

**Lodge your vote:**


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## Proxy Form

 **For your vote to be effective it must be received by 3:00pm (Melbourne time) on Wednesday 19 October 2011**

### How to Vote on the Item 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 the 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 the item your vote will be invalid.

**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:**

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

**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.

# Proxy Form

Please mark  to indicate your directions

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

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, as the proxy sees fit) at the Extraordinary General Meeting of MCM Entertainment Group Limited to be held at the offices of Freehills, Level 42, 101 Collins Street, Melbourne, Victoria on Friday, 21 October 2011 at 3:00pm (Melbourne time) and at any adjournment of that meeting.

## STEP 2 Items of Business

**PLEASE NOTE:** If you mark the **Abstain** box for the 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.

Item 1 That Mr Julien Philip Fernand Playoust be removed as Director of the Company with effect from the close of this meeting

For  Against  Abstain

The entire Board (excluding Mr Anthony McGinn) recommends that you **VOTE AGAINST** the resolution to remove Mr Julien Playoust as a Director and Chairman of the Company.

The Chairman of the Meeting intends to vote undirected proxies **AGAINST** the resolution

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

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name \_\_\_\_\_

Contact Daytime Telephone \_\_\_\_\_

Date \_\_\_\_ / \_\_\_\_ / \_\_\_\_

# MCM Entertainment Group Limited

ACN 006 173 271

## Extraordinary General Meeting of Shareholders

To be held at 3pm on Friday, 21 October 2011 at Freehills, Level 42, 101 Collins Street,  
Melbourne, Victoria 3000

The Directors of the Company (excluding Mr McGinn and with Mr Playoust  
abstaining) unanimously recommend that shareholders vote **AGAINST**  
this resolution.

A proxy form is enclosed

If you are unable to attend the meeting please complete and return the enclosed proxy  
form in accordance with the specified instructions.

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Dear Shareholder

Notice is given that a shareholder in the MCM Entertainment Group Limited (the **Company** or **MEG**), Mr Anthony McGinn, representing approximately 32.5% of the votes that may be cast at a general meeting of the Company (**Requisitioning Shareholder**) has requisitioned an extraordinary general meeting of the Company pursuant to section 249D of the Corporations Act.

A general meeting of shareholders in the Company will be held at:

Date: Friday 21 October, 2011

Time: 3.00pm

Venue: Freehills, Level 42, 101 Collins Street, Melbourne, Victoria 3000

The entire Board (excluding Mr Anthony McGinn and with Mr Playoust abstaining) recommends that you **VOTE AGAINST** the resolution to remove Mr Julien Playoust as a Director and Chairman of the Company, for the reasons set out in the Explanatory Memorandum, and the statements of the Board and Chairman.

### **Resolution relating to business of the general meeting of the Company**

#### **Resolution to remove Mr Julien Playoust as a Director of the Company**

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

“That Mr Julien Philip Fernand Playoust be removed as a Director of the Company with effect from the close of this meeting”

(Note: This resolution has been proposed by the Requisitioning Shareholder in accordance with section 203D of the Corporations Act).

In the interests of representing the views of as many shareholders as is possible, the Chairman of the meeting intends to call a poll in relation to this resolution.

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



Andrew Metcalfe  
Company Secretary  
Dated: 12<sup>th</sup> September 2011

## Information for voting members

### Voting entitlements

For the purpose of determining a person's entitlement to vote at this general meeting, a person will be recognised as a member and the holder of securities in the Company (**Securities**) if that person is registered as a holder of Securities **7.00pm on Wednesday 19 October 2011**.

A shareholder entitled to attend and vote has a right to appoint a proxy to attend and vote instead of the shareholder.

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 **3.00pm on Wednesday 19 October 2011**:

- 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 1800 783 447 within Australia and +61 3 9473 2555 outside Australia).
- 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.

Any directed proxies that are not voted on a poll at the meeting by a member's appointed proxy will automatically default to the Chairman of the Meeting, who is required to vote proxies as directed on a poll.

**If you are unable to attend the meeting, you are encouraged to vote on the resolution contained in the Notice of Meeting by completing and returning the enclosed proxy form as set out above.**

### Statement regarding undirected proxies

As disclosed on the proxy form it is the intention of the Chairman of the Meeting to vote any undirected proxies **AGAINST** the resolution to remove Mr Julien Playoust as a Director of the Company.

### 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.

## **Explanatory memorandum**

This explanatory memorandum has been prepared to assist shareholders in considering the resolutions set out in the Company's Notice of Meeting. It is part of, and should be read in conjunction with, the Notice of Meeting.

