

Artist & Entertainment Group Limited

ABN 67 097 771 581

Level 2 Hudson House 131 Macquarie Street Sydney NSW 2000

GPO Box 3723 Sydney NSW 2001

Phone: +61 2 9258 9900

Fax: +61 2 9247 6225

ANNOUNCEMENT

(ASX: AEM)

Monday 27 February 2012

Wailawi Oil & Gas Project

Artist & Entertainment Group Limited (**AEM**) has previously announced that it was seeking to take up an interest in the Wailawi Oil and Gas Project in Indonesia (**Wailawi Project**), by taking an assignment of rights from Union Pacific Trading Pty Ltd (**UPT**). AEM has now been advised by UPT that it is in the process of finalising its acquisition of rights in respect of the Wailawi Project.

UPT's wholly-owned Indonesian subsidiary is now proposing to enter into an agreement with Perusda Benuo Taka (**Perusda**) and BPMigas. Perusda is an Indonesian company owned by East Kalimantan Panajam Paser Utara Regency Government in Indonesia. BPMigas is the Indonesian Executive Agency for Upstream Oil and Gas Activity. Pursuant to this proposed agreement, UPT's subsidiary 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 a Production Sharing Contract (**PSC**) with Perusda and BPMigas, including undertaking further exploration activity in the Wailawi Project area.

The Wailawi Project, located at Balikpapan in East Kalimantan, Indonesia was discovered in 1975 and brought into production in 1979 and was a significant gas producer from only four (4) wells with peak production reaching 18 million cubic feet of gas per day in 1985. Two (2) more wells were drilled in 1986 with production continuing until 1999. Following the Asian financial crisis of the late 1990s, gas and oil prices went down to extremely low levels (e.g. gas was at US\$3 per 1,000 cubic feet and oil was at US\$20 per barrel). This resulted in the field being placed on "care and maintenance". In October 2005, Perusda entered a Production Service Agreement with BPMigas. This resulted in the field being put back into production.

AEM has now been advised by UPT that negotiations regarding finalisation of the terms of the proposed PSC are at an advanced stage. It is anticipated that the new PSC will have a term of fifteen (15) years. On submission of the agreed form PSC to the Indonesian Minister of Minerals and Energy, we anticipate that the PSC will be executed within ten (10) working days, at the discretion of the Minister.

Following final execution of the PSC by the Minister of Minerals and Energy, UPT has agreed to assign its rights in the Wailawi Project to AEM. A further announcement will then be made by AEM and a new timetable furnished regarding obtaining shareholder approval of the acquisition of an interest in the Wailawi Project from UPT and for compliance with Chapters 1 and 2 of the ASX Listing Rules.

For more information contact:

Graham Kavanagh
Joint Company Secretary
Tel: 02 9258 9900