

ENHANCED OIL & GAS RECOVERY LIMITED

ABN: 67 097 771 581

AND CONTROLLED ENTITIES

**FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2016**

CORPORATE DIRECTORY

Registered & Corporate Office

Level 2, 131 Macquarie Street
Sydney NSW 2000
Telephone: (02) 9258 9900
Facsimile: (02) 9247 6225

Board of Directors

Troy Burns (Executive Chairman) (*appointed 18/7/2016*)
Ross Hill
Siew Hong Koh
John Carmody
YuJiang Tong

Executive Officer

Graham Kavanagh

Company Secretaries

Graham Kavanagh
Eric Kam

Share Registry

Computershare Investor Services Pty Limited
Computershare Investor Services
Yarra Falls, 452 Johnston St
Abbotsford, VIC, 3067
Telephone: 03 9415 4000
Facsimile: 03 9473 2500

Auditors

Pitcher Partners
Level 22 MLC Centre
19 Martin Place
Sydney NSW 2000
Telephone: 02 9221 2099
Facsimile: 02 9223 1762

Bankers

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

Lawyers

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

ASX Code – EOR

Enhanced Oil & Gas Recovery Limited shares
are listed on the Australian Securities
Exchange.

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Corporate Governance Review 2016

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

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

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

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

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

Principle	Details	Comments
1.	Lay solid foundations for management and oversight	
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	The recommendations under this principle have not been followed in full for the whole of the period as the Company has continued its transition to change its business direction as described above. Corporate governance policies will be adopted at the completion of this transition to meet the needs of the Company at that time.
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Additional detail in respect of which recommendations have been followed and which recommendations have not been followed are included in the Appendix 4G lodged by the company.
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	

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

2. Structure the Board to add value

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| 2.1 | <p>The board of a listed entity should:</p> <ul style="list-style-type: none"> (a) have a nomination committee which: <ul style="list-style-type: none"> (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: <ul style="list-style-type: none"> (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively. | <p>The recommendations under this principle have not been followed in full for the whole of the period as the Company has continued its transition to change its business direction as described above. Corporate governance policies will be adopted at the completion of this transition to meet the needs of the Company at that time.</p> <p>Additional detail in respect of which recommendations have been followed and which recommendations have not been followed are included in the Appendix 4G lodged by the company.</p> |
| 2.2 | <p>A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p> | |
| 2.3 | <p>A listed entity should disclose:</p> <ul style="list-style-type: none"> (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director. | |
| 2.4 | <p>A majority of the board of a listed entity should be independent directors.</p> | |
| 2.5 | <p>The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.</p> | |
| 2.6 | <p>A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.</p> | |

3. Act ethically and responsibly

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| <p>3.1 A listed entity should:</p> <ul style="list-style-type: none"> (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it. | <p>The recommendations under this principle have not been followed in full for the whole of the period as the Company has continued its transition to change its business direction as described above. Corporate governance policies will be adopted at the completion of this transition to meet the needs of the Company at that time.</p> <p>Additional detail in respect of which recommendations have been followed and which recommendations have not been followed are included in the Appendix 4G lodged by the company.</p> |
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4. Safeguard integrity in corporate reporting

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

5. Make timely and balanced disclosure

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| <p>5.1 A listed entity should:</p> <ul style="list-style-type: none"> (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it. | <p>The recommendations under this principle have not been followed in full for the whole of the period as the Company has continued its transition to change its business direction as described above. Corporate governance policies will be adopted at the completion of this transition to meet the needs of the Company at that time.</p> <p>Additional detail in respect of which recommendations have been followed and which recommendations have not been followed are included in the Appendix 4G lodged by the company.</p> |
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6. Respect the rights of security holders

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| <p>6.1 A listed entity should provide information about itself and its governance to investors via its website.</p> | <p>The recommendations under this principle have not been followed in full for the whole of the period as the Company has continued its transition to change its business direction as described above. Corporate governance policies will be adopted at the completion of this transition to meet the needs of the Company at that time.</p> <p>Additional detail in respect of which recommendations have been followed and which recommendations have not been followed are included in the Appendix 4G lodged by the company.</p> |
| <p>6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.</p> | |
| <p>6.3 A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.</p> | |
| <p>6.4 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.</p> | |

7 Recognise and manage risk

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| <p>7.1 The board of a listed entity should:</p> <ul style="list-style-type: none"> (a) have a committee or committees to oversee risk, each of which: <ul style="list-style-type: none"> (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: <ul style="list-style-type: none"> (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework. | <p>The recommendations under this principle have not been followed in full for the whole of the period as the Company has continued its transition to change its business direction as described above. Corporate governance policies will be adopted at the completion of this transition to meet the needs of the Company at that time.</p> <p>Additional detail in respect of which recommendations have been followed and which recommendations have not been followed are included in the Appendix 4G lodged by the company.</p> |
| <p>7.2 The board or a committee of the board should:</p> <ul style="list-style-type: none"> (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place. | |

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

8. Remunerate fairly and responsibly

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| <p>8.1 The board of a listed entity should:</p> <ul style="list-style-type: none"> (a) have a remuneration committee which: <ul style="list-style-type: none"> (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: <ul style="list-style-type: none"> (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive. | <p>The recommendations under this principle have not been followed in full for the whole of the period as the Company has continued its transition to change its business direction as described above. Corporate governance policies will be adopted at the completion of this transition to meet the needs of the Company at that time.</p> <p>Additional detail in respect of which recommendations have been followed and which recommendations have not been followed are included in the Appendix 4G lodged by the company.</p> |
| <p>8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p> | |
| <p>8.3 A listed entity which has an equity-based remuneration scheme should:</p> <ul style="list-style-type: none"> (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it. | |

DIRECTORS' REPORT

The directors present their report together with the financial statements of the consolidated entity consisting of Enhanced Oil & Gas Recovery Limited and the entities it controlled, for the financial year ended 30 June 2016.

Principal Activities

The consolidated entity changed its name from Artist & Entertainment Group Limited to now known as Enhanced Oil & Gas Recovery Limited on 5 December 2014. However, the consolidated entity remains in transition to the change in its business direction and to re-comply to chapters 1 and 2 of the ASX listing rules.

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

Results

The consolidated profit/(loss) after income tax attributable to the members of Enhanced Oil & Gas Recovery Limited was a loss of \$1,115,827 (2015: \$798,943 loss).

