Eon NRG

EON NRG LIMITED

2018

ANNUAL REPORT

ACN 138 145 114

TABLE OF CONTENTS

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Chairman

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CFO & Company Secretary
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This annual report is of the group comprising Eon NRG Limited (“the parent entity”) and its subsidiaries (see Note 24 to Financial Statements) (collectively “the Group”). The Group’s functional and presentation currency is US Dollars ($). Unless otherwise stated, all amounts in the Annual Report are in US Dollars.

A description of the Group’s operations and of its principal activities is included in the operations review on pages 3 to 6. The Directors’ Report is not part of the financial report.

Dear Shareholder

We are pleased to present the annual report to shareholders this year as Eon NRG continues to build its US based oil and gas business and positions itself to deliver on a strong development program in the coming years. The last 12 months have been a successful period with the acquisition of a large 15,000 acre lease holding in the Powder River Basin, Wyoming, and definition of a number of high impact and high probability oil wells for drilling in 2019 and beyond. This added to Eon's existing production base of circa 530 boepd from producing oilfields in Wyoming and California.

There were definite signs of a return of confidence in the energy sector in 2018 with an improvement in oil prices and a significant increase in drilling and M&A activity in the industry seen throughout North America. Numerous improvements in drilling techniques and equipment have evolved in recent times which has resulted in, for example, quicker drilling rates leading to cheaper and more economic wells.

The USA oil services industry is competitive and numerous operators, including many in the Powder River Basin, also enable efficient infrastructure establishment once a well is tested and confirmed successful and economic.

Eon completed a capital raising in March 2019 which will provide working capital to support drilling the first Powder River Basin well. Continued tight cost control to maximise funds for drilling and growth opportunities was and remains a key mandate for management.

On behalf of the Board I would like to thank our management, staff, contractors and consultants for their diligent work during 2018 and look forward to Eon's continued growth in 2019 and beyond. We appreciate the continued support of our shareholders and look forward to drilling successful wells in the years ahead.

Mark Stowell
Chairman
29 March 2019

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Eon NRG Limited (also referred to hereafter as the 'Company' or 'parent entity' or 'Eon') and the entities it controlled at the end of, or during, the year ended 31 December 2018.

1. PRINCIPAL ACTIVITIES

Eon NRG Limited is an onshore oil and gas exploration and production company which is focused on developing assets in the USA. The Group has a mix of exploration and producing assets which provide strong growth potential as well as long-life oil and gas production assets with positive cash flow to support the development operations.

The Company has diversified its business through the acquisition of 840 acres of battery mineral exploration claims in Nevada which provide a secondary exploration opportunity. Low cost exploration work is continuing on these claims.

2. FINANCIAL RESULTS OVERVIEW

Eon NRG Limited has continued to grow its revenue and maintain positive operating cash flow. It has continued its consistent record of positive EBITDAX (earnings before interest, tax, depreciation, amortisation, impairment and exploration) over the last seven years. A summary of the sales, net profit/loss after tax and EBITDAX for the last four years is shown below.

	2018	2017	2016	2015
Sales Volume (BOE) (Net)	124,251	134,677	184,065	132,668
Oil (Bbls)	54,114	44,949	70,912	71,997
Gas (BOE)	47,068	59,035	79,346	40,085
NGL (BOE)	22,497	30,693	33,807	20,586
Sales Revenue (Net)	**$4,980,002**	**$4,100,549**	**$4,389,119**	**$3,865,643**
Net profit/(loss)after tax (NPAT)	($1,426,435)	$582,778	($575,771)	($2,726,105)
EBITDAX (1)	**$591,558**	**$245,083**	**$426,116**	**$226,569**

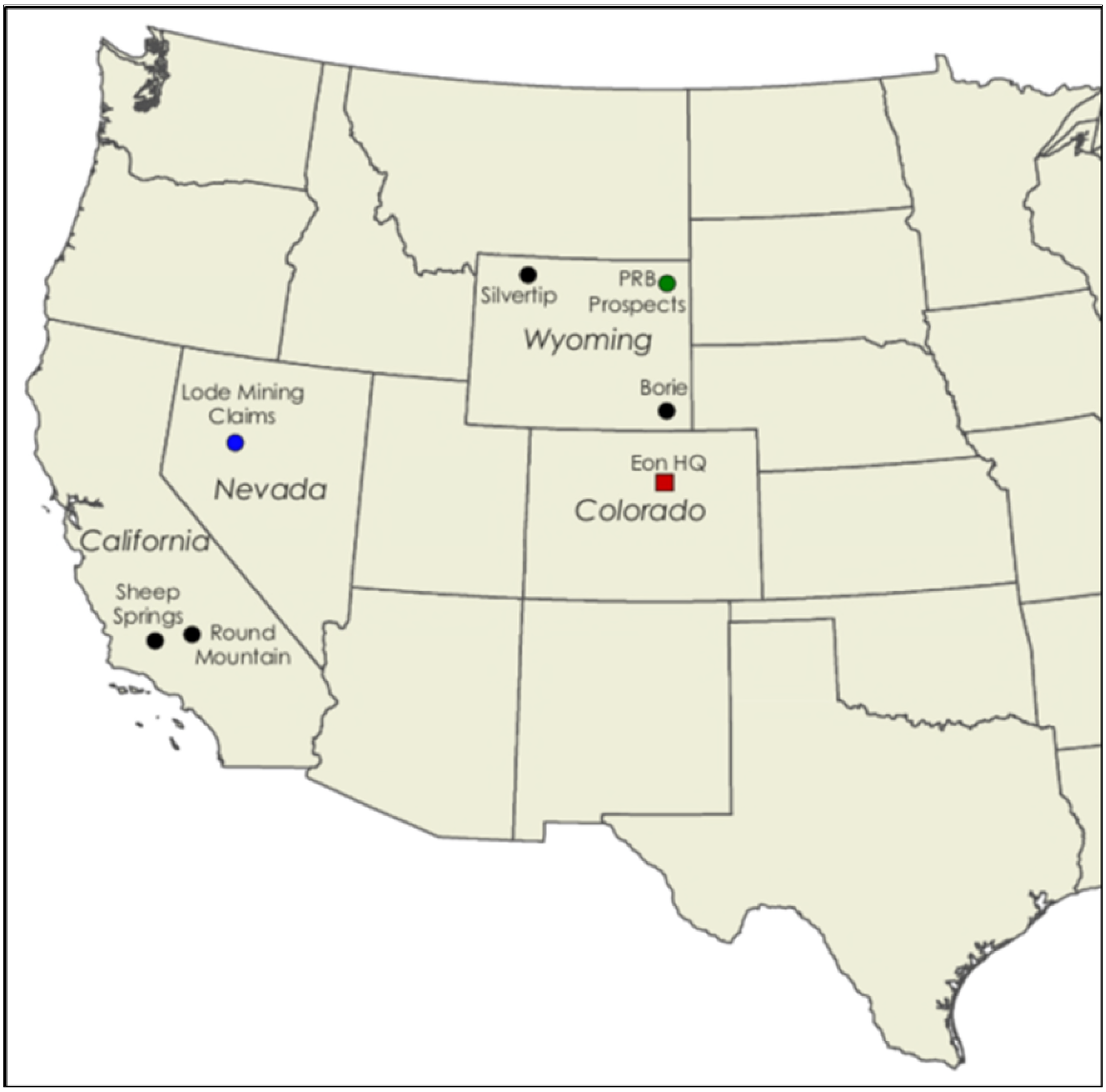
EBITDAX is reconciled to net profit/ (loss) after tax as follows:

	2018 US$	2017 US$	2016 US$	2015 US$
EBITDAX (1)	591,558	245,083	426,116	226,569
Impairment reversal / (impairment) / (asset write down)	-	1,180,000	1,171,713	(878,619)
Gain on bargain purchase	-	908,656	-	-
Interest income / (expense) and finance charges	(390,947)	(352,411)	(364,421)	(246,614)
Depreciation / amortisation	(1,627,046)	(1,191,047)	(1,809,179)	(1,827,441)
Exploration	-	(207,503)	-	-
Tax (expense) / benefit	-	-	-	-
Net Profit / (loss) after income tax	(1,426,435)	582,778	(575,771)	(2,726,105)

1. EBITDAX is a non-IFRS measure. The information above 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 aligned with operational performance of the Group.

3. REVIEW OF OPERATIONS

A review of operations of the Group during the financial year and the results of those operations are set out below.



Project Location Map

a) Powder River Basin Exploration Leases, Wyoming

In September 2018, Eon announced that it had acquired approximately 15,000 acres of leases in the Powder River Basin (PRB), Wyoming. The PRB has a long history of oil and gas production from multi-stacked pay zones. The large undeveloped acreage positions allows for long term growth in a prolific hydrocarbon filled basin. The PRB area has numerous oilfield contractors for drilling and other services and the state of Wyoming is an oil and gas friendly state which makes this region a good area to operate in.

The leases were purchased from the United States Department of Interior with 10-year lease terms and a net revenue interest of 87.5% (12.5% royalty rate). There are no drilling commitments required to hold the leases and the annual lease cost to hold the acreage before drilling is $1.50 per acre for the first five years and $2.00 per acre thereafter. A further 640 acres were purchased from the Wyoming State Land Board in Converse County which has a 5-year lease term. Further land acquisition opportunities are being considered to expand the potential acreage position around the current holdings.

In 2018, the Company set about identifying potential drill prospects in its PRB acreage targeting oil from multiple formations including the Turner, Dakota, Minnelusa and Muddy. Some of the leases that were acquired by Eon are surrounded by developed oilfields which have long production history. The prolific production rates from these fields along with improved drilling and completion technology delivers strong well economics for potential wells within Eon's leases.

In March 2019, the Company announced the commencement of the permitting of its first new well, the Govt Kaehne #9-29. This well is planned to be drilled in 2019.

Multiple other drilling targets have been identified in the lease acreage which will build a pipeline for drilling opportunities beyond 2019.

b) Borie Oilfield, Wyoming

Eon completed the purchase of the Borie Oilfield located west of Cheyenne in the DJ Basin, Wyoming in December 2017.

Operated -	12 producing wells and 3 water injection wells, average net revenue interest of 82%
Non-Operated -	3 producing wells and 1 water injection well, average net revenue interest of 22%
Lease Area -	2,850 acres (Net) all held by production

Net Reserves (as at Dec-18) -

1P (Proved Developed Producing - PDP)	311 MBO
1P (Proved Undeveloped - PUD)	352 MBO
1P Total	**623 MBO**

The Borie Field has a long production history of oil and gas from conventional vertical wells that produce from the Muddy Formation. The DJ Basin is a prolific oil and gas producing basin that covers parts of Colorado, Nebraska and Wyoming. Wells have been drilled in the Borie Field at various times from the 1950's to the early 2000's and there remains the potential for further drilling of new wells within this field.

c) Silvertip Field, Wyoming

Eon owns a 100% working interest in the Silvertip Field located in the Bighorn Basin, Wyoming.

Operated -	96 producing wells and 2 water injection wells (107 wells in total), 100% working interest and an average net revenue interest of 82%
Lease Area -	4,437 net acres all held by production

Net Reserves (as at 31-Dec-18) -

1P Oil (Proved Developed Producing - PDP)	151 MBO
1P Gas (Proved Developed Producing - PDP)	2,209 MMCF
1P Gas (Proved Developed Not producing - PDNP)	555 MMCF
1P Total	**612 MBOE**

The Silvertip Field has significant infrastructure including a fully functioning gas processing plant with a capacity of 4.5 MMcf per day, oil and NGL storage tanks, a field gas pipeline network which connects to two interstate gas transportation pipelines, a workshop and an office building.

During 2018, Eon carried out field development work by performing a two well recompletions that targeted gas production from formations that are behind the existing well pipe and above the original target formation. These development activities have been carried out at a low capital cost and were timed to take advantage of higher commodity prices. The recompletion of the 35-28F well in Q1-18 resulted in the production of an additional 121 MMcf of gas (gross) in 2018.

d) California Oilfields

Eon owns 100% of two fields in the San Joaquin Basin.

Operated -	Sheep Springs: 12 operating wells, 100% working interest and a net revenue interest of 83%
	Round Mountain: 7 operating wells and 1 water injection well, 100% working interest and a net revenue interest of 88%
Lease Area -	Sheep Springs: 160 net acres (all held by production)
	Round Mountain: 320 net acres (all held by production)

Net Reserves (as at 31-Dec-18) –

Sheep Springs:	
1P Oil (Proved Developed Producing - PDP)	275 MBO
1P Gas (Proved Developed Producing - PDP)	172 MMCF
Round Mountain:	
1P Oil (Proved Developed Producing - PDP)	70 MBO
1P Total	**373 MBOE**

Total Reserves for the Group are as follows:

NET (Mboe) [(1)]	Sheep Springs and Round Mountain CA, USA		Silvertip, WY, USA		Borie, WY, USA	TOTAL (Mboe)
	Oil	Gas	Oil	Gas	Oil	
1P Proved Reserve	**345**	**29**	**151**	**461**	**663**	**1,649**
Proved developed producing (PDP)	345	29	151	369	311	1,205
Proved developed not producing (PDNP)	-	-	-	92	-	92
Proved Undeveloped (PUD)	-	-	-	-	352	352

1. Mboe – Thousands of barrels of oil equivalent at standard oilfield conditions with gas converted to barrels of oil equivalent at a rate of 6:1.

e) Battery Minerals Division

Eon established a battery minerals division in 2018 with a long term strategic view that global energy demands will require a range of new technologies and energy supply and storage solutions in the future.

In March and April 2018, Eon announced that it had secured rights over 42 lode claims covering 840 acres of land in the Stillwater Range, Nevada, which was seen as having exploration potential for a range of battery minerals including cobalt and copper. The claims cover a number of historic mine workings and adits are within 3 miles of the Lovelock Mine which has a history of producing high grade cobalt. Recently, Global Energy Metals Corp (TSXV: GEMC) announced that it has signed an agreement to acquire an 85% interest in the Lovelock and Treasure Box exploration projects and it will spend US$1 million in exploration within the next three years.

Eon will continue with low cost exploration activities on its Nevada prospects.

f) Corporate Activities

The Company changed its name to Eon NRG Ltd in February 2018 in line with the Company's approach to driving value through a more aggressive discovery program to transition it to a development focused exploration and production company. Identification of onshore oil and gas discovery opportunities which represent value accretion through drilling new wells became a focus of management's efforts for 2018. Numerous opportunities were identified, and the Company finalised the acquisition of leases in the Powder River Basin in September 2018.

The Group's debt facility remains in place with ANB Bank and all repayment obligations and covenants have been met. $0.31 million of debt was repaid in 2018 with the total debt to ANB Bank as at 31 December 2018 was $6.11 million. The revolving line of credit facility will mature on July 1, 2019. This line of credit has been in place with ANB Bank since 2015 and renewed on two occasions since it was established. Under the terms of the loan and subject to bank approval, the current facility will be rolled over to a new facility before it's maturity date. The Board has no reason to believe that the loan facility will not be renewed on expiry of the current term.

4. FINANCIAL REVIEW

The significant movements in the Statement of financial position have resulted from reclassifying the California oilfields, that were shown as held for sale at the end of 2017, to non-current assets and the reclassification of the remaining bank debt from non-current to current liabilities. A summary of the statement of financial position items is as follows:

- Total cash held by the Group at the end of 2018 was $1,175,606 (2017 - $1,218,220). Of this cash, $676,434 is held as a security deposit for environmental bonds associated with the Silvertip and Borie Fields. The cash held as a security deposit is classified as a non-current financial asset.
- Current liabilities exceed current assets because of the reclassification of the ANB loan ($6,112,170) to a current liability due its maturity being within 12 months from the reporting date. The Group will seek to renew the loan for a new term of at least 12 months before the July 1, 2019 maturity date. This loan is secured by non-current assets, namely oil properties and associated plant and equipment.

