

Artist & Entertainment Group Limited

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ANNOUNCEMENT

(ASX: AEM)

Tuesday, 30 September 2014

Converting Notes

The Company provides the following details of the terms and conditions relating to the Converting Notes issue as advised in Appendix 3B today, 30 September 2014.

1. AEM will seek Shareholder approval in a General Meeting of Shareholders, for the conversion of the Notes into Ordinary Shares. If approval is obtained, the Notes will be converted into Ordinary Shares and issued in accordance to (3) below.
2. If the Company is unable to secure approval from Shareholders at a General Meeting, interest on the Notes shall accrue and be paid on the said Face Value of the Notes at the rate of 5% per annum to the date of repayment which will be on or before 31 December 2014, being the expiry date of the Notes.
3. If the conversion of the Notes is approved by the Shareholders, the Notes shall automatically convert into ordinary shares in AEM in the following manner.
 - a) The Notes will be converted into fully paid ordinary shares on the basis of one ordinary share for each converting note held,
 - b) The Ordinary Shares in the capital of AEM that are issued on the conversion of the Notes shall rank pari passu with all other existing and unquoted Ordinary Shares (AEMA) in the capital of AEM,
 - c) The new shares (AEMA) will potentially subject to ASX escrow conditions, and
 - d) The Shares remain unquoted until such time AEM satisfies ASX chapters 1 and 2 of the listing rules.
4. The Notes are unsecured and are issued to sophisticated investors.
5. The Notes are to be converted into Ordinary Shares on the basis of one (1) fully paid ordinary share each per converting note. If AEM seeks and obtains the approval of shareholders for a consolidation of its issued capital, the conversion price for the Notes will be varied in accordance with ASX Listing Rules 7.22.1.
6. Interest – No interest will be payable by AEM on the Notes if the conversion of the Notes is approved by shareholders, following which the Notes will be converted immediately. If shareholders do not approve the conversion of the Notes, AEM must pay interest at 5% per annum on the face value of the Notes until the maturity date (31 December 2014).
7. The Notes will not be listed on the ASX.

It is anticipated that Shareholders approval for the conversion will be sought at the coming Annual General Meeting, or failing which the next Shareholders' Meeting.

The funds raised from the issue of the Notes will be used for on-going working capital requirements, including preparation for re-listing the Company compliant to ASX chapters 1 & 2 of the listing rules.

For further information contact:

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