Review of Operations

During the year under review, revenue from ordinary activities including income derived from short term investments totalled \$1,634 (2015: \$7,761).

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

On or about 23 September 2015, the Company executed a Share Purchase Agreement to acquire 100% of CEP. The agreement is subject to certain conditions precedent including approval of shareholders at a general meeting and the Company's compliance to chapters 1 and 2 of the ASX Listing Rules to complete its business transition to the oil and gas resources (Energy) sector.

However, the continuing development of the proposed CEP acquisition was interrupted by a requisition for a general meeting by four shareholders of the Company holding more than five (5) percent of the ordinary shares of the Company pursuant to Section 249D of the *Corporations Act 2001 (Cth)*. The proposed resolutions called for the removal of certain key person and directors of the Company.

Following further discussions and consultations with those interested requisitioning shareholders, the terms for the consideration provided for the acquisition of CEP was amended in the aggregate of \$12.8 million to \$5.0 million on 7 December 2015. In respect of the consideration, the Company shall issue shares to the shareholders of CEP calculated on the basis of AUD0.02 per existing EOR share.

On or about 30 July 2015, the Company issued 30,000,000 fully paid ordinary shares at \$0.012 per share having raised \$360,000 from a sophisticated investor.

At the 2015 Annual General Meeting, shareholders approved the conversion of all outstanding converting notes into 28,250,001 fully paid ordinary shares of the Company. The shares were issued on 2 December 2015.

On 1 March 2016, David Hickie resigned as non-executive director of the Company.

On or before 12 April 2016, the Company issued 28,000,000 new fully paid ordinary shares via a placement at a price of \$0.005 per share to sophisticated investors, raising a total of \$140,000.

At the end of the financial period, the Company has in total 766,651,722 issued shares of which 409,810,055 shares are listed securities in the Australian Stock Exchange (ASX). The remaining 356,841,667 shares representing 46.55% of the total issued shares are not traded as listed and are potentially subject to ASX imposed escrow conditions.

Toward the end of the reporting period, the Company through its wholly owned subsidiary Powgen Mining Pty Ltd was engaged in discussions for a proposed joint venture and farm-in arrangement with the operator of the Wain Block in the Kutai Basin. The Wain Block is known to have substantial reserves of oil & gas and is located adjacent to the Wailawi Oil & Gas Project.

After Balance Date Events

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

As part of a restructuring plan to reduce the overall debts, the Company secured a new funding arrangement by way of issue of Converting Notes to a syndicate of professional and sophisticated investors to raise \$400,000. The converting notes were unsecured and redeemable with a face value of \$25,000 each converting into fully paid ordinary shares in the Company at \$0.005 per share and entitling the noteholder to be issued two (2) free share options for every three (3) shares issued on conversion of those notes. The converting notes remain as an unsecured loan to the Company until the conversion of the notes into shares is approved by shareholders at a general meeting. These converting notes were issued on 18 July 2016.

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

The Deed of Settlement include a further issue of 19,227,848 shares at \$0.012 to Consultant creditors who are parties related to or are directors of the Company. This issue of shares is subject to shareholders approval at the next general meeting.

It was anticipated that the Deed of Settlement would retire a total liability of \$752,694.79 due to the creditors by a mix of cash and issue of shares in lieu of cash payments. This include a waiver of debt for \$12,914.67 agreed with one of the creditors.

The Company received a further subscription of \$125,000 for converting notes on similar terms and conditions of the previous converting notes issued on 18 July 2016 from the syndicate of professional and sophisticated investors. Until shareholders have approved the conversion of the converting notes into share securities at the next general meeting, the notes remain as an unsecured loan to the Company.

The Company is continuing to raise further working capital to defray the costs of a prospectus issue. As at current date, the Company has received subscription monies of \$45,000 for 9,000,000 shares at \$0.005 each. The Company has remaining share issuing capacity under ASX Listing Rule 7.1 of up to 22,889,543 shares.

On 18 July 2016, Troy Burns was invited to the Board as an Executive Director of the Company. At a subsequent meeting of the directors, Ross Hill advised of his intention to step aside as the Chairman due to work commitments related to his private legal practice. Troy Burns who joined the Board in an executive capacity agreed to accept the role as the Chairman of the Company.

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

Likely Developments

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

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

Environmental Regulation

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

Dividend Paid, Recommended and Declared

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

Shares Under Option

There are no unissued ordinary shares of Enhanced Oil & Gas Recovery Limited under option at the date of this report.

Subsequent to balance date, the Company issued a total of 21 unsecured redeemable converting notes of \$25,000 each. Subject to shareholders' approval at a general meeting, the notes shall be converted into fully paid ordinary shares at \$0.005 per share and entitling the noteholder to be issued 2 free share options for every 3 new shares issued. The options shall have an exercise price of \$0.012 per share from the date of issue of the options.

Until the shareholders have approved the conversion of notes into share securities, the converting notes remain as unsecured loans. If shareholders do not approve of the conversion, the loan has to be repaid in accordance to the terms of repayment and the Company is not obliged to issue any share security to the noteholders.

Indemnification and Insurance of Directors, Officers and Auditors

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

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

Proceedings on Behalf of the Consolidated Entity

There is no impending legal proceeding for the reporting period.

Information on Directors and Company Secretary

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

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

Troy Burns Executive Chairman <i>(appointed 18 July 2016)</i>	Mr Burns is a Chartered Tax Advisor and a Principal of a dedicated Accounting and Financial Management Practice. With a wealth of business experience, Mr Burns also manages a diverse portfolio of interests in technology, resources and industrials Mr Burns holds no directorships of ASX entities in the past three years.
Ross Hill B Legal Non-Executive Director	Ross Hill is an experienced lawyer with combined 20 years of business and professional experience. He has developed extensive practical legal experience in Australia and throughout South East Asia and has therein provided extensive advisory services to a wide range of highly reputed clients.
John Carmody BSc MA Dip Ed MAusIMM MPESA MAAPG Non-Executive Director	John Carmody is a professional geologist of over 30 years' experience in oil & gas exploration and production, including coal seam methane. John is the former President of the Australian Petroleum Society.
Siew Hong Koh BSc Non-Executive Director	Mr S H Koh is a Director of a number of companies involved in investments in property, technology, energy and mining resources. He has over 20 years of commercial experience in public and private companies.
YuJiang Tong B.Int.Bus. M.SocSc. Non-Executive Director	Ms. Tong is currently the Vice General Manager of Shenzhen Xinhongye Communication Co. Ltd (SXC), a publishing company in Shenzhen, China. SXC publishes a magazine focused on the resources industry.
Graham Kavanagh B.Comm. ASIA Executive Officer/Joint Company Secretary	Mr. Kavanagh has an extensive background over more than 25 years in securities and fund management, property investment and development as well as earlier experience in the Department of Mines. He has held senior positions as securities analyst, general manager and director in fund management and property investment.
Eric Kam FCPA FCMA MBA MAICD Joint Company Secretary	Eric Kam has extensive experience in finance and operations management across diverse businesses and industries in engineering, construction, mining & resources, technology, finance, marketing and distribution. He is involved in corporate change and listing of companies, and is on the board of several other companies.

