus measures and still relatively accommodative monetary policies. It is expected to reach 2.8% in 2018, an upward revision from 2.7%. In 2019, US economic growth is forecast to slow down to 2.4%, due to monetary tightening and a cyclical slow-down. However, it remains to be seen if the most recent trade-related initiatives may have some further negative impact on the US economy. The Euro-zone growth forecast is unchanged at 2.2% in 2018, while it is forecast to slow down to 2.0% in 2019, also due to the cyclical growth trend and the less accommodative monetary policy by the ECB. Japan's 2018 forecast remains unchanged to stand at 1.2%, the same level that is expected in 2019.

Among emerging economies, China and India are forecast to maintain high growth levels in 2018, at 6.5% and 7.3%, respectively, unchanged from the previous month. Growth is forecast to slow slightly in China to 6.2%, given its ongoing financial tightening and also due to its maturing economy (although the ongoing trade tensions with the US could push growth to a lower level). India's 2019 forecast stands at 7.4%, slightly higher than this year's growth. Amid recent slowing activity, growth in Brazil was revised down to 1.7% in 2018, followed by a rebound to 2.1% in 2019. Russia saw an unchanged GDP growth forecast of 1.8% in 2018, the same level as is forecast for 2019.

The main areas of concern include political uncertainties. Among these, it is trade-related developments in particular that warrant close monitoring in the near-term. Moreover, the consequences of potentially further monetary policy decisions in the US and the Euro-zone, together with financial tightening in China, will need close attention as well.

	World	OECD	US	Japan	Euro-zone	UK	China	India	Brazil	Russia
2018	**3.8**	**2.4**	**2.8**	**1.2**	**2.2**	**1.4**	**6.5**	**7.3**	**1.7**	**1.8**
Change from previous month	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	-0.2	0.0
2019	**3.6**	**2.2**	**2.4**	**1.2**	**2.0**	**1.4**	**6.2**	**7.4**	**2.1**	**1.8**

*Note: * 2018 and 2019 = Forecast.*
Source: OPEC Secretariat.

Reference: OPEC Monthly Oil Market Report – July 2018

World Oil Demand

World oil demand is assumed to rise by 1.65 mb/d in 2018, unchanged from previous reports despite revisions within the regions, which offset each other. Global world oil demand is now projected to average 98.85 mb/d.

Oil demand growth in the OECD region was revised higher by 0.1 mb/d in 1Q18, due to better-than-expected data in OECD Americas, particularly in the US. Firm light and middle distillate demand, supported by a healthy petrochemical sector and positive developments in industrial activities, contributed to most of the upward revision in the US during 1Q18.

In the non-OECD region, oil demand growth was revised downward during 2Q18 by 0.1 mb/d on the back of weaker-than-expected data from Latin America and the Middle East as a nine-day trucker strike blocked highways, impacting oil demand negatively in Brazil, while slower construction activities and subsidy reduction policies took a toll on oil demand data in the Middle East.

Steady development in the global macroeconomic sphere is spurring on oil consumption in 2019. As such, world oil demand is forecast to grow by 1.45 mb/d, or 1.4% y-o-y.

The OECD region is anticipated to show growth of 0.27 mb/d, with OECD Americas rising solidly, OECD Europe remaining in the positive while OECD Asia Pacific is forecast to show a decline. In the non-OECD region, growth is expected at around 1.18 mb/d with improvements seen in Latin America and the Middle East. Light distillates – supported by NGL capacity additions and steady petrochemical margins – and strong middle distillate requirements – in light of healthy industrial and aviation sectors and firm gasoline consumption supported by an expansion in the global vehicle fleet – are projected to lead increases in petroleum product requirements in 2019.

Nevertheless, the outlook is subject to a number of positive as well as negative uncertainties. To name few, further acceleration, or deceleration, in economic activity, industrial production in major demand centres, the development of oil prices, weather conditions, technological advancement including digitalization effects and vehicle electrification, as well as substitution effects and energy policy changes.

