# HALF YEAR REPORT

30 June 2018


**Eon NRG Ltd**
**ABN: 66 138 145 114**

# CORPORATE INFORMATION

This half year report is of the group comprising Eon NRG Limited and its wholly owned subsidiaries (collectively "the Group").

**The Group's functional and presentation currency is $US**.

A description of the Group's operations and its principal activities is included in the review of operations and activities in the directors' report on page 1. The directors' report is not part of the financial report.

**Directors**
Mark Stowell (Chairman)
John Whisler (Managing Director)
Gerry McGann (Non-Executive Technical Director)
Matthew McCann (Non-Executive Director)

**Company Secretary**
Simon Adams

**Registered office**
20 Howard Street
Perth WA 6000
Australia

**Principal places of business**

| | |
|---|---|
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Web: www.eonnrg.com

**Auditors**
Butler Settineri (Audit) Pty Ltd
Unit 16, First Floor
Spectrum Offices
100 Railway Road
Subiaco WA 6008

**Share Registry**
Link Market Services Limited
Level 12 QV1 Building
250 St Georges Terrace
Perth WA 6000

**Stock Exchange Listing**
Australian Securities Exchange (ASX)
Home Exchange – Perth
Trading Code – E2E

# DIRECTORS' REPORT

The directors of Eon NRG Limited ("Eon NRG" or "the Company") submit their report, together with the financial statements for the half year ended 30 June 2018 as follows:

## Directors

The names of the Company's directors in office during the period and until the date of this report are as follows (Directors were in office for this entire period unless otherwise stated).

| | |
|---|---|
| Mark Stowell | Chairman |
| John Whisler | Managing Director |
| Gerard McGann | Non-Executive Technical Director |
| Matthew McCann | Non-Executive Director |

## Principal Activities

Eon NRG is an energy company focused on identifying and profitably developing resources in North America.

During the half year to 30 June 2018, the Company's principal activity was operating producing oil and gas fields in Wyoming and California.

In line with the Company's stated objective to expand its operations to include oil and gas exploration, it commenced the process of identifying potential prospects for development in the Powder River Basin, Wyoming.

During 2018, Eon NRG established a Battery Minerals division which is in the early stages of development, focused on the acquisition of prospective mineral leases and claims in the USA.

## Dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

## Review of Operations

Following the acquisition of the Borie Oilfield, Wyoming in December 2017, the Company has improved production and optimized the operations in that field. A secondary recovery waterflood program was implemented in the North Borie Field.

Eon carried out a very successful gas well recompletion at the Silvertip Field in February 2018. This well (35-28) recorded a 60-day IP of 487Mcf/day and has produced in excess of 63 million cubic feet of gas up to 30 June 2018 which has contributed to the overall increased production profile from the Silvertip Field in the first half of 2018.

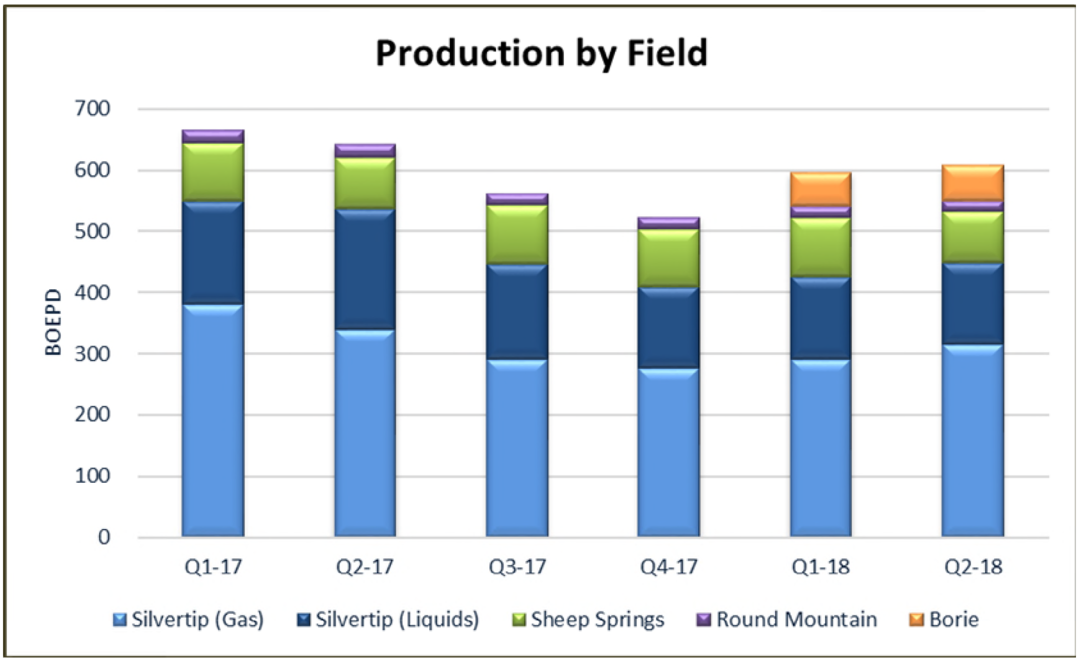
### Exploration Prospects.

The Company is actively pursuing oil and gas exploration prospects in the Powder River Basin (PRB), Wyoming. Eon NRG is looking to grow its production and reserves by securing land positions which will support prospects that demonstrate strong economic returns. The process of identifying potential prospects by reviewing existing well data and through negotiation with existing operators in the PRB commenced in H1-18.

