



Notice of Annual General Meeting

AdEffective Limited

ACN 085 545 973

Date: Wednesday 28 November 2012

Time: 3.30 pm (Melbourne time)

Place: HWL Ebsworth
Level 26, 530 Collins Street
Melbourne, Victoria 3000

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is given that the 2012 Annual General Meeting of AdEffective Limited ACN 085 545 973 (the Company) will be held at the offices of HWL Ebsworth, at Level 26, 530 Collins Street, Melbourne Victoria 3000 on Wednesday 28 November 2012 at 3.30 pm

Ordinary Business

Shareholders are invited to consider the following items of business at the Annual General Meeting:

ITEM 1 - FINANCIAL AND RELATED REPORTS

To lay before the Annual General Meeting the Financial Report of the Company and its controlled entities and the related Directors' and Auditor's Reports for the year ended 30 June 2012 for shareholders to receive and consider.

ITEM 2 - ADOPTION OF REMUNERATION REPORT (RESOLUTION 1)

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

THAT the Remuneration Report of the Company and its controlled entities for the year ended 30 June 2012 be adopted.

The vote on this item is advisory only and does not bind the Directors or the Company

Voting Exclusion Statement: The Company will disregard any votes cast on this resolution (in any capacity, whether as proxy or as shareholders) by any of the following persons:

- a) Key Management Personnel; and
 - b) Closely Related Parties of Key Management Personnel.
- However, the Company need not disregard a vote if it is:
- c) cast by a person as a proxy appointed in accordance with the directions of the proxy form that specifies how the proxy is to vote on Item 2; and the vote is not cast on behalf of a person described in subparagraphs (a) and (b) above; or
 - d) cast by the chair of the Meeting as proxy appointed in accordance with the directions of the proxy form for a person who is entitled to vote, and such appointment on the proxy form expressly authorises the chair to exercise the proxy even if the resolution is connected directly with the remuneration report; and the vote is not cast on behalf of a person described in subparagraphs (a) and (b) above.

ITEM 3 - RE-ELECTION OF MR ANDREW PLYMPTON (RESOLUTION 2)

Mr Andrew Plympton retires as a Director of the Company by rotation in accordance with clause 17.2(b) of the constitution of the Company and, being eligible, offers himself for re-election.

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

THAT Mr Andrew Plympton be re-elected as a Director of the Company.

ITEM 4 - ELECTION OF MS SOPHIE KARZIS (RESOLUTION 3)

Ms Karzis, having been appointed to fill a casual vacancy to the Board since the last Annual General Meeting, retires as a Director of the Company in accordance with Listing Rule 14.4 of the Listing Rules of Australian Securities Exchange Limited and section 201H of the *Corporations Act* 2001 (Cth) and for all other purposes, and being eligible, offers herself for election.

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

THAT Ms Karzis be elected as a Director of the Company.

Other Business

ITEM 5 – ISSUE OF PERFORMANCE RIGHTS TO CHAIRMAN (RESOLUTION 4)

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

THAT for the purpose of ASX listing rule 10.11 and Chapter 2E of the Corporations Act and for all other purposes, approval is given for the Company to grant to Mr Andrew Plympton, the non-executive Chairman of the Company, or his nominee, up to 1,000,000 performance rights to acquire up to 1,000,000 fully paid shares in the capital of the Company to be issued on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting.

Voting Exclusion Statement: *The Company will disregard any votes cast on this resolution (in any capacity, whether as proxy or as shareholders) by any of the Directors and their associates;*

However, the Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

ITEM 6 – ISSUE OF PERFORMANCE RIGHTS TO CHIEF EXECUTIVE OFFICER (RESOLUTION 5)

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

THAT for the purpose of ASX listing rule 10.11 and Chapter 2E of the Corporations Act and for all other purposes, approval is given for the Company to grant to Mr Damian London, the Chief Executive Officer of the Company, or his nominee, up to 4,000,000 performance rights to acquire up to 4,000,000 fully paid shares in the capital of the Company to be issued on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting.

Voting Exclusion Statement: *The Company will disregard any votes cast on this resolution (in any capacity, whether as proxy or as shareholders) by any of the Directors and their associates;*

However, the Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

ITEM 7 – ISSUE OF PERFORMANCE RIGHTS TO DIRECTOR (RESOLUTION 6)

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

THAT for the purpose of ASX listing rule 10.11 and Chapter 2E of the Corporations Act and for all other purposes, approval is given for the Company to grant to Ms Sophie Karzis, a Director and the Company Secretary of the Company, or her nominee, up to 1,000,000 performance rights to acquire up to 1,000,000 fully paid shares in the capital of the Company to be issued on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting.

