

This booklet contains The Notice of Annual General Meeting for

# **mcm** entertainment group limited

ACN 006 253 271

**Friday, 30 November 2012**  
**10.00am**  
**Level 4, 21-31 Goodwood Street,**  
**Richmond, VIC 3121**

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Dear Shareholder,

A meeting of shareholders in MCM Entertainment Group Limited will be held at Level 4, 21-31 Goodwood Street, Richmond, Victoria on Friday 30 November 2012 at 10.00 am.

## **Resolutions relating to business of the annual general meeting of the company**

### **Ordinary business**

#### **Financial report**

To receive and consider the consolidated financial report of the Company for the year ended 30 June 2012 (Group Accounts) and the reports of the directors and the auditor on the Group Accounts.

#### **1. Election of Director**

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

To re-elect a director of MCM Entertainment Group Limited:

"Mr Andrew Darbyshire, retires in accordance with rule 8.1(c) of the constitution and, being eligible, offers himself for re-election."

#### **2. Election of Director**

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

To re-elect a director of MCM Entertainment Group Limited:

"Mr Philip Jacobsen, retires in accordance with rule 8.1(d) of the constitution and, being eligible, offers himself for re-election."

#### **3. Election of Director**

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

To re-elect a director of MCM Entertainment Group Limited:

"Mr Michael Gudinski, retires in accordance with rule 8.1(d) of the constitution and, being eligible, offers himself for re-election."

#### **4. Remuneration Report**

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

"That for the purposes of section 250R(2) of the Corporations Act 2001 the shareholders of MCM Entertainment Group Limited adopt the Remuneration Report for the financial year ended 30 June 2012."

Please note that this resolution is advisory only, and does not bind the Directors of the Company or the Company. The Board, however, will take the outcome of the vote into consideration when reviewing the remuneration practices or policies of the Company.

Please note that at the 2011 Annual General Meeting greater than 25% of the votes were cast against the adoption of the Remuneration Report.

Accordingly if this resolution receives a 'no' vote or at least 25% of the votes are cast against the resolution, the 'two strikes' rule will apply to the Company and resolution 5 below will become effective.

**Voting exclusion (Resolutions 4 and 5):**

*The Corporations Act 2001 (Cth) (**Corporations Act**) restricts members of the key management personnel (**KMP**) of the Company and their closely related parties from voting in relation to Resolutions 4 and 5 in certain circumstances.*

*Closely related party is defined in the Corporations Act and includes a spouse, dependant and certain other close family members, as well as any companies controlled by a member of the KMP.*

*The Company will disregard any votes cast (in any capacity) on the proposed resolution by or on behalf of:*

- *a member of the KMP (being the Directors and the KMP as disclosed in the Remuneration Report which forms part of the Company's Annual Report for the year ended 30 June 2012); and*
- *a closely related party of those persons (such as close family members and any companies the person controls),*

*unless the vote is cast as proxy for a person entitled to vote in accordance with a direction on the proxy form.*

**What this means for shareholders:** *In respect of Resolutions 4 and 5, appointing the Chairman of the Company as your proxy will expressly authorise the Chairman to exercise the proxy even if the resolution is directly or indirectly connected with the remuneration of the KMP.*

*Where any Member appoints the Chairman as their proxy, and fails to direct the proxy holder how to vote on Resolutions 4 and 5, it is the Chairman's intention to vote undirected proxies in favour of Resolution 4 and against Resolution 5.*

*If a Member appoints a person other than the Chairman or one of the KMP's as their undirected proxy, then that proxy holder may vote those shares on all resolutions as he or she decides.*

## 5. Spill Meeting

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

"That subject to and conditional on at least 25% of the votes cast on resolution 4 being cast against the adoption of the Remuneration Report:

- A general meeting of the Company (Spill Meeting) will be held no later than 90 days after the passing of this resolution;
- All Directors of the Company who were in office when the Directors passed the Board resolution on the Directors Report considered at this Annual General Meeting (other than the Managing Director) and who remain in office at the time of the Spill Meeting will cease to hold office immediately before the end of the Spill Meeting;
- Resolutions to appoint persons to the offices that will be vacated at the Spill Meeting will be put to the vote of shareholders at the Spill Meeting.

### **Voting exclusion:**

*Refer to Resolution 4 above.*

## 6. Approve the Change of Auditor

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

"That subject to having received all necessary approvals from the Australian Securities and Investments Commission to accept the resignation of Ernst & Young, shareholders ratify the appointment of Grant Thornton Audit Pty Ltd, chartered accountants, as the Company's auditors in accordance with section 327B(1)(b) of the Corporations Act 2001."