### **Requisition of meeting**

This general meeting has been called by the Company in response to a request by the Requisitioning Shareholder, Mr McGinn, in accordance with section 249D of the Corporations Act. The Requisitioning Shareholder holds approximately 32.5% of the votes that may be cast at a general meeting of the Company. The Directors are required to call the general meeting under section 249D(5) of the Corporations Act.

The Requisitioning Shareholder has requested that the Directors provide members of the Company with a members' statement in accordance with section 249P of the Corporations Act. In accordance with section 249P(6) of the Corporations Act, a copy of this statement is included with this Notice of Meeting on page 13. The Notice of Meeting also includes statements made by the Chairman in accordance with section 203D of the Corporations Act and the entire Board (excluding Mr McGinn).

### **Business**

#### **Resolution to remove Mr Julien Playoust as a Director of the Company**

The removal of Mr Julien Playoust as a Director and Chairman of the Company has been proposed by the Requisitioning Shareholder in accordance with section 203D of the Corporations Act.

Brief details of Mr Playoust's roles and responsibilities on the Board and his skills and background are set out below.

Mr Playoust is the independent Chairman of the Company. Mr Playoust was appointed a Director of the Company on 4 May 2010 and Chairman on 28 July 2010 at the instigation of Mr McGinn. Mr Playoust's appointment as a Director of the Company received overwhelming shareholder support at the Company's last Annual General Meeting held in November 2010.

Mr Playoust is Managing Director of AEH Group. His professional career includes Andersen Consulting and Accenture and he works across various sectors in capital structuring, mergers & acquisitions, strategy, change, technology and supply-chain programs.

Current external appointments include Director of ASX-listed companies Tatts Group Limited and Australian Renewable Fuels Limited for which he is chairman of the remuneration committees. He is a Director of private equity group MGB Equity Growth Pty Limited. He is a Trustee of the Art Gallery NSW Foundation and Chairman of the Finance Committee, a Director of the National Gallery of Australia Foundation and he sits on the Advisory Board of The Nature Conservancy.

Julien is a Member of the Australian Institute of Company Directors, Australian Institute of Management, Royal Australian Institute of Architects and The Executive Connection.

Julien holds a Masters of Business Administration from AGSM, Bachelor of Architecture, First Class Honours and Bachelor of Science from Sydney University, and a Company Director Course Diploma from the Australian Institute of Company Directors.

#### **Effect of Resolution**

If the resolution is passed (i.e. more than 50% of votes are cast in favour of this resolution), then Mr Playoust will cease to be a Director and Chairman of the Company with effect from the conclusion of the meeting.

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**Recommendation**

**The Directors of the Company (excluding Mr McGinn and with Mr Playoust abstaining) unanimously recommend that shareholders vote AGAINST this resolution.**

Please refer to the statement by the Board (excluding Mr McGinn) on page 7 of this Notice of Meeting which sets out the reasons of the Board (excluding Mr McGinn) for recommending that you vote against the proposed resolution.

# Director's Statement of Julien Playoust pursuant to section 203D of the Corporations Act

## Background

This EGM has been called by Mr McGinn to decide whether I continue as Chairman and director of MEG.

This is not just a vote on my role at MEG going forward – it is a vote on the future of MEG.

## Mr McGinn opposes MEG's Board approved Strategy

Mr McGinn seeks to remove me as Chairman and director because he does not agree with MEG's current strategy. The MEG strategy has the support of the Board and the executive management team led by Simon Joyce (CEO and Managing Director) and Michael Burgess (COO and Finance Director). Out of the Board and the executive management team, only Mr McGinn objects to, and wants to change, the strategy.

The Board (excluding Mr McGinn) has informed me that they support my continuation as Chairman and that they recommend that you vote **AGAINST** the resolution.

The Board's strategy is to:

- focus on the core business of Media (which has delivered consistent growth and profits over the past 3 years) and to invest further capital in this business to increase revenues and profitability;
- reduce expenditure and investment in Movideo as it is draining cash from the rest of MEG; and
- raise capital at the MEG level to fund MEG's growth plans.

The Board's aim is to build the business so that it delivers year-on-year improving profit.

Mr McGinn, who is the Movideo CEO, on the other hand:

- has proposed a strategy to increase expenditure year-on-year in Movideo and rely on increased Movideo revenues and new investment into Movideo to fund this expenditure, despite the fact that both these sources of funding are uncertain and high risk; and
- wants to continue to use up to 100% of profits from the core MEG Media business to fund Movideo as he has done for the past 3 years.