Voting Exclusion Statement: *The Company will disregard any votes cast on this resolution (in any capacity, whether as proxy or as shareholders) by any of the Directors and their associates;*

However, the Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Special Business

ITEM 8- APPROVAL OF 10% PLACEMENT CAPACITY (RESOLUTION 7)

To consider and, if thought fit, pass the following resolution as a special resolution:

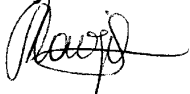
THAT *for the purposes of ASX Listing Rule 7.1A and for all other purposes, approval is given for the Company to issue up to an additional 10% of its issued Equity Securities by way of placements over a 12 month period, on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting."*

Voting Exclusion Statement: *The Company will disregard any votes cast on this resolution by any person who may participate in the issue of Equity Securities under this resolution and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by:*

- a) *a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or;*
- b) *the person chairing the Meeting as proxy for a person entitled to vote, in accordance with a direction on a proxy form to vote as the proxy decides.*

Dated 30 October 2012

By order of the Board of AdEffective Limited



Sophie Karzis
Company Secretary

VOTING INFORMATION

Voting by proxy

- (a) A shareholder entitled to attend and vote at the Annual General Meeting may appoint one proxy or, if the shareholder is entitled to cast 2 or more votes at the meeting, 2 proxies, to attend and vote instead of the shareholder.
- (b) Where 2 proxies are appointed to attend and vote at the meeting, each proxy may be appointed to represent a specified proportion or number of the shareholder's voting rights at the meeting.
- (c) A proxy need not be a shareholder of the Company.
- (d) A proxy may be an individual or a body corporate. If a body corporate is appointed, the proxy form must indicate the full name of the body corporate and the full name or title of the individual representative of the body corporate for the meeting.
- (e) A proxy form accompanies this notice. If a shareholder wishes to appoint more than 1 proxy, they may make a copy of the proxy form attached to this notice. For the proxy form to be valid it must be received together with the power of attorney or other authority (if any) under which the form is signed, or a (notarially) certified copy of that power of authority by **3.30 pm (Melbourne time) on 26 November 2012**:
 - by post at GPO Box 242, Melbourne, Victoria 3001; or
 - by personal delivery at Yarra Falls, 452 Johnston Street, Abbotsford, Victoria, 3067; or
 - by facsimile: Australia – 1800 783 447, overseas - +61 3 9473 2555; or
 - Custodian voting - For Intermediary Online subscribers only (custodians) please visit **www.intermediaryonline.com** to submit your voting intentions.

Voting and other entitlements at the Annual General Meeting

A determination has been made by the Board of the Company under regulation 7.11.37 of the *Corporations Regulations* 2001 that shares in the Company which are on issue at **7.00 pm (Melbourne time) on 26 November 2012** will be taken to be held by the persons who held them at that time for the purposes of the Annual General Meeting (including determining voting entitlements at the meeting).

Amendments to proxy voting

Shareholders are advised that The Federal government has recently introduced the *Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act* 2011 (Cth) (the **Act**), which came into effect on 1 July 2011. The Act introduces new prohibitions on Key Management Personnel and their Closely Related Parties from voting their shares (or voting undirected proxies) on, amongst other things, remuneration matters.

However, the chair of a meeting may vote an undirected proxy (i.e. a proxy that does not specify how it is to be voted), provided the shareholder who has lodged the proxy has given informed consent, in the form of an express voting direction to the chair to exercise the undirected proxy, even if the resolution is connected with the remuneration of a member of Key Management Personnel (**Informed Consent**).

In light of the new legislative requirements, the Company recommends that shareholders consider the following options to ensure the validity of their votes:

- a. that shareholders direct proxies on a remuneration related resolution instead of leaving them undirected; or
- b. that shareholders nominate a proxy who is not a member of Key Management Personnel or any of their Closely Related Parties to vote on a remuneration related resolution; or
- c. that shareholders who wish to vest their undirected proxies in the chair on a remuneration related resolution ensure that they follow instructions provided on the proxy form in order to provide Informed Consent.

1. FINANCIAL AND RELATED REPORTS

The 2012 Annual Report contains the Directors' Report, the Financial Report and the Remuneration Report. The Company's 2012 Annual Report is available from the Company's website (www.adeffective.com).

2. ADOPTION OF REMUNERATION REPORT (RESOLUTION 1)

Shareholders are asked to adopt the Company's Remuneration Report. The Remuneration Report is set out in the 2012 Annual Report and is available from the Company's website (www.adeffective.com).

The Remuneration Report:

- describes the policies behind, and the structure of, the remuneration arrangements of the Company and the link between the remuneration of executives and the Company's performance;
- sets out the remuneration arrangements in place for each Director and for certain members of the senior management team; and
- explains the differences between the basis for remunerating Non-Executive Directors and senior executives, including the Chief Executive Officer.

If a 'no' vote of 25% or more of the shareholders voting on the item is received, the Board will take into account comments made at the AGM on the Company's Remuneration Report and will include a report of actions taken by the Board accordingly in the Company's next Annual Report.

