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If you have sold or transferred your Shares in Catalyst Media Group plc, please send this Circular, together with the accompanying Form of Proxy, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale was effected for onward transmission to the purchaser or transferee. If you have sold or transferred, or sell or transfer as above, part only of your holding of Shares in Catalyst Media Group plc, please consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

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Catalyst Media Group plc

(Registered in England and Wales with registered number 3955206)

Proposed Capital Reduction

and

Notice of Extraordinary General Meeting

Your attention is drawn to the letter from the Chairman of Catalyst Media Group plc which is set out on pages 3 to 5 of this document which contains your Board's recommendation to vote in favour of the resolution to be proposed at the Extraordinary General Meeting referred to below.

Notice of the Extraordinary General Meeting of the Company to be held at 9.45 a.m. on 17 September 2010, or so soon thereafter as the Company's Annual General Meeting, which has been convened for 9.30 a.m. on the same date, shall have concluded, at the offices of Bircham Dyson Bell LLP, 50 Broadway, London SW1H 0BL, is set out at the end of this document.

To be valid, the Form of Proxy for use at the Extraordinary General Meeting, which is enclosed with this document, must be completed and returned so as to be received by Capita Registrars no later than 9.45 a.m. on 15 September 2010. You can return your Form of Proxy by post to Capita Registrars, The Registry PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU. The completion and return of the Form of Proxy will not prevent you from attending and voting at the meeting in person, if you so wish (and are so entitled).

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EXPECTED TIMETABLE OF EVENTS

Record Time	3.00 p.m. on 15 September 2010
Latest time and date for receipt of Forms of Proxy	9.45 a.m. on 15 September 2010
Extraordinary General Meeting (Note 1)	9.45 a.m.. on 17 September 2010
Expected date for confirmation of the Capital Reduction by the Court * (Note 2)	20 October 2010
Expected effective date for the Capital Reduction*	22 October 2010

Notes

- 1 To commence at 9.45 a.m. or, if later, so soon thereafter as the Company's Annual General Meeting, which has been convened for 9.30 a.m. on the same date, shall have concluded.
- 2 The dates marked with an asterisk are estimates only, being subject to agreement of hearing dates with the Court. The timetable assumes that the Extraordinary General Meeting is not adjourned as a result of there being no quorum, or for any other reason. If there is an adjournment, all subsequent dates are likely to be later than those shown.

References to time in this document are to London time.

LETTER FROM THE CHAIRMAN

Catalyst Media Group plc

(Registered in England and Wales No. 3955206)

Directors:

Michael Rosenberg OBE (*Chairman*)
Mark Hawtin
Melvin Lawson
Christopher Mills

Registered Office:

Quadrant House
Floor 6
4 Thomas More Square
London E1W 1YW

25 August 2010

To all Shareholders of Catalyst Media Group plc (the “Company”) and, for information only, to participants in the Company’s share option schemes.

Dear Shareholder

PROPOSED CAPITAL REDUCTION AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

1 INTRODUCTION

As you will see from the Reports and Financial Statements for the year ended 31 March 2010 which have now been published on the Company’s website (<http://ww7.investorrelations.co.uk/cmgl/>), there is a deficit on the Company’s profit and loss account. This means that the Company is currently unable to pay a dividend or make any other form of distribution (e.g. a share buy back). The Board therefore proposes a reduction of share capital and the cancellation of the Company’s share premium account, thereby eradicating the deficit on profit and loss account and creating potentially distributable reserves. In order for the proposed reduction of share capital and cancellation of share premium account to become effective it must first be approved by Shareholders and subsequently confirmed by the Court.

I am writing to you to provide further details of the Capital Reduction and to seek the approval of Shareholders of the requisite resolution which is to be proposed at an Extraordinary General Meeting to be held at the offices of Bircham Dyson Bell LLP, 50 Broadway, London SW1H 0BL on 17 September 2010. Notice of the Extraordinary General Meeting is set out at the end of this document.

2 RESTATEMENT OF CAPITAL

In preparing for the Capital Reduction it has been noted that there is a very minor discrepancy in the way in which the Company’s share capital is stated in article 3 of the Articles of Association. Accordingly Resolution 1 is being proposed in order to restate and confirm the Company’s share capital before the matter is brought to the Court.

3 CAPITAL REDUCTION

Cancellation of Deferred Shares

The Company has 714,319,736 Deferred Shares in issue following a previous capital reorganisation, with an aggregate nominal value of approximately £6,428,878. It is proposed that the Deferred Shares be cancelled. No separate consent or approval is required from the holders of the Deferred Shares for their cancellation.

Cancellation of Share Premium Account

As at 31 March 2010, the balance on the Company's share premium account stood at £38,904,450. The balance on the share premium account is attributable to the difference, or 'premium', between the nominal value of the Ordinary Shares issued by the Company and the price at which the Ordinary Shares were issued. The Board has concluded that it would be beneficial to undertake the cancellation of the share premium account.

