

## ADEFFECTIVE LIMITED

(ASX: ABN)

### ASX Release

5 March 2012

The Manager  
Company Announcements Office  
ASX Limited  
Level 4, 525 Collins Street  
Melbourne VIC 3000

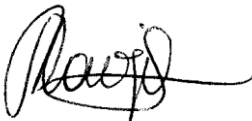
Dear Sir/ Madam

#### Letters to Shareholders - Renounceable Rights Issue

On 1 March 2012, AdEffective Limited (the **Company**) announced it would undertake a renounceable pro rata rights issue (the **Offer**).

I attach a letter relating to the Offer which is being mailed to eligible shareholders today. I also attach a letter which is being mailed today to ineligible shareholders.

Yours faithfully

A handwritten signature in black ink, appearing to read "Sophie Karzis".

**Sophie Karzis**

Company Secretary  
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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.*

5 March 2012

**Dear shareholder**

On 1 March 2012, AdEffective Limited (**ABN** or the **Company**) announced that it would undertake a fully underwritten renounceable pro rata rights issue (**Offer**) to holders of ordinary shares (**Shares**) in the Company (**Shareholders**) with a registered address in Australia or New Zealand (**Eligible Shareholders**) as at 7:00pm (Melbourne time) on Tuesday 13 March 2012 (**Record Date**).

The Company has prepared and lodged a prospectus for the Offer (**Prospectus**). The Prospectus was lodged with ASIC and ASX on Friday 2 March 2012 and is available on the ASX website and the Company's website at [www.adeffective.com.au](http://www.adeffective.com.au).

The Prospectus will be despatched to Eligible Shareholders on Friday 16 March 2012. Other key dates are set out in the timetable on page 3 of this letter.

Pursuant to the Offer, the Company will issue 99,189,520 fully paid ordinary shares in the capital of the Company (**New Shares**) at an issue price of 1.5 cents each, to raise approximately \$1.49 million (before costs). The issue price represents a discount of approximately 21.1% to the closing price of 1.9 cents for Shares last traded on the Australian Securities Exchange (**ASX**) on 1 March 2012.

The Rights Issue offers Shareholders the right to take up one New Share for every Share held as at 7.00pm (Melbourne time) on Tuesday 13 March 2012 at an issue price of 1.5 cents per New Share (**Entitlement**). Shareholders that accept their Entitlement, either fully or in part, will also receive one free attaching option for every one New Share subscribed for under the Rights Issue (**Attaching Option**). Attaching Options are exercisable at 1.5 cents each and will expire on 30 June 2014.

The Rights Issue is to be fully underwritten by Patersons Securities Limited (**Patersons** or **Underwriter**). In addition to taking up any Shortfall pursuant to the Underwriting Agreement, the Underwriter (or its nominees) will also be entitled to receive options (**Underwriter Options**) on the same terms and conditions as the Attaching Options as part consideration for underwriting the Rights Issue. Underwriter Options are to be issued on the basis of one Underwriter Option for every 3 New Shares underwritten.

In addition, the Company will issue 15,000,000 options to lenders of convertible loans to the Company (**Conversion Options**), which convertible loans were issued in December 2011 and have a face value of \$300,000 (**Convertible Loans**). The issue of the Conversion Options were approved by shareholders at the Company's Extraordinary General Meeting held on 9 February 2012 (**EGM**). The Conversion Options to be issued to the Convertible Loan lenders will be issued on the same terms and conditions as the Attaching Options and the Underwriter Options.

Patersons is the lead manager and underwriter to the Offer.

To the extent that Shareholders do not take up their Entitlement, their interest in the Company will be diluted.

The New Shares issued under the Offer will be fully paid and will rank equally with the Company's existing Shares. The Company will make an application to the ASX for official quotation of the New Shares.