3. RE-ELECTION OF MR ANDREW PLYMPTON (RESOLUTION 2)

Please refer to the 2012 Annual Report for information about Mr Andrew Plympton.

Recommendation

The Board, with Mr Plympton abstaining, recommends that shareholders vote in favour of Mr Plympton's re-election.

4. ELECTION OF MS SOPHIE KARZIS (RESOLUTION 3)

Please refer to the 2012 Annual Report for information about Ms Karzis.

Recommendation

The Board, with Ms Karzis abstaining, recommends that shareholders vote in favour of Ms Karzis's election.

5. APPROVAL OF ISSUE OF SHARES TO DIRECTORS (RESOLUTIONS 4, 5 AND 6)

Resolutions 4, 5 and 6 seek shareholder approval for the grant of performance rights to acquire ordinary shares in the Company to Directors of the Company or their nominees for no consideration (Performance Rights) as part of the Director's remuneration and an incentive scheme. Shareholder approval is required for the purposes of Chapter 2E of the Corporations Act (section 208) and ASX Listing Rule 10.11 because the Directors are related parties of the Company.

RELATED PARTY TRANSACTION

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the public company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provisions; or
- (b) prior shareholder approval is obtained to the giving of the financial benefit.

For the purposes of Chapter 2E, Andrew Plympton, Damian London and Sophie Karzis, as Directors of the Company, are related parties of the Company.

Resolutions 4, 5 and 6 provide for the grant of performance rights to related parties, which are a financial benefit requiring shareholder approval in the absence of a specified exception applying.

For the purpose of Chapter 2E of the Corporations Act the following information is provided.

The Related Parties to Whom the Proposed Resolutions Would Permit a Financial Benefit to Be Given

The related parties are:

- (a) Mr Andrew Plympton, a non-executive Director of the Company and the Chairman of the Board, or his nominee;
- (b) Mr Damian London, an executive Director of the Company and the Chief Executive Officer, or his nominee; and
- (c) Ms Sophie Karzis, a non-executive Director and the Company Secretary of the Company, or her nominee.

The Nature of the Financial Benefit

The proposed financial benefits to be given are:

- (a) the grant of up to 1,000,000 Performance Rights for no cash consideration to Mr Andrew Plympton or his nominee;
- (b) the grant of up to 4,000,000 Performance Rights for no cash consideration to Mr Damian London or his nominee; and
- (c) the grant of up to 1,000,000 Performance Rights for no cash consideration to Ms Sophie Karzis or her nominee.

The Performance Rights to be granted to each of Mr Plympton, Mr London and Ms Karzis or their nominees and the details of the vesting criteria, exercise price and expiry date are set out in the table below:

Director	Number of Performance Rights	Vesting Criteria	Exercise Price	Expiry Date
Andrew Plympton	1,000,000	* Continue as a non-executive director until 30 June 2013 and achievement of budgeted revenue and profit after tax for year ending 30 June 2013.	Nil	31 December 2013
Damian London	4,000,000	* Continue as a non-executive director until 30 June 2013 and achievement of budgeted revenue and profit after tax for year ending 30 June 2013.	Nil	31 December 2013
Sophie Karzis	1,000,000	* Continue as a non-executive director until 30 June 2013 and achievement of budgeted revenue and profit after tax for year ending 30 June 2013.	Nil	31 December 2013

*The service period vesting criteria will be waived so that this vesting criteria will be deemed satisfied in the event of a takeover of the Company succeeding.

If the vesting criteria are not satisfied, the Performance Rights lapse. If the vesting criteria are satisfied, Performance Rights immediately vest and shares are issued with no payment required.

The Performance Rights will be granted within one month of the date of the Meeting. The Performance Rights will not be quoted.

Otherwise, the general terms and conditions of all of the Performance Rights are set out in Annexure A.

Directors Recommendation and Basis of Financial Benefit

The Board consists of Mr Andrew Plympton, Mr Damian London and Ms Sophie Karzis. The number of Performance Rights to be granted to each of Mr Plympton, Mr London and Ms Karzis and their terms were determined only by the Directors independent of each Resolution, with the relevant Director in each case abstaining from the determination relating to the issue of Performance Rights to them.

The purpose of the grant of the Performance Rights is to give each of Mr Plympton, Mr London and Ms Karzis an incentive to provide dedicated and ongoing commitment and effort to the Company, particularly as the remuneration each receives for performing their duties as a Director is considered by the Directors to be below the average remuneration levels for directors of companies with similar market capitalisation to the Company's. The Directors independent to each respective Resolution consider the particular number and terms of the Performance Rights to be granted to constitute an appropriate number to adequately incentivise of the Directors in question in light of their skill, experience and reputation and when considered together with their remuneration as Directors as detailed below.

