

**ENHANCED OIL & GAS RECOVERY LIMITED**

*ABN: 67 097 771 581*

**AND CONTROLLED ENTITIES**

**FINANCIAL REPORT  
FOR THE YEAR ENDED  
30 JUNE 2017**

## CORPORATE DIRECTORY

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**Board of Directors**  
Ross Hill (Chairman)  
Siew Hong Koh  
John Carmody  
YuJiang Tong

**Company Secretary**  
Ross Hill

**Share Registry**  
Computershare Investor Services Pty Limited  
Yarra Falls, 452 Johnston St  
Abbotsford, VIC, 3067  
Telephone: 03 9415 4000  
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**Auditors**  
Pitcher Partners  
Level 22 MLC Centre  
19 Martin Place  
Sydney NSW 2000  
Telephone: 02 9221 2099  
Facsimile: 02 9223 1762

**Bankers**  
National Australia Bank Limited  
101-103 Pitt Street  
Sydney NSW 2000

**Lawyers**  
HWL Ebsworth Lawyers  
Level 14 Australia Square  
264-278 George Street  
Sydney NSW 2000  
Telephone: 02 9334 8555

**ASX Code – EOR**  
Enhanced Oil & Gas Recovery Limited  
Shares are listed on the Australian Securities  
Exchange.

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## Corporate Governance Review 2017

Listing Rule 4.10.3 requires each entity admitted to the official list as an ASX Listing to include in its annual report either a corporate governance statement that meets the requirements of that rule or the URL of the page on its website where such a statement is located.

The corporate governance statement must disclose the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council ("Council") during the reporting period. If the entity has not followed a recommendation for any part of the reporting period, its corporate governance statement must separately identify that recommendation and the period during which it was not followed and state its reasons for not following the recommendation and what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Enhanced Oil & Gas Recovery Limited (the "Company") remains in transition to change its business direction into the oil and gas resources ("Energy") sector. The Company is currently reviewing its corporate governance policy along with the assimilation of a new business in the Wailawi Oil & Gas Project acquisition, and to conduct a general meeting of the Company as required to re-comply with Chapters 1 and 2 of the ASX Listing Rules as if it were applying for admission to the official list of the ASX.

The Company shall consider the new reporting guidelines of the Corporate Governance Principles and Recommendation (third edition modified in 2014) during its review of its corporate governance policy.

The extent to which the Company has complied with each of the Council's during the year is detailed below.

Principle	Details	Comments
1.	<b>Lay solid foundations for management and oversight</b>	
1.1	A listed entity should disclose: <ul style="list-style-type: none"> <li>(a) the respective roles and responsibilities of its board and management; and</li> <li>(b) those matters expressly reserved to the board and those delegated to management.</li> </ul>	The recommendations under this principle have not been followed in full for the whole of the period as the Company has continued its transition to change its business direction as described above. Corporate governance policies will be adopted at the completion of this transition to meet the needs of the Company at that time.
1.2	A listed entity should: <ul style="list-style-type: none"> <li>(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and</li> <li>(b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.</li> </ul>	
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Additional detail in respect of which recommendations have been followed and which recommendations have not been followed are included in the Appendix 4G lodged by the company.
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	

- 1.5 A listed entity should:
- (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;
  - (b) disclose that policy or a summary of it; and
  - (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:
    - (1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or
    - (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.
- 1.6 A listed entity should:
- (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and
  - (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.
- 1.7 A listed entity should:
- (a) have and disclose a process for periodically evaluating the performance of its senior executives; and
  - (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

- 2. Structure the Board to add value**
- 2.1 The board of a listed entity should:
- (a) have a nomination committee which:
    - (1) has at least three members, a majority of whom are independent directors; and
    - (2) is chaired by an independent director, and disclose:
      - (3) the charter of the committee;
      - (4) the members of the committee; and
      - (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
  - (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.
- 2.2 A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.
- 2.3 A listed entity should disclose:
- (a) the names of the directors considered by the board to be independent directors;
  - (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and
  - (c) the length of service of each director.
- 2.4 A majority of the board of a listed entity should be independent directors.
- 2.5 The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.
- 2.6 A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.
- The recommendations under this principle have not been followed in full for the whole of the period as the Company has continued its transition to change its business direction as described above. Corporate governance policies will be adopted at the completion of this transition to meet the needs of the Company at that time.
- Additional detail in respect of which recommendations have been followed and which recommendations have not been followed are included in the Appendix 4G lodged by the company.

3.	Act ethically and responsibly	
3.1	<p>A listed entity should:</p> <ul style="list-style-type: none"> <li>(a) have a code of conduct for its directors, senior executives and employees; and</li> <li>(b) disclose that code or a summary of it.</li> </ul>	<p>The recommendations under this principle have not been followed in full for the whole of the period as the Company has continued its transition to change its business direction as described above. Corporate governance policies will be adopted at the completion of this transition to meet the needs of the Company at that time.</p> <p>Additional detail in respect of which recommendations have been followed and which recommendations have not been followed are included in the Appendix 4G lodged by the company.</p>
4.	Safeguard integrity in corporate reporting	
4.1	<p>The board of a listed entity should:</p> <ul style="list-style-type: none"> <li>(a) have an audit committee which: <ul style="list-style-type: none"> <li>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</li> <li>(2) is chaired by an independent director, who is not the chair of the board,</li> </ul> <p>and disclose:</p> <ul style="list-style-type: none"> <li>(3) the charter of the committee;</li> <li>(4) the relevant qualifications and experience of the members of the committee; and</li> <li>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ul> </li> <li>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</li> </ul>	<p>The recommendations under this principle have not been followed in full for the whole of the period as the Company has continued its transition to change its business direction as described above. Corporate governance policies will be adopted at the completion of this transition to meet the needs of the Company at that time.</p> <p>Additional detail in respect of which recommendations have been followed and which recommendations have not been followed are included in the Appendix 4G lodged by the company.</p>
4.2	<p>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	
4.3	<p>A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p>	

<b>5. Make timely and balanced disclosure</b>	
<b>5.1</b>	A listed entity should:
(a)	have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and
(b)	disclose that policy or a summary of it.
	The recommendations under this principle have not been followed in full for the whole of the period as the Company has continued its transition to change its business direction as described above. Corporate governance policies will be adopted at the completion of this transition to meet the needs of the Company at that time.  Additional detail in respect of which recommendations have been followed and which recommendations have not been followed are included in the Appendix 4G lodged by the company.
<b>6. Respect the rights of security holders</b>	
<b>6.1</b>	A listed entity should provide information about itself and its governance to investors via its website.
<b>6.2</b>	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.
<b>6.3</b>	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.
<b>6.4</b>	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.
	The recommendations under this principle have not been followed in full for the whole of the period as the Company has continued its transition to change its business direction as described above. Corporate governance policies will be adopted at the completion of this transition to meet the needs of the Company at that time.  Additional detail in respect of which recommendations have been followed and which recommendations have not been followed are included in the Appendix 4G lodged by the company.
<b>7. Recognise and manage risk</b>	
<b>7.1</b>	The board of a listed entity should:
(a)	have a committee or committees to oversee risk, each of which:
(1)	has at least three members, a majority of whom are independent directors; and
(2)	is chaired by an independent director, and disclose:
(3)	the charter of the committee;
(4)	the members of the committee; and
(5)	as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
(b)	if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.
<b>7.2</b>	The board or a committee of the board should:
(a)	review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and
(b)	disclose, in relation to each reporting period, whether such a review has taken place.
	The recommendations under this principle have not been followed in full for the whole of the period as the Company has continued its transition to change its business direction as described above. Corporate governance policies will be adopted at the completion of this transition to meet the needs of the Company at that time.  Additional detail in respect of which recommendations have been followed and which recommendations have not been followed are included in the Appendix 4G lodged by the company.

- 7.3 A listed entity should disclose:
- (a) if it has an internal audit function, how the function is structured and what role it performs; or
  - (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes
- 7.4 A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

**8. Remunerate fairly and responsibly**

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- 8.1 The board of a listed entity should:
- (a) have a remuneration committee which:
    - (1) has at least three members, a majority of whom are independent directors; and
    - (2) is chaired by an independent director, and disclose:
      - (3) the charter of the committee;
      - (4) the members of the committee; and
      - (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
  - (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.
- 8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.
- 8.3 A listed entity which has an equity-based remuneration scheme should:
- (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and
  - (b) disclose that policy or a summary of it.
- The recommendations under this principle have not been followed in full for the whole of the period as the Company has continued its transition to change its business direction as described above. Corporate governance policies will be adopted at the completion of this transition to meet the needs of the Company at that time.
- Additional detail in respect of which recommendations have been followed and which recommendations have not been followed are included in the Appendix 4G lodged by the company.