- The California oilfields of Sheep Springs and Round Mountain were classified as assets held for sale (current assets) as at 31 December 2017. In May 2018, these assets were withdrawn from sale and returned to non-current assets at their fair market value. While these assets were classified as assets held for sale, they were not amortised. On reclassifying them to non-current oil properties, the unrecognised amortisation relating to the period that they were held as current assets was recognised and expensed in the profit and loss.

Eon recorded a net loss after tax of $1,426,435 in 2018 (2017 - profit of $582,778). The major drivers of this result were:

- Net revenue from sales increased by 21% from 2017 to 2018. Oil sales volumes increased as a result of acquiring the Borie Field in December 2017. Gas and NGL (which is a by-product of the gas production) production volumes decreased as a result of natural decline in production from the Silvertip Field.

Net Sales Volume	2018	2017	Change
Oil (Barrels)	54,144	44,949	↑ 20%
Natural Gas (MMcf)	282,407	354,209	↓ 20%
NGL (Barrels)	22,497	30,693	↓ 26%

The price of oil increased in 2018 compared to 2017.

	2018		2017	
	Net Revenue	Unit Price	Net Revenue	Unit Price
Oil[1]	$3,527,096	$65.14/Bbl	$2,177,544	$48.45/Bbl
Natural Gas[2]	$814,329	$2.88/Mcf	$1,041,253	$2.94/Mcf
NGL	$638,577	$0.65/Gal	$812,411	$0.65/Gal

- Field operating expenses increased in 2018 ($1,972,654) compared to 2017 ($1,556,624) due mainly to the addition of the operating costs from the Borie field.
- In 2017, there was a reversal of impairment of $1.18M in relation to the Sheep Springs and Round Mountain Fields as a result of the net present value of these assets increasing in line with an increase in oil prices. No impairment expenses or impairment reversals were booked in 2018.
- A one-off gain on purchase of the Borie Field of $0.9M was recorded in 2017 as a result of the fair value at purchase (as determined by an independent certified reservoir engineer based on oil price assumptions at the time of purchase) being higher than the purchase price of the field.

5. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The Company completed a placement of new shares and options through a rights issue that was completed in March 2019 which raised A$2.54 million (before costs). 363.5 million shares were issued at a price of A$0.007 per share, with an equivalent number of options exercisable at A$0.015 expiring on 22 February 2021. These funds were raised for the purpose of working capital to use in the advancement of new well permitting and drilling. This equity strengthens the Company's financial position and ensures that it's drilling program for 2019 is funded.

As a result of the completion of the rights issue that was announced in February 2019, the exercise price of the options that were issued in November 2017 and which had an expiry date of 29 November 2019, was changed from A$0.020 to A$0.0188 per option in accordance with their terms of issue.

In March 2019, the Company announced that it had commenced the permitting of its first well to be drilled in the leases that it acquired in the Powder River Basin, Wyoming, in September 2018. The Govt Kaehne #9-29 is considered to be a low risk conventional well targeting production of light sweet crude oil from the Sandstone reservoirs of the Dakota Formation (Lower Cretaceous Age) at a depth of ~6,200 feet. This well will target high quality, oil saturated reservoir, in a structurally high position relative to offset wells.

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[1] Oil price is net of the refinery transportation deduct that is applicable for each field. Average West Texas Intermediate (WTI) spot prices in 2017 and 2018 were $50.88 and $64.93 per barrel respectively. Oil price benchmarks for oil produced from the California Fields is based off a higher price than WTI.

[2] Gas is priced off the Colorado Interstate Gas (CIG) Rockies benchmark. Average Henry Hub gas prices in 2017 and 2018 were $2.99 and $3.17 per Mcf respectively.

6. MATERIAL BUSINESS RISKS

This section describes some of the material business risks associated with Eon. It does not purport to list every risk that may be associated with Eon's business or the industry in which it operates, and the occurrence or consequences of some of the risks described in this section are partially or completely outside of the control of the Group, its Directors and the senior management team.

The selection of risks included in this section has been based on an assessment of the most significant areas of uncertainty for the Group's business and operations that could have an adverse impact on the achievement of the financial performance and outcomes for the business. There is no guarantee or assurance that the importance of different risks will not change or other risks will not emerge.

Eon is exposed to risks in relation to the Group's existing and proposed business operations. These risks include, without limitation:

a) Group operations

The operations of the Group in its business activities of oil and gas exploration and production may be affected by various factors, including failure to achieve predicted well production flow rates, operational and technical difficulties encountered in production, difficulties in gaining government or regulatory approvals, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated reservoir problems which may affect field production performance, adverse weather conditions, industrial and environmental accidents, force majeure events by suppliers, product processes and pipeline road transporters, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, commodities, plant and equipment. Any of these outcomes could increase Eon's costs or cause other adverse effects to Eon's financial position.

Eon's management systems, experienced staff, selection of experienced consultants and contractors, company risk management system and insurance policies are in place to minimise risks and outcomes of factors affecting company operations and resulting financial performance.

b) Petroleum reserves

Estimates of petroleum reserves are expressions of judgment based on knowledge, experience and industry practice. Estimates, which were valid when originally calculated, may change significantly when new information or techniques become available. In addition, by their nature, petroleum reserves estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change.

Eon NRG Ltd uses experienced external engineers from third party petroleum engineering consultants to review its petroleum reserves, supervised by the senior personnel who have sufficient experience that is relevant to the Group's reserves to qualify as a Reserves and Resources Evaluator as defined in the ASX Listing Rules.

c) Oil and gas commodity price and exchange rate

The revenue that Eon may derive through the sale of oil, gas and other commodities exposes the potential income of the Group to commodity prices and exchange rate risks. Oil and gas prices fluctuate and are affected by many factors beyond the control of the Group. Such factors include international and US domestic supply and demand fluctuations, forward selling activities and other macro-economic factors.

The price of oil and gas sold by Eon is denominated in United States dollars exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets. The Company reports its financial results in US Dollars but its securities are traded on the Australian Securities Exchange in Australian Dollars.

d) Environmental

The operations and proposed activities of the Group are subject to laws and regulations concerning the environment applicable in the jurisdiction of those activities. As with most development or production operations, the Group's activities will have an impact on the environment. It is the Group's practice to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

e) Sovereign

The Group's projects are in the USA and are subject to the risks associated with operating in that country. These risks may include economic, social or political instability or change, changes of laws (such as those affecting foreign ownership), government participation, taxation, working conditions, rates of exchange, exchange control, approvals and licensing, export duties, repatriation of income or return of capital, environmental protection, labour relations as well as government control over natural resources or government regulations that require the employment of local staff or contractors or require other benefits to be provided to local residents.

f) Status of leases and tenure

All petroleum licenses associated with the Group's project interests are subject to granting and approval by relevant government bodies and mineral owners, and ongoing compliance with license terms and conditions. There is an ongoing potential risk to the Group's business from an unexpected change in the status of the its licenses.

g) Insurance

The Group maintains insurance coverage limiting financial loss resulting from certain operating risks, in accordance with standard industry practice or as determined by the Board. However, not all risks inherent to its operations can be adequately insured economically or at all, and losses and liabilities arising from uninsured or underinsured operational events or the failure of one of its insurance providers could increase the Group's costs or cause other adverse effects to its financial position.

h) Reliance on key personnel

The responsibility of overseeing the day-to-day operations and the strategic management of the Group depends substantially on its senior management and key personnel.

There can be no assurance given that there will be no detrimental impact on the Group if one or more of these personnel cease their employment or appointment with the Company (or its group) or if the composition of the Company's board of Directors changes, potentially resulting in disruption to the Group's business and operations with resulting financial impacts.

The Group maintains competitive remuneration policies and incentive plans for its Directors and staff to incentivise due effort and commitment and maximise retention to avoid potential disruption and financial impacts resulting from personnel movements.

i) Regulatory Risk

The introduction of new legislation or amendments to existing legislation by governments, developments in existing law, or the respective interpretation of the legal requirements in any of the legal jurisdictions which govern the Company's operations or contractual obligations (particularly in the USA), could impact adversely on the assets, operations and, ultimately, the financial performance of the Group.

Eon NRG Ltd seeks to maintain compliance with legislative, regulatory and contractual requirements through engagement of external legal, financial and technical advisors in relation to operation of its business. The Group's management maintains awareness of the regulatory environment through general participation in the oil and gas sector, via sector related news flow from media, attendance at conferences.

7. ENVIRONMENTAL REGULATION

The Group is subject to certain laws regarding environmental matters and discharge of hazardous waste materials in the course of normal operations. The Group conducts its activities in an environmentally responsible and safe manner in accordance with all applicable laws and regulations. The Directors are not aware of any breaches in relation to environmental matters.

8. INDEMNITY AND INSURANCE OF DIRECTORS

The Company has entered into a Deed of Indemnity, Insurance and Access ("Deed") with each Director and the Company Secretary (collectively "Officers"). Under the Deed, the Company indemnifies the Officers to the maximum extent permitted by law and the Constitution against legal proceedings, damage, loss, liability, cost, charge, expense, outgoing or payment (including legal expenses on a solicitor/client basis) suffered, paid or incurred by the officers in connection with the Director or Officers being an officer of the Company, the employment of the officer with the Company or a breach by the Company of its obligations under the Deed. The total amount of insurance premiums paid for Directors and Officers Indemnity insurance in 2018 was $23,000 (2017 - $19,815).

9. INDEMNITY OF AUDITORS

To the extent permitted by law, the Group has agreed to indemnify its auditors, Butler Settineri (Audit) Pty Ltd), as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecific amount). No payment has been made to indemnify Butler Settineri (Audit) Pty Ltd during or since the financial year.

10. PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

11. NON-AUDIT SERVICES

There were no non-audit services provided by the entity's auditor, Butler Settineri (Audit) WA Pty Ltd, in 2018 or in 2017.

12. AUDITOR INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 31 December 2018 has been received and is to be found on page 19.

13. DIRECTORS' INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

As at the date of this report, the interests of the Directors or related entities in the shares and options of Eon NRG Limited were:

Director	Ordinary Shares	Listed Options A$0.0188 exercise price, expiring 29/11/19	Listed Options A$0.015 exercise price, expiring 22/02/21
M Stowell	52,000,000	-	26,000,000
G McGann	24,715,004	-	-
M McCann	10,511,437	6,288,374	2,985,063
J Whisler [1]	9,865,100	2,500,000	1,000,000

1. The number of shares shown above includes shares (2,000,000) that are not yet vested under the employee share plan that is in place.

14. PRINCIPAL ACTIVITIES

The principal activity during the year of entities within the Group is oil and gas exploration and production in North America. There has been no significant change in the nature of these activities during the year.

15. DIVIDENDS

No dividends were paid or declared during the financial year or subsequent to the year end.

16. OPERATIONS AND FINANCIAL REVIEW

A full review of operations of the consolidated entity during the year ended 31 December 2018 is included in the section entitled "Review of Operations" preceding this Directors' Report (pages 3 to 6).

17. LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Eon NRG Ltd will continue with its current range of activities in 2019 with a focus on developing the Powder River Basin leases in addition to seeking to acquiring new assets that offer exploration potential.

Information of the likely future activities is contained within the Review of Operations section in the Annual Report.

18. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the year other than as disclosed elsewhere in this report in relation to the acquisition of the Powder River Basin leases in Wyoming with the intention of developing this asset through the drilling of multiple new wells depending on the number of high-grade prospects that are identified.

19. FINANCIAL CONDITION

The consolidated cash flow statement illustrates that there was a decrease in cash and cash equivalents in 2018 of $46,314 (2017 - decrease of $106,497) of which operational activities contributed a surplus of $748,415 (2017 - $27,619).

Analyses of the components of the changes in cash are detailed in the consolidated statement of cash flows. The Group repaid $310,805 of debt during 2018 (2017 - $1,425,106).

The Company completed a rights issue in March 2019 which raised capital resulting in an inflow of A$2,544,500 (~US$1.832M).

Outflows of cash relate to investing activities are mainly for capital work carried out on existing fields to increase production and field efficiency while the inflow of cash from investment activities was as a result of the sale of the equipment from the Silvertip Field.

The financial report has been prepared on a going concern basis which contemplates the continuity of normal business activity and realisation of assets and the settlement of liabilities in the normal course of business (refer Going Concern note on page 26 of the Financial Statements).

20. SHARE ISSUES DURING THE YEAR AND TO THE DATE OF THIS REPORT

The number of shares on issue at 31 December 2018 was 406,389,160. Details of the issues of shares are set out in Note 16 to the accounts. In March 2019, a further 363,499,774 shares were issued through a rights issue taking the total number of shares on issue as at the date of this report to 769,888,934.

21. SHARE OPTIONS

At the date of this report, the unissued ordinary shares of the Company under option are as follows:

Date of Expiry	Exercise Price (AUD)	Number under option
29 November 2019	1.88 cents	204,194,580
22 February 2021	1.50 cents	363,499,774

On 27 July 2018, 5,000,000 options exercisable at A$0.1485 per share expired. No options have been exercised during 2018 and since the end of the reporting date to the date of this report.

22. DIRECTOR INFORMATION

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors and officers were in office for the entire period unless otherwise stated.

Mr M. Stowell, B.Bus CA (Chairman)
Appointed to the Board July 2009
Appointed Chairman 20 May 2014
Age: 55

Mr Stowell has been involved in the public company corporate sector for more than 25 years, formerly as a manager in Arthur Andersen Corporate, involved in significant IPO and merger activity in the resource and energy sectors. Subsequently he has gained extensive experience at a board and management level in a number of successful ventures as principal in a wide variety of industries. Mr Stowell was a founder and Director of Incremental Petroleum Ltd from its inception in 2003 until its sale in 2009. Originally acquiring a 1500 bopd oilfield in Turkey, Incremental Petroleum Ltd expanded production to 2000 bopd by the time it was sold.

Other current public company appointments in addition to Eon NRG Limited are:
- Director of Kula Gold Ltd

Additional directorships in the last 3 years include:
- Director of Orrex Resources Ltd– resigned 28 June 2016
- Director of Mawson West Ltd – resigned 31 October 2016

Mr J. Whisler B.Sc (Managing Director)
Appointed to the Board July 2014
Appointed Managing Director 14 October 2014
Age: 48

Mr Whisler has more than 25 years of experience in leading, developing, and implementing projects that have created value in the oil and gas industry. He has a successful track record of managing and growing both public and private exploration and production companies. His diverse and extensive background in the US oil and gas industry covers all aspects of operations, including exploration, business development, acquisitions and divestures, corporate and project management, financial and economic analysis, field operations, production and extensive experience in drilling and completions.

Mr Whisler joined Delek Energy US and Elk Companies in July 2008 as the Vice President of Operations, was promoted to Chief Operating Officer in January of 2009, and was then promoted to Chief Executive Officer in May 2010. He served as Chief Executive Officer until 2011 when he was personally responsible for the divesture of all the US assets in multiple transactions, in order to assist the parent company in funding the new natural gas discoveries off the coast of Israel with Noble Energy. While at Delek, Mr Whisler was responsible for acquiring multiple assets in the USA, designing and implementing work-over plans and re-completions, and optimising production in multiple mature fields.

Mr Whisler is also a member of the Society of Petroleum Engineers. He has served on several non-profit company boards and advisory teams.

Other current public company appointments in addition to Eon NRG Limited are:
- None

Additional directorships in the last 3 years include:
- None

Mr G. McGann, B.Sc (Hons) (Technical Director)
Appointed to the Board July 2009
Age: 70

Mr McGann has over 40 years experience in the upstream oil and gas industry, in a career that has spanned all five continents. As a petroleum geologist, he has been instrumental in the discovery of oilfields totalling more than 200 million barrels in Australia, Middle East and the North Sea, and been part of teams that have discovered other substantial oil resources.

Mr McGann was a founding shareholder and Managing Director of Incremental Petroleum Ltd. He identified the Selmo Oilfield in South-east Turkey in 2005 and increased the production from a declining 1,500 bopd to 2,000 bopd when the company was sold in March 2009.