An alternative to the issue of Performance Rights to the Directors would be to simply increase their remuneration. However, given the current stage of development of the Company, and the necessity for cash reserves to be preserved for the Company's general working capital requirements as well as to fund potential acquisition opportunities that may be identified, the Board has determined that there should be no increase in either the Executive Director (CEO), Mr Damian London's salary or the Non-Executive Directors, Mr Andrew Plympton's and Ms Sophie Karzis's fees, at this time. Instead, the Board has determined that Directors should be issued with a number of Performance Rights to act as a reward for past performance, as a long term incentive and as a retention mechanism and to compensate for the current remuneration levels for all Directors which are considered to be below the average levels for directors of other similarly market capitalised companies.

The Board acknowledges that the grant of Performance Rights to the Non-Executive Directors (Mr Andrew Plympton and Ms Sophie Karzis) is contrary to Recommendation 8.2 of the ASX Corporate Governance Principles and Recommendations which recommend that non-executive directors should normally be remunerated by way of fees, should not participate in schemes designed for remuneration of executives and should not receive options.

However, the Board considers the grant of the Performance Rights constitutes cost effective consideration to the Directors for their ongoing commitment and contribution to the Company and, for the reasons above, constitutes reasonable remuneration to the Directors in the circumstances of the Company and the Directors (including their responsibilities as Directors of the Company).

The number of Performance Rights to be issued to Non-Executive Directors has been determined by having regard to the level of Directors' fees/salaries being received by Non-Executive Directors and is a cash free, effective and efficient way to provide an appropriate and market level of Directors' remuneration. Similarly, the number of Performance Rights to be issued to the CEO and Executive Director, Mr Damian London, has been determined by having regard to the level of salary being received by the CEO and is a cash free, effective and efficient way to provide an appropriate and market level of the CEO's remuneration.

If Shareholders do not approve the issue of Performance Rights to the Directors, the Board may increase the level of salary currently received by the Executive Director, (CEO) Mr Damian London, and the level of fees received by the Non-Executive Directors (Mr Andrew Plympton and Ms Sophie Karzis).

In the case of the Resolution for the issue of Performance Rights to Mr Plympton, Mr London and Ms Karzis, as the Directors independent of the Resolution, recommend Shareholders vote in favour of the Resolution for the reasons set out above.

In the case of the Resolution for the issue of Performance Rights to Mr London, Mr Plympton and Ms Karzis, as the Directors independent of the Resolution, recommend Shareholders vote in favour of the Resolution for the reasons set out above.

In the case of the Resolution for the issue of Performance Rights to Ms Karzis, Mr Plympton and Mr London, as the Directors independent of the Resolution, recommend Shareholders vote in favour of the Resolution for the reasons set out above.

Dilution

The passing of the Resolutions would have the following effect:

The passing of Resolution 4 would have the effect of granting Mr Andrew Plympton or his nominee up to 1,000,000 Performance Rights; the passing of Resolution 5 would have the effect of granting Mr Damian London or his nominee up to 4,000,000 Performance Rights; and the passing of Resolution 6 would have the effect of granting Ms Sophie Karzis or her nominee, up to 1,000,000 Performance Rights, on the terms and conditions as set out in Annexure A.

If any Performance Rights granted as proposed above vest, the effect would be to dilute the shareholding of existing Shareholders. If all Performance Rights to be granted under Resolution 4, 5 and 6 were to vest, the effect would be to dilute the shareholding of existing Shareholders by approximately 2.8% on an undiluted basis and being based on the total number of Shares on issue at the date of this Notice of 207,901,921.

Total Remuneration Packages of the Directors

The remuneration currently received by Mr Andrew Plympton is A\$30,000 per annum consisting of a director's fee (exclusive of GST). Mr Plympton may also be paid a cash bonus of up to \$30,000 for FY13 based on the performance of the Company. Mr Plympton is entitled to be reimbursed for reasonable expenses in providing his services.

DL Consulting Pty Ltd, a company associated with Mr Damian London, is paid \$150,000 per annum (exclusive of GST) for providing the services of Mr London as an executive Director and the Chief Executive Officer. Mr London may also be paid a cash bonus of up to \$70,000 for FY13 based on the performance of the Company. Mr London receives no other form of remuneration from the Company.

The remuneration currently received by Ms Sophie Karzis for her services as a non-executive Director is A\$28,800 per annum (exclusive of GST). Ms Karzis also received fees for providing company secretarial services and for the provision of a registered office to the Company and may also be paid a bonus based on the performance of the Company. Ms Karzis receives no other form of remuneration from the Company.