## DIRECTORS' REPORT

The directors present their report together with the financial statements of the consolidated entity consisting of Enhanced Oil & Gas Recovery Limited and the entities it controlled, for the financial year ended 30 June 2017.

### Principal Activities

The consolidated entity changed its name from Artist & Entertainment Group Limited to Enhanced Oil & Gas Recovery Limited in December 2014. The consolidated entity remains in transition to the change in its business direction and to re-comply to chapters 1 and 2 of the ASX listing rules.

The current activities of the consolidated entity are focussed on the exploration and development in the energy resources sector, specifically through the work undertaken to complete the proposed acquisition of the Wailawi Oil & Gas Project in Indonesia.

### Results

The consolidated loss after income tax attributable to the members of Enhanced Oil & Gas Recovery Limited was a loss of \$809,601 (2016: \$1,115,827 loss).

### Review of Operations

During the year under review, revenue from ordinary activities including income derived from short term investments totalled \$458 (2016: \$1,634).

The main activities of the Company remain focused on the acquisition of the entire issued capital of Centre Energy Petroleum Limited ("CEP") which owns 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 to be settled through the issue of shares to the shareholders of CEP calculated on the basis of AUD\$0.02 per existing EOR share.

Towards the end of the last financial reporting period as at 30 June 2016, the Company raised \$178,000 at a placement price of \$0.005 per share. Consequently, 35,600,000 new fully paid ordinary shares in the Company were issued on or about 14 July 2016.

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 a syndicate of professional and sophisticated investors to raise \$400,000. The converting notes were unsecured and redeemable with a face value of \$25,000 each converting into fully paid ordinary shares in the Company at \$0.005 per share and entitling the noteholder to be issued two (2) free share options for every three (3) shares issued on conversion of those notes. The converting notes were unsecured loans to the Company until the conversion of those notes into shares subject to the approval of shareholders of the Company at a general meeting.

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 included 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 retired 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 shares were issued at their market price at the date of issue and the number of shares issued was calculated so that the total value was equal to the carrying value of the liability settled.

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 from the syndicate of professional and sophisticated investors. Until they were approved for conversion by shareholders at a general meeting, into share securities, the notes remained an unsecured loan to the Company.

These Converting Notes were issued on 19 September 2016.

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

Also 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.

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 related to his private legal practice. Due to a change of circumstances, Mr Burns resigned from the Board on 29 November 2016.

Following shareholders' approval of all resolutions (resolutions 4 to 8) concerning the issue of various securities at the 2016 AGM held on 30 November 2016, the Company issued, accordingly;

- 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.

All 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 on 8 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 and potential avenues of development of the Wailawi Oil & Gas Project in Indonesia, through the economic interest it will receive through the acquisition of CEP. The Company 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.

The long delay in finalising the Wailawi transaction has had an adverse financial effect on the Company. The Company is, however, optimistic that the Notice of Meeting and subsequent prospectus to raise approximately \$4 million is achievable during 2017. The Company has planned a detailed and systematic development plan for Wailawi and will implement at the earliest possible opportunity. The Company will be dependent on that raising or any future capital raisings to remain a going concern.

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 year, 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 representing 57% of the total issued shares 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.

#### **After Balance Date Events**

Subsequent to the balance date, on 5 July 2017 the Company's Chairman Mr. Ross Hill noted that after a substantial review of the proposed acquisition terms and after consultation with the Company's advisers; and to ensure that all stakeholders started on equal terms, it was necessary to further re-negotiate a viable final agreement 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 remains at US\$825,000.

On 23 August 2017, the Company announced that it had issued 28,728,571 shares 8,728,571 were issued on 2 August 2017 in settlement of further existing debts equivalent to \$61,000 and 20,000,000 were issued on 23 August 2017 as a placement of \$100,000 (\$28,000 of which was received in June 2017).

The Company continues to work with Pricewaterhouse Coopers Securities Ltd (PwCS) to provide them with the necessary information 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.

After the considerable time period that has elapsed since this transaction was first announced, it is important for the company to note that the finalisation of the acquisition of CEP is not the end of the transaction. It is the start of an exciting venture that has the ability to transform the Company and provide a pathway to growth and profit.

#### **Likely Developments**

The Company will progress to issue a prospectus and re-listing the Company compliant to ASX Chapters 1 & 2 of the listing rules.

The Company will undertake a public offering through the prospectus to raise a subscription amount of up to \$4.0 million. The Company may consider a small level of over subscriptions if the situation warrants it.

The Company continues to work with PwCS to assist them with the finalisation of the Independent Experts Report. The Company is in the process of preparing 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 of approximately \$4,000,000, and re-listing of the Company compliant to ASX Chapters 1 & 2 of the listing rules.

Again, the completion of the transaction will see the Company and its key personnel focussed in developing and expanding the acquired asset. The Company has begun its developmental plans, such that it will be ready for implementation at the earliest possibility.

The work done assisting PwCS provides an excellent opportunity to review and have reviewed budgets and plans and the Company had gained further insightful knowledge from the work done by Robsearch Research, that will facilitate decisive and immediate decisions on conclusion of the acquisition.

All shareholders will be most interested in the likely timing of the CEP completion and given the progression of the reports and work done, the company believes that this will occur in the next quarter, that is Q2 2017/2018.

The company would like to express its thanks to shareholders for their continued support through what has been a very difficult acquisition.

#### **Environmental Regulation**

The consolidated entity's operations are not subject to any significant environmental Commonwealth or State regulations or laws.

#### **Dividend Paid, Recommended and Declared**

No dividends were paid, declared or recommended since the start of the financial year.

#### **Shares Under Option**

Unissued ordinary shares of Enhanced Oil & Gas Recovery Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
8 December 2016	8 December 2017	\$0.012	66,222,223

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

The options were free attaching to shares issued in settlement of redeemable converting notes.

#### **Indemnification and Insurance of Directors, Officers and Auditors**

The Company has agreed to indemnify all the Directors of the Company for any liabilities to another person (other than the Company or related entity) that may arise from their position as Directors of the Company, except where the liability arises out of conduct involving a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract insuring the Directors and officers of the Company against any liability incurred in the course of their duties to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

#### **Proceedings on Behalf of the Consolidated Entity**

There is no impending legal proceeding for the reporting period.

### Information on Directors and Company Secretary

The qualifications, experience and special responsibilities of each person who has been a director of Enhanced Oil & Gas Recovery Limited at any time during or since the end of the financial year is provided below, together with details of the company secretary as at the year end.

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Ross Hill B Legal Non-Executive Director Company Secretary (from 8 March 2017)	Ross Hill is an experienced lawyer with combined 20 years of business and professional experience. He has developed extensive practical legal experience in Australia and throughout South-East Asia and has therein provided extensive advisory services to a wide range of highly reputed clients.
John Carmody BSc MA Dip Ed MAusIMM MPESA MAAPG Non-Executive Director	John Carmody is a professional geologist of over 30 years' experience in oil & gas exploration and production, including coal seam methane. John is the former President of the Australian Petroleum Society.
Siew Hong Koh BSc Non-Executive Director	Mr S H Koh is a Director of a number of companies involved in investments in property, technology, energy and mining resources. He has over 30 years of commercial experience in public and private companies.
YuJiang Tong B.Int.Bus. M.SocSc. Non-Executive Director	Ms. Tong is currently the Vice General Manager of Shenzhen Xinhongye Communication Co. Ltd (SXC), a publishing company in Shenzhen, China. SXC publishes a magazine focused on the resources industry.
Troy Burns Executive Chairman (appointed 18 July 2016) (resigned 29 November 2016)	Mr Burns is a Chartered Tax Advisor and a Principal of a dedicated Accounting and Financial Management Practice.
Graham Kavanagh B.Comm. ASIA Executive Officer/Joint Company Secretary (resigned 8 March 2017)	Mr. Kavanagh has more than 25 years' experience in securities, fund management and, property investment.
Eric Kam FCPA FCMA MBA MAICD Joint Company Secretary (resigned 8 March 2017)	Eric Kam has experience in finance and operations management across diverse businesses and industries.

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**Directors' Meetings**

The number of meetings of the board of directors and of each board committee held during the financial year and the numbers of meetings attended by each director were:

	Board of Directors	
	Eligible to attend	Attended
Troy Burns (18 July - 27 November 2016)	5	5
Ross Hill	11	11
John Carmody	11	11
Siew Hong Koh	11	11
YuJiang Tong	11	3

**Rounding of amounts**

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts in the directors' report and in the financial report have been rounded to the nearest dollar, unless otherwise specified.