The Board's strategy is based on these factors:

- Media revenue is currently 83.8% of MEG revenue and delivers consistent profit to MEG - the Board strategy has the objective of growing the Media business revenue by approximately 19% per annum by FY 2013;
- MEG has an urgent need for cash to fund its growth strategy and day to day operations. MEG has tried for approximately 12 months to raise capital and believe the best option is to raise funds at the MEG level; and
- The investment that Mr McGinn wants to continue making in Movideo is a cash burn that the Board (excluding Mr McGinn) believes MEG cannot afford in its current circumstances. It has the potential to prejudice the future of MEG.

For these reasons, I do not believe that Mr McGinn's proposals are a credible alternative to the Board's strategy.

Further, while the Board's strategy has the support of the Company's external advisors and key stakeholders, I believe that any implementation of Mr McGinn's proposals will result in a loss of support for MEG particularly with investors, potential investors and the Company's equity advisors.



**I do not believe Mr McGinn is acting in the best interests of the Company and all shareholders.**

Mr McGinn says that he has only the Company's best interests at heart.

In my opinion, Mr McGinn's strategy is being driven by personal reasons rather than what is in the best interests of all shareholders. Mr McGinn does not want his approximately 32.5% holding in MEG to be diluted by a capital raising at the MEG level – a capital raising that MEG needs.

He also wants to keep investing in Movideo, of which he is CEO, even though MEG cannot afford such investment in its current circumstances.

I am concerned that Mr McGinn's conduct and the consequences of what he proposes will compromise the independent governance of the MEG Board.

I have been informed by 3 directors – Michael Burgess, Greg Smith and Vincent Donato – that they intend to resign from the Board if I am removed as Chairman and director.

#### **My role as director and chairman**

Since I was appointed a member of the Board, I have been committed to ensuring that MEG's business strategies aim to deliver growth, innovation and real future value for shareholders, particularly in the difficult economic conditions that we have been facing. I have encouraged management to:

- make plans that are realistic and achievable;
- make decisions that focus on increased revenue and margin (profit) improvement;
- consider growth strategies that protect the core Media business as a priority, as well as provide for long term growth opportunities;
- develop the culture and performance-based remuneration system, and;
- improve investor relations.

I believe that I have added value to the Board and have sought to act as a steward of shareholder interests. As the Chairman, I have sought to provide leadership and insight to a committed, experienced and well regarded team and provide focus on delivering a realistic and achievable business plan.

Listed companies cannot be reliant on the decisions and performance of any one individual, even if they may be a substantial shareholder in the company. Success or failure is determined by a collective team effort directed by management and overseen by the Board.

**Please read the Board's statement carefully before deciding how you vote. The Board's statement has the unanimous support of the Board (except Mr McGinn).**



Julien Playoust  
Chairman

## Board's Statement

### Background

This EGM has been called by Mr Anthony McGinn to determine whether Mr Julien Playoust continues as Chairman and director of MEG.

The entire Board (excluding Mr McGinn) supports the continuation of Mr Playoust as Chairman and director and recommends that shareholders vote **AGAINST** this resolution.

**The rest of the Board and management do not believe Mr McGinn is acting in the best interests of the Company and all shareholders.**

If Mr Playoust is removed as Chairman and director, Mr Michael Burgess (Finance Director and Chief Operating Officer), and Messrs Greg Smith and Vincent Donato (independent non-executive directors) intend to resign from the Board.

### The Board strategy is contrary to Mr McGinn's proposed strategy

Mr McGinn wants to remove Mr Playoust as Chairman and director because Mr McGinn does not agree with the current Board strategy. The Board and senior management (excluding Mr McGinn) consider that the current strategy is key to establishing a strong and secure platform and the future success of MEG.

Mr McGinn opposes two fundamental business matters intended to deliver value for MEG shareholders. They are:

- implementation of the Board approved FY2012 business plans that refocus on the core Media business and reduce costs in the non-core Movideo business of which Mr McGinn is the CEO; and
- implementation of a \$3 million capital raising at the MEG level to fund MEG's growth plans and to maintain the support of MEG's bankers and auditors.

### MEG's business performance cannot support Mr McGinn's desired Movideo expenditure plan

While FY2011 results were disappointing, MEG has experienced an improved first quarter revenue and profit performance for the 2012 financial year.