Effect of Capital Reduction

Subject to the Capital Reduction taking effect, and subject to the creditor protections (if any) that the Court imposes, this will give rise to distributable profits of approximately £45 million which will be credited to the profit and loss account of the Company. As at 31 March 2010, the deficit on the Company's profit and loss account stood at £31,104,761. This will be turned into a positive balance of approximately £13.9 million once the credit referred to above has been made. This pool of distributable profits will, subject as aforesaid, be available for use if the Company wishes to make distributions to Shareholders.

Position of Creditors

In order to obtain the approval of the Court for the Capital Reduction, it is likely that the Company will be required to provide security acceptable to the Court in respect of those creditors of the Company, as at the Effective Date, who do not consent to the Capital Reduction. The Company will put into place such form of creditor protection as it may be advised is appropriate to obtain the confirmation of the Court to the Capital Reduction. The Board reserves the right to abandon or discontinue (in whole or in part) any application to the Court if the Board believes that the terms required to obtain confirmation are unsatisfactory to the Company.

Timetable

The Company intends to apply to the Court for an order confirming the Capital Reduction as soon as practicable after the Extraordinary General Meeting, assuming that the Special Resolution is passed by Shareholders.

It is expected that the Court Order confirming the cancellation of the Capital Reduction should be made on 20 October 2010, with the Capital Reduction becoming effective on 22 October 2010 (upon registration of the Court Order with the Registrar of Companies).

4 TAXATION

United Kingdom Taxation

The following is intended as a general guide to the UK tax position under current legislation, and published HM Revenue & Customs' practice at the date of this document, both of which are subject to change at any time. It only deals with the position of certain types of shareholder and does not deal with others (such as dealers in securities, insurance companies, persons involved in tax avoidance transactions and collective investment schemes) whose tax position might in some cases be different. The information given is by way of general summary only and does not constitute legal or tax advice to any person. Shareholders who are in any doubt about their tax position, or who are taxable in a jurisdiction other than the UK, should obtain detailed tax advice.

Individual and Trustee Shareholders

In the case of those Shareholders who are individuals or trustees tax resident in the UK or otherwise not within the charge to corporation tax, the cancellation of their Deferred Shares, will be treated as a disposal for UK capital gains tax purposes. As Shareholders will not receive any consideration on the cancellation of the Deferred Shares, there should be no capital gain arising. However, there may be a capital loss to claim based on the portion of the base cost of their holding of Ordinary Shares, which was apportioned to the Deferred Shares at the date of reclassification.

Non-Resident Shareholders

Shareholders who are not resident in the UK, and do not carry on a trade profession or vocation through a branch, agency or other form of permanent establishment in the UK, will not normally be liable to UK taxation on capital gains arising in the UK. However, non-UK Shareholders will need to take specific professional advice about their individual tax position.

Corporate Shareholders

UK resident companies will need to apply the same principles to calculate their chargeable gains/capital losses as those set out above in respect of individual Shareholders.

If you are in any doubt as to your tax position, you should consult your own independent professional adviser.

5 EXTRAORDINARY GENERAL MEETING

Set out at the end of this document is a notice convening an Extraordinary General Meeting of the Company to be held at 9.45 a.m. on 17 September 2010, or so soon thereafter as the Company's Annual General Meeting, which has been convened for 9.30 a.m. on the same date, shall have concluded. At the Extraordinary General Meeting, the Resolutions will be proposed to approve the restatement of capital mentioned in paragraph 2 of this letter and the Capital Reduction. In addition to the cancellation of the Deferred Shares and Share Premium Account as described elsewhere in this letter, Resolution 2 also amends article 3 of the Company's Articles of Association to reflect the cancellation of the Deferred Shares and to remove reference to the Company's authorised share capital, since it is no longer a requirement that companies have an authorised share capital.

Resolution 1 will be passed if over 50 per cent. of the votes are cast in favour and Resolution 2 will be passed if at least 75 per cent. of the votes cast are in favour.

6 ACTION TO BE TAKEN

Enclosed with this Circular is a Form of Proxy for use in relation to the Extraordinary General Meeting. Whether or not you intend to be present at the Extraordinary General Meeting, you are requested to complete and return the Form of Proxy, in accordance with the instructions printed thereon, to the Company's registrars, Capita Registrars, as soon as possible and in any event to arrive not later than 9.45 a.m. on 15 September 2010. You can return your Form of Proxy by post to the registrars at Capita Registrars, The Registry PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU. The completion and return of the Form of Proxy will not prevent you from attending and voting at the Extraordinary General Meeting in person, if you so wish.

7 RECOMMENDATION

The Directors consider the proposals described in this document to be in the best interests of the Company and of Shareholders as a whole. Accordingly, the Directors unanimously recommend that Shareholders vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting as they intend to do in respect of their own beneficial holdings of, in aggregate, 9,136,213 Ordinary Shares, representing approximately 32.46 per cent. of the issued Ordinary Shares.

