



ADEFFECTIVE LIMITED

ACN 085 545 973

PROSPECTUS

FOR THE OFFER OF:

1. a pro-rata renounceable rights issue of up to approximately **99.2** million New Shares on the basis of one (1) New Share for every one (1) Share held on the Record Date at an issue price of 1.5 cents per New Share to raise up to **\$1.49** million, with one (1) free Attaching Option (exercisable at 1.5 cents and expiring on 30 June 2014) for every New Share subscribed (**Rights Issue Offer**); and
2. approximately **33.1** million New Options to the parties that have participated as sub-underwriters to the Rights Issue Offer (**Underwriter Offer**).

LEAD MANAGER AND UNDERWRITER

Patersons Securities Limited
ABN 69 008 896 311
AFSL 239 052

CLOSING DATE: 5.00pm AEDT on Friday, 30 March 2012

IMPORTANT NOTICE

This Prospectus is a transaction-specific prospectus issued in accordance with section 713 of the *Corporations Act 2001* (Cth). This Prospectus does not, itself, contain all the information that is generally required to be set out in a document of this type, but refers to other documents, the information of which is deemed to be incorporated into this Prospectus. This Prospectus and any such incorporated documents should be read in their entirety before deciding whether to apply for New Securities. If you have any queries about any part of the Prospectus, please contact your professional adviser without delay. The New Securities offered by this Prospectus should be considered speculative.

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IMPORTANT INFORMATION

This Prospectus is dated 2 March 2012 and was lodged with ASIC on that date. Neither ASIC nor ASX, nor any of their officers, take any responsibility for the contents of this Prospectus.

No Securities will be allotted or issued on the basis of this Prospectus later than 13 months after the date of this Prospectus. An application will be made to ASX within 7 days after the date of this Prospectus for the quotation of the Securities the subject of this Prospectus.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe the requirements of these laws. Non-observance by such persons may violate securities laws. Any recipient of this Prospectus residing outside Australia and New Zealand should consult their professional advisers on requisite formalities.

In preparing this Prospectus, regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and that certain matters may reasonably be expected to be known to investors and their professional advisers. This Prospectus is issued pursuant to section 713 of the Corporations Act. Section 713 allows the issue of a more concise prospectus in relation to an offer of continuously quoted securities. This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all information that is generally required to be included in a document of this type. Refer to section 5.1 for details of the information deemed to be incorporated into this Prospectus by reference.

The Offers to New Zealand investors are regulated offers made under the mutual recognition provisions in Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act 2001 and Regulations. In New Zealand, this is Part 5 of the Securities Act 1978 and the Securities (Mutual Recognition of Securities Offerings—Australia) Regulations 2008. The Offers and the content of this Prospectus are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act 2001 and Regulations (Australia) set out how the Offers must be made. There are differences in how securities are regulated under Australian law. For example, the disclosure of fees for collective investment schemes is different under the Australian regime. The rights, remedies, and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies, and compensation arrangements for New Zealand securities.

This document is important and it should be read in its entirety along with all information that is deemed to be incorporated. The Securities to be issued pursuant to this Prospectus should be viewed as a speculative investment and Shareholders should refer to the Risk Factors affecting the Company set out in section 2. Shareholders should consult their stockbroker, solicitor, accountant or other professional adviser if necessary. No person is authorised to give any information or to make any representation in relation to the Offers which is not contained in this Prospectus and any such information may not be relied upon as having been authorised by the Directors.

A copy of this Prospectus can be downloaded from the Company's website at www.adeffective.com.au. The offer constituted by an electronic version of this Prospectus is only available to persons receiving an electronic version of this Prospectus within Australia. Any Shareholder may obtain a hard copy of this Prospectus by contacting the Company.

A number of terms and abbreviations used in this Prospectus have defined meanings set out in section 8. All amounts are in Australian dollars unless otherwise specified.

CORPORATE DIRECTORY

Directors	Mr Andrew Plympton (Non-Executive Chairman) Mr Damian London (Executive Director, Chief Executive Officer) Sophie Karzis (Non-Executive Director & Company Secretary)
Registered Office	Level 3, 1 Collins Street Melbourne VIC 3000 Telephone: +61 3 9665 0403 Facsimile: +61 3 9650 5571
Underwriter*	Patersons Securities Limited Level 15, 333 Collins Street Melbourne VIC 3000
Share Registry*	Computershare Investor Services Pty Ltd 452 Johnston Street Abbotsford VIC 3067
Lawyers*	HWL Ebsworth Lawyers Level 26, 530 Collins Street Melbourne VIC 3000
Website	www.adeffective.com.au

*These parties are included for information purposes and have not been involved in the preparation of this Prospectus.

TIMETABLE AND IMPORTANT DATES

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 Closing date for Underwriter Offer	Wednesday, 4 April 2012
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

Dates are indicative only. Subject to the Listing Rules, the Directors, in consultation with the Underwriter, may vary the dates without prior notice.

CHAIRMAN'S LETTER

Dear Shareholder

Rights Issue Offer

On behalf of the directors of AdEffective, I am pleased to present you with an opportunity to participate in a renounceable pro-rata rights issue to raise approximately \$1.49 million, before costs and expenses ("**Rights Issue**").

The Rights Issue offers Shareholders the right to take up one New Share for every Share held as at 7.00pm AEDT on Tuesday, 13 March 2012 at an issue price of 1.5 cents per New Share ("**Entitlement**"). If you accept your Entitlement, either fully or in part, you will also receive one free Attaching Option for every one New Share subscribed for under the Rights Issue. Attaching Options are exercisable at 1.5 cents each and will expire on 30 June 2014. You may also apply to take up any Shortfall Securities in excess of your full Entitlement.

The Rights Issue Offer is fully underwritten by Patersons Securities Limited ("**Underwriter**"). In addition to taking up any Shortfall pursuant to the Underwriting Agreement, the Underwriter (or its nominees) will also be entitled to receive a total of 33,063,174 Options ("**Underwriter Options**") on the same terms and conditions as the Attaching Options as part consideration for underwriting the Rights Issue. The 33,063,174 Underwriter Options are to be issued on the basis of one Underwriter Option for every 3 New Shares underwritten.

After payment of the costs and expenses of the Offers, the proceeds from the Rights Issue Offer will be applied towards the Company's current commitments, its working capital requirements and to enable the Company to diversify current business offerings and evaluate opportunities moving forward. The Directors are confident that a recapitalised AdEffective will be well placed to achieve these objectives.

The Company remains committed to organic growth of its existing core businesses by focusing its attention on signing up additional partners and clients to its range of online advertising offerings.

The syndicated online advertising business (AdFeed) in which the Company has a partnership with Yahoo globally in 16 countries across four continents, continues to provide steady revenues for the organisation. However, due to a number of challenges within this industry, the Company does not expect significant growth from this channel in the short to medium term.

Accordingly, the Company has shifted its focus to developing new platforms, such as Footar, and to looking to other opportunities to diversify its business.

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.

Outlook

Whilst the Company remains cautiously optimistic about the outlook for AdEffective, the Directors are encouraged by the significant savings already made by the Company through its process of stabilisation and systematic reduction in expenses.

The Board is confident that the share consolidation and recapitalisation of AdEffective will improve liquidity of the Company's shares; enable the Company to better execute its business development objectives; and progress the AdFeed and Footar divisions of the Company's business. Significantly, the Company, once recapitalised and debt free with a strengthened balance sheet will be in a prime position to leverage opportunities for strategic growth with the key objective of generating shareholder value.

Shareholders are encouraged to read this Prospectus and the accompanying Acceptance Form fully. If you have any questions about the Rights Issue, you should consult your stockbroker or other professional adviser.

On behalf of the Board, I commend this offer to you.

Yours sincerely



Andrew Plympton
Chairman
2 March 2012

SECTION 1

DETAILS OF THE OFFERS

1.1 Details of the Rights Issue Offer

The Company is making a pro rata renounceable offer to issue approximately 99.2 million New Shares under this Prospectus at an issue price of 1.5 cents per New Share to raise approximately \$1.49 million. Each New Share will be issued with one free Attaching Option, such that a maximum of approximately 99.2 million Attaching Options are to be issued.

The New Shares are being offered to Eligible Shareholders on the basis of one New Share for every one Share held on the Record Date of Tuesday, 13 March 2012.

The New Shares offered pursuant to this Prospectus will rank equally with existing Shares on issue. The Attaching Options will have an exercise price of 1.5 cents and an expiry date of 30 June 2014. The full terms and conditions of the New Shares and Attaching Options are set out in sections 4.1 and 4.2 respectively.

At the recent EGM, Shareholders approved the consolidation of the Company's total issued capital on a fifty to one basis. The consolidation of capital was completed on 24 February 2012. As at the date of this Prospectus, the Company has 99,189,520 Shares on issue.

The Company also has on issue:

- (a) 2,600,000 unlisted Options (refer to section 3.4 for further details);
- (b) Convertible Notes with a total face value of \$400,000 plus accrued interest as at 31 December 2011 of \$42,343 (refer to section 1.4 for further details); and
- (c) Convertible Loans with a total face value of \$300,000, that may, at the Lenders' election, convert into up to 20,000,000 Conversion Shares (if all Lenders elect to convert in full) and 15,000,000 Conversion Options (with the same terms and conditions as the Attaching Options). The Convertible Loans have, as at 31 December 2011, accrued interest totalling \$1,335 (refer to section 1.3 for further details).

Subject to the restrictions specified in section 1.19, all holders of Shares in the Company on the Record Date are entitled to participate in the Rights Issue Offer.

Optionholders who exercise their Options after the date of this Prospectus but prior to the Record Date are entitled to participate in the Rights Issue Offer. The same applies for the Lenders, should they choose to convert their Convertible Loans into Shares and/or exercise their Options prior to the Record Date; however it is not expected that any of the Lenders will elect to convert their Convertible Loans prior to the Record Date.

The number of New Shares and Attaching Options to which you are entitled as an Eligible Shareholder is shown on the accompanying personalised Rights Issue Offer Entitlement and Acceptance Form. The Entitlement and Acceptance Form

also allows you to apply for New Shares in addition to your Entitlement (refer to section 1.9).

The Rights Issue Offer is fully underwritten by Patersons Securities Limited ("**Underwriter**"). Refer to section 5.5.1 of this Prospectus for further details of the terms of the Underwriting Agreement.

1.2 Details of the Underwriter Offer

Under the terms of the Underwriting Agreement, the Company has agreed to issue 33,063,174 Options ("**Underwriter Options**") to the Underwriter (or its nominees) on the same terms and conditions as the Attaching Options as part consideration for underwriting the Rights Issue Offer on the basis of one Underwriter Option for every 3 New Shares underwritten.

Shareholders approved the issue of up to 33,063,155 Options to the Underwriter at the recent EGM. The Company will issue the balance of 19 Options to the Underwriter under its capacity to issue securities pursuant to ASX Listing Rule 7.1.

The offer of the Underwriter Options is a separate offer pursuant to this Prospectus and only those persons directed by the Underwriter should complete the accompanying personalised Underwriter Offer Entitlement and Acceptance Form.

