

ENHANCED OIL & GAS RECOVERY LIMITED
(formerly known as ARTIST & ENTERTAINMENT GROUP LIMITED)
ABN: 67 097 771 581
AND CONTROLLED ENTITIES

**FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2014**

This half-year financial report is to be read in
conjunction with the financial report for the year
ended 30 June 2014

**ENHANCED OIL & GAS RECOVERY LIMITED
(FORMERLY KNOWN AS ARTIST & ENTERTAINMENT GROUP LIMITED)
AND CONTROLLED ENTITIES
FINANCIAL REPORT FOR THE HALF-YEAR ENDED
31 DECEMBER 2014**

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DIRECTORS' REPORT

The directors present their report together with the condensed financial report of the consolidated entity consisting of Enhanced Oil & Gas Recovery Limited (the "Company") and the entities it controlled, for the half-year ended 31 December 2014 and independent auditor's review report thereon.

Directors Names

The names of the directors in office at any time during or since the end of the half-year are:

Name	Period of directorship
Ross Hill	Director since 8 July 2009
Siew Hong Koh	Director since 11 November 2008
Graham Kavanagh (Alternate to Siew Hong Koh)	Director since 15 December 2009
David Hickie	Director since 1 February 2012
John Carmody	Director since 26 May 2014

The directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

Review of Operations

The consolidated loss of the group for the half-year after providing for income tax amounted to \$367,781.

The Company has throughout the reporting period consistently worked on the plan to take on a major interest in the Wailawi Oil & Gas Project in Indonesia through the acquisition of Centre Energy Petroleum Limited (CEP). The process has taken much longer than anticipated. This has been attributed to the restructure and re-organisation of SKK Migas, the Oil and Gas Authority in Indonesia; and the issue of new regulations by SKK Migas which has required the preparation and lodgement of additional information and documentation with SKK Migas to obtain the necessary SKK Migas approval prior to the Company's acquisition of an interest in the Wailawi Project.

All requests by SKK Migas for amended and additional documents in relation to the assignment to CEP and ultimately the Company have been complied with including what the Company understands to be the final request of the 5th and 21st November 2014.

The acquisition of CEP, a Hong Kong registered company is subject to obtaining shareholders' approval of the Company at a general meeting

- for the purchase consideration of CEP for \$12.8m through the issue of shares;
- the consolidation of the shares of the Company to \$0.20 per share;
- the issue of a prospectus to raise a minimum of \$3.5 million and a maximum of \$4.5 million to fund development and exploration; and
- the change of the Company's name to "Enhanced Oil & Gas Recovery Limited" (new ASX code EOR).

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A joint venture company in Indonesia has been registered as the operating entity to undertake the Wailawi Oil & Gas Project following the grant of final approvals of the Indonesian regulatory authorities including the Indonesia Investment Coordinating Board (BKPM) and the Ministry of Law. Under the proposed arrangement, CEP would be entitled to 80% economic interest in the joint venture company PT Benuo Taka Wailawi.

CEP had advised that all conditions precedent to the release of the Cooperation Agreement by SSK Migas have been satisfied, including the payment of the \$200,000 signing fee and US\$1,500,000 performance guarantee.

At the Annual General Meeting on 3 December 2014 (2014 AGM), shareholders approved the Company changing its name to "**Enhanced Oil & Gas Recovery Limited**" (ASX Code: EOR). The new name changes the outlook of the Company and as the name implies consistency to the nature of the business conceptually removes a hindrance in the Wailawi Oil & Gas Project assignment of an ultimate interest to the Company.

On 30 September 2014, the Company announced the issue of 18,950,000 converting notes after having received in total subscription monies of \$227,400.

With the approval of shareholders at the 2014 AGM, the Company issued 44,408,333 fully paid ordinary shares for the mandatory conversion of all outstanding converting notes on the basis of one ordinary share per note. The converting notes represented a total value of \$533,900. The newly issued shares (ASX:EORAI) are potentially subject to ASX imposed escrow conditions and are not quoted until the Company issues a prospectus and re-lists the Company compliant to ASX Chapters 1 & 2 of the listing rules.

On 17 December 2014, the Company raised a further \$253,000 through the issue of 21,083,334 converting notes. These notes have similar terms and conditions to previous notes issued. Upon approval of shareholders at the next shareholders' meeting, these notes will convert into ordinary shares on the basis of one ordinary share per note.

Auditor's Declaration

A copy of the auditor's declaration, as required under section 307C of the *Corporations Act 2001*, in relation to the review for the half-year is provided with this report.

Signed in accordance with a resolution of the directors.



