



PALAMEDIA Limited ABN 46 066 217 909

NOTICE OF GENERAL MEETING

TIME: 11am (EST)

DATE: 5 May 2010

PLACE: Level 2 Export House,
22 Pitt Street,
Sydney NSW 2000

This Notice of Meeting should be read in its entirety. If Shareholders are in any doubt as to how they should vote, then please consider seeking advice from your professional advisers prior to voting.

Should you wish to discuss any matter with respect to this Notice of Meeting then please contact Mr Neal Shoobert our Company Secretary on (+61 2) 9004 8600.

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 11am am (EST) on 5 May 2011 at:

Level 2, Export House 22 Pitt Street, Sydney NSW 2000.

YOUR VOTE IS IMPORTANT

The business of the General Meeting affects your shareholding and your vote is important.

VOTING IN PERSON

To vote in person, attend the General Meeting on the date and at the place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the enclosed Proxy Form and return by:

- (a) post to Palamedia Limited, PO Box R1815 Royal Exchange NSW 1225;
 - (b) facsimile to the Company on facsimile number (+61 2) 9004 8699,
- so that it is received not later than 11am (EST) on 3 May 2011.

Proxy Forms received later than this time will be invalid.

LETTER TO SHAREHOLDERS

Dear Shareholder

I enclose for your attention a notice convening a General Meeting of the Shareholders of the Company. Shareholders should review the Notice of Meeting and Explanatory Statement.

On 15 April 2010, Mr Gavin Moss and Mr Christopher Darin of Worrells Solvency and Forensic Accountants were appointed as voluntary administrators (**Administrators**) of Palamedia Limited (**Company**) under section 436C of the Corporations Act.

The Company's securities had previously been suspended from trading on the official list of ASX Limited (**ASX**) on 1 March 2010.

On 16 July 2010, the Company obtained the approval of its creditors to enter into a Deed of Company Arrangement (**DOCA**), whereby the Administrators were appointed as administrators of the DOCA (**Administrators**).

The DOCA allows the Company to be reconstructed in accordance with the terms below (**Recapitalisation**). As part of the terms of the DOCA, any claims will be paid out of a fund to be managed by the Administrators, all entitlements of unsecured creditors of the Company will be discharged and, following termination of the DOCA, the Company will be released from all creditors' claims (except that of Shannon & Co AC Corporate Finance Pty Ltd (**Shannon & Co** or **Secured Creditor**); refer below).

Subject to Shareholder approval, the Company is seeking to satisfy liabilities owed to the Secured Creditor, in part by the issue of Shares and free attaching Options, and in part by a new facility under commercial terms. Please refer to Resolution 8 for further details.

The Recapitalisation is proposed to be undertaken as follows:

- (a) the Company will consolidate its existing fully paid ordinary shares (**Shares**) on a one (1) for eight (8) basis together with the consolidation of its existing options in the same ratio as the existing Shares (**Consolidation**);
- (b) Messrs Mark Dyson and Robert Yung have provided \$350,000 cash to the Administrators for distribution to the unsecured creditors of Company (in addition to the existing cash held by the Administrators at the date of the DOCA) after deducting associated costs and liabilities of the Administrators (**Cash Consideration**);
- (c) The Company proposes to undertake the following capital raisings which will be subject to the receipt of Shareholder approval **on a post-Consolidation basis**:
 - (i) an issue of 12,500,000 Shares at an issue price of \$0.008 each to seed investors, to raise \$100,000 (Resolution 6);
 - (ii) an issue of 15,000,000 Shares at an issue price of \$0.02 to Vanilla Management, to raise \$300,000 (Resolution 7);
 - (iii) an issue of up to 50,000,000 Shares at an issue price of \$0.04 each to raise up to \$2,000,000 together with 25,000,000 free attaching Options (on the basis of one (1) Option for every two (2) Shares issued) on the terms set out in Schedule 1, to raise \$2,000,000 (Resolution 9);

- (iv) an issue of Shares (based on the average trading price of Shares over the 5 business days prior to their issue) to raise up to \$10,000,000 to AGS Capital, pursuant to a reserve equity finance facility available to the Company for a period of up to three (3) years (Resolution 10);
 - (v) an issue of up to 5,000 Convertible Notes with a face value of \$1,000 each to raise up to \$5,000,000 (Resolution 11);
- (d) the Company will also seek Shareholder approval for:
- (i) an issue of up to 7,000,000 Shares (on a post-Consolidation basis) to the Directors pursuant to Resolutions 2 to 4 (inclusive);
 - (ii) an issue of up to 3,000,000 Shares (on a post-Consolidation basis) to non-related third parties whom the Board determines shall be remunerated for the provision of services and assistance in the administration and Recapitalisation process;
 - (iii) an issue of up to 30,000,000 Shares (on a post-Consolidation basis) at a deemed issue price of \$0.04 together with 15,000,000 free attaching Options (on the basis of one (1) Option for every two (2) Shares) issued on the terms set out in Schedule 1, in part satisfaction of the secured debt claim of the Secured Creditor (Resolution 8); and
 - (iv) adoption of a new Constitution (Resolution 12).
- (e) the Cash Consideration will be repaid through the funds raised as part of the Recapitalisation process;
- (f) the Company will satisfy the part of the outstanding liabilities owed to the Secured Creditor through the capital raisings referred to above. The remainder of the secured liability remains outstanding; and
- (g) if the Resolutions are passed and the proposed Recapitalisation is completed, the Company will seek the reinstatement to trading of its Shares on the ASX.

If any of the Resolutions are not passed by the Shareholders of the Company, the Company will not be recapitalised, with the effect that the Company shall remain subject to the trading suspension imposed by the ASX, which may ultimately lead to the Company being placed into liquidation (in which event no return to Shareholders is anticipated).

We note that the Administrators are not responsible for the contents of the Notice or the Explanatory Statement. Each of these documents has been prepared by the Board. Accordingly, the Administrators do not accept any responsibility for the accuracy of any information included, or any failure to include any information in such documents.

Yours faithfully



Nick Shannon
DIRECTOR

NOTICE OF GENERAL MEETING

Notice is given that the General Meeting of Shareholders will be held at **11.00 am** (EST) on **5 May 2011** at Level 2, Export House, 22 Pitt Street, Sydney NSW 2000.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the General Meeting. The Explanatory Statement and the Proxy Form are part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the General Meeting are those who are registered Shareholders of the Company at 7.00pm (Sydney time) on 3 May 2011.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

It is a requirement of the business of the General Meeting that each of the Resolutions set out below are passed, otherwise none of the Resolutions will have any effect.

AGENDA

SPECIAL BUSINESS

The Explanatory Statement which accompanies and forms part of this Notice describes the matters to be considered as special business.

1. RESOLUTION 1 – CONSOLIDATION OF CAPITAL

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, subject to the passing of all other Resolutions, for the purposes of Section 254H of the Corporations Act, and for all other purposes, the issued capital of the Company be consolidated on the basis that:

- (a) *every 8 Shares be consolidated into one Share; and*
- (b) *every 8 Options be consolidated into one Option with the exercise price amended in inverse proportion to that ratio,*

and where this Consolidation results in a fraction of a Share or Option being held by a Shareholder or Optionholder (as the case may be), the Directors be authorised to round that fraction up to the nearest whole Share or Option, with the Consolidation taking effect as described in the Explanatory Statement.”

Short Explanation: Under the Corporations Act, shareholder approval must be obtained in order to consolidate an entity’s Shares. The Company is seeking to consolidate its capital in order to implement a more appropriate and simplified capital structure.

