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23 April 2018

ASX : E2E

## QUARTERLY ACTIVITIES REPORT For the period ended 31 March 2018

### 1 HIGHLIGHTS

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- Prospective Cobalt Claims acquired in Nevada, USA
- Successful gas well recompletion at the Silvertip Oil and Gas Field
- Permitting commenced for 2 new wells at the Borie Oilfield
- WTI oil price averaged US\$62.89/barrel, up from \$55.38/barrel in Q4-17 – current spot price of \$68/barrel
- Q1 2018 revenue receipts of \$1.45m
- Net positive company cash flow reported for the quarter

### 2 BATTERY MINERALS DIVISION

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During the quarter, Eon announced the acquisition of its cobalt prospect with first 18 mineral claims and recently in April a second group of 24 claims combined covering an area of 840 acres in the Stillwater Range (Table Mountain District), Nevada.

The claims include the historic Gilberts silver, gold and lead mine and there are a number of significant adits and tunnels from previous mineral exploration that date back to the late 1800's. The claims are less than 3 miles (5 km) from the historic Lovelock cobalt mine.

The Company is targeting broadly disseminated mineralisation that has the potential to host significant ore body with cobalt content which would not have been economic to mine over a century ago, when last mined. Eon is applying modern exploration methods to these historic prospects for the discovery of a significant battery mineral deposit such as cobalt.

Eon established the battery minerals division to identify and acquire opportunities in the emerging energy storage sector. The Company has targeted prospective cobalt areas as this is recognised as a mineral that is integral to the emerging battery market and is limited in supply globally relative to its expected demand.



*Adit entry to the historic Gilberts Mine*

### 3 BORIE OILFIELD, DJ BASIN, WYOMING

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Eon completed the acquisition of the Borie Oilfield and took over as operator in December 2017.

#### **Production -**

The Borie field has produced over 10,000 barrels of oil in the first six months of ownership by the Company. Three workovers were performed on wells during the first quarter of 2018 and production is ahead of expectation at ~70 bopd.

#### **New wells -**

Eon is in the process of permitting two new drills within the Borie Oilfield.

One of these wells will be a vertical Muddy/J Sand development well drilled to a TD of 8,600’.

The second well will be a 4,000-foot horizontal lateral exploration well targeting the Niobrara Chalk formation. A drill stem test (DST) was previously performed in the Niobrara Formation during the drilling of an offsetting vertical Muddy J well that resulted in 1,500 feet of gas, 200 feet of oil gas cut mud, and 70 feet of mud and gas cut oil.



*Workover rig in the Borie Oilfield*

**Waterflood Enhanced Oil Recovery (EOR) -**

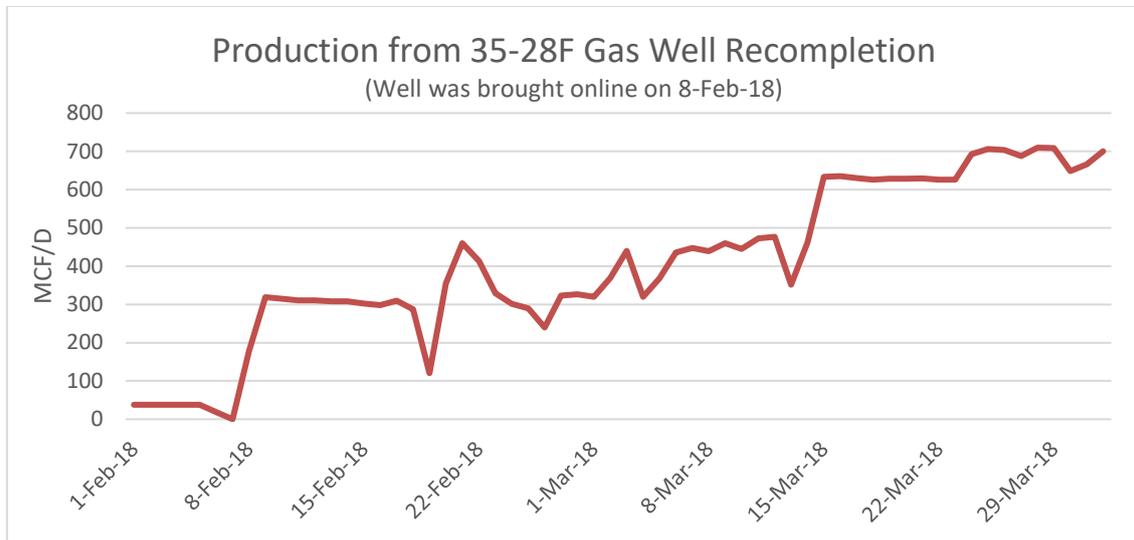
Work is under way for the implementation of an EOR waterflood program in the North Borie portion of the field. The workover on the water injection well and surface pumping equipment should be ready for injection to commence in the month of May.