The PRB has become one of the most active oil and gas basins in North America, and has a long history of oil and gas production from more than 4,000' of multi-stacked pay zones. The PRB has seen a significant increase in exploration and production in recent years from large E&P companies including Anadarko Resources, Chesapeake Energy, EOG Resources, Anschutz and Devon Energy through horizontal lateral wells in the unconventional rocks of the Niobrara and Mowry Shale. Operators have also tested horizontal laterals in the conventional sandstones of the Parkman, Sussex, Shannon and Turner with excellent results.

Eon NRG has identified potential drilling opportunities in the Minnelusa Formation, but it will also target the conventional sandstones of the Parkman, Sussex, Shannon and Turner. Minnelusa prospects are supported by strong economics from wells that have good geological support for the presence of hydrocarbons. Well success rates have improved in recent years with better-quality 3D seismic which allows more accurate identification of drill targets.

**Oil and Gas Production**




**Field Operations**
***Borie Field, DJ Basin, Wyoming***

**Lease area** - 2,850 net acres
**Operations** - 13 producing wells and 3 water injection wells operated by the Company with a non-operated interest in 3 producing wells and 1 water injection well
**Net Reserves** (as at 31-Dec-17)

| | |
|---|---|
| 1P Proved Developed Producing | 279 MBO |
| 1P Proved Undeveloped | 275 MBO |

A secondary recovery waterflood project was implemented in the North Borie Field in Q2-18. Water extracted from the wells within the field as part of the oil production process is reinjected back into the Muddy formation to support reservoir pressure and move additional oil within the reservoir towards adjacent receiver wells.

A number of other workovers were carried out in Q1 and Q2 which has increased production and resulted in lower production decline than would have been expected.

Permitting of new wells, one in the Muddy Formation and the other in the Niobrara Formation, have been put on hold but still present future development opportunities.

***Silvertip Field, Bighorn Basin, Wyoming***
**Lease area** - 4,437 net acres
**Operations** - 100% working interest in 96 producing well and 2 water injection wells (107 wells in total)
**Net Reserves** (as at 31-Dec-17)

| | | |
|---|---|---|
| 1P Proved Developed Producing Oil | | 188 MBO |
| 1P Proved Developed Producing Gas | 2,777 MMcf | 463 MBOE |
| 1P Proved Developed Non-Producing | 790 MMcf | 132 MBOE |
| | | |
| **1P TOTAL** | | **782 MBOE** |

With the successful recompletion of the 35-28 well in the Meeteetse Formation, a further two wells have been selected for potential recompletion in Q4-18 to coincide with a seasonal increase in gas prices.

***Sheep Springs Field and Round Mountain Field, California***

| | Sheep Springs | Round Mountain |
|---|---|---|
| **Lease area** - | 160 net acres | 320 net acres |
| **Operations** - | 100% working interest<br>12 Operating wells | 100% working interest<br>7 operating wells and<br>1 water disposal well |
| **Net Reserves** (as at 31-Dec-17) | | |
| 1P Proved Developed Producing Oil | 236 MBO | 69 MBO |
| 1P Proved Developed Producing Gas | 147 MMcf | |
| **1P TOTAL** | **260 MBOE** | **69 MBO** |

### Battery Minerals Division

Eon NRG has established a separate division within the Company to identify potential opportunities within the broader energy sector. With a long-term view that global demand for energy will require a range of new technologies to satisfy energy generation and storage, an investment in this sector is seen as both complimentary and strategic to the existing business operations.

In February and March, the Company advised that it had acquired 42 lode claims covering an area of 840 acres in the Stillwater Range (Table Mountain District), Nevada. These claims include the historic Gilberts Mine (silver/ lead/ gold) and a number of old adits and tunnels from previous mineral exploration. The claims are within 3 miles of the Lovelock Cobalt mine which was operated in the late 1800's.

The Company is targeting minerals including Cobalt, Copper and Vanadium.

## REVIEW OF FINANCIAL RESULTS

### Assets

Total cash as at 30 June 2018 was $476,000. A further $674,500 of cash was held as a term deposit which is secured against performance bonds for the Silvertip and Borie operations which is reported as a non-current financial asset (Other financial assets) in the Statement of financial position.

Assets available for sale (net of liabilities held for sale) at 31 December 2017 of $4.39M being the book value of the Sheep Spring and Round Mountain Fields, were returned to non-current assets prior to 30 June 2018.

### Liabilities

Bank debt has been reduced by $201,000 since 31 December 2017 to $6.2M at 30 June 2018. The bank loans include a Revolving Line of Credit facility which matures on 1st July 2019. This facility is drawn to $6.127M and has a limit of $7.0M.

### Cashflow

Net cash inflow from operating activities was $329,000 for the six months to 30 June 2018.

Cash outflow from investing activities was $187,000 which included oilfield development costs of $275,000, mineral exploration costs of $43,000 and proceeds from the sale of surplus equipment of $130,000.

Cash outflow from financing activities was $211,000 which was made up of the loan repayment of $201,000 and bank loan fees of $10,000.