2. RESOLUTION 2 – ISSUE OF SHARES TO STEVEN PLOUBIDIS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, subject to the passing of all other Resolutions, for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.11 for all other purposes, approval is given for the Directors to allot and issue up to 3,000,000 Shares (on a post-Consolidation basis) to Steven Ploubidis (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Short Explanation: As part of the Recapitalisation, Shareholder approval is being sought for the issue of the Shares to Mr Steven Ploubidis in consideration for services provided to the Company and incentive for his ongoing role as a Director of the Company. As a Director, Mr Ploubidis is a related party of the Company.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Steven Ploubidis (or his nominee) or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

3. RESOLUTION 3 – ISSUE OF SHARES TO LACHLAN COLQUHOUN

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, subject to the passing of all other Resolutions, for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.11 for all other purposes, approval is given for the Directors to allot and issue up to 1,000,000 Shares (on a post-Consolidation basis) to Lachlan Colquhoun (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Short Explanation: As part of the Recapitalisation, Shareholder approval is being sought for the issue of the Shares to Mr Lachlan Colquhoun in consideration for services provided to the Company and incentive for his ongoing role as a Director of the Company. As a Director, Mr Colquhoun is a related party of the Company.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Lachlan Colquhoun (or his nominee) or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

4. RESOLUTION 4 – ISSUE OF SHARES TO WILLIAM (MARK) DYSON

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, subject to the passing of all other Resolutions, for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.11 for all other purposes, approval is given for the Directors to allot and issue up to 3,000,000 Shares (on a post-Consolidation basis) to William Dyson (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Short Explanation: As part of the Recapitalisation, Shareholder approval is being sought for the issue of the Shares to Mr William Dyson in consideration for services provided to the Company and incentive for his ongoing role as a Director of the Company. As a Director, Mr Dyson is a related party of the Company.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by William Dyson (or his nominee) or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

5. RESOLUTION 5 – ISSUE OF CONSIDERATION SHARES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, subject to the passing of all other Resolutions, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Directors to allot and issue up to 3,000,000 Shares (on a post Consolidation basis) on the terms and conditions set out in the Explanatory Statement.”

Short Explanation: Shareholder approval is being sought for the issue of the Shares to certain parties, whom the Directors resolve, at their discretion, shall be remunerated consideration for services and support provided to the Company in connection with the administration and Recapitalisation process.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

6. RESOLUTION 6 - PLACEMENT – SHARES AND OPTIONS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, subject to the passing of all other Resolutions, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to allot and issue up to:

- (a) *50,000,000 Shares (on a post-Consolidation basis); and*
- (b) *25,000,000 free attaching Options (on the basis of 1 Option for every 2 Shares issued) (on a post-Consolidation basis),*

on the terms and conditions set out in the Explanatory Statement.”

Short Explanation: The Company is seeking shareholder approval to issue Shares (and free attaching Options) to investors in order to raise funds as part of the Recapitalisation.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person

chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

7. RESOLUTION 7 – PLACEMENT – SHARES

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, subject to the passing of all other Resolutions, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Directors to allot and issue up to 12,500,000 Shares (on a post Consolidation basis) on the terms and conditions set out in the Explanatory Statement.”

Short Explanation: The Company is seeking Shareholder approval to issue Shares under a general placement to investors in order to raise funds as part of the Recapitalisation.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

8. RESOLUTION 8 - ISSUE OF SHARES TO VANILLA MANAGEMENT AND INVESTMENT GROUP PTY LTD

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, subject to the passing of all other Resolutions, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Directors to allot and issue up to 15,000,000 Shares (on a post-Consolidation basis) to Vanilla Management and Investment Group Pty Ltd (or its nominee) the terms and conditions set out in the Explanatory Statement.”

Short Explanation: The Company is seeking Shareholder approval to issue Shares to Vanilla Management and Investment Group Pty Ltd in order to raise funds as part of the Recapitalisation of the Company.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

9. RESOLUTION 9 – ISSUE OF SHARES AND OPTIONS TO NOMINEES OF THE SECURED CREDITOR

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, subject to the passing of all other Resolutions, for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.11 for all other purposes, approval is given for the Directors to allot and issue up to:

(a) 30,000,000 Shares (on a post-Consolidation basis); and

- (b) *15,000,000 free attaching Options (on the basis of 1 Option for every 2 Shares issued) (on a post-Consolidation basis),*

to nominees of Shannon & Co AC Corporate Finance Pty Limited on the terms and conditions set out in the Explanatory Statement.”

Short Explanation: As part of the Recapitalisation, Shareholder approval is being sought for the issue of Shares and Options in part satisfaction of a secured debt owed to Shannon & Co (the Secured Creditor). Shannon & Co is an entity controlled by Nicholas Shannon, a Director of the Company. Shannon & Co has directed the Company to issue the Shares and Options to certain third parties, as set out in the Explanatory Statement.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Shannon & Co AC Corporate Finance Pty Limited (or its nominee) or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

10. RESOLUTION 10 – ISSUE OF SHARES TO AGS CAPITAL GROUP INC.

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, subject to the passing of all other Resolutions, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to allot and issue up to Shares (on a post-Consolidation basis) raising up to a total of \$10,000,000 to AGS Capital Group Inc (or its nominee) on the terms and conditions set out in the Explanatory Statement.”

Short Explanation: The Company has entered into a funding agreement with AGS Capital, pursuant to which AGS Capital has agreed to subscribe for Shares in the Company, to assist the Company to raise funds in connection with the Recapitalisation. The Company seeks Shareholder approval for the issue of Shares to AGS Capital Group (or its nominee).

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

11. RESOLUTION 11 - ISSUE OF CONVERTIBLE NOTES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, subject to the passing of all other Resolutions, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Directors to allot and issue up to 5,000 Convertible Notes with a face value of \$1,000 each on the terms and conditions set out in the Explanatory Statement.”

Short Explanation: The Company is seeking shareholder approval to issue Convertible Notes in order to raise funds as part of the Recapitalisations and for working capital.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

12. RESOLUTION 12 – ADOPTION OF NEW CONSTITUTION

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

“That, in accordance with section 136(2) of the Corporations Act and for all other purposes, the Company adopts a new constitution in the form as signed by the Chairman of the General Meeting for identification purposes, in lieu of the existing constitution of the Company.”

Short Explanation: The Company is seeking to adopt a new Constitution to incorporate changes that have been made to the Corporations Act in the last few years.

DATED THIS DAY OF 30 MARCH 2011

BY ORDER OF THE BOARD



NICK SHANNON
DIRECTOR
PALAMEDIA LIMITED

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the shareholders of Palamedia Limited (**Palamedia** or **Company**) in connection with a General Meeting of the Company.

The Deed Administrators do not accept any responsibility for the contents of this statement, including the accuracy of any information included in the statement or failure to include any information in the statement.

In considering the Resolutions, Shareholders must bear in mind the current financial circumstances of the Company. In this regard, Shareholders should note that the separate reports have been made by the Administrator to creditors of the Company in accordance with the Corporations Act. The reports set out in detail the financial position of the Company, the actions and investigations taken by the Administrator, the reasons for the failure of the Company and the Administrator's recommendations for the future of the Company.

If Resolutions 1 to 12 are passed and the proposed re-structuring set out in the recapitalisation proposal is completed, the Company will be in a position to seek the reinstatement of its Shares to official quotation on the ASX. This reinstatement is, of course subject to the discretion of the ASX, however, the Company has received confirmation from ASX that it will, subject to certain conditions, allow requotation of the Shares to official quotation.

If Shareholders reject the proposed restructuring the future of the Company is uncertain. A possibility is that the Company may be placed into liquidation. In this circumstance, it is likely that there would be no return to Shareholders.

1. OVERVIEW

1.1 Background

A general background and history in respect of the appointment of the Deed Administrator is set out in the letter to Shareholders at the beginning of this Notice.