Directors' Meetings

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

	Board of Directors	
	Eligible to attend	Attended
Troy Burns <i>(appointed 18 July 2016)</i>	-	-
Ross Hill	11	11
John Carmody	11	11
Siew Hong Koh	11	10
David Hickie <i>(resigned 1 March 2016)</i>	7	7
YuJiang Tong	9	7

Directors' Interests in Shares or Options

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

Directors' relevant interests in Ordinary Shares of
Enhanced Oil & Gas Recovery Limited

	Direct	Indirect
Troy Burns ^{#1}	600,000	66,039,000
Ross Hill	-	^{#2} 30,606,060
Siew Hong Koh	3,328,352	^{#3} 27,432,436
YuJiang Tong	30,000,000	-
TOTAL:	33,928,352	124,077,496

^{#1} Appointed 18 July 2016. Relevant interest in indirect includes 15,000,000 ordinary shares that are not quoted (EORAI shares) and potentially subject to ASX imposed escrow conditions.

^{#2} Includes 11,666,666 ordinary shares that are not quoted (EORAI shares) and potentially subject to ASX imposed escrow conditions.

^{#3} Includes 20,702,436 ordinary shares that are not quoted (EORAI shares) and potentially subject to ASX imposed escrow conditions.

Directors' relevant interests in Converting Notes⁺ of
Enhanced Oil & Gas Recovery Limited

	Direct	Indirect
Troy Burns ^{#1}	-	8
Ross Hill	-	1
TOTAL:	-	9

⁺ Converting Notes are unsecured and redeemable each of face value \$25,000. Subject to shareholders approval, the notes shall be converted into fully paid and ordinary shares at \$0.005 per share and entitling the noteholder to be issued 2 free share options for every 3 new shares issued at conversion. The exercise price of the options is at \$0.012.

Auditor's Independence Declaration

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

Non-Audit Services

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

Amounts paid or payable to an auditor for non-audit services provided during the year by the auditor to any entity that is part of the consolidated entity for:	2016	2015
	\$	\$
Taxation services	3,300	15,000

Other - -

Remuneration Report

Remuneration Policies

The board policy for determining the nature and amount of remuneration of key management personnel is agreed by the board of directors as a whole. The board obtains professional advice where necessary to ensure that the company attracts and retains talented and motivated directors and employees who can enhance company performance through their contributions and leadership.

Further information on remuneration policies of the consolidated entity is found in the Corporate Governance Review Statement 2016 on page 3 to 8 of this report.

Directors' Remuneration

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

The deviation in remuneration policy is disclosed in the Corporate Governance Review 2016 in respect of Principle 8 to remunerate fairly and responsibly.

A detailed report on the value of professional or consulting services rendered directly or indirectly by the directors is disclosed in note 23(b) of this report.

No directors received any remuneration from the consolidated entity during the financial year to 30 June 2016 (30 June 2015: \$nil).

Executives' Remuneration

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

The value of services rendered by Graham Kavanagh, Executive Officer and Eric Kam, Company Secretary are disclosed in note 23(b) of this report.

No executive officer or company secretary received any remuneration from the consolidated entity during the financial year to 30 June 2016 (30 June 2015: \$nil).

Directors and their shareholding

Number of shares held by key management personnel

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

Directors and their shareholding (cont'd) ...

Directors	Balance^ 1/07/14	Granted as remuneration	Net change Other	Balance^* 30/06/15
Ross Hill	30,606,060	-	-	30,606,060
John Carmody	-	-	-	-
Siew Hong Koh	55,228,352	-	1,510,000	56,738,352
David Hickie	-	-	-	-
	85,834,412	-	1,510,000	87,344,412

^ Combined shares held directly and indirectly.

* Including unquoted ordinary shares potentially subject to ASX imposed escrow conditions.

Signed in accordance with a resolution of the directors.



Troy Burns
Chairman



Siew Hong Koh
Director

Sydney
30 September 2016



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

In relation to the independent audit for the year ended 30 June 2016, the best of my knowledge and belief there have been:

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

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

R M SHANLEY
Partner

PITCHER PARTNERS
Sydney

30 September 2016

ENHANCED OIL & GAS RECOVERY LIMITED AND CONTROLLED ENTITIES

ABN: 67 097 771 581

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 June 2016**

	Notes	Consolidated Entity	
		2016	2015
		\$	\$
Revenue			
Other income	4	1,634	7,761
		<u>1,634</u>	<u>7,761</u>
Less: Expenses			
Consulting and Temporary Staff Costs		(608,489)	(447,159)
Property and Occupancy		(61,037)	(59,222)
Impairment of financial assets	5	(149,206)	(3,325)
IT & Telecommunication		(4,377)	(1,570)
Finance costs	5	(1,973)	(2,382)
Corporate and listing costs		(187,064)	(184,863)
Other expenses		<u>(105,315)</u>	<u>(108,183)</u>
		<u>(1,117,461)</u>	<u>(806,704)</u>
(Loss) before income tax from operations		(1,115,827)	(798,943)
Income tax expense (income tax benefit)	6	-	-
Profit (loss) for the year		(1,115,827)	(798,943)
Other comprehensive income for the year net of tax		<u>-</u>	<u>-</u>
Total comprehensive income/(loss) for the year attributable to the members of the parent entity		<u><u>(1,115,827)</u></u>	<u><u>(798,943)</u></u>
Earnings per share from profit from operations:			
Basic earnings per share	19	(0.15¢)	(0.12¢)
Diluted earnings per share	19	(0.15¢)	(0.12¢)

