



A.B.N. 66 138 145 114

Preliminary Final Report (Appendix 4E)
for the year ended 31 December 2019

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	%'age Change	US\$ 2019	US\$ 2018
Revenue from ordinary activities	↓ 26%	\$3,663,041	\$4,981,781
Net Profit/(Loss) from ordinary activities after tax attributable to members	↓ 12%	(\$1,590,360)	(\$1,423,320)
Net Profit/(Loss) after tax for the period attributable to members	↓ 12%	(\$1,590,360)	(\$1,423,320)
Earnings per share		(0.23) cents	(0.35) cents
Diluted earnings per share		(0.23) cents	(0.35) cents
Net tangible assets per share	↓ 47%	0.51 cents	0.97 cents

Directors have not proposed a dividend.

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.

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:

	2019	2018
Net volume of oil, gas and NGL sold		
Oil (Barrels)	52,021	54,144
Gas (Mcf)	204,426	282,407
NGL (Barrels)	14,835	22,497
TOTAL – Barrels of oil equivalent (BOE)	100,927	123,709
	US\$ Million	US\$ Million
Net revenue from oil, gas and NGL sales	\$3.663	\$4.982
Production expenses	(\$2.455)	(\$2.623)
Operating Profit	\$1.208	\$2.359
Other income	\$0.230	\$0.239
Administrative and other operating expenses ¹	(\$1.625)	(\$1.683)
EBITDAX	(\$0.187)	\$0.915
Interest income/expense & finance costs	(\$0.412)	(\$0.408)
Depreciation/amortisation	(\$1.117)	(\$1.714)
Loss on sale of assets	\$ -	(\$0.216)
Tax (expense)/benefit	\$0.126	\$ -
Net profit/(loss) after tax	(\$1.590)	(\$1.423)

Oil sales volume declined by 4% in 2019 as a result of natural decline in production. Average net oil price (**after refinery deduct**) receive in 2019 was US\$56.32/Bbl compared to \$65.14/Bbl in 2018. Oil prices in 2019 were volatile with concerns over increased supply (mainly out of the US) keeping average WTI crude oil benchmark price at \$56.98/Bbl compared to \$64.93 in 2018. Eon receives a premium to WTI for its California production and was therefore able to achieve a weighted average price for its oil sales that is above WTI.

Gas and NGL sales volumes decreased by 27% and 34% respectively in 2019 compared to the prior year. The average price of gas sold in 2019 from the Company's Silvertip Field (based off CIG Rockies benchmark) was \$2.50/Mcf compared to \$2.93/Mcf in 2018. The Silvertip Field gas production was choked back during summer with an expectation that the production/sales volume could increase with the onset of winter when there is a seasonal increase in demand and price. With high US gas production and a relatively mild winter, this price increase did not occur in the 2019 as it had done in 2018. There were no well recompletions in 2019 to mitigate the natural gas production decline at the Silvertip Field. These factors lead to the lower gas and NGL sales in 2019.

¹ Excluding Depreciation

Eon NRG Limited
Preliminary Final Report (Appendix 4E)
for the year ended 31 December 2019

Production expenses decreased in absolute terms from 2018 to 2019. However, the production cost per BOE increased in 2019 by 15% due to fixed overheads, mainly in relation to the Silvertip Field. Changes in gas processing infrastructure are planned which is expected to reduce operating costs at Silvertip. All fields continue to provide positive cash flow to support General and Administrative (G&A) expenditure.

Administrative expenditure for 2019 remained in line with prior year.

Interest and finance costs relate to the loan that is provided by ANB Bank. This line of credit was renewed during 2019 and is due to mature on 1 October 2020. The average cost of debt in 2019 was 6.19%.

In 2019, the Company raised approximately US\$1.624M through a rights issue which was completed in March. At the end of 2019 Eon had \$1.858M of free cash available, most of which would be used to pay for the Company's share of drilling and completion cost of the Govt Kaehne #9-29 well. The increase in trade creditors was primarily due to the costs associated with drilling of the Company's Govt Kaehne #9-29 well in Wyoming in December 2019.