**Directors' Interests in Shares or Options**

Directors' relevant interests in shares of Enhanced Oil & Gas Recovery Limited or options over shares in the company (or a related body corporate) are detailed below.

	Direct	Indirect
Troy Burns	600,000	# <sup>1</sup> 116,848,377
Ross Hill	-	# <sup>2</sup> 51,439,393
Siew Hong Koh	8,328,352	# <sup>3</sup> 27,432,436
YuJiang Tong	30,000,000	-
John Carmody		<sup>4</sup> 1,727,848
TOTAL:	<u>38,928,352</u>	<u>197,448,054</u>

<sup>#1</sup> Appointed 18 July 2016 and Resigned 27 November 2016. Relevant interest in indirect includes 43,333,334 ordinary shares that are not quoted (EORAI shares) and potentially subject to ASX imposed escrow conditions.

<sup>#2</sup> Includes 11,666,666 ordinary shares that are not quoted (EORAI shares) and potentially subject to ASX imposed escrow conditions.

<sup>#3</sup> Includes 25,702,436 ordinary shares that are not quoted (EORAI shares) and potentially subject to ASX imposed escrow conditions.

<sup>#4</sup> Includes 1,727,848 ordinary shares that are not quoted (EORAI shares) and potentially subject to ASX imposed escrow conditions

**Directors' Interests in Shares or Options (cont'd)**

Directors' relevant interests in Options that are not quoted (EORAI shares) and potentially subject to ASX imposed escrow conditions of Enhanced Oil & Gas Recovery Limited

	<b>Direct</b>	<b>Indirect</b>
Troy Burns	-	18,888,890
Ross Hill	-	3,333,333

**Auditor's Independence Declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* in relation to the audit for the financial year is provided with this report.

**Non-Audit Services**

Non-audit services are approved by the board of directors. Non-audit services provided by the auditors of the consolidated entity during the year, Pitcher Partners, are detailed below. The directors are satisfied that the provision of the non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

Amounts paid or payable to an auditor for non-audit services provided during the year by the auditor to any entity that is part of the consolidated entity for:	<b>2017</b>	<b>2016</b>
	\$	\$
Taxation services	3,300	3,300
Other	-	-

**Remuneration Report (audited)****Remuneration Policies**

The board policy for determining the nature and amount of remuneration of key management personnel is agreed by the board of directors as a whole.

Further information on remuneration policies of the consolidated entity is found in the Corporate Governance Review Statement 201 on page 3 to 8 of this report.

At this stage, there is no relationship between the board policy and the company's performance. It is further noted that no remuneration was dependent on the satisfaction of a performance condition.

**Directors' Remuneration**

During the year, no director received any remuneration by way of salary or director's fee. The directors were paid for services rendered to the consolidated entity through the director related entities or professional services establishment. This service arrangement will continue until such time Enhanced Oil & Gas Recovery Limited has completed its re-structure and ready for re-listing with the ASX compliant to chapters 1 and 2 of the listing rules.

The deviation in remuneration policy is disclosed in the Corporate Governance Review 2017 in respect of Principle 8 to remunerate fairly and responsibly.

The value of professional or consulting services rendered directly or indirectly by the directors are presented below.

Total remuneration to the directors during the year amounted to \$82,810 (2016: \$197,265).

- Centrebright Pty Ltd, an entity controlled by Siew Hong Koh, non-Executive Director provided management services of value up to \$35,000 (2016: \$120,000).
- TY Global Trade Co Pty Ltd, an entity associated with Yujiang "Jodie" Tong, non-executive director of the Company rendered management services of value up to \$21,818 (2016: \$51,273). No further payments will be made post 30 June 2017.
- J C Petroleum Pty Ltd, an entity controlled by John Carmody, non-executive Director provided technical advisory services of value up to \$25,992 (2016: \$25,992).

**Executives' Remuneration**

During the year, the Company had no direct employment of any executive staff. Executive services rendered to the consolidated entity were through the directors' related entities or professional establishment. This service arrangement will continue until such time Enhanced Oil & Gas Recovery Limited has completed its re-structure in the change of its business direction and ready for re-listing with the ASX compliant to chapter 1 and 2 of the listing rules.

The value of services rendered by Graham Kavanagh, former Executive Officer and Eric Kam, former Company Secretary are presented below.

- Drumcliff Investment Pty Ltd, an entity controlled by Graham Kavanagh, former Executive Officer provided consulting services during the period of value up to \$78,788 (2016: \$118,182) and the Company will seek to settle any possible outstanding amounts.
- Ekam Commercial is a professional service firm of Eric Kam, the former Company Secretary has provided management services during the period of value up to \$54,000 (2016: \$60,259) and the Company will seek to settle any possible outstanding amounts.

Total remuneration to the executive officer and company secretary during the year amounted to \$132,788 (2016: \$178,441).



**Directors' Interests in Shares or Options**

Directors' relevant interests in shares of Enhanced Oil & Gas Recovery Limited or options over shares in the company (or a related body corporate) are detailed below.

	<b>Direct</b>	<b>Indirect</b>
Troy Burns	600,000	# <sup>1</sup> 116,848,377
Ross Hill	-	# <sup>2</sup> 51,439,393
Siew Hong Koh	8,328,352	# <sup>3</sup> 27,432,436
YuJiang Tong	30,000,000	-
John Carmody		<sup>4</sup> 1,727,848
<b>TOTAL:</b>	<b>38,928,352</b>	<b>197,448,054</b>

<sup>#1</sup> Appointed 18 July 2016 and Resigned 27 November 2016. Relevant interest in indirect includes 43,333,334 ordinary shares that are not quoted (EORAI shares) and potentially subject to ASX imposed escrow conditions.

<sup>#2</sup> Includes 11,666,666 ordinary shares that are not quoted (EORAI shares) and potentially subject to ASX imposed escrow conditions.

<sup>#3</sup> Includes 25,702,436 ordinary shares that are not quoted (EORAI shares) and potentially subject to ASX imposed escrow conditions.

<sup>#4</sup> Includes 1,727,848 ordinary shares that are not quoted (EORAI shares) and potentially subject to ASX imposed escrow conditions

Directors' relevant interests in Options that are not quoted (EORAI shares) are potentially subject to ASX imposed escrow conditions of Enhanced Oil & Gas Recovery Limited

	<b>Direct</b>	<b>Indirect</b>
Troy Burns	-	18,888,890
Ross Hill	-	3,333,333

The options (issued on 8 December 2016 and expiring on 8 December 2017) were free attaching to shares issued in settlement of redeemable converting notes and with exercise price of \$0.012. These options were not accounted for as a share based payment as they are specifically excluded from the scope of AASB 2, *Share-Based Payment*.

**Directors and their shareholding**

Number of shares held by key management personnel

	<b>Balance<sup>^</sup> 1/07/16</b>	<b>Granted as remuneration</b>	<b>Net change Other</b>	<b>Balance<sup>#</sup> 30/06/17</b>
<b>Directors</b>				
Ross Hill	30,606,060	-	20,833,333	51,439,393
Siew Hong Koh	30,760,788	-	5,000,000	35,760,788
John Carmody	-	-	1,727,848	1,727,848
YuJiang Tong	30,000,000	-	-	30,000,000
	91,366,848	-	27,561,181	118,928,029

	Balance <sup>^</sup> # 1/07/15	Granted as remuneration	Net change Other	Balance <sup>^</sup> # 30/06/16
<b>Directors</b>				
Ross Hill	30,606,060	-	-	30,606,060
John Carmody	-	-	-	-
Siew Hong Koh	56,738,352	-	(25,977,564)	30,760,788
YuJiang Tong	-	-	30,000,000	30,000,000
	<u>87,344,412</u>	<u>-</u>	<u>4,022,436</u>	<u>91,366,848</u>

<sup>^</sup>Combined shares held directly and indirectly.

<sup>\*</sup>Including unquoted ordinary shares potentially subject to ASX imposed escrow conditions.

***This concludes the Remuneration Report, which has been audited.***

Signed in accordance with a resolution of the directors.



Ross Hill  
Chairman

Sydney  
29 September 2017



Siew Hong Koh  
Director

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**AUDITOR'S INDEPENDENCE DECLARATION  
TO THE DIRECTORS OF ENHANCED OIL & GAS RECOVERY LIMITED  
ABN 67 097 771 581**

In relation to the independent audit for the year ended 30 June 2017, the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) No contraventions of any applicable code of professional conduct.