## 7. Approve a delisting of the Company's securities

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

"That the company's securities be delisted off the Australian Securities Exchange Limited."

## 8. Selective buy-back of the Company's securities

To consider, and if thought fit, pass the following resolution as a special resolution:

"That, in accordance with section 257D of the *Corporations Act 2001* (Cth) and for all other purposes, approval is given for:

- (a) the terms of the following documents (**Selective Buy-Back Documentation**) relating to the proposed selective buy-back of ordinary shares on issue in the Company held by each Australian resident non-employee shareholder holding less than 100,000 shares in the Company but not less than a marketable parcel of shares registered on the share register of the Company at 7pm on Wednesday 24 October 2012 and remaining on the share register in respect of the same or a lesser number of shares held as at 7pm on the last trading day before the date that the Buy-Back Offer is made (each a **Shareholder Offeree**), a copy of which is tabled at the Annual General Meeting of the Company and signed by the Chairman for the purposes of

identification and details of which are set out in the Explanatory Notes accompanying the Notice of Annual General Meeting:

- (a) the form and terms of offer document for the buy-back of the shares held by each Shareholder Offeree (**Offers to Buy-Back Shares**);
  - (b) the form and terms of buy-back agreement to be entered into between the Company and each of the Shareholder Offerees (**Buy-Back Agreements**);
  - (c) the form and terms of share transfer form to be signed by each accepting Shareholder Offeree and the Company (**Share Transfer Forms**); and
- (b) the Company to conduct a selective buy-back of fully paid ordinary shares from accepting Shareholder Offerees upon the terms and conditions of the Selective Buy Back Documentation and the Explanatory Notes to the Notice of Annual General Meeting.”

***Voting:***

No votes may be cast in favour of Resolution 8 by any Shareholder Offeree or by their associates.

**By order of the Board of MCM Entertainment Group Limited**

Andrew Metcalfe  
Company Secretary,  
Dated: 29 October 2012

## Notice of meeting explanatory notes

### Introduction

#### Shareholder meetings

All shareholders on the Company's share register as at 7.00 pm on 28 November 2012 are eligible to vote on the resolutions put forward at this Annual General Meeting.

#### Ordinary business and special business

#### Financial Accounts

The *Corporations Act 2001* (Cth) (**Act**) requires:

- the reports of the directors and auditors; and
- the annual financial report, including the financial statements of the company for the year ended 30 June 2012,

to be laid before the annual general meeting. The Act does not require a vote of shareholders on the reports or statements.

A representative from the auditor, Ernst & Young, will also attend the meeting and shareholders will be provided with a reasonable opportunity as a whole to ask the auditor questions relevant to the conduct of the audit and the preparation and content of the Auditor's Report, the accounting policies adopted by the company in relation to the preparation of the financial statements and the independence of the auditor in relation to the conduct of the audit.

Shareholders were provided with an email alert to access a copy of the Group Accounts. If you have become a shareholder since the Annual Report was produced and you would like a copy of the Annual Report, please contact MCM Entertainment Group Limited's share registry, Computershare Investor Services Pty Limited.

### ORDINARY BUSINESS

#### Resolutions 1, 2 and 3: Re-election of Directors

1. Mr Andrew Darbyshire, a director of MCM Entertainment Group Limited, retires in accordance with rule 8.1(c) of the constitution of MCM Entertainment Group Limited and being eligible, offers himself for re-election.

Andrew Darbyshire AM FAICD is a former broadcast engineer, who founded the highly successful Point of Sale and Inventory Management Software Specialist, Pacsoft. Pacsoft operates throughout Australia, New Zealand and the USA servicing over 1500 clients, and has won an Australian Design Award for software excellence.

A fellow of the Australian Institute of Directors, Andrew is also Chairman and Founder of Caitlin's Retreat and is involved with numerous other charity boards. Andrew was made a Member of the Order Of Australia in the 2012 Australia Day Honours for service to the community as a supporter of research into child-related brain conditions, through contributions to special needs children and their families, and to the arts.

Your Directors (other than Andrew) recommend that shareholders vote in favour of the resolution.

2. Mr Philip Jacobsen, a director of MCM Entertainment Group Limited, retires in accordance with rule 8.1(d) of the constitution of MCM Entertainment Group Limited and being eligible, offers himself for re-election.

Philip Jacobsen has over 35 years' experience in the music and entertainment industry. A partner in his own accounting business up to 1970,

he began managing various music artists before becoming the foundation director of Premier Artists; then Australia's largest live music booking agency. In 1979 he joined The Frontier Touring Company which was Australia's largest tour promoter for many years. As Director of Mushroom Records, Philip was instrumental in the Company's sale to News Limited. He is the Finance Director of the Mushroom Group of Companies.

