



A.B.N. 66 138 145 114

Preliminary Final Report (Appendix 4E)  
for the year ended 31 December 2017

**RESULTS FOR ANNOUNCEMENT TO THE MARKET**

	%'age Change	US\$ 2017	US\$ 2016
Revenue from ordinary activities	↓ 7%	\$4,958,280	\$5,335,620
Net Profit/(Loss) from ordinary activities after tax attributable to members		\$549,763	(\$575,771)
Net Profit/(Loss) after tax for the period attributable to members		\$549,763	(\$575,771)
Earnings per share		0.26 cents	(0.33) cents
Diluted earnings per share		0.26 cents	(0.33) cents
Net tangible assets per share	↓ 24%	1.30 cents	1.68 cents
Earnings before interest, tax, depreciation, amortisation and exploration (EBITDA) <sup>1</sup>	↑ 150%	\$1,067,443	\$426,259
Field operating profit before amortisation and depreciation <sup>1</sup>	↓ 13%	\$1,943,280	\$2,237,334

Directors have not proposed a dividend and no dividend has been paid since incorporation.

This report is based on accounts which have not been audited.

**The functional and presentation currency of Eon NRG Limited is United States dollars (US\$). Any reference to dollars or currency in this report will be a reference to US\$ unless stated otherwise.**

<sup>1</sup> EBITDA and Field operating profit before amortisation and depreciation are non-IFRS measures. They excludes impairment, amortisation, depreciation, interest (including finance costs) and tax. These measures used as part of the key performance indicators for management.

## COMMENTARY ON RESULTS

This consolidated financial report of Eon NRG Limited ("Eon" or "the Company") covers the twelve months of operations for the year ended 31 December.

A summary of operating results is as follows:

	2017	2016
Gross volume of oil, gas and NGL sold		
Oil (Barrels)	57,845	85,521
Gas (Mcf)	431,736	580,926
NGL (Barrels)	37,522	41,383
TOTAL – Barrels of oil equivalent (BOE)	<b>167,323</b>	<b>223,725</b>
	<b>US\$ Million</b>	<b>US\$ Million</b>
Gross revenue from oil, gas and NGL sales	\$4.958	\$5.336
Royalty payments	(\$0.854)	(\$0.931)
Exploration expense	(\$0.208)	\$ -
Production expenses	(\$2.161)	(\$2.168)
<b>Operating Profit</b>	<b>\$1.735</b>	<b>\$2.237</b>
Other income	\$0.097	\$0.075
Gain on acquisition – Borie Field	\$0.908	\$ -
Overhead expenses	(\$1.673)	(\$1.886)
<b>EBITDA</b>	<b>\$1.068</b>	<b>\$0.426</b>
Interest expense & finance costs	(\$0.354)	(\$0.366)
Depreciation/amortisation	(\$1.345)	(\$1.809)
Tax (expense)/benefit	\$ -	\$ -
Impairment reversal	\$1.180	\$1.172
<b>Net profit/(loss) after tax</b>	<b>\$0.549</b>	<b>(\$0.576)</b>

The sale of the Colorado oilfield, effective at the end of 2016, was the main reason for the reduction in oil production from 2016 to 2017.

