



A.B.N. 66 138 145 114

**Half Year Report (Appendix 4D)
for the six month period ended 30 June 2020**

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	%'age Change	US\$ 2020	US\$ 2019
Revenue from ordinary activities	↓ 55%	\$856,198	\$1,919,307
Net Profit/(Loss) from ordinary activities after tax attributable to members	↑ 193%	\$798,693	(\$859,572)
Net Profit/(Loss) after tax for the period attributable to members	↑ 193%	\$798,693	(\$859,572)
Earnings per share		0.10 cents	(0.13) cents
Diluted earnings per share		0.10 cents	(0.13) cents
Net tangible assets per share	↑ 88%	(0.03) cents	(0.25) cents

Directors have not proposed a dividend.

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.

CORPORATE INFORMATION

This half year report is of the group comprising Eon NRG Limited and its wholly owned subsidiaries (collectively "the Group").

The Group's functional and presentation currency is \$US.

A description of the Group's operations and its principal activities is included in the review of operations and activities in the directors' report on page 3. The directors' report is not part of the financial report.

Directors

Matthew McCann (Chairman)
John Whisler (Managing Director)
Gerry McGann (Non-Executive Technical Director)
Simon Adams (Executive Director)

Company Secretary

Simon Adams

Registered office

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Australia

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Auditors

Butler Settineri (Audit) Pty Ltd
Unit 16, First Floor
Spectrum Offices
100 Railway Road
Subiaco WA 6008

Share Registry

Link Market Services Limited
Level 12 QV1 Building
250 St Georges Terrace
Perth WA 6000

Stock Exchange Listing

Australian Securities Exchange (ASX)
Home Exchange – Perth
Trading Code – E2E (Ordinary shares); E2EOA (Listed options)

DIRECTORS' REPORT

COMMENTARY ON RESULTS

This consolidated financial report of Eon NRG Limited ("Eon" or "the Company") covers the six months of operations for the half year ended 30 June.

A summary of operating results for the six months to June in the current and prior year is as follows:

	2020	2019
Net volume of oil, gas and NGL sold		
Oil (Barrels)	20,431	26,911
Gas (BOE)	7,483	17,460
NGL (Barrels)	2,354	6,514
TOTAL – Barrels of oil equivalent (BOE)	30,268	50,885
	US\$ Million	US\$ Million
Net revenue from oil, gas and NGL sales	\$0.856	\$1.919
Production expenses ¹	(\$0.867)	(\$1.179)
Operating Profit/(Loss)	(\$0.011)	\$0.740
Other income	\$0.042	\$0.067
Administrative and other operating expenses ²	(\$0.588)	(\$0.880)
EBITDA³	(\$0.557)	(\$0.073)
Interest income/expense & finance costs	(\$0.205)	(\$0.218)
Depreciation/amortisation	(\$0.431)	(\$0.568)
Gain/Loss on sale of assets	\$0.008	\$ -
Impairment reversal	\$1.983	\$ -
Tax (expense)/benefit	\$ -	\$ -
Net profit/(loss) after tax	\$0.799	(\$0.859)

Oil, gas and NGL sales volume declined by more than 40% in the first half of 2020 compared to the prior year due to fields having to be partially or fully shut-in as a result of prices dropping from the impact of the COVID-19 pandemic on the global demand for fuel.

The average net oil price (**after refinery deduct**) receive in H1-20 was US\$35.58/Bbl compared to \$56.30/Bbl in the corresponding period in 2019. Oil prices in the first six months of 2020 have been extremely volatile. The average gas price in H1-20 was US\$1.54/Mcf (H1-19: US\$2.70/Mcf).

Production expenses were cut where possible to preserve cash flow. The largest cuts were to salaries with staff redundancies and reductions in salary payments to executives (some to zero).

Interest payments were ceased from March 2020 due to cash flow problems. This placed the loan to ANB Bank in default and a demand letter was provided to the Company in May 2020. The Board and management have been working with ANB to come to an acceptable workout arrangement for the loan.

¹ Including production tax

² Excluding Depreciation

³ Earnings before interest, taxation, depreciation and amortization

Eon NRG Limited

Half Year Final Report (Appendix 4D)

for the half year ended 30 June 2020

Directors

The names of the Company's directors in office during the period and until the date of this report are as follows (Directors were in office for this entire period unless otherwise stated).