Mr McGann has published 14 technical papers and is a certified petroleum geologist with the American Association of Petroleum Geologists.

Other current public company appointments in addition to Eon NRG Limited are:
- None

Additional directorships in the last 3 years include:
- None

Mr M. McCann, J.D. (Director)
Appointed to the Board April 2014
Age: 50

Mr McCann earned a Doctorate of Jurisprudence from the University of Oklahoma--College of Law in 1995 and a B.Sc. in Business Administration from the University of Vermont in 1991.

In 2001, after serving in private practice in the US for 6 years, Mr McCann became General Counsel at Riata Energy, Inc., which later became SandRidge Energy, Inc., a NYSE listed corporation. Before leaving SandRidge in 2007, he ultimately served as Senior Vice President, General Counsel, and Corporate Secretary. From 2007-2015 Matt worked for the Riata Corporate Group, a large privately owned group of companies that has substantial oil and gas interests in the US where he focused on business development.

Mr McCann was Chief Executive Officer at TransAtlantic Petroleum Ltd, a TSX and NYSEMKT listed oil and gas exploration and production company from 2009 until 2011 where he was instrumental in growing TransAtlantic from a junior explorer to a significant international oil and gas producer.

Other current public company appointments in addition to Eon NRG Limited are:
- None

Additional directorships in the last 3 years include:
- Blue Ridge Mountain Resources (previously Magnum Hunter Resources)

Company Secretary/CFO -

Mr S. Adams, B.Bus M.Acc AGIA
Appointed Secretary – 18 May 2012

Mr Adams has a wide range of experience in the area of corporate and financial management, corporate compliance and business development. Mr Adams has worked in a range of industries across the resource and industrial sectors. Prior to joining Eon NRG Limited in May 2012 as CFO/Company Secretary, Mr Adams served 12 years with Atlas South Sea Pearl Ltd, a listed pearl production and distribution company, in the capacity of CEO and CFO. Simon is a member of the Governance Institute of Australia.

Committee Memberships
As at the date of this report, the Company had an audit and risk committee and a remuneration and nomination committee of the Board of Directors.

Memberships of Board committees by Board members are as follows:

Director	Audit and Risk committee	Remuneration and nomination committee
M Stowell	X	X
G McGann	-	X
M McCann	X	-

Corporate governance
The Board of Eon NRG Limited is committed to achieving and demonstrating the highest standards of Corporate Governance. The Board is responsible to its Shareholders for the performance of the Company and seeks to communicate extensively with Shareholders. The Board believes that sound Corporate Governance practices will assist in the creation of Shareholder wealth in addition to providing accountability.

In accordance with ASX Listing Rule 4.10.3, the Company has elected to disclose its Corporate Governance policies and its compliance with them on its website rather than in the Annual Report. Accordingly, information about the Company's Corporate Governance practices is set out on the Company's website at www.eonnrg.com.

Directors' Meetings
The number of meetings of Directors (including meetings of committees of Directors) held during the year and the numbers of meetings attended by each Director were as follows:

	Directors' meetings		Audit and risk Committee		Remuneration Comittee	
Director	Held	Attended	Held	Attended	Held	Attended
M Stowell	7	7	3	3	1	1
G McGann	7	5	-	-	1	1
M McCann	7	7	3	3	-	-
J Whisler	7	7	-	-	-	-

Directors' benefits
Other than the disclosure on pages 13-18 (Remuneration Report), no Director of the Company has received or become entitled to receive a benefit because of a contract that the Director or a firm of which the Director is a member or an entity in which the Director has a substantial financial interest made with the Company or an entity that the Company controlled, or a body corporate that was related to the Company, when the contract was made or when the Director received, or became entitled to receive the benefit, other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors which is stated in the Remuneration Report.

This report is signed in accordance with a resolution of the Directors, made pursuant to Section 298(2) of the Corporations Act 2001.

REMUNERATION REPORT

(Audited)
This Remuneration Report for the year ended 31 December 2018 outlines the remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. This information has been audited as required by section 308(3C) of the Act.

This Remuneration Report details the remuneration arrangements for key management personnel ("KMP") who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the parent company, Eon NRG Limited ("the Parent" or "Eon").

Eon NRG Limited received more than 99% of the votes in favour of the Remuneration Report for the 2017 financial year at the annual general meeting held on May 31, 2018.

Details of Directors and Key Management Personnel
The Directors of Eon NRG Limited during the year were:

- Mark Stowell (Chairman)
- Gerry McGann (Technical Director)
- Matthew McCann (Director)
- John Whisler (Managing Director)

The key management personnel (other than the Directors) during the year were:

- Simon Adams (Company Secretary and CFO)

There were no changes to KMP after the reporting date and before the date the financial report was authorised for issue.

Remuneration Policy
The performance of the Group depends on the quality of its key management personnel and other employees. In order to achieve the Company's financial and operational objectives, it must attract, motivate and retain highly skilled directors and executives.

To this end the Group embodies the following principles in its remuneration policy:

- Provide competitive rewards to attract high calibre executives;
- Link executive rewards to shareholder value;
- A proportion of executive compensation 'at risk', dependent upon meeting pre-determined targets; and
- Establishing appropriate performance hurdles in relation to variable executive compensation.

Remuneration is not currently linked to profit performance. The remuneration policy is for executives to be paid on terms that are competitive with those offered by entities of a similar size with the same industry. Packages are reviewed annually by the Remuneration Committee with any recommendations of this committee reviewed and approved by the Board.

The Company's remuneration policy seeks to encourage alignment between the performance of the Company and total shareholder returns, and the remuneration of Executives. Short term and, in particular, long term 'at risk' incentives only vest when predetermined Company performance objectives are achieved. These performance objectives are operational in nature (production outcomes) but are linked to financial performance and Company value indirectly.

The following table shows the Company's performance over the reporting period and the previous four financial years against overall remuneration for these years:

	2018	2017	2016	2015
Basic EPS (US$)	($0.0035)	$0.0026	($0.0033)	($0.0168)
Year-end share price (A$)	$0.008	$0.009	$0.048	$0.035
Market Capitalisation (A$ million)	$3.251	$3.601	$9.705	$5.729
Total KMP Remuneration (US$)	$663,228	$669,849	$672,446	$807,416

The members of the Company's remuneration committee are Mark Stowell (Chair) and Gerry McGann.

The Company has not used any remuneration consultants during the year.

Non-Executive Director Remuneration

The Board policy is to remunerate non-executive Directors based on market rates and with consideration given to the time, commitment and responsibility of the role. Fees are determined within an aggregate fee pool limit, which is periodically recommended for approval by shareholders. This amount is separate from any specific tasks that the Directors may take on for the Company. The current aggregate fee pool limit approved by shareholders is AUD$350,000.

The table below summarises the Non-Executive Director fees (all set in US$):

Chairman	US$60,000 pa
Non-Executive Director (Australia)	US$40,000 pa plus superannuation (9.5%)
Non-Executive Director (USA)	US$40,000 pa

Senior Executive Remuneration Policy

The Company is committed to remunerating its senior executives in a manner that is market-competitive and consistent with best practice as well as supporting the interests of shareholders. Consequently, under the senior executive remuneration policy the remuneration of senior executives may be comprised of the following:

- fixed salary that is comparable with the market and reflects core performance requirements, expertise and responsibility expectations;
- a performance bonus designed to reward actual achievement by the individual of performance objectives and for materially improved Company performance;
- participation in any share/option schemes which align executive and shareholder values; and
- statutory and co-contribution superannuation and pension contributions where required by regulations or as part of the executive's overall remuneration package.

There are no fixed terms of employment in the senior executive employment agreements.

By remunerating senior executives through performance and long-term incentive plans in addition to their fixed remuneration, the Company aims to align the interests of senior executives with those of shareholders through the improvement of Company performance. The Board may use its discretion with respect to the payment of bonuses, stock options, share purchase plans and other incentives.

The Company's performance is measured through net cash flow, the increase of average daily gross production of oil, acquisition of projects and business opportunities, and the growth of reserves by development drilling and acquisitions. These factors are basis of the performance and incentives for senior executives as set out in their service agreements. In In 2017 and 2018 a discretionary bonus was paid to the CFO. In 2018, the CEO was paid a performance bonus relating to the acquisition of the Borie Field in 2017 and a performance bonus for operational performance and new projects in 2018.

Details of Share Based Payments Compensation
In 2013, an employee share plan was established which entitles the Board of Directors to offer key management personnel within the Group the right to acquire shares in the Company subject to satisfying specific performance hurdles. Shares that the employees will have a right to own are acquired and held in trust for the employees until they have met the service or performance conditions. The shares rank equally with other fully paid ordinary shares.

No shares were issued to employees in 2018 as share based payment compensation. In January 2017, 360,000 shares were issued to the employee share trust for the benefit of employees at a price of A$0.044 cents per share.

The shares do not have an expiry date under the scheme.

The details relating to the allocation of shares to Directors and key management personnel under the employee share plan are as follows:

Name	Date granted	Dates shares vested	Number of shares granted	Value of shares at grant date US$(1)	No. of shares forfeited during the year	Value at date of forfeiture	Forf-eited %
John Whisler	2013 - 2015	Various dates (see prior annual reports)	1,115,100	$47,941	Nil	$Nil	-
John Whisler	30 Sep 2013	Based on performance	4,000,000	$300,000	Nil	$Nil	-
Simon Adams	2013 to 2015	Various dates (see prior annual reports)	458,600	$23,939	Nil	$Nil	-
Simon Adams	1 Jul 2014	Based on performance	1,500,000	$72,323	Nil	$Nil	-
Simon Adams	30 Jan 2017	30 Jan 2017	90,000	$2,990	Nil	$Nil	-

1. The value at grant date calculated in accordance with AASB 2 Share-based payment of shares granted during the year as part of remuneration.

		Short Term Benefits		Post-Employment Benefits	Share Based Payments			Portion of Remuneration paid as Options/ Rights	Portion of Remuneration performance related
Name	Salary & Fees (1)	Other Bene-fits(2)	Cash Bon-uses	Pension/ Supera-nnuation	Shares/ Options	Termination Benefits	TOTAL		
	US$	US$	US$	US$	US$	US$	US$	%	%
Directors (Non-Executive)									
2018									
M Stowell	60,847	4,600	-	-	-	-	**65,447**	-	-
G McGann	39,952	4,600	-	3,795	-	-	**48,347**	-	-
M McCann	40,641	4,600	-	-	-	-	**45,241**	-	-
2017									
M Stowell	60,135	3,963	-	-	-	-	**64,098**	-	-
G McGann	53,863	3,963	-	3,806			**61,632**	-	-
M McCann	40,000	3,963	-	-	-	-	**43,963**	-	-
Directors (Executive)									
2018									
J Whisler	300,000	32,633	38,500	11,308	1,752	-	**384,193**	0%	10%
2017									
J Whisler	300,000	31,750	-	12,000	3,412		**347,162**	1%	0%
Key Management Personnel									
2018									
S Adams	123,737	4,600	8,465	12,475	723	-	**150,000**	0%	6%
2017									
S Adams	127,134	3,963	7,800	12,819	1,278	-	**152,994**	1%	5%
Total 2018	**565,177**	**51,033**	**46,965**	**27,578**	**2,475**	**-**	**693,228**	**0%**	**7%**
Total 2017	**581,132**	**47,602**	**7,800**	**28,625**	**4,690**	**-**	**669,849**	**1%**	**1%**

1. Includes consultancy fees to related party entities.
2. Other benefits comprise health insurance and employment related benefits as well as the cost of D&O insurance (which is split equally between the Directors and other KMP).

Equity instrument disclosures relating to key management personnel

Options and rights -
The number of options and rights over ordinary shares in the Company including incentive shares that were held in the financial year by each director of the Company and other key management personnel of the Group, including their personally related parties, are set out below.

2018	Balance at 1 Jan 2018	Granted as Remuner-ation	Vested during the year	Exercised during the year	Changed during the year	Balance at 31 Dec 2018
	Number	Number	Number	Number	Number	Number
Directors						
G McGann	-	-	-	-	-	-
M Stowell	17,332,236	-	-	-	(17,332,236)(3)	-
M McCann	-	-	-	-	6,288,374(1)	6,288,374
J Whisler						
Rights(3)	2,000,000	-	-	-	-	2,000,000
Options	2,500,000	-	-	-	-	2,500,000
Other Key Management personnel						
S Adams						
Rights(3)	750,000	-	-	-	-	750,000
Options	821,039	-	-	-	-	821,039
Total	**23,403,275**	**-**	**-**	**-**	**(11,043,862)**	**12,359,413**

1. Options issued with shares that were purchased on the same terms as those offered in the Nov-17 rights issue after shareholder approval at EGM (exercisable at A$0.0188, expiry 29 November 2019)
2. Employee shares not yet vested
3. Options sold on-market

No amount was paid or due on the vesting and exercise of these rights in 2017 or 2018.

No options or rights were issued as remuneration in 2017 or 2018.

Shares -
The number of ordinary shares in the Company that were held in the financial year by each director of the Company and other key management personnel of the Group, including their personally related parties, are set out below.

	Balance at 1 January 2018	Shares vested	Changed during the year	Balance at 31 December 2018
	Number	Number	Number	Number
Directors				
M Stowell	33,664,472	-	(7,664,472) (1)	26,000,000
G McGann	24,715,004	-	-	24,715,004
M McCann	1,238,000	-	6,288,374 (2)	7,526,374
J Whisler	6,865,100	-	-	6,865,100
Other key management personnel				
S Adams	2,334,639	-	(40,656) (1)	2,293,983
Total	**68,817,215**	**-**	**(1,416,754)**	**67,400,461**

1. Net movement of shares purchased and sold on-market
2. Shares purchased by Director on the same terms as tose offered in the Nov-17 rights issue following shareholder approval at EGM (Refer Note 16)

There have been no other transactions with the KMP since the end of the previous financial year and as at the year end.

Service Agreements
Remuneration arrangements for Managing Director and KMP are formalised in employment contracts. The following outlines the details of these contracts.

Mr J Whisler (Managing Director)

Term of Agreement:	No fixed term
Base Salary:	US$300,000
Pension Plan:	Company to match up to a maximum of the lower of 4% of base salary or $17,500 pa when a contribution is made by the employee
Benefits:	Full use of Company vehicle and health and income/life insurance

Cash bonus:	If half yearly production average > 500 bopd, bonus of 15% of base salary (if this milestone has not yet been achieved or paid) If half yearly production average > 1000 bopd, bonus of 30% of base salary (this milestone has not yet been achieved or paid) If half yearly production average > 1500 bopd, bonus of 45% of base salary (this milestone has not yet been achieved or paid)
Employee Share Plan:	Entitled to participate in the Eon NRG Employee Share Participation Program. Shares in Eon NRG equivalent in value up to 10% of base salary may be offered at the discretion of the Board on an annual basis.
Incentive shares:	Entitled to incentive shares in Eon NRG Limited. Shares offered at a price equivalent to the market price or an appropriate weighted average price at the time of issue. The shares will be held in trust and will be subject to vesting terms. The shares shall vest in four tranches of 1.0M shares each as follows: i) Tranche 1: following close of a project(s) acquisition(s) (Project A) which are approved by the Board and which individually or cumulatively contributes an average of 100 Gross boepd for 30 days. These conditions were met in 2015. ii) Tranche 2: following production of Project A reaching an average of 200 Gross boepd over a continuous 6 month period. These conditions were met in 2015. iii) Tranche 3: following close of project(s) acquisition(s) (Project B), which are approved by the Board and which take place after Project A, and which contributes an average of 300 Gross boepd for 30 days; and iv) Tranche 4: following total Company production reaching an average of 750 Gross boepd over a continuous 6 month period.
New Project Bonus:	Entitled to an introduction bonus of 0.5% of the ultimate purchase price of each new acquisition- capped at one years' base salary. At the election of the Managing Director this bonus can be paid in cash or shares. Mr Whisler received a bonus of $8,500 in 2018 relating to the purchase of the Borie Field.
Divestiture Bonus:	Entitled to a divestiture bonus of 0.2% of the ultimate sale price of each sale, exchange, merger or other divestiture of oil or gas properties or interests therein.
Termination:	The contract may be terminated by either the Company or Mr Whisler with Mr Whisler being entitled to 8 months base salary. If the termination of employment is mutual by both parties then no such severance pay will be made.