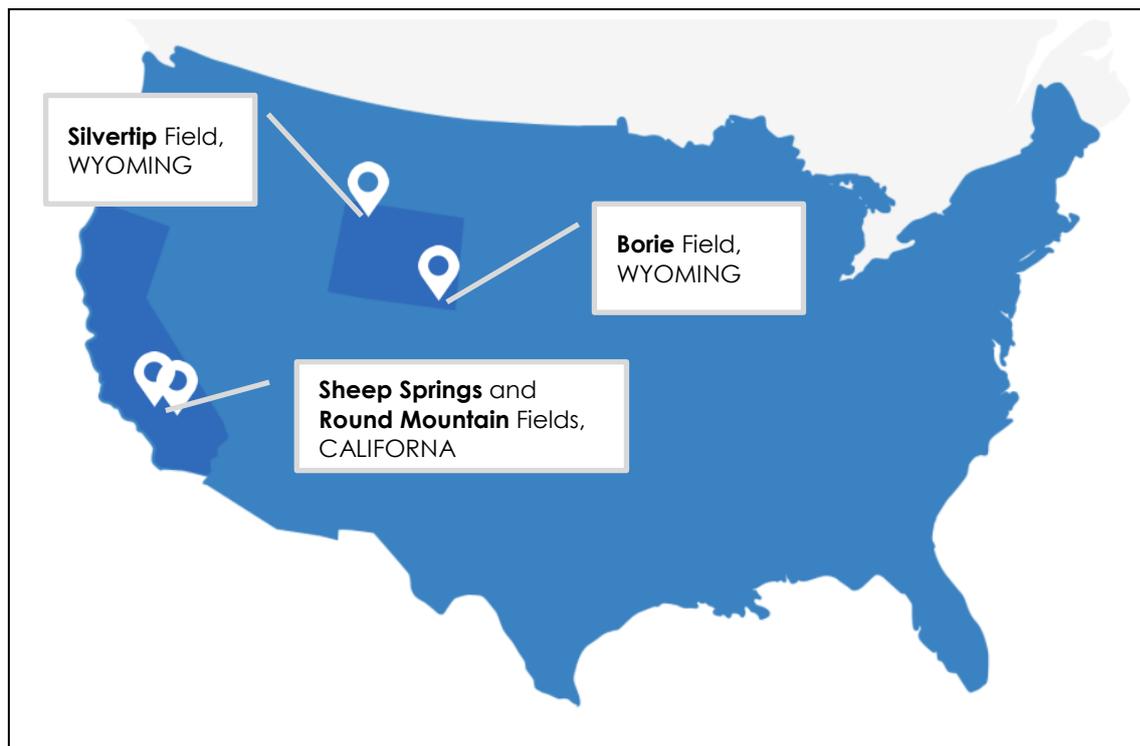
The price of oil, natural gas and NGL's all increased in 2017 compared to the prior year by 29%, 16% and 68% respectively.

Based on the fair market value at the time of acquiring the Borie Field, a gain of \$908,000 has been recorded in 2017 in accordance with International Financial Reporting Standards. This gain was in part due to the increase in oil price from the date of negotiating the agreement to the effective date of the transaction.

During 2017, the Company reduced bank debt by \$1.4 million with cash from operations.

Eon raised new equity of \$1.361 million (net of brokerage and compliance costs) through a placement of shares in November 2017 which was used to acquire the Borie Oilfield in Wyoming.

## REVIEW OF OPERATIONS



### **BORIE FIELD, DJ Basin, WYOMING:**

Eon acquired the Borie Oilfield in December 2017. The field, located in the prolific DJ Basin, covers an area of 2,850 net acres, all of which is held by production (no further drilling commitments to hold any of the leases). The field was independently assessed to have proven producing reserves of 184 MBbls of oil at the time of purchase.

Oil is produced from the Muddy Formation which is at a depth of approximately 7500 feet below surface. Future field development exits with the potential to drill additional wells and there is the potential for an enhanced oil recovery through a waterflood of existing reserves.

### **SILVERTIP, Bighorn Basin, WYOMING:**

The Silvertip Field is located in the Bighorn Basin and covers an area of 4,700 acres, 4,437 acres of which are held by production. The operations include a full liquids stripping and gas processing plant with two export pipelines direct to offtake parties. Oil, natural gas and associated natural gas liquids (NGL's) are produced from a number of multi stacked formations within the field.

### **CALIFORNIA OPERATIONS: SHEEP SPRINGS and ROUND MOUNTAIN**

The Sheep Springs and Round Mountain Oilfields located in the prolific San Joaquin Basin cover a combined area of 480 net acres, all held by production. These fields continued to perform well during 2017 with low production decline.

### **BATTERY MINERALS EXPLORATION DIVISION:**

Eon is positioning itself to take advantage of the growth in global battery energy demand through the low cost, staged exploration, discovery and development of battery mineral resources that are and will be required for current and future power, storage and distribution. The primary focus is on Cobalt, Copper and Lithium.