This declaration is in respect of Enhanced Oil & Gas Recovery Limited and the entities it controlled during the year.



R M SHANLEY  
Partner

PITCHER PARTNERS  
Sydney

29 September 2017

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

	Notes	Consolidated Entity	
		2017 \$	2016 \$
<b>Revenue</b>			
Other income	4	458	1,634
		458	1,634
<b>Less: Expenses</b>			
Consulting and Temporary Staff Costs		(410,453)	(608,489)
Property and Occupancy		(67,586)	(61,037)
Impairment of financial assets	5	-	(149,206)
IT & Telecommunication		(1,416)	(4,377)
Finance costs	5	(1,739)	(1,973)
Corporate and listing costs		(214,426)	(187,064)
Other expenses		(114,439)	(105,315)
		(810,059)	(1,117,461)
<b>Loss before income tax from operations</b>		(809,601)	(1,115,827)
Income tax expense	6	-	-
<b>Loss for the year</b>		(809,601)	(1,115,827)
Other comprehensive income for the year net of tax		-	-
<b>Total comprehensive loss for the year attributable to the members of the parent entity</b>		(809,601)	(1,115,827)
<b>Earnings per share from profit from operations:</b>			
Basic earnings per share	19	(0.09¢)	(0.15¢)
Diluted earnings per share	19	(0.09¢)	(0.15¢)

*The accompanying notes form part of these financial statements*

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 June 2017**

	Notes	Consolidated Entity	
		2017 \$	2016 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8	28,345	168,545
Receivables	9	50,999	39,412
Other current assets	10	32,887	26,105
<b>TOTAL CURRENT ASSETS</b>		112,231	234,062
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	1	1
Other financial assets	12	60	60
<b>TOTAL NON-CURRENT ASSETS</b>		61	61
<b>TOTAL ASSETS</b>		112,292	234,123
<b>CURRENT LIABILITIES</b>			
Payables	13	689,462	1,050,516
Borrowings	14	29,979	23,005
<b>TOTAL CURRENT LIABILITIES</b>		719,441	1,073,521
<b>TOTAL LIABILITIES</b>		719,441	1,073,521
<b>NET ASSETS/(LIABILITIES)</b>		(607,149)	(839,398)
<b>EQUITY</b>			
Issued capital	15	13,267,307	12,225,457
Accumulated losses	16	(13,874,456)	(13,064,855)
<b>TOTAL EQUITY</b>		(607,149)	(839,398)

*The accompanying notes form part of these financial statements*

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

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

	Notes	Consolidated Entity	
		2017	2016
		\$	\$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Receipts from customers		-	-
Payments to suppliers and employees		(751,176)	(521,513)
Interest received		458	1,634
Borrowing costs		(1,739)	(1,973)
<b>Net cash provided by / (used in) operating activities</b>	17(a)	(752,456)	(521,852)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of investments		-	-
Payment for investments		-	-
<b>Net cash provided by / (used in) investing activities</b>		-	-
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from shares issued net of cost		117,765	592,486
Proceeds from converting notes		525,000	-
Repayment of borrowings/deposit & bonds		(30,509)	(31,825)
<b>Net cash provided by / (used in) financing activities</b>		612,256	593,320
<b>Net increase / (decrease) in cash and cash equivalents</b>		(140,200)	71,468
Cash and cash equivalents at beginning of year		168,545	97,077
<b>Cash and cash equivalents at end of the year</b>	17(b)	28,345	168,545

*The accompanying notes form part of these financial statements*

**Notes to the Financial Statements**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 June 2017**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

These financial statements are a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial statements cover Enhanced Oil & Gas Recovery Limited and controlled entities as a consolidated entity. Enhanced Oil & Gas Recovery Limited is a company limited by shares, incorporated and domiciled in Australia. Enhanced Oil & Gas Recovery Limited is a for-profit entity of the purpose of preparing the financial statements.

The financial statements were authorised for issue by the directors at the date of the directors' report.

The following is a summary of material accounting policies adopted by the consolidated entity in the preparation and presentation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

**(a) Basis of preparation of the financial report**

*Compliance with IFRS*

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards. Compliance with Australian equivalent International Financial Reporting Standards ensures compliance with International Financial Reporting Standards (IFRSs).

*Historical Cost Convention*

The financial statements have been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes on assets as described in the accounting policies.

**(b) Going concern**

The financial statements have been prepared on a going concern basis.

The consolidated entity incurred a loss for the year ended 30 June 2017 of \$809,601 and, as of that date, the consolidated entity's net liabilities were \$607,149. As a result, there is a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

It should be noted that the Company's ability to continue as a going concern is dependent on the ability to raise funds as required to meet its obligations.

The Company is expecting to undertake a public offering through the issue of prospectus to raise a subscription amount of circa \$4.0 million subsequent to year end. The consolidated entity has demonstrated a capability to raise additional funds and negotiate non-cash settlement of payables to ensure the consolidated entity has sufficient cash to meet the costs of the prospectus and operations until the public offering is complete. The following facts and circumstances were considered by the directors in their assessment:

- The Company has in the year to 30 June 2017 raised in total \$123,015 through the issue of shares. The EORAI shares are not quoted and potentially subject to ASX imposed escrow conditions.

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

*(b) Going concern (cont'd)*

The Company secured funding by way of issue of Converting Notes to a syndicate of professional and sophisticated investors to raise in total \$525,000, \$400,000 of which were issued on 14 July 2016, \$25,000 on 28 July 2016 and the remaining \$100,000 on 30 August 2016. At a general meeting of shareholders approval was granted for the conversion of notes into share securities. Again these shares were converted to EORAI.

Total capital raised comprising of direct share issue and converting notes to shares total \$648,015.

- As part of a debt reduction plan to assist the Company in preserving its cash resource for application in other areas, a Deed of Settlement was entered into 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 Deed of Settlement included 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 to the directors and its related parties was subject to shareholders approval at the next general meeting and approved at the relevant time.

The Deed of Settlement retired 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, and includes a waiver of debt for \$12,915. agreed with one of the creditors. The shares were issued at their market price at the date of issue and the number of shares issued was calculated so that the total value was equal to the carrying value of the liability settled.

Further, on 23 August 2017, the Company announced that it had issued 28,728,571 shares. 8,728,571 were issued on 2 August 2017 in settlement of further existing debts equivalent to \$61,000 and 20,000,000 were issued on 23 August 2017 as a placement of \$100,000 (\$28,000 of which was received in June 2017).

The Company has planned a detailed and systematic development plan for Wailawi and will implement at the earliest possible opportunity.

The Company continues to receive independent advice on both the valuation of the Wailawi Oil & Gas Project in Indonesia and on the further implementation of developing the project. The Company is in preparation for the issue of a prospectus and re-listing the Company compliant to ASX chapters 1 & 2 of the listing rules.

Therefore, the completion of the transaction, relisting and subsequent raising will see the Company and its key personnel focussed on developing and expanding the acquired asset. The Company has utilised the delay to scope a number of variations to its developmental plans, such that it will be ready for implementation at the earliest possibility.

As noted previously, the work done assisting PwCS provides an excellent opportunity to review and have reviewed budgets and plans and the Company had gained further insightful knowledge from the work done by independent oil and gas consultants, that will facilitate immediate forward progress on conclusion of the acquisition.

The company believes that the acquisition will occur in the next quarter, that is Quarter2 of the 2017/2018 financial year.

Once the funds are raised the acquisition will provide the Company with a major developmental and growth opportunity. The Company has used, particularly the last six months, to extensively plan the activities it will initiate to begin to create value and growth for the Company and its shareholders.

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

**(c) Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Enhanced Oil & Gas Recovery Limited ('company' or 'parent entity') as at 30 June 2017 and the results of all subsidiaries for the year then ended. Enhanced Oil & Gas Recovery Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(d) Revenue**

Revenue from the provision of services to customers is recognized upon delivery of the service to the customer.

Interest revenue is recognised when it becomes receivable on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

**(e) Cash and cash equivalents**

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

**(f) Receivables**

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the company will not be able to collect the debt.

**(g) Property, plant and equipment**

Plant and equipment are stated at cost less depreciation and any accumulated impairment losses.

*Depreciation*

The depreciable amounts of all fixed assets are depreciated over their estimated useful lives on a straight line basis commencing from the time the asset is held ready for use.

The useful lives for each class of assets are:

Plant and equipment: 2 to 20 years

**(h) Intangibles**

*Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the consolidated entity's share of net identifiable assets of the acquired entities at the date of acquisition.