## Financial Performance

| | | H1-2018 | H1-2017 |
|---|---|---|---|
| Sales Volume (Net)[1] | | | |
| Oil | Bbls | 27,447 | 22,386 |
| Gas | Boe | 25,026 | 34,107 |
| NGL | Boe | 12,007 | 17,184 |
| **TOTAL** | **Boe** | **64,480** | **73,677** |
| Sales Revenue (Net)[1] | | | |
| Oil | | $1,790,773 | $1,040,794 |
| Gas | | $ 373,270 | $ 592,865 |
| NGL | | $ 357,818 | $ 421,995 |
| **TOTAL** | | **$2,521,861** | **$2,055,654** |
| Average Price | | | |
| Oil | $/Bbl | $65.24 | $46.49 |
| Gas | $/MMBTU | $ 2.49 | $ 2.90 |
| NGL | $/Gallon | $ 0.71 | $ 0.58 |
| Gross Profit | | $246,575 | $344,620 |
| Operating Cash in/(Out) Flow | | $328,708 | $65,727 |
| Reported NPAT [2] (Loss) | | ($813,396) | ($761,272) |
| Underlying EBITDA[3] Profit/(Loss) | | $360,720 | $138,974 |

1. *Net **sales volume** excludes any royalty interests i.e.: sales that are attributable ONLY to the Company, excludes royalty interests and refinery deductions made for transportation and treatment of oil and gas.*
2. ***NPAT** - Net profit/(loss) after tax*
3. ***Earnings before interest, tax, depreciation and, amortisation** -this is a non-IFRS measure. The information is unaudited but is extracted from the audited financial statements. EBITDA excludes impairment, amortisation, depreciation, interest and tax. EBITDA is used as part of the key performance indicators for the management as it represents a more accurate measure of true cash performance of the company.*

There was an increase in average price achieved for oil and NGL sales in H1-2018 compared to the same period in 2017. NGL volumes were lower as a result of a decrease in gas production. Gas prices were lower in H1-2018 compared to H1-2017 and gas sales volumes were down on the prior year.

A reconciliation of EBITDA to NPAT is as follows:

| | H1-2018 | H1-2017 |
|---|---|---|
| EBITDA | $360,720 | $138,974 |
| Interest income/(expense) and bank fees | ($199,667) | ($185,181) |
| Depreciation and amortisation | ($974,449) | ($715,065) |
| Tax (expense) / benefit | $ - | $ - |
| NPAT | ($813,396) | ($761,272) |

## Operating costs

- Field operating expenses in the first half of 2018 ($1.02M) were higher than the corresponding prior year period ($0.715M) due to the fact that there was an additional field (Borie) that was acquired in December 2017 and operational through the first half of 2018;
- Amortisation and depreciation of field assets in H1-18 was $959,000 which was higher than for the corresponding period in 2017 ($697,000) due to the California fields being returned to non-current assets (from assets held for sale where they were not amortized for the period from June 2017 to May 2018);
- The company's corporate overhead in H1-2018 was $954,000 which were in line with the prior year costs.

## Auditor Independence Declaration to the Directors of Eon NRG Ltd

Section 307C of the Corporations Act 2001 requires our auditors, Butler Settineri (Audit) Pty Ltd, to provide the directors of Eon NRG Limited with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 9 and forms part of the director's report for the half-year ended 30 June 2018.

This report is made out in accordance with a resolution of directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the directors

John Whisler
Managing Director
30 August 2018

BUTLER SETTINERI
Real People. Better Business

## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of EON NRG Limited for the half year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

a) No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of EON NRG Limited and the entities it controlled during the half year ended 30 June 2018.

BUTLER SETTINERI (AUDIT) PTY LTD

MARIUS VAN DER MERWE CA
Director

Perth
Date: 30 August 2018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Butler Settineri (Audit) Pty Ltd
RCA No. 289109 ABN 61 112 942 373

# FINANCIAL STATEMENTS
AS AT 30 JUNE 2017



**General Information**

The financial statements cover Eon NRG Ltd as a Group consisting of Eon NRG Ltd and the entities that it controlled at the end of, or during, the half year. The financial statements are presented in **United States Dollars** (USD or US$), which is Eon NRG Ltd's functional and reporting currency.

This interim financial report does not include all the notes of the type that are normally included in an annual financial report other than significant accounting policy changes that have occurred in the current reporting period. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 31 December 2017 and any public announcements made by Eon NRG Limited during the interim report period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 30 JUNE

| | Notes | 2018 $US | 2017 $US (Restated) |
|---|---|---|---|
| Oil and gas sales | | 2,538,228 | 2,053,857 |
| Direct cost of sales: | | | |
| Other production expenses | | (1,324,087) | (1,011,799) |
| Amortisation and depreciation | | (967,566) | (697,438) |
| Gross profit from operations | | 246,575 | 344,620 |
| Other operating revenue | | 250,624 | 49,164 |
| Administrative expenses | | (578,569) | (633,560) |
| Other operating expenses | | (530,382) | (182,780) |
| Exploration expenditure | | - | (152,405) |
| Interest and finance expenses | | (201,644) | (186,311) |
| **Loss before income tax** | | (813,396) | (761,272) |
| Income tax (expense) / benefit | | - | - |
| **Loss after tax** | | (813,396) | (761,272) |
| **Loss for the period attributable to members of the entity** | | (813,396) | (761,272) |
| **Other Comprehensive income:** | | | |
| Items that will not be reclassified to profit and loss | | - | - |
| Items that may be reclassified to profit and loss | | - | - |
| **Other comprehensive income / (loss) for the period, net of tax** | | - | - |
| **Total comprehensive loss for the period attributable to members of the entity** | | (813,396) | (761,272) |
| Basic earnings /(loss) per share attributable to ordinary equity holders of the entity **(US cents)** | 13 | (0.20) | (0.38) |
| Diluted earnings /(loss) per share attributable to ordinary equity holders of the entity **(US cents)** | 13 | (0.20) | (0.38) |

