

Enhanced Oil & Gas Recovery Limited

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ASX Release

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APPENDIX 4E Preliminary Final Report

**ENHANCED OIL & GAS RECOVERY LIMITED
ABN 67 097 771 581
AND CONTROLLED ENTITIES**

**FINANCIAL INFORMATION
FOR THE YEAR ENDED 30 JUNE 2017
PROVIDED TO THE ASX UNDER LISTING RULE 4.3A**

Appendix 4E Preliminary Final Report

Name of entity

ENHANCED OIL & GAS RECOVERY LIMITED
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ABN or equivalent company reference:	67 097 771 581
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1. Reporting period

Report for the financial year ended	30 June 2017
Previous corresponding period is the financial year ended	30 June 2016

2. Results for announcement to the market

Revenues from ordinary activities (<i>item 2.1</i>)	down	72%	to	\$458
Loss from ordinary activities after tax attributable to members (<i>item 2.2</i>)	down	27%	to	(\$809,601)
Net loss for the period attributable to members (<i>item 2.3</i>)	down	27%	to	(\$809,601)
Dividends (<i>item 2.4</i>)	Amount per security		Franked amount per security	
Interim dividend	¢	NIL	¢	NIL
Final dividend	¢	NIL	¢	NIL
Record date for determining entitlements to the dividend (<i>item 2.5</i>)	N/A			
Brief explanation of any of the figures reported above necessary to enable the figures to be understood (<i>item 2.6</i>):				
Revenue from ordinary activities consists of income derived mainly from interest income from bank deposits.				
The loss from ordinary activities is arrived at after including corporate expenditure.				

3. Income Statement (*item 3*)

See “Consolidated Statement of Profit or Loss and Other Comprehensive Income” and accompanying notes.

4. Balance Sheet (*item 4*)

See “Consolidated Statement of Financial Position” and accompanying notes.

5. Statement of Cash Flows (*item 5*)

See “Consolidated Statement of Cash Flows” and accompanying notes.

6. Dividends (*item 6*)

	Date of payment	Total amount of dividend
Interim dividend – year ended 30 June 2017	N/A	\$ NIL
Final dividend – year ended 30 June 2017	N/A	\$ NIL

Amount per security

	Amount per security	Franked amount per security at % tax	Amount per security of foreign sourced dividend
Total dividend: Current year	¢ NIL	¢ NIL	¢ NIL
Previous year	¢ NIL	¢ NIL	¢ NIL

Total dividend on all securities

	Current period \$A'000	Previous corresponding Period - \$A'000
Ordinary securities (each class separately)	NIL	NIL
Preference securities (each class separately)	NIL	NIL
Other equity instruments (each class separately)	NIL	NIL
Total	NIL	NIL

7. Details of dividend or distribution reinvestment plans in operation are described below (item 7):

The last date(s) for receipt of election notices for participation in the dividend or distribution reinvestment plan

N/A

8. Statement of retained earnings (item 8)

	Consolidated Entity	
	2017	2016
	\$	\$
Balance at the beginning of year	(13,064,855)	(11,949,028)
Net profit (loss) attributable to members of the parent entity	(809,601)	(1,115,827)
Total available for appropriation	(13,874,456)	(13,064,855)
Dividends paid	-	-
Balance at end of year	(13,874,456)	(13,064,855)

9. Net tangible assets per security (item 9)

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	(0.06 ¢)	(0.11 ¢)

10. Details of entities over which control has been gained or lost during the period: (item 10)

Control gained over entities

Name of entities (item 10.1)

N/A

Date(s) of gain of control (item 10.2)

N/A

Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities since the date(s) in the current period on which control was acquired (item 10.3)

\$ Nil

Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (item 4.3)

\$ Nil

Loss of control of entities

Name of entities (item 10.1)

N/A

Date(s) of loss of control (item 10.2)

N/A

Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities to the date(s) in the current period when control was lost (*item 10.3*).