Goodwill is not amortised but is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses.

*Research and development*

Expenditure on research activities is recognised as an expense when incurred.

Expenditure on development activities is capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably. Capitalised development expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using a straight-line method to allocate the cost of the intangible asset over its estimated useful life commencing when the intangible asset is available for use.

Other development expenditure is recognised as an expense when incurred.

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(i) Impairment**

Assets with an indefinite useful life are not amortised but are tested annually for impairment in accordance with AASB 136. Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise indicates that the carrying amount of the asset may be impaired.

An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

**(j) Income tax**

Current income tax expense is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

A balance sheet approach is adopted under which deferred tax assets and liabilities are recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred tax asset or liability is recognised in relation to temporary differences arising from the initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only when it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

**(k) Provisions**

Provisions are recognised when the consolidated entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

**(l) Employee benefits**

Liabilities arising in respect of wages and salaries, annual leave, and any other employee benefits expected to be settled wholly within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

**(m) Borrowing costs**

Borrowing costs can include interest, amortisation of discounts or premiums relating to borrowings, ancillary costs incurred in connection with arrangement of borrowings, foreign exchange losses net of hedged amounts on borrowings.

Borrowing costs are expensed as incurred, except for borrowing costs incurred as part of the cost of the construction of a qualifying asset are capitalised until the asset is ready for its intended use or sale.

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(n) Financial instruments**

*Classification*

The group classifies its financial instruments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its financial instruments at initial recognition.

*Non-derivative financial instruments*

Non-derivative financial instruments consist of investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are initially recognised at fair value, plus directly attributable transaction costs (if any), except for instruments recorded at fair value through profit and loss. After initial recognition, non-derivative financial instruments are measured as described below.

*Loans and receivables*

Loans and receivables are measured at fair value at inception and subsequently at amortised cost using the effective interest rate method.

*Financial liabilities*

Financial liabilities include trade payables, other creditors and loans from third parties including inter-company balances and loans from or other amounts due to director-related entities.

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

**(o) Foreign currencies translations and balances**

*Functional and presentation currency*

The financial statements of each of the consolidated entity's entities are measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the consolidated entity's functional and presentation currency.

*Transactions and balances*

Transactions in foreign currencies of entities within the consolidated group are translated into functional currency at the rate of exchange ruling at the date of the transaction.

*Foreign currencies translations and balances*

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

Except for certain foreign currency hedges, all resulting exchange differences arising on settlement or restatement is recognised as revenues and expenses for the financial year.

Entities that have a functional currency different to the presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- Income and expenses are translated at actual exchange rates or average exchange rates for the period, where appropriate; and
- All resulting exchange differences are recognised as a separate component of equity.

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)****(p) Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**(q) Comparatives**

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

**(r) Rounding of Amounts**

The parent entity has applied the relief available to it under ASIC Corporations (Rounding in Financial / Director's Reports) Instrument 2016/191. Accordingly, amounts in the financial statements and directors' report have been rounded off where appropriate to the nearest \$1,000, unless otherwise specified.

**(s) New accounting standards and interpretations**

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the company. The Group has decided not to early adopt any of these new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below.

***AASB 9: Financial Instruments (applicable for annual reporting periods commencing on or after 1 January 2018).***

This Standard will replace AASB 139: Financial Instruments: Recognition and Measurement. The key changes that may affect the company on initial application of AASB 9 and associated amending Standards include:

- simplifying the general classifications of financial assets into those carried at amortised cost and those carried at fair value;
- permitting entities to irrevocably elect on initial recognition to present gains and losses on an equity instrument that is not held for trading in other comprehensive income (OCI);
- simplifying the requirements for embedded derivatives, including removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in OCI, except when it would create an 'accounting mismatch';
- introducing a new model for hedge accounting that permits greater flexibility in the ability to hedge risk, particularly with respect to non-financial items; and
- requiring impairment of financial assets carried at amortised cost to be based on an expected loss approach.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, including hedging activity, impact is not yet assessed.

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

(s) *New accounting standards and interpretations (cont'd)*

**AASB 15: Revenue from Contracts with Customers (applicable for annual reporting periods commencing on or after 1 January 2018).**

AASB 15 will provide (except in relation to some specific exceptions, such as lease contracts and insurance contracts) a single source of accounting requirements for all contracts with customers, thereby replacing all current accounting pronouncements on revenue.

This Standard provides a revised principle for recognising and measuring revenue. Under AASB 15, revenue is recognised in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the provider of the goods or services expects to be entitled. To give effect to this principle, AASB 15 requires the adoption of the following 5 step model:

- identify the contract(s) with a customer;
- identify the performance obligations under the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations under the contract(s); and
- recognise revenue when (or as) the entity satisfies the performance obligations.

AASB 15 also provides additional guidance to assist entities in applying the revised principle to licences of intellectual property, warranties, rights of return, principal/agent considerations and options for additional goods and services.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's reported revenue, impact is not yet assessed.

**AASB 16: Leases (applicable for annual reporting periods commencing on or after 1 January 2019).**

AASB 16 will replace AASB 117: Leases and introduces a single lessee accounting model that will require a lessee to recognise right of use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right of use assets are initially measured at their cost and lease liabilities are initially measured on a present value basis. Subsequent to initial recognition:

- right of use assets are accounted for on a similar basis to non-financial assets, whereby the right of use asset is accounted for in accordance with a cost model unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying asset is:
  - investment property, the lessee applies the fair value model in AASB 140: Investment Property to the right of use asset; or
  - property, plant or equipment, the lessee can elect to apply the revaluation model in AASB 116: Property, Plant and Equipment to all of the right of use assets that relate to that class of property, plant and equipment; and
- lease liabilities are accounted for on a similar basis as other financial liabilities, whereby interest expense is recognised in respect of the liability and the carrying amount of the liability is reduced to reflect lease payments made.

AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, under AASB 16 a lessor would continue to classify its leases as operating leases or finance leases subject to whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset, and would account for each type of lease in a manner consistent with the current approach under AASB 117.

Although the directors anticipate that the adoption of AASB 16 may have an impact on the Group's accounting for its operating leases, impact is not yet assessed



**NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The group makes certain estimates and assumptions concerning the future, which, by definition will seldom represent actual results. The estimates and assumptions that have a significant inherent risk in respect of estimates based on future events, which could have a material impact on the assets and liabilities in the next financial year, are discussed below:

*(a) Significant accounting estimates and assumptions*

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events.

Receivables

The directors have assessed the recoverability of the receivable previously. However, the changed circumstances and inherent delays in completing the acquisition of interests in the Wailawi Project, the directors of the Company are doubtful of the recovery of the receivables and have decided to impair the carrying amount of the receivables resulting to the provision of an impairment expense.

**NOTE 3: FINANCIAL RISK MANAGEMENT**

The consolidated entity is exposed to a variety of financial risks comprising:

- (a) Interest rate risk
- (b) Credit risk
- (c) Liquidity risk
- (d) Currency risk

The board of directors has overall responsibility for identifying and managing operational and financial risks.

**(a) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

The exposure to interest rate risks in relation to future cash flows and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

**Consolidated Entity**

Financial instruments	Interest bearing	Non-interest bearing	Total carrying amount	Weighted average effective interest rate	Fixed / variable rate
2017	\$	\$	\$	%	
<i>(i) Financial assets</i>					
Cash	28,345	-	28,345	0.52%	Variable
Other receivables	-	50,999	50,999	0%	
Total financial assets	28,345	50,999	68,622		

**NOTE 3: FINANCIAL RISK MANAGEMENT**

(a) *Interest rate risk (cont'd)*

Financial instruments	Interest bearing	Non-interest bearing	Total carrying amount	Weighted average effective interest rate	Fixed / variable rate
<i>(ii) Financial liabilities</i>					
Payables	-	689,462	689,462	0%	
Borrowings	29,979	-	29,979	16.43%	Fixed
Total financial liabilities	29,979	689,462	719,441		
<b>2016</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>%</b>	
<i>(i) Financial assets</i>					
Cash	168,545	-	168,545	0.85%	Variable
Other receivables	-	39,412	39,412	%	
Total financial assets	168,545	39,412	207,957		
<i>(ii) Financial liabilities</i>					
Payables	-	1,050,516	1,050,516	0%	
Borrowings	23,005	-	23,005	18.1%	Fixed
Total financial liabilities	23,005	1,050,516	1,073,521		

**Sensitivity**

If interest rates were to increase/decrease by 1% from rates used to determine fair values as at the reporting date, assuming all other variables that might impact on fair value remain constant, then the impact on profit for the year and equity is as follows:

	Notes	Consolidated Entity	
		2017	2016
+/- 1%		\$	\$
Impact on profit after tax		283	1,685
Impact on equity		283	1,685

**(b) Credit risk exposures**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date of recognised financial assets is the carrying amount of those assets, net of any provisions for impairment of those assets, as disclosed in consolidated statement of financial position and notes to the consolidated financial statements.

