



ADEFFECTIVE LIMITED
(ASX: ABN)

ASX and Media Release

22 December 2011

AdEffective Announces Significant Recapitalisation Proposal

- **Capital raising program through Convertible Loans and a pro rata renounceable rights issue (Rights Issue)**
- **Patersons Securities Limited to be appointed as Lead Manager for a Convertible Loan and a Rights Issue**
- **Consolidation of shares**
- **MOU for Joint Venture terminated**

In order to meet current liabilities, stabilise AdEffective Limited (the **Company**) and to enable the Company to evaluate opportunities moving forward, the Directors of the Company have decided to undertake a recapitalisation program. The Company has engaged Patersons Securities Limited (ABN 69 008 896 311 AFSL No 239 052) (**Patersons**) to assist the Company in undertaking the program which is to consist of:

- The immediate entry into convertible loans totalling \$300,000;
- A share consolidation; and
- A renounceable pro rata rights issue to raise up to \$1.5 million.

(collectively the **Recapitalisation Program**).

Shareholder approval will be sought to undertake the Recapitalisation Program, and an Extraordinary Meeting is expected to be held in early February 2012.

1. **CONVERTIBLE LOANS**

The Company has agreed to enter into Convertible Loans with clients of Patersons to raise \$300,000, which are convertible into shares and options, subject to shareholder approval (Loans). Below is a summary of the terms of the Loans:

| | |
|----------------------------------|--|
| Amount: | Up to \$300,000 |
| Establishment Fee: | Nil |
| Interest rate: | 12% p.a. from the date on which Loan funds are advanced to the Company (expected on or around 22 December 2011) until conversion or redemption. Interest will accrue and will be paid out either in shares and options on conversion or in cash on redemption. |
| Security: | The loan will be unsecured. |
| Default: | Usual events of default for a loan of this nature including insolvency events. |
| Conditions to Conversion: | The conversion of the Convertible Loans into shares and options is subject to: |

- approval of AdEffective's shareholders of the Recapitalisation Program; and
- the Company completing a 1 for 50 share consolidation,

(collectively the **Conditions**).

The Company undertakes to lodge a prospectus with the Australian Securities and Investments Commission (ASIC) for the shares and options to be issued on conversion of the Loans.

| | |
|------------------------------------|---|
| Conversion: | At the lender's election any time following satisfaction of the Conditions. |
| Conversion Price: | <p>The Loans, together with the balance of any accrued interest, may be converted at the lenders' option into fully paid ordinary shares in AdEffective at a conversion price of \$0.015 on a post-consolidation basis, subject to the possible variation discussed below (Conversion Shares), together with three (3) options (exercisable at 1.5 cents per share on or before 30 June 2014) for every four (4) shares issued on conversion (Conversion Options). AdEffective will use its best endeavours to ensure that the Conversion Options are quoted on ASX.</p> <p>In the event the Company undertakes a capital raising of not less than \$300,000 prior to conversion, the issue price of the Conversion Shares will be the lesser of \$0.015 per share and the issue price under the capital raising, both on a post-consolidation basis. The Company undertakes to notify the lenders of the proposed Rights Issue at least five (5) business days prior to the record date for the issue.</p> |
| Redemption: | <p>In the event that by 31 March 2012 the Conditions have not been satisfied or the record date for the Rights Issue has not occurred, the Loans together with interest, the Redemption Fee (described below) and options equivalent to the number of Conversion Options that would have been issued had the loan been converted (and on the same terms as the Conversion Options), will become due and payable. Otherwise, on the date that is 10 Business Days following the last allotment of securities pursuant to the Rights Issue any outstanding Loan amount together with the balance of accrued interest and options equivalent to the number of Conversion Options that would have been issued had the Loans been converted (and on the same terms as the Conversion Options), shall become immediately payable.</p> |
| Redemption Fee: | A redemption fee of 20% of the Loan Amount will be payable by the Company to the lender(s) if by 31 March 2012 the Conditions are not satisfied or the record date for the Rights Issue has not occurred. |
| Sub-underwriting commitment | If applicable, a lender may elect to apply all or part of the Loan amount, together with accrued interest, towards their obligations pursuant to any sub-underwriting of the Rights Issue proposed by the Company. |

2. CAPITAL STRUCTURE

Under the Company's Asset Purchase Agreement with the vendor of the Planet W business, Planet W Pty Ltd, there is an 'earn out' payable by the Company in the amount of \$121,000 that has yet to be paid by the Company; Planet W Pty Ltd has agreed to accept shares at the same issue price of the Rights Issue in settlement of this liability, subject to certain conditions including the payment of interest at 12% per annum for 18 months in shares also. The issue of these shares will be subject to shareholder approval pursuant to ASX Listing Rule 7.1.

Indicatively the Company's capital structure following completion of the share consolidation, assuming full conversion of the Loans and the issue of shares to Planet W in full settlement of deferred consideration owing to it, would be as follows:

| | Shares on Issue | Options on Issue | Gross Capital Raised |
|--|--------------------|--------------------------|----------------------|
| Existing Securities | 4,959,473,336 | 130,000,000 ¹ | - |
| Consolidation (1 for 50) | 99,189,467 | 2,600,000 | - |
| Conversion of Convertible Loans (post consol.) | 20,000,000 | 15,000,000 | \$300,000 |
| Planet W deferred acquisition consideration | 9,518,667 | - | - |
| Total on issue | 128,708,134 | 17,600,000 | \$300,000 |

¹ Exercisable at 0.2 cents with 80 million options expiring in April 2015 and the balance expiring in December 2015. On consolidation the exercise price of these options will be 10 cents.

3. RIGHTS ISSUE

The capital structure above does not take into account the renounceable Rights Issue that is planned to raise up to a further \$1.5 million in early 2012.

The Company has now commenced its preparations for a Notice of Extraordinary General Meeting and Explanatory Memorandum which will give further detailed information on the Recapitalisation and will be mailed out to shareholders in early January 2012.

The Company also confirms that it has determined not to proceed with the opportunity to invest in the start-up international recruitment business, Manco Pty Ltd, through the proposed joint venture with HCMI (S) Pte Ltd which was announced to the market on 2 November 2011.

The Board has determined that it is of the highest priority that the focus of management is on the Company's core businesses, and on successfully completing the proposed recapitalisation, in order to ensure a stable platform is established for the Company. In May 2012, and once the proposed recapitalisation has been successfully completed, the Board intends to undertake a strategic review of the business to evaluate strategies to maximise shareholder value. The Board will advise shareholders if there are any material developments arising from the strategic review.

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About AdEffective Limited

AdEffective is an online advertising business that provides Publishers and Publisher Networks with enhanced search advertising exposure to increase their rate of return on advertising.