Matthew McCann	Chairman
John Whisler	Managing Director
Gerard McGann	Non-Executive Technical Director
Simon Adams	Executive Director

Principal Activities

Eon NRG is an exploration and production (E&P) company focused on identifying and developing oil and gas resources in North America. The Company has an asset portfolio of exploration and producing assets located in onshore USA basins in the states of Wyoming and California.

During the half year to 30 June 2019, the Company's principal activity was the exploration of new leasehold acreage in the Powder River Basin, Wyoming which was acquired in 2018.

Dividends

No dividends were paid, recommended or declared during the current or previous financial half-year.

REVIEW OF OPERATIONS

Eon started 2020 in a good operating and financial position. After having leased acreage in the Powder River Basin, an undrilled location in the middle of a field that was producing from the Dakota Formation which was identified near Gillette, Wyoming. Significant data reviews had been carried out with records of all of the existing wells in the field compared with other Dakota well/field analogues. Based on our analysis, management and the Board felt that a well drilled to the Dakota would be a commercial success.

Equity was raised through a rights issue in 2019 to drill the well and third parties with significant oil and gas exploration experience looked at the data and agreed to invest as JV partners in the well.

Govt Kaehne well, Wyoming

The drilling of the well commenced in November 2019 and went as planned. The top of the Dakota Formation was 9 feet below our projection and there were good oil and gas shows whilst drilling through the Dakota. Based on the oil and gas shows and the logs of the well, it was decided to run casing and complete the well.

Analysis of the logs, conducted by a highly regarded international expert, calculated that there was substantial pay across the Dakota. So this formation was perforated and swab tested. The swabbing and acidization of the well did not result in the oil flow that was expected. Across the Dakota formation, the quality of the sands change. In the productive offset wells, the sands near the top of the Dakota had good porosity and permeability, allowing for highly productive production. In the Govt. Kaehne well the top portion of the Dakota was tight (lower porosity and permeability) which meant that the well was not commercially productive. The portion of the Dakota in the Govt. Kaehne well that had high porosity and permeability was deeper than anticipated and below the top of the Dakota in the offset productive wells.

The post-mortem on the Dakota section of the well did not identify anything that would have condemned the prospect before it was drilled. It appeared that there was a productive section of Muddy Formation behind pipe (above the Dakota). We completed in the Muddy and were preparing to produce what looks to be a low rate oil well, when there was a catastrophic shift in oil markets which caused everything to be put on hold.

Market deterioration

In March, the oil price war started with Russian and Saudi threats to increase supply. Very quickly the OPEC+ price war was exacerbated as demand for oil plummeted as the worldwide economy shut down in response to COVID-19. The immediate price move put the Company in a very

Eon NRG Limited

Half Year Final Report (Appendix 4D)

for the half year ended 30 June 2020

precarious situation. Profitability from field operations became marginal and it was apparent that corporate overheads could not be met based on the lower prices and production rates.

The Company took measures to cut costs, including remuneration. Discussions were held with potential parties where mergers or combinations through joint ventures could result in growth of cash flow and scale up our business. We were working towards a transformational transaction and a number of opportunities were being considered.

The Company started working with ANB Bank on a solution at the earliest possible time. Due to the decline in oil prices combined with a negative shift in sentiment, Eon's properties were likely to be worth less than what we had expected at the end of 2019. Following a default on the loan due to the non-payment of interest in March, ANB took formal steps to take control of the Company's assets through the exercise of their security rights.

Discussions continued with ANB to find a way to deal fairly with our creditors and preserve EON as a viable ASX-listed company. Terms have been agreed with ANB to achieving those goals.

ANB Bank workout

Based on our 2019 year-end reserves, we were in compliance with all covenants. Incremental Oil and Gas USA Holdings Inc. holds our oil and gas properties and is borrower under the loan agreement with the Bank. Eon has guaranteed the loan facility.

Eon has agreed to assign to ANB the Govt. Kaehne well and leases, the Borie Field and the two California fields, Sheep Springs and Round Mountain. Eon will operate the fields until another operator can be secured. The Bank has arranged for a third-party operator, who is an existing client of the Bank, to acquire the Silver Tip field. This closed on 30th September 2020.

Eon also holds some battery mineral claims in Nevada which will be retained by the Company.