\$ Nil

Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (*item 4.3*)

\$ Nil

11. Details of associates and joint venture entities (*item 11*)

Name of associate or joint venture entity (*item 11.1*)

%Securities held (*item 11.2*)

N/A	-

Aggregate share of profits (losses) of associates and joint venture entities (*item 11.3*)

Group's share of associates' and joint venture entities':

Profit (loss) from ordinary activities before tax

Income tax on ordinary activities

Net profit (loss) from ordinary activities after tax

Adjustments

Share of net profit (loss) of associates and joint venture entities

2017 \$	2016 \$
N/A	N/A
N/A	N/A
N/A	N/A
N/A	N/A
N/A	N/A

12. Significant information relating to the entity's financial performance and financial position.

The main activities of the Company remain focused on the acquisition of the entire issued capital of Centre Energy Petroleum Limited ("CEP") which would, on completion, own an economic interest in the Wailawi Oil & Gas Project in Indonesia.

In September 2015, the Company executed a Share Purchase Agreement to acquire 100% of CEP. The agreement was subject to certain conditions precedent including approval of shareholders at a general meeting and the Company's compliance to Chapters 1 and 2 of the ASX Listing Rules to complete its business transition to the oil and gas resources (Energy) sector.

Following further discussions and consultations with shareholders, the terms for the consideration provided for the acquisition of CEP was amended to \$5.0 million in December 2015 through the issue of shares to the shareholders of CEP calculated on the basis of AUD0.02 per existing EOR share.

Subsequent to the balance date, on 5 July 2017 the acquisition terms were further re-negotiated and finalised with CEP.

The Company and CEP have agreed that CEP's shareholders will receive:

- 500 million ordinary shares
- 250 million options exercisable on or before the two-year anniversary of the date of issue at \$0.02
- the amount of the Existing Shareholder Loan repayable, remains at US\$825,000.

The Company is now receiving independent advice on valuation of the Wailawi Oil & Gas Project in Indonesia and is in preparation for the issue of a prospectus and re-listing the Company compliant to ASX chapters 1 & 2 of the listing rules.

During the period, as part of a restructuring plan to reduce the overall debts, the Company secured a funding arrangement by way of issue of Converting Notes to raise \$400,000. The Converting Notes were issued on 18 July 2016.

It was also resolved on or about 11 July 2016 to enter into a Deed of Settlement with "Consultant" creditors of the Company whereby 19,808,215 fully paid ordinary shares were issued (at \$0.012 per share) in lieu of a portion of services fees owed to consultant creditors of the Company. The issue of shares made on 22 July 2016 as part of a debt reduction plan assisted the Company in preserving \$237,698.56 of its cash resource for application in other areas.

The Deed of Settlement include a further issue of 19,227,848 shares at \$0.012 to Consultant creditors who are parties related to or are directors of the Company. This issue of shares was subject to shareholders approval at the Annual General Meeting, which was obtained.

The Deed of Settlement would retire a total liability of approximately \$726,865 due to the creditors by a mix of cash and issue of shares in lieu of cash payments. This included a waiver of debt for \$12,915 agreed with one of the creditors.

The Company received a further subscription of \$125,000 for converting notes on similar terms and conditions of the converting notes issued on 18 July 2016. These Converting Notes were issued on 19 September 2016.

On 14 October 2016, the Company release ASX Appendix 3B for issue of 9,000,000 shares at \$0.005 each for \$45,000 subscription monies received.

On 14 October 2016, the Company announced the engagement of Pricewaterhouse Coopers Securities Ltd (PwCS) to prepare an Independent Expert's Report (IER) in relation to the Company's proposed acquisition of the entire issued share capital of Centre Energy Petroleum Limited (CEP).

The IER is to provide an opinion on whether the proposed acquisition of CEP is fair and reasonable to the shareholders of the Company and to be provided to shareholders along with the notice of extraordinary general meeting in respect of the shareholder vote required on the proposed acquisition pursuant to section 611, item 7 of the Corporations Act.

Work continues to finalise this report.

Mr Troy Burns joined the Board as an Executive Director of the Company on 18 July 2016 and later, took over the role as Chairman following the notice of Mr Ross Hill of his intention to step aside as the Chairman due to work commitments. Due to a change of circumstances, Mr Burns resigned from the Board on 29 November 2016.