Director

Dated this 27th day of February 2015



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**ENHANCED OIL & GAS RECOVERY LIMITED (FORMERLY KNOWN AS ARTIST & ENTERTAINMENT
GROUP LIMITED) AND CONTROLLED ENTITIES**
ABN 67 097 771 581

**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF ENHANCED OIL & GAS RECOVERY LIMITED**

I declare that, to the best of my knowledge and belief during the half-year ended 31 December 2014 there have been:

- (i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) No contraventions of any applicable code of professional conduct.



DEBORAH CARTWRIGHT

Partner



PITCHER PARTNERS

Sydney

27 February 2015

**CONDENSED CONSOLIDATED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2014**

	Half-year	
	2014	2013
	\$	\$
Revenue		
Other revenue	6,714	18,675
	<u>6,714</u>	<u>18,675</u>
Less: Expenses		
Corporate and Temporary Staff Costs	(234,029)	(252,156)
Occupancy expenses	(29,276)	(29,500)
Revaluation of financial assets	(3,265)	(57,484)
IT & T	(713)	(695)
Depreciation and amortisation	-	-
Finance costs	(1,041)	(1,362)
Corporate and listing costs	(53,035)	(164,276)
Other expenses	(53,136)	(20,445)
	<u>(374,495)</u>	<u>(525,918)</u>
Loss before income tax expense from continuing operations	(367,781)	(507,243)
Income tax expense	-	-
Loss for the half year from continuing operations	(367,781)	(507,243)
Profit from discontinued operations	-	5,252
Loss for the half year	(367,781)	(501,991)
Other comprehensive income	-	-
Other comprehensive income after income tax expense	-	-
Total comprehensive income attributable to the members of Enhanced Oil & Gas Recovery Limited	(367,781)	(501,991)
Basic earnings per share	(0.06¢)	(0.10¢)
Diluted earnings per share	(0.06¢)	(0.10¢)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Notes	31 Dec 2014 \$	30 June 2014 \$
CURRENT ASSETS			
Cash and cash equivalents		257,962	268,195
Receivables	6	176,667	177,078
Other current assets		8,745	20,235
TOTAL CURRENT ASSETS		<u>443,374</u>	<u>465,508</u>
NON-CURRENT ASSETS			
Property, plant and equipment		1	1
Other financial assets		20,060	39,952
TOTAL NON-CURRENT ASSETS		<u>20,061</u>	<u>39,953</u>
TOTAL ASSETS		<u>463,435</u>	<u>505,461</u>
CURRENT LIABILITIES			
Trade and other payables		(431,751)	(415,754)
Borrowings		-	(15,321)
TOTAL CURRENT LIABILITIES		<u>(431,751)</u>	<u>(431,075)</u>
TOTAL LIABILITIES		<u>(431,751)</u>	<u>(431,075)</u>
NET ASSETS/(LIABILITIES)		<u>31,684</u>	<u>74,386</u>
EQUITY			
Contributed capital		11,549,550	11,224,471
Accumulated losses		(11,517,866)	(11,150,085)
TOTAL EQUITY		<u>31,684</u>	<u>74,386</u>

The accompanying notes form part of these financial statements.

**CONDENSED CONSOLIDATED
STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2014**

Consolidated	Contributed equity \$	Retained earnings \$	Total Equity \$
Balance as at 1 July 2013	10,723,773	(10,243,651)	480,122
Loss for the period	-	(501,991)	(501,991)
Converting Notes issued net of costs	79,943	-	79,943
Balance as at 31 December 2013	10,803,716	(10,745,642)	58,074

Consolidated	Contributed equity \$	Retained earnings \$	Total Equity \$
Balance as at 1 July 2014	11,224,471	(11,150,085)	74,386
Loss for the period	-	(367,781)	(367,781)
Converting Notes issued net of costs	325,079	-	325,079
Balance as at 31 December 2014	11,549,550	(11,517,866)	31,684

The accompanying notes form part of these financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2014**

	Half-year	
	2014	2013
	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers	-	-
Payments to suppliers and employees	(342,292)	(599,131)
Interest received	1,516	6,552
Borrowing costs	(1,041)	(1,362)
Net cash provided by (used in) operating activities	(341,817)	(593,941)
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	21,825	167,622
Payment for investments	-	(277,464)
Net cash provided by (used in) investing activities	21,825	(109,842)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Converting Notes issued net of costs	325,080	79,943
Repayment of borrowings	(15,321)	(17,703)
Net cash provided by (used in) financing activities	309,759	62,240
Net increase (decrease) in cash and cash equivalents	(10,233)	(641,543)
Cash and cash equivalents at beginning of half-year	268,195	809,538
Cash and cash equivalents at end of the half-year	257,962	167,995

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2014

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

This half-year financial report does not include all the notes of the type usually included in an annual financial report.