ANB will release Eon and its remaining subsidiaries from the loan agreement obligations and will release Eon from the guarantee. The Board has committed to raise additional capital to satisfy some residual corporate obligations and meet ASX listing requirements. Discussions will be ongoing with ASX to seek reinstatement of the shares and options to trading as soon as possible.

Exploration Prospects

Eon NRG is using the knowledge base and core skill-sets of its experienced management team to identify conventional drill targets that have the potential for strong economic returns from its interest in leases in the Powder River Basin.

The focus on conventional well prospects in areas with proven historic production but with less activity from some of the major E&P companies provides Eon NRG with niche development opportunities. Lower land costs minimise up-front capital requirements to participate in these opportunities.

Battery Minerals Division

Eon NRG holds 42 lode claims covering an area of 840 acres in the Stillwater Range, Nevada. These claims include the historic Gilberts Mine (silver/ lead/ gold) and a number of old adits and tunnels from previous mineral exploration. The claims are within 3 miles of the Lovelock Cobalt mine which was operated in the late 1800's. Global Energy Metals Corp (TSXV: GEMC) acquired an 85% stake in the Lovelock project in 2019 and is undertaking exploration work with a joint venture partner, Canada Cobalt Works (TSXV: CCW). An exploration program focused on gathering soil and rock chip samples from the area of interest is planned for the fall.

Eon NRG Limited
Half Year Final Report (Appendix 4D)
for the half year ended 30 June 2020

Auditor Independence Declaration to the Directors of Eon NRG Ltd

Section 307C of the Corporations Act 2001 requires our auditors, Butler Settinieri (Audit) Pty Ltd, to provide the directors of Eon NRG Limited with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 7 and forms part of the director's report for the half-year ended 30 June 2020.

This report is made out in accordance with a resolution of directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the directors



Matthew McCann
Chairman
23 December 2020

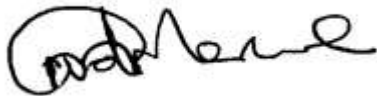
AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of EON NRG Limited for the half year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

- a) No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of EON NRG Limited and the entities it controlled during the half year ended 30 June 2020.

BUTLER SETTINERI (AUDIT) PTY LTD



MARIUS VAN DER MERWE CA
Director

Perth
Date: 23 December 2020

FINANCIAL STATEMENTS

AS AT 30 JUNE 2020

General Information

The financial statements cover Eon NRG Ltd as a Group consisting of Eon NRG Ltd and the entities that it controlled at the end of, or during, the half year. The financial statements are presented in **United States Dollars** (USD or US\$), which is Eon NRG Ltd's functional and reporting currency.

This interim financial report does not include all the notes of the type that are normally included in an annual financial report other than significant accounting policy changes that have occurred in the current reporting period. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 31 December 2019 and any public announcements made by Eon NRG Limited during the interim report period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Consolidated statement of profit and loss and other comprehensive income (for the half year ended 30 June)

	Note	2020 US\$	2019 US\$
Oil, gas and NGL sales	3a	856,198	1,919,307
Direct cost of sales -			
Production expenses	3b	(867,165)	(1,179,308)
Amortisation and depreciation	3c	(281,010)	(557,959)
Gross profit from operations		(291,977)	182,040
Other operating revenue	3a	46,908	67,785
Administrative expenses	3d	(630,550)	(880,312)
Exploration expenses		(7,186)	(11,336)
Interest and finance expenses	3e	(210,121)	(217,749)
Gain on sale of fixed assets	3f	8,458	-
Reversal of impairment of oil properties	3g	1,883,161	-
Profit / (Loss) before income tax		798,693	(859,572)
Income tax expense/benefit		-	-
Profit / (Loss) after tax		798,693	(859,572)
<i>Profit / (Loss) for the period attributable to members of the entity</i>		798,693	(859,572)
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		-	-
Total comprehensive loss for the period attributable to members of the entity		798,693	(859,572)
Basic loss per share attributable to ordinary equity holders of the entity (US cents)	4	0.10	(0.13)
Diluted loss per share attributable to ordinary equity holders of the entity (US cents)	4	0.10	(0.13)

The above Consolidated Statement of Profit and Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position (as at 30 June)