The consolidated entity minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a large number of customers.

**NOTE 3: FINANCIAL RISK MANAGEMENT (cont'd)**

**(c) Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

All financial instruments are expected to be settled within 6 months. Management are tightly controlling cash flows until equity is raised to fund new business opportunities as disclosed in this financial report.

**(d) Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Forward exchange contracts are entered into in order to buy and sell specified amounts of foreign currency in the future at stipulated exchange rates. The objective in entering the forward exchange contracts is to protect against unfavourable exchange rate movements for both the contracted and anticipated transactions undertaken in foreign currencies.

The accounting policy for forward exchange contracts is detailed in Note 1(o).

At balance date, there is no outstanding forward exchange contract.

**NOTE 4: REVENUE**

	<b>Consolidated Entity</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Revenues from operations</b>		
<i>Other income</i>		
Interest	458	1,634
	458	1,634

**NOTE 5: PROFIT/(LOSS) FROM OPERATIONS**

	<b>Consolidated Entity</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Profit/(loss) from operations before income tax has been determined after the following specific expenses:		
<i>Depreciation of non-current assets</i>		
Plant and equipment	-	-
<i>Total depreciation of non-current assets</i>	-	-
<i>Impairment of Financial Assets</i>		
<i>Provision of impairment - Receivables</i>	-	129,266
<i>Provision of impairment - Other (Investment)</i>	-	19,940
	-	149,206
<i>Finance costs expensed</i>		
Bank loans and overdrafts	-	-
Other loans	1,739	1,973
<i>Total finance costs expensed</i>	1,739	1,973

**NOTE 6: INCOME TAX**

The company incurred an income tax loss for the year and therefore no income tax is payable. A deferred tax asset is only recognised when it is probable that future taxable amounts will be available to utilise those losses. Carry forward tax losses based on 2017 tax returns amounted to \$5,127,917.

**NOTE 7: DIVIDENDS**

No dividends were paid or declared during the year. (2016: nil)

**NOTE 8: CASH AND CASH EQUIVALENTS**

	<b>Consolidated Entity</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Cash at bank	28,345	168,545
	28,345	168,545

**NOTE 9: RECEIVABLES**

	<b>Consolidated Entity</b>	
	<b>2017</b>	<b>2016</b>
	\$	\$
CURRENT		
Receivables	180,265	168,678
Provision for impairment	(129,266)	(129,266)
	50,999	39,412

**(a) Provision for impairment**

Trade receivables are non-interest bearing. An impairment loss is recognised when there is objective evidence that an individual receivable is impaired.

In the financial year 2014, the company incurred \$153,967 of expenses in respect of various technical, financial and legal advices, including related travel expenses, in relation to the proposed operating and equity structure of the Wailawi Oil & Gas Project. As Centre Energy Petroleum Limited (CEP) had been reviewing and acting on the advice, it had been agreed between the Company and CEP that CEP would reimburse the Company for those costs in full.

The directors have assessed the recoverability of the receivable previously. However, the changed circumstances and inherent delays in completing the acquisition of interests in the Wailawi Project, the directors of the Company are doubtful of the recovery of the receivables and have decided to impair the carrying amount of the receivables resulting to an impairment expense of \$129,266 for the year ended 30 June 2016. No change has been made to this assessment as at 30 June 2017. Accordingly, the receivables are written down to \$24,701 and such provision for impairment will be extinguished should a recovery eventuate upon the completion of acquisition of CEP.

**(b) Trade and other receivables ageing analysis at 30 June is:**

	<b>Gross 2017</b>	<b>Impairment 2017</b>	<b>Gross 2016</b>	<b>Impairment 2016</b>
	\$	\$	\$	\$
Not past due	26,298	-	14,711	-
Past due 31-60 days	-	-	-	-
Past due 61-90 days	-	-	-	-
Past due more than 91 days	153,967	(129,266)	153,967	(129,266)
	180,265	(129,266)	168,678	(129,266)

**(c) Payment deferral**

Included in the trade and other receivables is a claim of \$153,967 against Centre Energy Petroleum Limited in which deferral of settlement has been agreed until the completion terms of the Share Purchase Agreement to acquire 100% of CEP have been fulfilled.

The value of the receivables are carried at net amount of \$24,701 following the Board decision to impair the carrying amount by \$129,266 for the year ended 30 June 2016.

**NOTE 10: OTHER CURRENT ASSETS**

	<b>Consolidated Entity</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Prepayments	32,887	26,105
	32,887	26,105
	32,887	26,105

**NOTE 11: PROPERTY PLANT AND EQUIPMENT**

	<b>Consolidated Entity</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<i>Computer/IT &amp; Telecommunication</i>		
At cost	10,218	10,218
Accumulated depreciation	(10,217)	(10,217)
Total property, plant and equipment	1	1
	1	1

**Reconciliations**

Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year

*Computer/IT & Telecommunication*

Carrying amount at beginning of year	1	1
Additions	-	-
Depreciation expense	-	-
Carrying amount end of year	1	1
	1	1
Total Property, Plant & Equipment	1	1
	1	1

**NOTE 12: OTHER FINANCIAL ASSETS**

	<b>Consolidated Entity</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Shares in Tiger Energy Limited at cost	-	-
Investment in securities	20,000	20,000
Provision for impairment	(19,940)	(19,940)
	60	60
	60	60

**NOTE 13: PAYABLES**

	<b>Consolidated Entity</b>	
	<b>2017</b>	<b>2016</b>
	\$	\$
CURRENT		
Trade payables	689,462	1,050,516
	689,462	1,050,516

The Deed of Settlement entered on or about 11 July 2016 retired 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 shares were issued at their market price at the date of issue and the number of shares issued was calculated so that the total value was equal to the carrying value of the liability settled.

The Company is currently negotiating potential non-cash settlement options in respect of some payables including remuneration payable to directors and executives.

**NOTE 14: BORROWINGS**

	<b>Consolidated Entity</b>	
	<b>2017</b>	<b>2016</b>
	\$	\$
CURRENT		
Instalment Loan	29,979	23,005
	29,979	23,005

**NOTE 15: ISSUED CAPITAL**

	<b>Consolidated Entity</b>	
	<b>2017</b>	<b>2016</b>
	\$	\$
<b>(a) issued and paid up capital</b>		
Ordinary shares fully paid (net of share issue cost)	12,552,307	11,510,457
Cancelled Converting Notes	715,000	715,000
Total	13,267,307	12,225,457

**(b) Movements in shares on issue**

	<b>Parent Entity</b>	
	<b>2017</b>	
	<b>No of Shares</b>	<b>\$</b>
Beginning of the financial year	766,651,722	11,510,457
Issued during the year* (net of share issue cost of \$74,597)	176,969,397	1,041,850
End of the financial year	943,621,119	12,552,307

  

	<b>Parent Entity</b>	
	<b>2016</b>	
	<b>No of Shares</b>	<b>\$</b>
Beginning of the financial year	680,401,721	10,578,971
Issued during the year* (net of share issue cost of \$35,499)	86,250,001	931,486*
End of the financial year	766,651,722	11,510,457

\* Inclusive of subscription monies of \$127,985 in which 25,597,000 shares were issued on 14 July 2016.

\* *Shares issued are not quoted and potentially subject to ASX imposed escrow conditions.*

The total number of ordinary shares (EOR) quoted on ASX as at 30 June 2017 is 409,810,055 (30 June 2016: 409,810,055). All new securities issued by the Company are potentially subject to ASX imposed escrow conditions and are not traded as listed securities. The total number of unquoted ordinary shares (EORAI) as at 30 June 2017 is 533,811,064 (30 June 2016: 356,841,667).

The market value of the quoted ordinary Enhanced Oil & Gas Recovery Limited shares closed on 30 June 2017 at \$0.008 (30 June 2016: \$0.008).