*Oil storage infrastructure at the Borie Oilfield*

## SILVERTIP FIELD, BIGHORN BASIN, WYOMING

In February, Eon carried out a recompletion of an untested sand lobe within the Meeteetse Formation of the 35-28F well in the Silvertip Field. The 60-day initial production rate for the well was 487 MCF/D and gas production continued to increase for the remainder of the quarter from this well. The well is currently flowing 700 mcd while holding 390 psi of backpressure on the wellbore which demonstrates the reservoir has more lateral extension than expected.



The capital cost of the well recompletion was US\$22,000 which was repaid within the first 30 days of production. The recompletion has generated net revenue (after royalties and production tax) of more than US\$60,000 in the first 60 days of operation. Additional recompletion opportunities with similar formation characteristics to the 35-28F well are under review and will be permitted in the upcoming months.

Several workovers have also resulted in a 16% increase in oil production.

## 4 CORPORATE

The Company had a net operating cash flow surplus for the Quarter of US\$149,000 and an overall surplus of \$83,000 after costs associated with the acquisition of Cobalt claims and bank debt principal repayments.

Total cash at the end of Q1-18 was US\$1.343 million of which US\$673,000 is held as security for environmental bonds.



WTI Oil price chart (last 12 months)

The average oil price has increased by 14% from the last quarter of 2017 with the West Texas Intermediate (WTI) spot oil at US\$68.26 at the close of trade in the the week ending April 20<sup>th</sup>, 2018.

## 5 PRODUCTION

Gross production across all fields in Q1-18 was 50,654 BOE, an average of 563 BOEPD. Net sales volume for the quarter was 33,787 BOE.

Gross production and net sales volumes for the last two quarters (Q1-18 and Q4-2017) and corresponding prior year quarter (Q1-2017) are shown in Table 1 below.

| <b>TABLE 1</b>                        | <b>Q1<br/>2018</b> | <b>Q4<br/>2017</b> | <b>Q1<br/>2017</b> |
|---------------------------------------|--------------------|--------------------|--------------------|
| <b>Gross Production</b>               |                    |                    |                    |
| Oil production (Bbls)                 | 16,125             | 17,344             | 12,770             |
| Gas production (BOE) <sup>1</sup>     | 26,772             | 25,986             | 34,808             |
| NGL production (Bbls)                 | 7,758              | 7,498              | 9,738              |
| Total barrels of oil equivalent (BOE) | 50,654             | 50,828             | 57,316             |
| Average BOEPD                         | 563                | 552                | 637                |
| <b>Net Sales <sup>2</sup></b>         |                    |                    |                    |
| Oil sales (Bbls)                      | 13,277             | 14,153             | 11,699             |
| Gas sales (BOE) <sup>1</sup>          | 14,165             | 11,459             | 18,144             |
| NGL sales (Bbls)                      | 6,345              | 6,129              | 7,972              |
| Total barrels of oil equivalent (BEO) | 33,787             | 31,741             | 37,815             |

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<sup>1</sup> Gross gas production includes fuel gas used in the field and processing plant. Gas is converted to barrels of oil equivalent (BOE) using a conversion rate of 6 MCF of gas to 1 barrel of oil.

<sup>2</sup> Net sales after payment of royalty interests and sales deducts for transportation. Net gas sold excludes fuel gas used infield to generate power.