Mr S Adams (CFO & Company Secretary)

Term of Agreement:	No fixed term
Base Salary:	A$165,000
Superannuation:	9.5% of base salary (statutory)
Employee Share Plan:	Entitled to participate in the Eon NRG Employee Share Participation Program. Shares in Eon NRG Limited equivalent in value to 10% of base salary may be offered at the discretion of the Board on an annual basis.
Incentive shares:	Entitled to incentive shares in Eon NRG. Shares offered at a price equivalent to the market price or an appropriate weighted average price at the time of issue. The shares will be held in trust and will be subject to vesting terms. The shares shall vest in four tranches of 375,000 shares each as follows: i) Tranche 1: following close of a project(s) acquisition(s) (Project A) which are approved by the Board and which individually or cumulatively contributes an average of 100 Gross boepd for 30 days and where operational cash flow meets the approved criteria of the Board for this Project A. These conditions were met in the 2015 year. ii) Tranche 2: following production of Project A reaching an average of 200 Gross boepd over a continuous 6 month period and operational project cash flow meets the approved criteria of the Board for this Project A. These conditions were met in the 2015 year. iii) Tranche 3: flowing close of project(s) acquisition(s) (Project B), which are approved by the Board and which take place after Project A, contributes an average of 300 Gross boepd for 30 days and operational project cash flow meets the approved criteria of the Board for this Project A: and iv) Tranche 4: following total Company production reaching an average of 750 Gross boepd over a continuous 6 month period. The approved criteria of the Board for project cash flow will be set at the time of the acquisition being approved by the Board and will be weighted towards achieving the projected cost control above the projected revenue (which is determined by production rates and commodity price).

Termination:	The contract may be terminated by either the Company or Mr Adams with Mr Adams being entitled to 4 months base salary. If the termination of employment is mutual by both parties then no such severance pay will be made.

Mr G McGann (Technical Director)

Term of Agreement:	No fixed term
Consultancy Fee:	US$900 per day
Superannuation:	Nil
Activities covered:	The consultancy remuneration paid to Mr McGann is for work undertaken in relation to project evaluation, investor relations and other activities that are carried out over and above the normal hours expected and covered by the non-executive director duties. During 2018, Mr McGann was not paid any remuneration under this consultancy arrangement (2017 – US$13,750).

Directors' benefits

In November 2015, Eon NRG Limited entered into a lease agreement with Ascot Park Enterprises Pty Ltd, a company which the Chairman, Mr Mark Stowell is a director of, to rent office accommodation space at 20 Howard Street, Perth. The rent and outgoings have been set at a rate which is 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$16,260 per annum (increasing annually by CPI) plus outgoings

The options were exercised in 2017 and 2018. The rent plus outgoings paid to Ascot Park Enterprises Pty Ltd in 2018 was A$27,451 (2017 - A$21,336).

End of Remuneration Report.

On behalf of the Directors

John Whisler
Managing Director
29 March 2018

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Eon NRG Limited for the year ended 31 December 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 audit; and

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

The declaration is in respect of Eon NRG Limited and the entities it controlled during the year.

BUTLER SETTINERI (AUDIT) PTY LTD

MARIUS VAN DER MERWE CA
Director

Perth

Date: 29 March 2019

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER

	Note	2018 US$	2017 (Restated) US$
Oil and gas sales	1a	4,981,781	4,104,318
Cost of sales -			
Production expenses	2a	(2,623,102)	(2,162,550)
Amortisation and depreciation	2b	(1,613,227)	(1,164,431)
Gross profit from operations		745,452	777,337
Other operating revenue	1b	239,159	96,852
Administrative expenses	2c	(1,110,135)	(1,217,001)
Other operating expenses	2j	(905,574)	(601,669)
Interest and finance expenses	2d	(395,337)	(353,894)
Exploration expenditure	2g	-	(207,503)
Impairment reversal	2h	-	1,180,000
Gain on Bargain Purchase	2i	-	908,656
Profit / (Loss) before income tax		(1,426,435)	582,778
Income tax (expense) / benefit	3	-	-
Profit / (Loss) after tax		(1,426,435)	582,778
Profit / (Loss) for the period attributable to members of the entity		(1,426,435)	582,778
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 income / (loss) for the period attributable to members of the entity		(1,426,435)	582,778
Basic earnings / (loss) per share attributable to ordinary equity holders of the entity (cents)	4	(0.35)	0.26
Diluted earnings / (loss) per share attributable to ordinary equity holders of the entity (cents)	4	(0.35)	0.26

The above 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 31 DECEMBER

	Note	2018 US$	2017 US$
Current assets			
Cash and cash equivalents	5	499,172	545,486
Trade and other receivables	6	501,505	606,705
Inventories	7	99,840	85,073
Assets held for sale	8	-	4,920,343
Total current assets		1,100,517	6,157,607
Non-current assets			
Other financial assets	9	692,181	688,480
Oil properties	10	12,213,486	9,075,981
Exploration assets	11	252,538	-
Plant and equipment	12	1,686,552	2,596,116
Deferred tax asset	3(b)	-	-
Total Non-current assets		14,844,757	12,360,577
Total assets		15,945,274	18,518,184
Current liabilities			
Trade and other payables	13	873,724	961,856
Interest bearing liabilities	14	6,112,170	200,000
Taxes payable	3(a)	126,265	126,265
Provisions	15	129,773	150,072
Liabilities held for sale	8	-	523,409
Total current liabilities		7,241,932	1,961,602
Non-current liabilities			
Trade and other payables	13	-	-
Interest bearing liabilities	14	-	6,172,402
Provisions	15	4,741,696	5,047,679
Deferred tax liabilities	3(b)	-	-
Total non-current liabilities		4,741,696	11,220,081
Total liabilities		11,983,628	13,181,683
Net assets		3,961,646	5,336,501
Equity attributable to equity holders of the parent			
Issued capital	16	25,207,031	25,157,925
Shares reserved for employee share plan	16	-	(2,474)
Reserves	17	349,661	349,661
Accumulated losses		(21,595,046)	(20,168,611)
Total Equity		3,961,646	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 YEAR ENDED 31 DECEMBER

2018	Issued capital (Note 18) US$	Shares reserved for employee share plan US$	Accumulated losses US$	Share option reserve US$	Total equity US$
At 31 December 2017	**25,157,925**	**(2,474)**	**(20,168,611)**	**349,661**	**5,336,501**
(Loss) attributable to members of the Group	-	-	(1,426,435)	-	(1,426,435)
Other comprehensive income	-	-	-	-	-
Total comprehensive (Loss) for the period	-	-	(1,426,435)	-	(1,426,435)
Issue of shares	49,117		-	-	49,117
Issue of employee shares	-	-	-	-	-
Transaction costs	(11)	-	-	-	(11)
Issue of Options	-	-	-	-	-
Share based payment expense	-	2,474	-	-	2,474
At 31 December 2018	**25,207,031**	**-**	**(21,595,046)**	**349,661**	**3,961,646**

2017	Issued capital US$	Shares reserved for employee share plan US$	Accumulated losses US$	Share option reserve US$	Total equity US$
At 31 December 2016	**23,796,744**	**4,795**	**(20,751,389)**	**349,661**	**3,399,811**
(Loss) attributable to members of the Group	-	-	582,778	-	582,778
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	582,778	-	582,778
Issue of shares	1,508,561		-	-	1,508,561
Issue of employee shares	11,959	(11,959)	-	-	-
Transaction costs	(159,339)	-	-	-	(159,339)
Issue of Options	-	-	-	-	-
Share based payment expense	-	4,690	-	-	4,690
At 31 December 2017	**25,157,925**	**(2,474)**	**(20,168,611)**	**349,661**	**5,336,501**

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 YEAR ENDED 31 DECEMBER

	Note	2018 US$	2017 US$
Cash flows from operating activities			
Receipts from customers		5,361,585	5,194,315
Payments to suppliers and employees		(3,798,821)	(4,514,621)
Interest received		690	1,483
Interest paid		(342,067)	(320,051)
Production tax paid		(472,971)	(333,507)
Net cash provided by operating activities	22	748,415	27,619
Cash flows from investing activities			
Acquisition of Borie Oilfield	28	-	(920,772)
Oil property development expenditure		(644,331)	(485,428)
Exploration expenditure		(252,538)	(207,503)
Payments for performance bonds		-	(365,747)
Proceeds from sale of Florence Oilfield		-	1,951,186
Proceeds from sale of assets		480,714	20,924
Payments for purchases of property plant and equipment		-	(62,851)
Net cash used in investing activities		(416,156)	(70,191)
Cash flows from financing activities			
Proceeds from issue of shares		-	1,520,520
Transaction costs for issue of shares		(69,080)	(159,339)
Repayment of borrowings		(310,805)	(1,425,106)
Net cash (used in)/ provided by financing activities		(379,885)	(63,925)
Net increase/(decrease) in cash and cash equivalents		(47,626)	(106,497)
Exchange differences on cash balances held		1,312	(6,467)
Cash and cash equivalents at beginning of the year		545,486	658,450
Cash and cash equivalents at end of year	5	499,172	545,486

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

ABOUT THIS REPORT
The consolidated financial statements of Eon NRG Limited and its subsidiaries (the "Group") for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Directors on 29 March 2019.

Eon NRG Limited is a for-profit company limited by shares incorporated and domiciled in Australia. Its shares and listed options are publicly traded on the Australian Securities Exchange (ASX: E2E, E2EO, E2EOA).

The principal activities of entities within the Group during the year was oil and gas exploration and production in North America and are described in the Directors' Report. There has been no significant change in the nature of these activities during the year.

Basis of preparation:
The financial report is a general purpose financial report which complies with Australian Accounting Standards in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements as issued by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The Group has, where applicable, adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the year ended 31 December 2018 (Refer note 30).

The financial report has also been prepared on a historical cost basis and accrual accounting. Where necessary, comparatives have been reclassified and repositioned for consistency with the current year disclosures.

Basis of consolidation
The consolidated financial statements comprise the financial statements of Eon NRG Limited and its subsidiaries (as outlined in note 24) as at and for the period ended 31 December 2018.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has all of the following:
- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Where the Group has less than a majority of the voting, or similar, rights of an investee, it considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intercompany balances and transactions have been eliminated in full.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Where there is a loss of control of a subsidiary, the consolidated financial statements include the results of the part of the reporting period during which Eon NRG Limited has had control.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting.

Currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in **United States dollars** (US$ or USD), which is Eon NRG Limited's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Going Concern
The financial report has been prepared on a going concern basis which contemplates the continuity of normal business activity and realisation of assets and the settlement of liabilities in the normal course of business. At 31 December 2018, the Group has the following going concern indicators:

(i) As at 31 December 2018, the Group has recorded a deficiency in working capital amounting to $6,141,415 (2017 – surplus of $4,196,005) due to reclassification of the bank loan from non-current to current liability (Refer Note 14 to the financial statements).

(ii) The Group incurred a cash inflow from operating and investing activities of $332,259 including mandatory debt repayments for the year of $200,000 for the year ended 31 December 2018. The group's available cash on hand at 31 December 2018 was $499,172.

(iii) The Group's has no further mandatory term loan debt repayment commitments for the 12 month period ended 31 December 2019. However, the Line of Credit facility matures on 1 July 2019. The Company will apply to the ANB Bank to have this facility extended for a further 18 month term before the maturity date, in line with the renewals that have taken place twice since the facility was made available by ANB Bank in 2015.

Notwithstanding the above the Directors believe they have a reasonable basis to prepare the financial statements on a going concern basis after consideration of the following:

(i) The Company has raised an additional A$2.54 million (~US$1.83M) (before costs) from the placement of shares under a rights issue which closed in March 2019.

(ii) The business continues to own and operate a number of oil and gas fields that have consistent production and which are significantly cash flow positive.

(iii) Management's cashflow forecasts show that the Group will remain in a positive net cash balance position. The forecasts are sensitive to production and oil and gas price assumptions.

(iv) Should the Company require funding to meet the Group's ongoing financial commitments over the course of the next 12 months, the Directors are satisfied that this can be achieved through the sale of assets and/or equity raising from the issue of new shares.

Should the Group not be able to execute the strategies set out above, there would be material 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.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS
In applying the Group's accounting policies management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Judgements and estimates which are material to the financial report are found in the following notes:

- Note 2 Expenses from continuing operations
- Note 3 Income tax
- Note 6 Trade and other receivables
- Note 8 Assets held for sale
- Note 10 Oil and gas properties
- Note 11 Exploration assets
- Note 12 Plant and equipment
- Note 15 Provisions
- Note 18 Share-based payments

FINANCIAL PERFORMANCE

	2018 US$	2017 (Restated) US$
1. Revenues from Continuing Operations		
Profit / (Loss) from ordinary activities before income tax includes the following items of revenue and expense.		
a) Sales revenue		
Oil and gas sales	4,980,002	4,100,549
Royalties	1,779	3,769
	4,981,781	4,104,318
b) Other operating revenue		
Interest Income	4,390	1,483
Other revenue	234,769	95,369
	239,159	96,852

Significant accounting policy

Revenue

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). This policy was effective from 1 January 2018.

Sale revenue – oil, gas and by-products

The Group recognises revenue when the performance obligation under the sales contract is achieved. This performance obligation is achieved when the oil/NGL is transferred to the refinery transportation vehicles and when the gas is transferred into the buyer's transportation pipeline. The Group has agreements with mineral rights owners who are paid a percentage of the gross oil, gas and derivative sales in return for granting the mineral/hydrocarbon extraction rights for these products. Under AASB15, the sales value that is recorded for the disposal of oil, gas and other products (NGL's, etc) will exclude amounts collected on behalf of third parties, including the mineral rights/royalty payments to owners.

For reporting periods beginning 1 January 2018, sales figures have been adjusted to represent sales excluding royalty and production tax amounts. Prior year comparison amounts (2017) have been restated to reflect this change in accounting policy. The adjustment to 2017 revenue results in a restatement of production expenses (royalty costs) for the year ending 31 December 2017 in these financial statements. Sales revenue for the twelve months to December 2017 has been restated in this report to $4,100,549 (previously shown as $4,958,280) and the royalty cost that was shown in the Annual Report dated 31 December 2017 of $857,731 is no longer represented as a cost of sales as it was in the previous report.

Interest

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

	2018 US$	2017 (Restated) US$
2. Expenses from Continuing Operations		
a) Production Expenses		
Lease operating costs	(1,972,654)	(1,556,624)
Production taxes	(472,971)	(337,036)
Rehabilitation provision	(183,863)	(163,530)
Other	6,386	(105,360)
	(2,623,102)	(2,162,550)
b) Depreciation and amortisation included in the statement of profit or loss		
Amortisation – oil and gas properties	(1,305,578)	(829,614)
Depreciation – oil and gas property plant & equipment	(307,649)	(334,817)
	(1,613,227)	(1,164,431)
Depreciation – other plant & equipment (see note 2(c) below)	(13,819)	(26,616)
	(1,627,046)	(1,191,047)

		2018 US$	2017 US$
2.	**Expenses from Continuing Operations (Cont.)**		
c)	**Administrative expenses**		
	Salaries, Directors fees and employee benefits	(1,096,316)	(1,190,385)
	Depreciation – other plant and equipment	(13,819)	(26,616)
		(1,110,135)	(1,217,001)
d)	**Interest and finance expenses**		
	Interest on bank loans	(342,067)	(320,051)
	Financing charges	(53,270)	(33,843)
		(395,337)	(353,894)
e)	**Foreign exchange gain/(loss)**(see note 2(j) below)		
	Gain	2,657	11,191
	Loss	(1,323)	(16,296)
		1,334	(5,105)
f)	**Net gain/(loss) on sale** (see note 2(j) below)		
	Oil properties and exploration assets	-	85,659
	Equipment	(215,717)	(9,224)
		(215,717)	76,435
g)	**Exploration Expenditure**		
	Cost of participation in Newport Field exploration well (written off)	-	207,503
h)	**Impairment (expense)/reversal of assets**		
	Oil properties		
	- Sheep Springs	-	918,811
	- Round Mountain	-	206,632
	Impairment reversal of property, plant and equipment	-	54,557
		-	1,180,000
i)	**Bargain Purchase**		
	Gain from acquisition of oil and gas properties		
	- Borie	-	908,656

Significant accounting policy

Amortisation of oil and gas assets

The Group uses the units of production (UOP) approach when amortising and depreciating field-specific assets. Using this method of amortisation and depreciation requires the Group to compare the actual volume of production to the reserves and then to apply this determined rate of depletion to the carrying value of the depreciable asset. Non-producing assets under evaluation and appraisal are not subject to amortisation until such time as the evaluation and appraisal stage is complete.