## Consolidated statement of profit and loss and other comprehensive income (for the year ended 31 December)

		2017 US\$	2016 US\$
Oil, gas and NGL sales	2a	4,958,280	5,335,620
Direct cost of sales -			
Royalty costs		(853,962)	(930,573)
Production expenses		(2,161,038)	(2,167,713)
Amortisation and depreciation	2b	(1,318,653)	(1,787,878)
Exploration		(207,503)	-
Gross profit from operations		417,124	449,456
Other operating revenue	2a	96,852	74,790
Administrative expenses	2b	(1,097,128)	(1,221,664)
Other operating expenses	2c	(601,847)	(684,326)
Interest and finance expenses	2d	(353,894)	(365,740)
Gain on bargain purchase	2e	908,656	-
Impairment of assets	2f	1,180,000	1,171,713
Profit / (Loss) before income tax		549,763	(575,771)
Income tax (expense) / benefit		-	-
Profit / (Loss) after tax		549,763	(575,771)
<b>Profit / (Loss) for the period attributable to members of the entity</b>		<b>549,763</b>	<b>(575,771)</b>
<b>Other comprehensive income:</b>			
Items that will not be reclassified to profit and loss		-	-
Items that may be reclassified to profit or loss		-	-
<b>Other comprehensive income / (loss) for the period, net of tax</b>		-	-
<b>Total comprehensive income / (loss) for the period attributable to members of the entity</b>		<b>549,763</b>	<b>(575,771)</b>
<b>Basic (loss) /earnings per share attributable to ordinary equity holders of the entity (cents)</b>	3	0.26	(0.33)
<b>Diluted (loss) /earnings per share attributable to ordinary equity holders of the entity (cents)</b>	3	0.26	(0.33)

## Consolidated statement of financial position (as at 31 December)

	Note	2017 US\$	2016 US\$
<b>Current assets</b>			
Cash and cash equivalents	4	587,308	658,450
Trade and other receivables	5	522,904	654,587
Inventories	6	86,585	75,343
Assets classified as held for sale	7	4,920,343	2,430,988
<b>Total current assets</b>		<u>6,117,140</u>	<u>3,819,368</u>
<b>Non-current assets</b>			
Other financial assets	8	688,480	322,734
Oil properties	9	8,921,759	10,218,971
Plant and equipment	10	2,596,116	2,928,625
Deferred Tax Asset		-	-
<b>Total non-current assets</b>		<u>12,206,355</u>	<u>13,470,330</u>
<b>Total assets</b>		<u>18,323,495</u>	<u>17,289,698</u>
<b>Current liabilities</b>			
Trade and other payables	11	920,056	1,034,699
Interest bearing liabilities	12	200,000	950,000
Taxes payable		126,265	126,265
Provisions	13	150,072	115,166
Liabilities directly associated with the assets classified as held for sale	7	523,409	488,190
<b>Total current liabilities</b>		<u>1,919,802</u>	<u>2,714,320</u>
<b>Non-current liabilities</b>			
Trade and other payables	11	-	40,159
Interest bearing liabilities	12	6,172,402	6,817,914
Provisions	13	5,047,677	4,317,494
<b>Total non-current liabilities</b>		<u>11,220,079</u>	<u>11,175,567</u>
<b>Total liabilities</b>		<u>13,139,881</u>	<u>13,889,887</u>
<b>Net assets</b>		<u>5,183,614</u>	<u>3,399,811</u>
<b>Equity</b>			
Issued capital	14	25,157,926	23,796,744
Share reserved for employee share plan	14	(122,347)	4,795
Reserves	16	349,661	349,661
Accumulated losses		(20,201,626)	(20,751,389)
<b>Total equity</b>		<u>5,183,614</u>	<u>3,399,811</u>

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**Consolidated statement of cash flows  
(for the year ended 31 December)**

	Note	<u>2017 US\$</u>	<u>2016 US\$</u>
<b>Cash flows from operating activities</b>			
Receipts from customers		5,277,937	4,851,100
Payments to suppliers and employees		(4,588,515)	(3,912,312)
Interest received		1,483	1,319
Interest paid		(320,051)	(338,145)
Production tax paid		(333,507)	(418,566)
Net cash provided by operating activities		<u>37,347</u>	<u>183,396</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of Florence Oilfield		1,951,186	50,000
Acquisition of Borie Oilfield, net of cash acquired		(920,772)	-
Oil property development expenditure		(453,334)	(636,218)
Exploration expenditure - Newport		(207,503)	-
Refunds/(payments) for performance bonds		(365,747)	-
Proceeds from sale of assets		20,924	28,298
Payments for purchases of property, plant and equipment		(62,851)	(959)
Net cash used in investing activities		<u>(38,097)</u>	<u>(558,879)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issues of equity securities		1,520,520	1,147,152
Transaction costs for issue of shares		(159,339)	(72,957)
Repayment of borrowings		(1,425,106)	(995,237)
Proceeds of borrowings		-	500,000
Net cash provided by/(used in) financing activities		<u>(63,925)</u>	<u>578,958</u>
<b>Cash and cash equivalents at the start of the year/period</b>			
		658,450	445,419
<b>Net increase/(decrease) in cash and cash equivalents</b>			
		(64,675)	203,475
<b>Exchange differences on cash balances held</b>			
		(6,467)	9,556
<b>Cash and cash equivalents at the end of the year/period</b>			
		<u>587,308</u>	<u>658,450</u>