The accompanying notes form part of these financial statements

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 June 2016**

	Notes	Consolidated Entity	
		2016 \$	2015 \$
CURRENT ASSETS			
Cash and cash equivalents	8	168,545	97,077
Receivables	9	39,412	196,859
Other current assets	10	26,105	28,146
TOTAL CURRENT ASSETS		234,062	322,082
NON-CURRENT ASSETS			
Property, plant and equipment	11	1	1
Other financial assets	12	60	20,000
TOTAL NON-CURRENT ASSETS		61	20,001
TOTAL ASSETS		234,123	342,083
CURRENT LIABILITIES			
Payables	13	1,050,516	635,969
Borrowings	14	23,005	22,171
TOTAL CURRENT LIABILITIES		1,073,521	658,140
TOTAL LIABILITIES		1,073,521	658,140
NET ASSETS/(LIABILITIES)		(839,398)	(316,057)
EQUITY			
Issued capital	15	12,225,457	11,632,971
Accumulated losses	16	(13,064,855)	(11,949,028)
TOTAL EQUITY		(839,398)	(316,057)

The accompanying notes form part of these financial statements

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 June 2016**

Consolidated Entity	Contributed equity \$	Retained earnings \$	Total Equity \$
Balance as at 30 June 2014	11,224,471	(11,150,085)	74,386
(Loss) for the year	-	(798,943)	(798,943)
Total comprehensive income for the year	-	(798,943)	(798,943)
Transactions with owners in their capacity as owners:			
Contributions, net of costs	408,500		408,500
	408,500	-	408,500
Balance as at 30 June 2015	11,632,971	(11,949,028)	(316,057)
(Loss) for the year	-	(1,115,827)	(1,115,827)
Total comprehensive income for the year	-	(1,115,827)	(1,115,827)
Transactions with owners in their capacity as owners:			
Contributions, net of costs	592,486		592,486
	592,486	-	592,486
Balance as at 30 June 2016	12,225,457	(13,064,855)	(839,398)

The accompanying notes form part of these financial statements

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 June 2016**

	Notes	Consolidated Entity 2016 \$	2015 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers		-	-
Payments to suppliers and employees		(521,513)	(608,474)
Interest received		1,634	2,563
Borrowing costs		(1,973)	(2,382)
Net cash provided by / (used in) operating activities	17(a)	(521,852)	(608,293)
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of investments		-	21,825
Payment for investments		-	-
Net cash provided by / (used in) investing activities		-	21,825
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from share issue		592,486	-
Proceeds from converting notes		-	444,932
Proceeds from borrowings		32,659	-
Repayment of borrowings		(31,825)	(29,582)
Net cash provided by / (used in) financing activities		593,320	415,350
Net increase / (decrease) in cash and cash equivalents		71,468	(171,118)
Cash and cash equivalents at beginning of year		97,077	268,195
Cash and cash equivalents at end of the year	17(b)	168,545	97,077

The accompanying notes form part of these financial statements

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NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 June 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

(a) Basis of preparation of the financial report

Compliance with IFRS

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

Historical Cost Convention

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

(b) Going concern

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

The consolidated entity has in the year to 30 June 2016 raised in total \$464,501 through the issue of shares. The outstanding converting notes of 28,250,001 notes were converted into 28,250,001 fully paid ordinary shares (EORAI shares) upon approval by shareholders at the general meeting on 30 November 2015. The EORAI shares are not quoted and potentially subject to ASX imposed escrow conditions.

Subsequent to balance date, the Company secured new funding arrangements by way of issue of Converting Notes to a syndicate of professional and sophisticated investors to raise in total \$525,000. Subject to shareholders approval at a general meeting for the conversion of notes into share securities, the converting notes remain as unsecured loans to the Company. If the shareholders do not approve of the conversion, the unsecured shall be repaid to the noteholders under the terms of repayment of the unsecured loan.

As part of a debt reduction plan to assist the Company in preserving its cash resource for application in other areas, a Deed of Settlement was entered into with "Consultant" creditors of the Company whereby 19,808,215 fully paid ordinary shares were issued (at \$0.012 per share) in lieu of a portion of services fees owed to consultant creditors of the Company.

The Deed of Settlement included a further issue of 19,227,848 shares at \$0.012 to Consultant creditors who are parties related to or are directors of the Company. This issue of shares to the directors and its related parties is subject to shareholders approval at the next general meeting.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(b) Going concern (cont'd)

It was anticipated that the Deed of Settlement would retire a total liability of \$752,694.79 due to the creditors by a mix of cash and issue of shares in lieu of cash payments, and includes a waiver of debt for \$12,914.67 agreed with one of the creditors.

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

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

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

(c) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Enhanced Oil & Gas Recovery Limited ('company' or 'parent entity') as at 30 June 2016 and the results of all subsidiaries for the year then ended. Enhanced Oil & Gas Recovery Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

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

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

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

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

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

(d) Revenue

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

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

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

(e) Cash and cash equivalents

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

(f) Receivables

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

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

(g) Property, plant and equipment

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

Depreciation

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

The useful lives for each class of assets are:

	2016	2015
Plant and equipment:	2 to 20 years	2 to 20 years

(h) Intangibles

Goodwill

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

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

Research and development

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

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

Other development expenditure is recognised as an expense when incurred.

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

(i) Impairment

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

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

(j) Income tax

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

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

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

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

(k) Provisions

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

(l) Employee benefits

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

(m) Borrowing costs

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

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

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

(n) Financial instruments

Classification

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

Non-derivative financial instruments

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

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

Loans and receivables

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

Financial liabilities

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

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

(o) Foreign currencies translations and balances

Functional and presentation currency

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

Transactions and balances

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

Foreign currencies translations and balances

Transactions and balances (cont'd)

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

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

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

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

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

(p) Goods and services tax (GST)

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

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

(q) Comparatives

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

(r) New accounting standards and interpretations

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

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

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

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

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

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

AASB 15 will provide (except in relation to some specific exceptions, such as lease contracts and

insurance contracts) a single source of accounting requirements for all contracts with customers, thereby replacing all current accounting pronouncements on revenue.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(r) New accounting standards and interpretations (cont'd)

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

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

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

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's reported revenue, it is impracticable at this stage to provide a reasonable estimate of such impact.