1.3 Convertible Loans

On 22 December 2011, the Company announced that it had raised \$300,000 via convertible loans ("**Convertible Loans**"). Key terms of the Convertible Loan Deeds entered into by the Company and the Convertible Loan Lenders include:

Amount:	\$300,000
Interest rate:	12% p.a. from the date on which Convertible Loan funds were advanced to the Company (late December 2011) until conversion or redemption. Interest will be accrued and will be paid out either in Shares and Options on conversion or in cash on redemption.
Security:	The Convertible Loans are unsecured.
Default:	Usual events of default for loans of this nature including insolvency events.
Conversion:	At the Lenders' election any time subject to satisfaction of the following conditions: (a) Shareholder approval at the EGM; and (b) completion of the Consolidation.
Conversion Price:	The Convertible Loans may be converted at the Lenders' election into up to 20,000,000 Shares (excluding accrued interest which may also be capitalised and paid out in Shares) at a conversion price of the lesser of \$0.015 and the issue price of New Shares under the Rights Issue Offer (Conversion Shares) together with up to 15,000,000 Options (exercisable at 1.5 cents per share on or before 30 June 2014) (Conversion Options), being 3 Conversion Options for every 4 Conversion Shares issued.

Shareholders approved the issue of the Conversion Shares and Conversion Options at the EGM.

Lenders are entitled to receive the Conversion Options whether the Convertible Loans are converted or not.

Redemption: 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 Options that would have been issued had the loan been converted (with the same terms as the conversion Options), shall become immediately payable.

Lenders may also elect to apply the balance of any Convertible Loan Amount together with accrued interest towards any obligations they may have to sub-underwrite the Rights Issue, pursuant to any sub-underwriting arrangements the Lenders agree with the Underwriter.

The Convertible Loans were provided by 11 investors ("**Lenders**") and the monies raised were used to partially repay debt and provide working capital for the Company.

The Lenders are Exempt Offerees (as defined in the Corporations Act) who did not require a disclosure document or prospectus to be issued by the Company in respect of the Convertible Loans or the issue of any Conversion Shares or Conversion Options to the Lenders. As a result no disclosure document was lodged or will be lodged by the Company for the issue of any Conversion Shares or Conversion Options on conversion of the Convertible Loans.

The Lenders have advised the Company that they will not be converting any of the Convertible Loans into Conversion Shares or exercising Conversion Options before the Record Date. At the date of this Prospectus, the Company has been informed that it is the intention of the Lenders to redeem the Convertible Loans in full. As advised above, Lenders will still be entitled to receive their Conversion Options on redemption of the Convertible Loans.

1.4 Convertible Notes

In December 2010 and January 2011, the Company issued 20 convertible notes, each with a face value of \$25,000 to various investors. Four of these convertible notes with a total face value of \$100,000 plus accrued interest have been redeemed by the Company prior to the date of this Prospectus.

The conditions for conversion of the remaining Convertible Notes, which bear a total face value of \$400,000, into Shares were not met prior to their maturity date of 6 June 2011 and as such those Convertible Notes became immediately redeemable (together with accrued interest) from that date.

Pursuant to Standstill and Commitment Deeds entered into with the Company (refer to section 5.5.3), the holders of the remaining Convertible Notes have agreed:

- not to make demand for any amounts due and payable pursuant to these Convertible Notes until after the allotment of all Securities pursuant to the Rights Issue; and

- to enter into sub-underwriting agreements to collectively sub-underwrite \$400,000 of the Rights Issue Offer, such that all funds received by the Convertible Note holders on redemption of the Convertible Notes will be applied first to meeting any sub-underwriting commitment, with the balance to be paid to the Convertible Note holders from the proceeds of the Rights Issue Offer.

The amount of interest that has accrued and was owing in respect of the remaining Convertible Notes as at 31 December 2011 is \$42,343.

1.5 Rights Trading

Entitlements to Securities pursuant to the Rights Issue Offer are renounceable and accordingly, Rights will be traded on ASX. Details on how to sell your Rights are set out in sections 1.6.2 and 1.6.3 below.

1.6 How to Accept the Rights Issue Offer

1.6.1 If you wish to take up your Rights

If you are an Eligible Shareholder and you wish to take up all or part of your Rights, you must accept the Rights Issue Offer by completing the personalised Entitlement and Acceptance Form mailed to you with this Prospectus. Your personalised Entitlement and Acceptance Form will detail your entitlement to New Shares and Attaching Options under the Rights Issue Offer. You should complete the form in accordance with the instructions set out on the reverse side of the form.

Your completed Entitlement and Acceptance Form must be accompanied by the requisite Application Monies calculated at 1.5 cents in aggregate for each New Share or payment must be made via BPAY following the instructions on your personalised Entitlement and Acceptance Form. Please ensure that the completed Entitlement and Acceptance Form, together with your Application Monies is received by the Share Registry by not later than 5.00pm AEDT on Friday, 30 March 2012 or such later date as the Directors advise.

1.6.2 If you wish to sell your Rights on ASX

If you wish to sell all of your Rights on ASX, follow the instructions on the back of the accompanying Entitlement and Acceptance Form headed "**Sale of your Entitlement in full by your Stockbroker/Agent**".

If you wish to sell part of your Rights on ASX and take up the balance, follow the instructions on the back of the accompanying Entitlement and Acceptance Form headed "**Sale of your Entitlement in part by your Stockbroker/Agent and acceptance of the balance**".

You can sell your Rights on ASX from Tuesday, 6 March 2012. Any sale of part of your Rights on ASX must be effected by the close of trading on Friday, 23 March 2012, when Rights trading ends on ASX.

To take up the remaining part of your Rights, your stockbroker will need to ensure that the completed Entitlement and Acceptance Form together with the requisite Application Monies reaches the Share Registry by not later than 5.00pm AEDT on Friday, 30 March 2012 or such later date as the Directors advise.

The Company does not accept any responsibility for any failure by your stockbroker to carry out your instructions.

1.6.3 If you wish to transfer all or part of your Rights to another person other than on ASX

If you hold Shares on the issuer-sponsored register and you wish to transfer all or part of your Rights to another person other than on ASX, forward a completed standard renunciation form (which can be obtained from your stockbroker or the Share Registry) signed by you (as the seller) and the buyer by not later than 5.00pm AEDT on Friday, 23 March 2012, together with your Entitlement and Acceptance Form completed by the buyer and the buyer's cheque or bank draft for the appropriate Application Monies to reach the Share Registry by not later than 5.00pm AEDT on Friday, 30 March 2012 or such later date as the Directors advise.

If you are an Eligible Shareholder holding Shares on CHESS and you wish to transfer all or part of your Rights to another person other than on ASX, you should contact your sponsoring participant.

If the Share Registry receives both a completed renunciation form and a completed Entitlement and Acceptance Form in favour of the same Shareholder in respect of the same Rights, the renunciation will be given effect in priority to the acceptance.

1.6.4 If you do nothing

If you are an Eligible Shareholder and you do nothing by 5.00pm AEDT on Friday, 30 March 2012, being the Closing Date, your Rights will form part of the Shortfall which will be dealt with as outlined in section 1.13.

1.6.5 Form of Payment

All cheques must be drawn on an Australian Bank or Bank Draft made payable in Australian currency to "AdEffective Limited Rights Issue" and crossed "Not Negotiable".

Your completed Entitlement and Acceptance Form, together with your cheque, must be forwarded to:

By Mail:

AdEffective Limited
Computershare Investor Services
Pty Limited
GPO Box 505
Melbourne VIC 3001

In Person:

AdEffective Limited
Computershare Investor Services
Pty Limited
452 Johnston Street
Abbotsford VIC 3067

Those who elect to pay via BPAY must follow the instructions for BPAY set out in the Entitlement and Acceptance Form. Investors who elect to pay via BPAY will not need to return their completed Entitlement and Acceptance Form.

You must use the specific biller code and Customer Reference Number detailed on your personalised Entitlement and Acceptance Form. If you have multiple holdings you will have multiple Customer Reference Numbers. To ensure you receive New Shares in respect of the correct holding, you must use the specific biller code and the Customer Reference Number shown on each personalised Entitlement and

Acceptance Form when paying for any New Shares that you wish to accept in respect of that holding. If you inadvertently use the same Customer Reference Number for more than one of your Entitlements, you will be deemed to have accepted the New Shares to which that Customer Reference Number applies and any excess amount will be treated as an application for additional New Shares on that holding. Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment. You may also have your own limit on the amount that can be paid via BPAY. It is your responsibility to check that the amount you wish to pay via BPAY does not exceed your limit.

Completed Entitlement and Acceptance Forms or payment by BPAY must be received no later than 5.00pm (AEDT) on the Closing Date.

1.7 How to Accept the Underwriter Offer

Acceptances of the Underwriter Offer must be made on the relevant Entitlement and Acceptance Form accompanying this Prospectus. Eligible applicants (being those persons nominated by the Underwriter) will be issued with an allocated number of Underwriter Options under the Underwriter Offer as shown on that form. Applicants may not apply for additional Underwriter Options.

All Entitlement and Acceptance Forms must be completed in accordance with the instructions set out on the reverse side of the form.

Your completed Entitlement and Acceptance Form for the Underwriter Offer must be received by the Share Registry by no later than 5.00pm AEDT on the Shortfall Settlement Date.

1.8 Minimum Subscription

The minimum subscription to be raised pursuant to the Rights Issue Offer is the Underwritten Amount, being approximately \$1.49 million (before costs).

1.9 Can you apply for extra shares in addition to your entitlement?

Yes you can. The Entitlement and Acceptance Form allows you to apply for New Shares in addition to your Entitlement. The Company has sole discretion to issue all, none or some of any additional New Shares you may apply for. Additional New Shares will be issued at the same time as Shares applied for under your Entitlement. Application monies for any additional New Shares you apply for but which are not issued to you will be refunded without interest. The Company will only issue up to the aggregate number of New Shares that are offered under each Eligible Shareholder's Entitlement, therefore it may be necessary to scale-back applications for additional New Shares if applications exceed this number.

AdEffective intends to honour all applications for additional New Shares where possible. This will reduce any Shortfall which may otherwise be issued to the Underwriters (refer to section 1.13).

1.10 Can you apply for less than your Entitlement?

Yes you can. The Entitlement and Acceptance Form allows you to apply for less New Shares than your Entitlement.

1.11 What will the New Shares in AdEffective be?

New Shares issued under the Rights Issue Offer will be fully-paid ordinary shares ranking equally with Shares currently on issue.

No brokerage or stamp duty is payable on the issue of new shares under the Offer.

1.12 What is the effect of the Offers on Shareholder dilution and the control of AdEffective?

If you exercise your full Entitlement under the Rights Issue Offer you will not be diluted. If you do not exercise your full Entitlement under the Rights Issue Offer you will be diluted. Ineligible Shareholders will have their holdings diluted by the Rights Issue Offer.

The effect of the Rights Issue Offer on the control of AdEffective will depend upon a number of factors including:

- the level of Shareholder participation (including both the taking up of Entitlements and applications for additional New Shares);
- which Shareholders participate; and
- the extent to which Rights are traded, exercised and who may decide to exercise them.