## Consolidated statement of changes in equity (for the year ended 31 December)

	Issued capital US\$	Shares reserved for employee share plan US\$	Accumulated profits/ (losses) US\$	Share option reserve US\$	Total equity US\$
<b>At 31 December 2016</b>	<b>23,796,744</b>	<b>4,795</b>	<b>(20,751,389)</b>	<b>349,661</b>	<b>3,399,811</b>
Loss attributable to members of the Group	-	-	549,763	-	549,763
Other comprehensive income	-	-	-	-	-
Total comprehensive income/(loss) for the period	-	-	549,763	-	549,763
Issue of equity	1,508,561	-	-	-	1,508,561
Issue of employee shares	11,959	-	-	-	11,959
Cost of issue of share capital	(159,338)	-	-	-	(159,338)
Issue of options	-	-	-	-	-
Share based payment expense	-	(127,142)	-	-	(127,142)
<b>At 31 December 2017</b>	<b>25,157,926</b>	<b>(122,347)</b>	<b>(20,201,626)</b>	<b>349,661</b>	<b>5,183,614</b>

	Issued capital US\$	Shares reserved for employee share plan US\$	Accumulated profits/ (losses) US\$	Share option reserve US\$	Total equity US\$
<b>At 31 December 2015</b>	<b>22,717,388</b>	<b>(27,699)</b>	<b>(20,175,618)</b>	<b>349,661</b>	<b>2,863,732</b>
Loss attributable to members of the Group	-	-	(575,771)	-	(575,771)
Other comprehensive income	-	-	-	-	-
Total comprehensive income/(loss) for the period	-	-	(575,771)	-	(575,771)
Issue of equity	1,147,153	-	-	-	1,147,153
Issue of employee shares	5,160	(5,160)	-	-	-
Cost of issue of share capital	(72,957)	-	-	-	(72,957)
Issue of options	-	-	-	-	-
Share based payment expense	-	37,654	-	-	37,654
<b>At 31 December 2016</b>	<b>23,796,744</b>	<b>4,795</b>	<b>(20,751,389)</b>	<b>349,661</b>	<b>3,399,811</b>

## Condensed notes to the financial statements

### 1. Summary of significant accounting policies

#### a. Basis of preparation

The report is based on accounts that are in the process of being audited.

The report does not include all of the notes normally included in an annual financial report. Accordingly this report is to be read in conjunction with the financial report for the year ended 31 December 2016, the Interim Financial Report for the half year ended 30 June 2017 and any public announcements made by Eon during the reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

***The financial report is presented in United States dollars (US\$) unless otherwise stated.***

#### b. Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

The Company has adopted all new and revised Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board (AASB) which are mandatory to apply to the current year.

#### c. Principals of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Eon NRG Limited ("Eon") as at 31 December 2017 and the results of all subsidiaries for the year then ended. Eon and its subsidiaries together are referred to as the Group. Subsidiaries are all those entities (including special purpose entities) over which the Group has power to govern the financial and operating policies, so as to obtain benefits from its activities, generally accompanying a shareholding of more than one-half of the voting rights. The existence and potential effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Entity, using consistent accounting policies. Accounting policies of subsidiaries have been changed when necessary to ensure consistency with the policies adopted by the Group.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Intercompany transactions and balances, income and expenses and profit and losses between Group companies, are eliminated.