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

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

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

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

Although the directors anticipate that the adoption of AASB 16 may have an impact on the Group's accounting for its operating leases, it is impracticable at this stage to provide a reasonable estimate of such impact.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

AASB 9 Financial Instruments

Significant revisions to the classification and measurement of financial assets, reducing the number of categories and simplifying the measurement choices, including the removal of impairment testing of assets measured at fair value. The amortised cost model is available for debt assets meeting both business model and cash flow characteristics tests. All investments in equity instruments using AASB 9 are to be measured at fair value.

Amends measurement rules for financial liabilities that the entity elects to measure at fair value through profit and loss. Changes in fair value attributable to changes in the entity's own credit risk are presented in other comprehensive income.

Chapter 6 *Hedge Accounting* supersedes the general hedge accounting requirements in AASB 139 *Financial Instruments: Recognition and Measurement*, which many consider to be too rules-based and arbitrary. Chapter 6 requirements include a new approach to hedge accounting that is intended to more closely align hedge accounting with risk management activities undertaken by entities when hedging financial and non-financial risks. Some of the key changes from AASB 139 are as follows:

- to allow hedge accounting of risk components of non-financial items that are identifiable and measurable (many of which were prohibited from being designated as hedged items under AASB 139);
- changes in the accounting for the time value of options, the forward element of a forward contract and foreign-currency basis spreads designated as hedging instruments; and
- modification of the requirements for effectiveness testing (including removal of the 'brightline' effectiveness test that offset for hedging must be in the range 80-125%).

Revised disclosures about an entity's hedge accounting have also been added to AASB 7 *Financial Instruments: Disclosures*.

Impairment of assets is now based on expected losses in AASB 9 which requires entities to measure:

- the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or
- full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).

The effective date is annual reporting periods beginning on or after 1 January 2018.

NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Classification of assets and liabilities as held for sale

The Group classifies assets and liabilities as held for sale when the carrying amount will be recovered through a sale transaction. The assets and liabilities must be available for immediate sale and the Group must be committed to selling the asset either through the entering into a contractual sale agreement or the activation and commitment to a program to locate a buyer and dispose of the assets and liabilities.

(b) Significant accounting estimates and assumptions

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

Receivables

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

NOTE 3: FINANCIAL RISK MANAGEMENT

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

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

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

(a) Interest rate risk

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

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

Consolidated Entity

Financial instruments	Interest bearing	Non-interest bearing	Total carrying amount	Weighted average effective interest rate	Fixed / variable rate
2016	\$	\$	\$	%	
<i>(i) Financial assets</i>					
Cash	168,545	-	168,545	0.85%	Variable
Other receivables	-	39,412	39,412	0%	
Total financial assets	168,545	39,412	207,957		

NOTE 3: FINANCIAL RISK MANAGEMENT

(a) Interest rate risk (cont'd)

Financial instruments	Interest bearing	Non-interest bearing	Total carrying amount	Weighted average effective interest rate	Fixed / variable rate
<i>(ii) Financial liabilities</i>					
Payables	-	1,050,516	1,050,516	0%	
Borrowings	23,005	-	23,005	18.10%	Fixed
Total financial liabilities	23,005	1,050,516	1,073,521		
2015	\$	\$	\$	%	
<i>(i) Financial assets</i>					
Cash	97,077	-	97,077	1.42%	Variable
Other receivables	-	196,859	196,859	0%	
Total financial assets	97,077	196,859	293,936		
<i>(ii) Financial liabilities</i>					
Payables	-	635,969	635,969	0%	
Borrowings	22,171	-	22,171	20.24%	Fixed
Total financial liabilities	22,171	635,969	658,140		

Sensitivity

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

	Notes	Consolidated Entity	
		2016	2015
+/- 1%		\$	\$
Impact on profit after tax		1,685	971
Impact on equity		1,685	971

(b) Credit risk exposures

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

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

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

NOTE 3: FINANCIAL RISK MANAGEMENT

(c) Liquidity risk

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

All financial instruments are expected to be settled within 6 months. Management are tightly controlling cash flows in respect of the discontinued businesses and intend to raise equity to fund new business opportunities as disclosed in this financial report.

(d) Currency risk

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

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

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

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

	Notes	Consolidated Entity	
		2016	2015
		\$	\$
NOTE 4: REVENUE			
Revenues from operations			
<i>Other income</i>			
Interest		1,634	2,563
Gain on disposal of financial assets		-	1,210
Gain from revaluation of financial assets		-	3,988
Revenue from the rendering of services		-	-
		<u>1,634</u>	<u>7,761</u>

NOTE 5: PROFIT/(LOSS) FROM OPERATIONS

Profit/(loss) from operations before income tax has been determined after the following specific expenses:

Depreciation of non-current assets

Plant and equipment	-	-
<i>Total depreciation of non-current assets</i>	-	-

Impairment of Financial Assets

<i>Provision of impairment - Receivables</i>	129,266	-
<i>Provision of impairment - Other (Investment)</i>	19,940	3,325
	<u>149,206</u>	<u>3,325</u>

Finance costs expensed

Bank loans and overdrafts	-	-
Other loans	1,973	2,382
<i>Total finance costs expensed</i>	<u>1,973</u>	<u>2,382</u>

NOTE 6: INCOME TAX

The company incurred an income tax loss for the year and therefore no income tax is payable. A deferred tax asset is only recognised when it is probable that future taxable amounts will be available to utilise those losses.

It is noted that the company may not satisfy the requirements to carry forward the available tax losses so it is not able to reliably measure tax losses that may be available to be carried forward.

NOTE 7: DIVIDENDS

No dividends were paid or declared during the year. (2015: nil)

NOTE 8: CASH AND CASH EQUIVALENTS

Cash at bank	168,545	97,077
	<u>168,545</u>	<u>97,077</u>

NOTE 9: RECEIVABLES

	Notes	Consolidated Entity	
		2016	2015
		\$	\$
CURRENT			
Receivables		168,678	196,859
Provision for impairment		(129,266)	-
		<u>39,412</u>	<u>196,859</u>

NOTE 9: RECEIVABLES (cont'd)

(a) Provision for impairment

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

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

The directors have assessed the recoverability of the receivable previously. However, the changed circumstances and inherent delays in completing the acquisition of interests in the Wailawi Project, the directors of the Company are doubtful of the recovery of the receivables and have decided to impair the carrying amount of the receivables resulting to an impairment expense of \$129,266 for the year ended 30 June 2016. Accordingly, the receivables are written down to \$24,701 and such provision for impairment will be extinguished should a recovery eventuates upon the completion of acquisition of CEP.