Rehabilitation provision

Site restoration/rehabilitation costs are capitalised within costs of the associated assets and the provision is included in the statement of financial position at total present value of the estimated cost to restore operating locations. The costs of restoration are brought to account in the profit and loss through depreciation of the associated assets over the economic life of the projects with which these costs are associated.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs of disposal and value in use. It is determined for an individual asset, unless it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs.

Significant accounting policy (Cont.)

Impairment of non-financial assets (Cont.)
In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Exploration expense
Exploration and evaluation expenditure incurred is capitalised at cost and includes 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.

When an area of interest is abandoned or the Directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they will not be recoverable in the future.

Key estimates and judgements
Oil and gas reserve and resource estimates
Oil and Gas reserves are estimates of the amount of oil and gas that can be economically and legally extracted from the Group's mining properties. The Group estimates its Oil and Gas reserves based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the reserve, and requires complex geological judgments to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the size and grade of the reserves. Changes in the reserve or resource estimates may impact upon the carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, goodwill, provision for rehabilitation, recognition of deferred tax assets, and depreciation and amortisation charges.

Units of Production (UOP) amortisation
Estimated recoverable reserves are used in determining the amortisation of oilfield assets. This results in an amortisation charge proportional to the depletion of the anticipated remaining life of field production. Each item's life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. Barrels of oil produced as a proportion of 1P developed reserves are used as the depreciation methodology. The calculation of the rate of UOP amortisation could be impacted to the extent that actual production in the future is different from current forecast production based on total proved reserves for future capital expenditure changes. Changes to reserves could arise due to changes in the factors or assumptions used in estimating reserves. Changes are accounted for prospectively. Amortisation charges are included in note 10.

	2018 US$	2017 US$
2. Expenses from Continuing Operations (Cont.)		
j) Other operating expenses		
Compliance costs	188,673	194,469
Operating lease costs	115,431	78,223
Foreign exchange (gain) / loss (Note 2e)	1,334	5,105
Net (gain) /loss on sale of assets (Note 2f)	215,717	(76,435)
Travel expenses	34,399	33,727
Operating taxes	4,100	808
Investor relations	24,833	44,353
Insurance	123,520	142,757
Miscellaneous	197,567	178,662
	905,574	601,669

Significant accounting policy
Leases
Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term

	2018 US$	2017 US$
3. Income tax		
Current income tax		
Current income tax (benefit) /expense	-	-
	-	-
Deferred income tax/(revenue) expense included in income tax expense comprises:		
(Decrease)/increase in deferred tax	-	-
Adjustment for deferred tax of prior period – Australia	-	-
Adjustment for deferred tax of prior period – USA	-	-
	-	-
Total income tax (benefit)/expense	-	-
Reconciliation of income tax (benefit)/expense to prima facie tax payable		
Profit/(Loss) from continuing operations before income tax	(1,426,435)	582,778
Accounting (loss)/profit before income tax	(1,426,435)	582,778
Prima facie tax (benefit)/payable on profit/(loss) from ordinary activities at 30% (2017 – 30%)	(427,931)	174,833
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Effect of different taxation rates of other countries	109,122	34,310
Deferred tax assets not recognised	-	-
Tax losses utilised	231,705	(211,121)
Tax effect of amounts which are not deductible in calculating taxable income	87,104	1,978
Benefit of tax losses not previously recognised	-	-
Temporary differences and tax losses previously not brought to account – Australia	-	-
Prior year under-provision	-	-
Income tax (benefit)/ expense	-	-
Movement in deferred income tax for the year ended 31 December relates to the following:		
Deferred tax liabilities		
Depreciable assets	(8,689)	(415,865)
Deferred tax assets		
Interest and management fees	8,689	415,865
Deferred tax (income)/expense	-	-
Tax liabilities		
a) Current		
Income tax payable	126,265	126,265
b) Non- Current		
Deferred income tax recognised at 31 December from foreign source income relates to the following:		
Deferred tax assets (at 21%)		
Interest & management fees	168,702	177,391
	168,702	177,391
Deferred tax liabilities (at 21%)		
Depreciable assets	(168,702)	(177,391)
	(168,702)	(177,391)
Net deferred tax asset/(liability)	-	-

	2018 US$	2017 US$
3. Income tax (Cont.)		
b) Non- Current (Cont.)		
Deferred income tax at 31 December from Australian source income relates to the following:		
Deferred tax assets (at 30%)		
Provision for expenses	-	-
Capital raising costs	-	-
	-	-
Deferred tax liabilities (at 30%)		
Receivables	-	-
Unrealised foreign exchange gains	-	-
	-	-
Net deferred tax asset	-	-
Total deferred tax asset/(liability)	-	-
c) Reconciliations		
The overall movement in recognised deferred tax is as follows:		
Opening balance	-	-
(Charge) / credit to statement of comprehensive income	-	-
Other movements	-	-
Closing balance	-	-
d) Unrecognised deferred tax assets (at 30%) from Australian source income		
Deferred tax assets (at 30%)		
Capital raising costs	39,269	59,110
Provision for expenses	16,078	15,752
Carry forward tax losses	51,052	48,759
	106,399	123,621
e) Unrecognised deferred tax assets (at 21%) from foreign source income		
Deferred tax assets (at 21%)		
Carry forward revenue tax losses	3,219,734	3,094,271
Other timing differences	2,472,482	2,640,032
	5,692,216	5,734,303

Significant accounting policy

Income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit and loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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

Significant accounting policy

Income tax (Cont.)

Deferred income tax liabilities are recognised for all taxable temporary differences:

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

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

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

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

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

Key estimates and judgements

Recovery of deferred tax assets

Judgment is required in determining whether deferred tax assets are recognised on the statement of financial position, Deferred tax assets, including those arising from un-utilised tax losses, require management to assess the likelihood that the Group will generate taxable earnings in future periods, in order to utilise recognised deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Group operates could limit the ability of the Group to obtain tax deductions in future periods.

4. Earnings per share

Basic earnings / (loss) per share amounts are calculated by dividing profit / (loss) for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings / (loss) per share amounts are calculated by dividing the profit / (loss) attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all diluted potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic earnings per share computations:

	2018 US$	2017 US$
Profit / (loss) attributable to ordinary equity holders of the parent for basic and diluted earnings per share	(1,426,435)	582,778

	2018	2017
	Cents per share	**Cents per share**
Basic earnings / (loss) per share	(0.35)	0.26
	No. of shares	**No. of shares**
The weighted average number of ordinary shares on issue during the financial year used in the calculation of basic earnings per share	405,234,856	222,225,730
Effect of dilution:		
Share options	-	-
The weighted average number of ordinary shares on issue during the financial year used in the calculation of diluted earnings per share	405,234,856	222,225,730
	Cents per share	**Cents per share**
Diluted earnings/(loss) per share	(0.35)	0.26

Diluted earnings per share is calculated after taking into consideration all options and any other securities that were on issue that remain unconverted as at the 31 December as potential ordinary shares, which may have a dilutive effect on the result of the Group. As at 31 December 2018, 204,194,580 potential ordinary shares were not considered dilutive.

Significant accounting policy

Earnings per share

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

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

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

	2018 US$	2017 US$
5. Cash and cash equivalents		
For the purposes of the statement of cash flows, cash and cash equivalents comprise the following at 31 December		
Cash at bank and on hand	499,172	545,486

Cash of $676,434 is held on term deposit as security for performance bonds and is classified as non-current other receivables in the balance sheet (refer Note 9).

Significant accounting policy

Cash and cash equivalents
Cash and short-term deposits in the statement of financial position comprise of cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

	2018 US$	2017 US$
6. Trade and other receivables		
Oil and gas sales debtors	422,097	547,020
Other receivables	79,408	59,685
	501,505	606,705

(i) Trade and other receivables are non-interest bearing and generally 30 - 90 day terms. An allowance for doubtful debts is made where there is objective evidence that a trade receivable is impaired eg: non-payment of receivable for more than 90 days from the date due.
(ii) For details of credit risk of receivables, refer to Note 29 (b).
(iii) Trade and other receivables do not contain impaired assets and are not past due.

Ageing analysis of current receivables:

	Total US$	0-30 Days US$	31-60 days US$	60 -90 days US$	90 days + US$
2018	501,505	431,195	13,487	9,947	46,876
2017	606,705	569,373	5,574	5,574	26,184

The receivables shown in the 31-60, 60-90 and 90 days + categories are prepayments which fall due at that time. These prepayments are not subject to impairment unless the party providing the service relating to the prepayment defaults on their obligation.

Significant accounting policy

Trade and other receivables
Debtors are carried at amounts due. The recoverability of debts is assessed at balance date and specific provision is made for any doubtful accounts.

Key estimates and judgements

Allowance for impairment loss on trade receivables
Where receivables are outstanding beyond the normal trading terms, the likelihood of the recovery of these receivables is assessed by management. The normal trading terms of the Company with all of its purchasers is determined by their individual contracts. In the event that a customer did not settle its outstanding payments within 90 days of the due date, an impairment review would be considered.

		2018 US$	2017 US$
7.	**Inventories**		
	Oil and NGL inventory at cost of production	99,840	85,073

Significant accounting policy

Inventories

Oil stocks and field repair inventory amounts are physically measured, counted or estimated and valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs of selling final product. Cost is determined as follows:

(i) Materials, which include drilling and maintenance stocks, are valued at cost; and

(ii) Petroleum products, comprising extracted crude oil stored in tanks, are valued at cost.

(iii) Material stocks are valued at weighted average cost

For inventories and material stocks, cost is determined on a FIFO (first in, first out) basis.

8. Assets held for sale

From May 2017 to May 2018, Sheep Springs and Round Mountain Fields were available for sale and were recorded as assets held for sale. Due to changing circumstances these assets were reinstated as non-current assets in May 2018.

	2018 US$	2017 US$
Profit and loss items associated with assets held for sale		
Oil and gas sales	-	1,455,771
Cost of sales:		
Royalty costs	-	(228,361)
Other production expenses	-	(343,364)
Amortisation and depreciation	-	(155,388)
Results from operating activities	-	728,658
Income tax (expense) / benefit	-	-
Profit from discontinued operations, net of tax	-	728,658
Reversal of impairment relating to assets held for sale	-	1,180,000
Balance sheet items classified as assets held for sale		
Assets:		
Production assets and plant and equipment (net of accumulated amortisation, depreciation and impairment)	-	3,740,343
Impairment reversal (note 10)	-	1,180,000
	-	4,920,343
Liabilities:		
Restoration liability associated with production assets classified as held for sale	-	(523,409)
Net value of assets held for sale	-	4,396,934
Cash flow from/(used in) assets held for sale		
Net cash flow from operating activities	-	820,685
Net cash flow used in investing activities	-	(14,639)
Net cash flow for the year	-	806,685

Key estimates and assumptions

Assets and disposal groups held for sale
The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use and operations. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to distribute. Costs to distribute are the incremental costs directly attributable to the distribution, excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the distribution is highly probable, and the asset or disposal group is available for immediate distribution in its present condition. Actions required to complete the distribution should indicate that it is unlikely that significant changes to the distribution will be made or that the decision to distribute will be withdrawn. Management must be committed to the distribution expected within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for distribution.

		2018 US$	2017 US$
9.	**Other financial assets**		
	Non-current		
	Cash held as security by ANB bank for issuance of performance bonds	676,434	672,733
	Lease deposit for Denver offices	15,747	15,747
		692,181	688,480
10.	**Oil and gas properties**		
	Cost of acquisition and enhancements	30,400,930	11,204,616
	Accumulated amortisation and impairment	(18,187,444)	(2,128,635)
		12,213,486	9,075,981
	Opening balance	9,075,981	10,218,971
	Acquisition of Borie (note 28)	-	1,758,656
	Transfer from/(to) assets held for sale	4,812,006	(3,607,454)
	Additions	644,332	503,686
	Asset retirement obligation	(1,013,255)	1,028,884
	Amortisation	(1,305,578)	(826,762)
	Closing balance	12,213,486	9,075,981

As at 31 December 2018 the Company assessed each project on a value in use basis to determine whether an indicator of impairment existed, including future selling price, future costs and reserves. As a result, the recoverable amounts of the cash generating units were formally estimated on the basis of value in use calculation using cashflow projections over the life of the oilfields (i.e. 18 to 36 years) resulting in no impairment being recognised for the year. The following assumptions were used in the assessment of the cash generating units' recoverable amounts:

- Discount rate - the discount rate used for the assessment of operating oilfields with a similar production profile, similar characteristics as all existing oil fields is 12%, which was applied to the pre-tax cash flows, expressed in real terms. The discount rate was derived from the Group's weighted average cost of capital, with appropriate adjustments made to reflect the risks specific to the region and the oilfields.
- Oil and gas price - the oil price for future cash flow generation has been based on the forward curve price at the date of assessment. Oil prices are adjusted to account for variances in refinery/transportation charges with a range of $54 per barrel to $73 per barrel. Gas charges are adjusted to account for the market into which the product is delivered with prices ranging from $2.89 per Mcf to $3.64 per Mcf.

10. Oil and gas properties (Cont.)

Impairment reversal

As at 31 December 2017 the Company assessed each project on a value in use basis to determine whether an indicator of impairment existed. It was determined that no impairment of any of the Oil Fields is required. The recoverable amount used to determine the impairment reversal value is determined by using its fair value (based on the agreed selling price) less costs to sell.

The resulting impairment assessment on each field at the end of 2017 was as follows:

Cash Generating Unit (CGU)	Description	Net Recoverable amount [1]	Net book value	Impairment Reversal
Sheep Springs	Oil and Gas field	$4,001,619	$3,001,137	$918,811
	Plant and equipment		$28,232	$40,402
Round Mountain	Oilfield	$905,320	$685,427	$206,632
	Plant and equipment		$9,891	$14,155
Silvertip	Oil and Gas field	$9,378,848	$6,690,538	$Nil
	Plant and equipment		$2,454,471	$Nil
Borie	Oil and Gas field	$2,689,748	$2,380,664	$Nil
	Plant and equipment		$50,000	$Nil
		$16,975,535	15,300,360	$1,180,000

1. Assessment of fair market value is based a consensus of a range of discounted net present cash flow estimates using various assumptions.

The determination of value in use for each CGU are considered to be Level 3 fair value measurements in both years, as they are derived from valuation techniques that include inputs that are not based on observable market data. The Group considers the inputs and the valuation approach to be consistent with the approach taken by market participants.

Significant accounting policy

Oil and gas assets

Assets in development

The costs of oil and gas assets in development are separately accounted for and include past exploration and evaluation costs, development drilling and other subsurface expenditure, surface plant and equipment and any associated land and buildings. When the committed development expenditure programs are completed and production commences, these costs are subject to amortisation. Once the required statutory documentation for a production licence is lodged the accumulated costs are transferred to oil and gas assets – producing assets.