If every Shareholder was to take up their full Entitlement, there would be a minimal effect on the control of AdEffective (having regard to the small shareholdings of non-Eligible Shareholders), as the Rights Issue Offer is made pro-rata and in that case there would not be any scope for any Shareholder to apply for additional New Shares under the Rights Issue Offer and there would be no Shortfall for the Underwriters (see section 1.13).

The final shareholding interests of each of the Underwriter and Sub-Underwriters upon completion of the Rights Issue Offer will depend upon the factors noted earlier in this section.

The following can be said about the potential effect of the Rights Issue Offer on the control of AdEffective:

- as noted above, if every Shareholder was to take up their full Entitlement, there would be no effect on the control of AdEffective;
- should some Shareholders elect not to participate in the Rights Issue Offer, it would result in the Underwriter and/or Sub-Underwriters increasing their holding in the Company, giving each of them increased voting rights as well as gaining a greater degree of influence over the operations of the Company;
- following the Rights Issue Offer, if the Underwriter and/or Sub-Underwriters hold over 25% of the Company's Shares, they could prevent the passing of a special resolution by the Shareholders; and
- pursuant to the Underwriting Agreement (refer to section 5.5.1), the Underwriter has the right (but not the obligation) to nominate up to two candidates to the Board of the Company if sub-underwriters are required to subscribe for more than 40% of the underwritten amount.

1.13 Shortfall

If you do not wish to take up any part of your Entitlement or trade your Rights under the Rights Issue Offer, you are not required to take any action. That part of your Entitlement not taken up or traded will form part of the Shortfall and will be dealt with in accordance with the provisions of the Underwriting Agreement and this section 1.13. In these circumstances, you will receive no benefit. Accordingly, it is important that you take action to either accept or renounce your Entitlement in accordance with the instructions in section 1.6.

Eligible Shareholders who have subscribed for their Entitlement in full may apply for additional New Shares and free Attaching Options by completing the relevant section of your Entitlement and Acceptance Form.

To the extent that Eligible Shareholders do not take up their Entitlement in full, the resultant Shortfall will be allocated at the discretion of the Underwriter in consultation with the Company and in accordance with the provisions of the Underwriting Agreement. In the event that an application for the Shortfall is not accepted, Application Monies (without interest) will be refunded by the Company in accordance with the provisions of the Corporations Act. Neither the Company nor the Underwriter guarantees that you will receive any Shortfall Securities.

The Directors reserve the right to separately place any Shortfall which is not taken up by Eligible Shareholders under the Rights Issue within 3 months after the Closing Date. Shortfall Securities will be issued at the same price as offered to Eligible Shareholders under the Rights Issue.

1.14 ASX Listing

The Company will apply to ASX for quotation of the Securities offered pursuant to this Prospectus within seven days after the date of this Prospectus. If an application for quotation of the Securities is not made within seven days after the date of this Prospectus, or ASX does not grant permission for official quotation of the Securities within three months after the date of this Prospectus, the Company will not issue any Securities and will repay all application monies for the Securities within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant official quotation to the Securities is not to be taken in any way as an indication of the merits of the Company or the Securities now offered under this Prospectus.

1.15 Allotment of Securities

Securities issued pursuant to the Offers will be allotted in accordance with the Timetable and the Listing Rules. Where the number of Securities issued is less than the number applied for, or where no allotment is made under the Shortfall Offer, surplus Application Monies will be refunded without any interest to the Applicant as soon as practicable after the Closing Date.

Pending the allotment and issue of the Securities or payment of refunds pursuant to this Prospectus, all Application Monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

1.16 CHESSE and Issuer Sponsorship

The Company operates an electronic CHESSE sub-register and an electronic issuer sponsored sub-register. These two sub-registers make up the Company's register of Securities. The Company will not issue certificates to investors. Rather, holding statements (similar to bank statements) will be dispatched to investors as soon as practicable after allotment.

Holding statements will be sent either by CHESSE (for new investors who elect to hold their Securities on the CHESSE sub-register) or by the Company's Share Registry (for new investors who elect to hold their Securities on the Issuer sponsored sub-register). The statements will set out the number of New Shares and Attaching Options allotted under the Prospectus and provide details of a Holder Identification Number (for new investors who elect to hold their Securities on the Chess sub-register) or Reference Number (for new investors who elect to hold their Securities on the issuer sponsored sub-register). Updated holding statements will also be sent to each new investor following the month in which the balance of their holding of New Shares and Attaching Options changes, and also as required by the Listing Rules or the Corporations Act.

1.17 Risks

As with any share investment, there are risks associated with investing in the Company. The principal risks that could affect the financial and market performance of the Company and its business are detailed in section 2 of this Prospectus. The Securities on offer under this Prospectus should be considered speculative. Accordingly, before deciding to invest in the Company, investors should read this Prospectus in its entirety and should consider all factors in light of their individual circumstances and seek appropriate professional advice.

1.18 Distribution of Prospectus

The distribution of this Prospectus in jurisdictions outside Australia or New Zealand may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. No action has been taken to register or qualify the Securities the subject of this Prospectus or otherwise permit a public offering of the Securities the subject of this Prospectus in any jurisdiction outside Australia or New Zealand.

1.19 Treatment of ineligible Shareholders

The Company has decided that it is unreasonable to extend the Rights Issue 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 AdEffective of complying with applicable legal and regulatory requirements in such other countries.

Shareholders who are not eligible to apply for New Shares under the Rights Issue Offer will have their Rights sold for them by the Underwriter, being the nominee appointed by AdEffective, and their proportionate share of any net sale proceeds will be remitted to them in accordance with the key dates set out on page 4.

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 AdEffective's discretion, either be allowed to expire or be sold and the Company will retain any proceeds.

The Underwriter, as nominee, will have the discretion to determine the timing and the price at which the Rights may be sold and the manner in which any sale is made, but will be obliged to achieve the best price reasonably obtainable at the time of the sale.

The Company and its officers, employees, agents and contractors (including the Underwriter) 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.

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

1.20 Taxation

It is the responsibility of all persons to satisfy themselves of the particular taxation treatment that applies to them by consulting their own professional tax advisers. Taxation consequences will depend on particular circumstances. Neither the Company nor any of its officers accept any liability or responsibility in respect of the taxation consequences of the matters referred to above or any other taxation consequences connected with an investment in the Securities in the Company.

1.21 Privacy Disclosure

Persons who apply for Securities pursuant to this Prospectus are asked to provide personal information to the Company, either directly or through the Share Registry. The Company and the Share Registry collects, holds and uses that personal information to assess applications for Securities to provide facilities and services to Shareholders and Optionholders, and to carry out various administrative functions. Access to the information collected may be provided to the Company's agents and service providers and to ASX, ASIC and other regulatory bodies on the basis that they deal with such information in accordance with the relevant privacy laws. If the information requested is not supplied, applications for Securities will not be processed. In accordance with privacy laws, information collected in relation to specific Shareholders and Optionholders can be obtained by that Shareholder or Optionholder through contacting the Company or the Share Registry.

1.22 Enquiries

This document is important and should be read in its entirety. Persons who are in any doubt as to the course of action to be followed should consult their stockbroker, solicitor, accountant or other professional adviser without delay.

If you have any questions relating to the Offers, please contact the Company on (03) 9665 0403.

SECTION 2

RISK FACTORS

2.1 Introduction

The Securities offered under this Prospectus should be considered speculative because of the nature of the Company's business.

This section identifies the areas the Directors regard as the major risks associated with an investment in AdEffective. Investors should be aware that an investment in the Company involves risks which may be higher than the risks associated with an investment in other companies. Intending investors should read the whole of this Prospectus in order to appreciate fully such matters and the manner in which the Company intends to operate before any decision is made to apply for Securities.

Whilst the Directors recommend that Eligible Shareholders take up their Entitlement, there are numerous widespread risks associated with investing in any form of business and with investing in the share market generally. There is also a range of specific risks associated with AdEffective business.

Whilst some of these risks can be mitigated by the use of safeguards and appropriate systems and controls, some of these risk factors are largely beyond the control of the Company and its Directors because of the nature of the business of the Company. **Accordingly, an investment in the Company carries no guarantee with respect to the payment of dividends, return of capital or price at which the Securities will trade.**

The following list represents key risk factors of which the Directors are aware and of which, although not exhaustive, investors need to be aware of. This list is a summary of the more material matters to be considered and should be read in conjunction with specific matters referred to in the Company's announcements and reports. However, the summary is not exhaustive and potential investors should examine the contents of this Prospectus in its entirety and consult their professional advisors before deciding whether to apply for Securities.

2.2 Specific Risks

A number of specific risk factors that may impact the future performance of the Company are described below. Shareholders should note that this list is not exhaustive.

2.2.1 Negative Cash Operating Position

As at the date of this Prospectus the Company is operating on a negative cash operating basis, that is, its operating expenses exceed its revenues. The Company may be unable to enter into new contracts (and meet the requisite deliverables under such contracts) or identify new business opportunities (refer to section 2.2.2 below) whilst still operating the cash flow negative operating business. As such it is possible that the Company's cash flow position will remain negative and its financial position may therefore worsen. A failure by the Company to successfully mitigate the risk of this occurring may cause the Company's financial position to deteriorate and affect the Company's ability to operate as a going concern.

2.2.2 New Business Opportunities

In order to grow, the Company intends to pursue new business opportunities, possibly including opportunities in sectors other than the digital media industry in which it currently operates. Should a suitable new business opportunity be identified, it will then need to be assessed for its technical, legal and commercial suitability.

There can be no guarantee that any proposed acquisition of a new business or project will be completed or will be successful. The acquisition of new business opportunities (whether completed or not) may also require payment of monies (as a deposit or exclusivity fee) after only limited due diligence and prior to the completion of comprehensive due diligence.

If any proposed acquisition is not completed, monies already advanced may not be recoverable. Furthermore, notwithstanding that an acquisition may proceed upon the completion of due diligence, the risks associated with operating a new business or project will also apply. Any such new business or project will also be subject to the risks associated with the industry in which they operate.

2.2.3 Future capital needs and additional funding

The funding of any further ongoing capital requirements beyond the requirements as set out in this Prospectus will depend upon a number of factors including the extent of the Company's ability to generate income from activities which the Company cannot forecast with any certainty.

Any additional equity financing will be dilutive to Shareholders, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional funding as needed, it may not be able to take advantage of opportunities. Further, the Company may be required to reduce the scope of its operations or anticipated expansion and it may affect the Company's ability to continue as a going concern.

2.3 General Share Risk

An investment in the Company's Shares has the general risks associated with any investment in the share market. Returns from an investment in Shares will depend on general stock market conditions as well as the performance of the Company. Investors should recognise that the price of Shares may fall as well as rise, the price at which the Company's Shares trade may be above or below the issue price of those Shares and that concentrated shareholdings may affect liquidity of the Shares. The trading price of the Shares is likely to be subject to fluctuations in response to factors such as actual or anticipated variations in the Company's operating results, announcements of new products by the Company or its competitors, announcements by the Company or its competitors of significant acquisitions, technological developments, capital commitments, additions or departures of key personnel and other events or factors, many of which are beyond the Company's control. Market fluctuations, as well as general political and economic conditions such as recession or interest rate or currency rate fluctuations or changes in political or economic policy in the markets in which the Company operates, may also adversely affect the market price of the Company's Shares.