Your Directors (other than Philip) recommend that shareholders vote in favour of the resolution.

3. Mr Michael Gudinski, a director of MCM Entertainment Group Limited, retires in accordance with rule 8.1(d) of the constitution of MCM Entertainment Group Limited and being eligible, offers himself for re-election.

Michael Gudinski AM is the founder of Mushroom Records (which was acquired by News Limited in 1998) and principal of the Mushroom Group of Companies. The Mushroom Group incorporates Mushroom Music – the largest independent publisher of Australian Music; Mushroom Pictures – responsible for a number of Australian feature films and the Frontier Touring Company – which has toured the likes of Madonna, KISS, Kylie Minogue, Frank Sinatra, Liza Minelli, Sammy Davis Jnr, Norah Jones and Billy Joel. Michael's contributions to the entertainment industry have been recognised with an ARIA Lifetime Achievement Award, the APRA's Ted Albert Award for Outstanding Services to Australian Music and a Member of the Order of Australia Medal (AM) for service to the entertainment industry. More recently, Michael was named Melbournian of the Year 2012 as a result of his contribution to the Australian music industry.

Your Directors (other than Michael) recommend that shareholders vote in favour of the resolution.

#### **Resolution 4 – Adoption of Remuneration Report**

The Remuneration Report of the Company for the financial year ended 30 June 2012 is set out in MCM Entertainment Group Limited's Annual Report which is available on the MEG website: [www.mcmentertainment.com](http://www.mcmentertainment.com). The Board is presenting the Remuneration Report (which forms part of the Directors' Report) to shareholders for adoption, as required by the Corporations Act 2001. The Remuneration Report sets out details of the Company's remuneration policies and practices, as well as the remuneration of the directors and specified executives, if any. The resolution is advisory only and does not bind the Company or its directors.

However, if at least 25% of the votes cast are against adoption of the Remuneration Report at the 2012 Annual General Meeting, the Company will be required to put a resolution to the 2012 Annual General Meeting, to approve calling a general meeting (**spill resolution**). If more than 50% of Shareholders vote in favour of the spill resolution, the Company must convene a general meeting (**spill meeting**) within 90 days of the 2012 Annual General Meeting. All of the Directors who were in office when the 2012 Directors' Report was approved, other than the Managing Director, will (if desired) need to stand for re-election at the spill meeting.

Note that a voting exclusion applies to Resolution 4 in the terms set out in the Notice of Meeting. In particular, the directors and other restricted voters may not vote on this Resolution and may not cast a vote as proxy, unless the appointment gives a direction on how to vote.

Shareholders are urged to carefully read the proxy form and provide a direction to the proxy on how to vote on this Resolution.

Shareholders should note that the Chair will vote all available proxies in favour of Resolution 4.

Shareholders will also be provided with a reasonable opportunity to ask questions about or make comments on the Remuneration Report which forms part of the 2012 Annual Report.

*Note:*

*In respect of Resolutions 4 and 5, appointing the Chairman of the Company as your proxy will expressly authorise the Chairman to exercise the proxy even if the resolution is directly or indirectly connected with the remuneration of the KMP.*

*Where any Member appoints the Chairman as their proxy, and fails to direct the proxy holder how to vote on Resolutions 4 and 5, it is the Chairman's intention to vote undirected proxies in favour of Resolution 4 and against Resolution 5.*

All directors recommend that Resolution 4 be approved by shareholders.

### **Resolution 5 - Spill Meeting**

If the resolution is passed as an ordinary resolution, it will only be binding if the Company has received a 'second strike' based on the formal result of the vote on Resolution 4.

If the Company received a 'second strike' and this resolution is passed:

- Another general meeting of the Company (Spill Meeting) will be held within 90 days; and
- All the non-executive Directors of the Company who were in office when the Directors passed the resolution to make the Directors Report considered at this Annual General Meeting (including Mr Darbyshire and Mr Jacobsen and Mr Gudinski, if resolutions 1, 2 and 3 are passed at this Annual General Meeting) will cease to hold office immediately before the end of the Spill Meeting unless that are re-elected at the Spill Meeting. The Managing Director is not subject to re-election at the Spill Meeting.

Shareholders should note that the Chair will vote all available proxies against Resolution 5.

All directors recommend that shareholders vote against Resolution 5.