Producing assets

The costs of oil and gas assets in production are separately accounted for and include past exploration and evaluation costs, past development costs and ongoing costs of continuing to develop reserves for production and to expand or replace plant and equipment and any associated land and buildings. These costs are subject to amortisation.

Where asset costs incurred in relation to a producing field are under evaluation and appraisal, those costs will be continually reviewed for recoupment of those costs by future exploitation. When a determination has been made that those expenditures will not be recouped and/or further appraisal will be undertaken, they will be written off.

Amortisation of oil and gas assets

Costs in relation to producing assets are amortised on a production output basis. Non-producing assets under evaluation and appraisal are not subject to amortisation until such time as the evaluation and appraisal stage is complete.

Significant accounting policy
Oil and gas assets (Cont.)

Restoration costs
Site restoration costs are capitalised within costs of the associated assets and the provision is included in the statement of financial position at total present value of the estimated cost to restore operating locations. These costs are estimated and based on judgements and assumptions regarding removal dates, environmental legislation and technologies. Over time, the liability is increased for the change in the present value based on a risk adjusted pre-tax discount rate appropriate to the risks inherent in the liability. The costs of restoration are brought to account in the profit and loss through depreciation of the associated assets over the economic life of the projects with which these costs are associated. The unwinding of the discount is recorded as an accretion charge within finance costs.

Key estimates and judgements

Impairment of non-financial assets
In determining the recoverable amount of assets, estimations are made regarding the present value of future cash flows using asset-specific discount rates and a “value in use” discounting cash flow methodology. Additional disclosures are provided about the discount rate and any other significant assumptions in the notes. For oil and gas properties, expected future cash flow estimation is based on reserves, future production profiles, commodity prices and costs.

In determining the amount of an impairment reversal, the Company considers evidence of the fair values of assets, either through calculating their recoverable amount based on the above estimates or from evidence that becomes available upon negotiations for its sale.

	2018 US$	2017 US$
11. Exploration assets		
Cost of acquisition and enhancements	252,538	-
Battery Mineral Claims	71,580	-
Oil and Gas Exploration Leases	180,958	-
	252,538	-

Significant accounting policy

Explorations Assets
Expenditure incurred during exploration and the early stages of evaluation of new areas of interest are capitalised until such time as it is determined that the area of interest is uneconomical at which time the cost is written off. Exploration and evaluation expenditure is stated at cost and is accumulated in respect of each identifiable area of interest.

Costs of acquisition of exploration areas of interest are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

When an area of interest is abandoned or the Directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they will not be recoverable in the future. Once an area of interest enters the development phase, all capitalised acquisition, exploration and evaluation expenditures are transferred to oil and gas properties.

Key estimates and judgements

Capitalised exploration and evaluation expenditure
The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale. Factors that could impact future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes and changes to commodity prices. To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable, profits and net assets will be reduced in the period in which determination is made.

12. Plant and equipment

	2018 US$	2017 US$
Balance at beginning of year		
Cost	3,502,845	3,862,299
Accumulated depreciation and impairment	(906,729)	(933,674)
Net carrying amount	2,596,116	2,928,625
Balance at end of year		
Cost	2,986,340	3,502,845
Accumulated depreciation and impairment	(1,299,788)	(906,729)
Net carrying amount	1,686,552	2,596,116

For details of impairment charge see note 10.

	2018 US$	2017 US$
Opening balance: net of accumulated depreciation and impairment	2,596,116	2,928,625
Acquisition of Borie equipment	-	50,000
Additions	-	60,292
Disposals	(696,432)	(30,145)
Depreciation charge	(321,468)	(361,432)
Assets transferred from / (to) held for sale	108,336	(51,224)
Closing balance: net of accumulated depreciation and impairment	1,686,552	2,596,116

Significant accounting policy

Plant and equipment
Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Plant and equipment - 5 to 10 years.

Any item of property, plant and equipment is derecognised upon disposal or when no further economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognising of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

Key estimates and judgements

Estimation of useful lives of assets
The estimation of useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment), lease terms (for leased equipment) and turnover policies (for motor vehicles). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary. Depreciation charges are included in note 12.

	2018 US$	2017 US$
13. Trade and other payables		
Current		
Trade payables and accruals	873,724	961,856

Trade payables are non-interest-bearing payables and are normally settled on 30 day terms.

Non-Current		
Trade payables and accruals	-	-

Significant accounting policy

Trade and other payables

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

	2018 US$	2017 US$
14. Interest Bearing Liabilities		
Current -		
Bank Loan (Secured)	6,112,170	200,000
Non-current -		
Bank Loan (Secured)	-	6,172,402

The secured bank loans are provided by ANB Bank as a line of credit facility as detailed below. The Term Loan was repaid in full in 2018 (Initial Face Value $1.0m, balance at 31 December 2017 $0.2m). The line of credit facility is classified as a current liability due to the maturity date being less than 12 months from the reporting date. The Group will seek to have the facility renewed for a further term prior to the maturity date. This facility has been renewed by ANB on two previous occasions.

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 (Dec 2018 Prime Rate - 5.50%)
- 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 Dec-18 - $7,000,000)
- Loan balance Dec 2018 - $6,127,160 (2017 - $6,157,160)
  NOTE – balance shown in Note 14 above shows net liability after capitalised loan costs

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.)

Significant accounting policy

Loans and borrowings
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised as well. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The amortisation is included in finance costs in the statement of profit or loss.

15. Provisions

	2018 US$	2017 US$
Current -		
Employee entitlements – annual leave	129,773	150,072
Non-current -		
Asset retirement obligation	4,741,696	5,047,680

	Employee entitlements (Current)	Asset retirement obligation (Non-current)
As at 1 January 2018	150,072	5,047,680
Movement during the year	98,263	(1,013,255)
Utilised/unwinding of discount	(118,562)	183,862
Reclassified from liabilities held for sale	-	523,409
As at 31 December 2018	129,773	4,741,696
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)	151,245
Reclassified as liabilities held for sale	-	(523,409)
As at 31 December 2017	150,072	5,047,679

Significant accounting policy

Asset retirement obligation
The asset retirement obligation provision takes account of the restoration of wells and associated infrastructure at the end of their economic life. The provision is the estimated cost of restoration work required at the end of the useful life of the producing fields, including removal of facilities and equipment required or intended to be removed.

The cost has been capitalised as the restoration obligation is recognised during the evaluation stage.

These provisions have been created based on estimates provided to the Group. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of the decommissioning is likely to depend on when the fields cease to produce at economically viable rates. This, in turn, will depend upon future oil prices, which are inherently uncertain. These estimates of restoration are subject to significant estimates and assumptions, refer Note 2. The expected timing of the asset retirement obligation is over the life of the oilfields, ranging from 15 to 30 years.

Key estimates and judgements

Restoration obligations
Where a restoration obligation exists, the Group estimates the future removal costs of oil and gas platforms, production facilities, wells and pipelines at the time of the installation of the assets. In most instances, removal of assets occurs many years into the future. This requires judgmental assumptions regarding removal date, future environmental legislation, the extent of reclamation activities required, the engineering methodology for estimating cost, future removal technologies in determining the removal cost and liability specific discount rates to determine the present value of these cash flows.

CAPITAL STRUCTURE

	2018 US$	2017 US$
16. Share Capital		
406,389,160 Fully paid ordinary shares (2017: 400,100,786)	25,207,031	25,157,925
Shares reserved for employee share plan		
2,750,000 Fully paid ordinary shares (2017: 2,750,000)	-	(2,474)

Shares reserved for employee share plan
The Group's own equity instruments, which are acquired for later use in employee share-based payment arrangements, are deducted from equity.

	Year ended 31 December 2018		Year ended 31 December 2017	
Movement in ordinary shares on issue	**US$**	**No.**	**US$**	**No.**
Equity at the start of the year	25,157,925	400,100,786	23,796,744	201,834,580
Placement of new shares	49,117	6,288,374	1,520,520	198,266,206
Transaction costs	(11)	-	(159,339)	-
At 31 December	25,207,031	406,389,160	25,157,925	400,100,786

In November 2017 the Company completed a placement of new shares to existing shareholders and new investors through a rights issue to raise A$1.98 million, before costs and fees. The placement consisted of 197,906,206 ordinary shares priced at A$0.01.

In January 2017, 360,000 shares were issued to an employee at a price of A$0.044 per share (Refer Note 18).

In March 2018 6,288,374 ordinary shares were issued to Matt McCann (Director) on the same terms as shares were offered to shareholders under the rights issue in Nov 2017 following approval at EGM held on 6th February 2018. These shares were issued at A$0.010 with a free attaching option.

Capital management
When managing capital, the Board's objective is to ensure the Consolidated Group continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

The Board may in the future adjust the capital structure to take advantage of favourable costs of capital and issue further shares in the market.

The Consolidated Group is not subject to any externally imposed capital requirements. Management monitors capital by reviewing the level of cash on hand, future revenue streams from oil and gas reserves and assessing the impact of possible future commitments in respect of the potential capital structure that would be required to meet those potential commitments.

Significant accounting policy

Share capital
Ordinary share capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Treasury shares
The Group's own equity instruments, which are acquired for later use in employee share-based payment arrangements, are deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments.

	2018 US$	2017 US$
17. Reserves		
Share option reserve	349,661	349,661

Share Options
At 31 December 2018 there were the following listed and unlisted options over unissued fully paid ordinary shares on issue:

Listed Options - 204,194,580 (2017: 197,906,206) listed options exercisable at $0.0188 per option on or before 29 November 2019 (originally priced at $0.02 per option before being repriced to $0.0188 per option in March 2019)

Unlisted Options - Nil (2017: 5,000,000, unlisted options exercisable at A$0.1485 per option expired on 27 July 2018).

Share option reserve
The share option reserve is used to recognise the value of equity-settled share-based payments provided to employees and suppliers.

18. Share-Based payments

(a) Eon NRG Employee Share Participation Program

In 2013, an employee share plan was established which entitles the Board of Directors to offer employees within the Group the right to acquire shares in the Company subject to satisfying specific performance hurdles. Shares that the employees will have a right to own are acquired and held in trust for the employees until they have met the service or performance conditions. The shares rank equally with other fully paid ordinary shares. The fair value is determined at the share price at the date of issue.

The shares do not have an expiry date under the scheme.

The equity remuneration is subject to service and performance conditions. A summary of the vesting terms for shares that have been issued to employees are set out below:

No. of shares	Grant date	Vesting conditions	Shares vested (as at 1 Dec 2018)
2,440,900	Various dates from 2013 to 2015	50% vested after 12 months of service (from date of issue) 50% vested after 24 months of service (from date of issue)	2,440,900
1,000,000	30 June 2014	On close of a project(s) acquisition(s) (Project A) which is(are) approved by the Board, and which individually or cumulatively contributes an average of 100 Gross boepd for 30 days (2)	1,000,000
1,000,000	30 June 2014	On production of above new Project A reaching an average of 200 Gross boepd over a continuous 6 month period (2)	1,000,000
1,000,000	30 June 2014	On close of project(s) acquisition(s) which take place after the project(s) in (i) above (Project B) which are approved by the Board, and which contributes an average of 300 additional Gross boepd for 30 days (2)	Nil
1,000,000	30 June 2014	When total Company production reaches an average of 750 Gross boepd over a continuous 6 month period (2)	Nil

No. of shares	Grant date	Vesting conditions	Shares vested (as at 1 Dec 2018)
375,000	30 June 2014	On close of a project(s) acquisition(s) (Project A) which is(are) approved by the Board, and which individually or cumulatively contributes an average of 100 Gross boepd for 30 days (2)	375,000
375,000	30 June 2014	On production of above new Project A reaching an average of 200 Gross boepd over a continuous 6 month period (2)	375,000
375,000	30 June 2014	On close of project(s) acquisition(s) which take place after the project(s) in (i) above (Project B) which are approved by the Board, and which contributes an average of 300 additional Gross boepd for 30 days (2)	Nil
375,000	30 June 2014	When total Company production reaches an average of 750 Gross boepd over a continuous 6 month period (2)	Nil
150,000	18 March 2016	50% vest after 12 months of service (from date of issue) (1) 50% vest after 24 months of service (from date of issue) (1)	150,000
360,000	30 January 2017	100% vested at date of issue (1)	360,000

1. These shares do not have performance conditions attached to them as this served as part of the retention plan
2. There are service and various performance conditions attached to these awards

(b) Other share-based payments

Nil options were issued in the 2018 financial year under the employee share plan (2017: Nil)

(c) Expenses arising from share-based payment transactions

Share-based payment transactions recognised during the period were as follows:

	2018 US$	2017 US$
Shares issued under employee share scheme recognised in wages and salaries	2,474	4,690
	2,474	4,690

Significant accounting policy

Share based payments

The Group provides benefits to employees (including Directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (“equity-settled transactions”).

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Eon NRG Limited (“market conditions”). The cost of equity-settled transactions with employees is measured by reference to the fair values of the equity instruments at the date at which they are granted.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (“vesting date”).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

(i) the grant date fair value of the award;
(ii) the current best estimate of the number of awards that will vest, taking into account the likelihood of employee turnover;
(iii) the expired portion of the vesting period.

Significant accounting policy

Share based payments (Cont.)
The charge to the income statement for the year is the cumulative amount, as calculated above, less the amounts charged in the previous years. There is a corresponding amount to equity. Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated.

Where the terms of an equity-settled award are modified, at a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Key estimates and judgements
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

The Group measures the cost of cash-settled share-based payments at fair value at the grant date using the Black-Scholes formula taking into account the terms and conditions upon which the instruments were granted.

OTHER DISCLOSURES

19. Key management personnel compensation

	2018 US$	2017 US$
Short-term employee benefits	663,175	636,532
Post-employment benefits	27,579	28,625
Other long-term benefits	-	-
Termination Benefits	-	-
Share-based Payments	2,474	4,690
Total compensation paid to key management personnel	693,228	669,847

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

20. Related parties

In June 2017, Eon NRG Limited entered into a lease agreement with Ascot Park Enterprises Pty Ltd, a company associated with the Chairman, Mr Mark Stowell, to rent office space at 20 Howard Street, Perth. The rent and outgoings have 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
Current Rental payment:	A$16,910 per annum

The options were exercised in 2017 and 2018. The rent plus outgoings paid to Ascot Park Enterprises Pty Ltd in 2018 was A$27,451 (2017 - A$21,336).

		2018 US$	2017 US$
21.	**Auditors remuneration**		
	The auditor of Eon NRG is Butler Settineri		
	Amounts received or due and receivable by auditor for:		
	An audit or review of the financial report of the entity and any other entity in the consolidated group	19,142	18,330
	Other services in relation to the entity and any other entity in the consolidated group		
	Tax related	-	-
		19,142	18,330
	Amounts receivable or due and receivable by non-Butler Settineri audit firms for:		
	Audit or review of financial report	-	-
		-	-
22.	**Reconciliation of net profit/(loss) after tax to net cash flows from operations**		
	Profit/(loss) per accounts	(1,426,435)	582,778
	Adjustments for		
	Leave provision	(20,299)	34,906
	(Impairment reversal)/Impairment of assets	-	(1,180,000)
	Gain on Bargain Purchase	-	(905,656)
	Amortisation	1,305,578	829,614
	Depreciation	321,468	361,432
	Share based payments	2,474	(7,269)
	Loss on disposal of assets	215,718	9,224
	Gain on sale of assets	-	(25,285)
	Write-down of assets	-	207,503
	(Decrease)/Increase in provisions	183,863	163,530
	Decrease/(Increase) in current receivables	152,073	76,449
	Decrease in inventories	(14,767)	34,805
	(Decrease)/Increase in trade and other payables	30,053	(160,879)
	Exchange differences	(1,311)	6,468
	Cash used in operating activities	748,415	27,619

23. Commitments and contingencies

The Company entered into a lease agreement for office facilities in Australia on a one year lease agreement commencing 20 June 2017 with three one-year options. The Company has entered into a lease agreement for offices in Denver for the United States operations for 40 months commencing 1 April 2017.