## Forward-looking Statements

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This document may contain certain statements that may be deemed forward-looking statements. Forward-looking statements reflect the Company's views and assumptions with respect to future events as of the date of this Press Release and are subject to a variety of unpredictable risks, uncertainties, and other unknowns that could cause actual events or results to differ materially from those anticipated in the forward-looking statements. Actual and future results and trends could differ materially from those set forth to various factors, many which are beyond our ability to control or predict. Some of the risk and other factors that could cause results to differ materially include but are not limited to: industry conditions, including fluctuations in commodity prices; governmental regulation of the oil and gas industry, including environmental regulation; economic conditions in the US and globally; geological, technical and drilling results; predicted production and reserves estimates; operational delays or unanticipated operating event; physical, environmental and political risks; liabilities inherent in oil and gas exploration, development and production operations; fiscal and regulatory developments; stock market volatility; industry competition; and availability of capital at favourable terms. Given these uncertainties, no one should place undue reliance on these forward-looking statements attributable to Eon NRG Ltd, or any of its affiliates or persons acting on its behalf. Although every effort has been made to ensure this Press Release sets forth a fair and accurate view, we do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.



## Appendix 5B

# Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

### Name of entity

Eon NRG Limited

### ABN

66 138 145 114

### Quarter ended ("current quarter")

March 31, 2018

| Consolidated statement of cash flows                      | Current quarter<br>\$US'000 | Year to date<br>(3 months)<br>\$US'000 |
|---|-----------------------------|--|
| <b>1. Cash flows from operating activities</b>            |                             |  |
| 1.1 Receipts from customers                               | 1,454                       | 1,454                                  |
| 1.2 Payments for  |                             |  |
| (a) exploration & evaluation                              | -                           | -                                      |
| (b) development   | (124)                       | (124)                                  |
| (c) production  | (550)                       | (550)                                  |
| (d) staff costs   | (309)                       | (309)                                  |
| (e) administration and corporate costs                    | (242)                       | (242)                                  |
| 1.3 Dividends received (see note 3)                       | -                           | -                                      |
| 1.4 Interest received                                     | -                           | -                                      |
| 1.5 Interest and other costs of finance paid              | (80)                        | (80)                                   |
| 1.6 Income taxes paid                                     | -                           | -                                      |
| 1.7 Research and development refunds                      | -                           | -                                      |
| 1.8 Other (provide details if material)                   | -                           | -                                      |
| <b>1.9 Net cash from / (used in) operating activities</b> | <b>149</b>                  | <b>149</b>                             |

| Consolidated statement of cash flows  | Current quarter<br>\$US'000 | Year to date<br>(3 months)<br>\$US'000 |
|---|-----------------------------|--|
| <b>2. Cash flows from investing activities</b>                                  |                             |  |
| 2.1 Payments to acquire:  |                             |  |
| (a) property, plant and equipment   | -                           | -                                      |
| (b) tenements (see item 10)   | (15)                        | (15)                                   |
| (c) investments   | -                           | -                                      |
| (d) other non-current assets  | -                           | -                                      |
| 2.2 Proceeds from the disposal of:  |                             |  |
| (a) property, plant and equipment   | -                           | -                                      |
| (b) tenements (see item 10)   | -                           | -                                      |
| (c) investments   | -                           | -                                      |
| (d) other non-current assets  | -                           | -                                      |
| 2.3 Cash flows from loans to other entities                                     | -                           | -                                      |
| 2.4 Dividends received (see note 3)   |                             |  |
| 2.5 Other (provide details if material)   | -                           | -                                      |
| <b>2.6 Net cash from / (used in) investing activities</b>                       | <b><u>(15)</u></b>          | <b><u>(15)</u></b>                     |
| <b>3. Cash flows from financing activities</b>                                  |                             |  |
| 3.1 Proceeds from issues of shares  | -                           | -                                      |
| 3.2 Proceeds from issue of convertible notes                                    | -                           | -                                      |
| 3.3 Proceeds from exercise of share options                                     | -                           | -                                      |
| 3.4 Transaction costs related to issues of shares, convertible notes or options | -                           | -                                      |
| 3.5 Proceeds from borrowings  | -                           | -                                      |
| 3.6 Repayment of borrowings   | (51)                        | (51)                                   |
| 3.7 Transaction costs related to loans and borrowings                           | -                           | -                                      |
| 3.8 Dividends paid  | -                           | -                                      |
| 3.9 Other (provide details if material)   | -                           | -                                      |
| <b>3.10 Net cash from / (used in) financing activities</b>                      | <b><u>(51)</u></b>          | <b><u>(51)</u></b>                     |