### **Resolution 6 - Appointment of Grant Thornton Audit Pty Ltd as Auditor**

Resolution 6 seeks the appointment of Grant Thornton Audit Pty Ltd as the auditor of the Company. The audit was previously conducted by Ernst & Young. Ernst & Young resigned as auditor and the directors appointed Grant Thornton Audit Pty Ltd to fill the vacancy pursuant to section 327C(1) of the Corporations Act 2001. This appointment is effective until this annual general meeting.

Having receiving all necessary approvals from the Australian Securities and Investments Commission ("ASIC") for the resignation of Ernst & Young, shareholder approval is required for the appointment of Grant Thornton Audit Pty Ltd, as the company's auditors, in accordance with section 327B(1)(b) of the Corporations Act 2001.

Anthony McGinn, a substantial shareholder of the Company, has nominated Grant Thornton Audit Pty Ltd as auditor of the Company, pursuant to section 328B of the Corporations Act 2001. Grant Thornton Audit Pty Ltd is eligible and has consented to being appointed auditor of the Company as required by section 328A of the Corporations Act 2001. Pursuant to sub-section 328B(3) of the Corporations Act 2001, the written notice nominating Grant Thornton Audit Pty Ltd as auditor is attached to this Explanatory Statement as Annexure A.

All directors recommend that Resolution 6 be approved by shareholders.

## **Resolution 7 - To approve the delisting of the Company's securities**

The Board considered a number of factors in reaching its decision to seek approval from the Australian Securities Exchange Limited (ASX) to delist, including:

- (a) A disproportionate impact on share price: As only a small number of MEG's shares are being traded, this has on occasion had a disproportionate impact on the share price and has created considerable volatility;
- (b) Listing and related costs: maintain a stock exchange listing adds significant direct costs to the Company's business. In addition, there are indirect costs associated with the need to devote management time attending to matters relating to the listing which could be directed elsewhere;
- (c) Lack of liquidity: As a result of a lack of liquidity, there has been minimal trading in the Company's Shares on the ASX; and
- (d) The need for future capital raising: The Company has no proposals to raise further capital on the ASX.

The Company sought approval from the Australian Securities Exchange Limited (ASX) to have its securities delisted off the ASX.

The ASX has granted permission for the Company's securities to be delisted subject to the following conditions:

1. the request for removal of the Company from the official list be approved by an ordinary resolution of ordinary shareholders of the Company;
2. The Notice of General Meeting seeking shareholder approval to request the removal of the Company from the official list must include a statement to the effect that the removal will take place no earlier than one month after the approval is granted; and
3. The Company must release the full terms of this decision to the market immediately upon the Company's directors resolving to seek removal of the Company from the official list.

On 30 August 2012, the Company made a release to the market advising of the Directors decision to seek removal of the Company from the official list, subject to shareholder approval.

Subject to receiving shareholder approval, delisting of the Company's securities is expected to take place on or after 30 December 2012.

All directors recommend that Resolution 7 be approved by shareholders.

## **SPECIAL BUSINESS**

### **Resolution 8 – Selective buyback of the Company's securities**

#### **Proposed Selective Buy-Back**

This section of the explanatory notes to the Notice of Annual General Meeting (**Explanatory Notes**) is provided to shareholders of the Company in compliance with the requirements of Division 2 of Chapter 2J of the *Corporations Act 2001 (Act)*, and sets out all information known to the Company that is material to the decision whether selected shareholders should accept the buy-back offer, as detailed below, by the Company.

#### **Buy-Back Offer and Buy-Back Agreement**

The Buy-Back Offer and the Buy-Back Agreement (**Buy-Back Documents**) set out the terms on which the Company proposes a selective share buy-back of all ordinary shares on issue in the Company held by each Australian resident non-employee shareholder holding less than 100,000 shares in the Company but not less than a marketable parcel of shares registered on the share register of the



Company as at 7pm on Wednesday 24 October 2012 and remaining on the share register in respect of the same or a lesser number of shares held as at 7pm on the last trading day before the date that the Buy-Back Offer is made (referred to in this section of the Explanatory Notes as **Shareholder Offerees**).

Shareholder Offerees should only accept the terms of the Buy-Back Documents once they have carefully read and understood the information provided in this section of the Explanatory Notes.

Please refer to the enclosed Buy-Back Documents that set out the terms of the proposed buy-back of the ordinary shares by the Company.

### **Selective Share Buy-Back**

The type of buy-back proposed by the Company is known as a **selective share buy-back**.

Since the buy-back will be a selective buy-back, the buy-back, including the terms of the Buy-Back Documents, requires shareholder approval (**Shareholder Approval**) pursuant to section 257D of the Act by either:

1. a special resolution (75% of votes cast) passed at a general meeting of the Company, with no votes being cast in favour of the resolution by any person whose shares are proposed to be bought back or by their associates; or
2. a resolution agreed to, at a general meeting, by all ordinary shareholders.