2.4 Technology Risk

An investment in companies involved in technology and new media sectors attracts additional risks associated with investing in industries which are evolving rapidly. There are specific risks affecting investment in sectors involving technologies, arising from market perception that the industry is subject to volatility. The Company's internet search and advertising business all utilise relatively new technology. There is no guarantee that the technology will not, in the future, be superseded by other technologies.

2.5 Research and Development

Development and commercialisation of new products and services generally involves long lead times. There is no certainty that AdEffective will be successful in the development of new products within commercial time frames. The Internet advertising industry is constantly evolving and there is no guarantee that the Company's products will be commercially successful. The willingness of customers to utilise the Company's Internet advertising services and the willingness of suppliers to syndicate advertising feeds to the Company is subject to a wide range of factors beyond the control of the Company, the occurrence or effect of which cannot be predicted. The Company is also exposed to the risk that changes to industry technical standards could have a material adverse impact on the Company's financial performance.

2.6 Market Acceptance

Market acceptance, both in Australia and internationally, of the Company's products is uncertain. These uncertainties are due to difficulties in estimating market size, product pricing and acceptance, lead times for the awarding of contracts and the possibility of the discovery and development of new technologies and competing products and services. Accordingly, there can be no assurance that the Company's products and services will gain acceptance in the market, or that the Company will receive profits from the sale of its products and services.

2.7 Competition

AdEffective is not unique in developing and marketing many of its products and services. There is a risk that the Company's products and services may not, in the future, be able to compete with competitors' products and services on cost or technical grounds and therefore contracts may not be awarded to it. There is a risk that the cost of competing products and services may fall or that the Company's services may become too expensive to allow the Company to compete effectively. A loss of a number of AdEffective's major customers could adversely affect both revenues and profitability.

2.8 General Economic Conditions

Any prolonged economic slowdown of the Australian economy or overseas economies in which the Company operates could potentially have materially adverse consequences on the financial performance of the Company.

2.9 Reliance on Key Personnel

The responsibility of overseeing day-to-day operations and the strategic direction of the Company is concentrated amongst a small management team. A loss of any of them, or of one of the members of the senior management team, could have a material adverse effect on the Company's prospects.

2.10 Reliance on Systems

The successful operation of AdEffective's business is dependent on various technologies including the internet, co-located dedicated servers and Ad Systems. Any significant disruption to these systems could have a materially detrimental effect on AdEffective's business.

2.11 Government Policy Changes

Changes in Australian or international government fiscal, monetary and regulatory policies may affect the Company. Such changes are beyond the control of the Company. The Company conducts its business in reliance upon current understandings of taxation issues and current Australian Accounting Standards.

2.12 Intellectual Property Rights

One of the Company's significant assets is its intellectual property rights in products and services, which it has developed. The Company relies on a combination of copyright and trademark laws, confidentiality procedures and contractual provisions to protect these assets. The laws of some foreign jurisdictions may provide less protection than the laws of Australia for the Company's proprietary rights. Unauthorised use of the Company's intellectual property could have a materially adverse effect on the Company and there can be no assurance that the Company's legal remedies would adequately compensate it for the damage to its business caused by such use. The Company is not aware that any of its products infringe upon the proprietary rights of third parties in any material respect. There can be no assurance, however, that third parties will not claim infringement by the Company with respect to current or future products or services. Any such claim, with or without merit, could result in substantial costs and diversion of management resources and a successful claim could effectively block the Company's ability to market its products and services which would have a material adverse effect on the financial and operating results of the Company.

2.13 Ability to Retain Key Clients

The business of AdEffective is dependent on the securing of contracts to license and supply advertising products and services to consumers. AdEffective has no control over the timing of these opportunities or in respect of the awarding of such contracts. The performance of contracts may incur additional, unexpected costs or be subject to delays, which may require the Company to revise its timetable or delay the successful development of the business. Despite the Directors having no reason to expect the loss of any key customer of the Company, the business could be adversely affected by the loss of one or more such customers. The Company's relationship with its key customers is principally governed by formal and informal contractual arrangements. Generally, there is no guaranteed minimum level of revenue for AdEffective under these arrangements. Because there are relatively few customers and contracts can be relatively large, revenue is not expected to be spread evenly throughout the year. If the Company fails to maintain or secure

future contracts, revenue could be significantly affected. There is also a risk that contracts it believes it may be able to enter into will not be able to be successfully negotiated or existing contracts may be terminated at short notice or not extended or replaced when they are due for renewal.

2.14 Relationships with Key Clients and Suppliers

The Company has a number of key clients to which it supplies and for whom it sells advertising. The Company is reliant on these clients and advertisers. Any changes in the Company's relationship with one or more clients or advertisers would be likely to have a material adverse effect on the Company's business.

2.15 International Operations

Pursuit of growth opportunities internationally may require significant investment for an extended period before returns, if any, are realised. While the Company does not have any immediate plans to expand significantly internationally, if it did so, there can be no assurance that the Company's plans to expand into international markets would be successful. The Company's prospects in this regard could be adversely affected by factors such as delays in the opening of foreign markets, the exchange rate, a preference for the use of local suppliers, current or future legislation or regulatory or technical standards which discriminate against overseas suppliers. In addition, Australian laws and policies affecting foreign trade, investment and taxation could also adversely affect the Company's Australian and international operations and growth.

2.16 AdEffective

The Company is involved in the relatively new; fast moving and dynamic digital media and technology sector and accordingly there is no guarantee that the AdEffective businesses will operate profitably in the short term given the early stage of development of a number of its businesses, the nature of the digital media and technology sectors generally and its proposed expansion into new areas.

2.17 Exchange Rate Fluctuations

The Company has no immediate plans to expand significantly into international markets. If it does so, the Company will be relatively more exposed to exchange rate fluctuations between the Australian Dollar and the various overseas currencies of the countries with which it trades and this could have a material effect on the Company's revenues and earnings.

2.18 General Risks

The future prospects of the Company's business may be affected by circumstances and external factors beyond the Company's control. Financial performance of the Company may be affected by a number of business risks that apply to companies generally and may include economic, financial, market or regulatory conditions.

2.18.1 General Economic Conditions

The operating and financial performance of the Company is influenced by a variety of general economic and business conditions, including levels of consumer spending, inflation, interest rates, access to debt and capital markets, international economic conditions, significant acts of terrorism, hostilities or war or natural

disasters, and government fiscal, monetary and regulatory policies. Prolonged deterioration in general economic conditions may have an adverse impact on the Company's business or financial condition. No guarantee can be made that the Company's market performance will not be adversely affected by any such market fluctuations or factors.

2.18.2 Global Credit and Investment Markets

Global credit and investment markets have recently experienced a high degree of uncertainty and volatility. The factors which have led to this situation have been outside the control of the Company and may continue for some time resulting in continued volatility and uncertainty in world stock markets (including ASX). This may impact the price at which the Securities trade regardless of operating performance and affect the Company's ability to raise additional equity and/or debt to achieve its objectives, if required.

2.18.3 Taxation and government regulations

Changes in taxation and government legislation in a range of areas (for example, the Corporations Act, accounting standards, and taxation law) can have a significant influence on the outlook for companies and the returns to investors.

The recoupment of taxation losses accrued by the Company from any future revenues is subject to the satisfaction of tests outlined in taxation legislation or regulations in the jurisdictions in which the Company operates. There is no guarantee that the Company will satisfy all of these requirements at the time it seeks to recoup its tax losses which may impact on the financial performance and cash flows of the Company.

2.19 Speculative Nature of Investment

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Securities offered under this Prospectus. Therefore, the Securities offered pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of the Securities.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Securities.

SECTION 3

PURPOSE AND EFFECT OF THE OFFERS

3.1 Purpose of the Offers

The purpose of the Offers is to raise approximately \$1.49 million (before expenses). The proceeds of the Offers are planned to be used in accordance with the table set out below:

Use of Proceeds of Offers	Expenditure (\$)
Repayment of debt	794,309
Working capital	493,533
Expenses of the Offer ¹	200,000
Total	1,487,842

Notes:

1. Please refer to section 5.10 of this Prospectus for further details of the expenses of the Offers.
2. The above table is a statement of current intentions as at the date of this Prospectus. As with any budget, intervening events and new circumstances have the potential to affect the ultimate way funds will be applied. The Directors reserve the right to alter the way funds are applied on this basis.
3. As the Rights Issue Offer is fully underwritten, the amount to be raised is \$1,487,842. The funds raised will be applied first to the repayment of debt and expenses of the Offers, with the balance applied to working capital for the Company, and in particular to:
 - a. continue to progress AdEffective's syndicated online advertising business AdFeed;
 - b. continue to progress and develop its Footar division;
 - c. generally focus on organic growth of its existing core businesses by investing in relationships with additional partners and clients to its range of online advertising offerings; and
 - d. actively pursue and explore other acquisition opportunities both within and outside of the digital media industry.

The Board is confident that the funds raised from the recapitalisation of AdEffective will improve liquidity of the Company's shares; enable the Company to better execute its business development objectives; and progress the AdFeed and Footar divisions of the Company's business. Significantly, the Company, once recapitalised and debt free with a strengthened balance sheet, will be in a prime position to leverage opportunities for strategic growth with the key objective of generating shareholder value.

Please refer to the Company's Half-Yearly Report for the period ended 31 December 2011 for general information about the Company's current business activities and outlook guidance.

3.2 Effect of the Offers

The principal effect of the Offers, assuming the full subscription is raised, will be to:

- (a) increase the cash reserves by \$1,487,842 (before repayment of debt and expenses) immediately after completion of the Offers;
- (b) increase the number of Shares on issue from 99,189,520 prior to the date of this Prospectus to 198,379,040 following completion of the Offers; and
- (c) increase the number of Options on issue from 2,600,000 prior to the date of this Prospectus to 134,852,694 following completion of the Offers.

3.3 Pro Forma Consolidated Statement of Financial Position

The unaudited Pro Forma Consolidated Statement of Financial Position as at 31 December 2011 shown on the following page has been prepared on the basis of the accounting policies normally adopted by the Company and reflect the changes to its financial position.

It has been prepared on the assumption that all Securities offered under this Prospectus are issued.

The unaudited Pro Forma Consolidated Statement of Financial Position has been prepared to provide Shareholders with information on the assets and liabilities of the Company as noted below.

The Pro Forma Consolidated Statement of Financial Position does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements, nor has it been reviewed by the Company's auditor.