1.2 Overview of Administration process

On 15 April 2010, Mr Gavin Moss and Mr Christopher Darin of Worrells Solvency and Forensic Accountants were appointed as Administrators of the Company under section 436C of the Corporations Act.

The Company's securities had previously been suspended from trading on the official list of ASX on 1 March 2010.

On 16 July 2010, the Company obtained the approval of its creditors to enter into the DOCA whereby the Administrators were appointed as DOCA Administrators. The DOCA allows for the Recapitalisation. As part of the terms of the DOCA, any claims will be paid into of a fund to be managed by the Administrators all entitlements of unsecured creditors of the Company will be discharged and following termination of the DOCA, the Company will be released from all creditors claims, except that of the Secured Creditor. Subject to Shareholder approval, the Company is seeking to satisfy liabilities owed to the Secured Creditor, in part, by the issue of Shares and free attaching Options and in part by the payment of cash raised from the capital raisings for referred to below. Refer to Resolution 8 for further details.

1.3 Historical Activities and Proposed Business Plan

Summary

On completion of the Recapitalisation, the Company will retain its existing business and assets. The new board of directors of Palamedia will be seeking to revitalise its business operations and develop it into a profitable enterprise, and look at acquiring other mastheads and digital media assets.

Background

Prior to being placed into administration in April 2010, Palamedia had set its objectives to expand the Company's publishing activities, which were not met partially a result of market conditions and also as a result of publishing experience in specific markets. A weak balance sheet provided no room for error.

Importantly, the Company was unable to identify within the publishing activities an appropriate growth path suitable for Shareholders, or making effective use of the public company structure. This ultimately led to closing loss; making custom publishing and markcoms activities were not meeting acceptable sales targets.

In conjunction with the business restructure, the Company sought expressions of interest for the remaining assets of the Company; however none of the enquiries provided any value to Shareholders. This is partially a result of the state of publishing generally in light of post global advertising markets.

The "Insto" business was privatised into a special purpose vehicle, Insto Holdings Pty Ltd (**Insto Holdings**) which enabled the administration process to be undertaken and conducted without affecting those operations and to prepare the Company for other business activities.

Core Assets & Mastheads

Palamedia's core assets are the businesses operating under Insto Holdings and the publishing of the "Insto" publication which leads the market as a prominent and well recognised masthead, being the core of the Company's intellectual property.

Insto services and reports on the issuance sector of the Australian debt capital markets. Products include a news wire type service, website (www.insto.com.au), email weekly news letter and monthly summary and quarterly print publication.

These products provide the Australian banking market with intraday updates of all significant debt capital occurrences such as participants, pricing, ratings and book build plus a platform for industry thought leadership on significant issues.

These products are distributed to virtually all of the Australian banking sector plus major corporate and governmental agencies.

Other masthead publications include:

- (a) "Sustainability";
- (b) "Live the Dream".

Strategy

Further Development of Existing Concepts

The new board of Palamedia believes it can achieve a profitable international publishing media group with an emphasis into expanding mastheads (such as “Insto”) into the digital media and medium, and thereby reduce the publishing costs and increasing the advertising and revenue streams for the Company.

In particular, in this context there is scope to update the medium and expand the distribution network of the mastheads (such as “Insto”) into new markets and clients and thereby capturing new opportunities.

As a consequence of this new digital media and internet access and channels of distribution, the Company has scope to deliver its mastheads through such channel pipelines to include:

- (a) digital television;
- (b) internet television and broadband;
- (c) mobile phone content;
- (d) flat internet – using standard 2D technology;
- (e) enhanced internet or web 2.0 – using 3D, “Virtual World” and other advanced techniques;
- (f) hand held devices – exploiting colour and touch screen miniaturisation.

The Directors intend to source advance software product development personnel to assist with the above and seek to partner with such expertise.

The mastheads such as “Insto” can be targeted and distributed through a multi media channels and thereby create new database of customers and subscribers.

The model for exploiting such mastheads such as “Insto” and “Sustainability” through multiple digital media channels is well accepted in the media business. Companies such as Fairfax, News Corporation and Consolidated Media Limited already exploit such opportunities with their own mastheads and intellectual property with online subscriptions and memberships.

There is also scope to expand the mastheads and intellectual property into digital and online television channels and a medium of distributions and subscription network which can be delivered in new, dynamic and cost-efficient ways.

Palamedia had previously conducted a significant amount of research the results of which have led the Board to form a view that there is much opportunity with digital media and online internet access and distribution channels.

Other opportunities

In addition to the above, the new management team will actively seek out complementary and non-contemporary assets, investments and businesses that will generate additional shareholder value.

1.4 Purpose of Capital Raisings

The purpose of the capital raisings is to:

- (a) make a payment to reimburse for the costs of the Administrator and creditors already paid under the DOCA (being the **Cash Consideration**);
- (b) provide working capital for the strategic review and development of the existing Palamedia business and its masthead assets;
- (c) provide funds for the review and acquisition of alternative/new projects; and
- (d) Recapitalisation and reinstatement to trading on the ASX.

Proposed Capital Structure

Subject to Shareholder Approval being obtained for all Resolutions set out in this Notice, the capital structure of the Company following the Recapitalisation will be:

Event	Shares	Options	Convertible Notes
Currently on issue	159,975,997	9,350,000 ¹	-
Post-Consolidation (1:8) (Resolution 1)	19,997,000	1,168,750	-
Issue to Directors (Resolutions 2, 3 and 4)	7,000,000	-	-
Issue of Consideration Shares (Resolution 5)	3,000,000	-	-
Placement at \$0.04 (Resolution 6)	50,000,000	25,000,000 ²	-
Placement at \$0.008 (Resolution 7)	12,500,000	-	-
Issue to Vanilla Management (Resolution 8)	15,000,000	-	-
Placement to nominees of the Secured Creditor (Resolution 9)	30,000,000	15,000,000 ²	-
Issue to AGS Capital (Resolution 10)	N/A ³	-	-
Issue of Convertible Notes at \$1,000 (Resolution 11)	-	-	5,000
Total	137,497,700	41,168,750	5,000

Notes:

1. Options exercisable at \$0.40 each (post consolidation) on or before 31 December 2012.
2. Free attaching Options issued on the basis of one (1) Option for every two (2) Shares issued, and on the terms set out in Schedule 1.
3. Shareholder approval is sought for the issue of up to \$10,000,000 of Shares. It is unknown how many Shares the Company will issue an advance notice in respect of, at the time of this Notice. Based on the average trading prices of the Company's Shares over the 5 days prior to their suspension from trading, the Share price for the subscription at the date of this Notice would be 90% of that average, being \$0.072, which equates to a maximum of 138,888,896 Shares. This may change when the Company's Shares recommence trading.

Use of Funds – Expenditure Budget

An indicative expenditure budget for the funds raised under the Recapitalisation is set out below:

Item	\$
Cost of recapitalisation process (estimated)	200,000
Payment of re-listing expenses (estimated)	50,000
Repayment of cash consideration	350,000
Review and development of new business	100,000
Project development	200,000
IT systems and development	400,000
Working capital	1,100,000
Total	2,400,000

The above table is a statement of current intentions as at the date of this Notice. Future events may alter the manner in which funds are applied

1.5 Board of Directors

By way of background, detailed information in respect of the Board of Directors is outlined below.

Nick Shannon – Chairman

Nick Shannon is a Chartered Accountant and Corporate Finance specialist and a partner in Equity Underwriters, a Sydney based investments firm involved in capital raising and equities trading specialising in the mining and energy sectors.

He has 15 years experience running his own advisory business in financial services and his experience includes 13 years with two major accounting firms working in corporate advisory, insolvency and audit.

