



## **ADEFFECTIVE LIMITED**

(ASX: ABN)

### **ASX/MEDIA RELEASE**

2 November 2011

#### **Memorandum of Understanding with HCMI, Share Consolidation and Capital Raising**

##### **Highlights:**

- **AdEffective to make an initial 25% investment in start-up international recruitment business with up to 100% acquisition based on performance.**
- **AdEffective to undertake 50 to 1 share consolidation.**
- **AdEffective to undertake capital raising of approximately \$5 million by way of fully underwritten non-renounceable rights issue for working capital purposes to support existing business and new enterprise.**
- **AdEffective remains focussed on its online advertising platforms AdFeed and Footar.**

##### **MOU for Joint Venture**

AdEffective Limited (**ABN** or the **Company**) is pleased to announce that it has entered into a Memorandum of Understanding (**MOU**) with HCMI (S) Pte Ltd (**HCMI**), a Singapore based private company which specialises in large scale sourcing and supplying of international workers to meet regional work force shortages, particularly in the resources and mining sector.

ABN and HCMI have entered into the MOU to establish, subject to shareholder and other required approvals, a joint venture with the purpose of recruiting and managing skilled international workers to meet labour shortages in the mining, extraction, infrastructure, communications and transport industries in Australia.

MANCO International Pty Ltd (**MANCO**) has been incorporated with the intention of becoming the entity through which the joint venture will be conducted.

HCMI will provide MANCO all necessary management, expertise, intellectual property and its ability to access skilled, semi-skilled and unskilled international workers and its professional placement to enable the proper conduct of the MANCO business. ABN will provide its vast expertise and skills in large scale on-line content management for on-line remote administration of the immigrant workforce.

Under the terms of the MOU, and subject to shareholder and other approvals, satisfactory completion of due diligence and the execution of certain specific substantial labour supply contracts with leading Australian companies, ABN will issue HCMI with approximately 46,533,400 fully paid ordinary shares in ABN, equating nineteen per cent (19%) of the total issued capital of ABN (on a post-consolidated and post-capital raising basis) in exchange for HCMI (and/or its nominees) transferring to ABN twenty-five per cent (25%) of the total issued share capital of MANCO.

The transaction with HCMI will be put to a shareholders' vote at an up-coming Extraordinary General Meeting of the Company to be held as soon as practicable to approve, amongst other things, the proposed issue of the first tranche of ABN shares to HCMI.

ABN will hold options to increase its shareholding in MANCO to 100% in the event of MANCO satisfying agreed performance milestones. In exchange for the remaining 75% of shares in MANCO, HCMI (and/or its nominees) will receive further fully paid ordinary shares in ABN equating to a further fourteen per cent (14%) of the total issued capital of ABN (on a post-consolidated and post-capital raising and post HCMI share issues basis). Issuance of these additional ABN shares will be subject to shareholder approval and compliance with ASX Listing Rules and the Corporations Act.

The Company advises that no director, officer or major shareholder of ABN is a shareholder in, or related party to, HCMI or MANCO.

### **Share Consolidation**

The Company is also proposing to undertake a 50 for 1 share consolidation subject to shareholder approval. The Company has approximately 4.96 billion shares on issue with a market capitalisation of approximately \$4.96 million. This is a large number of securities to have on issue and it is considered appropriate to address this matter. Many potential institutional investors are precluded by their charters, mandates or practices from investing in stocks such as ABN while the shares are trading at a fraction of a cent. Post consolidation, there will be approximately 99,189,467 shares on issue prior to any further share issues or capital raising with an anticipated commensurate change in the share price which will be more consistent with the capital structures of the Company's peer group.

In accordance with the Corporations Act, a resolution will be put to shareholders at the forthcoming Extraordinary General Meeting of the Company. The resolution will propose that every 50 ordinary shares held by a shareholder be converted into one ordinary share (with fractional entitlement rounded up). If the resolution is passed, the number of ordinary shares and options on issue and the exercise price of the options will be adjusted in accordance with the ASX Listing Rules.

Further information will be provided in the explanatory statement to accompany the notice of meeting for the Extraordinary General Meeting to be circulated shortly.

### **Capital Raising**

To further support the current growth in ABN's existing AdFeed and Footar businesses, and to assist with the expected rapid deployment of the MANCO business, ABN will also seek shareholder approval to undertake a capital raising of approximately \$5 million. It is anticipated that the capital raising will be undertaken via an underwritten pro rata rights issue. Further information regarding the capital raising will be announced shortly.

### **Focus on existing business**

On 6 October 2011 ABN provided a market update on its online advertising platforms AdFeed and Footar. In summary:

- AdFeed (in which the Company has a global partnership with Yahoo in 16 countries), continues to provide steady revenues for the organisation. However, due to a number of new requirements from major advertising provider Yahoo, the Company has shifted focus in recent months to improving the quality of Publisher Websites in its Network;

- Formal Marketing Agreement with Excite Digital Media was terminated and the services previously provided by Excite Digital and now undertaken in-house at a reduced cost;
- Footar continues to be received exceptionally well globally by ABN's clients and partners;
- With the completion of a Cross Licensing Agreement with Hostway, the integration of current Footar Technology with Hostway's 'InFootar' technology has commenced and it is estimated the process of integration of both technologies will be completed by early November 2011;
- It is expected, based on current projections that the Footar Ad Unit will provide 250 Million Ad Impressions per month by the end of December 2011, leading to a significant increase in sales for the Footar Division.

The Company remains committed to maintaining its current operations and it is the Company's current intention that a large percentage of the proceeds from the proposed capital raising will go towards expanding ABN's existing business operations.

**In commenting on the MOU with HCMI, Share Consolidation and Capital Raising, ABN's Chairman, Andrew Plympton, said:**

*"We consider MANCO an attractive investment for the Company, and we consider it an excellent means of diversification without detracting from the Company's focus on our online advertising platforms AdFeed and Footar. We are pleased that ABN's longstanding information technology expertise, alongside HCMI's management and sourcing capabilities, can now be applied within an outstanding commercial opportunity in Australia to meet the pervading labour shortage that exists particularly in the mining and resources sector which will add value both to the Company and shareholder returns."*

**For more information please contact:**

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**About AdEffective**

AdEffective Limited is an online advertising business focusing on the distribution of search advertising to publishers and publisher networks and more recently, on the design and development of innovative new platforms and technologies in the online advertising space to help improve advertiser ROI and generate more revenue for its publisher partners.

Ad units served through AdEffective's partner syndication network include search (ads based on keyword input), contextual (ads based on the content of a page) and Footar ads (ads which appear fixed to the bottom of a web page).

The Company combines strong partnerships with some of the world's largest online advertising groups, proven people with the commercial and technical expertise and experience to make things happen, the ability to move and manage across platforms, and a business structure that enables lower costs and better results than many competitors. AdEffective connects advertisers to customers and publishers to revenues.

For more information please visit: [www.adeffective.com](http://www.adeffective.com)