However, the focus must remain on the core Media business and cost control is seen as a priority. The Board is of the view that three key elements are in place, and need to remain in place, to provide the best opportunity for MEG's growth plans to succeed over the next 3 years. They are:

- strong independent non-executive governance at Board level;
- a focused business plan; and
- an experienced executive management team led by Simon Joyce as Group Chief Executive Officer and Michael Burgess as Chief Operating Officer.

There are great challenges facing MEG to improve upon the FY2011 result and deliver growth and improved value to shareholders. As part of the Board's strategy to improve MEG's financial performance, the Board has formed the view that the level of investment in Movideo that is proposed by Mr McGinn is high risk and can no longer be supported at the levels experienced to date.

Currently, the Media business is the only business that delivers material profit to MEG. Movideo provides 4.5% of MEG revenue and costs over \$2 million per annum to run.

	MCM Media \$	Igloo \$	Movideo \$	Unallocated \$	Total \$
<b>Year Ended 30 June 2011</b>					
<b>Revenue</b>					
Sales to external customers	19,804,968	2,563,274	569,036	-	22,937,278
Other revenues from external customers	-	-	-	-	-
Inter-segment sales	3,570	171,406	504,866	-	679,842
<b>Total segment revenue</b>	<b>19,808,538</b>	<b>2,734,680</b>	<b>1,073,902</b>	<b>-</b>	<b>23,617,120</b>
<b>Segment net operating profit/(loss) after tax</b>	<b>728,243</b>	<b>(348,741)</b>	<b>(1,960,585)</b>	<b>(550,263)</b>	<b>(2,131,346)</b>
<b>Year Ended 30 June 2010</b>					
<b>Revenue</b>					
Sales to external customers	20,301,025	2,837,955	135,170	-	23,274,150
Other revenues from external customers	-	-	-	-	-
Inter-segment sales	32,285	412,046	128,914	-	573,245
<b>Total segment revenue</b>	<b>20,333,310</b>	<b>3,250,001</b>	<b>264,084</b>	<b>-</b>	<b>23,847,395</b>
<b>Segment net operating profit/(loss) after tax</b>	<b>1,787,278</b>	<b>83,806</b>	<b>(1,151,941)</b>	<b>(64,213)</b>	<b>654,930</b>

Despite an investment of approximately \$6 million in Movideo during the period Mr McGinn was CEO of MEG, there has been no return on investment from Movideo. Profit from Movideo is not expected until FY2014 if it delivers on plan. By then, according to Mr McGinn's plans, MEG would have invested a total of \$9 million in Movideo. MEG's current market capitalisation is approximately \$7m.

The Movideo investment proposed by Mr McGinn is a cash burn that the Board (excluding Mr McGinn) believes MEG cannot afford in its current circumstances unless capital is raised both at the MEG level and also at the Movideo level.

The Board's proposed strategy is not to shut down Movideo but to proceed with a plan that is more realistic and achievable and can be afforded by MEG with its finite resources and limited access to capital. Part of the Board's proposed strategy for Movideo includes mitigating the risk of expanding Movideo into China.

#### **MEG is seeking new capital for the whole of MEG**

Mr McGinn says that there is no compelling reason to raise capital at the MEG level and that the funding of the Movideo business plan is the primary reason capital is required.

There is a need for new capital of at least \$3 million to protect and grow the entire MEG business (not just the Movideo business as proposed by Mr McGinn). The MEG Investor Presentation lodged with the ASX on 20 April 2011 and delivered to investors by Mr McGinn stated the use of the capital sought to be raised is as follows:

<b>Proposed Use of Funds</b>	<b>\$</b>	<b>%</b>
Group Working Capital	1.5m	50%
MEG Growth Plans, comprising:	1.3m	43%
• MEG Media product development		
• Expansion of Group sales resources		
• Movideo rollout into APAC & China		
Capital Raising Costs	0.2m	7%
<b>TOTAL</b>	<b>3.0m</b>	<b>100%</b>

If MCM is not able to raise capital, it will need to make significant cost reductions across the business and will not be able to capitalise on new business opportunities.

The capital raising has been a core assumption in the business plans since July 2010. It is the recommendation of the Chief Executive Officer, Simon Joyce and the Chief Operating Officer, Michael Burgess. The FY2012 Business Plans were adopted subject to raising new capital in MEG, and are unanimously supported by all directors other than Mr McGinn.