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	2017 US\$	2016 US\$
<b>2. Revenue, other income and expenses</b>		
<b>a) Sales revenue</b>		
Oil and gas	4,954,511	5,319,692
Royalties	3,769	15,928
Oil and gas sales	<u>4,958,280</u>	<u>5,335,620</u>
<b>Other revenue</b>		
Interest Income	1,483	1,319
Other revenue	95,369	73,471
Total other revenue	<u>96,852</u>	<u>74,790</u>
<b>b) Depreciation and amortisation included in the statement of profit or loss</b>		
Amortisation – oil and gas properties	(983,108)	(1,307,899)
Depreciation – oil and gas properties	(334,817)	(479,979)
	<u>(1,317,925)</u>	<u>(1,787,878)</u>
Depreciation – other plant & equipment	(26,616)	(21,311)
	<u>(1,344,541)</u>	<u>(1,809,189)</u>
<b>c) Net gain/(loss) on sale of oil properties and exploration assets</b>		
Equipment sale	76,435	(14,922)
<b>d) Finance costs</b>		
Interest on bank loans	(320,051)	(338,145)
Financing charges	(33,843)	(27,595)
	<u>(353,894)</u>	<u>(365,740)</u>
<b>e) Gain on bargain purchase</b>		
Bargain purchase gain on acquisition of Borie Oilfield (refer Note 17)	908,656	-
NOTE - Under International Financial Reporting Standard (IFRS) 3 – Business Combinations, the term “bargain purchase” is used to describe the value (based on fair market assumptions) of identifiable assets acquired and liabilities assumed that are above the consideration that is paid for the asset.		
<b>f) Impairment of assets</b>		
Reversal of impairment of oil and gas properties		
- Sheep Springs, CA	918,811	-
- Round Mountain, CA	206,632	-
- Florence, CO	-	828,403
Reversal of impairment of property, plant and equipment	54,557	343,310
	<u>1,180,000</u>	<u>1,171,713</u>

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	<b>2017</b>	<b>2016</b>
	<b>US\$</b>	<b>US\$</b>
<b>3. Earnings per share</b>		
Earnings used in calculating basic earnings per share	<u>549,763</u>	<u>(575,771)</u>
	<b>Number of</b>	<b>Number of</b>
	<b>Shares</b>	<b>Shares</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	212,181,145	176,461,424
Effect of dilutive securities:		
Share Options	<u>-</u>	<u>-</u>
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	<u>212,181,145</u>	<u>176,461,424</u>
	<b>2017</b>	<b>2016</b>
	<b>US\$</b>	<b>US\$</b>
<b>4. Cash and cash equivalents</b>		
Cash at bank and on hand	<u>587,308</u>	<u>658,450</u>
<b>Note –</b>		
Additional cash of <b>\$672,734</b> is held on term deposit as security for performance bonds and is classified as non-current other receivables in the balance sheet (Refer Note 8)		
<b>5. Trade and other receivables</b>		
<b>Current -</b>		
Oil and gas sales debtors	463,219	580,414
Other receivables	<u>59,685</u>	<u>74,173</u>
	<u>522,904</u>	<u>654,587</u>
<b>6. Inventories</b>		
Oil and gas inventory at cost of production	<u>86,585</u>	<u>75,343</u>
<b>7. Assets and liabilities classified as held for sale</b>		
<b>Assets</b>		
Production assets and plant and equipment (net of accumulated amortisation, depreciation and impairment)	4,920,343	2,430,988
<b>Liabilities</b>		
Restoration liability associated with production assets classified as held for sale	<u>(523,409)</u>	<u>(488,190)</u>
	<u>4,396,934</u>	<u>1,942,798</u>

In May 2017 the Company announced its intention to place the Sheep Springs and Round Mountain Fields on the market for sale. The associated assets and liabilities were consequently presented as held for sale.

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**7. Assets and liabilities classified as held for sale (Cont)**

Proceeds from the sale of the California assets will be used to reduce bank debt. These assets remain unsold at the year-end but it is still the intention that these assets be sold.

In December 2016, Eon entered into an agreement to divest of its Colorado Oilfield. The associated assets and liabilities were consequently presented as held for sale in the 2016 financial statements. A purchase and sale agreement was executed in March 2017 and the sale was closed in April 2017.

A reversal of impairment on the Colorado Oilfield of \$1,171,713 was booked in 2016 to reflect the fair value of the assets held for sale based on the ultimate sale price (Refer Note 2(f)).

	<b>2017 US\$</b>	<b>2016 US\$</b>
<b>8. Other financial assets</b>		
<b>Non-current</b>		
Cash held as security	688,480	322,734
	<hr/>	<hr/>
<b>9. Oil Properties</b>		
Cost of acquisition and enhancements	11,204,856	17,425,119
Accumulated amortisation and impairment	(2,283,097)	(7,206,148)
	<hr/>	<hr/>
	8,921,759	10,218,971
	<hr/>	<hr/>
<b>10. Fixed assets</b>		
Cost	3,502,845	3,862,299
Depreciation and impairment	(906,729)	(933,674)
	<hr/>	<hr/>
	2,596,116	2,928,625
	<hr/>	<hr/>
<b>11. Trade and other payables</b>		
CURRENT -		
Trade payables and accruals	920,526	1,034,699
	<hr/>	<hr/>
NON CURRENT -		
Trade payables and accruals	-	40,159
	<hr/>	<hr/>