The Company must include with any notice of the meeting a statement setting out all information known to the Company that is material to the decision how to vote on the resolution, unless such information has previously been disclosed to the shareholders. This section of the Explanatory Notes contains the required material information.

If all proposed Shareholder Offerees accept the buy-back, the Company will buy-back shares for a total purchase price of **\$150,254.05 to \$180,304.86**. This reflects a price of \$0.05 to \$0.06 per share for **3,005,081** shares (being all shares in the Company on issue to the Shareholder Offerees as at 7pm on Wednesday 24 October 2012).

Pursuant to the Act, once the Shares have been bought back by the Company, the Company is unable to deal with those Shares, except to cancel them. That cancellation must be notified to ASIC and ASX.

### **Disclosure of Relevant Information**

For the purpose of sections 257D and 257G of the Act, the following statement sets out all of the information known to the Company that is material to each shareholder's decision whether to execute the Buy-Back Documents.

The information set out below is correct as at Wednesday 24 October 2012. The Company wishes to limit its expenditure on the selective buy-back and has limited the Shareholder Offerees to not exceed the number of persons in the relevant category as at 7pm on Wednesday 24 October 2012 and remaining on the share register in respect of the same or a lesser number of shares held as at 7pm on the last trading day before the date that the Buy-Back Offer is made to ensure the amount expended by the Company is within appropriate financial limits.

## 1. Current share capital structure:

As at 7pm Wednesday 24 October 2012 there were **72,499,297** ordinary fully paid shares on issue in the Company held in the following manner:

Type of Shareholder	Number of type of shareholder	Number of shares held	Shareholding percentage
Shareholders holding 100,000 or more shares	34	68,335,485	94.25675%
Employee Shareholders or non-resident non-Employee Shareholders holding less than 100,000 shares but not less than a marketable parcel of shares	69	1,030,001	1.4207%
<b>Shareholder Offerees</b> (see definition above)	<b>122</b>	<b>3,005,081</b>	<b>4.14498%</b>
Shareholders holding less than a marketable parcel of shares	27	128,730	0.17756%
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	252	72,499,297	100%

## 2. Share capital structure after the Buy-Back

The Company proposes to limit the buy-back to the shares held by the Shareholder Offerees which as at 24 October 2012 amount to **3,005,081** shares and represents **4.14498%** of the shares on issue in the Company. Accordingly, the Directors are of the view that the proposed buy-back will have no more than a minimal effect on the share capital structure of the Company.

By way of explanation, a non-employee shareholder is a shareholder who is not:

- (a) a shareholder who is an employee of the Company or a subsidiary of the Company; or
- (b) a shareholder who was an employee of the Company or a subsidiary of the Company, when they became a shareholder.

Therefore, in the event that the buy-back offer is fully taken up (to the extent outlined above), there will be **69,494,216** ordinary shares on issue in the Company immediately after the buy-back.

### 3. Offer Price

The Company will buy-back the shares for a cash consideration of the volume weighted average price (**VWAP**) of the Company's shares traded on ASX over the last 20 trading days up to and including 30 November 2012 (i.e. 5 November 2012 to 30 November 2012), subject to the following limits:

- (a) if the VWAP exceeds \$0.06 per share, the cash consideration will be \$0.06 per share;
- (b) if the VWAP is less than \$0.05 per share, the cash consideration will be \$0.05 per share; and
- (c) if there is no sale of the Company's shares on ASX during the stated 20 trading day period (i.e. there is no VWAP), then the cash consideration will be \$0.05 per share.

The offer to buy back the shares opens on the date that is the first trading day after the date of the Shareholder Approval (expected to be **Monday 3 December 2012**) and will end on **Monday 17 December 2012**.

In the event that the offer to buy-back the shares is not accepted by all of the Shareholder Offerees, the table below sets out the consideration paid to the Shareholder Offerees as a result of a different number of shares bought back by the Company, including the situation where no Shareholder Offerees accept the offer to buy-back their shares. The table assumes:

No of shares bought back	No of shares remaining	Total consideration paid to Shareholders accepting
3,005,081	69,494,216	\$150,254.05 to \$180,304.86
2,000,000	70,499,297	\$100,000 to \$120,000
1,000,000	71,499,297	\$50,000 to \$60,000
0	72,499,297	\$0

Completion of the buy-back is scheduled to occur on or about **Wednesday 19 December 2012** at which date the cash consideration will be paid to those shareholders who have accepted and complied with the terms of the Buy-Back Documents.