	2018 US$	2017 US$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within 1 year	128,784	126,786
Later than 1 year but within 5 years	96,949	162,353
Later than 5 years	-	-
	225,733	289,139

There are no capital commitments in place in relation to the acquisition of property, plant and equipment. Other than those disclosed above there are no further commitments or contingent liabilities.

24. Information relating to subsidiaries

Name of entity	Country of Incorporation	Ownership Interest
Parent entity		
Eon NRG Limited	Australia	
Controlled entity		
Incremental Oil and Gas USA Holdings Inc	United States	100%
Incremental Oil and Gas LLC	United States	100%
Incremental Oil and Gas (Round Mountain) LLC	United States	100%
Incremental Oil and Gas (Silvertip) LLC	United States	100%
Eon Cobalt, LLC	United States	100%

Set out above are the Company’s subsidiaries as at 31 December 2018. Unless otherwise stated, the subsidiaries as listed above have share capital consisting solely of ordinary shares, which are held directly by the Group, and the proportion of ownership interests held equals to the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

25. Segment Information

The Group has determined that it operates in one operating segment, being exploration and production 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. Accordingly, the financial results of the segment are equivalent to the financial statements of the Group as a whole.

The Australian head office does not engage in business activities from which it generates or earn revenues. As a result, the Australian head office does not represent an operating segment.

26. Events after the reporting date

The Company completed a placement of new shares and options through a rights issue that was completed in March 2019 which raised A$2.54 million (before costs). 363.5 million shares were issued at a price of A$0.007 per share and an equivalent number of options exercisable at A$0.015 expiring on 22 February 2021 were also issued. Funds were raised for the purpose of working capital to use in the advancement of new well permitting and drilling. This equity strengthens the Company's financial position and ensures that it's drilling program for 2019 is funded.

As a result of the completion of the rights issue that was announced in February 2019, the options that were issued in November 2017 and which had an expiry date of 29 November 2019 had their option exercise price of A$0.02 changed to A$0.0188 per option in accordance with their terms of issue.

In March 2019, the Company announced that it had commenced the permitting of its first well to be drilled in the leases that it acquired in the Powder River Basin, Wyoming, in September 2018. The Govt Kaehne #9-29 is considered to be a low risk conventional well targeting production of light sweet crude oil from the Sandstone reservoirs of the Dakota Formation (Lower Cretaceous Age) at a depth of ~6,200'. This well will target high quality, oil saturated reservoir, in a structurally high position relative to offset wells

27. Information relating to Eon NRG Limited (the Parent)

	Company 2018 US$	Company 2017 US$
Assets		
Current assets	39,929	161,528
Non-current assets	4,338,466	4,778,550
Total assets	4,378,395	4,940,078
Liabilities		
Current liabilities	187,946	301,298
Non-current liabilities	-	-
Total Liabilities	187,946	301,298
Net Assets	4,190,449	4,638,780
Equity		
Issued Capital	25,207,031	25,157,925
Shares reserved for employee share plan	-	(2,474)
Accumulated losses	(21,366,242)	(20,866,332)
Reserves	349,661	349,661
Total Equity	4,190,449	4,638,780
Financial performance		
(Loss) /Profit for the period	(499,911)	(114,943)
Total comprehensive income of the parent entity	(499,911)	(114,943)

The Company has not guaranteed the debts of any of its subsidiaries.
The Company has no contingent liabilities.
The Company has no commitments for the acquisition of property, plant and equipment.

28. Business Combinations

Acquisitions in 2017

Acquisition of Borie Oil Field

On 1 October 2017, the Company completed the acquisition of a 94% working interest in the Borie Oil Field ("Borie") from HRM Resources II, LLC (assignor). This field is located in DJ Basin in Wyoming. Borie is made up of leases covering approximately 3,590 acres (Net acres 2,850). At the time of acquisition, there were 19 operating wells in the field (including water injection wells) along with pumping and piping equipment and oil storage facilities. The acquisition of Borie increases the oil and gas production and reserves and forms part of the Company's growth strategy.

Consideration Transferred

The Group paid $920,000 for the purchase of this field (plus normal adjustments at close). The amount paid at the time of close of the transaction is show below:

	Fair value consideration paid US$
Purchase Price (incl. Plant & Equipment $50,000)	900,000
Upward Adjustments to Price at close	20,772
Consideration paid to Assignor	920,772

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of the Group as at the date of acquisition were:

	Fair value recognised on acquisition US$
Assets	
Oil Properties at fair value	2,414,500
Plant and equipment	50,000
Asset retirement obligation	(655,844)
	1,808,656
Less: Purchase price	(900,000)
Bargain purchase	**908,656**

No cash was acquired on acquisition.

As at the date of acquisition, a reserve report and valuation of the Borie oilfield was prepared by an independent certified Petroleum Engineer which demonstrated that the Borie Oilfield had an estimated value of $2.4145m. This reserve report analyses the remaining proven developed reserves of the oilfield, and applies a production curve over the life of the oilfield, an estimate of forward oil prices (passed on the NYMEX WTI forward contract strip at the effective date) to generate the revenue and the expected lease operating costs (based on historical data) to determine a discounted net present future cashflow value.

The cash consideration was funded through the Company's equity raising in November 2017.

The fair value of oil properties is based on the estimated net present value of proved developed producing reserves as provided by an independent certified engineer.

An asset retirement obligation of $655,844 was determined based on the NPV of the estimated plug and abandonment cost of the wells in the Borie Field as follows:

- Life of field – based on certified reserve report
- Discount rate – based on US Government bond rate determined by life of field
- Inflation rate – the median of an inflation projection from a range of qualified banking and NGO institutions

From the date of acquisition to 31 December 2017, Borie contributed $158,093 of gross revenue and $17,174 to profit before tax from continuing operations of the Group. If the Borie Field had been owned from 1 January 2017, it would have contributed approximately $1.29m to gross revenue and $55,000 to net profit. This is based on publicly available production data, oil prices, refinery deducts and operating cost estimates for the period from January to September and actual revenue and operating costs from October to December when Eon was the owner of the field.

29. Financial risk management

The Group's principal financial liabilities, comprise of borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade and other receivables and cash that derive directly from its operations.

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

The Group takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities are identified on a timely basis and that the Group's objectives and activities are aligned with the risks and opportunities identified by the Board. The Board provides policies for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

Fair values

Set out below is an overview of financial instruments, other than cash and short-term deposits, held by the Group as at 31 December 2018:

	Loans and receivables US$	Fair value through profit and loss US$	Fair value through other comprehensive income US$
Financial assets			
Trade and other receivables	501,505	-	-
Total current financial assets	**501,505**	**-**	**-**
Other receivables	692,181	-	-
Other financial assets	-	-	-
Total non-current financial assets	**692,181**	**-**	**-**
Total financial assets	**1,193,686**	**-**	**-**
Financial liabilities			
Trade and other payables	873,724	-	-
Line of credit	6,112,170	-	-
Total current financial liabilities	**6,985,894**	**-**	**-**
Trade and other payables	-	-	-
Line of credit	-	-	-
Total non-current financial liabilities	**-**	**-**	**-**
Total financial liabilities	**6,985,894**	**-**	**-**

Set out below is a comparison of the carrying amounts and fair values of financial instruments as at 31 December 2018:

	Carrying amount US$	Fair value US$
Financial assets		
Trade and other receivables	501,505	497,660
Total current financial assets	**501,505**	**497,660**
Other receivables	692,181	671,633
Other assets	-	-
Total non-current financial assets	**692,181**	**671,633**
Total financial assets	**1,193,686**	**1,169,293**
Financial liabilities		
Trade and other payables	873,724	850,202
Line of credit	6,112,170	6,079,533
Total current financial liabilities	**6,985,894**	**6,929,735**
Trade and other payables	-	-
Line of credit	-	-
Total non-current financial liabilities	**-**	**-**
Total financial liabilities	**6,985,894**	**6,929,735**

29) Financial Risk Management (Cont.)

The carrying value of the financial assets and financial liabilities approximate their fair value.

a) Market Risk

i) *Foreign Exchange Risk*

The Group operates internationally and are exposed to foreign exchange risk arising from currency exposures with respect to the Australian dollar.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The group does not hedge its currency risk which is mainly an exposure to Australian Dollar expenditure and assets/liabilities.

The financial assets that are exposed to foreign exchange risk are:

	2018 US$	2017 US$
Cash and cash equivalents	7,501	92,248
Trade and other receivables	26,114	46,488
Trade and other payables	(31,344)	(175,108)
	2,271	(36,371)

The following table demonstrates the sensitivity to a reasonable possible change in AUD exchange rates with all other variables held constant.

	Change in AUD rate	Effect on profit before tax/equity US$
2018	+10%	227
	-10%	(227)
2017	+10%	(3,637)
	-10%	3,637

ii) *Commodity price risk*

The Group is exposed to commodity price risk as its income is determined by reference to international prices of oil and gas. Pricing of the Group's oil is benchmarked off West Texas Intermediate crude oil prices. The Group's gas sales revenue is benchmarked off the CIG Rocky Mountain Natural Gas price. Market forces on both the physical and non-physical markets cause volatility to be out of the Group's control. As at the reporting date, the Group had no financial instruments with material exposure to commodity price risk. The group was exposed to price risk from the sale of oil and gas. A sensitivity analysis of the change of oil and gas prices to the net profit of the consolidated entity is presented below:

	Year	% Change in Price	Effect on profit before tax from increase in price	Effect on profit before tax from decrease in price
Oil	2018	5%	176,355	(176,355)
Gas	2018	5%	40,716	(40,716)
NGL	2018	5%	31,929	(31,929)
			249,000	**(249,000)**
Oil	2017	5%	112,344	(112,344)
Gas	2017	5%	52,063	(52,063)
NGL	2017	5%	40,621	(40,621)
			205,028	**(205,028)**

iii) *Cash flow and fair value interest rate risk*

Interest rate risk in relation to the fair value or future cash flow may arise from interest rate fluctuations. The Group's main interest rate risk arises from borrowings which have a variable rate of interest indexed against the US Prime Rate. No hedging is in place by way of interest rate swaps or any other financial derivatives to limit the interest rate risk exposure.

At the end of the reporting period, the Group had the following variable rate borrowings.

29) **Financial Risk Management (Cont.)**

a) Market Risk (Cont.)

iii) Cash flow and fair value interest rate risk (Cont)

	Weighted average interest rate % 2018	Weighted average interest rate % 2017	31 December 2018	31 December 2017
			US$	US$
Bank loan	5.50%	4.125%	6,112,170	6,372,402

Note – the bank loan amounts exclude bank fees which are reflected in the loan value in the statement of position.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates on the Group's profit before tax based on outstanding debt at the year end.

	Change in interest rate (basis points)	Effect on profit before tax/equity US$
2018	+100	(61,122)
	-100	61,122
2017	+100	(63,724)
	-100	63,724

The assumed movement in basis point volatility for the interest rate sensitivity analysis is based on the observable market movements in interest rates in the recent past.

b) Credit Risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposure relating to outstanding receivables and committed transactions. The Group has minimal credit risk with regards to its bank held deposits which are all held with reputable institutions. The Group has minimal credit risk in relation to its receivables. All sales are normally settled within 30 days of the issue of the invoice and existing customers have no record of default with the Company. The maximum exposure to credit risk at the reporting date is the carrying amount of the receivables. Collateral is not held as security.

The Group relies on four customers to generate its sales revenue. The ability for these customers to continue to buy the Group's production in the medium to long term is unclear but there are no indications that the demand for the Company's products are likely to create a risk of a demand shortfall. There is no evidence that any of the Company's customers would not be in a position to make payments in relation to the purchase of the products that are sold. Most of these customers are large companies and there has been no experience that would suggest that there is an enhanced credit risk.

The Group does not have any exposure to any derivative financial instruments.

c) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Group management aims at maintaining flexibility in funding by keeping committed credit lines available. Surplus funds are generally only invested in instruments such as term deposits that are highly liquid.

Management monitors rolling forecasts of the Group's liquidity reserve and cash and cash equivalents. In addition, the Group's liquidity policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these and monitoring debt financing plans.

The group had access to borrowings as disclosed in note 14. Note 14 also discloses the security for these borrowings.

The fair value of bank loans equals their carrying amount, as the impact of discounting is not significant.

Maturities of financial liabilities is shown below. The tables analyse the group's financial liabilities into relevant maturity groupings based on their contractual maturities for all non- derivative financial liabilities.
The amounts disclosed are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying values as the impact of discounting is not significant.

Contractual maturities of financial liabilities at 31 December 2018	Less than 6 Months	6-12 Months	Between 1 and 2 years	Between 2 and 5 years	Total contractual cash flows	Carrying amount
	US$	US$	US$	US$	US$	US$
Trade payables	604,519	134,603	134,603	-	873,724	873,724
Borrowings	-	6,112,170	-	-	6,112,170	6,112,170
Total	**604,518**	**6,246,772**	**134,603**	**-**	**6,985,894**	**6,985,894**

Contractual maturities of financial liabilities at 31 December 2017	Less than 6 Months	6-12 Months	Between 1and 2 years	Between 2 and 5 years	Total contractual cash flows	Carrying amount
	US$	US$	US$	US$	US$	US$
Trade payables	729,450	116,203	116,203	-	961,856	961,856
Borrowings	100,000	100,000	6,172,402	-	6,372,402	6,372,402
Total	**829,450**	**216,203**	**6,288,605**	**-**	**7,334,258**	**7,334,258**

d) Fair value measurements

The fair value of the financial instruments is included at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following method and assumption was used to estimate the fair values:

Fair values of the Group's interest-bearing borrowings and loans are determined by using discounted cash flow models that use discount rates to reflect the issuer's borrowing rate as at the end of the reporting period. The Group's own non-performance risk as at 31 December 2018 was assessed to be insignificant.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments which are measured at fair value by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

All financial instruments measured at fair value use Level 2 valuation techniques in both years.

There have been no transfers between fair value levels during the reporting period.

Significant accounting policy

Financial instruments
Initial recognition and subsequent measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity

Financial assets
Financial assets in the scope of AASB 9 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, fair value through other comprehensive income or amortised cost. When financial assets are recognised initially, they are measured at fair value, plus in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets at initial recognition.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the Market place.

Initial recognition and subsequent measurement
De-recognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily de- recognised (i.e. removed from the group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass through arrangement: and either (a) the Group has transferred substantially all the risks and rewards of the asset or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets
The Group assesses, at each reporting date, whether there is objective evidence that a financial asset is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include indications that the debtors are experiencing significant financial difficulty, default or delinquency in interest or principal repayments or other observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial liabilities
Financial liabilities are classified, at initial recognition at amortised cost, except for financial liabilities at fair value through profit or loss. The Group's financial liabilities include trade payables and loans and borrowings.

30. New accounting standards and interpretations

a. New and Revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB)

A number of new or amended standards became applicable for the current reporting period. The most significant of these were AASB 9 'Financial Instruments' and AASB 15 'Revenue from Contract with Customers'. The adoption of these Accounting standards however, did not have any significant impact on the financial performance or position of the Group. The effects of the implementation of AASB 15 on the Group accounts has been discussed under 'Significant Accounting Policy' under Note 1.

b. New accounting standards not yet effective

At the date of the authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective and have not been adopted by the Company for the annual reporting period ending 31 December 2018

30. New accounting standards and interpretations (Cont.)

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Application date for the Company
AASB 16 Leases	1 Jan 2019	1 Jan 2019
AASB Interpretation 23 – Uncertainty over Income Tax Treatments	1 Jan 2019	1 Jan 2019

The Group has decided not to early adopt any of the new and amended pronouncements. Of the above new and amended Standards and Interpretations, the Group's assessment of those new and amended pronouncements that are relevant to the Company but applicable in future reporting periods is set out below:

- *AASB 16: Leases*

The key features are as follows:

Lessee Accounting

- Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value
- A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities
- Assets and liabilities arising from a lease are initially measured on a present value basis
- AASB 16 contains disclosure requirements for lessees

Lessor accounting

- AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently
- AASB 16 also has required enhanced disclosures

Eon NRG Limited does not have any material leases aside from the lease of its business premises in Denver, USA and Perth, Australia. If this new standard were to be applied, there would not be any material impact on the financial performance and position in this report.