| Consolidated statement of cash flows  | Current quarter<br>\$US'000 | Year to date<br>(3 months)<br>\$US'000 |
|---|-----------------------------|--|
| <b>4. Net increase / (decrease) in cash and cash equivalents for the period</b> |                             |  |
| 4.1 Cash and cash equivalents at beginning of period                            | 1,260                       | 1,260                                  |
| 4.2 Net cash from / (used in) operating activities (item 1.9 above)             | 149                         | 149                                    |
| 4.3 Net cash from / (used in) investing activities (item 2.6 above)             | (15)                        | (15)                                   |
| 4.4 Net cash from / (used in) financing activities (item 3.10 above)            | (51)                        | (51)                                   |
| 4.5 Effect of movement in exchange rates on cash held                           | —                           | —                                      |
| <b>4.6 Cash and cash equivalents at end of period</b>                           | <b><u>1,343</u></b>         | <b><u>1,343</u></b>                    |

| 5. Reconciliation of cash and cash equivalents<br>at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter<br>\$US'000 | Previous quarter<br>\$US'000 |
|---|-----------------------------|------------------------------|
| 5.1 Bank balances   | 670                         | 545                          |
| 5.2 Call deposits   | -                           | -                            |
| 5.3 Bank overdrafts   | -                           | -                            |
| 5.4 Other (provide details)   | <u>673</u>                  | <u>673</u>                   |
| <b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>  | <b><u>1,343</u></b>         | <b><u>1,218</u></b>          |

Note 5.4 Cash held as security deposits.

| 6. Payments to directors of the entity and their associates  | Current quarter<br>\$US'000 |
|--|-----------------------------|
| 6.1 Aggregate amount of payments to these parties included in item 1.2                                   | 99                          |
| 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3                       | -                           |
| 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2 |                             |

|           |  |                                     |
|-----------|--|-------------------------------------|
| <b>7.</b> | <b>Payments to related entities of the entity and their associates</b>                               | <b>Current quarter<br/>\$US'000</b> |
| 7.1       | Aggregate amount of payments to these parties included in item 1.2                                   | 6                                   |
| 7.2       | Aggregate amount of cash flow from loans to these parties included in item 2.3                       | -                                   |
| 7.3       | Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2 |                                     |

|           |  |  |   |
|-----------|--|--|---|
| <b>8.</b> | <b>Financing facilities available</b><br><i>Add notes as necessary for an understanding of the position</i>  | <b>Total facility amount<br/>at quarter end<br/>\$US'000</b> | <b>Amount drawn at<br/>quarter end<br/>\$US'000</b> |
| 8.1       | Loan facilities  | 220  | 220   |
| 8.2       | Credit standby arrangements  | 7,000  | 6,157   |
| 8.3       | Other (please specify)   | -  | -   |
| 8.4       | Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well. |  |   |
|           | 8.1 ANB Bank, 5.25% principal and interest term loan, secured – equipment  |  |   |
|           | 8.2 ANB Bank, 5.25% interest only line of credit, secured – oil and gas field assets   |  |   |

|            |   |                     |
|------------|---|---------------------|
| <b>9.</b>  | <b>Estimated cash outflows for next quarter</b>   | <b>\$US'000</b>     |
| 9.1        | Exploration and evaluation                        | 10                  |
| 9.2        | Development                                       | -                   |
| 9.3        | Production  | 446                 |
| 9.4        | Staff costs                                       | 331                 |
| 9.5        | Administration and corporate costs                | 200                 |
| 9.6        | Other (see explanation of material amounts below) | <u>253</u>          |
| <b>9.7</b> | <b>Total estimated cash outflows</b>              | <b><u>1,240</u></b> |
|            | <b>US\$'000</b>                                   |                     |
| 9.6        | Production tax                                    | 128                 |
|            | Interest  | 75                  |
|            | Debt Repayment                                    | 50                  |

## Mining exploration entity and oil and gas exploration entity quarterly report

| 10.  | Changes in tenements (items 2.1(b) and 2.2(b) above)                                  | Tenement reference and location                            | Nature of interest                                 | Interest at beginning of quarter | Interest at end of quarter |
|------|---|--|--|----------------------------------|----------------------------|
| 10.1 | Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced | Nil  |  |                                  |                            |
| 10.2 | Interests in mining tenements and petroleum tenements acquired or increased           | EONCO #25-32<br>EONCO #37-44<br>Pershing County,<br>Nevada | Mineral Lode<br>Claims<br>granted<br>(exploration) | 0%                               | 100%                       |

### Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:



(Director/Company secretary)

Date: 23 / 04 / 18

Print name: **SIMON ADAMS**

### Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.