**The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes**

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

| | Notes | 30 Jun 2018 $US | 31 Dec 2017 $US |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 2 | 476,260 | 545,486 |
| Trade and other receivables | 3 | 619,108 | 606,705 |
| Inventories | 4 | 76,799 | 85,073 |
| Assets held for sale | 5 | - | 4,920,343 |
| **Total current assets** | | 1,172.167 | 6,157,607 |
| | | | |
| **Non-current assets** | | | |
| Other financial assets | 6 | 690,253 | 688,480 |
| Oil properties | 7 | 13,378,432 | 9,075,981 |
| Exploration assets | | 42,533 | - |
| Plant and equipment | 8 | 2,333,348 | 2,596,116 |
| Deferred tax asset | | - | - |
| **Total Non-current assets** | | 16,444,566 | 12,360,577 |
| | | | |
| **Total assets** | | 17,616,733 | 18,518,184 |
| | | | |
| **Current liabilities** | | | |
| Trade and other payables | 9 | 918,884 | 961,856 |
| Interest bearing liabilities | 10 | 70,023 | 200,000 |
| Taxes payable | | 126,265 | 126,265 |
| Provisions | 11 | 138,405 | 150,072 |
| Liabilities held for sale | 5 | - | 523,409 |
| **Total current liabilities** | | 1,253,577 | 1,961,602 |
| | | | |
| **Non-current liabilities** | | | |
| Interest bearing liabilities | 10 | 6,127,179 | 6,172,402 |
| Provisions | 11 | 5,663,766 | 5,047,679 |
| **Total non-current liabilities** | | 11,790,945 | 11,220,081 |
| | | | |
| **Total liabilities** | | 13,044,522 | 13,181,683 |
| | | | |
| **Net assets** | | **4,572,211** | **5,336,501** |
| | | | |
| **Equity attributable to equity holders of the parent** | | | |
| Issued capital | 12 | 25,207,031 | 25,157,925 |
| Shares reserved for employee share plan | | (2,474) | (2,474) |
| Reserves | | 349,661 | 349,661 |
| Accumulated losses | | (20,982,007) | (20,168,611) |
| | | | |
| **Total equity** | | **4,572,211** | **5,336,501** |

**The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.**

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 30 JUNE

| | Issued capital | Shares reserved for employee share plan | Accumulated losses | Share option reserve | Total equity |
|---|---|---|---|---|---|
| | $US | $US | $US | $US | $US |
| **At 1 January 2018** | 25,157,925 | (2,474) | (20,168,611) | 349,661 | 5,336,501 |
| Loss attributable to members of the Group | | | (813,396) | | (813,396) |
| Other Comprehensive income | - | - | - | - | - |
| Total comprehensive loss for the period | - | - | (813,396) | - | (813,396) |
| Share based payments | - | - | - | - | - |
| Transaction costs | - | - | - | - | - |
| Issue of share capital | 49,106 | - | - | - | 49,106 |
| **At 30 June 2018** | 25,207,031 | (2,474) | (20,982,007) | 349,661 | 4,572,211 |
| **At 1 January 2017** | 23,796,744 | 4,795 | (20,751,389) | 349,661 | 3,399,811 |
| Loss attributable to members of the Group | - | - | (761,272) | - | (761,272) |
| Other Comprehensive income | - | - | - | - | - |
| Total comprehensive loss for the period | - | - | (761,272) | - | (761,272) |
| Share based payments | - | 12,674 | - | - | 12,674 |
| Transaction costs | (1,546) | - | - | - | (1,546) |
| Issue of share capital | 11,958 | (11,958) | - | - | - |
| **At 30 June 2017** | 23,807,156 | 5,511 | (21,512,661) | 349,661 | 2,649,667 |

**The above Consolidated Statement of Changes in Equity is to be read in conjunction with the accompanying notes**

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 30 JUNE

| | 2018 $US | 2017 $US |
|---|---|---|
| **Cash flows from operating activities** | | |
| Receipts from customers | 2,672,979 | 2,787,228 |
| Payments to suppliers and employees | (2,178,921) | (2,559,999) |
| Interest received | 205 | 1,130 |
| Interest paid | (165,555) | (162,631) |
| **Net cash provided by/(used in) operating activities** | 328,708 | 65,727 |
| **Cash flows from investing activities** | | |
| Oil property development expenditure | (274,504) | (287,379) |
| Payments for Mineral Exploration | (42,535) | - |
| Payments for petroleum exploration | - | (152,405) |
| Payments for performance bonds | - | (65,747) |
| Proceeds from sale of Florence asset | - | 1,945,683 |
| Purchases of property, plant and equipment | - | (40,530) |
| Sale of property, plant and equipment | 130,266 | 20,924 |
| **Net cash provided by/(used in) investing activities** | (186,773) | 1,420,546 |
| **Cash flows from financing activities** | | |
| Proceeds from issue of employee shares | - | 11,959 |
| Costs from issue of shares | - | (1,547) |
| Repayment of borrowings | (201,064) | (1,268,741) |
| Cost of borrowings | (9,719) | (19,792) |
| **Net cash (used in) financing activities** | (210,783) | (1,278,121) |
| **Net increase/(decrease) in cash and cash equivalents** | 68,848 | 208,152 |
| **Exchange differences on cash balances held** | (378) | (1,889) |
| **Cash and cash equivalents at the beginning of the period** | 545,486 | 658,450 |
| **Cash and cash equivalents at end of period** | 476,260 | 864,713 |

**The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes**

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2018

## 1. Summary of significant accounting policies

The consolidated interim financial statements are for the group comprising Eon NRG Limited ("the Company" or "Eon NRG" or "the Parent") and its wholly owned subsidiaries (collectively "the Group").