REVIEW OF OPERATIONS

POWDER RIVER BASIN, WYOMING

In September 2018, the Company acquired 15,000 acres of oil and gas leases in the Powder River Basin. These leases have a ten year term with annual lease payments to hold the leases but they do not have any drilling commitments. The leases were acquired with a high net revenue interest (NRI) of 87.5%.

The location of the first prospect within the PRB acreage (Govt Kaehne #9-29) was identified and announced in March 2019 at which time environmental and archaeological surveys commenced to enable drilling permits to be filed with the state and federal authorities. Permitting approval was granted in May 2019 and drilling commenced in November. During the year, part of the proposed new well was "farmed out" to multiple JV partners and Eon retained a 61% working interest (53.38% net revenue interest - "NRI") in the well. The well was drilled ahead of time and budget and was completed initially in the Dakota Formation in December 2019. Due to high water cuts, the Company proceeded with completion of the Muddy Formation which commenced in February 2020. Production commenced on February 22.

BORIE FIELD, DJ Basin, WYOMING (82% NRI):

The Borie Field 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). Oil is produced from the Muddy Formation which is at a depth of approximately 7500 feet below surface.

Gross production from the Borie Field was approximately 56 BOPD during 2019 (2018 – 56 BOPD) and it has operated at a gross profit margin of around 38%.

SILVERTIP, Bighorn Basin, WYOMING (82% NRI):

The Silvertip Field covers an area of 4,437 acres, all of which are held by production. The operations include a 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.

Eon NRG Limited
Preliminary Final Report (Appendix 4E)
for the year ended 31 December 2019

During 2019, gross oil production averaged 52 BOPD (2018 – 55 BOPD). Gross gas production during 2019 was 1,415 Mcf/d. Part of the gas produced at the wellhead is used to generate power in-field to drive the collection, compression and liquids stripping infrastructure.

SHEEP SPRINGS (83.33% NRI) and ROUND MOUNTAIN (87.5% NRI) FIELDS, San Joaquin Basin, CALIFORNIA:

The Sheep Springs and Round Mountain fields cover a combined area of 480 net acres, all held by production. Production remained stable at both fields with an average 62 BOPD (gross) during 2019. Oil sold from the Sheep Springs field attracts a premium of approximately \$8.50/Bbl (2019) over WTI oil price. The lease operating costs at these fields are low and collectively the California operations returned a gross profit margin of 70% in 2019.

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

	Note	2019 US\$	2018 US\$
		<u> </u>	<u> </u>
Oil, gas and NGL sales	2a	3,663,041	4,981,781
Direct cost of sales -			
Production expenses		(2,455,463)	(2,623,102)
Amortisation and depreciation	2b	<u>(1,013,059)</u>	<u>(1,613,227)</u>
Gross profit from operations		194,519	745,452
Other operating revenue	2a	230,257	239,159
Administrative expenses	2b	(1,205,377)	(1,196,830)
Other operating expenses	2c	(523,552)	(587,151)
Interest and finance expenses	2d	(412,472)	(408,133)
Loss on sale of fixed assets	2e	-	(215,717)
		<u> </u>	<u> </u>
Profit / (Loss) before income tax		(1,716,625)	(1,423,220)
Income tax benefit		126,265	-
Profit / (Loss) after tax		<u>(1,590,360)</u>	<u>(1,423,220)</u>
<i>Profit / (Loss) for the period attributable to members of the entity</i>		<u>(1,590,360)</u>	<u>(1,423,220)</u>
Other comprehensive income:			
Items that will not be reclassified to profit and loss		-	-
Items that may be reclassified to profit or loss		-	-
Other comprehensive income / (loss) for the period, net of tax		<u>-</u>	<u>-</u>
Total comprehensive loss for the period attributable to members of the entity		<u>(1,590,360)</u>	<u>(1,423,220)</u>
Basic loss per share attributable to ordinary equity holders of the entity (cents)	3	(0.23)	(0.35)
Diluted loss per share attributable to ordinary equity holders of the entity (cents)	3	(0.23)	(0.35)