	Note	30 June 2020 US\$	31 December 2019 US\$
Current assets			
Cash and cash equivalents	5	35,854	1,858,494
Trade and other receivables	6	180,854	536,996
Inventories	7	25,671	66,707
Assets held for sale	8	10,147,345	-
Total current assets		<u>10,389,724</u>	<u>2,462,197</u>
Non-current assets			
Other financial assets	9	15,747	699,870
Oil properties	10	-	6,819,871
Exploration assets	11	248,166	960,634
Plant and equipment	12	53,885	411,476
Right of use asset	13	19,221	62,428
Total non-current assets		<u>337,019</u>	<u>8,954,279</u>
Total assets		<u>10,726,743</u>	<u>11,416,476</u>
Current liabilities			
Trade and other payables	14	571,903	2,078,298
Interest bearing liabilities	15	6,514,275	6,302,654
Provisions	16	174,209	175,926
Leases	13	19,588	64,520
Liabilities held for sale	17	3,649,397	-
Total current liabilities		<u>10,929,372</u>	<u>8,621,398</u>
Non-current liabilities			
Trade and other payables	14	-	-
Interest bearing liabilities	15	-	-
Provisions	16	17,191	3,807,476
Leases	13	-	6,115
Total non-current liabilities		<u>17,191</u>	<u>3,813,591</u>
Total liabilities		<u>10,946,563</u>	<u>12,434,989</u>
Net assets		<u>(219,820)</u>	<u>(1,018,513)</u>
Equity			
Issued capital	18	26,810,025	26,810,025
Reserves	20	349,661	349,661
Accumulated losses		(27,379,506)	(28,178,199)
Total equity		<u>(219,820)</u>	<u>(1,018,513)</u>

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows (for the half year ended 30 June)

	Note	2020 US\$	2019 US\$
Cash flows from operating activities			
Receipts from customers		1,174,990	1,983,030
Payments to suppliers and employees		(1,360,415)	(1,657,035)
Production tax paid		(227,917)	(179,518)
Net cash provided/(used) by operating activities		<u>(413,342)</u>	<u>146,477</u>
Cash flows from investing activities			
Oil property development expenditure		(43,661)	(220,276)
Exploration expenditure		(1,244,235)	(207,111)
JV Partners Refunded – Govt Kaehne		(121,276)	-
Proceeds from sale of assets		-	-
Net cash used in investing activities		<u>(1,409,172)</u>	<u>(427,386)</u>
Cash flows from financing activities			
Proceeds from issues of equity securities		-	1,791,655
Transaction costs for issue of shares		-	(188,624)
Interest received		583	2,702
Interest paid		(60,635)	(187,433)
Repayment of borrowings		-	-
Proceeds of borrowings		60,000	-
Costs of borrowings		-	-
Net cash provided by/(used in) financing activities		<u>(52)</u>	<u>1,418,300</u>
Cash and cash equivalents at the start of the year/period			
		1,858,494	499,172
Net increase/(decrease) in cash and cash equivalents			
		(1,822,566)	1,137,391
Exchange differences on cash balances held			
		<u>(74)</u>	<u>6,342</u>
Cash and cash equivalents at the end of the year/period			
	5	<u>35,854</u>	<u>1,642,905</u>

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity (for the half year ended 30 June)

	Issued capital US\$	Accumulated profits/ (losses) US\$	Share option reserve US\$	Total equity US\$
At 31 December 2019	26,810,025	(28,178,199)	349,661	(1,018,513)
Profit/(Loss) attributable to members of the Group	-	798,693	-	798,693
Other comprehensive income	-	-	-	-
Total comprehensive income/(loss) for the period	-	798,693	-	798,693
Issue of equity	-	-	-	-
Share based payment	-	-	-	-
Cost of issue of share capital	-	-	-	-
Share based payment expense	-	-	-	-
At 30 June 2020	26,810,025	(27,379,506)	349,661	(219,820)

	Issued capital US\$	Accumulated profits/ (losses) US\$	Share option reserve US\$	Total equity US\$
At 31 December 2018	25,207,031	(21,616,416)	349,661	3,940,276
Profit/(Loss) attributable to members of the Group	-	(6,561,783)	-	(6,561,783)
Other comprehensive income	-	-	-	-
Total comprehensive income/(loss) for the period	-	(6,561,783)	-	(6,561,783)
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	(28,178,199)	349,661	(1,018,513)

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes

Condensed notes to the financial statements

1. Summary of significant accounting policies

a. Basis of preparation

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 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 30 June 2020 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.