Eon NRG Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX).

These consolidated interim financial statements were authorised for issue in accordance with a resolution of the Directors on 28 August 2018.

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards and interpretations effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

**Basis of preparation**

These consolidated interim financial statements of the Group for the period ended 30 June 2018 are a general purpose condensed financial report prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 Interim Financial Reporting.

These consolidated interim financial statements do not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the group as the full financial report.

It is recommended that these consolidated interim financial statements be read in conjunction with the annual financial report for the year ended 31 December 2017 and any public announcements made by the Company during the half-year in accordance with the continuous disclosure requirements under Corporations Act 2001.

The financial information for the half year ended 30 June 2018 is presented in **US dollars** which is Eon NRG Ltd's functional and presentation currency.

**Statement of compliance**

The consolidated interim financial statements of the Group also comply with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board.

**1. Summary of significant accounting policies (Cont.)**

**Going concern**

As at 30 June 2018, the Group has a working capital deficit of $81,000, it has made an operating loss for the six months ended 30 June 2018 of $813,000 and has had a net decrease in cash and cash equivalents of $69,000 for the six month period from 31 December 2017.

The financial report has been prepared on a going concern basis as the Directors are satisfied that the Group will have access to sufficient working capital to fund administrative and other committed expenditure for a period of not less than 12 months from the date of this report.

Pertinent facts relating to the assessment of the Group's ability to continue as a going concern are:

i. The Company has access to undrawn loan facility in its Line of Credit with ANB Bank of approximately $840,000 if additional funding is required.
ii. The directors have no reason to believe at this time that the term of the existing Revolving Line of Credit facility with ANB Bank of $6.157M, which currently has a maturity date of 1 July 2019, will not be extended in accordance with the facility terms.
iii. The Group's cashflow forecasts through to 31 December 2019 reflect that the Group will produce positive cash flows from its ongoing operations to enable the Group to meet its other financial commitments as and when they fall due.

Should the Group not be able to execute the strategies set out above, there would be significant uncertainty as to whether the Group would be able to meet its debts as and when they fall due and thus continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amount and classification of liabilities that might be required should the Group not be able to achieve the matters set out above, and thus be able to continue as a going concern.

**New significant accounting policy**

AASB 15: *Revenue from Contracts with Customers*

AASB 15 specifies the accounting treatment for revenue arising from contracts with customers (except for contracts within the scope of other accounting standards such as leases or financial instruments).

Eon has agreements with mineral rights owners who are paid a percentage of the gross oilfield sales in return for the minerals/hydrocarbons that it can extract and sell. Under AASB15, the sales value on disposal of oil, gas and NGL's will exclude amounts collected on behalf of third parties, including the mineral rights/royalty owners. For reporting periods beginning 1 January 2018, sales figures have been reduced by the royalty portion of the sales value, and cost of sales has been reduced by the same amount. Although there is no impact to the profit and loss statement overall, there is a material change to the sales and cost of sales figures individually. The sales and cost of sales (Royalty costs) for the half year period ending 30 June 2017 have been restated in these financial statements. Sales revenue for the six months to June 2017 has been restated in this report to $2,053,857 (previously shown as $2,481,449) and the Royalty cost that was shown in the Half Year Report dated 30 June 2017 of $427,592 has been removed from this report in the 2017 comparable figures.

**Exploration Evaluation and Development Expenditure**

Exploration and Evaluation Expenditure incurred is capitalised at cost and include acquisition of rights to explore, studies, exploratory drilling, sampling and associated activities. Costs are accumulated in respect of each identifiable area of interest. General and administrative expenditures are only included in the measurement of exploration and evaluation costs where they relate directly to operational activities particular area of interest.

**1. Summary of significant accounting policies (Cont.)**

These costs are only carried forward where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and the following conditions are satisfied:

(i) the rights to tenure of the area of interest are current; and
(ii) at least one of the following conditions is also met:
  a. the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
  b. exploration and evaluation activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are reclassified to development and amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

**Historical cost convention**
These consolidated financial statements have been prepared under the historical cost convention.

| | 30 June 2018 $US | 31 December 2017 $US |
|---|---|---|
| **2. Cash and cash equivalents** | | |
| For the purposes of the statements of cash flows, cash and cash equivalents comprise the following: | | |
| Cash at bank and on hand | 476,260 | 545,486 |
| | | |
| **3. Trade and other receivables** | | |
| Oil and gas sales debtors | 570,422 | 547,020 |
| Other receivables | 48,686 | 59,685 |
| | 619,108 | 606,705 |
| Trade and other receivables do not contain impaired assets and are not past due | | |
| | | |
| **4. Inventories** | | |
| Oil and gas inventory at cost of production | 76,799 | 85,073 |

| | 30 June 2018 $US | 31 December 2017 $US |
|---|---|---|
| **5. Assets and liabilities classified as held for sale** | | |
| **Assets** | | |
| Production assets and plant and equipment (net of accumulated amortisation, depreciation and impairment) | - | 4,920,343 |
| **Liabilities** | | |
| Restoration liability associated with production assets classified as held for sale | - | (523,409) |
| | - | 4,396,934 |