ADEFFECTIVE LIMITED AND CONTROLLED ENTITIES PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

	Note	Audit - reviewed Consolidated 31-Dec-11 \$	Unaudited Pro Forma Consolidated 31-Dec-11 \$
Current Assets			
Cash and cash equivalents		174,954	868,486
Trade and other receivables		454,721	454,721
Pre-payments		9,706	9,706
Total Current Assets		639,381	1,332,913
Non-current Assets			
Plant and equipment		105,367	105,367
Goodwill and intangible assets		165,876	165,876
Total Non-current Assets		271,243	271,243
Total Assets		910,624	1,604,156
Current Liabilities			
Trade and other payables	(1)	641,754	841,754
Interest-bearing loan		50,632	0
Convertible Notes and Convertible Loans		743,677	0
Total Current Liabilities		1,436,063	841,753
Total Liabilities		1,436,063	841,753
Net Assets/(Liabilities)		(525,439)	762,403
Equity			
Contributed equity		25,430,399	26,918,241
Reserves		112,842	1,896,632
Accumulated losses		(26,068,680)	(28,052,470)
Total Equity		(525,439)	762,403

Note (1): This amount includes \$142,780 owing to Planet W Pty Ltd as deferred consideration for the acquisition of the business and assets of Planet W Pty Ltd and will be satisfied and repaid in full upon the issue of 9,518,667 Shares being issued to Planet W Pty Ltd. The Shares will be issued immediately upon completion of the Offers.

The above unaudited Pro Forma Consolidated Statement of Financial Position has been prepared on the basis that there have been no material movements in the assets and liabilities of the Company between 31 December 2011 and the completion of the Offers, except:

- (a) completion of the Rights Issue to raise \$1,487,842, before expenses of the Rights Issue Offer;
- (b) expenses of the Rights Issue Offer of approximately \$200,000 which have been included in the Trade and other payables (refer section 5.9 for a breakdown of these expenses);
- (c) the repayment of \$400,000 of Convertible Notes (plus accrued interest, totalling \$42,343 as at 31 December 2011) out of the Rights Issue Offer proceeds, which will be applied in fulfilment of sub-underwriting arrangements specified in section 1.4;
- (d) the repayment of \$300,000 of Convertible Loans (plus accrued interest, totalling \$1,335 as at 31 December 2011) out of the Rights Issue Offer proceeds;
- (e) the repayment of a \$50,000 interest bearing loan (together with accrued interest as at 31 December 2011 of \$632) to DL Consulting Group Pty Ltd, an entity associated with the Company's Chief Executive Officer, Damian London; and
- (f) the issue of 132,252,694 Options exercisable at 1.5 cents each pursuant to the Offers, reflected in the Pro Forma Statement of Financial Position as an adjustment to Accumulated losses, offset by a corresponding adjustment to Equity Reserves (i.e. no resulting movement in the assets and liabilities of the Company).

3.4 Effect on Capital Structure After Completion of Offers

A comparative table of changes in the capital structure of the Company as a consequence of the Offers is set out below.

Shares

Event	Number of Shares
Shares on issue at date of Prospectus	99,189,520
New Shares issued pursuant to the Rights Issue Offer	99,189,520
Total Shares on issue after completion of the Offers¹	198,379,040

¹ The number of Shares:

- a) does not take into consideration 9,518,667 Shares to be issued to Planet W Pty Ltd as deferred consideration (more specifically an "earn-out") for the acquisition of the business and assets of Planet W Pty Ltd, as approved by Shareholders at the Company's EGM held in February 2012. These Shares will be issued immediately after completion of the Rights Issue;
- b) assumes that no Options currently on issue are exercised prior to the Record Date;
- c) assumes that no Convertible Loans are converted into Conversion Shares and Conversion Options, or Conversion Options are converted into Shares prior to the Record Date (refer section 1.3); and

- d) takes into account that Convertible Notes currently on issue cannot be converted into Shares (refer section 1.4).

Options

Options currently on issue:	Number of Options
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
Options offered pursuant to the Offers:	Number of Options
Attaching Options	99,189,520
Underwriter Options	33,063,174
Total Options on issue after completion of the Offers¹	134,852,694

¹ this table does not include the maximum of 15,000,000 Conversion Options (exercisable at 1.5 cents per share on or before 30 June 2014) which the Convertible Loan Lenders are entitled to pursuant to the Convertible Loan Deeds. For more information on the Convertible Loan Deeds and the right of the Lenders to acquire the Conversion Options, refer to section 5.5.4.

3.5 Effect on Control

The effect on control of the Company as a result of the Offers is set out in section 1.12.

SECTION 4

RIGHTS ATTACHING TO SECURITIES

4.1 Terms and Conditions of Shares

The following is a general description of the more significant rights and liabilities attaching to the Shares (including New Shares and Conversion Shares). This summary is not exhaustive. Full details of provisions relating to rights attaching to the Shares are contained in the Corporations Act, the Listing Rules and the Company's Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

- (a) At the date of this Prospectus all Shares are of the same class and rank equally in all respects. Specifically, the New Shares issued pursuant to this Prospectus will rank equally with existing Shares on issue.
- (b) Subject to any special rights or restrictions (at present there are none), at any meeting each member present in person or by proxy has one vote on a show of hands, and on a poll has one vote for each Share held.
- (c) Subject to any special rights (at present there are none), any dividends that may be declared by the Company are payable on all Shares in proportion to the amount paid up.
- (d) The rights attaching to the Shares may only be varied by the consent in writing of the holders of a majority of the Shares of the affected class, or with the sanction of an ordinary resolution passed at a meeting of the holders of the Shares of the affected class.
- (e) Subject to the Company's Constitution, the Corporations Act or any other applicable laws of Australia and the Listing Rules, the Shares are freely transferable. The Directors may refuse to register a transfer of Shares only in limited circumstances, such as where the Company has a lien on those Shares.
- (f) Each Shareholder is entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be furnished to Shareholders under the Company's Constitution, the Corporations Act and the Listing Rules.
- (g) The Company's Constitution provides for the sale of unmarketable parcels subject to any applicable law and provided a notice is given to the minority shareholders stating that the Company intends to sell their relevant Shares unless an exemption notice is received by a specified date.
- (h) If the Company is wound up, the liquidator may, with the sanction of a special resolution:
 - (i) divide among the Shareholders the whole or any part of the Company's property; and
 - (ii) decide how the division is to be carried out between the Shareholders.

Subject to any special rights (at present there are none), any surplus assets on a winding up are to be distributed to Shareholders in proportion to the number of Shares held by them irrespective of the amounts paid or credited as paid.

4.2 Terms and Conditions of Options

The material terms and conditions of the Options offered pursuant to this Prospectus are as follows:

- (a) Each Option entitles the holder to, subject to any Shareholder approval under Item 7 of section 611 of the Corporations Act (if required) subscribe for one (1) share in the Company at the exercise price of 1.5 cents.
- (b) The Options are exercisable up until 5.00pm (AEDT) on 30 June 2014 ("**Expiry Date**"). Any Options not exercised on or before the Expiry Date will automatically lapse.
- (c) All Shares in the Company allotted on the exercise of Options rank equally in all respects with the then existing Shares.
- (d) The Options are freely transferable and it is intended that application will be made to ASX for quotation of the Options.
- (e) The Company must apply for quotation of all Shares allotted pursuant to the exercise of Options not later than 10 Business Days after the date of allotment.
- (f) Option Holders may only participate in new issues ("**Issue**") of securities to holders of Shares in the Company if the Options have been exercised and Shares are allotted in respect of the Options before the record date for determining entitlements to the Issue.
- (g) The Company must give Option Holders at least 7 Business Days' notice of any Issue before the record date for determining entitlements to the Issue in accordance with the Listing Rules.
- (h) There will be no change to the exercise price of the Options or the number of Shares over which the Options are exercisable in the event of the Company making a pro-rata issue of Shares or other securities to the holders of Shares in the Company (other than a bonus issue).
- (i) If there is a bonus issue ("**Bonus Issue**") to the holders of Shares in the Company, the number of Shares over which the Options are exercisable will be increased by the number of Shares which the Option Holder would have received if the Option had been exercised before the record date for the Bonus Issue ("**Bonus Shares**"). The Bonus Shares must be paid up by the Company out of the profits or reserves (as the case may be) in the same manner as was applied in the Bonus Issue and upon issue rank equally in all respects with the other Shares on issue as the date of issue of the Bonus Shares.
- (j) If prior to the Expiry Date, there is a re-organisation of the issued capital of the Company, the Options are to be treated in the manner set out in the Listing Rules.

SECTION 5

ADDITIONAL INFORMATION

5.1 Nature of this Prospectus

This Prospectus is issued under the special prospectus content rules for continuously quoted securities in section 713 of the Corporations Act. This enables listed disclosing entities, such as the Company, to issue a prospectus for continuously quoted securities with modified disclosure requirements if they satisfy certain requirements.

The information in this Prospectus principally concerns the terms and conditions of the Offers and the information reasonably necessary to make an informed assessment of:

- (i) the effect of the Offers on the Company; and
- (ii) the rights and liabilities attaching to the Securities offered pursuant to this Prospectus.

The Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Shareholders should therefore also have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest in the Company.

5.2 Continuous Reporting and Disclosure Obligations

The Company is listed on ASX and its Shares are quoted on ASX under the code "ABN".

The Company is a "disclosing entity" for the purposes of the Corporations Act. As such, it is subject to regular reporting and disclosure obligations, which require it to disclose to ASX any information of which it is or becomes aware concerning the Company and which a reasonable person would expect to have a material effect on the price or value of securities of the Company.

Copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an office of ASIC.

The Company will provide a copy of each of the Annual Report for financial year ended 30 June 2011 and the Half-Year Report for 6 months ended 31 December 2011 to any person on request, prior to the Closing Date.

The Company will provide a copy of all documents used to notify ASX of information relating to the Company under the provisions of the Listing Rules since the Company lodged its most recent Annual Financial Report on 30 September 2011 free of charge to any investor who so requests prior to the Closing Date. A list of those documents for the period from 30 September 2011 to the time of lodging this Prospectus is set out in section 6. The Company will also provide a copy of the Annual Financial Report for the period ended 30 June 2011 free of charge upon request.

5.3 Information excluded from continuous disclosure notices

There is no information which has been excluded from a continuous disclosure notice in accordance with the Listing Rules and which is required to be set out in this Prospectus.

5.4 Market Price of Shares

The lowest and highest recorded closing market sale prices of the Shares quoted on ASX during the three (3) month period immediately prior the date of this Prospectus were 0.1 cents (pre-consolidation) and 5 cents (post-consolidation) respectively. The closing market sale price of the Shares quoted on ASX on the last day that trading took place in the Shares prior to the date of this Prospectus was 1.9 cents (post-consolidation).

5.5 Material Contracts

Set out below are summaries of the contracts to which the Company is a party or has a relevant interest in; and which the Company considers to be material to the operations of the Company and necessary to be disclosed to a potential investor under the Rights Issue.

5.5.1 Underwriting Agreement

Pursuant to an agreement between Patersons Securities Limited ("**Underwriter**") and the Company ("**Underwriting Agreement**"), the Underwriter has agreed to fully underwrite the Rights Issue Offer.

Pursuant to the Underwriting Agreement, the Company has agreed to:

- (a) pay the Underwriter a lead manager fee of \$60,000 (exclusive of GST); and
- (b) pay the Underwriter an underwriting fee of 6% of the Underwritten Amount (excluding GST), being the total funds sought to be raised under the Offer;
- (c) issue to the Underwriter (or its nominees) the Underwriter Options.

