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ANNOUNCEMENT

(ASX: AEM)

Tuesday, 8 May 2013

Wailawi Oil & Gas Project Update and Enhanced oil and gas recovery technology

Wailawi Oil & Gas Project

Artist & Entertainment Group Limited (**AEM**) has previously announced that it is seeking to acquire an interest in the Wailawi Oil and Gas Project in Indonesia (**Wailawi Project**). The Company is pleased to announce that it has entered into a binding heads of agreement (**Heads of Agreement**) with the three shareholders of Centre Energy Petroleum Limited (**Centre Energy Petroleum**) to acquire the entire issued capital of that company, subject to various conditions precedent outlined below, so as to acquire an interest in the Wailawi Project (**Proposed Merger**). One of the three shareholders of Centre Energy Petroleum is Union Pacific Trading Pty Ltd (**UPT**), a company controlled by Mr Siew Hong Kong, a director of AEM.

Centre Energy Petroleum, a Hong Kong incorporated company, has agreed with Perusda Benuo Taka (**Perusda**) to establish a joint venture company which is to receive an assignment of Perusda's participating interest in a production sharing contract (**Cooperation Agreement**), subject to the approval of SK Migas. The two shareholders of the joint venture company are to be Centre Energy Petroleum and a wholly-owned subsidiary of Perusda, P.T. Benuo Taka Migas. (**BTM**).

As previously advised, Perusda is an Indonesian company owned by the East Kalimantan Panajam Paser Utara Regency Government in Indonesia. SK Migas is the Indonesian Government regulatory authority for oil and gas.

Centre Energy Petroleum and BTM have entered into a binding shareholders agreement to govern the affairs of the joint venture company. On incorporation of the joint venture company, which is expected to occur in the next one to two weeks, a binding assignment agreement between Perusda and the joint venture company is to be entered into and the approval of SK Migas of the assignment is to be sought. On completion of the assignment, Centre Energy Petroleum will be entitled to receive a share of the net project earnings generated from the Wailawi Project on the condition that it meets its obligations under the Cooperation Agreement. Those obligations include undertaking further exploration activity in the Wailawi Project area, particularly on previous unexplored prospective compartments of the project area.

In consideration for the three shareholders of Centre Energy Petroleum selling the entire issued share capital of Centre Energy Petroleum, AEM will issue shares to the three shareholders in the aggregate value of \$12.8 million. Completion of the Proposed Merger is dependent on a number of conditions precedent including:

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- Completion of the establishment matters in Indonesia, including the incorporation of the joint venture company in accordance with the terms of the shareholders agreement, the execution of the renewal of the Cooperation Agreement by SK Migas and the assignment of Perusda's participating interest in the Cooperation Agreement to the joint venture company;
- Receipt by AEM of an independent expert's report confirming that the Proposed Merger is fair and reasonable to its shareholders;
- Lodgement by AEM of a prospectus regarding the Proposed Merger and completion of the capital raising pursuant to that prospectus of between \$3.5 million and \$5 million;
- Passing of such resolutions as may be necessary to give effect to the Proposed Merger, including the approval of AEM's shareholders under:
 - Chapter 2E of the Corporations Act and ASX Listing Rule 10 on account of UPT being a related party of AEM;
 - Section 611, item 7 of the Corporations Act on account of the AEM shares to be issued to the three shareholders of Centre Energy Petroleum; and
 - Listing Rule 7.1 on account of the shares to be issued pursuant to the Prospectus; and
- Re-compliance with the requirements of Chapters 1 and 2 of the ASX Listing Rules.

On completion of the Proposed Merger, AEM will be entitled to receive a share of the net project earnings generated from the Wailawi Project on account of what will then be its wholly-owned subsidiary, Centre Energy Petroleum.

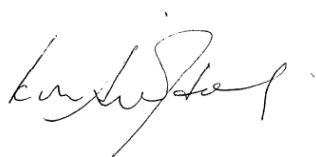
It is anticipated that the Heads of Agreement will be replaced by a full form share purchase agreement. Until the share purchase agreement is executed, the Heads of Agreement will remain binding on the parties.

AEM will continue to keep the market informed of the progress in acquiring an interest in the Wailawi Project by way of the Proposed Merger.

Enhanced oil and gas recovery technology

AEM is pleased to announce that it has entered into a binding memorandum of understanding (**MoU**) with Project Global Investments Limited (**PGI**). AEM and PGI have agreed to work together to identify oil and gas projects in Indonesia in which they may wish to invest, acquire or otherwise seek to develop, including by means of the development and deployment of enhanced oil and gas recovery technology. AEM will not expend any material amount of funds pursuant to this MoU until after completion of the Proposed Merger and its re-compliance with Chapters 1 and 2 of the ASX Listing Rules.

PGI is a company that conducts the business of the development and deployment of enhanced oil and gas recovery technology and the scoping and development of oil and gas projects.



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