In May 2017, Eon NRG decided to place its two Californian assets, Sheep Springs and Round Mountain oilfields on the market for sale, and these were presented in the financial statements as at 30 June 2017 and at 31 December 2017 as assets held for sale. As at 30 June 2018, a sale of these assets had not progressed, and these assets were moved from assets held for sale to non-current assets.

| | | |
|---|---|---|
| **6. Other financial assets** | | |
| Term deposit used as security for performance bonds | 674,506 | 672,734 |
| Other deposits | 15,747 | 15,747 |
| | 690,253 | 688,480 |

| | | |
|---|---|---|
| **7. Oil properties** | | |
| Cost of acquisition and enhancement of production assets | 31,044,357 | 11,204,616 |
| Accumulated amortisation and impairment provisions | (17,665,925) | (2,128,635) |
| | 13,378,432 | 9,075,981 |

| | | |
|---|---|---|
| Opening balance – 1 January | 9,075,981 | 10,218,971 |
| Acquisition of Borie | - | 1,758,656 |
| Transfer from/(to) net assets held for sale | 4,812,006 | (3,607,454) |
| Additions | 274,504 | 503,686 |
| Asset retirement obligation | - | 1,028,884 |
| Impairment reversal | - | - |
| Amortisation for the period | (784,059) | (826,762) |
| Closing balance | 13,378,432 | 9,075,981 |

For the 30 June 2018 half year, the key economic assumptions underpinning the impairment assessment including production profile, recoverable reserves and discount factor, have been reviewed. Accordingly, management is of the view there are no triggers that would require a reversal of the provision or further impairment of the oil properties at this time.

| | 30 June 2018 $US | 31 December 2017 $US |
|---|---|---|
| **8. Plant and equipment** | | |
| Cost | 3,741,404 | 3,502,845 |
| Accumulated depreciation and impairment | (1,408,056) | (906,729) |
| Net carrying amount | 2,333,348 | 2,596,116 |
| | | |
| Opening net book value at 1 January | 2,596,116 | 2,928,625 |
| Acquisition of Borie Equipment | - | 50,000 |
| Additions | - | 60,292 |
| Disposals | (180,706) | (30,145) |
| Depreciation charges | (190,398) | (361,432) |
| Assets classified as held for sale | 108,336 | (51,224) |
| Closing balance: net of accumulated depreciation and impairment | 2,333,348 | 2,596,116 |
| | | |
| **9. Trade and other payables** | | |
| Current - | | |
| Trade payables and accruals | 918,884 | 961,856 |
| Trade payables are non-interest bearing payables and are normally settled on 30 day terms. | | |
| Non-current - | | |
| Trade payables and accruals | - | - |
| | | |
| Total trade and other payables | 918,884 | 961,856 |
| Production taxes are non-interest bearing payables that are owed to the State of Wyoming. | | |
| | | |
| **10. Interest Bearing Liabilities** | | |
| Current - | | |
| Bank loan - secured | 70,023 | 200,000 |
| | | |
| Non-current | | |
| Bank loan - secured | 6,127,179 | 6,172,402 |
| | | |
| Total interest-bearing liabilities | 6,197,202 | 6,372,402 |

The secured bank loans are provided by ANB Bank as a US Dollar denominated loan facility. The loans are made up of a term loan and a line of credit as follows:

**Term Loan -**

- Security - mortgages over the Company's gas processing plant and spare well equipment at Silvertip Field
- Interest - paid monthly at a rate of 0.50% above the Prime Rate (2018 – 5.00%)
- Term - five years from July 2015
- Principal repayments - monthly equal instalments ($16,667)
- Initial face value of loan - $1.0 million
- Loan balance Jun-18 - $70,023

**10. Interest Bearing Liabilities (Cont.)**

**Line of Credit -**

- Security - mortgages over the Company's producing oilfield in Wyoming
- Interest - paid monthly at a rate of 0.50% above the Prime Rate (2018 – 5.00%)
- Maturity date - 1 July 2019
- Principal repayments - interest only repayments on a monthly basis. Principal due to be repaid on or before maturity. Any part of the principal that is repaid before the maturity date may be redrawn up until the maturity date of the loan.
- Initial loan facility limit - $7.0 million (facility limit June-18 - $7,000,000)
- Loan balance Jun-18 - $6,127,180

Financial covenants for above loan facilities -

- Modified Current Ratio shall not be less than 1:1
  **Modified Current Ratio** means, as of the end of any Fiscal Quarter ending after the Closing Date, the ratio of: (a) the sum of Borrower's current assets (including as a current asset any and all unused availability under the Revolving Loan, but excluding assets resulting from any mark-to-market of unliquidated hedge contracts); to (b) the sum of Borrower's current liabilities (excluding the current portion of long term Debt with the exception of principal that is due within ninety (90) days and liabilities resulting from any mark-to-market of unliquidated hedge contracts), all determined on a consolidated basis pursuant to the most recent financial statements delivered by Borrower to Lender. Oil in inventory, not reported on the most recent financial statement, will be added to the current assets at market price.)