Existing Relevant Interest

As at the date of this Notice, the Directors to whom Performance Rights are proposed to be issued have relevant interests in the securities of the Company as follows:

Name	Shares	Options	Performance Rights
Andrew Plympton	Nil	600,000	Nil
Damian London	34,518,667	1,000,000	Nil
Sophie Karzis	Nil	Nil	Nil

Valuation of the Performance Rights

The Company has valued the Performance Rights to be granted under Resolutions 4, 5 and 6 by reference to the Black and Scholes option pricing model based on the following assumptions:

Underlying Security spot price:	\$0.01
Exercise price:	nil
Dividend rate:	0%
Risk free rate:	2.5%
Expiry date:	31 December 2013
Standard deviation of returns (annualised):	50%

Based on the above assumptions, the Performance Rights have been valued at \$0.01 per Performance Right. In total, the proposed benefits to be given to each of the Directors based on this valuation method are as follows:

Mr Andrew Plympton: \$10,000

Mr Damian London: \$40,000

Ms Sophie Karzis \$10,000

Other Information

The Directors are not aware of any other information that is reasonably required by Shareholders to allow them to make a decision as to whether it is in the best interests of the Company to pass the Resolutions.

ASX Listing Rule 10.11

For the purposes of ASX Listing Rule 10.11, Mr Andrew Plympton, Mr Damian London and Ms Sophie Karzis are related parties of the Company. Accordingly, in order to grant the Performance Rights to these Directors (or their nominees) the Company must obtain Shareholder approval pursuant to Listing Rule 10.11.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to grant the Performance Rights to these Directors as approval is being obtained under ASX Listing Rule 10.11. Shareholders should note that the grant of Performance Rights to these Directors will not be included in the 15% calculation for the purposes of ASX Listing Rule 7.1.

ASX Listing Rule 10.13 sets out a number of matters which must be included in the notice of meeting convened to consider shareholder approval under ASX Listing Rule 10.11. For the purposes of Listing Rule 10.13, the following information is provided to Shareholders in relation to the Resolutions 4, 5, and 6:

- i. The maximum number of Performance Rights to be granted are as follows:
 - 1,000,000 Performance Rights to Mr Andrew Plympton or his nominee;
 - 4,000,000 Performance Rights to Mr Damian London or his nominee; and
 - 1,000,000 Performance Rights to Ms Karzis or her nominee.
- ii. The Performance Rights will be issued no later than one (1) month after the date of this Meeting.
- iii. The Performance Rights will be granted for nil consideration and the terms and conditions of the Performance Rights are set out in this Explanatory Statement including Annexure A of this statement.
- iv. There will be no funds raised from the issue of Performance Rights to Mr Plympton, Mr London and Ms Karzis (or their respective nominees).

DEFINITIONS

Closely Related Party (of a member of KMP of an entity) has the definition given to it by section 9 of the Corporations Act, and means:

- a) a spouse or child of the member; or
- b) a child of the member's spouse; or
- c) a dependant of the member or of the member's spouse; or
- d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the entity; or
- e) a company the member controls; or
- f) a person prescribed by the regulations for the purposes of this definition (nothing at this stage).

Key Management Personnel or KMP means those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity.

6. APPROVAL OF 10% PLACEMENT CAPACITY (RESOLUTION 7)

BACKGROUND INFORMATION FOR SHAREHOLDERS

General	<p>Presently, under Listing Rule 7.1, every listed entity has the ability to issue 15% of its issued capital without shareholder approval in a 12 month period. ASX Listing Rule 7.1A, which was introduced on 1 August 2012, essentially permits eligible small and mid-cap ASX-listed entities, subject to shareholder approval, to issue Equity Securities of up to an additional 10% of its issued capital by way of placements over a 12 month period, in addition to its ability to issue securities under Listing Rule 7.1 (10% Placement Capacity).</p> <p>The Company seeks shareholder approval under ASX Listing Rule 7.1A for the 10% Placement Capacity. The effect of this resolution will be to allow the Directors, subject to the conditions set out below, to issue Equity Securities under the 10% Placement Capacity without using the Company's 15% placement capacity under Listing Rule 7.1.</p> <p>The resolution the subject of item 8 is a special resolution. Accordingly, at least 75% of votes cast by shareholders present and eligible to vote (in person or by proxy) at the meeting must be in favour of this resolution for it to be passed.</p>
Eligibility	<p>ASX-listed entities which have a market capitalisation of \$300 million or less, and which are not included in the S&P/ASX 300 Index will be considered eligible to seek shareholder approval under Listing Rule 7.1A.</p> <p>As at the date of this Notice, the Company, which has a market capitalisation of less than \$300 million, is not included in the S&P/ASX 300 Index. Accordingly, the Company is considered eligible to seek shareholder approval under Listing Rule 7.1A.</p>
Formula	<p>The exact number of additional Equity Securities that the Company may issue under the 10% Placement Facility will be determined by a formula set out Listing Rule 7.1A.2 as follows:</p> $(A \times D) - E$ <p>Where:</p> <p>A is the number of shares on issue 12 months before the date of issue or agreement:</p> <ul style="list-style-type: none"> ▪ plus the number of fully paid shares issued in the previous 12 months under an exception in ASX Listing Rule 7.2; ▪ plus the number of partly paid shares that became fully paid in the previous 12 months (there are presently no partly paid shares on issue in the Company); ▪ plus the number of shares issued in the previous 12 months with approval of shareholders under ASX Listing Rules 7.1 and 7.4. This does not include an issue of fully paid shares under the Company's 15% placement capacity without shareholder approval; and ▪ less the number of shares cancelled in the previous 12 months. <p><i>'A' has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity</i></p> <p>D is 10%.</p> <p>E is the number of Equity Securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of shareholders under ASX Listing Rule 7.1 or 7.4.</p>
Conditions of issue under the 10% Placement	<p>There are a number of conditions applicable to the issue of Equity Securities under Listing Rule 7.1A, including a limitation on the discount to prevailing market price at which they may be issued, and additional disclosure requirements. A summary of these conditions are as follows:</p>