After more than a year in the market, MEG has one interested strategic investor who has offered \$2.7 million investment capital plus an option to provide further equity, new business leads and strong industry expertise. MEG management have conducted detailed due diligence on this investor and management and the Board, with the exception of Mr McGinn, are unanimously supportive of this investment in MEG, subject to final terms being agreed.

Furthermore, the successful raising of capital across the business (and not just at the Movideo level) is key for maintaining the support of MEG's bankers. This has been recently acknowledged by HSBC.

MEG's bankers, HSBC, have recently reviewed and reduced MEG's credit rating and stated:

*"Should the capital raise in its current form not eventuate or an alternative equivalent raise not occur, we will be required to closely monitor the MEG performance and focus on both the revenue performance and cost cutting developments. In particular we will be looking for MEG to reduce costs in the loss making business, Movideo."*

**In summary, MEG is seeking a capital investment for the reasons below**

The proposed capital raising is to provide MEG with working capital to improve upon FY11 results. There was a \$2.8m decline in year on year Net Profit After Tax in FY2011. MEG needs capital to support the business this financial year. The funds raised are intended to be used:

- (a) To retire current debt. MEG currently has a (\$1.4m) overdraft deficit. The Board's objective is to have a \$1m surplus cash buffer at all times.
- (b) To supplement working capital / cashflow of the business to keep it in good standing with our bankers HSBC and auditors Ernst & Young.
- (c) To fund new investment in the Media business growth plans with an objective of delivering 19% p.a. revenue growth by FY13 and improve profit margins.
- (d) To provide for reasonable investment in Movideo as an integral part of the MEG strategy to combine content, technology and design as well as to offset Movideo costs and mitigate risk and aim to have Movideo break even in 2 years.
- (e) To increase shareholder value. MEG has a Total Shareholder Return of approximately negative (60%) and no dividends have been paid since listing. The Board's objective is to grow the share price with FY13 targets of revenue of \$35m with a 13% margin.
- (f) To deliver a return on equity **for all shareholders**.

### **Mr McGinn's alternative strategy is not credible**

Mr McGinn has not presented a credible alternative to the Board's strategy.

Mr McGinn has stated that the funding of the Movideo business plan is the primary reason that capital is required and therefore capital should be raised at the Movideo level. However, as stated above, the funds are needed for the general working capital needs of MEG.

Mr McGinn has also stated that he believes that if Mr Playoust is removed as Chairman, those funds can be raised on more favourable terms and on a non-dilutive basis at the Movideo level. Mr McGinn does not want shareholdings in MEG to be diluted by any investment at the MEG level. Mr McGinn has an approximately 32.5% shareholding in MEG.

MEG has tried for approximately 12 months to raise capital and the Board believes the most realistic option is to raise funds at the MEG level. To date there has been no third party offer of investment in Movideo. Investment in Movideo is difficult because it has uncertain future revenues, a high cost base for rollout and is difficult to value.

However, the Board has no objection to raising funds at the Movideo level if such an offer is made.

As Group CEO until 30 June 2011 and CEO of Movideo, Mr McGinn has sought to raise capital. Mr McGinn has failed to raise any capital either at the Movideo level or at the MEG level.

### **The board disagrees with some of Mr McGinn's statements in his requisition of meeting**

#### **Statement by Mr McGinn**

#### **Why the Board disagrees**

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Mr McGinn, in his statement supporting the resolution to remove the Chairman, says that MEG is not making strategically or commercially sound decisions under his stewardship.

MEG's strategy was approved on 28 July 2010 and 25 August 2010 by the entire Board. The Board agreed that raising capital at the MEG level was necessary to support the Company's business plans. Mr McGinn did not object to the strategy at the time it was established. The Board reiterated the need to raise capital in 12 subsequent Board meetings. As a result of the change in business circumstances, the Board and management concluded a review of the strategy in August 2011 and confirmed the need to raise capital at the MEG level as well as in Movideo. Mr McGinn's objection to the strategy began in August 2011 when he objected to a capital raising at the MEG level.

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Mr McGinn says that there is no compelling reason to raise capital at the MEG level and that the funding of the Movideo business plan is the primary reason capital is required.

The Board's statement above shows why there is a need to raise capital at the MEG level and the intended use of such funds across MEG.

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Mr McGinn says that the terms for the proposed capital raising were proposed by the Chairman.

The Chairman has not proposed the terms. The terms of the capital raising were proposed by MEG management with advice from MEG's financial and legal advisers. The terms were adopted by the Board and remain subject to

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negotiation with the potential capital investor(s).