Shareholders will be able to dispose of their rights to take up their Entitlement, including to:

- sell them on the ASX on or before the rights trading end date – by completing the relevant sections on the back of the application form which will accompany the Prospectus, and sending their completed application form to their broker in sufficient time for the sale to be effected;
- exercise some of them by completing the application form and lodging it with the relevant application moneys or paying by BPAY, and selling the balance on the ASX as described above; or
- transfer them off the ASX on or before the closing date of the Offer – by completing a standard renunciation form and the transferee lodging it with the completed application form and relevant application moneys.

More details on the above options are contained in the Prospectus.

The number of issued Shares at the date of this letter and the total number of issued Shares following the Offer are as follows:

<b>Event</b>	<b>Number of Shares</b>
Shares on issue at date of Prospectus	99,189,520
New Shares issued pursuant to the Rights Issue Offer	99,189,520
<b>Total Shares on issue after completion of the Offers<sup>^</sup></b>	<b>198,379,040</b>

<sup>^</sup> this table does not take into consideration the 9,518,667 Shares to be issued to Planet W Pty Ltd as deferred consideration or the acquisition of the business and assets of Planet W Pty Ltd, as approved by Shareholders at the Company's recent EGM. These Shares will be issued immediately after completion of the Rights Issue.

The number of options at the date of this announcement and the total number of options following the Offer are as follows:

<b>Options currently on issue:</b>	<b>Number of Options</b>
Unlisted options exercisable at \$0.10 on or before 30 April 2015	1,600,000
Unlisted options exercisable at \$0.10 on or before 8 December 2015	1,000,000
<b>Options offered pursuant to the Offers:</b>	<b>Number of Options</b>
Attaching Options	99,189,520
Underwriter Options	33,063,174
<b>Total options on issue after completion of the Offers*</b>	<b>134,852,694</b>

\* this table does not take into consideration the 15,000,000 Conversion Options which the Convertible Loan lenders are entitled to pursuant to the Convertible Loans.

The Attaching Options, the Underwriter Options and the Conversion Options will be issued for nil consideration and will rank equally with the Company's existing options. The Company will make an application to the ASX for official quotation of Attaching Options, the Underwriter Options and the Conversion Options.

All Eligible Shareholders may participate in the Offer. The Company has appointed Patersons to sell the Rights to which Shareholders with registered addresses outside Australia or New Zealand (**Excluded Shareholders**) at the Record Date would otherwise have been entitled. The net proceeds of the sale of those Rights (if any) will then be paid as soon as practicable to Excluded Shareholders.

The Rights Issue represents the final step of the recapitalisation plan announced to ASX on 22 December 2011. After payment of the costs and expenses of the Offer, the proceeds from the Rights Issue will be used to retire debt (the Company will be debt-free), to provide working capital and to enable the Company to evaluate opportunities to diversify its current business offerings moving forward.

In addition to focusing on organic growth, the Company intends to actively pursue acquisition opportunities to provide further stability to the business. Such opportunities may possibly include prospects in sectors other than the digital media industry in which AdEffective currently operates. Should suitable business opportunities be identified, the Company will assess them for technical, legal and commercial suitability.

#### Offer timetable

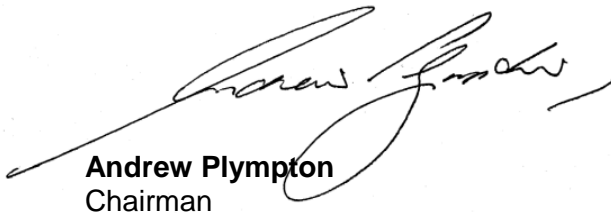
EVENT	DATE
Announcement of Rights Issue	Thursday, 1 March 2012
Prospectus lodged with ASIC and ASX	Friday, 2 March 2012
Notice to Option holders	Friday, 2 March 2012
Notice of Rights Issue sent to Shareholders	Monday, 5 March 2012
“Ex” Date (date from which Shares commence trading with the entitlement to participate in the Rights Issue)	Tuesday, 6 March 2012
Rights trading commences on ASX	Tuesday, 6 March 2012
Record Date (date for determining Shareholder entitlements to participate in the Rights Issue)	Tuesday, 13 March 2012
Prospectus sent to Shareholders and Opening Date of Offers	Friday, 16 March 2012
Rights trading on ASX ends	Friday, 23 March 2012
Securities are quoted on a deferred settlement basis	Monday, 26 March 2012
Closing Date of Rights Issue	Friday, 30 March 2012
Notification of under-subscriptions to Underwriter and ASX	Monday, 2 April 2012
Shortfall Settled	Wednesday, 4 April 2012
Closing date for Underwriter Offer	
Shares and Options entered into Shareholders’ security holdings	Thursday, 5 April 2012
Despatch date	Wednesday, 11 April 2012
Deferred settlement trading ends.	Wednesday, 11 April 2012

