



ASX ANNOUNCEMENT

AGREEMENT TO RECAPITALISE PALAMEDIA LIMITED

Palamedia Limited ("PMX") was placed into voluntary administration on 15 April 2010 to allow for a reorganisation of the company.

On 18 June 2010, a memorandum of understanding ("MOU") between Vanilla Management and Investment Group Pty Limited and Shannon & Co AC Corporate Finance Pty Limited was executed to enable the recapitalisation and re-quotation of the Company's shares on the ASX.

This agreement provided for funding to establish a deed of company arrangement.

Creditors of PMX approved a deed of company arrangement on 19 July 2010 which involved the establishment of \$350,000 deed fund to satisfy all unsecured creditors claims.

Funding for the deed was finalised late last week and the company is now in a position to recapitalise itself having met its obligations under the deed of company arrangement.

The MOU provides for various matters (in main the subject to shareholder approval) including:

- (i) a consolidation of the share capital of PMX on a 1 for 8 basis
- (ii) the issue of 87.5 million new shares (post consolidation) to raise approximately \$2.4 million
- (iii) conversion of pre-existing secured debt to equity
- (iv) the appointment of two new directors

A notice of meeting and further announcements will follow.

Dated this 13th day of September 2010

A handwritten signature in black ink, appearing to read "Nick Shannon".

Nick Shannon
Director

Palamedia Limited ABN 46 066 217 909

(Subject to deed of company arrangement)