



Eromanga Hydrocarbons NL

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Australian Stock Exchange Limited

ASX and Media Release
Monday 22 June 2009

Initiative to simplify Eromanga's capital structure

Eromanga Hydrocarbons NL (ASX: ERH, ERHO and ERHCA) is pleased to advise that it has commenced an important initiative to simplify Eromanga's capital structure. By the time of the next AGM, the Board expects that Eromanga will have:

- Restructured from an "NL" entity to the more common "Ltd" status.
- Eliminated the ERHCA partly paid shares.
- Reduced the total number of Eromanga securities on issue by 24% to 282 million.
- Only two listed securities on the ASX; ERH fully paid shares and ERHO20c options¹.

The ERCHA partly paid shares will be eliminated through a buy-back with one ERH fully paid share issued for every 3.125 ERHCAs tendered. This buy-back will be followed by a call on the unpaid amount of any remaining ERHCAs and cancellation of any ERHCA partly paid shares on which that call is unpaid.

The anticipated reduction in the total number of securities would result from eliminating the ERHCAs and the expiry and exercise of options. Converting Eromanga to a "Ltd" entity from the current "NL" status will be possible once all ERHCAs are eliminated.

¹ Subject to ERHO20c options meeting ASX requirements for listing when the ERHO "piggy back" options expire on 24 July 2009

As described below, these outcomes are subject to shareholder and regulatory approval.

Buy-back of ERHCAs

The Board has determined that Eromanga's partly paid share structure creates cost and complexity for the Company. The Board also believes that a re-rating of the company is more likely once Eromanga becomes a "Ltd" entity rather than the more complex and out dated "NL" company that it is today.

The Board has therefore decided to commence a process to buy-back the ERHCA securities by offering ERH fully paid ordinary shares as consideration. One ERH fully paid ordinary share will be issued for every 3.125 ERHCAs tendered into the buyback. This number of ERHCAs represents the portion of the ERHCAs that has been paid-up (\$0.16) as a ratio to the former par value of the fully paid shares (\$0.5). This ratio is equivalent to the voting rights of the ERHCAs.

There will then be a call on remaining ERHCA securities that are not tendered into the buyback. Any ERHCA securities upon which that call remains unpaid will be forfeited to Eromanga. The Board then intends to recommend the cancelation of any forfeited ERHCAs to a vote of members which is expected to be held at the next AGM.

Further details of how the steps will be implemented are provided in Annexure 1.

The Company will make further announcements regarding the proposed buyback, including advising the record date at which the buy-back offer will apply and detailed terms of the buyback.

Simplified Capital Structure

Table 1 shows the capital structure of Eromanga assuming all ERHCA partly paid securities are acquired and cancelled in the buy-back. It also assumes all ERHO options are exercised on or before their expiry on 24 July 2009.

Table 1 – Change in Eromanga’s Capital Structure

Number of securities (million)	After	Before
	Capital post AGM November 2009	Capital Structure June 2009
Fully paid ordinary	228	163
ERHCAs (Note 1) ²	-	110
ERHO 10 c (Note 2) ³	-	30
ERHO 20 c (expiring on 31 July 2012)	36	36
Perf. rights & director’s options ⁴	18	30
Total number of securities	282	369

Commenting on the initiative Phil Galloway, CEO of Eromanga said; “Converting Eromanga from a no liability (“NL”) to a limited (“Ltd”) entity will make the company easier to understand. The Board firmly believes that the complexity of the existing capital structure is masking the value of our developing oil business in Brazil.”

Phil Galloway

Chief Executive Officer

² Assumes all 109.914 million ERHCA’s are tendered into the buy-back with 35.172 million ERH shares issued. A smaller number of ERH shares will be issued if some ERHCAs are not tendered into the buy-back or are called and paid or called and cancelled.

³ In addition to the buy-back Eromanga’s ERHO options will expire on 24 July 2009. Exercise of all the ERHO options before their expiry will result in the issue of approximately 30 million ERH shares and 30 million new ERH020c options exercisable at 20 cents and expiring 31 July 2012. It is assumed for the purposes of the above table that all of these options will be exercised. A smaller number of ERH shares and ERH020c options will be issued if any of the 10 cent options lapse.

⁴ Assumes Director’s Options A and B are not exercised.

Annexure 1 - Implementation

About NL Companies

NL companies were popular in the in the 1970s and 80s because of certain restrictions at that time on companies issuing shares at a discount to their par value. These restrictions were lifted in the 1990's. Only resource companies were permitted to use the structure.

NL companies typically had a large number of partly paid (or “contributing”) shares that could be called at any time by the Directors. Holders of the partly paid shares had “no liability” for the un-called amount which is why such companies must include the NL designation in their names. Any call must be made in accordance with the Listing Rules of ASX, the Company's constitution and the Corporations Act.

Today, there are only forty seven NL companies out of the 573 resource companies listed on the ASX.

Implementing the buy-back of ERHCAs

Eromanga has 109.914 million partly paid shares. These shares are paid to 16 cents on a 50 cent par value share. The partly paid shares are listed on the ASX and trade as ERHCAs.

The buy-back of the ERHCAs will require the support of 75% of eligible members that vote in person or by proxy at an Extraordinary General Meeting which is expected to be held in August. Holders of fully paid shares will be eligible to vote if they do not hold ERHCA securities.

Full details of the buy-back will be the subject of an Explanatory Memorandum expected to be sent to all members in July with the notice of the Extraordinary General Meeting.

Implementing the call on ERHCAs and cancelation of any un-paid ERHCAs

The call by Directors on any remaining ERHCAs is proposed to be made in August. This is in accordance with the terms of the ERHCAs. Full details, including the timetable for the call, will be the subject of further announcements. The purpose of the call is to raise additional funds for the Company's oil projects and to provide additional working capital. The amount which would be raised if all calls are paid will depend upon the number of ERHCAs remaining after the buyback. As Eromanga is a no liability company, if the call is not paid the Company will not be entitled to recover the unpaid call as a debt.

A vote on a resolution for the cancellation of any un-paid ERHCAs is then proposed to take place at the AGM in September and will require the support of 75% of eligible members that vote on the resolution in person or by proxy.

Implementing the change to Eromanga Hydrocarbons Ltd

All members will be invited to vote on a new constitution for Eromanga at the AGM. Eromanga's existing constitution was drafted in 1970. Because of the partly paid shares and other developments in corporate law and practice, the constitution is complex and out dated. A copy of the proposed new constitution will be made available to shareholders when the notice of the meeting at which it is proposed is released.