He joined the Palamedia board in late 2005.

Lachlan Colquhoun – Executive Director

Lachlan Colquhoun has had a 30-year career in journalism working for some of the industry's premier mastheads and organisations all around the world. Beginning his career at the Adelaide Advertiser, in Australia he has written for The Sydney Morning Herald, The Australian Financial Review and BRW magazine. He also spent six years at ABC radio, working as executive producer of a daily current affairs program for Radio National. From 1997-2000 he was the Asian business correspondent for the London Evening Standard and after returning to Australia contributed to The South China Morning Post, The Financial Times, Financial News in London, The Scotsman, Ireland's Sunday Business Post and the Argus group in South Africa.

He is currently the managing editor of Insto magazine and has just launched the online news service www.energybusinessnews.com.au.

William Dyson (known as Mark Dyson) – Non Executive Director

Mark Dyson is a Chartered Accountant and Business Development Specialist, Qualifications and Memberships: Bachelor of Business Curtin Uni WA, Chartered Accountant, CPA, Registered Tax Agent and Registered Company Auditor.

He is the Managing Director of TME Group Pty Ltd, which is involved in fixed plant maintenance in the mining industry in Australia and overseas, and has offices in Geraldton, Perth, Kalgoorlie, Cairns, Hobart and Johannesburg.

Steve Ploubidis – Non Executive Director

Steve Ploubidis began his career in Education majoring in Human Movement Studies, having initially earned a Diploma in Teaching and then went on to completing a Bachelor of Education. In 1999, Steve undertook additional studies at the University of Adelaide where he completed an MBA (advanced). During his career, Steve has held many professional and board positions, including Executive Member of the Council of Community Clubs of Australia & New Zealand; Member of Australian Hospitality Review Panel (AHRP); Member of Drug & Alcohol Working Group; Member of Hospitality Industry OH&S and Workcover (Safer Industry 2001); Member of Gamblers Rehabilitation Committee; Member of Tourism – Hospitality Training SA; President Licensed Clubs' Association of South Australia Inc.; President Clubs Australia & New Zealand; Director Independent Gaming Corporation Ltd; Director The Competitive Edge: consulting to industry; Director Yamlex Pty Ltd (Commercial/Domestic Development Investments).

To add to his academic achievements and to compliment his professional career, Steve has also commenced a Bachelor of Laws Degree, at the University of Adelaide.

1.6 Balance Sheet

Set out in Schedule 3 is an historical balance sheet for the Company together with a pro-forma showing the effects of the transactions contemplated by this Notice of Meeting.

1.7 Voting exclusion

Shareholders should be aware that if they are to receive securities, either as consideration, or via subscription, under any of the issues of securities for which Shareholder approval is sought under this Notice of Meeting (specifically, Resolutions 5, 6, 7, 9 or 11), that Shareholder is unable to vote on the Resolution pursuant to which (subject to the Resolution being passed) they will be entitled to be issued securities, and the Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, and any associates of those persons.

However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

If you are unsure whether you will be receiving securities whether as consideration or participation in a capital raising, you should contact the Company immediately and in any case before voting in accordance with this Notice of Meeting.

1.8 Conclusion

The resolutions set out in the Notice are important and affect the future of the Company. Shareholders are therefore urged to give careful consideration to the Notice and the contents of this Explanatory Statement.

2. RESOLUTION 1 – CONSOLIDATION OF CAPITAL

2.1 General

Shareholder approval is sought to consolidate the number of Shares on issue on a one (1) for eight (8) basis.

Shareholder approval is required pursuant to Section 254H of the Corporations Act.

2.2 Corporations Act

Section 254H of the Corporation Act provides that a company may, by resolution passed in general meeting of shareholders, convert all or any of its shares into a larger or smaller number of shares.

In the event that Resolution 1 is approved, the number of Shares on issue will be reduced from 159,975,997 to approximately 19,997,000 and the number of Options to 1,168,750.

Listing Rule 7.22.1 requires that the number of Options on issue be consolidated in the same ratio as the ordinary capital and the exercise price be amended in inverse proportion to that ratio.

As from the effective date of the Resolution (being the date of the General Meeting), all holding statements for Shares will cease to have any effect, except as evidence of entitlement to a certain number of post-Consolidation Shares. After the Consolidation becomes effective, the Company will arrange for new holding statements to be issued to Shareholders.

The effect that the Consolidation and the Resolutions contained within this Notice of Meeting will have on the capital structure of the Company is set out in Section 1.4 of the Notice of Meeting.

2.3 Fractional Entitlements and Taxation

Not all Shareholders will hold that number of Shares which can be evenly divided by eight (8). Where a fractional entitlement occurs, the Directors will round that fraction up to the nearest whole Share or Option.

It is not considered that any taxation consequences will exist for Shareholders arising from the Consolidation. However, Shareholders are advised to seek their own tax advice on the effect of the Consolidation and none of the Company, the Administrator or the Company's advisers accepts any responsibility for the individual taxation consequences arising from the Consolidation.

2.4 Timetable

The indicative timetable for the Consolidation is as follows:

Event	Date
General Meeting to approve Consolidation	5 May 2011
Notification to ASX of results of General Meeting	5 May 2011
Trading on a deferred settlement basis*	9 May 2011
Last day to register transfers on a pre-Consolidation basis	13 May 2011
First day for Company to send notice to Shareholders of change of holdings as a result of Consolidation	16 May 2011
First day for Company to register securities on a post -Consolidation basis and for issue of holding statements	16 May 2011
Despatch date	20 May 2011
Deferred settlement market ends	20 May 2011
Last day for securities to be entered into the holders'. Security holdings and for Company to send notice To each security holder	20 May 2011

*The Company's securities are currently suspended from trading. As such, deferred settlement trading will not occur under ASX grants approval.

3. RESOLUTIONS 2 TO 4 (INCLUSIVE) – ISSUE OF SHARES TO RELATED PARTIES

3.1 General

The Company has agreed, subject to obtaining Shareholder approval, to allot and issue a total of up to 7,000,000 Shares (on a post-Consolidation basis), to Steven Ploubidis, Lachlan Colquhorm and William Dyson (or their nominees) (the **Related Parties**).

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in Sections 217–227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210–216 of the Corporations Act.

In addition, ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX’s opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

The grant of the Shares to the Related Parties requires the Company to obtain Shareholder approval because the grant of the Shares constitutes giving a financial benefit and as Directors, Messrs Ploubidis, Colquhoun and Dyson are related parties of the Company.

It is the view of the Directors that the exceptions set out in Sections 210 – 216 of the Corporations Act and ASX Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the granting of Shares to the Related Parties.