This timetable is indicative only and subject to change. Subject to the *Corporations Act 2001* (Cth) and the ASX Listing Rules, the Company, in conjunction with the Underwriter, reserves the right to vary these dates, including the closing date of the Offer, without prior notice. The Company also reserves the right not to proceed with the whole or part of the Offer at any time prior to the issue date. In that event, application money will be returned as required by the *Corporations Act 2001* (Cth), without interest.

Full details of the terms and conditions of the Offer are in the Prospectus to be despatched to Eligible Shareholders in accordance with the timetable set out above.

If you have any queries, please contact the Company's share registry Computershare on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia).

Yours faithfully



**Andrew Plympton**  
Chairman

5 March 2012

Dear shareholder

Renounceable rights issue – notification to ineligible shareholders

On 1 March 2012, AdEffective Limited (**ABN** or the **Company**) announced that it would undertake a 1 for 1 renounceable pro rata rights issue at A\$0.015 per new share in the Company with one (1) free attaching option (exercisable at 1.5 cents and expiring on 30 June 2014) for every new share subscribed to raise of \$1.49 million (the **Offer**), and that the Offer would be extended only to eligible shareholders.

The Company has determined that it would be unreasonable to extend the Offer to any shareholder with a registered address outside Australia or New Zealand, having regard to:

- the small number of shareholders with addresses in such other countries;
- the number and value of the shares they hold; and
- the cost to the Company of complying with applicable legal and regulatory requirements in such other countries.

Accordingly, eligible shareholders are those shareholders who:

- will be on the Company's register of shareholders as at 7:00pm (Melbourne time) on Tuesday 13 March 2012; and
- have a registered address in Australia or New Zealand.

As at the date of this letter, you do not satisfy the abovementioned criteria, and consequently, the Company anticipates that you will not be able to participate in the Offer.

However, as the Offer is renounceable, the Company has appointed Patersons Securities Limited ABN 69 008 896 311 (**Patersons**) as its nominee to sell the rights to apply for new shares under the Offer that you are not permitted to receive.

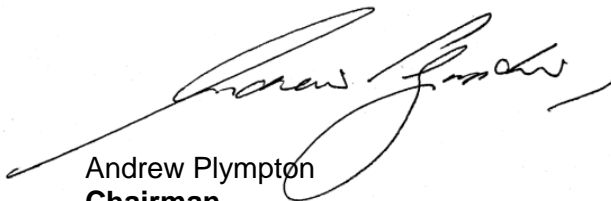
Patersons will be obliged to achieve the best price reasonably obtainable for the rights at the time of the sale. This sale process will occur during the Offer period and it is expected that you will be sent your proportionate share of any net proceeds of that sale on Friday 30 March 2012.

Any net proceeds will be paid in Australian dollars in accordance with your existing payment instructions provided to the Company in respect of your shareholding (i.e. mailed to your address on the Company's register of shareholders or deposited into your nominated bank account), at your risk.

It may be that there is no market for these rights, or that the gross proceeds will be less than the expenses of the sale process. In this case, these rights will, at the Company's discretion, either be allowed to expire or be sold and the Company will retain any proceeds. The Company and its officers, employees, agents and contractors (including Patersons) disclaim all liability in tort (including negligence), contract, under statute or otherwise to any person for any failure to sell any rights at any specific price or on any specific day.

If you have any queries, please contact the Company's share registry Computershare on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia).

Yours faithfully



Andrew Plympton  
**Chairman**