Global Oil Demand (2018-2019)

(million barrels per day) *

	2018	1Q19	2Q19	3Q19	4Q19	2019	Change 2019/18 Growth	%
Americas	25.18	25.22	25.40	25.50	25.60	25.43	0.26	1.01
of which US	*20.51*	*20.70*	*20.73*	*20.72*	*20.81*	*20.74*	*0.23*	*1.13*
Europe	14.47	14.14	14.44	14.90	14.57	14.52	0.05	0.31
Asia Pacific	8.17	8.61	7.73	7.85	8.40	8.15	-0.03	-0.33
Total OECD	**47.82**	**47.97**	**47.57**	**48.26**	**48.57**	**48.09**	**0.27**	**0.57**
Other Asia	13.58	13.78	14.08	13.71	14.28	13.96	0.39	2.84
of which India	*4.67*	*4.96*	*4.87*	*4.52*	*5.18*	*4.88*	*0.21*	*4.43*
Latin America	6.60	6.49	6.70	7.02	6.67	6.72	0.13	1.93
Middle East	8.22	8.30	8.16	8.73	8.06	8.31	0.09	1.14
Africa	4.33	4.46	4.43	4.37	4.49	4.44	0.11	2.45
Total DCs	**32.73**	**33.03**	**33.37**	**33.84**	**33.51**	**33.44**	**0.71**	**2.18**
FSU	4.82	4.75	4.59	4.98	5.31	4.91	0.09	1.87
Other Europe	0.74	0.75	0.71	0.75	0.84	0.76	0.02	2.69
China	12.74	12.62	13.20	13.07	13.48	13.09	0.36	2.79
Total "Other regions"	**18.30**	**18.12**	**18.49**	**18.79**	**19.64**	**18.77**	**0.47**	**2.54**
Total world	**98.85**	**99.12**	**99.43**	**100.90**	**101.72**	**100.30**	**1.45**	**1.47**

*Note: * 2018 and 2019 = Forecast.*
Totals may not add up due to independent rounding.
Source: OPEC Secretariat.

Reference: OPEC Monthly Oil Market Report – July 2018

World Oil Supply

Non-OPEC oil supply growth in 2018 was revised up by 0.18 mb/d from the previous Month On Month Report to average 59.54 mb/d, representing an increase of 2.0 mb/d y-o-y. The main reason for this upward revision was an upward adjustment for the US supply forecast, along with potentially higher supply from Russia in 2H18.

In terms of y-o-y growth for 2018 on a country basis, upward revisions were made for the US, Russia, Brazil and Ghana, which were partially, offset by downward revisions for Norway, Indonesia, the UK and Canada. As a result, y-o-y growth for non-OPEC supply in 2018 was revised up by 0.18 mb/d to 2.00 mb/d.

Non-OPEC oil supply in 2019 is projected to grow by 2.1 mb/d for an average 61.64 mb/d. The US (1.4 mb/d), Brazil (0.4 mb/d), Canada (0.3 mb/d), Australia, the UK and Kazakhstan are the main growth drivers; while Mexico, China and Norway are expected to see the largest declines.

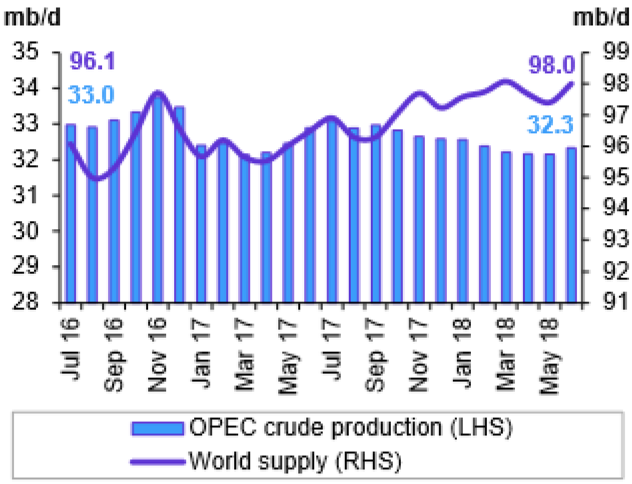
Total OECD oil supply in 2018 is expected to grow by 1.88 mb/d to average 27.57 mb/d. This has been revised down by 71 tb/d from the last MOMR. OECD Americas is forecast to see an increase of 1.75 mb/d yo-y, while oil supply in OECD Europe will show minor growth of 0.03 mb/d to average 3.86 mb/d (3.1 mb/d from the North Sea) and OECD Asia Pacific supply is expected to be stagnant at 0.39 mb/d, unchanged y-o-y.