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	<b>2017</b>	<b>2016</b>
	<b>US\$</b>	<b>US\$</b>
<b>12. Interest Bearing Liabilities</b>		
CURRENT -		
Bank Loan (Secured)	200,000	950,000
NON-CURRENT -		
Bank Loan (Secured)	6,172,402	6,817,914

The secured bank loans are provided by ANB Bank as a US Dollar denominated term loan facility. An initial loan of \$3 million (balance at Dec 2017 - \$Nil) was provided in May 2014. The further loan facility was made available and drawn on for the purpose of acquiring the Silvertip Field in June 2015 (Dec 2017 - \$6,157,160). The loans are made up of two term loans and a line of credit as follows:

**Term Loan 1 -**

- Initial face value of loan - \$3.0 million (Balance Dec-17 - \$Nil; Dec-16 - \$968,830)

**Term Loan 2 -**

- Initial face value of loan - \$1.0 million (Balance Dec-17 - \$271,086; Dec-16 - \$692,109)

**Line of Credit -**

- Initial loan facility limit - \$7.0 million (facility limit Dec-17 - \$7,000,000)
- Loan balance Dec-17 - \$6,157,160 (Dec-16 - \$6,157,160)

	<b>2017</b>	<b>2016</b>
	<b>US\$</b>	<b>US\$</b>
<b>13. Provisions</b>		
CURRENT -		
Employee leave provision	150,072	115,166
NON CURRENT -		
Asset retirement obligation	5,047,677	4,317,494

**14. Issued capital**

	<b>Number of shares</b>	<b>Number of shares</b>
At 1 January	201,834,580	163,684,580
New shares issued - placement	197,906,206	38,000,000
New shares issued- employee shares	360,000	150,000
At 31 December	400,100,786	201,834,580
	<b>US\$</b>	<b>US\$</b>
At 1 January	23,796,744	22,717,388
New shares issued – placement (net of capital raising costs)	1,350,769	1,074,196
New shares issued – employee shares	10,413	5,160
At 31 December	25,157,926	23,796,744
Shares reserved for employee share plan	(122,347)	4,795

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	<b>2017</b>	<b>2016</b>
	<b>US\$</b>	<b>US\$</b>
<b>15. Options</b>		
The company has on issue 197,906,206 options exercisable at A\$0.02 per option on or before 29 November 2019.		
The company has on issue 5,000,000 options exercisable at A\$0.1485 per option on or before 27 July 2018.		
During the year 400,000 options exercisable at A\$0.07 per option on or before 26 May 2017 expired. None of these were exercised.		
<b>16. Reserves</b>		
Share option reserve	349,661	349,661
<b>17. Business combinations</b>		
On 1 December 2017, the Company completed the acquisition of the Borie Oilfield ("Borie") which is located in the DJ Basin, Wyoming.		
<b>Assets acquire and liabilities assumed</b>		
The fair value of the identifiable assets and liabilities associated with the Borie Oilfield as at the date of acquisition were:		
<b>Assets</b>		
Oil Properties (Note 9)	2,414,500	-
Property, plant and equipment (Note 10)	50,000	-
Inventories (Note 6)	28,766	-
	2,493,266	-
<b>Liabilities</b>		
Asset retirement obligation (Note 13)	(655,844)	-
	1,837,422	-
Total identifiable net assets at fair value	1,837,422	-
Purchase consideration paid	920,772	-
Net revenue adjustment pre-close	7,994	-
Gain on purchase	908,656	-
	1,837,422	-

Consideration for the purchase of Borie was funded from equity raised by the Company.

The fair value of the property, plant and equipment is based on an estimate of the replacement cost of the gas processing plant. The fair value of inventory is based on the market price of oil at the time of purchase. The fair value of the oilfield property (and associated freehold land) is based on the net present value of the proved developed producing reserves as provided by an independent certified engineer at the time of purchase. Asset retirement obligation of \$655,844 was determined based on the NPV of the estimated plug and abandonment cost of the wells in the Borie Field.

The gain on purchase has arisen in part due to the increase in oil price from the time of negotiating the agreement to the effective date of the agreement.

From the date of acquisition to the end of the current financial year, Borie contributed \$105,625 of gross revenue and \$17,174 to profit before tax from continuing operations of the Group.