Capacity

- (a) Equity Securities issued under the 10% Placement Capacity can only be in a class of securities already quoted. At the date of this Notice, the Company only has one class of securities which are quoted, being ordinary shares.
- (b) The issue price of Equity Securities issued under the 10% Placement Capacity must be no lower than 75% of the volume weighted average price (**VWAP**) of Equity Securities in the same class calculated over the 15 trading days immediately before either:
 - i. the date on which the Equity Securities are issued; or
 - ii. the date on which the price of the Equity Securities is agreed, provided that the issue is thereafter completed within 5 business days.

Period of validity of shareholder approval

In the event that the Company obtains shareholder approval of the resolution the subject of item 8, such approval will cease to be valid upon the earlier of:

- (a) 12 months after the date of this Annual General Meeting, being 28 November 2013;
- (b) if applicable, the date on which the Company's shareholders approve a change to the nature or scale of the Company's activities under Listing Rule 11.1.2, or the disposal of the Company's main undertaking under Listing Rule 11.2; or
- (c) such longer period if allowed by ASX.

(Placement Period)

INFORMATION TO BE PROVIDED TO SHAREHOLDERS UNDER ASX LISTING RULE 7.3A

Minimum issue price

The issue price of Equity Securities issued under the 10% Placement Capacity must be no lower than 75% of the VWAP of shares calculated over the 15 trading days on which trades in shares were conducted immediately before either:

- iii. the date on which the Equity Securities are issued; or
- iv. the date on which the price of the Equity Securities is agreed, provided that the issue is thereafter completed within 5 business days.

Risk of dilution to shareholders

If the resolution the subject of item 8 is approved by shareholders, issue of Equity Securities under the 10% Placement Capacity may present a risk of economic and voting dilution of existing shareholders, including the risk that:

- the market price of the Company's Equity Securities may be significantly lower on the relevant issue date than on the date of the Annual General Meeting; and
- the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date.

The table below shows the potential dilution of existing shareholders under various scenarios on the basis of:

- an issue price of \$0.008 per share (**Issue Price**) which is the closing price of the Company's shares on the ASX on 22 October 2012; and
- the variable 'A' being calculated as the number of fully paid ordinary shares on issue on the date of this Notice, being 207,901,921.

The table also shows:

- (a) two examples where variable 'A' has increased by 50% and 100%. The number of shares on issue in the Company may increase as a result of the issue of shares that do not require approval of shareholders (for example, pro-rata entitlement

issues or scrip issues under takeover offers) or future placements of shares under Listing Rule 7.1 of up to 15% of issued capital that are approved at future general meetings of shareholders; and

- (b) two examples of where the Issue Price of shares has decreased by 50% and increased by 100%.

VARIABLE 'A'		Dilution		
		50% decrease in Issue Price \$0.004	Issue Price \$0.008	100% increase in issue price \$0.016
Current Variable 'A' 207,901,921 shares	10% voting dilution	20,790,192 shares	20,790,192 shares	20,790,192 shares
	Funds raised	\$83,160.77	\$166,321.54	\$322,643.07
50% increase in current Variable 'A' 311,852,882 shares	10% voting dilution	31,185,288 shares	31,185,288 shares	31,185,288 shares
	Funds raised	\$124,741.15	\$249,482.31	\$489,964.61
100% increase in current Variable 'A' 415,803,842 shares	10% voting dilution	41,580,384 shares	41,580,384 shares	41,580,384 shares
	Funds raised	\$166,321.54	\$332,643.07	\$665,286.15

The table has been prepared on the following assumptions:

- the Company issues the maximum number of shares available under the 10% Placement Capacity;
- no options to acquire shares on issue in the Company are exercised;
- the 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue;
- the table does not show an example of dilution that may be caused to a particular shareholder as a result of placements under the 10% Placement Capacity based on that shareholder's holding at the date of the Annual General Meeting.
- the table shows only the effect of issues of Equity Securities under the 10% Placement Capacity in accordance with Listing Rule 7.1A and not under the 15% placement capacity under Listing Rule 7.1.
- the issue of Equity Securities under the 10% Placement Capacity consists only of shares.
- the Issue Price is \$0.008, being the closing price of the Company's shares on the ASX on 22 October 2012.