For 2019, yearly growth of 1.64 mb/d is anticipated for OECD oil supply, with an average of 29.21 mb/d. OECD Americas and Asia Pacific are both expected to grow next year by 1.57 mb/d and 0.07 mb/d to average 24.89 mb/d and 0.46 mb/d, respectively. Oil supply in OECD Europe is expected to be stagnant at 3.86 mb/d.

The 2019 forecast is subject to many uncertainties, such as oil prices, investment and cash flows, hedging, cost inflation, taxes on production and unexpected production outages related to technical issues, delayed start-ups, pipeline capacities and maintenance.

OPEC Supply

(million barrels per day)



Source: OPEC Secretariat.

Non-OPEC Supply

(million barrels per day)

	2017	1Q18	2Q18	3Q18	4Q18	2018	Change 2018/17 Growth	%
Americas	21.47	22.93	23.07	23.56	23.71	23.32	1.85	8.63
of which US	*14.36*	*15.54*	*16.11*	*16.32*	*16.26*	*16.06*	*1.70*	*11.84*
Europe	3.83	3.91	3.70	3.80	4.01	3.86	0.03	0.78
Asia Pacific	0.39	0.40	0.39	0.40	0.39	0.39	0.00	0.18
Total OECD	**25.69**	**27.25**	**27.16**	**27.76**	**28.11**	**27.57**	**1.88**	**7.33**
Other Asia	3.61	3.60	3.56	3.60	3.60	3.59	-0.02	-0.65
Latin America	5.14	5.11	5.17	5.32	5.46	5.27	0.13	2.51
Middle East	1.24	1.21	1.25	1.23	1.22	1.23	-0.01	-0.70
Africa	1.50	1.52	1.52	1.52	1.53	1.52	0.02	1.52
Total DCs	**11.49**	**11.43**	**11.51**	**11.67**	**11.81**	**11.61**	**0.12**	**1.04**
FSU	14.06	14.11	14.14	14.05	14.09	14.10	0.04	0.29
of which Russia	*11.17*	*11.14*	*11.18*	*11.13*	*11.13*	*11.15*	*-0.02*	*-0.22*
Other Europe	0.13	0.12	0.12	0.12	0.12	0.12	0.00	-2.76
China	3.97	3.94	3.95	3.84	3.85	3.90	-0.08	-1.98
Total "Other regions"	**18.16**	**18.17**	**18.22**	**18.01**	**18.07**	**18.12**	**-0.04**	**-0.22**
Total non-OPEC production	**55.33**	**56.85**	**56.88**	**57.44**	**57.98**	**57.29**	**1.96**	**3.55**
Processing gains	2.21	2.25	2.25	2.25	2.25	2.25	0.04	1.67
Total non-OPEC supply	**57.54**	**59.10**	**59.13**	**59.69**	**60.23**	**59.54**	**2.00**	**3.48**
Previous estimate	57.54	58.98	59.04	59.42	59.95	59.35	1.82	3.16
Revision	0.01	0.12	0.10	0.27	0.28	0.19	0.18	0.32

*Note: * 2018 = Forecast.*
Non-OPEC supply figures excluding the Republic of Congo.
Source: OPEC Secretariat.