The Directors consider that the price range per share of \$0.05 to \$0.06 at which the Company has agreed to buy back the shares of the Offeree Shareholders is reasonable in view of the trading range of the shares identified in section 9.2 below.

### 4. Reasons for and Benefits of the Buy-Back

The Directors consider that the buy-back is in the best interests of the

Company as a whole and is fair and reasonable to all shareholders of the Company for the following reasons:

- 4.1 The Company has obtained approval from ASX to de-list and proposes to delist subject to shareholder approval.
- 4.2 There is little liquidity in the trading of the shares of the Company.
- 4.3 The Directors believe that a selective buy-back will give Shareholder Offerees the opportunity to realise their investment before the Company is delisted from the ASX.
- 4.4 Further, the buy-back will reduce the Company's administration costs, including share registry costs.

## **5. Potential Disadvantages of the Buy-Back**

The Directors consider that the buy-back will not result in any material disadvantage to shareholders. The Directors consider the new capital structure is consistent with the Company's future objectives and will not have an impact on the Company's ability to pursue a range of growth opportunities available to the Company.

The buy-back will be funded from the existing financing facilities available to the Company. This will increase the amount of borrowing and interest payable by the Company. However, the Directors believe that the working capital of the Company will easily be sufficient to meet the increased interest liability.

## **6. What if the Buy-Back does not proceed?**

If the buy-back is not approved by shareholders, the shares owned by Shareholder Offerees will not be cancelled and Shareholder Offerees will collectively retain **4.14498%** of the Company. Delisting is not conditional on Shareholder Approval and will take place on or about **Monday 7 January 2013**.

Possible implications of the buy-back not proceeding include that the continuing lack of liquidity will ensure that it will be difficult for Shareholder Offerees to sell their investment.

## **7. Effect of Buy-Back on the Company**

- 7.1 The buy-back is being funded from existing financing facilities of the Company.
- 7.2 Under the buy-back contemplated by the Buy-Back Documents, the number of Shareholder Offerees who accept the terms of the Buy-Back Documents will determine the total consideration payable by the Company to the Shareholder Offerees. Set out in section 3 above is an indicative table showing the consideration payable by the Company depending upon the number of shares bought back.
- 7.3 The financial impact of the buy-back on the Company will be minimal. Appendix 4C (Consolidated Statement of Cashflows) lodged by the Company on or about Monday 29 October 2012 highlights that there were funds available under the existing financial facilities of the Company significantly in excess of the maximum amount which could be required to fund the buy-back.

- 7.4 The Company will not become insolvent when or as a result of entering into the Buy-Back Documents and will be left with sufficient funds to conduct its activities.
- 7.5 As the proportion of the capital of the Company for which the buy-back is to be offered is less than 5% of that capital, the Directors believe that the buy-back will not have a significant impact on the control of the Company.
- 7.6 Apart from the impact on the Company's share register, there are no material non-financial impacts on the Company as a result of the buy-back.
- 7.7 No franking credits will be expended as part of this buy-back.

## **8. Legal and Regulatory Requirements**

- 8.1 The buy-back is a selective share buy-back. Under section 257A of the Corporations Act, the Company may only buy back its own shares if:
- (a) the buy-back does not materially prejudice the Company's ability to pay its creditors; and
  - (b) the Company follows the procedures set out in the Corporations Act.
- 8.2 Section 257D of the Corporations Act requires that the terms of the Buy-Back Agreement be approved by a special resolution passed at a general meeting of the Company, with no votes being cast in favour of the resolution by any person whose shares are proposed to be bought back or by their associates.
- 8.3 Accordingly, the Shareholder Approval is to be obtained by way of a special resolution and no proposed Shareholder Offeree (as a proposed party to a Buy-Back Agreement and a party whose shares may be bought back) nor any of their associates are permitted to vote in favour of the special resolution.
- 8.4 The Directors consider that the buy-back will not materially prejudice the Company's ability to pay its creditors.
- 8.5 ASX has confirmed there are no additional listing rule requirements the Company is required to meet in relation to the buy-back.

## **9. Share Price Information**

- 9.1 The Company's closing share price on Wednesday 24 October 2012, being the last trading day immediately prior to the Company's ASX announcement of the intended buy-back, was \$0.05.
- 9.2 Share price trading data in the current financial year, being from 1 July 2012 to 24 October 2012 is as set out below:

<b>Date</b>	<b>Amount of Shares Traded</b>	<b>Share Price</b>	<b>Value of the Trade</b>
21 September 2012	7,000	\$0.056	\$392
8 October 2012	10,000	\$0.050	\$500

## **10. Taxation**

The Directors do not consider that it is appropriate to give shareholders advice regarding the taxation consequences of accepting the proposed buy-back as it is not possible to provide a comprehensive summary of the possible taxation positions of the shareholders. The Company, its advisers and officers, do not accept any responsibility or liability for any taxation consequences to shareholders in respect of this buy-back. Shareholders should consult their own professional tax adviser in connection with the taxation implications of this buy-back.