Following shareholders' approval at the 2016 AGM held on 30 November 2016, the Company issued;

- i) 93,333,333 fully paid ordinary shares and 62,222,223 share options to the converting noteholders for a total of \$525,000 that was received on the note subscription; and
- ii) 19,227,848 fully paid ordinary shares to "consultant creditors" who are also directors of the Company, relieving the Company of debt liability of \$230,734.18.

The total 112,561,181 shares issued by the Company after the 2016 AGM were unquoted shares (EORAI shares), potentially subject to ASX escrow conditions and the Company satisfying ASX Chapters 1 & 2 of the listing rules.

The share options issued are exercisable at \$0.012 each and will expire in December 2017. Any shares issued upon exercise of those options would be subject to the same conditions of the EORAI shares.

The Company is now receiving independent advice on the valuation of CEP which includes the Wailawi Oil & Gas Project in Indonesia, and is in the process for the preparation of a notice to shareholders for a general meeting to approve the proposed CEP acquisition, the issue of a prospectus for a public offering to raise a subscription amount of up to \$4,000,000, and re-listing of the Company compliant to ASX Chapters 1 & 2 of the listing rules.

On 8 March 2017 Messrs Kam and Kavanagh resigned as joint Company Secretaries and the role was transferred to Mr Ross Hill, with external support.

At the end of the financial period, the Company had in total 943,621,119 issued shares of which 409,810,055 shares are listed securities in the Australian Stock Exchange (ASX). The remaining 533,811,064 shares [EORAI] are not traded as listed and are potentially subject to ASX imposed escrow conditions.

The Company has 66,222,223 share options exercisable at \$0.012 expiring 8 December 2017.

On 23 August 2017, the company further announced that it had settled further outstanding liabilities through the issue of 8,728,581 EORAI shares and 20,000,000 to raise working capital required to continue the ongoing due diligence, accounting, legal and regulatory work necessary to finalise the CEP transaction.

13. The financial information provided in the Appendix 4E is based on the annual financial report, which has been prepared in accordance with Australian accounting standards.
(item 13)

14. Commentary on the results for the period.

See item 2.6

15. Audit of the financial report (item 15)

Select one of the following:

- ☐ The financial report has been audited
- ☐ The financial report has not yet been audited.
- ☒ The financial report is in the process of being audited.

16. The audit has not yet been completed

Select one of the following:

- ☒ The financial report is not likely to be the subject of dispute or qualification.
- ☐ The financial report is likely to be the subject of dispute or qualification as described below.

Include a description of the likely dispute or qualification.

N/A

17. The audit has been completed.

Select one of the following:

- ☐ The financial report is not subject to audit dispute or qualification.
- ☐ The financial report is subject to audit dispute or qualification as described below.

Include a description of the dispute or qualification.

N/A

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 June 2017**

	Consolidated Entity	
	2017	2016
	\$	\$
Revenue		
Other income	458	1,634
	<u>458</u>	<u>1,634</u>
Less: Expenses		
Consulting and Temporary Staff Costs	(410,453)	(608,489)
Property and Occupancy	(67,586)	(61,037)
Impairment of financial assets	-	(149,206)
IT & T	(1,416)	(4,377)
Finance costs	(1,739)	(1,973)
Corporate and listing costs	(214,426)	(187,064)
Other expenses	(114,439)	(105,315)
	<u>(810,059)</u>	<u>(1,117,461)</u>
Profit (loss) before income tax	(809,601)	(1,115,827)
Income tax expense (income tax benefit)	-	-
	<u>(809,601)</u>	<u>(1,115,827)</u>
Profit (loss) for the year	(809,601)	(1,115,827)
Other comprehensive income for the year net of tax	-	-
	<u>-</u>	<u>-</u>
Total comprehensive income/(loss) for the year attributable to the members of the parent entity	<u>(809,601)</u>	<u>(1,115,827)</u>
Earnings per share:		
Basic earnings per share	(0.09¢)	(0.15¢)
Diluted earnings per share	(0.09¢)	(0.15¢)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 June 2017