3.2 Shareholder Approval (Chapter 2E of the Corporations Act and Listing Rule 10.11)

Pursuant to and in accordance with the requirements of Sections 217–227 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided in relation to the proposed issue of Shares under Resolutions 2 to 4 (inclusive):

- (a) the Related Parties are Messrs Ploubidis, Colquhoun and Dyson and they are related parties by virtue of being Directors;
- (b) the maximum number of Shares (on a post-Consolidation basis) (being the nature of the financial benefit being provided) to be granted to the Related Parties is:
 - (i) 3,000,000 Shares to Steven Ploubidis;
 - (ii) 1,000,000 Shares to Lachlan Colquhoun; and
 - (iii) 3,000,000 Shares to William Dyson;
- (c) the Shares will be granted to the Related Parties no later than 1 month after the date of the General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Shares will be issued on one date;
- (d) the Shares issued will rank equally with the existing Shares on issue;
- (e) the Shares will be granted for nil cash consideration and accordingly no funds will be raised;
- (f) none of the Related Parties hold an interest in any securities of the Company as at the date of this Notice of General Meeting;
- (g) no remuneration or other emoluments have been paid to any of the Related Parties over the past 12 months. The approved Directors fee of \$150,000 per year for all Directors shall remain unchanged and shall recommence from the date of the General Meeting, out of which the Related Parties will be paid in proportions to be determined between Directors at their discretion, and which shall be subject to review on or before 30 June 2010;

- (h) the Company's Shares have not traded on ASX since March 2010. Accordingly, there is no current share trading data on the Company;
- (i) the primary purpose of the issue of Shares to the Related Parties is to provide cost-effective consideration to the Related Parties for their ongoing commitment and contribution to the Company in their respective roles as Directors, particularly in respect of the Recapitalisation and a market linked incentive for the future performance by each of them in their respective roles. . The Board does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Shares upon the terms proposed;
- (j) the Board acknowledges the grant of Shares to Messrs Ploubidis and Dyson is contrary to Recommendation 8.2 of the ASX Corporate Governance Principles and Recommendations. However, the Board considers the grant of Shares to Messrs Ploubidis and Dyson reasonable in the circumstances, given the necessity to attract the highest calibre of professionals to the Company, whilst maintaining the Company's cash reserves;
- (k) Steven Ploubidis declines to make a recommendation to Shareholders in relation to Resolution 2 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 2, recommend that Shareholders vote in favour of Resolution 2. The Board (other than Mr Ploubidis) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution; and
- (l) Lachlan Colquhoun declines to make a recommendation to Shareholders in relation to Resolution 3 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 3, recommend that Shareholders vote in favour of Resolution 3. The Board (other than Mr Colquhoun) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution; and
- (m) William Dyson declines to make a recommendation to Shareholders in relation to Resolution 4 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 4, recommend that Shareholders vote in favour of Resolution 4. The Board (other than Mr Dyson) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Shares to the Related Parties as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Shares to the Related Parties will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

4. RESOLUTION 5 – ISSUE OF CONSIDERATION SHARES

4.1 General

Resolution 5 seeks Shareholder approval to enable the Directors to issue Shares to certain employees and consultants to the Company in consideration for services and support provided to the Company in connection with the administration and Recapitalisation process. Subject to Shareholder approval being obtained, the Directors will resolve the parties to whom the Shares will be issued at their discretion.

None of the parties who receive Shares under this Resolution 5 will be related parties of the Company.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period.

The effect of Resolution 5 will be to allow the Directors to issue the Shares during the period of 3 months after the General Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

4.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of the Shares:

- (a) the maximum number of Shares to be issued is 3,000,000 (on a post-Consolidation basis);
- (b) the Shares will be issued no later than 3 months after the date of the General Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that allotment will occur on the same date;
- (c) the Shares will be granted for nil cash consideration and accordingly no funds will be raised;
- (d) the Shares will be issued to employees and consultants to the Company in consideration for services and support provided to the Company in connection with the administration and Recapitalisation process. The specific recipients have not been determined as at the date of this Notice. These persons will be sophisticated investors (within the meaning of Sections 708(8) and 708(11) of the Corporations Act, respectively), to whom the issue of securities will not require a disclosure document, and will not be related parties of the Company; and
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares.

5. RESOLUTION 6 - PLACEMENT – SHARES AND OPTIONS

5.1 General

Resolution 6 seeks Shareholder approval for the allotment and issue total of 50,000,000 Shares at an issue price of \$0.04 each and 25,000,000 free attaching Options (on the basis of 1 Option for every 2 Shares issued) (on a post-Consolidation basis).

None of the subscribers pursuant to this issue will be related parties of the Company.

A summary of ASX Listing Rule 7.1 is set out in Section 4.1 above.

The effect of Resolution 6 will be to allow the Directors to issue the Shares (and free attaching Options) during the period of 3 months after the General Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

5.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of the Shares (and free attaching Options):

- (a) the maximum number of securities is to be issued is 50,000,000 Shares (together with 25,000,000 free attaching Options) (on a post-Consolidation basis);
- (b) the Shares and Options will be issued no later than 3 months after the date of the General Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that allotment will occur on the same date;
- (c) the Shares (and free attaching Options) will be issued for an issue price of \$0.04 each;
- (d) offers for the Shares (and free attaching Options) will only be made subject to and following receipt of Shareholder approval, at the discretion of the Directors. To this end, recipients of the Shares (and free attaching Options) are unknown as at the date of this Notice of Meeting. Allottees of the Shares (and free attaching Options) will be sophisticated investors (within the meaning of Sections 708(8) and 708(11) of the Corporations Act, respectively), to whom the issue of securities will not require a disclosure document, and will not be related parties of the Company;
- (e) the Shares issued will rank equally with the existing Shares on issue;
- (f) the terms and conditions of the Options are set out in Schedule 1;
- (g) the Company intends to use the funds raised from the issue of Shares (and free attaching Options) in accordance with section 1.4 of this Explanatory Statement.

6. RESOLUTION 7 – PLACEMENT - SHARES

6.1 General

Resolution 7 seeks Shareholder approval for the allotment and issue of 12,500,000 Shares at an issue price of \$0.008 per Share (**Share Placement**).

The opportunity to acquire Shares at a discounted issue price under the Share Placement will be made available to offerees of Shares and Options under the capital raising for which Shareholder approval is being sought under Resolution 6.

None of the subscribers pursuant to this issue will be related parties of the Company.

A summary of ASX Listing Rule 7.1 is set out in Section 4.1 above.

The effect of Resolution 7 will be to allow the Directors to issue the Shares pursuant to the Share Placement during the period of 3 months after the General Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

6.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Share Placement:

- (a) the maximum number of Shares to be issued is 12,500,000 (on a post-Consolidation basis);
- (b) the Shares will be issued no later than 3 months after the date of the General Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that allotment will occur on the same date;
- (c) the issue price will be \$0.008 per Share;
- (d) offers for the Share Placement will only be made subject to and following receipt of Shareholder approval, at the discretion of the Directors. It is expected that the Shares will be made available to participants of the capital raising for which Shareholder approval is being sought under Resolution 6, as an incentive to participate in the Share Placement. Participants in the Share Placement are unknown as at the date of this Notice of Meeting. Participants will be sophisticated investors (within the meaning of Sections 708(8) and 708(11) of the Corporations Act, respectively), to whom the issue of securities will not require a disclosure document, and will not be related parties of the Company;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (f) the Company intends to use the funds raised from the issue of Shares to in accordance with section 1.4 of this Explanatory Statement.

7. RESOLUTION 8 - ISSUE OF SHARES TO VANILLA MANAGEMENT AND INVESTMENT GROUP PTY LTD

7.1 General

Resolution 8 seeks Shareholder approval for the allotment and issue of 15,000,000 Shares (on a post-Consolidation basis) at an issue price of \$0.02 per Share to Vanilla Management.

As announced on 13 September 2010, a memorandum of understanding was entered into between Vanilla Management and Shannon & Co on 18 June 2010 to set out the terms on which the parties would assist with the Recapitalisation (**MOU**). Shannon & Co have advised the Company that the MOU was terminated on 15 December 2010.

The opportunity to acquire Shares at a discounted issue price is consideration to Vanilla Management for the provision of services in connection with services provided under the MOU prior to its termination.

Vanilla Management and Investment Group Pty Ltd is not a related party of the Company.

A summary of ASX Listing Rule 7.1 is set out in Section 4.1 above.