**NOTE 15: ISSUED CAPITAL (cont'd)**

**(c) Movements in cancelled converting notes**

		<b>Parent Entity</b>	
		<b>2017</b>	
	<b>No of Notes</b>	<b>\$</b>	
Beginning of the financial year	59,583,333	715,000	
End of the financial year	59,583,333	715,000	
		<b>2016</b>	
	<b>No of Notes</b>	<b>\$</b>	
Beginning of the financial year	59,583,333	715,000	
End of the financial year	59,583,333	715,000	

The cancellation of 59,583,333 converting notes on 28 June 2013 was a result of an agreement with Union Pacific Trading Pty Ltd (UPT) to satisfy its obligations to buy back the TEL convertible notes in Tiger Energy Limited (TEL) as a result of certain conditions not being met. Under the requirements of the applicable accounting standards the paid up value of the converting notes cancelled by the Company remains within equity and a separate category called "Cancelled Converting Notes" has been created and the amount applicable to the notes cancelled of \$715,000 allocated to this account.

**(d) Movements in converting notes**

		<b>Parent Entity</b>	
		<b>2017</b>	
	<b>No of Notes</b>	<b>\$</b>	
Beginning of the year	-	-	
Issued during the year	21*	525,000	
Converted to shares during the year	(21)*	(525,000)	
End of the financial year	-	-	

\* 21 converting notes were converted to 93,333,333 shares in December 2016.

		<b>Parent Entity</b>	
		<b>2016</b>	
	<b>No of Notes</b>	<b>\$</b>	
Beginning of the year	28,250,001	339,000	
Converted to shares during the year	(28,250,001)	(339,000)	
End of the financial year	-	-	

**NOTE 15: ISSUED CAPITAL (cont'd)**

**(e) Rights of each type of share**

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called.

**(f) Share Options**

During the financial year, 62,222,223 options exercisable at \$0.012 on or before 8 December 2017 (2016: Nil) have been granted. The options were free attaching to shares issued in settlement of redeemable converting notes. These options were not accounted for as a share based payment as they are specifically excluded from the scope of AASB 2, *Share-Based Payment*. No further options have been granted since the end of the financial year.

As at end of the financial year, the options noted above are the only outstanding balance of unissued ordinary shares under option.

**(g) Capital Management**

When managing capital, management's objective is to ensure the consolidated entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. This is achieved through the monitoring of historical and forecast performance and its cashflows.

During 2017, no dividends were paid. (2016: \$nil).

**NOTE 16: RESERVES AND ACCUMULATED LOSSES**

	<b>Consolidated Entity</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Accumulated losses</b>		
Balance at the beginning of year	(13,064,855)	(11,949,028)
Total comprehensive income/(loss) attributable to members of Enhanced Oil & Gas Recovery Limited	(809,601)	(1,115,827)
Total available for appropriation	(13,874,456)	(13,064,855)
Dividends paid	-	-
Balance at end of year	<u>(13,874,456)</u>	<u>(13,064,855)</u>

**NOTE 17: CASH FLOW INFORMATION**

**(a) Reconciliation of cash flow from operations with profit after income tax**

	<b>Consolidated Entity</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Profit /(loss) for the year	(809,601)	(1,115,827)
Share issued in lieu for service provided	468,433	
Impairment of financial assets	-	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	(392,919)	414,547
Net cash provided by / (used in) operating activities	(752,456)	(1,115,827)

**(b) Reconciliation of cash**

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position is as follows:

- Cash at bank	28,345	168,545
Closing cash balance	28,345	168,545

**(c) Credit stand-by arrangements with banks**

As at 30 June 2017 the consolidated entity and parent entity have no credit stand-by arrangement and loan facilities.

**NOTE 18: COMMITMENTS AND CONTINGENCIES**

There are no commitments and contingent liabilities at balance date.

**NOTE 19: EARNINGS PER SHARE**

Reconciliation of earnings used in calculating earnings per share

	<b>Consolidated Entity</b>	
	<b>2017</b>	<b>2016</b>
Loss from operations	(809,601)	(1,115,827)
Profit used in calculating basic earnings per share	(809,601)	(1,115,827)
Earnings used in calculating diluted earnings per share	(809,601)	(1,115,827)
	<b>No of Shares</b>	
Weighted average number of ordinary shares used in calculating basic earnings per share	886,687,716	729,868,252
Effect of dilutive securities:		
Converting Notes	47,018,868	11,996,576
Shares subscribed (2017: issued on 23 August 2017; 2016: issued on 14 July 2016)	4,000,000	1,810,872
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	937,706,584	743,675,700

**NOTE 20: DIRECTORS' AND EXECUTIVES' EQUITY HOLDINGS**

(a) Number of shares held by key management personnel

	Balance <sup>^</sup> 1/07/16	Net change Other	Balance <sup>^*</sup> 30/06/17
<b>Directors</b>			
Siew Hong Koh	30,760,788	5,000,000	35,760,788
Ross Hill	30,606,060	20,833,333	51,439,393
YuJiang Tong	30,000,000	-	30,000,000
John Carmody	-	1,727,848	1,727,848
	91,366,848	27,561,181	118,928,029

	Balance <sup>^</sup> 1/07/15	Net change Other	Balance <sup>^*</sup> 30/06/16
<b>Directors</b>			
Siew Hong Koh	56,738,352	(25,977,564)	30,760,788
Ross Hill	30,606,060	-	30,606,060
YuJiang Tong	-	30,000,000	30,000,000
	87,344,412	1,510,000	91,366,848

<sup>^</sup> Combined shares held directly and indirectly.

<sup>\*</sup> Including unquoted ordinary shares potentially subject to ASX imposed escrow conditions.

(b)

Directors' relevant interests in Options that are not quoted (EORAI shares) and potentially subject to ASX imposed escrow conditions of Enhanced Oil & Gas Recovery Limited

	Direct	Indirect
Troy Burns	-	18,888,890
Ross Hill	-	3,333,333

(c) Other securities held by key management personnel

There are no other securities held by key management personnel.

**NOTE 21: AUDITOR'S REMUNERATION**

	Consolidated Entity	
	2017	2016
	\$	\$
Amounts received or due and receivable by Pitcher Partners for:		
An audit or review of the financial report of the entity and any other entity in the consolidated entity	59,425	49,709
Other non-audit services		
- Taxation services	3,300	3,300
	62,725	52,709

**NOTE 22: FAIR VALUE MEASUREMENT**

The following table represents a comparison between the carrying amounts and fair values of financial assets and liabilities:

	30 June 2017		30 June 2016	
	Carrying Amount \$	Fair Value \$	Carrying Amount \$	Fair Value \$
<b>Financial assets</b>				
Cash and cash equivalents	28,345	28,345	168,545	168,545
Receivables	50,999	50,999	39,412	39,412
Other financial assets	32,887	32,887	26,105	26,105
	112,231	112,231	234,062	234,062
<b>Financial liabilities</b>				
Trade and other payables	689,462	689,462	1,050,516	1,050,516
Borrowings	29,979	29,979	23,005	23,005
	719,441	719,441	1,073,521	1,073,521

**NOTE 23: RELATED PARTY DISCLOSURES**

(a) The consolidated financial statements include the financial statements of Enhanced Oil & Gas Recovery Limited and its controlled entities listed below:

	Country of Incorporation	Percentage Owned	
		2017	2016
<i>Parent Entity:</i>			
Enhanced Oil & Gas Recovery Limited	Australia		
<i>Subsidiaries of Enhanced Oil &amp; Gas Recovery Limited</i>			
Powgen Mining Pty Ltd (dormant)	Australia	100%	100%
Asia Energy & Minerals Limited (dormant)	Australia	100%	100%

**(b) Transactions with key management personnel of the entity or its parent and their personally-related entities**

Centrebright Pty Ltd, an entity controlled by Siew Hong Koh, non-Executive Director provided management services under normal terms and conditions of value up to \$35,000 (2016: \$120,000).

**NOTE 23: RELATED PARTY DISCLOSURES**

**(b) Transactions with key management personnel ..... (cont'd)**

TY Global Trade Co Pty Ltd, an entity associated with Yujiang "Jodie" Tong, non-executive director of the Company rendered management services under normal terms and conditions of value up to \$21,818 (2016: \$51,273). No further payments will be made post 30 June 2017.

J C Petroleum Pty Ltd, an entity controlled by John Carmody, non-executive Director provided technical advisory services under normal terms and conditions of value up to \$25,992 (2016: \$25,992).

Drumcliff Investment Pty Ltd, an entity controlled by Graham Kavanagh, former Executive Officer provided consulting services during the period of value up to \$78,788 (2016: \$118,182) and the Company will seek to settle any possible outstanding amounts.

Ekam Commercial is a professional service firm of Eric Kam, the former Company Secretary has provided management services during the period of value up to \$54,000 (2016: \$60,259) and the Company will seek to settle any possible outstanding amounts.