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

	Gross 2016	Impairment 2016	Gross 2015	Impairment 2015
	\$	\$	\$	\$
Not past due	14,711	-	42,890	-
Past due 31-60 days	-	-	-	-
Past due 61-90 days	-	-	-	-
Past due more than 91 days	153,967	(129,266)	153,967	-
	<u>168,678</u>	<u>(129,266)</u>	<u>196,857</u>	<u>-</u>

(c) Payment deferral

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

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

NOTE 10: OTHER CURRENT ASSETS

	Notes	Consolidated Entity	
		2016	2015
		\$	\$
Prepayments		26,105	28,146
		<u>26,105</u>	<u>28,146</u>

NOTE 11: PROPERTY PLANT AND EQUIPMENT

	Notes	Consolidated Entity	
		2016	2015
		\$	\$
<i>Computer/IT & Telecommunication</i>			
At cost		10,218	10,218
Accumulated depreciation		(10,217)	(10,217)
Total property, plant and equipment		1	1

Reconciliations

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

Computer/IT & Telecommunication

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

NOTE 12: OTHER FINANCIAL ASSETS

Shares in Tiger Energy Limited at cost	-	745,000
Investment in listed securities	20,000	20,000
Provision for impairment	(19,940)	(745,000)
	60	20,000

NOTE 13: PAYABLES

CURRENT

Trade payables	1,050,516	635,969
	1,050,516	635,969

NOTE 14: BORROWINGS

CURRENT

Instalment Loan	23,005	22,171
	23,005	22,171

NOTE 15: ISSUED CAPITAL

	Notes	Consolidated Entity	
		2016	2015
		\$	\$
(a) issued and paid up capital			
Ordinary shares fully paid		11,510,457	10,578,971
Cancelled Converting Notes		715,000	715,000
Converting notes		-	339,000
Total		12,225,457	11,632,971

(b) Movements in shares on issue

	Parent Entity	
	2016	
	No of Shares	\$
Beginning of the financial year	680,401,721	10,578,971
Issued during the year ⁺	86,250,001	931,486 [#]
End of the financial year	766,651,722	11,510,457

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

	Parent Entity	
	2015	
	No of Shares	\$
Beginning of the financial year	635,993,388	10,066,571
Issued during the year ⁺	44,408,333	512,400
End of the financial year	680,401,721	10,578,971

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

The total number of ordinary shares (EOR) quoted on ASX as at 30 June 2016 is 409,810,055 (30 June 2015: 409,810,055). All new securities issued by the Company are potentially subject to ASX imposed escrow conditions and are not traded as listed securities. The total number of unquoted ordinary shares (EORAI) as at 30 June 2016 is 356,841,667 (30 June 2015: 270,591,666).

The market value of the quoted ordinary Enhanced Oil & Gas Recovery Limited shares closed on 30 June 2016 at \$0.008 (30 June 2015: \$0.010).

NOTE 15: ISSUED CAPITAL (cont'd)

(c) Movements in cancelled converting notes

Parent Entity		
2016		
	No of Notes	\$
Beginning of the financial year	59,583,333	715,000
End of the financial year	59,583,333	715,000

2015		
	No of Notes	\$
Beginning of the financial year	59,583,333	715,000
End of the financial year	59,583,333	715,000

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

(d) Movements in converting notes

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

Parent Entity		
2015		
	No of Notes	\$
Beginning of the year	36,825,000	442,900
Issued during the year	35,833,334	430,000
Converted to shares during the year	(44,408,333)	(533,900)
End of the financial year	28,250,001	339,000

There were no converting notes issued during the year. The 28,250,001 converting notes brought forward from the last financial year were converted into fully paid ordinary shares following the approval by shareholders at the Annual General Meeting 2015. The new shares were issued at the conversion price of \$0.012 per note (2015: \$0.012 per note).

NOTE 15: ISSUED CAPITAL (cont'd)

(e) Rights of each type of share

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

(f) Share Options

During or since the end of the financial year, no options (2015: Nil) have been granted.

As at end of the financial year, there is no outstanding balance of unissued ordinary shares under option.

Subsequent to balance date, the Company issued a total of 21 unsecured redeemable converting notes of \$25,000 each. Subject to shareholders' approval at a general meeting, the notes shall be converted into fully paid ordinary shares at \$0.005 per share and entitling the noteholder to be issued 2 free share options for every 3 new shares issued. The options shall have an exercise price of \$0.012 per share from the date of issue of the options.

Until the shareholders have approved the conversion of notes into share securities, the converting notes remain as unsecured loans. If shareholders do not approve of the conversion, the loan has to be repaid in accordance to the terms of repayment and the Company is not obliged to issue any share security to the noteholders.

(g) Capital Management

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

During 2016, no dividends were paid. (2015: \$nil).

NOTE 16: RESERVES AND ACCUMULATED LOSSES

	Notes	Consolidated Entity	
		2016	2015
(a) Accumulated losses		\$	\$
Balance at the beginning of year		(11,949,028)	(11,150,085)
Total comprehensive income/(loss) attributable to members of Enhanced Oil & Gas Recovery Limited		(1,115,827)	(798,943)
Total available for appropriation		(13,064,855)	(11,949,028)
Dividends paid		-	-
Balance at end of year		(13,064,855)	(11,949,028)

NOTE 17: CASH FLOW INFORMATION

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

	Notes	Consolidated Entity	
		2016	2015
		\$	\$
Profit /(loss) for the year	(1,115,827)	(798,943)	
Depreciation of non-current assets	-	-	
Gain on disposal of financial assets	-	(1,210)	
Gain on revaluation of financial assets	-	(3,988)	
Impairment of financial assets	149,206	3,325	
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses			
(Increase)/decrease in assets			
- Current receivables	28,181	(19,781)	
- Other current assets	2,041	(7,911)	
Increase/(decrease) in liabilities			
- Current payables	414,547	220,215	
Net cash (used in) operating activities	(521,852)	(608,293)	

(b) Reconciliation of cash

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

- Cash at bank	168,545	97,077
Closing cash balance	168,545	97,077

(c) Credit stand-by arrangements with banks

As at 30 June 2016 the consolidated entity and parent entity have no credit stand-by arrangement and loan facilities.

NOTE 18: COMMITMENTS AND CONTINGENCIES

No remuneration has been paid to, or liability accrued for, with respect to director services by Mr Hickie who has left the Company on 1 March 2016.