## **11. Other information**

- 11.1 The Company will be prohibited from dealing in any shares it buys back and immediately after the registration of the transfer of those shares, the shares will be cancelled.
- 11.2 There is no other information known to the Company that is material to the decision as to how to vote on the proposed resolution to approve the buy-back. No Director or associate of a Director is participating in the buy-back.
- 11.3 Any shareholder who has any doubt about the information provided in the Notice of AGM and this Explanatory Memorandum, or the action they should take, should consult their financial, taxation or other professional adviser.
- 11.4 The Company's most recent set of audited Financial Statements, as at 30 June 2012 and Appendix 4C (Consolidated statement of cashflows) as at 29 October 2012, are available from the ASX website and the Company's website.

All directors recommend that Resolution 8 be approved by shareholders.

An Indicative Timetable in relation to the steps contemplated by the resolutions and referred to in the Explanatory Notes is set out below:

<b>Date</b>	<b>Event Description</b>
7pm Wed 24-Oct-12	Time for ascertaining Shareholder Offerees for the purposes of the selective buy-back
7pm Wed 28-Nov-12	Time for the purposes of ascertaining registered shareholders entitled to vote at the AGM
Fri 30-Nov-12	AGM held at 10am - Shareholders vote on resolutions including delisting and selective buy-back
Mon 3-Dec-12	Subject to shareholder approval, selective buy-back documents sent to Shareholder Offerees. Buy-back offer made
Mon 17-Dec-12	Selective buy-back offer period ends
Wed 19-Dec-2012	Selective buy-back completed, including cancellation of shares and payment of buy-back monies to accepting shareholder offerees
Fri 28-Dec-12	ASX trading suspension commences (being 5 trading days before the delisting date)
Mon 7-Jan-13	Company delists from the ASX (being not less than a month after the date of the AGM)

The Company is entitled to vary the timing set out in indicative timetable above as required in its discretion.

## Information for voting shareholders

### Voting entitlements

For the purpose of determining a person's entitlement to vote at the Meeting, a person will be recognised as a member and the holder of Shares if that person is registered as a holder of Shares at **7pm (Melbourne time) on 28 November 2012**.

Where two proxies are appointed, each proxy may be appointed to represent a specific proportion of the member's voting rights. If the appointment does not specify the proportion or number of votes, each proxy may exercise half of the votes (in which case any fraction of votes will be disregarded).

The proxy form (and the power of attorney or other authority, if any, under which the proxy form is signed) must be completed and returned to the Company no later than **10.00am (Melbourne time) on 28 November 2012** by:

- Lodging it with Computershare Investor Services Pty Limited (452 Johnston Street, Abbotsford, VIC 3067) or the Company at its registered office (Level 4, 21-31 Goodwood Street, Richmond Victoria, 3121);
- Posting it in the reply paid envelope to Computershare Investor Services Pty Limited (GPO Box 242, Melbourne, VIC 3001); or
- Faxing it to Computershare Investor Services Pty Limited (facsimile 2500 783 447 within Australia and +61 3 9473 2555 outside Australia); or
- relevant custodians may lodge their proxy forms online by visiting [www.intermediaryonline.com](http://www.intermediaryonline.com)

Any proxy form received after that time will not be valid for the scheduled meeting.

The proxy form must be signed by the member or his/her attorney duly authorised in writing or, if the member is a corporation, in a manner permitted by the Corporations Act. A proxy given by a foreign corporation must be executed in accordance with the laws of that corporation's place of incorporation. The proxy may, but need not, be a member of the Company. A proxy form is attached to this Notice of Meeting.

### Statement regarding undirected proxies

As disclosed on the proxy form it is the intention of the Chairman of the Meeting to vote all available proxies in favour of all resolutions. Pursuant to the ASX Listing Rules the proxy form is required to contain certain disclosures regarding the voting intentions of the Chairman regarding available proxies. Shareholders are advised to read the proxy form carefully.

### Corporate representatives

Any corporation which is a member of the Company may authorise (by certificate under common seal or other form of execution authorised by the laws of that corporation's place of incorporation, or in any other manner satisfactory to the Chairman of the Meeting) a natural person to act as its representative at the Meeting.

### Voting entitlement

On a poll, members have one vote for every fully paid ordinary share held.