Eon NRG Limited
Preliminary Final Report (Appendix 4E)
for the year ended 31 December 2019

Consolidated statement of financial position (as at 31 December)

	Note	2019 US\$	2018 US\$
Current assets			
Cash and cash equivalents	4	1,858,494	499,172
Trade and other receivables	5	518,154	501,505
Inventories	6	65,711	99,840
Total current assets		<u>2,442,359</u>	<u>1,100,517</u>
Non-current assets			
Other financial assets	7	699,870	692,181
Oil properties	8	9,836,523	12,213,486
Exploration assets	9	1,029,023	252,538
Plant and equipment	10	1,413,090	1,686,552
Right of use asset	14	56,541	142,437
Deferred tax asset		-	-
Total non-current assets		<u>13,035,047</u>	<u>14,987,194</u>
Total assets		<u>15,477,406</u>	<u>16,087,711</u>
Current liabilities			
Trade and other payables	11	2,078,298	873,724
Interest bearing liabilities	12	6,302,654	6,112,170
Taxes payable		-	126,265
Provisions	13	175,926	129,773
Leases	14	64,520	98,994
Total current liabilities		<u>8,621,398</u>	<u>7,340,926</u>
Non-current liabilities			
Trade and other payables	11	-	-
Interest bearing liabilities	12	-	-
Provisions	13	2,902,871	4,741,696
Leases	14	6,115	70,702
Total non-current liabilities		<u>2,908,986</u>	<u>4,812,398</u>
Total liabilities		<u>11,530,384</u>	<u>12,153,323</u>
Net assets		<u>3,947,022</u>	<u>3,934,388</u>
Equity			
Issued capital	15	26,810,025	25,207,031
Reserves	17	349,661	349,661
Accumulated losses		(23,212,664)	(21,622,304)
Total equity		<u>3,947,022</u>	<u>3,934,388</u>

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

	Note	2019 US\$	2018 US\$
Cash flows from operating activities			
Receipts from customers		3,843,086	5,361,585
Payments to suppliers and employees		(3,517,893)	(3,798,822)
Interest received		5,468	690
Interest paid		(368,688)	(342,067)
Production tax paid		(381,150)	(472,971)
Net cash provided/(used) by operating activities		(419,177)	748,415
Cash flows from investing activities			
Oil property development expenditure		(517,038)	(644,331)
Exploration expenditure		(302,225)	(252,538)
Proceeds from JV Partners – Govt Kaehne		799,574	-
Proceeds from sale of assets		-	480,713
Net cash used in investing activities		(19,690)	(416,156)
Cash flows from financing activities			
Proceeds from issues of equity securities		1,791,655	-
Transaction costs for issue of shares		(188,650)	(69,080)
Repayment of borrowings		-	(310,805)
Proceeds of borrowings		200,000	-
Costs of borrowings		(9,516)	-
Net cash provided by/(used in) financing activities		1,793,489	(379,885)
Cash and cash equivalents at the start of the year/period			
		499,172	545,486
Net increase/(decrease) in cash and cash equivalents			
		1,354,622	(47,626)
Exchange differences on cash balances held			
		4,700	1,312
Cash and cash equivalents at the end of the year/period			
	4	1,858,494	499,172

Eon NRG Limited
Preliminary Final Report (Appendix 4E)
for the year ended 31 December 2019

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\$
At 31 December 2018	25,207,031	-	(21,622,304)	349,661	3,934,388
Profit/(Loss) attributable to members of the Group	-	-	(1,590,360)	-	(1,590,360)
Other comprehensive income	-	-	-	-	-
Total comprehensive income/(loss) for the period	-	-	(1,590,360)	-	(1,590,360)
Issue of equity	1,791,655	-	-	-	1,791,655
Share based payment	-	-	-	-	-
Cost of issue of share capital	(188,661)	-	-	-	(188,661)
Share based payment expense	-	-	-	-	-
At 31 December 2019	26,810,025	-	(23,212,664)	349,661	3,947,022