The Deed of Settlement entered into by the Company on or about 11 July 2016 with "consultant creditors" include a further issue of 19,227,848 shares at \$0.012 to parties who are related to or are directors of the Company. The issue of shares which is subject to shareholders approval at the shareholders general meeting will relieve the Company of any further claims of fees for services rendered for period up to 30 June 2016 including directors' remuneration during that period. The beneficiary directors to the shares issue are Ross Hill, John Carmody and Siew Hong Koh.

The Company is committed into the issue of securities, subject to shareholders approval at a general meeting the conversion of converting notes into share securities of

- i) 105,000,000 fully paid ordinary shares to the noteholders; and
- ii) 70,000,000 share options at an exercise price of \$0.012 on the basis of two (2) free share options for every three (3) shares issued on conversion of those notes.

If the shareholders do not approve of the conversion of the converting notes into share securities, the unsecured loan has to be repaid in accordance to the terms of repayment and the Company is not obliged to issue any share security to the noteholders.

NOTE 19: EARNINGS PER SHARE

Reconciliation of earnings used in calculating earnings per share

	Notes	Consolidated Entity	
		2016	2015
(Loss) from operations		(1,115,827)	(798,943)
Profit used in calculating basic earnings per share		(1,115,827)	(798,943)
Earnings used in calculating diluted earnings per share		(1,115,827)	(798,943)
No of Shares			
Weighted average number of ordinary shares used in calculating basic earnings per share		729,868,252	661,178,388
Effect of dilutive securities:			
Converting Notes		11,996,576	28,517,854
Shares subscribed (issued on 14 July 2016)		1,810,872	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share		743,675,700	689,696,242

NOTE 20: DIRECTORS' AND EXECUTIVES' EQUITY HOLDINGS

(a) Number of shares held by key management personnel

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

	Balance[^] 1/07/14	Net change Other	Balance^{^#} 30/06/15
Directors			
Siew Hong Koh	55,228,352	1,510,000	56,738,352
Ross Hill	30,606,060	-	30,606,060
	<u>85,834,412</u>	<u>1,510,000</u>	<u>87,344,412</u>

[^] Combined shares held directly and indirectly.

[#] Including unquoted ordinary shares potentially subject to ASX imposed escrow conditions.

(b) Other securities held by key management personnel

There are no other securities held by key management personnel.

NOTE 21: AUDITOR'S REMUNERATION

	Notes	Consolidated Entity	
		2016	2015
		\$	\$
Amounts received or due and receivable by Pitcher Partners for:			
An audit or review of the financial report of the entity and any other entity in the consolidated entity		49,709	45,000
Other non-audit services			
– Taxation services		3,300	15,000
		<u>52,709</u>	<u>60,000</u>

NOTE 22: FAIR VALUE MEASUREMENT

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

	30 June 2016		30 June 2015	
	Carrying Amount \$	Fair Value \$	Carrying Amount \$	Fair Value \$
Financial assets				
Cash and cash equivalents	168,545	168,545	97,077	97,077
Receivables	39,412	39,412	196,859	196,859
Other financial assets	26,105	26,105	20,000	20,000
	234,062	234,062	313,936	313,936
Financial liabilities				
Trade and other payables	1,050,516	1,050,516	635,969	635,969
Borrowings	23,005	23,005	22,171	22,171
	1,073,521	1,073,521	658,140	658,140

NOTE 23: RELATED PARTY DISCLOSURES

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

	Country of Incorporation	Percentage Owned	
		2016	2015
<i>Parent Entity:</i>			
Enhanced Oil & Gas Recovery Limited	Australia		
<i>Subsidiaries of Enhanced Oil & Gas Recovery Limited</i>			
Powgen Mining Pty Ltd (dormant)	Australia	100%	100%
Asia Energy & Minerals Limited (dormant)	Australia	100%	100%

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

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

Ross Hill & Associates Pte Ltd, an offshore entity controlled by Ross Hill, non-Executive Director provided management services under normal terms and conditions of value up to \$60,000.

NOTE 23: RELATED PARTY DISCLOSURES

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

TY Global Trade Co Pty Ltd, an entity associated with Yujiang "Jodie" Tong, non-executive director of the Company rendered management services under normal terms and conditions of value up to \$51,272.73

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

Drumcliff Investment Pty Ltd, an entity controlled by Graham Kavanagh, Executive Officer provided consulting services under normal terms and conditions of value up to \$118,182.

Ekam Commercial is a professional service firm of Eric Kam, the Company Secretary has during the year provided management services to the Company under normal terms and conditions of value up to \$60,259.

NOTE 24: SEGMENT INFORMATION

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

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

NOTE 25: PARENT ENTITY INFORMATION

Summarised statement of financial position	Notes	Parent Entity	
		2016	2015
		\$	\$
Assets			
Current assets		236,428	322,734
Non-current assets		61	20,001
Total assets		236,489	342,735
Liabilities			
Current liabilities		1,073,521	658,140
Total liabilities		1,073,521	658,140
Net assets/(liabilities)		(837,032)	(315,405)
Equity			
Contributed capital		12,225,457	11,632,971
Accumulated losses		(13,062,489)	(11,948,376)
Total Equity		(837,032)	(315,405)

NOTE 25: PARENT ENTITY INFORMATION (cont'd)

Equity	Parent Entity	
(a) Summarised statement of profit or loss and other comprehensive income	2016	2015
Loss for the year	(1,114,113)	(795,449)
Other comprehensive income for the year	-	-
Total comprehensive income for the year	(1,114,113)	(795,449)

NOTE 26: EVENTS AFTER BALANCE DATE

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

As part of a restructuring plan to reduce the overall debts, the Company secured a new funding arrangement by way of issue of Converting Notes to a syndicate of professional and sophisticated investors to raise \$400,000. The converting notes were unsecured and redeemable with a face value of \$25,000 each converting into fully paid ordinary shares in the Company at \$0.005 per share and entitling the noteholder to be issued two (2) free share options for every three (3) shares issued on conversion of those notes. The converting notes remain as an unsecured loan to the Company until the conversion of the notes into shares is approved by shareholders at a general meeting. These converting notes were issued on 18 July 2016.

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

The Deed of Settlement include a further issue of 19,227,848 shares at \$0.012 to Consultant creditors who are parties related to or are directors of the Company. This issue of shares is subject to shareholders approval at the next general meeting.