Under the Underwriting Agreement, the Underwriter has the right (but not the obligation) to nominate qualified candidates to the Board (and which nomination cannot be unreasonably refused by the Company) on the following basis:

- (d) should sub-underwriters be required to subscribe for more than 20% of the underwritten amount, then the Underwriter has the right to nominate one candidate; and
- (e) should sub-underwriters be required to subscribe for more than 40% of the underwritten amount, then the Underwriter has the right to nominate two candidates.

The Underwriting Agreement is conditional upon the following conditions precedent:

- (a) (**Due Diligence**): the Underwriter being satisfied with the due diligence investigations and the due diligence results by the Lodgement Date;

- (b) **(Underwriter's consent to be named)**: the Underwriter being satisfied with the form of the Prospectus (in its absolute discretion) and having given its consent to be named in the Prospectus by the Lodgement Date as evidence thereof;
- (c) **(Legal sign off)**: a legal sign off letter being provided by the Company's solicitors, to the satisfaction of the Underwriter;
- (d) **(Prospectus)**: the Prospectus being lodged with ASIC prior to 5.00pm AEDT on the Lodgement Date; and
- (e) **(Sub-Underwriting)**: the Underwriter entering into sub-underwriting agreements with sub-underwriters on terms and conditions satisfactory to the Underwriter (in its absolute discretion) for the Underwritten Securities prior to 5.00pm AEDT on the Lodgement Date.

The obligation of the Underwriter to underwrite the Rights Issue Offer is subject to certain events of termination. The Underwriter may terminate its obligations under the Underwriting Agreement on the occurrence of specified events including:

- (a) **(Indices Fall)** either of the All Ordinaries Index or the S&P/ASX 200 Index as published by ASX is at any time after the date of the Underwriting Agreement 7.5% or more below its respective level at the close of business on the Business Day prior to the date of the Underwriting Agreement;
- (b) **(Share Price)** the closing price of the Company's Shares as recorded by ASX (being the last traded price on a Business Day excluding overnight crossings) is below the Rights Issue Offer price;
- (c) **(No Official Quotation)**: Official Quotation has not been granted for all the new Shares, the Attaching Options and Underwriter Options (other than if the non-grant of official quotation of the Attaching Options is due only to the failure to satisfy condition 6 of ASX Listing Rule 2.5) within 2 Business Days after the Closing Date (or such later date agreed by the Underwriter) or, having been granted, is subsequently withdrawn, withheld or qualified;
- (d) **(Supplementary prospectus)**:
 - (i) the Underwriter, having elected not to exercise its right to terminate its obligations under the Underwriting Agreement as a result of an occurrence as described in section 5.5.1(o)(iv) below, forms the view on reasonable grounds that a supplementary or replacement prospectus should be lodged with ASIC for any of the reasons referred to in section 719 of the Corporations Act and the Company fails to lodge a supplementary or replacement prospectus in such form and content and within such time as the Underwriter may reasonably require; or
 - (ii) the Company lodges a supplementary or replacement prospectus without the prior written agreement of the Underwriter;
- (e) **(Non-compliance with disclosure requirements)**: it transpires that the Prospectus does not contain all the information required by section 713 of the Corporations Act;
- (f) **(Misleading Prospectus)**: it transpires that there is a statement in the Prospectus that is misleading or deceptive or likely to mislead or deceive, or

that there is an omission from the Prospectus (having regard to the provisions of section 713 of the Corporations Act) or if any statement in the Prospectus becomes misleading or deceptive or likely to mislead or deceive or if the issue of the Prospectus is or becomes misleading or deceptive or likely to mislead or deceive;

- (g) **(Restriction on allotment):** the Company is prevented from allotting the new Securities within the time required by the Underwriting Agreement, the Corporations Act, the ASX Listing Rules, any statute, regulation or order of a court of competent jurisdiction by ASIC, ASX or any court of competent jurisdiction or any governmental or semi-governmental agency or authority;
- (h) **(Withdrawal of consent to Prospectus):** any person (other than the Underwriter) who has previously consented to the inclusion of its, his or her name in the Prospectus or to be named in the Prospectus, withdraws that consent;
- (i) **(ASIC application):** an application is made by ASIC for an order under section 1324B or any other provision of the Corporations Act in relation to the Prospectus, and that application has not been dismissed or withdrawn by the date that is 2 Business Days before the Closing Date;
- (j) **(ASIC hearing):** ASIC gives notice of its intention to hold a hearing under section 739 or any other provision of the Corporations Act in relation to the Prospectus to determine if it should make a stop order in relation to the Prospectus or the ASIC makes an interim or final stop order in relation to the Prospectus under section 739 or any other provision of the Corporations Act;
- (k) **(Takeovers Panel):** the Takeovers Panel makes a declaration that circumstances in relation to the affairs of the Company are unacceptable circumstances under Pt 6.10 of the Corporations Act, or an application for such a declaration is made to the Takeovers Panel and is not dismissed or withdrawn or dealt with in a manner favourable to the Company within 7 days of the application being made;
- (l) **(Hostilities):** there is an outbreak of hostilities or a material escalation of hostilities (whether or not war has been declared) after the date of the Underwriting Agreement involving Australia or one or more of New Zealand, Indonesia, Japan, Russia, the United Kingdom, the United States of America, or the People's Republic of China, Israel or any member of the European Union, or a terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world, which has or is reasonably likely to have a material adverse effect, provided that such circumstance is not existing at the date of the Underwriting Agreement;
- (m) **(Authorisation)** any authorisation which is material to anything referred to in the Prospectus is repealed, revoked or terminated or expires, or is modified or amended in a manner unacceptable to the Underwriter (acting reasonably);
- (n) **(Indictable offence):** a director or senior manager of the Company or any of its subsidiaries is charged with an indictable offence;

- (o) **(Termination Events):** subject to below, any of the following events occurs:
- (i) **(Default):** breach by the Company under the Underwriting Agreement of any terms, condition, covenant or undertaking (other than a breach that is capable of remedy and which is remedied by the Company promptly following request by the Underwriter to the Underwriter's reasonable satisfaction);
 - (ii) **(Incorrect or untrue representation):** any representation, warranty or undertaking given by the Company in the Underwriting Agreement is or becomes untrue or incorrect;
 - (iii) **(Contravention of constitution or Act):** a contravention by the Company or any of its subsidiaries of any provision of its constitution, the Corporations Act, the ASX Listing Rules or any other applicable legislation or any policy or requirement of ASIC or ASX;
 - (iv) **(Adverse change):** an event occurs which gives rise to a material adverse effect or any adverse change or any development including a prospective adverse change which is reasonably likely to occur after the date of the Underwriting Agreement in the assets, liabilities, financial position, trading results, profits, forecasts, losses, prospects, business or operations of the Company or any of its subsidiaries including, without limitation, if any forecast in the Prospectus becomes incapable of being met;
 - (v) **(Error in Due Diligence Results):** it transpires that any of the Due Diligence Results or any part of the verification material for the Prospectus was false, misleading or deceptive or that there was an omission from them;
 - (vi) **(Significant change):** a "new circumstance" as referred to in section 719(1) of the Corporations Act arises that is materially adverse from the point of view of an investor;
 - (vii) **(Public statements):** without the prior approval of the Underwriter a public statement is made by the Company in relation to the Offers or the Prospectus;
 - (viii) **(Misleading information):** any information supplied at any time by the Company or any person on its behalf to the Underwriter in respect of any aspect of the Offers or the affairs of the Company or any of its subsidiaries is or becomes misleading or deceptive or likely to mislead or deceive;
 - (ix) **(Official Quotation qualified):** the Official Quotation of new Securities is qualified or conditional (other than a condition that relates to the issue and allotment of the securities or the satisfaction of ASX's spread requirements for the Attaching Options and Underwriter Options);
 - (x) **(Change in Act or policy):** there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any of its States or Territories any Act or prospective Act or budget or the Reserve Bank of Australia or any Commonwealth or State authority

adopts or announces a proposal to adopt any new, or any major change in, existing, monetary, taxation, exchange or fiscal policy;

- (xi) **(Prescribed Occurrence):** any of the following occurs which is not otherwise permitted under the Underwriting Agreement:
- (A) the Company or any subsidiary of the Company (each a "**Relevant Company**") converting all or any of its shares into a larger or smaller number of shares;
 - (B) a Relevant Company resolving to reduce its share capital in any way;
 - (C) a Relevant Company:
 - entering into a buy-back agreement or;
 - resolving to approve the terms of a buy-back agreement under section 257C or 257D of the Corporations Act.
 - (D) a Relevant Company making an issue of, or granting an option to subscribe for, any of its shares, or agreeing to make such an issue or grant such an option, other than an issue or agreement to issue in accordance with the Offers or the terms of the Underwriting Agreement;
 - (E) a Relevant Company issuing, or agreeing to issue, convertible notes;
 - (F) a Relevant Company disposing, or agreeing to dispose, of the whole, or a substantial part, of its business or property;
 - (G) a Relevant Company charging, agreeing to charge, the whole, or a substantial part, of its business or property;
 - (H) a Relevant Company resolving that it be wound up;
 - (I) the appointment of a liquidator or provisional liquidator to a Relevant Company;
 - (J) the making of an order by a court for the winding up of a Relevant Company;
 - (K) an administrator of a Relevant Company, being appointed under section 436A, 436B or 436C of the Corporations Act;
 - (L) a Relevant Company executing a deed of company arrangement; or
 - (M) the appointment of a receiver, or a receiver and manager, in relation to the whole, or a substantial part, of the property of a Relevant Company;
- (xii) **(Suspension of debt payments):** the Company suspends payment of its debts generally;

- (xiii) **(Event of Insolvency)**: an insolvency event occurs in respect of the Company or any of its subsidiaries;
- (xiv) **(Judgment against a Relevant Company)**: a judgment in an amount exceeding \$100,000 is obtained against the Company or any of its subsidiaries and is not set aside or satisfied within 7 days;
- (xv) **(Litigation)**: litigation, arbitration, administrative or industrial proceedings are after the date of the Underwriting Agreement commenced or threatened against the Company or any of its subsidiaries, other than any claims foreshadowed in the Prospectus;
- (xvi) **(Board and senior management composition)**: there is a change in the composition of the Board of the Company or a change in the senior management of the Company before the date of allotment of the last of the new Shares and Attaching Options without the prior written consent of the Underwriter;
- (xvii) **(Change in shareholdings)**: there is a material change in the major or controlling shareholdings of the Company or any of its subsidiaries or a takeover offer or scheme of arrangement pursuant to Chapter 5 or 6 of the Corporations Act is publicly announced in relation to the Company or any of its subsidiaries;
- (xviii) **(Timetable)**: there is a delay in any specified date in the timetable which is greater than 3 Business Days and the Underwriter has not given its prior written consent to that delay;
- (xix) **(Force Majeure)**: a force majeure event affecting the Company's business or any obligation under the Underwriting Agreement lasting in excess of 7 days occurs;
- (xx) **(Certain resolutions passed)**: the Company or any of its subsidiaries passes or takes any steps to pass a resolution under section 254N, section 257A or section 260B of the Corporations Act or a resolution to amend its constitution without the prior written consent of the Underwriter;
- (xxi) **(Capital Structure)**: the Company or any of its subsidiaries alters its capital structure in any manner not contemplated by the Prospectus or permitted by the Underwriting Agreement;
- (xxii) **(Investigation)**: any person is appointed under any legislation in respect of companies to investigate the affairs of the Company or any of its subsidiaries; or
- (xxiii) **(Market Conditions)**: a suspension or material limitation in trading generally on ASX occurs or any material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, Japan, the United Kingdom, the United States of America or other international financial markets.

provided that the Underwriter may not exercise its rights under paragraph (q) above unless, in the reasonable opinion of the Underwriter reached in good faith, the occurrence of a prescribed termination event has or is likely to have, or two or more prescribed termination events together have or are reasonably

likely to have, a material adverse effect or could reasonably be expected to give rise to a liability of the Underwriter under the Corporations Act or otherwise.