	Issued capital US\$	Shares reserved for employee share plan US\$	Accumulated profits/ (losses) US\$	Share option reserve US\$	Total equity US\$
At 31 December 2017	25,157,925	(2,474)	(20,168,611)	349,661	5,336,501
Profit/(Loss) attributable to members of the Group	-	-	(1,453,693)	-	(1,453,693)
Other comprehensive income	-	-	-	-	-
Total comprehensive income/(loss) for the period	-	-	(1,453,693)	-	(1,453,693)
Issue of equity	49,106	-	-	-	49,106
Share based payment	-	2,474	-	-	2,474
Cost of issue of share capital	-	-	-	-	-
Share based payment expense	-	-	-	-	-
At 31 December 2018 (Restated)	25,207,031	-	(21,622,304)	349,661	3,934,388

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 2018, the Interim Financial Report for the half year ended 30 June 2019 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 2019 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.

Eon NRG Limited
Preliminary Final Report (Appendix 4E)
for the year ended 31 December 2019

	2019	2018
	US\$	US\$
2. Revenue, other income and expenses		
a) Sales revenue		
Oil and gas sales (net)	3,663,028	4,980,002
Royalties	13	1,779
Total sales revenue	3,663,041	4,981,781
Other revenue		
Interest Income	13,157	4,390
Other revenue	217,100	234,769
Total other revenue	230,257	239,159
b) Depreciation and amortisation included in the statement of profit or loss		
Amortisation – oil and gas properties	(758,072)	(1,305,578)
Depreciation – oil and gas properties	(254,987)	(307,649)
	(1,013,059)	(1,613,227)
Depreciation – other plant, equipment & right of use assets	(104,373)	(100,514)
	(1,117,432)	(1,713,741)
c) Other operating expenses		
Compliance costs	(107,404)	(188,673)
Operating lease costs	(8,714)	(12,726)
Travel expenses	(54,113)	(34,399)
Investor relations	(47,893)	(24,833)
Insurance	(164,103)	(123,520)
Operating taxes	-	(4,100)
Miscellaneous	(133,186)	(197,567)
Foreign exchange (gain) / loss	(8,139)	(1,334)
	(523,552)	(587,152)
d) Finance costs		
Interest on bank loans	(377,145)	(354,863)
Financing charges	(35,327)	(53,270)
	(412,472)	(408,133)
e) Net gain/(loss) on sale of oil properties and exploration assets		
Equipment sales	-	(215,717)
	-	(215,717)

Eon NRG Limited
Preliminary Final Report (Appendix 4E)
for the year ended 31 December 2019

	2019	2018
	US\$	US\$
3. Earnings per share		
Profit/(Loss) used in calculating basic earnings per share	<u>(1,590,360)</u>	<u>(1,423,223)</u>
	Number of	Number of
	Shares	Shares
Weighted average number of ordinary shares used in calculating basic earnings per share	705,156,098	405,234,856
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>705,156,098</u>	<u>405,234,856</u>
	US\$	US\$
4. Cash and cash equivalents		
Cash at bank and on hand	<u>1,858,494</u>	<u>499,172</u>
Note –		
Additional cash of \$684,123 is held on term deposit as security for performance bonds and is classified as non-current other receivables in the balance sheet (Refer Note 7)		
5. Trade and other receivables		
Current -		
Oil and gas sales debtors	461,340	422,097
Other receivables	<u>56,814</u>	<u>79,408</u>
	<u>518,154</u>	<u>501,505</u>
6. Inventories		
Oil and NGL inventory at cost of production	<u>65,711</u>	<u>99,840</u>
7. Other financial assets		
Non-current		
Cash held as security	684,123	676,434
Lease deposit	<u>15,747</u>	<u>15,747</u>
	<u>699,870</u>	<u>692,181</u>
8. Oil and gas properties		
Cost of acquisition and enhancements	28,782,040	30,400,930
Accumulated amortisation and impairment	<u>(18,945,517)</u>	<u>(18,187,444)</u>
	<u>9,836,523</u>	<u>12,213,486</u>

NOTE: No impairment provision had been made in relation to the oil and gas properties at the time of this report as reserve estimates for the year ending December 31, 2019 were not finalised. An impairment may be considered if the valuation estimate of any of the oil and gas properties is determined to be lower than their net book value.