It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2014 and any public announcements made by Enhanced Oil & Gas Recovery Limited (*formerly known as Artist & Entertainment Group Limited*) during the half-year in accordance with any continuous disclosure obligations arising under the Corporations Act 2001.

The half-year financial report was authorised for issue by the directors as at the date of the directors' report.

This general purpose half-year financial report has been prepared in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The half-year financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

The same accounting policies and method of computation have been followed in this interim financial report as were applied in the most recent annual financial report.

NOTE 2: GOING CONCERN

The half-year financial statements have been prepared on a going concern basis.

The consolidated entity has in the half-year to 31 December 2014 raised in total \$344,000 through the issue of converting notes of which \$91,000 of the notes were converted into 7,583,333 fully paid ordinary shares (EORAI shares) upon approval by shareholders at the 2014 AGM. The EORAI shares are not quoted and potentially subject to ASX imposed escrow conditions.

Upon the completion of the legally binding agreements relating to the Wailawi Oil & Gas Project in Indonesia, the Company will proceed to issue a prospectus and re-listing the Company compliant to ASX chapters 1 & 2 of the listing rules.

It should be noted that the Company's ability to continue as a going concern is dependent on the ability to raise funds as required to meet its obligations, including relisting of the company.

NOTE 3: REVISIONS OF ACCOUNTING ESTIMATES

The revisions of accounting estimates of amounts reported in prior annual reporting periods do not have a material impact on the results reported for the half year.

NOTE 4: DIVIDENDS

	Half-year	
	2014	2013
	\$	\$
Dividends provided for or paid during the half-year:		
Ordinary Shares	<u>-</u>	<u>-</u>
Proposed dividends not recognised at the end of the half-year	<u>-</u>	<u>-</u>

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2014

NOTE 5: SEGMENT INFORMATION

In the half-year reporting period, the Group had only one reportable segment.

Half-year 2014	Corporate \$	Total \$
Segment revenue	6,714	6,714
Segment profit(loss)	<u>(367,781)</u>	<u>(367,781)</u>
Half-year 2013	Corporate \$	Total \$
Segment revenue	18,675	18,675
Segment profit(loss)	<u>(501,991)</u>	<u>(501,991)</u>

NOTE 6: RECEIVABLE FROM CENTRE ENERGY PETROLEUM LIMITED

In the last annual reporting period, the company incurred \$153,967 of expenses in respect of various technical, financial and legal advices, including related travel expenses, in relation to the proposed operating and equity structure of the Wailawi Oil & Gas Project. As Centre Energy Petroleum Limited (CEP) has been reviewing and acting on the advice, it has been agreed between the Company and CEP that CEP will reimburse the Company for those costs in full. That amount is carried forward as a Receivable in the Statement of Financial Position as at 31 December 2014.

The directors have assessed the recoverability of the receivable previously and considered the Performance Bond lodged on behalf of CEP, and financed by related parties, as evidence of financial capacity to settle the receivable in full following the full completion of all conditions precedent and entering into of the Wailawi Project.

NOTE 7: CHANGES IN THE COMPOSITION OF THE ENTITY

There has been no change to the composition of the entity.

NOTE 8: CONTINGENT LIABILITIES

The Company has an obligation to complete the annual tax returns for 2006 to 2009 for each of the subsidiaries that have discontinued their operations. These subsidiaries have either been liquidated or de-registered. No tax liability is expected to arise as none of the former business units achieved any past profit outcome under the former management.

No remuneration has been paid to, or liability accrued for, fees which otherwise may have been payable with respect to director services by Mr Hill and Mr Hickie for the half-year ended 31 December 2014.

Upon the successful completion of the CEP acquisition, the Board will review its overall remuneration policy and may implement an Employee Share Option Plan subject to shareholders approval, which may result in the directors being issued shares in return for their agreement to forego charging any director fees during this period.

At the present date it is not possible to quantify the number of share options that may be issued, nor their value. At the date of this report, there is no agreement, formal or informal, between the company and the directors, in relation to this matter.