The Underwriting Agreement also contains a number of indemnities, representations and warranties from the Company to the Underwriter that are considered standard for an agreement of this type.

5.5.2 Convertible Note Agreements

The material terms of the Convertible Note Agreements are set out in section 1.4.

5.5.3 Standstill Arrangements

The Company agreed to procure its related party creditors, including all Directors, and holders of the Convertible Notes not to make demand for any amounts due and payable to them until after the allotment of all Securities pursuant to the Rights Issue.

In December 2011, the Company accordingly entered into standstill arrangements with its related party creditors, including all Directors, under which the related party creditors agreed not to make any demands of any amounts due and payable to them until after the allotment of all Securities pursuant to the Rights Issue.

Further, in December 2011, the Company entered into Standstill and Commitment Deeds with the Convertible Note holders, under which the Convertible Note holders agreed not to:

- (a) make demand for any amounts due under the Convertible Notes; or
- (b) seek to convert the Convertible Notes into ordinary shares in the Company,

until the earlier of 30 June 2012 and 5 Business Days following the allotment of all Securities pursuant to the Rights Issue (**Standstill Expiry Date**).

In addition, the Convertible Note holders agreed to enter into sub-underwriting arrangements with the Underwriter to sub-underwrite the Rights Issue, such that at the Standstill Expiry Date, all funds received by the Convertible Note holders upon redemption of the Convertible Notes (total face value plus accrued interest), will be applied first to meeting any sub-underwriting commitment, with the balance (if any) to be paid to the Convertible Note holders from the proceeds of the Rights Issue.

5.5.4 Convertible Loan Deeds

The material terms of the Convertible Loan Deeds are set out in section 1.3.

5.5.5 Business operational contracts

The Company is party to a number of Partner Representation Agreements with key partners with respect to the AdFeed and Footar divisions of the Company's business operations. Under these Partner Representation Agreements, AdEffective provides to its partners advertising feeds across multiple markets. The key partners who have entered into Partner Representation Agreements are as follows:

- a) Hostway Corporation and Affinity;
- b) Excite Digital Media Pty Ltd;
- c) Sokno Media, Inc.;
- d) Seed Corn Advertising, Inc.;
- e) Relevad Corporation; and
- f) Ezanga.com, Inc.

In addition, the Company has an Advertising Supplier Agreement in place with the Rubicon Project, Inc., under which the Company uses Rubicon's proprietary software platform to deliver display and text advertising across its Footar publisher network.

5.5.6 Executive Services Agreement

The Company has entered into an Executive Services Agreement with DL Consulting Group Pty Ltd and Mr Damian London, commencing 17 May 2011, under which DL Consulting Group Pty Ltd and Mr London have agreed to provide Mr London's services to the Company and for Mr London to be appointed as the Chief Executive Officer of the Company.

The agreement commenced on 17 May 2011 and continues unless otherwise terminated in accordance with the terms of the Agreement. Termination can be effected either upon either party giving three months' notice to the other party, or an equivalent payment in lieu of such notice. The Company is also entitled to terminate the agreement upon various events in respect of Mr London's conduct or ability.

The amount of fees payable under the agreement was \$6,000.00 per month plus GST (but inclusive of any superannuation if applicable) from the Commencement Date being 17 May 2011 until 30 September 2011.

From 1 October 2011 until further review or the termination of the agreement, Mr London is entitled to receive a fee of \$12,500 per month.

Mr London is also entitled to receive a cash bonus upon the Company achieving certain revenue and other performance criteria.

5.5.7 Other contracts

The Company is also party to a number of Publisher Partner, Advertising Supplier and other agreements necessary for the performance of all divisions of its business operations.

5.5.8 Contracts previously disclosed

Other than the contracts stated above, the Company has entered into the following material contracts terms of which have previously been disclosed by the Company:

- a) Looksmart Ltd Advertising Agreement;
- b) Yahoo Advertising Agreement;
- c) Planet W Asset Purchase Agreement; and
- d) Non-Executive Director Agreement with Mr Andrew Plympton

5.6 Litigation

The Directors are not aware of any legal proceedings which have been threatened or actually commenced against the Company.

5.7 Directors' Interests

Other than as set out below or elsewhere in this Prospectus, no Director has, or had within two years before lodgement of this Prospectus with ASIC, any interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offers; or
- the Offers,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) and no benefits have been given or agreed to be given to any Director:

- to induce him to become, or to qualify him as, a Director; or
- for services rendered by him in connection with the formation or promotion of the Company or the Offers.

The direct and indirect interests of the Directors in the Securities of the Company as at the date of this Prospectus are as follows:

Director	Shares	Options
Andrew Plympton	nil	600,000
Damian London (1)	25,000,000	1,000,000
Sophie Karzis	nil	nil

Notes:

1. Includes shares held by Planet W Pty Ltd in which the director holds approximately a 26% interest. In addition the director holds shares and options individually and through his director related entity. The above excludes 9,518,667 Shares to be issued to Planet W Pty Ltd as deferred consideration (more specifically an "earn-out) for the acquisition of the business and assets of Planet W Pty Ltd, as approved by Shareholders at the recent EGM.

2. The Constitution of the Company provides that the non-executive Directors may be paid for their services as Directors, a sum not exceeding such fixed sum per annum as may be determined by the Company in general meeting to be divided between the Directors as agreed.
3. The Company incurred remuneration costs relating to its current and previous Directors of \$725,157 for the year ended 30 June 2010 and \$736,562 for the year ended 30 June 2011 (includes salary, fees, superannuation, termination payments and options received as compensation).
4. If a Director, at the request of the Board of Directors, performs extra services, the Company may pay that Director a fixed sum set by the Board of Directors for doing so. Directors are also reimbursed for out of pocket expenses incurred as a result of the directorship or any special duties.

5.8 Related Party Transactions

There are no related party transactions entered into that have not otherwise been disclosed in this Prospectus.

5.9 Interests and Consents of Advisers

Other than as set out below or elsewhere in this Prospectus, no underwriter, promoter or any other person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of the Prospectus holds, or has held within two years before lodgement of this Prospectus with ASIC, any interest in:

1. the formation or promotion of the Company; or
2. property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offers; or
3. the Offers,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any underwriter, promoter or any other person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, for services rendered by that person in connection with the formation or promotion of the Company or the Offers.

Pursuant to section 716 of the Corporations Act, Patersons Securities Limited has given and has not withdrawn its consent to being named as Underwriter and Lead Manager to the Rights Issue Offer in the Corporate Directory of this Prospectus in the form and context in which it is named. Patersons Securities Limited has not caused or authorised the issue of this Prospectus, does not make or purport to make any statement in this Prospectus and takes no responsibility for any part of this Prospectus. For details of the fees payable to Patersons Securities Limited pursuant to the Offers, refer to section 5.5.1. In the past two years Patersons Securities Limited has been paid fees and/or is entitled to receive fees totalling \$88,895 (exclusive of GST) for services provided to the Company.

Pursuant to section 716 of the Corporations Act, Computershare Investor Services Pty Ltd has given and has not withdrawn its consent to being named as Share

Registry for the Company in the Corporate Directory of this Prospectus in the form and context in which it is named. Computershare Investor Services Pty Ltd has not caused or authorised the issue of this Prospectus, does not make or purport to make any statement in this Prospectus and takes no responsibility for any part of this Prospectus. Computershare Investor Services Pty Ltd will be paid approximately \$10,000 (exclusive of GST) for services in relation to this Prospectus. In the past two years Computershare Investor Services Pty Ltd has been paid fees and/or is entitled to receive fees totalling \$90,214.55 (inclusive of GST) for services provided to the Company.

Pursuant to section 716 of the Corporations Act, HWL Ebsworth Lawyers has given, and has not withdrawn its consent to being named as Solicitors to the Company in the Corporate Directory of this Prospectus in the form and context in which it is named. HWL Ebsworth Lawyers has not caused or authorised the issue of this Prospectus, does not make or purport to make any statement in this Prospectus and takes no responsibility for any part of this Prospectus. HWL Ebsworth Lawyers will be paid approximately \$20,000.00 (exclusive of GST and disbursements) for services in relation to this Prospectus. HWL Ebsworth Lawyers are legal advisers to the Company and have been paid fees and/or are entitled to receive fees totalling approximately \$85,400.00 (exclusive of GST) for services provided to the Company in relation to legal matters (excluding this Prospectus) over the past two years. Any further services required will be charged in accordance with its normal hourly rates and on commercial terms.

5.10 Estimated Expenses of the Offers

The estimated expenses of the Offers (excluding GST) payable by the Company including commission and management fees payable to the lead manager and Underwriter, legal fees, printing, administrative fees, ASIC fees and other costs arising from this Prospectus and the Offers are estimated to be approximately \$200,000, which is to be funded by the Offer. The Company will bear all of these expenses as follows:

Fees/Expenses	\$
Underwriting fee	89,271
Lead Manager fee	60,000
Legal expenses	20,000
Other Costs (including ASIC fees, share registry, printing and corporate advisory fees)	30,729
Total	200,000

5.11 Electronic Prospectus

Pursuant to Class Order 00/44, ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus on the basis of a paper prospectus lodged with ASIC, and the publication of notices referring to an electronic prospectus, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus. If you have not, please contact the Company and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus or both.

SECTION 6

INFORMATION AVAILABLE TO SHAREHOLDERS

The Company will provide a copy of each of the following documents, free of charge, to any Shareholder who so requests:

- (a) the Annual Financial Report for the Company for the period ended 30 June 2011; and
- (b) the following documents used to notify ASX of information relating to the Company during the period after lodgement of the Annual Financial Report of the Company for the period ended 30 June 2011 and prior to the date of this Prospectus.