Reference: OPEC Monthly Oil Market Report – July 2018

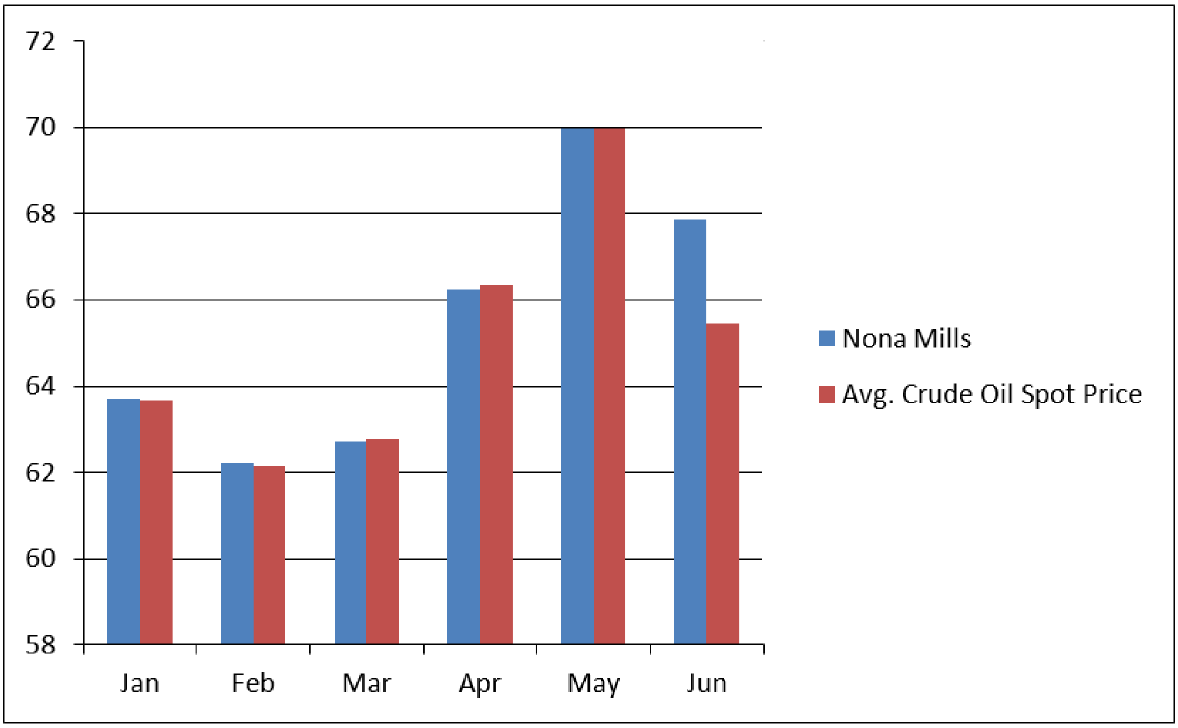
Crude Oil Price Movements

The OPEC Reference Basket (ORB) declined 1.2% in June, but remained within its three-year high at $73.22/b. All ORB component values decreased over the month alongside their perspective crude oil benchmarks, with lighter grades slipping the most. Meanwhile, the ORB ended the first half of the year significantly higher compared to the same period a year earlier. Compared to the previous year, the ORB value in 1H18 was 36.3%, or $18.21, higher than the same period in 2017 at $68.43/b.

Oil futures declined, with ICE Brent ending lower, but stayed above $75/b. NYMEX WTI futures weakened more, due to high US oil supplies. Oil prices mostly fell on expectations that OPEC and participating non-OPEC countries will gradually increase output to make up for the potential disruption to oil flows. ICE Brent averaged $1.07/b, or 1.4% lower in June, at $75.94/b, while NYMEX WTI lost $2.66/b, or 3.8%, to average $67.32/b. Year-to-date (y-t-d), ICE Brent is $18.48, or 35.1%, higher at $71.16/b, while NYMEX WTI rose by $15.51, or 31.1%, to $65.46/b compared to the same period a year earlier. The spread between the first-month NYMEX WTI and ICE Brent widened further by $1.60 in June to $8.62/b, the widest since the summer of 2015 on increasing US supplies.

Money managers increased their combined futures and options net long positions in NYMEX WTI month-on-month (m-o-m) by 66,560 contracts to 390,795 contracts on 26 June. In ICE Brent, they slightly raised net long positions from 451,996 contracts to 453,218 lots on 26 June m-o-m. The long-to-short ratio in ICE Brent speculative positions increased slightly from 6:1 to 7:1. However, in NYMEX WTI, the ratio increased sharply from 7:1 to 21:1. The total futures and options open interest volume in the two exchanges was 451,496 contracts, or 6.6%, lower at 6.3 million contracts.