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ABN: 67 097 771 581

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2014

NOTE 9: FAIR VALUE MEASUREMENT

The following table represents a comparison between the carrying amounts and fair values of financial assets and liabilities

	31 December 2014		30 June 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	257,962	257,962	268,195	268,195
Receivables	176,667	176,667	177,078	177,078
Other financial assets	20,060	20,060	39,952	39,952
	-----	-----	-----	-----
	454,689	454,689	485,225	485,225
	=====	=====	=====	=====
Financial liabilities				
Trade and other payables	431,751	431,751	415,754	415,754
Borrowings	-	-	15,321	15,321
	-----	-----	-----	-----
	431,751	431,751	431,075	431,075
	=====	=====	=====	=====

NOTE 10: RELATED PARTY DISCLOSURES

Transactions with key management personnel of the entity or its parent and their personally-related entities:

Centrebright Pty Ltd, an entity controlled by Siew Hong Koh, non-Executive Director provided management services under normal terms and conditions for fees of \$40,000.

J C Petroleum Pty Ltd, an entity controlled by John Carmody, non-executive Director provided technical advisory services under normal terms and conditions for fees of \$12,996.

Drumcliff Investment Pty Ltd, an entity controlled by Graham Kavanagh, Executive Officer and director alternate to Siew Hong Koh provided consulting services under normal terms and conditions for fees of \$59,091.

Ekam Commercial is a professional service firm of Eric Kam, the Company Secretary has during the year provided management services to the Company under normal terms and conditions for fees of \$36,000.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2014

NOTE 11: SIGNIFICANT EVENTS AND TRANSACTIONS

The Company acknowledged that the process of acquiring the interest in the Wailawi Oil & Gas Project has taken much longer than anticipated. This has been attributed but not limited to

- The Provincial Indonesian Elections and change of Local Government
- The subsequent changes to the Board of Perusda
- The National Indonesian Elections and change of Government
- The subsequent re-structure and re-organisation of SKK Migas
- The issue of new regulations by SKK Migas which has required the preparation and lodgement of additional information and documentation with SKK Migas to obtain the necessary SKK Migas approval prior to the Company's acquisition of an interest in the Wailawi Project.

All requests by SKK Migas for amended and additional documents in relation to the assignment to CEP and ultimately the Company have been complied with including what the Company understands to be the final requests of the 5th and 21st November 2014.

On 17 December 2014, the Company raised a further \$253,000 through the issue of 21,083,334 converting notes. These converting notes (ASX Code: EORAM) have similar terms and conditions to previous notes issued. Upon approval of shareholders at the next shareholders' meeting, these notes will convert into ordinary shares on the basis of one ordinary share per note.

In the coming months, the Company will endeavour to raise a further \$400,000 for the purpose to defray the cost of issue of a prospectus, notice of shareholders meeting and the cost of compliance with re-listing of the Company.

The Company shall follow up with release of a timetable setting out the process leading to a Shareholders' Meeting. The meeting is to obtain the necessary approval for the project acquisition and its re-compliance with chapters 1 and 2 of the ASX listing rules, including the completion of the proposed prospectus capital raising.

NOTE 12: SUBSEQUENT EVENTS

No subsequent events occurred after the end of the Half Year.

DIRECTORS DECLARATION

The directors declare that the financial statements and notes set out on pages 6 to 13 in accordance with the *Corporations Act 2001*:

- (a) Comply with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*, and other mandatory professional reporting requirements; and
- (b) Give a true and fair view of the financial position of the consolidated entity as at 31 December 2014 and of its performance as represented by the results of its operations and its cash flows, for the half-year ended on that date.

In the directors' opinion there are reasonable grounds to believe that Enhanced Oil & Gas Recovery Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.


Siew Hong Koh
Director

Sydney

Date: 27th February 2014



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**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF ENHANCED OIL & GAS RECOVERY LIMITED**

We have reviewed the accompanying half-year financial report of Enhanced Oil & Gas Recovery Limited (formerly known as Artist & Entertainment Group Limited) and controlled entities, which comprises the condensed consolidated statement of financial position as at 31 December 2014, and the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed 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 of the consolidated entity comprising the company and the entities it controlled at the period's end or from time to time during the half year.

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 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 is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 Engagements 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, we have become aware of any matter that makes us 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 financial position as at 31 December 2014 and its 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 Enhanced Oil & Gas Recovery Limited (formerly known as Artist & Entertainment Group Limited), 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 audit 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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Enhanced Oil & Gas Recovery Limited (formerly known as Artist & Entertainment Group Limited) is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of Matter

Without modifying our conclusion, we draw attention to the half-year financial report which indicates that the consolidated entity incurred a loss for the half-year ended 31 December 2014 of \$367,781 and, as of that date, the consolidated entity's net assets were \$31,684. In Note 2 it is stated that the consolidated entity's ability to continue as a going concern is dependent on the ability to raise funds as required to meet its obligations, including relisting of Enhanced Oil & Gas Recovery Limited. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.



DEBORAH CARTWRIGHT

Partner

27 February 2015



PITCHER PARTNERS

Sydney