**NOTE 24: SEGMENT INFORMATION**

The consolidated entity is in transition to a change in its business direction with activities focussed in the energy resources sector. Until the transition is completed, the consolidated entity operates predominantly within Australia.

As a result, the consolidated entity operated as a single operating segment during the year and detailed disclosures per segment are not required.

**NOTE 25: PARENT ENTITY INFORMATION**

	<b>Parent Entity</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Summarised statement of financial position		
<b>Assets</b>		
Current assets	116,262	236,428
Non-current assets	61	61
Total assets	116,323	236,489
<b>Liabilities</b>		
Current liabilities	719,441	1,073,521
Total liabilities	719,441	1,073,521
<b>Net assets/(liabilities)</b>	(603,118)	(837,032)
<b>Equity</b>		
Contributed capital	13,267,306	12,225,457
Accumulated losses	(13,870,424)	(13,062,489)
Total Equity	(603,118)	(837,032)

**NOTE 25: PARENT ENTITY INFORMATION (cont'd)**

Equity	Parent Entity	
	2017	2016
<b>(a) Summarised statement of profit or loss and other comprehensive income</b>		
Loss for the year	(807,935)	(1,114,113)
Other comprehensive income for the year	-	-
Total comprehensive income for the year	(807,935)	(1,114,113)

**NOTE 26: EVENTS AFTER BALANCE DATE**

On 5 July 2017 the Company completed a further re-negotiate a viable final agreement 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 remains at US\$825,000.

On 23 August 2017, the Company announced that it had issued 28,728,571 shares. 8,728,571 were issued on 2 August 2017 in settlement of further existing debts and 20,000,000 were issued on 23 August 2017 as a placement of \$100,000 (\$28,000 of which was received in June 2017).

The Company continues to work with Pricewaterhouse Coopers Securities Ltd (PwCS) to provide them with the necessary information 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.

The Company will undertake a public offering through the prospectus to raise a subscription amount of approximately \$4.0 million.



**DIRECTORS DECLARATION**

The Directors of the Company declare that:

1. The attached financial statements and notes set out on pages 17 to 44 are in accordance with *Corporations Act 2001*; and
  - a) Comply with Accounting Standards in Australia and the Corporations Regulations 2001;
  - b) As stated in note 1, the consolidated financial statements also comply with International Financial Reporting Standards; and
  - c) Give a true and fair view of the financial position of the consolidated entity as at 30 June 2017 and its performance for the year ended on that date.
2. The Chief Executive Officer and Chief Financial Officer have each declared that:
  - a) The financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
  - b) The financial statements and notes for the financial year comply with the Accounting Standards; and
  - c) The financial statements and notes for the financial year give a true and fair view.
3. In the Directors' opinion, there are reasonable grounds to believe that the Group and Company will be able to pay their debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



Ross Hill  
Chairman

Sydney

Date: 29 September 2017



Siew Hong Koh  
Director



**PITCHER PARTNERS**

ACCOUNTANTS • AUDITORS • ADVISORS

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**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF ENHANCED OIL & GAS RECOVERY LIMITED  
ABN 67 097 771 581**

**Report on the Audit of the Financial Report**

*Opinion*

We have audited the financial report of Enhanced Oil & Gas Recovery Limited "the Company" and its controlled entities "the Group", which comprises the consolidated statement of financial position as at 30 June 2017, 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 2017 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

*Material Uncertainty Related to Going Concern*

We draw attention to Note 1(b) in the financial report which indicates that the Group incurred a loss for the year ended 30 June 2017 of \$809,601 and, as of that date, the Group's net liabilities were \$607,149. As stated these events or conditions, along with other matters as set forth in Note 1(b) indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

*Key Audit Matters*

In addition to the matter described in the 'Material Uncertainty Related to Going Concern' section, key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<b>Key Audit Matter</b>	<b>How our audit addressed the key audit matter</b>
Payables <i>Refer to Note 13</i>	
Payables is the largest balance on the statement of financial position and based on the terms and nature of the expenditure the identified risk is completeness of the balance at year end.	Our procedures included, amongst others: <ul style="list-style-type: none"> <li>▪ Testing a sample of subsequent payments post balance date to creditor invoices to determine if the payables at year end was complete.</li> <li>▪ Reviewing minutes and other documents obtained during the audit to identify potential creditors.</li> <li>▪ Obtaining written confirmations of payables at year end for a sample of creditors and potential creditors.</li> </ul>

#### *Other Information*

The directors are responsible for the other information. The other information comprises the information in the Directors Report and Shareholder Information which were obtained as at date of our audit report, 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 has 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 the 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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 pages 16 to 18 of the directors' report for the year ended 30 June 2017. In our opinion, the Remuneration Report of Enhanced Oil & Gas Recovery Limited and its controlled entities, for the year ended 30 June 2017, 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.



R M SHANLEY  
Partner



PITCHER PARTNERS  
Sydney

29 September 2017

## ENHANCED OIL & GAS RECOVERY LIMITED AND CONTROLLED ENTITIES

ABN: 67 097 771 581

### Shareholder Information As At 26 September 2017

#### A) Substantial shareholders

Name	Number of Shares	Percentage of Issued Shares
Clever Money Pty Ltd (incl. Troy Burns, Natasha Vojvodic, Red and White Pty Ltd ; and NVB Investment Discretionary Trust	118,352,434	12.18%

#### B) Distribution of fully paid ordinary shares

(i). Distribution schedule of holdings	Number	Number of Shares	Percentage
1 - 1,000	33	8,075	0.00%
1,001 - 5,000	15	50,891	0.01%
5,001 - 10,000	76	747,580	0.08%
10,001 - 100,000	97	5,130,628	0.53%
100,001 and Over	358	966,412,517	99.39%
Rounding			-0.01%
<b>Total</b>	<b>579</b>	<b>972,349,691</b>	<b>100.00%</b>

(ii). Percentage Held by the 20 largest holders 40.95 %

(iii). Total Issued 972,349,691

(iv). Unmarketable Parcels

Minimum \$ 500.00 parcel at \$ 0.0060 per unit being 83,334 shares - 198 holders totalling 3,706,071 shares

#### C) ENHANCED OIL AND GAS RECOVERY LIMITED

FULLY PAID ORD (TOTAL) as of 26 Sept 2017

##### Top Holders Snapshot - Ungrouped

Composition : ESC, ORD

Rank	Name	Units	% of Units
1.	VIBRANT LINK SDN BHD	42,750,000	4.40
2.	MS NATASHA VOJVODIC	35,649,100	3.67
3.	CLEVER MONEY PTY LTD	30,450,000	3.13
4.	MISS YUJIANG TONG	30,000,000	3.09
5.	NVB INVESTMENTS PTY LTD <NVB INVESTMENT DISC FUND A/C>	28,333,334	2.91
6.	SACCO DEVELOPMENTS AUSTRALIA PTY LIMITED	24,000,000	2.47
7.	BESTRAWL PTY LTD <THE J B FAMILY A/C>	21,900,000	2.25
8.	UNION PACIFIC TRADING PTY LTD	20,702,436	2.13
9.	THE GREGORY JONES SUPER FUND PTY LTD <GREGORY JONES SUPER A/C>	20,000,000	2.06
10.	ROSS HILL & ASSOC PTE LTD	17,500,000	1.80
11.	ROSS HILL & ASSOCIATES PTE LTD	17,272,726	1.78
12.	INGSOL PTY LTD <INGSOL S/F A/C>	17,000,000	1.75
13.	CLEVER MONEY PTY LTD	15,000,000	1.54
14.	COMMUNICATE PTY LTD <COMMUNICATE A/C>	14,374,686	1.48
15.	WILLIAM GEORGE BISHOP	11,500,000	1.18
16.	CITICORP NOMINEES PTY LIMITED	11,179,550	1.15
17.	MS NYOK CHIN WONG	10,609,830	1.09
18.	BPS CORPORATION PTY LTD	10,000,000	1.03
19.	CHIFLEY PORTFOLIOS PTY LTD	10,000,000	1.03
20.	DOYLE SMSF INVESTING PTY LTD <DOYLE FAMILY SUPER FUND A/C>	10,000,000	1.03
<b>Totals: Top 20 holders of FULLY PAID ORDINARY (TOTAL)</b>		<b>398,221,662</b>	<b>40.95</b>
<b>Total Remaining Holders Balance</b>		<b>574,128,029</b>	<b>59.05</b>

**D) Voting rights**

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.