2. Going Concern

The financial report has been prepared on a going concern basis which contemplates that at the report date, it was likely that there would be continuity of normal business activities and realisation of assets and the settlement of liabilities in the normal course of business.

This view has been arrived at based on events that have taken place subsequent to the report's balance date which provide certainty around the treatment of the Group's assets and liabilities (refer Note 21).

Eon NRG Limited
Half Year Final Report (Appendix 4D)
for the half year ended 30 June 2020

The Board has taken steps to reduce overhead costs through the redundancy of senior executive roles and it will continue with ongoing operations using contractors so that it can control overheads as funding becomes available. It will continue to be operated on a going concern basis through the exploration of its remaining interest in the Powder River Basin oil leases and Nevada mineral lode claims. The Board believes that it will be able to meet its ongoing commitments based on the following:

- i) Support is available from existing shareholders and new investors to meet the Company's short and medium term compliance obligations to remain listed on the Australian Securities Exchange (ASX);
- ii) Following the completion of the sale of the Silvertip Field and the settlement of the Workout Agreement with ANB, the Company will be debt free and have no remaining rehabilitation liabilities in relation to its operating assets;
- iii) The Group will retain an interest in assets that enable it to have a basis for ongoing operational development with further exploration potential.

Notwithstanding the above the following going concern indicators exist:

- i) Without raising additional capital, the Group has a net asset deficiency;
- ii) Following the completion of the sale of the Silvertip Field and the closing of the Workout Agreement with ANB Bank, the Group will no longer own and operate income generating assets and so it will rely upon raising of further capital to continue with exploration activities;
- iii) There is risk associated with raising equity from the Australian markets for future activities.

Should the Group not be able to execute the strategies set out above, there would be material uncertainty as to whether the Group would be able to meet its debts as and when they fall due and thus continue as a going concern.

Eon NRG Limited
Half Year Final Report (Appendix 4D)
for the half year ended 30 June 2020

	2020 US\$	2019 US\$
3. Revenue, other income and expenses		
a) Sales revenue		
Oil and gas sales (net)	856,198	1,919,307
Other	-	-
Total sales revenue	<u>856,198</u>	<u>1,919,307</u>
Other revenue		
Interest Income	4,756	6,098
Other revenue	42,152	61,687
Total other revenue	<u>46,908</u>	<u>67,785</u>
b) Production expenses		
Lease operating costs	614,308	833,763
Production taxes	70,216	179,518
Rehabilitation Provision	141,605	140,311
Other	41,036	25,716
	<u>867,165</u>	<u>1,179,308</u>
c) Depreciation and amortisation included in the statement of profit or loss		
Amortisation – oil and gas properties	200,351	387,264
Depreciation – oil and gas properties	80,659	170,695
	<u>281,010</u>	<u>557,959</u>
Depreciation – non-operating plant, equipment & right of use assets	50,041	10,779
	<u>331,051</u>	<u>568,738</u>
d) Other operating expenses		
Remuneration expenses	420,170	582,589
Compliance costs	26,664	67,540
Insurance	73,942	91,050
Depreciation - non-operating PPE & ROU assets	50,041	10,779
Miscellaneous	53,813	121,828
Foreign exchange (gain) / loss	5,920	6,526
	<u>630,550</u>	<u>880,312</u>
e) Finance costs		
Interest on bank loans	199,643	192,321
Financing charges	10,478	25,428
	<u>210,121</u>	<u>217,749</u>
f) Net gain/(loss) on sale of assets		
Equipment disposal	<u>8,458</u>	<u>-</u>

Eon NRG Limited
Half Year Final Report (Appendix 4D)
for the half year ended 30 June 2020

	2020 US\$	2019 US\$
3. Revenue, other income and expenses (Cont.)		
g) Impairment reversal – Oil properties	1,883,161	-
	<hr/>	<hr/>
4. Earnings per share		
Profit/(Loss) used in calculating basic earnings per share	0.0010	(0.0013)
	<hr/>	<hr/>
	Number of Shares	Number of Shares
Weighted average number of ordinary shares used in calculating basic earnings per share	769,888,934	769,888,934
Effect of dilutive securities:		
Share Options	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	769,888,934	769,888,934
	<hr/>	<hr/>
	30 June 2020 US\$	31 December 2019 US\$
5. Cash and cash equivalents		
Cash at bank and on hand	35,854	1,858,494
	<hr/>	<hr/>
6. Trade and other receivables		
Current -		
Oil and gas sales debtors	163,714	461,340
Other receivables	17,140	75,656
	<hr/>	<hr/>
	180,854	536,996
	<hr/>	<hr/>
7. Inventories		
Oil and NGL inventory at cost of production	25,671	66,707
	<hr/>	<hr/>
8. Assets held for sale		
Oilfield properties	9,174,262	-
Oilfield plant and equipment	284,786	-
Term deposit held as security	688,297	-
	<hr/>	<hr/>
	10,147,345	-
	<hr/>	<hr/>
9. Other financial assets		
Non-current		
Cash held as security	-	684,123
Lease deposit	15,747	15,747
	<hr/>	<hr/>
	15,747	699,870
	<hr/>	<hr/>