The effect of Resolution 8 will be to allow the Directors to issue the Shares to Vanilla Management and Investment Group Pty Ltd during the period of 3 months after the General Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

7.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of Shares to Vanilla Management and Investment Group Pty Ltd:

- (a) the maximum number of Shares to be issued is 15,000,000 (on a post-Consolidation basis);
- (b) the Shares will be issued no later than 3 months after the date of the General Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that allotment will occur on the same date;
- (c) the issue price will be \$0.02 per Share;
- (d) the Shares will be allotted and issued to Vanilla Management and Investment Group Pty Ltd;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) the Company intends to use the funds raised from the issue of Shares to Vanilla Management and Investment Group Pty Ltd in accordance with section 1.4 of this Explanatory Statement.

8. RESOLUTION 9 – ISSUE OF SHARES AND OPTIONS TO NOMINEES OF THE SECURED CREDITOR

8.1 General

As part of the Recapitalisation, Shareholder approval is being sought for the issue of 30,000,000 Shares at a deemed issue price of \$0.04 each and 15,000,000 free attaching Options (on the basis of 1 Option for every 2 Shares issued) (on a post-Consolidation basis), in part satisfaction of a secured debt owed to Shannon & Co (the **Secured Creditor**).

Shannon & Co is an entity controlled by Nicholas Shannon, a Director of the Company. Shannon & Co has directed the Company to issue the Shares and Options to the third parties as set out in Section 8.2(a).

As at the date of this Notice, the Company has outstanding liabilities of approximately \$1,800,000 owing to the Secured Creditor which are secured by a fixed and floating charge over the Company's assets. The Secured Creditor and the Company have agreed that the liabilities will be, in part (to the extent of \$1,200,000), satisfied through the issue of the Shares and Options subject to Shareholder approval being obtained under this Resolution 9.

It is intended that the remaining debt (\$600,000) will remain as a debt of the Company under normal commercial conditions. It is expected that following satisfaction of all outstanding liabilities owed to the Secured Creditor, the Secured Creditor will discharge the existing security.

ASX Listing Rule 10.11 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

Shannon & Co is a "related party" under the Listing Rules as it is an entity controlled by a related party, Mr Nicholas Shannon, a Director of the Company. Shannon & Co has directed the Company issue the Shares and Options to the third parties as set out in Section 8.2(a).

The issue of Shares and Options to the nominees of Shannon & Co are considered to be arm's length because the nominees will be issued Shares (and free attaching Options) in satisfaction of debt owed by the Company at a deemed issue at the same price being offered to unrelated parties (for which Shareholder approval is sought under Resolution 9). Furthermore, one of the nominees is an unrelated party to the Company. Therefore the Company is not seeking Shareholder approval Chapter 2E of the Corporations Act for the issue of the Shares and Options.

8.2 Shareholder Approval (Listing Rule 10.11)

Pursuant to and in accordance with the requirements of ASX Listing Rule 10.13, the following information is provided in relation to the proposed issue of Shares and Options under Resolution 9:

- (a) the related party is Shannon & Co and it is a related party by virtue of being an entity controlled by a Director of the Company. Shannon & Co has directed that the Shares and Options be issued to:
 - (i) 18,750,000 Shares and 9,375,000 free attaching Options to Beneficial Investment Corporation Pty Limited (an entity controlled by Shannon & Co); and
 - (ii) 11,250,000 Shares and 5,625,000 free attaching Options to Platinum Investment Corporation Pty Ltd. Save for being a nominee of Shannon & Co, Platinum Investment Corporation Pty Ltd is ordinarily an unrelated party to the Company; and
- (b) the maximum number of securities is to be issued to the parties named in Section 8.2(a) is 30,000,000 Shares (together with 15,000,000 free attaching Options) (on a post-Consolidation basis);
- (c) the Shares will be granted to the parties named in Section 8.2(a) later than 1 month after the date of the General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Shares will be issued on one date;
- (d) the Shares issued will rank equally with the existing Shares on issue;
- (e) the terms and conditions of the Options are set out in Schedule 1;
- (f) Platinum Investment Corporation Pty Ltd has a direct interest in 15,997,014 (1,999,627 post-Consolidation Shares) in the Company;

- (g) the relevant interest of Shannon & Co in the Company as at the date of this Notice is set out as follows:

	Shares	Options
As at the date of this Notice	53,759,891 ¹	2,000,000 ²
Post Consolidation	6,719,987	250,000 ³

Notes:

¹ Includes 21,018,183 ordinary Shares and a call option over a further 32,741,708 held by another Shareholder. Mr Shannon has a call option to acquire those Shares, which expires in May 2011.

² Exercisable for \$0.05 each and expire on 31 December 2012.

³ On a post-Consolidation basis the exercise price will be \$0.40.

- (h) Mr Nicholas Shannon holds an indirect interest in the Company via his 100% interest in Shannon & Co;
- (i) Beneficial Investment Corporation Pty Limited holds an indirect interest in the Company as it is a Company controlled by Mr Nicholas Shannon;
- (j) no remuneration or other emoluments have been paid to any of the Related Parties over the past 12 months. It is proposed that Mr Nicholas Shannon and the other Directors will continue with the approved Directors fee of \$150,000 per year to be allocated between Directors at their discretion, and which shall be subject to review on or before 30 June 2011.
- (k) the Company's Shares have not traded on ASX since March 2010. Accordingly, there is no current share trading data on the Company;
- (l) as the funds will be issued to satisfy part of the liability owing to the Secured Creditor, no cash consideration will be paid and therefore no funds will be raised ; and
- (m) Nicholas Shannon declines to make a recommendation to Shareholders in relation to Resolution 9 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 9, recommend that Shareholders vote in favour of Resolution 9. The Board (other than Mr Shannon) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Shares and Options to Shannon & Co AC Corporate Finance Pty Limited as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Shares and Options to Shannon & Co AC Corporate Finance Pty Limited will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

9. RESOLUTION 10 – ISSUE OF SHARES TO AGS CAPITAL GROUP INC.

9.1 General

Resolution 10 seeks Shareholder approval for the allotment and issue of up Shares (on a post-Consolidation basis) raising up to a total of \$10,000,000 (on a post-Consolidation basis) to AGS Capital.

The Company has entered into a funding agreement with AGS Capital, pursuant to which AGS Capital has agreed to subscribe for up to \$30,000,000 (**Commitment Amount**) of Shares in the Company, to assist the Company to raise funds in connection with the Recapitalisation.

AGS Capital has agreed to subscribe for Shares in the Company at a subscription price of 90% of the average trading price of the company's Shares, calculated over the 5 days following the date that the Company gives to AGS Capital an advance notice requiring AGS Capital to subscribe for Shares.

The maximum amount that can be subscribed for pursuant to one advance notice is \$10,000,000 and, as above, the aggregate amount of the advances pursuant to the facility must not exceed the Commitment Amount. Also under the agreement, AGS Capital is prohibited from holding a relevant interest equal to or exceeding 19.9% of the Company's outstanding Shares at any time.

As above, Shareholder approval is sought for the issue of up to \$10,000,000 of Shares. It is unknown how many Shares the Company will issue an advance notice in respect of at the date of this Notice. Based on the average trading prices of the Company's Shares over the 5 days prior to their suspension from trading, the Share price for the subscription at the date of this Notice would be 90% of that average, being \$0.072, equates to a maximum of 138,888,896 Shares. This will obviously change when the Company's Shares recommence trading. That is, if Shareholder approval is granted, the number of Shares issued will depend on the prevailing Share price of the Company over the 5 days following the provision of a relevant advance notice.

Termination of the agreement with AGS Capital will occur automatically on the earliest of:

- (a) the first day of the month next following the 36 – month anniversary of the date that the Company gives the first advance notice; or
- (b) the date on which AGS Capital has made payments in subscription made payments equal to the Commitment Amount.

The Company seeks Shareholder approval for the issue of Shares to AGS Capital (or its nominee).

AGS Capital is not a related party of the Company.

A summary of ASX Listing Rule 7.1 is set out in Section 4.1 above.