Eon NRG Limited
Preliminary Final Report (Appendix 4E)
for the year ended 31 December 2019

	2019	2018
	US\$	US\$
9. Exploration assets		
Cost of acquisition and enhancements	<u>1,029,023</u>	<u>252,538</u>
10. Plant and equipment		
Cost	2,986,343	2,986,343
Depreciation and impairment	<u>(1,573,253)</u>	<u>(1,299,791)</u>
	<u>1,413,090</u>	<u>1,686,552</u>
11. Trade and other payables		
Current		
Trade payables and accruals	<u>2,078,2987</u>	<u>873,724</u>
Non-current		
Trade payables and accruals	<u>-</u>	<u>-</u>
12. Interest Bearing Liabilities		
Current		
Bank Loan (Secured)	<u>6,302,654</u>	<u>6,112,170</u>
Non-current		
Bank Loan (Secured)	<u>-</u>	<u>-</u>

The secured bank loans are provided by ANB Bank as US Dollar denominated term loan facilities. An initial loans were made available and drawn on for the purpose of acquiring the Silvertip Field in June 2015. The loan is a line of credit facility with terms as follows:

Line of Credit -

- Loan facility limit: \$6,400,000
- Loan balance Dec-19: \$6,327,160 (Dec-18: \$6,127,160)
- Loan maturity date 1 October 2020 subject to renewal by ANB Bank. The maturity date of this facility is less than 12 months after the balance date of this report which requires the loan to be classified as a current liability while the security for the loan (oil and gas properties) is classified as a non-current asset..
- Security: Charge over the Company's producing oilfields in Wyoming and California

	2019	2018
	US\$	US\$
13. Provisions		
Current		
Employee leave provision	<u>175,926</u>	<u>129,773</u>
Non-current		
Asset retirement obligation	<u>2,902,871</u>	<u>4,741,696</u>

Eon NRG Limited
Preliminary Final Report (Appendix 4E)
for the year ended 31 December 2019

	2019	2018
	US\$	US\$
14. Right of Use Assets and Leases		
Right of use assets		
Cost	297,417	297,417
Accumulated depreciation	(240,876)	(154,980)
	56,541	142,437
Lease Liabilities		
Current	64,520	98,994
Non-current	6,115	70,702
	70,635	169,696

The group has adopted ASSB 16 Leases retrospectively from 1 January 2019. Eon NRG has two right of use assets: a) Leased office in Perth, Australia and b) Leased office in Denver, USA. These assets have been recognised in the 2019 year-end accounts in line with the new AASB 16 Lease accounting standard which gives a single, on-balance sheet accounting model for leases. The December 2018 comparative accounts have been restated to reflect the valuation of the right of use assets and leases at 31 December 2018. In the original December 2018 year-end accounts, there was no right of use asset nor lease liabilities.

	2019	2018
15. Issued capital		
	Number of shares	Number of shares
At 1 January	406,389,160	400,100,786
New shares issued	363,499,774	6,288,374
	769,888,934	406,389,160
	US\$	US\$
At 1 January	25,207,031	25,157,925
New shares issued – placement (net of capital raising costs)	1,602,994	49,106
At 31 December	26,810,025	25,207,031

16. Options

The company has on issue 371,499,774 options exercisable at A\$0.015 per option on or before 22 February 2021.

During the year 204,194,580 options exercisable at A\$0.0188 per option on or before 29 November 2019 expired. None of these options were exercised.

17. Reserves

Share option reserve	349,661	349,661
----------------------	---------	---------