**Lodge your vote:**



**By Mail:**

Computershare Investor Services Pty Limited  
GPO Box 242 Melbourne  
Victoria 3001 Australia

Alternatively you can fax your form to  
(within Australia) 1800 783 447  
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only  
(custodians) [www.intermediaryonline.com](http://www.intermediaryonline.com)

**For all enquiries call:**

(within Australia) 1300 850 505  
(outside Australia) +61 3 9415 4000

000001 000 MEG  
MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

## Proxy Form

For your vote to be effective it must be received by 10.00am Wednesday, 28 November 2012

### How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

#### Appointment of Proxy

**Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

**Appointing a second proxy:** You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

**A proxy need not be a securityholder of the Company.**

### Signing Instructions

**Individual:** Where the holding is in one name, the securityholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the securityholders should sign.

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

### Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at [www.investorcentre.com](http://www.investorcentre.com) under the information tab, "Downloadable Forms".

**Comments & Questions:** If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**Turn over to complete the form** →



View your securityholder information, 24 hours a day, 7 days a week:

**[www.investorcentre.com](http://www.investorcentre.com)**

- Review your securityholding
- Update your securityholding

**Your secure access information is:**

**SRN/HIN: I999999999**



**PLEASE NOTE:** For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE  
 FLAT 123  
 123 SAMPLE STREET  
 THE SAMPLE HILL  
 SAMPLE ESTATE  
 SAMPLEVILLE VIC 3030

**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

IND

# Proxy Form

Please mark  to indicate your directions

## STEP 1 Appoint a Proxy to Vote on Your Behalf XX

I/We being a member/s of MCM Entertainment Group Limited hereby appoint

the Chairman of the Meeting OR

**PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of MCM Entertainment Group Limited to be held at Level 4, 21-31 Goodwood Street, Richmond, VIC 3121 on Friday, 30 November 2012 at 10.00am and at any adjournment or postponement of that Meeting.

**Chairman authorised to exercise undirected proxies on remuneration related resolutions:** Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Items 4 and 5 (except where I/we have indicated a different voting intention below) even though Items 4 and 5 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

**The Chairman of the Meeting intends to vote undirected proxies in favour of each Item of business with the exception of Item 5 where the Chairman of the Meeting will be voting against.**

**Important Note:** If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Items 4 and 5 by marking the appropriate box in step 2 below.

## STEP 2 Items of Business **PLEASE NOTE:** If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

	For	Against	Abstain
Item 1 Election of Director - Andrew Darbyshire	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 2 Election of Director - Philip Jacobsen	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 3 Election of Director - Michael Gudinski	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 4 Adoption of the Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 5 Spill Meeting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 6 Approve the Change of Auditor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 7 Approve a delisting of the Company's securities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 8 Selective buy-back of the Company's securities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote all available proxies in favour of each item of business with the exception of Item 5 where the Chairman of the Meeting will be voting against.

## SIGN Signature of Securityholder(s) *This section must be completed.*

<b>Individual or Securityholder 1</b> <input style="width: 90%; height: 20px;" type="text"/>	<b>Securityholder 2</b> <input style="width: 90%; height: 20px;" type="text"/>	<b>Securityholder 3</b> <input style="width: 90%; height: 20px;" type="text"/>
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name \_\_\_\_\_ Contact Daytime Telephone \_\_\_\_\_ Date \_\_\_\_/\_\_\_\_/\_\_\_\_



┌ 000001 000 MEG  
MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

Dear Securityholder,

We have been trying to contact you in connection with your securityholding in MCM Entertainment Group Limited. Unfortunately, our correspondence has been returned to us marked "Unknown at the current address". For security reasons we have flagged this against your securityholding which will exclude you from future mailings, other than notices of meeting.

Please note if you have previously elected to receive a hard copy Annual Report (including the financial report, directors' report and auditor's report) the dispatch of that report to you has been suspended but will be resumed on receipt of instructions from you to do so.

We value you as a securityholder and request that you supply your current address so that we can keep you informed about our Company. Where the correspondence has been returned to us in error we request that you advise us of this so that we may correct our records.

You are requested to include the following;

- > Securityholder Reference Number (SRN);
- > ASX trading code;
- > Name of company in which security is held;
- > Old address; and
- > New address.

Please ensure that the notification is signed by all holders and forwarded to our Share Registry at:

Computershare Investor Services Pty Limited  
GPO Box 2975  
Melbourne Victoria 3001  
Australia

Note: If your holding is sponsored within the CHESS environment you need to advise your sponsoring participant (in most cases this would be your broker) of your change of address so that your records with CHESS are also updated.

Yours sincerely

**Andrew Metcalfe**  
Company Secretary