The effect of Resolution 10 will be to allow the Directors to issue the Shares to AGS Capital during the period of 3 months after the General Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

9.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of Shares to AGS Capital:

- (a) the maximum number of Shares to be issued is up to that number of Shares (post-Consolidation) which, when multiplied by the issue price, equals \$10,000,000;
- (b) the Shares will be issued no later than 3 months after the date of the General Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that allotment will occur on the same date;
- (c) the issue price will be 90% of the average market price for Shares calculated over the 5 days on which sales in the Shares are recorded before the day on which the issue is made;
- (d) the Shares will be allotted and issued to AGS Capital;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) the funds raised from the issue of the Shares are intended to be used for costs associated with the sourcing and evaluation of potential growth and acquisition opportunities, potential capital expenditure requirements should an opportunity be pursued, and for general working capital purposes.

10. RESOLUTION 11 – ISSUE OF CONVERTIBLE NOTES

10.1 General

Resolution 11 seeks Shareholder approval for the issue of up to 5,000 Convertible Notes with a face value of \$1,000 each in order to raise working capital as required from time to time and agreed to by the Board of the Company.

At the date of this Notice, the Company has not entered into any formal agreements to issue the Convertible Notes. Subject to Shareholder approval being obtained, the Company intends to enter into agreements on the terms set out in Schedule 2, in order to raise working capital, as the Board deems fit.

None of the subscribers for the Convertible Notes will be related parties of the Company.

Shareholder approval is required pursuant to ASX Listing Rule 7.1, a summary of which is set out in Section 4.1 above.

The effect of Resolution 11 will be to allow the Directors to issue the Convertible Notes during the period of 3 months after the General Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

10.2 Shareholder Approval (ASX Listing Rule 7.1)

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of the Convertible Notes:

- (a) the maximum number of Convertible Note Securities to be issued is 5,000 with a face value of \$1,000 each;

- (b) the Convertible Notes will be issued no later than 3 months after the date of the General Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that allotment will occur on the same date;
- (c) offers for the Convertible Notes will only be made subject to and following receipt of Shareholder approval, at the discretion of the Directors. To this end, recipients of the Convertible Notes are unknown as at the date of this Notice of Meeting. The recipients of the Convertible Notes will be sophisticated investors (within the meaning of Sections 708(8) and 708(11) of the Corporations Act, respectively), to whom the issue of securities will not require a disclosure document, and will not be related parties of the Company;
- (d) the Convertible Notes will be issued on the terms and conditions set out in Schedule 2; and
- (e) the funds raised from the issue of the Convertible Notes are intended to be used for costs associated with the sourcing and evaluation of potential growth and acquisition opportunities, potential capital expenditure requirements should an opportunity be pursued, and for general working capital purposes.

11. RESOLUTION 12 – ADOPTION OF NEW CONSTITUTION

Resolution 12 seeks shareholder approval to adopt a new Constitution.

The new Board is seeking to adopt a new Constitution to ensure that the latest amendments to the Corporations Act are appropriately incorporated.
A copy of the new Constitution is available on request.

12. ENQUIRIES

Shareholders are required to contact the company secretary, Neal Shoobert, on (+ 61 2) 9004 8600 if they have any queries in respect of the matters set out in these documents.

GLOSSARY

\$ means Australian dollars.

Administrators or Deed Administrators means Mr Gavin Moss and Mr Christopher Darin.

AGS Capital means AGS Capital Group Inc (a company incorporated under the laws of New York).

ASIC means the Australian Securities and Investments Commission.

ASX Listing Rules or Listing Rules means the Listing Rules of ASX.

ASX means ASX Limited.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Company means Palamedia Limited (ABN 46 066 217 909).

Consolidation means the consolidation of the Company's share capital, on a one (1) for eight (8) basis, as set out in Resolution 1.

Constitution means the Company's constitution.

Convertible Notes means a note issued by the Company convertible into a Share on the terms and conditions set out in Schedule 2.

Corporations Act means the Corporations Act 2001 (Cth).

DOCA means the deed of company arrangement dated 20 July 2010.

Directors means the current directors of the Company.

EST means Eastern Standard Time as observed in Sydney, New South Wales, Australia.

Explanatory Statement means the explanatory statement accompanying the Notice of Meeting.

General Meeting means the meeting convened by the Notice of Meeting.

Noteholder means a holder of a Convertible Note.

Notice of Meeting or Notice of General Meeting means this notice of general meeting including the Explanatory Statement.

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Recapitalisation means the recapitalisation of the Company in accordance with the DOCA and the terms set out in this Notice of Meeting.

Resolutions means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

Secured Creditor means Shannon & Co.

Shannon & Co means Shannon & Co Corporate Finance Pty Ltd (ACN 074 487 764).

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

Vanilla Management means Vanilla Management and Investment Group Pty Ltd (ACN 140 550 787).

SCHEDULE 1 – TERMS AND CONDITIONS OF OPTIONS

The Options issued pursuant to Resolutions 8 and 9 entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) Each Option gives the Option holder the right to subscribe for one Share. To obtain the right given by each Option, the Option holder must exercise the Options in accordance with the terms and conditions of the Options.
- (b) The Options will expire at 5.00 pm (EST) on 31 December 2013 (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) The amount payable upon exercise of each Option will \$0.08 (**Exercise Price**).
- (d) The Options held by each Option holder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- (e) An Option holder may exercise their Options by lodging with the Company, before the Expiry Date:
 - (i) a written notice of exercise of Options specifying the number of Options being exercised; and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised;
- (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (g) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
- (h) The Options are not transferable.
- (i) All Shares allotted upon the exercise of Options will upon allotment rank *pari passu* in all respects with other Shares.
- (j) The Company will apply for quotation of the Options on ASX. However, The Company will apply for quotation of all Shares allotted pursuant to the exercise of Options on ASX within 10 Business Days after the date of allotment of those Shares.
- (k) If at any time the issued capital of the Company is reconstructed, all rights of an Option holder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (l) There are no participating rights or entitlements inherent in the Options and Option holder will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least seven (7) Business Days after the issue is announced. This will give Option holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
- (m) In the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to Shareholders after the date of issue of the Options, the exercise price of the Options will be reduced in accordance with the formula set out in ASX Listing Rule 6.22.2.
- (n) In the event the Company proceeds with a bonus issue of securities to Shareholders after the date of issues of the Options, the number of securities over which an Option is exercisable may be increased by the number of securities that the Option holder would have received if the Option had been exercised before the record date for the bonus issue.

SCHEDULE 2 – TERMS AND CONDITIONS OF PROMISSORY OR CONVERTIBLE NOTES

Face Value	\$1,000 per Convertible Note.
Conversion formula	On conversion, every one (1) Convertible Note will convert into 12,500 ordinary fully paid shares in the Company.
Repayment Date	The first to occur of: <ul style="list-style-type: none"> (a) the date a Convertible Note is converted into Shares; (b) 31 December 2013; and (c) any earlier date on which the Company is required to repay the Convertible Note under the terms of the Convertible Notes.
Interest Rate	12% per annum, payable half yearly in arrears with interest payment dates of 1 January and 1 July in each year.
Conversion rights	Quarterly.
Ranking on Conversion	Each Share issued on conversion of Convertible Notes, will rank equally with all existing Shares then on issue, except that they will not be entitled to any dividend that has been declared or determined but not paid as at the conversion date.
Early Redemption Rights	Upon the occurrence of a change in control, sale of main undertaking or an event of default.
Participation rights	Before conversion, Noteholders are not entitled to participate in rights issues, any return of capital, bonus issue or capital reconstruction. However, the conversion ratio will be adjusted in a manner that is consistent with the ASX Listing Rules.
Voting rights	Noteholders are not entitled to vote at general meetings unless provided for by the ASX Listing Rules or the Corporations Act.
Security and subordination	The Convertible Notes will be unsecured.
Listing on ASX	The Convertible Notes will not be listed.
Conditions	The placement of the Convertible Notes will be subject to the following conditions: <ul style="list-style-type: none"> (a) Shareholder approval (as sought under Resolution 12); (b) FIRB approval (if required); and (c) Securing a trustee (if required).