Eon NRG Limited
Half Year Final Report (Appendix 4D)
for the half year ended 30 June 2020

	30 June 2020 US\$	31 December 2019 US\$
10. Oil and gas properties		
Cost of acquisition and enhancements	-	29,684,061
Accumulated amortisation and impairment	-	(22,864,190)
	<u>-</u>	<u>6,819,871</u>
11. Exploration assets		
Cost of acquisition and enhancements	<u>248,166</u>	<u>960,634</u>
12. Plant and equipment		
Cost	170,017	2,986,340
Depreciation and impairment	(116,132)	(2,574,864)
	<u>53,885</u>	<u>411,476</u>
13. Right of Use Assets and Leases		
Right of use assets		
Cost	296,582	297,417
Accumulated depreciation	(277,361)	(234,989)
	<u>19,221</u>	<u>62,428</u>
Lease Liabilities		
Current	19,588	64,520
Non-current	-	6,115
	<u>19,588</u>	<u>70,635</u>
14. Trade and other payables		
Current		
Trade payables and accruals	<u>571,903</u>	<u>2,078,298</u>
Non-current		
Trade payables and accruals	<u>-</u>	<u>-</u>
15. Interest Bearing Liabilities		
Current		
Bank Loan (Secured)	<u>6,514,275</u>	<u>6,302,654</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. The loan is a line of credit facility with terms as follows:

Eon NRG Limited
Half Year Final Report (Appendix 4D)
for the half year ended 30 June 2020

15. Interest Bearing Liabilities (Cont.)

Line of Credit -

- Loan facility limit: \$6,400,000
- Loan balance Jun-20: \$6,514,275 (Dec-19: \$6,302,654)
- Loan maturity date was 1 October 2020. In May 2020, ANB Bank issued a notice of default on the Company due to the non-payment of interest. Because the loan is due for repayment, the term 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 plus a guarantee from Eon NRG Ltd.

	30 June 2020 US\$	31 December 2019 US\$
16. Provisions		
Current		
Employee leave provision	174,209	175,926
Non-current		
Asset retirement obligation	-	3,791,000
Employee leave provision	17,191	16,476
	17,191	3,807,476
17. Liabilities held for sale		
Asset restoration liability	3,649,397	-
18. Issued capital		
	Number of shares	Number of shares
Opening balance (1 January)	769,888,934	406,389,160
New shares issued	-	363,499,774
	769,888,934	769,888,934
	US\$	US\$
Opening balance (1 January)	26,810,025	25,207,031
New shares issued – placement (net of capital raising costs)	-	1,602,994
	26,810,025	26,810,025

19. 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 current year no options have been exercised.

Eon NRG Limited
Half Year Final Report (Appendix 4D)
for the half year ended 30 June 2020

	30 June 2020 US\$	31 December 2019 US\$
20. Reserves		
Share option reserve	349,661	349,661

21. Matters subsequent to the period end

Sale of Silvertip Field:

An agreement was reached with an independent oil and gas operator to acquire the Silvertip Field. The assets (producing wells and associated equipment) and liabilities (rehabilitation provision of approx. US\$3 million) were sold for a consideration of \$10 and the sale closed on 30 September 2020.

