

Enhanced Oil & Gas Recovery Limited

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ASX Announcement – For immediate release

(ASX: EOR)

Tuesday, 1 December 2015

Update on the Wailawi Oil and Gas Project Deed of Variation of Share Purchase Agreement with Centre Energy Petroleum (CEP)

Further to the previous announcement to the market on 23 September 2015, the Directors of Enhanced Oil and Gas Recovery Limited (**EOR**) are pleased to advise that they have re-negotiated the purchase price for the acquisition of Centre Energy Petroleum Limited (**CEP**) to reflect the current market price for oil and gas while maintaining shareholder value going forward.

CEP holds an 85% economic/participatory interest in P.T. Benuo Taka Wailawi (**Joint Venture Company**) which is the holder of an Extended and Amended Co-operation Agreement with respect to the Wailawi Oil and Gas Project (the **Project**).

The Wailawi Oil and Gas Project covers some 30.74 square kilometers and is located in the southern part of the Mahakam Delta Complex of the petroleum producing Kutai Basin, 12km southwest of Balikpapan in East Kalimantan, Indonesia.

CEP holds the rights on behalf of the Joint Venture Company to operate the Wailawi Oil and Gas Project pursuant to the Extended and Amended Co-operation Agreement.

EOR has entered into a Deed of Variation in respect of the Share Purchase Agreement with the current shareholders of CEP (**CEP Shareholders**) in accordance with which:

- The purchase price is now AU\$5,110,051, which takes into account the original purchase price of AU\$12.8 million adjusted to account for the current market circumstances, including the current market price for oil and gas.
- The payment of the purchase price will be satisfied by the issue of shares to the CEP Shareholders in three stages, two of which will be performance based (**Earn Out Shares**), over a three year period until 30 June 2018, as follows:
 - Stage One - on completion of the Share Purchase Agreement (following EOR shareholder approval), the issue of shares at the prospectus issue price per share to the aggregate value of AU\$3,000,000
 - Stage Two – Issue of shares at the prospectus issue price per share to the aggregate value of \$1,055,026 provided a minimum target return to EOR of US\$748,245 is received from the Wailawi Oil and Gas Project for the financial year ended 30 June 2017

- Stage Three - Issue of shares at the prospectus issue price per share to the aggregate value of \$1,055,026 provided a minimum target return to EOR of US\$748,245 is received from the Wailawi Oil and Gas Project for the financial year ended 30 June 2018.
- If the target return for the Wailawi Oil and Gas Project is not reached for FY2017 and FY2018 but at 30 June 2019 a minimum target of US\$748,245 for each financial year has been achieved on an aggregated basis, then EOR will issue the unissued balance of the Earn Out Shares to the CEP Shareholders.

EOR is expected to consolidate its shares to arrive at a price of \$0.02 per consolidated share and a prospectus issue price of \$0.02 per consolidated share as indicated in the Transaction-based Comparison Table below.

Transaction-based Comparison Table

A	B	C	D	E
Particulars	Before transaction	Increase/Decrease due to transaction	After transaction	Percentage change due to transaction
Method of Calculation	From latest audited figures/Before transaction	Actual/Projected Increase/Decrease due to transaction	B +/- C	C/B
Total Consolidated Assets (\$'000) (Stage 1 Only)	1,214	3,000	4,214	247%
Total Equity Interest (\$'000)	653	3,000	3,653	459%
Project/Exploration Expenditure for next year (\$'000)	-	1,900	1,900	N/A
Total Securities on Issue Upon consolidation (new shares) (Before prospectus issue)	279,550,741	142,857,143	422,407,884	51%

Market Capitalisation Comparison

Market Capitalisation (\$'000)				
Current Quoted Shares	2,869			
All securities	5,871	3,000	8,871	51%
Market Price (per share)				
Current (30/11/2015)	\$ 0.007			
Shares consolidation at 3:1	\$ 0.021	\$ 0.021	\$ 0.021	

Notes:

1. Latest audited figures are of 30 June 2015 financial reports adjusted for subsequent quarter period transactions.
2. Scenario "Before transaction" includes raising pre-listing capital of \$700,000 at current market price at \$0.007.
3. Completion is deemed at "Stage 1" of the acquisition by issue of \$3,000,000 value in shares, excluding Earn-out shares in later years.
4. Consolidation ratio (existing shares:new share) 3:1 to arrive at minimum listing price of \$0.02 or higher.
5. "All securities" refers to all quoted and unquoted shares including converting notes.

No change is proposed to the board of senior management of EOR. At the completion of the Share Purchase Agreement, Ross Hill shall assume the role of Chairman of CEP and John Carmody shall take on a technical advisory role with respect to the Wailawi Oil and Gas Project.

As the business of oil and gas exploration and extraction constitutes a significant change in the nature of the business of EOR, the Company is required to re-comply with Chapters 1 and 2 of the ASX Listing Rules as if it were applying for admission to the official list of the ASX. EOR is advancing the completion of its prospectus and the necessary documentation to conduct a general meeting of the Company to obtain the requisite approvals for the acquisition of CEP and its re-compliance with Chapters 1 and 2 of the ASX Listing Rules.

Shareholders' approval for the acquisition of CEP and EOR's re-compliance with Chapters 1 and 2 of the ASX Listing Rules will be sought at an EGM in late February 2016. EOR is proposing to raise between AU\$3.5m and AU\$4.5m via a prospectus to fund the development of the existing producing gas wells and maintain cash flow going forward.

Proposed timetable*

Date	Event
18 December 2015	Pre listing capital raising - placement
18 December 2015	Receipt of independent expert's report
23 December 2015	Notice of meeting, explanatory memorandum and collective due diligence finalised
24 December 2015	Draft notice issued to ASIC and ASX for review
20 January 2016	Dispatch of notice of meeting and explanatory memorandum to EOR shareholders
12 February 2016	Finalise and lodge prospectus
23 February 2016	EOR shareholders' meeting
11 March 2016	Close offer under the prospectus
21 March 2016	Completion of the Proposed Transaction
21 March 2016	Issue EOR shares to the applicants under the prospectus offer
25 March 2016	Satisfy Chapter 1 and 2 requirements and seek reinstatement of EOR securities to quotation
28 March 2016	Re-admission of EOR securities to trading

**Please note that the dates set out above are indicative only and may be subject to change at the discretion of the EOR directors.*

The board looks forward to the support of shareholders in finalising this transaction.

By Order of the Board

Eric Kam
Company Secretary