Regarding market structure, Dubai slightly eased the deep backwardation and Brent flipped back into backwardation. In the US, WTI backwardation increased significantly to a fresh near four-year high on the tightness in supplies at Cushing. The sweet/sour differentials narrowed significantly in Europe and Asia as the sour supplies tightened and demand increased, while in the USGC the spread widened slightly. Meanwhile, USGC crudes differentials to WTI firmed further as WTI's discount to Brent surged.



Reference: OPEC Monthly Oil Market Report – July 2018

NONA MILLS PROJECT REPORT UPDATE

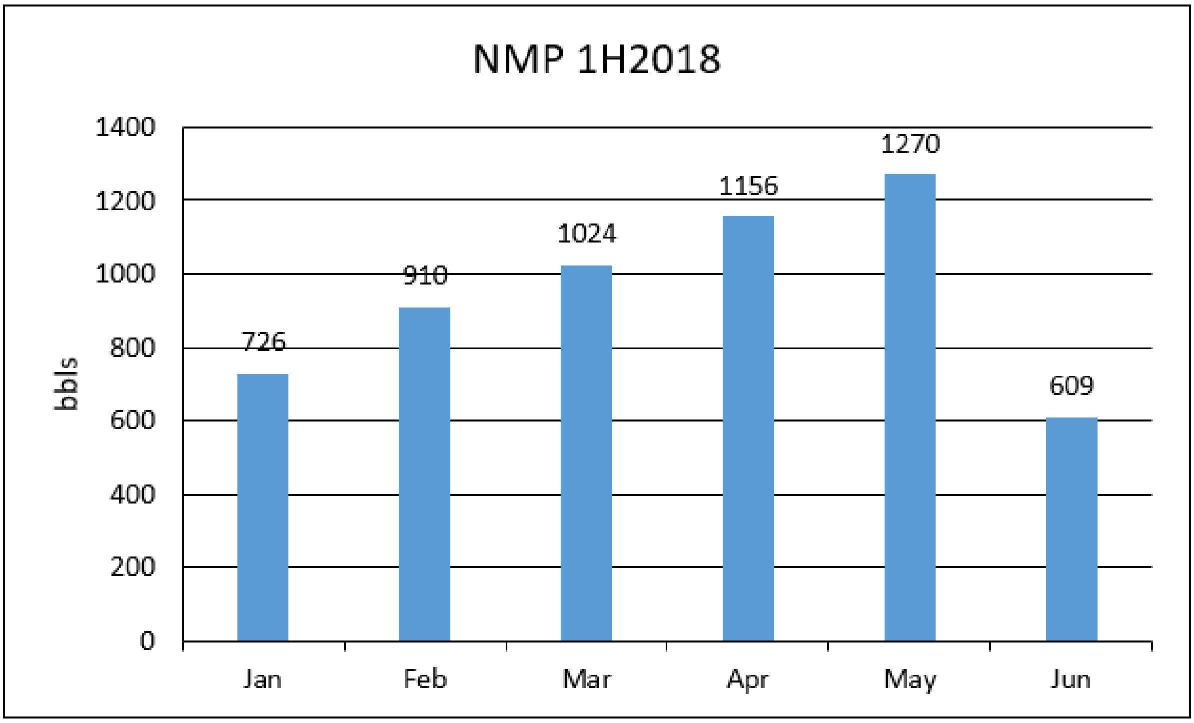
The first half of 2018, saw continued increases in production. Prices began to move above $65/bbl and came close to breaking above $70/bbl in May, ultimately settling in at $67.87 in June 2018.

These price increases have encouraged the operator to spend the money necessary to increase production. If prices continue to stay in the $60 - $70 price range, we should see average monthly production numbers topping 1200 bbls./month on a consistent basis.

It is worth noting that the Trump Administration’s policies have had a very positive impact on the Oil and Gas industry in Texas however, weather continues to be a big issue throughout the oil patch in Texas, especially in East Texas. Events such as hurricane Harvey have caused destruction throughout East Texas and have taken service resources away from the area.