Period of validity

The Company will only issue and allot the Equity Securities during the Placement Period. The approval under the resolution the subject of item 8 for the issue of the Equity Securities will cease to be valid in the event that shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or Listing Rule 11.2 (disposal of main undertaking).

Reason for issue of shares under 10% Placement Capacity

The Company may seek to issue the Equity Securities for the following purposes:

- (a) non-cash consideration for the acquisition of the new assets and investments, in which event the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or
- (b) cash consideration, the proceeds of which will be applied to fund the Company's existing and future activities, appraisal of corporate opportunities, investment in new businesses (if any), the costs incurred in undertaking placement(s) of shares under Listing Rule 7.1.A and for general working capital.

The Company will comply with the disclosure obligations under ASX Listing Rules 7.1A 4 and 3.10.5A upon issue of any Equity Securities.

Allocation policy

The Company may not issue any or all the Equity Securities for which approval is given and may issue the Equity Securities progressively as the Company places the Equity Securities with investors.

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Capacity. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to factors such as:

- 1. fund raising options (and their viability) available to the Company at the relevant time;
- 2. the effect of the issue of the Equity Securities on the control of the Company;
- 3. the financial situation of the Company and the urgency of the requirement for funds; and
- 4. advice from the Company's corporate, financial, legal and broking advisers.

The allottees under the 10% Placement Capacity have not been determined as at the date of this Notice. It is intended that the allottees will be suitable professional and sophisticated investors, and other investors not requiring a disclosure document under section 708 of the Corporations Act, that are known to the Company and/or introduced by third parties.

The allottees may include existing substantial shareholders and/or new shareholders, but it is not intended that the allottees will be related parties or associates of a related party of the Company.

In the event that the shares under the 10% Placement Capacity are issued as consideration for the acquisition of assets or investments, it is likely that the allottees will be the vendors of such assets or investments.

Previous approval

The Company has not previously obtained approval under ASX Listing Rule 7.1A and no Equity Securities have been issued under that rule in the 12 months preceding the Annual General Meeting.

Ranking of shares

Any shares issued under the 10% Placement Capacity will rank equally with all other existing shares on issue in the Company.

Voting exclusion

The Company will disregard any votes cast on this resolution by any person who may participate in the issue of Equity Securities under this resolution and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed and any associates of those persons.

However, the Company need not disregard a vote if it is cast by:

- (a) a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or;
- (b) the person chairing the Meeting as proxy for a person entitled to vote, in accordance with a direction on a proxy form to vote as the proxy decides.

DEFINITION

- a) *a share;*
- b) *a right to a share or option;*
- c) *an option over an issued or unissued security;*
- d) *a convertible security;*
- e) *any security that ASX decides to classify as an equity security.*

Recommendation

The Directors unanimously recommend that shareholders vote in favour of Item 8 (Resolution 7).

ANNEXURE A

Terms of issue of Performance Rights under Resolutions 4, 5, and 6

1. Issue Price

No amount is payable on the issue of the Performance Rights.

2. Exercise Price

There is no exercise price for Performance Rights, once relevant Performance conditions are met, the Performance Rights vest and the Holder may call for the underlying Performance Shares to be issued to them.

3. Exercise Period

The exercise period means the period between the date on which the Performance Rights are issued and 5.00pm (AEST) on 31 December 2013. Any Performance Rights which do not vest during the performance period automatically expire.

4. Certificate

The Company must give the holder of the Performance Rights (**Holder**) a certificate of holding statement stating:

- a. the number of Performance Rights issued to the Holder;
- b. the performance conditions which are required to be satisfied in order for the Performance Rights to vest; and
- c. the date of issue of the Performance Rights.

5. Participation rights, bonus issues and reorganisations

5.1 Participation

A Holder is not entitled to participate in any new issue to existing shareholders of securities in the Company unless their Performance Rights have vested before the record date for determining entitlements to the new issue of securities and participate as a result of holding shares.

5.2 Notice of new issue

The Company must give a Holder, in accordance with the Listing Rules, notice of:

- a. the proposed terms of the issue or offer proposed under clause 5.1; and
- b. the right to exercise their Performance Rights under clause 5.1.

5.3 Bonus issues, rights issues and reconstruction

If shares are issued pro rata to the Company's shareholders generally by way of bonus issue or rights issue or any reorganisation of the issued capital of the Company is effected, the number of Performance Rights to which a Holder is entitled will be adjusted by the Board to ensure that no advantage or disadvantage accrues to the Holder.