Palamedia Limited

**Unaudited Consolidated and Pro-Forma Statements
of Financial Position as at 30 September 2010**

	Note	Consolidated Group 30 September 2010 (Unaudited) \$	Adjustments (Unaudited) \$	Consolidated Group Pro- Forma 30 September 2010 (Unaudited) \$
CURRENT ASSETS				
Cash and cash equivalents	1	33,091	1,850,000	1,883,091
Trade and other receivables		215,040	-	215,040
Other current assets		49,099	-	49,099
TOTAL CURRENT ASSETS		297,230	1,850,000	2,147,230
NON-CURRENT ASSETS				
Plant and equipment		55,434	-	55,434
Intangible assets		500,000	-	500,000
Other non-current assets		33,726	-	33,726
TOTAL NON-CURRENT ASSETS		589,160	-	589,160
TOTAL ASSETS		886,390	1,850,000	2,736,390
CURRENT LIABILITIES				
Trade and other payables	2	1,031,060	(923,125)	107,935
Short-term provisions		7,301	-	7,301
Borrowings	3	1,779,612	(1,226,612)	553,000
Other interest bearing liabilities		44,550	-	44,550
Other current liabilities		436,408	-	436,408
TOTAL LIABILITIES		3,298,931	(2,149,737)	1,149,194
NET ASSETS		(2,412,541)	3,999,737	1,587,196
EQUITY				
Issued capital	4	32,305,768	3,426,612	35,732,380
Reserves		475,750	-	475,750
Accumulated losses	5	(35,194,059)	573,125	(34,620,934)
TOTAL EQUITY		(2,412,541)	3,999,737	1,587,196

SCHEDULE 3 – PRO FORMA STATEMENT OF FINANCIAL POSITION

Consolidated Group 30 September 2010 (Unaudited) \$	Consolidated Group Pro-Forma 30 September 2010 (Unaudited) \$
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Note 1: Cash and Cash Equivalents

Opening Balance	33,091	33,091
1(a) Issue of 15,000,000 shares at \$0.02 per share	-	300,000
1(b) Issue of 50,000,000 shares at \$0.04 per share	-	2,000,000
1(c) Issue of 12,500,000 Placement shares at \$0.008 per share	-	100,000
1(d) Payment of estimated costs	-	(200,000)
1(e) Repayment of cash consideration	-	(350,000)
Closing Balance	33,091	1,883,091

Note 2: Trade and Other Payables

Opening Balance	1,031,060	1,031,060
1(e) Repayment of cash consideration	-	(350,000)
1(f) Write off of DOCA Creditors	-	(573,125)
Closing Balance	1,031,060	107,935

Note 3: Borrowings (Secured)

Trade and other payables	1,779,612	553,000
Opening Balance	1,779,612	1,779,612
1(g) Issue of 30,000,000 shares at \$0.04 per share	-	(1,226,612)
Closing Balance	1,779,612	553,000

Note 4: Issued Capital

Opening Balance	32,305,768	32,305,768
1(a) Issue of 15,000,000 shares at \$0.02 per share	-	300,000
1(b) Issue of 50,000,000 shares at \$0.04 per share	-	2,000,000
1(c) Issue of 12,500,000 Placement shares at \$0.08 per share	-	100,000
1(d) Issue of 30,000,000 shares at \$0.04 per share	-	1,226,612
1(3) Payment of estimated costs	-	(200,000)
Closing Balance	32,305,768	35,732,380

Note 5: Accumulated Losses

Opening Balance	35,194,059	35,194,059
1(f) Write off of DOCA creditors	-	(573,125)
Closing Balance	35,194,059	34,620,934

PROXY FORM

APPOINTMENT OF PROXY FOR PALAMEDIA LIMITED ON 5 MAY 2011

GENERAL MEETING

I/We

PLEASE WRITE NAME OF SHAREHOLDER
being a member of Palamedia Limited entitled to attend and vote at the General Meeting,
hereby

Appoint

Name of proxy
OR
Mark this box if you wish to appoint the Chair of the General Meeting as your proxy

or failing the person so named or, if no person is named, the Chair of the General Meeting, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, as the proxy sees fit, at the General Meeting to be held at 11am (EST), on 5 May 2011 at Level 2 Export House, 22 Pitt Street Sydney NSW 2000, and at any adjournment thereof.

If no directions are given, the Chair will vote in favour of all the Resolutions.

OR

If the Chair of the General Meeting is appointed as your proxy, or may be appointed by default, and you do **not** wish to direct your proxy how to vote as your proxy in respect of Resolutions 2 - 11 please place a mark in this box.

By marking this box, you acknowledge that the Chair of the General Meeting may exercise your proxy even if he has an interest in the outcome of Resolutions 2 – 11 and that votes cast by the Chair of the General Meeting for Resolutions 2 – 11 other than as proxy holder will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on Resolutions 2 - 11 and your votes will not be counted in calculating the required majority if a poll is called on Resolutions 2 - 11.

Voting on Business of the General Meeting

	FOR	AGAINST	ABSTAIN
Resolution 1 – Consolidation of Capital	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 – Issue of Shares to Steven Ploubidis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3– Issue of Shares to Lachlan Colquhoun	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 – Issue of Shares to Mark Dyson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 – Issue of Consideration Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 - Placement – Shares and Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7 – Placement - Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8 – Issue of Shares to Vanilla Management and Investment Group Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9 – Issue of Shares and Options to nominees of the Secured Creditor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 10 – Issue of Shares to AGS Capital Group Inc.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 11 – Issue Convertible Notes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 12 – Adoption of new Constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not to be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is _____ %

Signed this day of 2011

Signature			Affix common seal if appropriate
Name (please print)			
	Individual or first joint holder or sole director or first director	Second joint holder or second director or company secretary	

Instructions for Completing 'Appointment of Proxy' Form

1. A member entitled to attend and vote at a General Meeting is entitled to appoint not more than two proxies to attend and vote on a poll on their behalf. The appointment of a second proxy must be done on a separate copy of the Proxy Form. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If a member appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes. A duly appointed proxy need not be a member of the Company.
2. Where a member's holding is in one name the holder must sign. Where the holding is in more than one name, all members should sign.
3. Where a Proxy Form or form of appointment of corporate representative is lodged and is executed under a power of attorney, the power of attorney must be lodged in like manner as this Proxy Form.
4. Corporate members should comply with the execution requirements set out on the Proxy Form or otherwise with the provisions of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
 - Two (2) directors of the company;
 - a director and a company secretary of the company; or
 - for a proprietary company that has a sole director who is also the sole company secretary – that director.

For the Company to rely on the assumptions set out in Section 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

5. Completion of a Proxy Form will not prevent individual members from attending the General Meeting in person if they wish. Where a member completes and lodges a valid Proxy Form and attends the General Meeting in person, then the proxy's authority to speak and vote for that member is suspended while the member is present at the General Meeting.
6. To vote by proxy, please complete and sign the enclosed Proxy Form and return by
 - (a) post to: Palamedia Limited, PO Box R1815 Royal Exchange NSW 1225; or
 - (b) facsimile to: the Company on facsimile number (+61 2) 9004 8699,

so that it is received not later than 11am (EST) on 3 May 2011.

Proxy forms received later than this time will be invalid.