Workout agreement with ANB:

Following the default on interest payments by the Company in March 2020, negotiations were progressed with ANB Bank to finalise a workout arrangement in relation to the remaining debt owed to ANB Bank. An agreement was reached with the bank and signed on 10th December. In exchange for the conveyance of various properties (detailed below), ANB Bank has agreed to release Incremental Oil and Gas USA Holdings, Inc from the obligations under a previously signed Credit Agreement, including the release of guarantees that were in place from Eon NRG Ltd and Incremental Oil and Gas (Silver Tip) LLC. The property that is to be assigned/conveyed under this agreement is as follows:

1. Assignment of membership interest in Incremental Oil and Gas, LLC – 100% WI in Sheep Springs Oilfield, CA;
2. Assignment of membership interest in Incremental Oil and Gas (Round Mountain), LLC – 100% WI in Round Mountain Oilfield, CA;
3. Assignment, Bill of Sale and Conveyance of 100% WI in Borie Oilfield, WY;
4. Assignment, Bill of Sale and Conveyance of 100% WI in Govt Kaehne well and associated Powder River Basin leases, WY;
5. Assignment of Incremental Oil and Gas USA Holdings, Inc. bank accounts that containing funds that are pledged to Wyoming Oil and Gas Conservation Commission and other governmental agencies for operational, owner, idle well and other bonds;
6. Assignment of the ANB Bank accounts of Incremental Oil and Gas USA Holdings, Inc.

Eon is required to make payments to various creditors and employees in USA amounting to approximately US\$111,000 including an amount of US\$45,500 to ANB in recognition of expenses paid by the bank that related to the Silvertip Field prior to its sale.

Application for re-quotations of Company securities on ASX and raising of additional capital:

The Company commenced the process of applying to ASX to have its shares re-quoted. This process is ongoing and has been subject to finalisation of various matters including the completion of the workout agreement with ANB Bank.

In order to meet the company's financial obligations for past and ongoing operating and corporate expenses and with the anticipation of the requirement for additional funds for Eon to qualify for relisting by ASX, Eon sought expressions of interest from various parties to raise additional capital. A mandate has been signed with Rockford Partners to assist with the raising of capital for the Company. A short term loan facility of A\$200,000 has been put in place to satisfy immediate creditor obligations. Further capital raising is being considered by the Company and will be announced in 2021.

As a part of completion of the Workout Agreement, the Managing Director (CEO) and CFO roles will be made redundant.

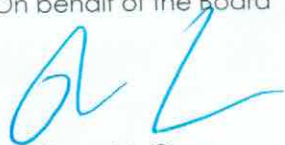
DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Eon NRG Limited, I state that:

In the opinion of the directors

- (a) The financial statements and notes of Eon NRG Limited are in accordance with the Corporations Act 2001, including:
 - (i) Giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the half year ended on that date, and
 - (ii) Complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) Subject to achieving the matters set out in note 1 to the financial report, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Matthew McCann
Chairman
Perth

23 December 2020

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF EON NRG LIMITED

Report on the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of EON NRG Limited ("the Company") and its controlled entities ("the Consolidated Entity"), which comprises the consolidated statement of financial position as at 30 June 2020 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of the Consolidated Entity is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the consolidated financial position of the Consolidated Entity as at 30 June 2020 and of its consolidated financial performance for the half year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity. Our responsibilities are further described in the Auditor's Responsibilities for the Half Year Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our review of the half year financial report in Australia and the *Corporations Act 2001*. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Emphasis of matter – material uncertainty related to going concern

Without qualifying our conclusion, we draw attention to Note 2 in the financial report "Going Concern", which describes the Consolidated Entity's ability to continue as a going concern, as being dependent upon the successful execution of the Workout Agreement with ABN Bank and successful raising of additional capital. These conditions, along with other matters as set out in Note 2, indicate the existence of a material uncertainty that may cast doubt on the Consolidated Entity's ability to continue as a going concern and therefore, the Consolidated Entity may not be able to realise its assets and discharge its liabilities in the ordinary course of business.

Directors' responsibility for the half year financial report

The directors of the Company are responsible for the preparation of the half year financial report that gives a true and fair view in accordance with the 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 half year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

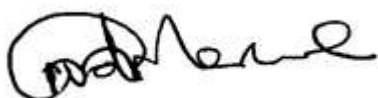
Auditor's responsibility for the half year financial report

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagement ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half year financial report is not in accordance with the *Corporations Act 2001* including; giving a true and fair view of the Consolidated Entity's consolidated financial position as at 30 June 2020 and its consolidated financial performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

As the auditor of the Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audited conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BUTLER SETTINERI (AUDIT) PTY LTD



MARIUS VAN DER MERWE CA
Director

Perth

Date: 23 December 2020