5.4 Takeover/scheme of arrangement

In the event of a takeover bid or scheme of arrangement in respect of the Company, the Board has discretion to determine that some or all of a Holder's Performance Rights vest, having regard to pro rata performance against the relevant performance conditions.

5.5 Reorganisation

If there is a reorganisation (including consolidation, sub-division, reduction or return) of the share capital of the Company, then the rights of the Holder (including the number of Performance Rights to which the Holder is entitled to) is changed to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

5.6 Calculations and adjustments

Any calculations or adjustments which are required to be made under this clause 5 will be made by the Board of the Company and will, in the absence of manifest error, be final and conclusive and binding on the Company and the Holder.

5.7 Notice of change

The Company must within a reasonable period give to the Holder notice of any change under this clause 5 to the number of shares which the Holder is entitled to on vesting of a Performance Right.

6. Method of vesting of Performance Rights

6.1 Exercise

There is no exercise price for Performance Rights, once relevant Performance conditions are met, the Performance Rights vest and the Holder may call for the underlying Performance Shares to be issued to them.

6.2 Issue of shares

Within 10 days of the Directors having determined that any applicable performance hurdles and other conditions of vesting have been met, the Company must issue the Holder the corresponding number of fully paid ordinary shares in the capital of the Company.

7. Ranking of shares issued on exercise of Options

All shares issued pursuant to the vesting of the Performance Rights will, subject to the constitution of the Company, rank equally in respects (including rights relating to dividends) with the existing fully paid ordinary shares of the Company at the date of issue. The Holder agrees to be bound by the constitution of the Company upon becoming a shareholder in the Company.

8. Quotation

The Company will:

- a. not apply to ASX for official quotation of the Performance Rights; and
- b. make application, in accordance with the Listing Rules, for the shares issued on vesting of the Performance Rights by the Holder to be granted official quotation on ASX.

9. Transfer

Subject to compliance by the Holder with the Corporations Act, the Performance Rights are freely transferable.

10. Trading in shares

Any subsequent offer or sale of shares upon vesting of Performance Rights by the Holder within Australia must comply with the requirements of the Corporations Act.

As no disclosure or offering document (such as the prospectus) will be lodged with the Australian Securities and Investments Commission, the Performance Rights will only be granted and shares will only be issued to the Holder because the Holder is warranting to the Company that it is one of the categories of investors to whom such a grant or issue can be made (for example, Sophisticated Investors or Professional Investors). In certain circumstances, the Holder may be prohibited by the Corporations Act from on-selling shares issued upon vesting of Performance Rights within 12 months of their issue.

The Company will not issue the shares (pursuant to vesting of the Performance Rights) for the purpose of the Holder selling or transferring them in Australia (or granting, issuing or transferring interests in or warrants over them).

11. Governing law

These terms and the rights and obligations of Holders are governed and shall be construed and take effect in accordance with the laws of the State of Victoria.

Lodge your vote:



By Mail:

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:

(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

Proxy Form

 **For your vote to be effective it must be received by 3:30pm (Melbourne time) Monday 26 November 2012**

How to Vote on Items 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 each 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 an item your vote will be invalid on that item.

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 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

- 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 Adefective 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, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Adefective Limited to be held at the offices of HWL Ebsworth, at Level 26, 530 Collins Street, Melbourne Victoria 3000 on Wednesday, 28 November 2012 at 3:30pm (Melbourne time) and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Items 2, 5, 6 and 7 (except where I/we have indicated a different voting intention below) even though Items 2, 5, 6 and 7 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: For Items 5, 6 and 7, this express authority is also subject to you marking the box in the section below. If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Items 2, 5, 6 and 7 by marking the appropriate box in step 2 below.

Important for Items 5, 6 and 7: If the Chairman of the Meeting is your proxy and you have not directed the Chairman how to vote on Items 5, 6 and 7 below, please mark the box in this section. If you do not mark this box and you have not otherwise directed your proxy how to vote on Items 5, 6 and 7, the Chairman of the Meeting will not cast your votes on Items 5, 6 and 7 and your votes will not be counted in computing the required majority if a poll is called on these items. The Chairman of the Meeting intends to vote undirected proxies in favour of Items 5, 6 and 7 of business.

I/We acknowledge that the Chairman of the Meeting may exercise my/our proxy even if the Chairman has an interest in the outcome of Items 5, 6 and 7 and that votes cast by the Chairman, other than as proxy holder, would be disregarded because of that interest.

STEP 2 Items of Business

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

	For	Against	Abstain
Item 2 Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 3 Re-election of Mr Andrew Plympton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 4 Election of Ms Sophie Karzis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 5 Issue of Performance Rights to Chairman	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 6 Issue of Performance Rights to Chief Executive Officer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 7 Issue of Performance Rights to Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 8 Approval of 10% Placement Capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote all available proxies in favour of each item of business.

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 / / _____