| | 30 June 2017 $US | 31 December 2017 $US |
|---|---|---|
| **11. Provisions** | | |
| Current | | |
| Employee entitlements – annual leave | 138,405 | 150,072 |
| Non-current | | |
| Asset retirement obligation | 5,663,766 | 5,047,680 |

| | Employee entitlements $US | Asset retirement obligation $US |
|---|---|---|
| **As at 1 January 2018** | 150,072 | 5,047,680 |
| Movement during the year | 52,233 | - |
| Utilised/ unwinding of discount | (63,896) | 92,677 |
| Reclassified from liabilities held for sale | - | 523,409 |
| **As at 30 June 2018** | 138,409 | 5,663,766 |
| **As at 1 January 2017** | 115,166 | 4,317,494 |
| Movement during the year | 109,128 | 1,102,349 |
| Utilised/ unwinding of discount | (74,222) | 151,246 |
| Reclassified as liabilities held for sale | - | (523,409) |
| **As at 31 December 2017** | 150,072 | 5,047,680 |

| | 30 June 2018 $US | 31 December 2017 $US |
|---|---|---|
| **12. Issued capital** | | |
| 406,389,160 fully paid ordinary shares (31 December 2017: 400,100,786) | 25,207,031 | 25,157,925 |
| **Shares reserved for employee share plan** | | |
| 2,930,000 fully paid ordinary shares (31 December 2017: 2,750,000) | (2,474) | (2,474) |

| **Movement in ordinary shares on issue** | **2018** | |
|---|---|---|
| | **$US** | **No** |
| At 1 January 2018 | 25,157,925 | 400,100,786 |
| Share issue | 49,106 | 6,288,374 |
| At 30 June 2018 | 25,207,031 | 406,389,160 |

| **Movement in ordinary shares on issue** | **2017** | |
|---|---|---|
| | **$US** | **No** |
| At 1 January 2017 | 23,796,744 | 201,834,580 |
| Placement of new shares | 1,520,520 | 198,266,206 |
| Transaction costs | (159,339) | - |
| At 31 December 2017 | 25,157,925 | 400,100,786 |

**Share options**

At 30 June 2018, there were the following listed and unlisted options over unissued fully paid ordinary shares on issue:

**Listed:**

204,194,580 options on issue with an expiry date of 29 November 2019 and an exercise price of A$0.02.

**Unlisted:**

5,000,000 options on issue with an expiry date of 27 July 2018 and an exercise price of A$0.1485.

| | 30 June 2018 $US | 30 June 2017 $US |
|---|---|---|
| **13. Earnings/(loss) per share** | | |
| Basic earnings per share amounts are calculated by dividing net profit/(loss) for the period attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the period. | | |
| The following reflects the income and share data used in the basic profit per share computations: | | |
| Net (loss)/profit attributable to equity holders of the parent | (813,396) | (761,272) |

**13. Earnings/(loss) per share (Cont.)**

| | Cents per share ($US - cents) | Cents per share ($US - cents) |
|---|---|---|
| **Basic earnings/(loss) per share (cents)** | (0.20) | (0.38) |
| | **No.** | **No.** |
| The weighted average number of ordinary shares on issue during the financial period used in the calculation of basic loss per share | 406,389,160 | 202,132,923 |
| | **Cents per share ($US - cents)** | **Cents per share ($US - cents)** |
| **Diluted earnings/(loss) per share (cents)** | (0.20) | (0.38) |
| | **No.** | **No.** |
| The weighted average number of ordinary shares on issue during the financial period used in the calculation of diluted earnings per share | 404,061,419 | 202,132,923 |

## 14. Segment reporting

The Group has determined that it operates in two operating segments, being oil and gas production and exploration and battery minerals exploration and this is the basis on which internal reports are provided to the Directors for assessing performance and determining the allocation of resources in the Group. Disclosure of the operating segments is as follows:

| | Oil and Gas Production and Exploration | Battery Minerals Exploration | Total |
|---|---|---|---|
| Non-current assets | 16,402,033 | 42,533 | 16,444,566 |
| Revenue | 2,788,852 | 0 | 2,788,852 |

The Australian head office does not engage in direct business activities and as a result, it does not represent an operating segment.

The following segment disclosure is required:

| | Australia | USA | Total |
|---|---|---|---|
| Non-current assets | 2,334 | 16,289,035 | 16,291,369 |
| Revenue | 0 | 2,788,852 | 2,788,852 |

## 15. Events after the reporting date

There are no significant events subsequent to the reporting date.

## 16. Contingent liabilities and commitments

The Group has no material contingent liabilities or commitments at the reporting date or date of this report.