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Mr McGinn says that the Media business is profitable and generates good cashflow and the Igloo business has returned to profit.

MEG's 30 June 2011 results were a (\$2.1M) net loss and the Company currently has a (\$1.4m) overdraft. In the same period, MEG spent more than \$2m on the Movideo rollout which used all of the combined profits of the Media and Igloo businesses. Further, Mr McGinn's strategy, as CEO of Movideo, is to use a large percentage of the combined profits of Media and Igloo in future in the Movideo business if direct funding is not secured into Movideo.

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Mr McGinn says that the Chairman has acted in a reactionary manner that is inconsistent with the Board's agreed strategic plans

MEG set its strategic plans on 28 July 2010 and its capital plans on 25 August 2010. MEG failed to deliver its strategic plans to 30 June 2011, business performance (NPAT) declined \$2.8m or 425% year-on-year and no capital has been raised to date. Up until 30 June 2011, Mr McGinn was CEO and MD and was responsible for business performance, delivering upon the MEG strategy and raising capital. Despite the Company's performance up until 30 June 2011, Mr McGinn continued to propose that MEG spend more than \$300,000 per month on the Movideo rollout which, in the Board's opinion (excluding Mr McGinn) was more than the company could afford. Mr McGinn ceased to be Group CEO as of 30 June 2011.

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#### **The rest of the Board supports Mr Playoust**

The Board (other than Mr McGinn) unanimously supports Mr Playoust as Chairman. In the Board's opinion, Mr Playoust has an excellent knowledge of MEG's operations and adds value to the Board.

**The entire Board (excluding McGinn and with Mr Playoust abstaining) recommends that shareholders vote AGAINST the resolution to remove Mr Playoust as director and Chairman and support the Board's vision for MEG.**

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## Member's Statement pursuant to section 249P of the Corporations Act

Pursuant to section 249P of the Corporations Act, Mr McGinn, a shareholder in the Company representing approximately 32.5% of the votes that may be cast at a general meeting of the Company, has provided the following statement to the Company in relation to the resolution proposed for consideration at the general meeting requisitioned under section 249D of the Corporations Act. As required under the Corporations Act, the Company is distributing the Member's Statement with the Notice of Meeting for the requisitioned meeting.

**The entire Board (excluding Mr McGinn) does NOT endorse the Member's Statement that follows.**

### Anthony McGinn's Statement to Shareholders

#### Section 249P of the Corporations Act 2001 (Cth)

I am the founder of the MCM group and hold approximately 33% of the issued share capital in MCM Entertainment Group Limited (**MEG**). I previously acted as Chief Executive Officer of MEG, and currently hold office as Chief Executive Officer of Movideo Pty Ltd (**Movideo**) and as a director of MEG. I have an intimate understanding of MEG and the MEG group of companies.

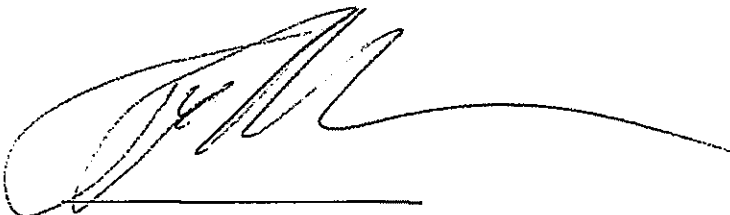
I do not believe that MEG is making strategically or commercially sound decisions under the stewardship of the current Chairman. This is so for the following reasons.

First, the Chairman continues to drive a capital raising agenda, that if successful, will substantially dilute the existing shareholders. There is no compelling reason or need to raise capital at the MEG level, especially on the terms previously proposed by the Chairman. MEG's MCM media business is profitable and generates good cash flow. MEG's Igloo digital business has returned to profit.

The funding of the Movideo business plan is the primary reason capital is required and this is why that capital should be raised at the Movideo level. I believe that once the Chairman is removed, those funds can be raised on more favourable terms and on a non-dilutive basis.

Second, after 12 months working with the Chairman I believe he has a limited knowledge of MEG's industries and operations. I also believe that he lacks strategic vision. In my opinion, this has led the Chairman to act in a reactionary manner that, on occasions, has been inconsistent with the Board's agreed strategic plans.

I believe that it is in the interests of shareholders that the Chairman cease his association with MEG. As the founder and largest shareholder of MEG, I only have the company's best interests at heart. I would encourage every shareholder to vote in favour of the resolution removing the Chairman as a director of MEG.



Anthony James McGinn