It was anticipated that the Deed of Settlement would retire a total liability of \$752,694.79 due to the creditors by a mix of cash and issue of shares in lieu of cash payments. This include a waiver of debt for \$12,914.67 agreed with one of the creditors.

The Company received a further subscription of \$125,000 for converting notes on similar terms and conditions of the previous converting notes issued on 18 July 2016 from the syndicate of professional and sophisticated investors. Until shareholders have approved the conversion of the converting notes into share securities at the next general meeting, the notes remain as an unsecured loan to the Company.

The Company is continuing to raise further working capital to defray the costs of a prospectus issue. As at current date, the Company has received subscription monies of \$45,000 for 9,000,000 shares at \$0.005 each. The Company has remaining share issuing capacity under ASX Listing Rule 7.1 of up to 22,889,543 shares.

On 18 July 2016, Troy Burns was invited to the Board as an Executive Director of the Company. At a subsequent meeting of the directors, Ross Hill advised of his intention to step aside as the Chairman due to work commitments related to his private legal practice. Troy Burns who joined the Board in an executive capacity agreed to accept the role as the Chairman of the Company.

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

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

DIRECTORS DECLARATION

The Directors of the Company declare that:

1. The attached financial statements and notes set out on pages 17 to 44 are in accordance with *Corporations Act 2001*; and
 - a) Comply with Accounting Standards in Australia and the Corporations Regulations 2001;
 - b) As stated in note 1, the consolidated financial statements also comply with International Financial Reporting Standards; and
 - c) Give a true and fair view of the financial position of the consolidated entity as at 30 June 2016 and its performance for the year ended on that date.
2. The Chief Executive Officer and Chief Financial Officer have each declared that:
 - a) The financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - b) The financial statements and notes for the financial year comply with the Accounting Standards; and
 - c) The financial statements and notes for the financial year give a true and fair view.
3. In the Directors' opinion, there are reasonable grounds to believe that the Group and Company will be able to pay their debts as and when they become due and payable.

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



Troy Burns
Chairman



Siew Hong Koh
Director

Sydney
Date: 30 September 2016



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

Report on the Financial Report

We have audited the accompanying financial report of Enhanced Oil & Gas Recovery Limited and its Controlled Entities (the consolidated entity), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of Enhanced Oil & Gas Recovery Limited are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state that, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Opinion

In our opinion:

- a) the financial report of Enhanced Oil & Gas Recovery Limited and controlled entities is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; 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 Note 1.

Emphasis of Matter

Without qualifying our opinion, we draw attention to the financial report which indicates that the consolidated entity incurred a loss for the year ended 30 June 2016 of \$1,115,827 and, as of that date, the consolidated entity's net liabilities were \$839,398. Since 30 June 2016 the company has raised additional capital as disclosed in Note 26 Events After Balance Date. In Note 1(b) it is stated that the consolidated entity's ability to continue as a going concern is dependent on the ability to raise funds as required to meet its obligations, including relisting of Enhanced Oil & Gas Recovery Limited. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 15 of the directors' report for the year ended 30 June 2016. 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.

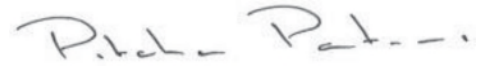
Opinion

In our opinion, the Remuneration Report of Enhanced Oil & Gas Recovery Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.



R M SHANLEY
Partner

30 September 2016



PITCHER PARTNERS
Sydney

ENHANCED OIL & GAS RECOVERY LIMITED AND CONTROLLED ENTITIES

ABN: 67 097 771 581

Shareholder Information As At 13 September 2016

A) Substantial shareholders

Name	Number of Shares	Percentage of Issued Shares
Clever Money Pty Ltd	66,639,000	8.11%
Vibrant Link Sdn Bhd	42,750,000	5.20%

B) Distribution of fully paid ordinary shares

(i)	Distribution schedule of holdings	Unquoted (EORAI)	Quoted (EOR)	Total
	1 – 1,000	-	27	27
	1,001 – 5,000	-	10	10
	5,001 – 10,000	-	82	82
	10,001 – 100,000	1	111	112
	100,001 and over	103	258	362
	Total number of holders	104	488	592
(ii)	Percentage held by the 20 largest holders	58.8%	48.8%	37.6%
(iii)	Total issued shares	412,249,883	409,810,055	822,059,938
(iv)	Number of holders with less than marketable parcels (\$500 at 0.8c UMP 62,500 EOR shares) of quoted securities is 193 for total of 3,488,361 EOR shares.			

C) Twenty largest shareholders of quoted ordinary shares as at 13 September 2016

Rank	Name	Units	% of Units
1.	VIBRANT LINK SDN BHD	42,750,000	5.20
2.	MS NATASHA VOJVODIC	35,649,100	4.34
3.	MISS YUJIANG TONG	30,000,000	3.65
4.	UNION PACIFIC TRADING PTY LTD	20,702,436	2.52
5.	ROSS HILL & ASSOCIATES PTE LTD	17,272,726	2.10
6.	INGSOL PTY LTD <INGSOL S/F A/C>	17,000,000	2.07
7.	CLEVER MONEY PTY LTD	15,000,000	1.82
8.	COMMUNICATE PTY LTD <COMMUNICATE A/C>	14,374,686	1.75
9.	WILLIAM GEORGE BISHOP	11,500,000	1.40
10.	MS NYOK CHIN WONG	11,459,000	1.39
11.	CITICORP NOMINEES PTY LIMITED	11,179,550	1.36
12.	BPS CORPORATION PTY LTD	10,000,000	1.22
13.	CHIFLEY PORTFOLIOS PTY LTD	10,000,000	1.22
14.	MUSTAPHA SABOUNE	10,000,000	1.22
15.	MR DAVID FRANCIS SCHWEDE + MRS JANINE ANN SCHWEDE <THE SCHWEDE SUPER FUND A/C>	10,000,000	1.22
16.	SACCO DEVELOPMENTS AUSTRALIA PTY LIMITED	9,000,000	1.09
17.	MS NAJMA TASNEEM	8,750,000	1.06
18.	NAVJEET PUNIA	8,333,333	1.01
19.	MR HUA ZHANG	8,250,000	1.00
20.	BENBAXTER PTY LTD	8,000,000	0.97
Total:		309,220,831	37.61

D) Voting rights

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

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