31. Other accounting policies

a. Foreign currency translation

i. Functional and presentation currency

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. From 1 January 2011 all companies in the Group adopted US dollars as the functional and presentational currency. All amounts included in the financial statements are in US dollars unless otherwise indicated.

An entity's functional currency is the currency of the primary economic environment in which the entity operates. The economic entity has a significant US dollar revenue stream and most of its costs are paid in US dollars. Consequently, the Directors have determined that the functional currency of the Company and all its subsidiaries is US dollars.

ii. Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

All exchange differences in the consolidated financial report are taken to profit or loss.

b. Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). 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 expenses.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

End of Financial Report

DIRECTORS' DECLARATION

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

1. In the opinion of the Directors

   (a) The financial statements, and notes of Eon NRG Limited for the financial year ended 31 December 2018 are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the year ended on that date; and
      (ii) complying with Accounting Standards and the Corporations Regulations 2001;

   (b) The financial statements and notes also comply with International Financial Reporting Standards as disclosed in the basis for preparation note; and

   (c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable having regard to the matters disclosed in the going concern note.

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with sections 295A of the Corporations Act 2001 for the financial year ended 31 December 2018.

On behalf of the Board

John Whisler
Managing Director

29 March 2019

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

Report on the Financial Report

Opinion

We have audited the financial report of Eon NRG Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit and loss and other 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,

(a) the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

i) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the year then ended; and

ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in the Basis of Preparation note to the financial statements.

Basis for Opinion

We have 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 ethical requirements 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 date 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.

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Material Uncertainty Related to Going Concern

Without qualifying our opinion above, we wish to draw your attention to the Notes to the Financial Statements "Going Concern" on page 25 of the financial statements. The matters as set forth in the "Going Concern" note, indicates the existence of a material uncertainty that 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.

Key Audit Matters

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 while, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be key audit matters to be communicated in our report.

Key Audit Matter	How we addressed the Key Audit Matter
Oil and Gas Properties (*refer notes 10)* The Group assessed during the reporting period whether there is any indication that an asset may be impaired or previously recognised impairment charges, should be reversed. Based on this assessment no impairment or reversal of impairment was recognised for the year ended 31 December 2018. The impairment assessment is complex and involves significant judgements and estimates in determining the present value of future cash flows using asset-specific discount rates and a "value in use" discounting cash flow methodology as disclosed in note 10 to the financial report.	We have challenged management's assumptions in the impairment assessment which was based on various key estimates, including future expected cash flows. We ensured that key inputs in the future expected cash flows were consistent with other financial and operational information and assessed that the disclosures per Note 10 were appropriate and in line with the Australian Accounting Standards. We assessed the independence and competence of the Group's external expert used to prepare the reserve report, as this data was used to produce the future expected cash flows. We assessed the accuracy and completeness of the calculation.

Asset Retirement Obligation (*refer note 15)*	
The Group recognises rehabilitation provision for plugging and abandoning wells at the end of their economic life as disclosed in note 15 to the financial report. The provision is recognised based on estimates provided to the Group and these estimates are regularly reviewed to take into account any material changes to the assumptions. Certain assumptions are based on information provided by management's appropriately qualified expert. The estimation is complex and highly subjective as disclosed in note 15 to the financial report.	We evaluated management's approach in determining the valuation of the rehabilitation provision by reviewing the cost elements and key estimates used in the estimated rehabilitation provision. We ensured that key inputs were consistent with other financial and operational information. We assessed the accuracy and completeness of the calculation. We assessed the independence and competence of the Group's external expert used to prepare the reserves report, as this data was a key input in the estimation.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2018, but does not include the financial report and the 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 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 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 Group's ability 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue and 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 the 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 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 and 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 significant in the audit of the financial report of the current period and are therefore 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 reasonable be expected to outweigh public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 13 to 18 of the directors' report for the year ended 31 December 2018.

In our opinion, the remuneration Report of Eon NRG Limited and its controlled entities, for the year ended 31 December 2018, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BUTLER SETTINERI (AUDIT) PTY LTD

MARIUS VAN DER MERWE CA
Director

Perth
Date: 29 March 2019

ADDITIONAL ASX INFORMATION

The following additional information is required by the Australian Stock Exchange. The information is current as at 19 March 2019.

a) Twenty largest shareholders

The names of the 20 largest holders of quoted equity securities (ASX code – E2E) as at 19 March 2019 are as follows:

	Name	No. of Shares	%'age
1	ROOKHARP INVESTMENTS PTY LIMITED	30,000,000	3.90
2	ASCOT PARK ENTERPRISES PTY LTD	28,000,000	3.64
3	MERCHANT HOLDINGS PTY LTD	24,000,000	3.12
4	MCGANN PTY LTD	20,940,640	2.72
5	SMARTEQUITY EIS PTY LTD	16,835,963	2.19
6	MGL CORP PTY LTD	14,285,715	1.86
7	K STEDMAN & J STEDMAN	14,014,474	1.82
8	CITICORP NOMINEES PTY LIMITED	11,566,889	1.50
9	P DOWLING	10,800,000	1.40
10	MANDATE 322 PTY LTD	10,714,286	1.39
11	G HINES & J HINES & H FORD	9,400,000	1.22
12	PLAN-1 PTY LTD	9,142,857	1.19
13	ABHI SUPER PTY LTD	8,276,313	1.08
14	G PHONG	8,142,857	1.06
15	P DOWLING & J DOWLING	8,000,000	1.04
15	M2 ASSETS PTY LTD	8,000,000	1.04
16	UPORA PTY LTD	7,750,000	1.01
16	ANDERBY QLD PTY LTD	7,750,000	1.01
17	Z QI	7,648,954	0.99
18	R RAYNES	7,285,714	0.95
		262,554,662	34.13

Listing has been granted on the Australian Securities Exchange to all ordinary fully paid shares of the Company on issue.

The names of the 20 largest holders of quoted options (ASX code – E2EO, Exercise Price A$0.0188, Expiry date 29 November 2019) as at 19 March 2019 are as follows:

	Name	No. of Shares	%'age
1	UPORA PTY LTD	12,500,000	6.12
1	C HUTCHENS	12,500,000	6.12
2	D TUCKETT	11,720,864	5.74
3	J WEBBER	7,000,000	3.43
4	M MCCANN	6,288,374	3.08
5	S HARDY	5,234,672	2.56
6	BUGABOO NOMINEES PTY LIMITED	5,000,000	2.45
7	BEIRA PTY LIMITED	4,575,000	2.24
8	L PRETORIUS	4,000,000	1.96
8	M2 ASSETS PTY LTD	4,000,000	1.96
9	Y SEETO	3,800,000	1.86
10	J BUCKLEY	3,500,000	1.71
11	M HAPAL	3,497,920	1.71
12	B MCCUBBING & A MCCUBBING	3,139,134	1.54
13	H LUU	3,100,000	1.52
14	SMARTEQUITY EIS PTY LTD	3,000,000	1.47
14	ROOKHARP INVESTMENTS PTY LIMITED	3,000,000	1.47
14	PYRRHIC ASSET MANAGEMENT PTY LTD	3,000,000	1.47
15	B DIRKS	2,719,445	1.33
16	P DOWLING	2,700,000	1.32
		104,275,409	51.06

Listing has been granted on the Australian Securities Exchange to this category of options of the Company on issue.

The names of the 20 largest holders of quoted options (ASX code – E2EOA, Exercise price A$0.015, Expiry date 22 February 2021) as at 19 March 2019 are as follows:

	Name	No. of Shares	%'age
1	ROOKHARP INVESTMENTS PTY LIMITED	30,000,000	8.08
2	MGL CORP PTY LTD	14,285,715	3.85
3	ASCOT PARK ENTERPRISES PTY LTD	14,000,000	3.77
4	MERCHANT HOLDINGS PTY LTD	12,000,000	3.23
5	MANDATE 322 PTY LTD	10,714,286	2.88
6	R ROWE	10,000,000	2.69
7	M SOUCIK & H SOUCIK	9,000,000	2.42
8	R RAYNES	7,285,714	1.96
9	PLAN-1 PTY LTD	7,142,857	1.92
9	Z QI	7,142,857	1.92
9	ZERRIN INVESTMENTS PTY LTD	7,142,857	1.92
9	I PARKER & C PARKER	7,142,857	1.92
9	Y WANG	7,142,857	1.92
9	SUGARLOAF VENTURES PTY LTD	7,142,857	1.92
9	TOLTEC HOLDINGS PTY LTD	7,142,857	1.92
10	K STEDMAN & J STEDMAN	7,007,238	1.89
11	STONNINGTON SECURITIES PTY LTD	7,000,000	1.88
12	C RYAN	6,931,429	1.87
13	SANDWICH HOLDINGS PTY LTD	6,571,429	1.77
14	D ARITI	6,000,000	1.62
		190,795,810	51.35

Listing has been granted on the Australian Securities Exchange to this category of options of the Company on issue.

b) Distribution schedule and number of holders of equity securities of Eon NRG Limited as at 20 March 2018 is shown in the table below:

	Fully Paid Ordinary Shares	Quoted Options – exercisable at A$0.0188 expiring 29 November 2019	Quoted Options – exercisable at A$0.015 expiring 22 February 2021
1-1,000	25	3	2
1,001-5,000	25	4	3
5,001-10,000	60	9	3
10,001-100,000	278	51	39
100,001 and over	443	137	131
TOTAL	**831**	**204**	**178**
Total number of securities	**769,888,934**	**204,194,580**	**371,499,774**

Holders with less than a marketable parcel 318

c) Substantial shareholders
Substantial shareholders of Eon NRG Limited and the number of equity securities over which the substantial shareholder has a relevant interest as disclosed in substantial holding notices given to the Company are listed below:

Name	No. of shares held	%'age of issued capital
M Stowell and related entities	52,000,000	6.75%

d) Unlisted securities
As at 19 March 2019 there were no unquoted equity securities on issue.

e) Restricted securities –
As at 19 March 2019, there were no restricted securities on issue.

f) Voting Rights
All fully paid ordinary shares carry one vote per share without restrictions. Listed and unlisted options have no voting rights.

g) Company Secretary
The Company Secretary is Mr Simon Adams.

h) Registered Office
The details of the Company's registered office are:
20 Howard Street
Perth WA 6000
Australia

Telephone: +61 (0)8 6144 0590
Facsimile: +61 (0)8 6144 0593

i) Share Registry
The Company's share registry is Link Market Services
L12, QV1 Building
250 St. Georges Terrace
Perth WA 6000
Australia

Telephone: 1300 554 474 or +61 (0)8 9211 6670
Facsimile: +61 (0)2 9287 0309
Web site: https://investorcentre.linkmarketservices.com.au/Login

j) On-market buyback
The Company is not performing an on-market buyback at the time of this report.

k) Application of funds
During the financial year, the Company has used cash and assets in a manner which is consistent with its business objectives.

GLOSSARY	
Basin	A depression in the earth's surface containing relatively thick deposits of sedimentary rocks
Bbl	Barrel - A unit of measure commonly used in quoting liquid hydrocarbon volumes. 1 barrel = 42 U.S. gallons, 35 imperial gallons (approx), 159 litres (approx).
Bcf, BCF	Billion cubic feet or 28.317 million cubic metres. A unit commonly used in quoting volumes of natural gas.
Behind Pipe	Behind-pipe reserves are expected to be recovered from zones in existing wells, which require additional recompletion work prior to the start of production
BOE	Barrels of oil equivalent - A measure of a combined volume of gas and liquids, which is determined using the ratio of one barrel of oil, condensate, or natural gas liquids to 6 MCF of natural gas.
BOPD	Barrels of Oil per day. A measure of the rate of flow of oil.
BOEPD	BOE per day - A measure of the rate of flow of oil equivalent.
Completion	The process in which a well is enabled to produce hydrocarbons.
Exploration well	A well drilled into a previously undrilled or non-commercial trap to test for the presence of a new hydrocarbon accumulation.
Field	A subsurface accumulation of hydrocarbons.
Formation	A formal term used to reference a genetically related rock unit.
Forward strip	A series of sequential prices either for future delivery of a physical asset eg: oil or gas, or expected future settlements of an index eg: oil or gas futures contract.
Henry Hub	Located in Louisiana, the Henry Hub is a major natural gas distribution centre, and is the key focal point of natural gas spot and future trading in the U.S. Henry Hub is a widely quoted index of natural gas prices.
Hydrocarbons	A compound of the elements hydrogen and carbon, in either liquid or gaseous form. Natural gas and petroleum are mixtures of hydrocarbons.
IP	Initial production (rate).
MBbls	Thousands of barrels of oil. A measure of oil flow rates from a producing well.
MCF, mcf	Thousand cubic feet. A widely quoted unit used for natural gas measurement.
MCFPD, mcfpd	Thousands of cubic feet per day. A measure of a volume of gas.
MMbls	Million barrels. A measure of a volume of liquid.
MMBO	Millions of barrels of oil.
MMCF	Million cubic feet. A widely quoted unit used for natural gas measurement.
NGL	Natural Gas Liquid - Naturally occurring elements found in natural gas, and include propane, butane and ethane, among others. The liquids are extracted from the natural gas and sold separately from the gas

GLOSSARY	
Perforate	To pierce holes through well casing within an oil or gas-bearing formation by means of a perforating gun lowered down the hole and fired electrically from the surface. The perforations permit production from a formation which has been cased off.
Petroleum	(See Hydrocarbons)
Proved Reserves	Proved reserves are those quantities of petroleum which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods, and government regulations.
Proved developed not producing reserve (PDNP)	Proved Reserves that are subcategorised as non-producing include shut-in and behind-pipe reserves. Shut-in reserves are expected to be recovered from (1) completion intervals which are open at the time of the estimate but which have not started producing, (2) wells which were shut-in for market conditions or pipeline connections, or (3) wells not capable of production for mechanical reasons. Behind-pipe reserves are expected to be recovered from zones in existing wells, which will require additional completion work or future recompletion prior to the start of production.
Proved developed producing reserve (PDP)	Proved Reserves that are subcategorised as Developed Producing reserves which are expected to be recovered from existing wells including reserves behind pipe.
Proved undeveloped reserve (PUD)	Proved undeveloped oil and gas reserves are reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion. Reserves on undrilled acreage shall be limited to those drilling units offsetting productive units that are reasonably certain of production when drilled. Proved reserves for other undrilled units can be claimed only where it can be demonstrated with certainty that there is continuity of production from the existing productive formation. Estimates for proved undeveloped reserves are not attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual tests in the area and in the same reservoir.
Proved or Proven Reserves	Those quantities of petroleum which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions.
PV10	Present value of estimated future net oil and gas revenues (net of royalty burdens, production taxes and estimated direct expenses associated with production), discounted at an annual rate of 10%.
Recompletion	After the initial completion of a well, the action and techniques of re-entering the well and redoing or repairing the original completion to restore the well's productivity.
Reserves	The volume of oil and gas that can be recovered at the surface. Generally used in the context of commerciality.
Reservoir	A porous rock unit in which hydrocarbons occur in an oil field.
Risk	A measure of uncertainty relating to the likelihood of finding hydrocarbons, or, the likelihood that any or all of the individual geological elements required for the accumulation of hydrocarbons is met.
Structure	A geological feature usually higher in elevation than the surrounding rock, formed by local deformation of the rock layers.
Working Interest (WI)	Target's percentage interest in a project before royalties and state taxes.
Workover	The repair or stimulation of an existing production well for the purpose of restoring, prolonging or enhancing the production of hydrocarbons.
WTI	West Texas Intermediate is a benchmark oil price for light sweet crude oil traded in the USA.

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