	Consolidated Entity	
	2017	2016
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	28,345	168,545
Receivables	50,999	39,412
Other current assets	32,887	26,105
TOTAL CURRENT ASSETS	<u>112,231</u>	<u>234,062</u>
NON-CURRENT ASSETS		
Property, plant and equipment	1	1
Other financial assets	60	60
TOTAL NON-CURRENT ASSETS	<u>61</u>	<u>61</u>
TOTAL ASSETS	<u>112,292</u>	<u>234,123</u>
CURRENT LIABILITIES		
Payables	689,462	1,050,516
Borrowings	29,979	23,005
TOTAL CURRENT LIABILITIES	<u>719,441</u>	<u>1,073,521</u>
TOTAL LIABILITIES	<u>719,441</u>	<u>1,073,521</u>
NET ASSETS/(LIABILITIES)	<u>(607,149)</u>	<u>(839,398)</u>
EQUITY		
Issued capital	13,267,307	12,225,457
Accumulated losses	(13,874,456)	(13,064,855)
TOTAL EQUITY	<u>(607,149)</u>	<u>(839,398)</u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 June 2017**

Consolidated Entity	Contributed equity \$	Retained earnings \$	Total Equity \$
Balance as at 30 June 2015	11,632,971	(11,949,028)	(316,057)
(Loss) for the year	-	(1,115,827)	(1,115,827)
Total comprehensive income for the year	-	(1,115,827)	(1,115,827)
Transactions with owners in their capacity as owners:			
Contributions, net of costs	592,486		592,486
	592,486	-	592,486
Balance as at 30 June 2016	12,225,457	(13,064,855)	(839,398)
(Loss) for the year	-	(809,601)	(809,601)
Total comprehensive income for the year	-	(809,601)	(809,601)
Transactions with owners in their capacity as owners:			
Contributions, net of costs	1,041,850		1,041,850
	1,041,850	-	1,041,850
Balance as at 30 June 2017	13,267,307	(13,874,456)	(607,149)

The accompanying notes form part of these financial statements

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 June 2017**

	Consolidated Entity	
	2017	2016
	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers	-	-
Payments to suppliers and employees	(719,310)	(521,513)
Interest received	458	1,634
Borrowing costs	(1,739)	(1,973)
Net cash provided by / (used in) operating activities	(720,591)	(521,852)
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	-	-
Net cash provided by / (used in) investing activities	-	-
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from shares issued net of costs	48,417	592,486
Proceeds from borrowings/deposit & bonds	562,483	32,659
Repayment of borrowings/deposit & bonds	(30,509)	(31,825)
Net cash provided by / (used in) financing activities	580,391	593,320
Net increase / (decrease) in cash and cash equivalents	(140,200)	71,468
Cash and cash equivalents at beginning of year	168,545	97,077
Cash and cash equivalents at end of the year	28,345	168,545

**ENHANCED OIL & GAS RECOVERY LIMITED
AND CONTROLLED ENTITIES
ABN 67 097 771 581**

NOTE 1: BASIS OF PREPARATION OF PRELIMINARY FINANCIAL REPORT

This preliminary financial report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E. The accounting policies adopted in the preparation of the preliminary financial report are consistent with the accounting policies adopted and outlined in the notes to the financial statements for the year ended 30 June 2017.

**NOTE 2: RECONCILIATION OF PROFIT FROM
ORDINARY ACTIVITIES TO NET CASH FLOWS FROM
OPERATING ACTIVITIES**

	Year Ended June 30, 2017	Year Ended June 30, 2016
(a) Reconciliation of cash		
- Cash in hand	-	-
- Cash at bank	<u>28,345</u>	<u>168,545</u>
	28,345	168,545
(b) Reconciliation of profit from ordinary activities after related income tax to net cash flows from operating activities		
- Profit /(loss) for the year	(809,601)	(1,115,827)
Share issued in lieu for service provided	468,433	-
Provision of impairment of investments	-	149,206
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses		
(Increase)/decrease in assets		
- Current receivables	(11,587)	28,181
- Other current assets	(6,782)	2,041
Increase/(decrease) in liabilities		
- Current payables	<u>(361,054)</u>	<u>414,547</u>
Net cash provided by/(used in) operating activities	<u>(720,591)</u>	<u>(521,852)</u>