Yours faithfully

Michael Rosenberg
Chairman

DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

"Board" or "Directors"	the board of directors of the Company
"Capita Registrars"	a trading name of Capita Registrars Limited
"Capital Reduction"	the proposed cancellation of the issued Deferred Shares and of the Company's share premium account as described in this document
"Circular"	this circular to Shareholders of the Company
"Companies Act" or "Act"	the Companies Act 2006, as amended
"Company" or "Catalyst Media Group"	Catalyst Media Group plc
"Court"	the High Court of Justice in England and Wales
"Deferred Shares"	deferred shares of 0.9 pence each in the capital of the Company
"Effective Date"	the date on which the order of the Court confirming the Capital Reduction is registered by the Registrar of Companies
"Extraordinary General Meeting"	the Extraordinary General Meeting of the Company to be held on 17 September 2010 at 9.45 a.m. or so soon thereafter as the Company's Annual General Meeting, which has been convened for 9.30 a.m. on the same date, shall have concluded, notice of which is set out on page 7 of this document
"Form of Proxy"	the form of proxy for use at the Extraordinary General Meeting enclosed with this document
"Ordinary Shares"	ordinary shares in the capital of the Company
"Record Time"	3.00 p.m. on 15 September 2010
"Shareholders"	holders of Ordinary Shares
"Resolutions"	the resolutions to be proposed at the Extraordinary General Meeting

Catalyst Media Group plc

(Registered in England and Wales No. 3955206)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Catalyst Media Group plc (the “**Company**”) will be held at 9.45 a.m. on 17 September 2010 or so soon thereafter as the Company’s Annual General Meeting, which has been convened for 9.30 a.m. on the same date, shall have concluded at the offices of Bircham Dyson Bell LLP, 50 Broadway, London SW1H 0BL, for the purpose of considering and, if thought fit, passing the following resolutions, of which resolution 1 will be proposed as an ordinary resolution and resolution 2 will be proposed as a special resolution:

ORDINARY RESOLUTION

1 THAT the share capital of the Company be restated and confirmed as £12,999,999.924 divided into 65,711,223 Ordinary Shares of 10 pence each and 714,319,736 Deferred Shares of 0.9 pence each, of which 28,143,197 Ordinary Shares of 10 pence each and 714,319,736 Deferred Shares of 0.9 pence each have been issued and are credited as fully paid up and the remainder are unissued.

SPECIAL RESOLUTION

2 THAT for the purpose of giving effect to the proposed capital reduction (the “**Capital Reduction**”) described in the circular issued by the Company on 25 August 2010 (the “**Circular**”):

- (a) the issued share capital of the Company be reduced by cancelling and extinguishing all of the 714,319,736 issued Deferred Shares of 0.9 pence each;
- (b) the sum of £38,904,450, standing to the credit of the share premium account of the Company be and is hereby cancelled; and
- (c) With effect from the day immediately following the date on which the Capital Reduction becomes effective, the articles of association of the Company shall be amended by the deletion of the existing article 3.1 and the adoption and inclusion of the following new article 3.1:

“3.1 The share capital of the Company at the effective date of adoption of this article is divided into ordinary shares of 10p each (“**Ordinary Shares**”).”

Registered Office:
Quadrant House
Floor 6
4 Thomas More Square
London
E1W 1YW

By order of the Board
CETC Nominees Limited
Company Secretary

25 August 2010

Notes:

1. Only the holders of Ordinary Shares are entitled to attend the meeting and vote, subject to note 4 below. A member entitled to attend and vote may appoint one or more proxies to attend, speak and vote on his behalf at the meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by the member. A proxy need not be a member of the Company but must attend the meeting to represent him.

2. A form of proxy is provided. To be effective, a form of proxy (together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or other authority) must be completed, signed and lodged with the Company's registrar, Capita Registrars, The Registry PXS, 34 Beckenham Road, Kent, BR3 4BR no later than 48 hours before the time of the meeting. Depositing a completed form of proxy will not preclude a member from attending the meeting and voting in person.
3. A shareholder which is a corporation (including a company) (a "corporation") and which wishes to be represented at the meeting by a person with authority to speak, vote on a show of hands and vote on a poll (a "corporate representative") must submit a certified copy of the resolution giving the relevant authority to that corporate representative to the registered office (for the attention of the directors) by the same deadline as in note 2 above. A corporate representative has the same powers on behalf of the corporation he/she represents as that corporation could exercise if it were an individual member of the Company. Alternatively, a corporation may complete and return a form of proxy.
4. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, to be entitled to attend and vote at the meeting (and for the purposes of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members by 6.00pm on 15 September 2010. Any changes to the register of members after such time shall be disregarded in determining the rights of any person to attend or vote at the meeting.
5. In the case of joint holders, the signature of only one of the joint holders is required on the form of proxy, but the vote of the senior (by order in the register of members) who tenders a vote will be accepted to the exclusion of the others.