With all this taken into consideration the net investor revenue of the NMP additionally takes into account the freight, taxes, royalties and operating costs each month. Please note that payment details are received three to four months in arrears. Given the current economic climate it is important to be reminded that the Nona Mills Project is not a short-term consideration.

For the six-month period of January to June 2018 operational costs exceeded the investment, so on a month by month reconciliation there were no royalties payable.



AMERICAN MUD WORKS PROJECT INTRODUCTION

The Utica / Marcellus shale play, located in Ohio, Pennsylvania and West Virginia represents the single largest natural gas play in all of North America. Oil and gas exploration and production companies currently participating in the play include, but are not limited to, EQT, Gulfport, Eclipse Resources, XTO Energy, Devon Energy, Hess Ohio, Ascent Resources, Rice Energy, Antero Resources, Consol Energy and Range Resources. The majority of the aforementioned exploration and production companies are NYSE companies with major operations in the Utica / Marcellus.

American Mud Works Partners Ltd ("AMW") has assembled a group of industry experts well versed in operations and management, whose expertise rests in the production of new drilling mud, the production of heavy brine water, the treatment of oilfield waste products, specifically, oil based drilling mud, produced water and flow-back or dirty water, all of which are generated from oil and gas operations. Heavy, oil based, drilling mud and heavy brine water are both used extensively in the drilling of gas wells in the Utica / Marcellus to control extreme pressures encountered during drilling.

The oil and gas operators in this area require large amounts of drilling mud and heavy brine water in order to drill a typical natural gas well in this area. A typical well in the Utica / Marcellus is drilled to an average depth of over 9,000 feet and will have a lateral or horizontal leg around 20,000 feet. These same operators must dispose of their oilfield waste products; and, they pay high per barrel rates to properly dispose of these oilfield waste products.

AMW has acquired property in Monroe County, Ohio near the small town of Woodsfield, Ohio, where the Company has construct three plants that will produce new drilling mud, produce heavy brine water and treat the oilfield waste products previously mentioned. The AMW site sits in an industrial park providing excellent ingress and egress, has access to all needed utilities and possesses quality warehouse and office space needed to conduct the intended operations. Monroe County, Ohio is located in a five county area in SE Ohio where the majority of the Utica drilling is being conducted, thus creating high demand for drilling fluids and waste treatment. Previously these needs have been met by a variety of companies who each handle one of these disciplines and are located several hours away from the area; much of the new drilling mud and heavy brine water are barged in from the Cleveland area, taking several days to reach the user.

The first of the three plants (The Drilling Mud Plant) will be fully operational by September, 2018. This AMW facility will be able to supply new drilling mud to 20 to 25 rigs per month - this equates to being able to produce approximately 140,000 barrels of new drilling mud per month. New drilling mud is being sold at $130 - $132 per barrel and cost of goods sold on new drilling mud averages approximately $90 per barrel, allowing for a gross profit of approximately $40 per barrel.

The two treatment plants (Water Treatment/Mud Treatment Plant and The Heavy Brine Water Manufacturing Plant) will be on line on or about December, 2018. Both of these plants will be at full capacity at the time they come on line. Several weights of heavy brine water will be manufactured; the current gross profit on heavy brine water at competing plants ranges from $7 per barrel to $20 per barrel, depending on the weight of the brine water. The heavy brine water plant will be capable of producing over 50,000 barrels of brine per month.

Pictured: American Mud Works – Drilling Fluids Facility, Woodsfield Ohio

DISCLAIMER

Each user of this biannual report waives and releases Nona Mills Pty Ltd ("Nona Mills") to the full extent permitted by law from any and all claims relating to the usage of material or information made available through the publication of the bi-annual report. Subject to any terms implied by law which cannot be excluded, in no event shall Nona Mills be liable for any losses or damages, including incidental or consequential damages, resulting from use of the material or reliance on the information.

While care has been taken to ensure that information contained in Nona Mills' publications is true and correct at the time of publication, changes in circumstances after the time of publication may impact on the accuracy of this information. Nona Mills gives no warranty or assurance, and makes no representation as to the accuracy or reliability of any information or advice contained in the bi-annual report, or that it is suitable for your intended use.