Date	ASX Announcement
01/03/2012	Renounceable Rights Issue
27/02/2012	Trading Halt
24/02/2012	Share Consolidation Complete
23/02/2012	Half Yearly Report and Accounts
09/02/2012	Results of Meeting
30/01/2012	Appendix 4C - quarterly
20/12/2012	Initial Director`s Interest Notice
20/01/2012	Final Director`s Interest Notice
20/01/2012	Director Appointment/Resignation
11/01/2012	Share Consolidation Timetable
10/01/2012	Notice of Extraordinary General Meeting
22/12/2011	Proposed Recapitalisation
22/12/2011	Notice Received
29/11/2011	Results of Meeting
29/11/2011	CEO`s AGM Presentation
29/11/2011	Chairman`s Address to Shareholders
2/11/2011	MOU Int`l labour hire for Resources, Capital Restructure
31/10/2011	Appendix 4C - quarterly
28/10/2011	Notice of Annual General Meeting/Proxy Form
6/10/2011	Market Update
30/09/2011	Annual Report adjustment from 4E
30/09/2011	Annual Report to shareholders

SECTION 7

DIRECTORS' CONSENT


This Prospectus is dated 2 March 2012 and is issued by AdEffective Limited.

The Directors have made all reasonable enquires and on that basis have reasonable grounds to believe that any statements made by the Directors in this Prospectus are not misleading or deceptive.

This Prospectus is prepared on the basis that certain matters may reasonably be expected to be known to likely investors or their professional advisors.

Each of the Directors of AdEffective Limited has consented to the lodgement of this Prospectus in accordance with section 720 of the Corporations Act and has not withdrawn that consent.

Signed for and on behalf of AdEffective Limited



Andrew Plympton
Chairman
2 March 2012

SECTION 8

DEFINITIONS

AdEffective and **Company** means AdEffective Limited (ACN 085 545 973).

AEDT means Australian Eastern Daylight Time.

Applicant means a person who applies for Securities pursuant to the Offers.

Application Money means the aggregate amount of money payable for Securities applied for in the Entitlement and Acceptance Forms.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the securities exchange operated by ASX Limited (as the context requires).

Attaching Options means up to 99,189,520 Options to be issued at no additional cost to all successful Applicants under the Rights Issue Offer on the basis of one Attaching Option for every New Share issued, on the terms set out in section 4.2.

Business Day means any day which is defined to be a Business Day pursuant to Listing Rule 19.12 of the Listing Rules.

CHES means Clearing House Electronic Sub-register System of ASX Settlement Pty Ltd (ACN 008 504 532).

Closing Date means the closing date of the Rights Issue Offer being 5.00pm (AEDT) on Friday, 30 March 2012 (unless extended).

Constitution means the Company's Constitution as at the date of this Prospectus.

Conversion Options means Options to be issued on conversion of a Convertible Loan (as set out in section 1.3 and section 5.5.2)

Conversion Shares means Shares to be issued on conversion of a Convertible Loan (as set out in section 1.3).

Convertible Loans means loans totalling \$300,000 provided to the Company in December 2011 under Convertible Loan Deeds, further details of which are set out in section 1.3.

Convertible Notes means the convertible notes issued by the Company in December 2010 and January 2011, amounting to \$400,000 (excluding accrued interest) as at the date of this Prospectus.

Corporations Act means the *Corporations Act 2001* (Cth).

Cth means the Commonwealth of Australia.

Directors means the directors of the Company.

Dollars, \$ and **cents** are references to Australian currency.

EGM means the recent extraordinary general meeting of the Company held on 9 February 2012

Eligible Shareholder means a Shareholder as at the Record Date.

Entitlement means the entitlement of a Shareholder who is eligible to participate in the Rights Issue Offer.

Entitlement and Acceptance Form means an application forms accompanying this Prospectus in respect of either the Rights Issue Offer or the Underwriter Offer.

GST means goods and service tax levied in Australia pursuant to A New Tax System (Goods and Services Tax) Act 1999 (Cth).

Lenders means the lenders under the Convertible Loans.

Listing Rules means the Listing Rules of the ASX.

Lodgement Date means the date this Prospectus was lodged with ASIC, being Friday, 2 March 2012.

New Shares means 99,189,520 fully paid ordinary Shares offered pursuant to this Prospectus.

Offers means the Rights Issue Offer and the Underwriter Offer under this Prospectus.

Offer Period means the period commencing on the Opening Date and ending on the Closing Date.

Official List means the official list of ASX.

Opening Date means Friday, 16 March 2012.

Option means an option to acquire a Share in the capital of the Company and includes an Attaching Option and an Underwriter Option (as the context requires).

Optionholder means the holder of an Option.

Prospectus means this prospectus dated Friday, 2 March 2012.

Quotation and Official Quotation means official quotation on ASX.

Record Date means 7pm AEDT on Tuesday, 13 March 2012.

Right means a right to subscribe for an Entitlement pursuant to this Prospectus.

Rights Issue and Rights Issue Offer means the renounceable rights issue of 99,189,520 New Shares on the basis of one New Share for every one Share held at an issue price of 1.5 cents per New Share together with one free Attaching Option for every New Share issued in order to raise approximately \$1.49 million before costs, further details of which are included in the "Details of the Offers" section of this Prospectus.

Securities means Shares and/or Options.

Share means a fully paid ordinary share in the Company.

Shareholder means the holder of a Share as recorded in the register of the Company.

Share Registry means Computershare Investor Services Pty Ltd.

Shortfall or **Shortfall Securities** means those New Shares and Attaching Options under the Rights Issue Offer not applied for by Shareholders under their Entitlement.

Timetable means the timetable (as varied from time to time) of the Offers under this Prospectus as outlined on page 4.

Underwriter means Patersons Securities Limited (ABN 69 008 896 311).

Underwriter Offer means the offer of the Underwriter Options to the Underwriter (or its nominees) pursuant to this Prospectus.

Underwriter Options means 33,063,174 Options to be issued to the Underwriter (or its nominees) on the basis of one Underwriter Option for every three Shares underwritten.


Underwriting Agreement means the underwriting agreement dated 1 March 2012 between the Underwriter and the Company described in section 5.5.1 of this Prospectus.

Underwritten Amount means \$1,487,842.

Underwritten Securities means the Securities underwritten by the Underwriter, being all New Shares and Attaching Options in any Shortfall under the Rights Issue Offer.

For all enquiries:

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



000001 000 ABN
MR SAM SAMPLE
123 SAMPLE STREET
SAMPLETOWN VIC 3000

Make your payment:



See over for details of the Offer and how to make your payment

Renounceable Rights Issue - Entitlement and Acceptance Form (including additional New Shares)

 **Your payment must be received by 5.00pm (Melbourne time) on Friday, 30 March 2012**

This is an important document that requires your immediate attention. It can only be used in relation to the shareholding represented by the details printed overleaf. If you are in doubt about how to deal with this form, please contact your financial or other professional adviser. ASX will quote a market for rights between 6 March 2012 and 23 March 2012. Please refer to the Prospectus for details on how to renounce your rights.

Step 1: Registration Name

Please check the details provided and if any of the details are incorrect please go to www.investorcentre.com for information on how to update them.

Step 2: New Shares Accepted

You can apply to accept either all or part of your Entitlement. For every 1 New Shares issued you will receive 1 free Attaching Option. Enter overleaf the number of New Shares you wish to accept from your Entitlement.

Step 3: Additional New Shares Applied for

Enter overleaf, the number of additional New Shares you wish to apply for (if any). No Eligible Shareholder is assured of receiving any additional New Shares and free Attaching Options applied for in excess of their Entitlement, and any amount by which applications from Eligible Shareholders exceed their Entitlement may be scaled back at the Company's discretion.

Step 4: Make Your Payment

By making your payment you confirm that you agree to all of the terms and conditions as detailed in the Prospectus dated 2 March 2012.

Choose one of the payment methods shown below.

BPAY®: See overleaf. Do not return the payment slip if you are making payment using BPAY.

By Mail: Complete the reverse side of the payment slip and detach and return with your payment. Make your cheque or bank draft payable in Australian dollars to "AdEffective Limited Rights Issue" and cross "Not Negotiable". The cheque must be drawn from an Australian bank. Cash is not accepted.

Payment will be processed on the day of receipt. Receipts will not be forwarded. Funds cannot be debited directly from your account.

Entering your contact details is not compulsory, but will assist us if we need to contact you.

Turn over for details of the Offer →

Sale of your Entitlement in full by your Stockbroker/Agent

If you wish to sell your rights entitlement in full, you should instruct:

- your Stockbroker personally and provide details as requested which appear overleaf.

DO NOT forward your requests for sale to the Share Registry.

Sale of your Entitlement in part by your Stockbroker/Agent and acceptance of the balance

If you wish to sell part of your rights entitlement and accept the balance you should instruct:

- Your Stockbroker personally and provide details as requested which appear overleaf, AND
- Forward the payment slip to the Share Registry with your Acceptance Monies OR make payment using BPAY if you wish to accept the balance of your Entitlement.

Disposal of your Entitlement other than through a Stockbroker for Rights held on the Issuer Sponsored Subregister

A Standard Renunciation Form must be used for an off market transfer of rights. These forms may be obtained from your Stockbroker or the Share Registry.

AdEffective Limited Renounceable Rights Issue
Payment must be received by 5.00pm (Melbourne time) on Friday, 30 March 2012

Entitlement and Acceptance Form (including additional New Shares)

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STEP 1 Registration Name & Offer Details

For your security keep your SRN/HIN confidential.

Registration Name: MR SAM SAMPLE
123 SAMPLE STREET
SAMPLETOWN VIC 3000

Entitlement No: 00005856

Table with 2 columns: Offer Details and Amount. Rows include Existing shares entitled to participate as at 7.00pm (Melbourne) on 13 March 2012 (4,000), Entitlement to New Shares and free Attaching Options on a 1 for 1 basis (4,000), and Amount payable on acceptance at 1.5 cents per New Share (\$60.00).

STEP 4 Make Your Payment

BPAY Biller Code: 999999 Ref No: 1234 5678 9123 4567 89

Pay by Mail:

Make your cheque or bank draft payable to AdEffective Limited. Return your payment with the below slip to:

Computershare Investor Services Pty Limited
GPO BOX 505 Melbourne Victoria 3001 Australia

Contact your financial institution to make your payment from your cheque or savings account.

Lodgement of Application

If you are applying for shares and your payment is being made by BPAY, you do not need to return the slip below. Your payment must be received by no later than 5.00pm (Melbourne time) on Friday, 30 March 2012.

If you are paying by cheque or bank draft, the slip below must be received by Computershare Investor Services Pty Limited (CIS) by no later than 5.00pm (Melbourne time) on Friday, 30 March 2012.

Neither CIS nor the Company accepts any responsibility if you lodge the slip below at any other address or by any other means.

Privacy Statement

Personal information is collected on this form by CIS as registrar for the securities issuer (the issuer), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications.

AdEffective Limited - Payment Details

STEP 2 Entitlement taken up: [grid]

STEP 3 Number of additional New Shares applied for: [grid]

Amount enclosed at 1.5 cents per New Share: A\$ [grid]



Entitlement No: 00005856

MR SAM SAMPLE
123 SAMPLE STREET
SAMPLETOWN VIC 3000

Payment must be received by 5.00pm (Melbourne time) on Friday, 30 March 2012

Contact Details

Contact Name Daytime Telephone

Cheque Details

Drawer Cheque Number BSB Number Account Number Amount of Cheque