## 17. Related party disclosures

In June 2017, Eon NRG Ltd entered into a lease agreement with Ascot Park Enterprises Pty Ltd, a company associated with the Chairman, Mr Mark Stowell, to rent office accommodation at 20 Howard Street, Perth. The rent has been set at a rate which is at an arms-length commercial rate for comparable premises. The lease agreement terms are as follows:

| | |
|---|---|
| Lease term: | 1 year plus 3 x one year options |
| Rental payment: | A$16,911 per annum |

## 18. Financial instruments

Set out below is an overview of financial instruments, other than cash and short-term deposits, held by the group as at 30 June 2018:

| | 30 June 2018 $US | 31 December 2017 $US |
|---|---|---|
| **Financial assets held at amortized cost:** | | |
| Trade and other receivables | 619,108 | 606,705 |
| **Total current financial assets** | 619,108 | 606,705 |
| Other receivables | 690,253 | 688,480 |
| Other assets | - | - |
| **Total non-current financial assets** | 690,253 | 688,480 |
| **Total financial assets** | 1,309,361 | 1,295,185 |
| **Financial liabilities held at amortized cost:** | | |
| Trade and other payables | 918,884 | 961,856 |
| Term loan | 70,023 | 200,000 |
| **Total Current financial liabilities** | 988,907 | 1,161,856 |
| Trade and other payables | | - |
| Line of credit | 6,127,180 | 6,101,316 |
| Term Loan | - | 71,086 |
| **Total non-current financial liabilities** | 6,127,180 | 6,172,402 |
| **Total financial liabilities** | 7,116,087 | 7,334,258 |

**18. Financial instruments (Cont.)**

**Fair values**

Set out below is a comparison of the carrying amounts and fair values of financial instruments as at 30 June 2018:

| | Carrying amount $US | Fair value $US |
|---|---|---|
| **Financial assets:** | | |
| Trade and other receivables | 619,108 | 619,108 |
| **Total current financial assets** | | |
| Other receivables | 690,253 | 688,497 |
| **Total non-current financial assets** | | |
| **Total financial assets** | 1,309,361 | 1,307,605 |
| | | |
| **Financial liabilities:** | | |
| Trade and other payables | 918,884 | 918,884 |
| Term loan | 70,023 | 70,023 |
| **Total current financial liabilities** | 988,907 | 988,907 |
| | | |
| Line of credit | 6,127,179 | 5,790,184 |
| Term loan | | |
| **Total non-current financial liabilities** | 6,127,179 | 5,790,184 |
| **Total financial liabilities** | 7,116,086 | 6,779,091 |

Trade and other receivables and trade and other payables are short term in nature, therefore carrying amounts approximate their fair values. Term loan and line of credit liabilities are identified as Level 2 in the fair value hierarchy.

# DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Eon NRG Limited, I state that:

In the opinion of the directors

(a) The financial statements and notes of Eon NRG Limited are in accordance with the Corporations Act 2001, including;

   (i) Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the half year ended on that date, and

   (ii) Complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and

(b) Subject to achieving the matters set out in note 1 to the financial report, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

John Whisler
Managing Director
Perth

30 August 2018

# INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF EON NRG LIMITED

## Report on the half year financial report

### Conclusion

We have reviewed the accompanying half year financial report of EON NRG LIMITED ("the Company") and its controlled entities ("the Consolidated Entity"), which comprises the consolidated statement of financial position as at 30 June 2018 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of the Consolidated Entity is not in accordance with the *Corporations Act 2001* including:

a) giving a true and fair view of the consolidated financial position of the Consolidated Entity as at 30 June 2018 and of its consolidated financial performance for the half year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### Emphasis of matter – material uncertainty related to going concern

Without qualifying our conclusion, we draw attention to Note 1 in the financial report "Going Concern", which describes the Consolidated Entity's ability to continue as a going concern, as being dependent upon pertinent matters as disclosed. This indicates the existence of a material uncertainty that may cast doubt on the Consolidated Entity's ability to continue as a going concern and therefore, the Consolidated Entity may not be able to realise its assets and discharge its liabilities in the ordinary course of business.

### Directors' responsibility for the half year financial report

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



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Butler Settineri (Audit) Pty Ltd
RCA No. 289109 ABN 61 112 942 373

**Auditor's Responsibility**

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagement ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half year financial report is not in accordance with the *Corporations Act 2001* including; giving a true and fair view of the Consolidated Entity's consolidated financial position as at 30 June 2018 and its consolidated financial performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

As the auditor of the Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audited conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Independence**

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

BUTLER SETTINERI (AUDIT) PTY LTD

MARIUS VAN DER MERWE CA
Director

Perth
Date: 30 August 2018

# APPENDIX 4D
# ASX INFORMATION

The information that is required by the Australian Stock Exchange Limited Listing Rules is as follows.

1. Details of the results for this reporting period and the corresponding prior year period are provided elsewhere in this report.

2. Results for announcement to the market

| | | Change from prior period * | US$ |
|---|---|---|---|
| 2.1. | Revenues from ordinary activities | 24% ↑ | 2,538,228 |
| 2.2. | Profit/(Loss) from ordinary activities after tax attributable to members | 7% ↓ | (813,396) |
| 2.3. | Net profit/(loss) for the period attributable to members | 7% ↓ | (813,396) |
| 2.4. | Dividends (distributions) | Nil | Nil |

* Comparison of six months to 30 June 2018 with six months to 30 June 2017

3. Net tangible assets per security

| | June 2018 US$ | December 2017 US$ |
|---|---|---|
| Net tangible assets per security | 0.011 | 0.013 |

4. Control was neither gained nor lost over any entities during the half year.

5. No dividends were paid during the period

6. The Company does not have a dividend re-investment plan.

7. The Company does not have any Associated Companies. It has participated in a Drilling Joint Venture but has a non-controlling interest and is not the designated operator of the drilling program.