



15 February 2019

BUSINESS AND FUNDING UPDATE

BUSINESS UPDATE

Adcorp expects its result for the first half of FY19 to be similar to the same period last year (31 December 2017: \$0.8 million loss before income tax), notwithstanding the additional costs of restructuring the business as detailed in previous market announcements. This program to refine the Australian Agency's operations is on track and we expect full transition to the new operating model by Q4.

Half year results will be released in the last week of February.

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FUNDING UPDATE

Related Party Loan Extended

As previously announced, Adcorp has a \$0.75 million loan ("Loan Facility") from Millennium Company Pty Ltd ATF The Rodwell (New Millennium) Trust (ACN 169 798 798) ("the Lender"), a company associated with Adcorp's major shareholder and Chairman, Ian Rodwell. This loan facility was due to end on 31 March 2019. The loan facility has now been extended to 31 December 2019 and increased to \$1.5 million.

The Loan Facility is secured by a second ranking security in favour of the Lender ("Security"). As this is a related party loan, Adcorp had previously sought and received a waiver of ASX Listing Rule 10.1 ("Waiver") to allow the Security to be granted without obtaining Shareholder approval under ASX Listing Rule 10.1. The terms of the Security subject to this Waiver remain unchanged.

Consent has been obtained from the Company's first secured lender, Cashflow Finance Australia Pty Ltd.

Starting conversations

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The Company will, if requested by the Lender, seek shareholder approval under Listing Rule 10.1 for the Security. If shareholder approval is obtained, the Waiver falls away as it is no longer required. If Shareholder approval is not obtained, the Security can remain in place but the Lender, on an event of default by the Company under the Loan Facility, is bound by the condition (a) below which prohibits it acquiring any interest in the Company's assets through exercising its rights under the Security.

The Waiver is subject to the following conditions:

- a) if an event of default occurs and the Lender exercises their rights under the Security, neither the Lender nor any of their associates can acquire any legal or beneficial interest in an asset of the Company or its subsidiaries in full or part satisfaction of the Company's obligations under the Security, or otherwise deal with the assets of the Company or its subsidiaries, without the Company first having complied with any applicable listing rules, including listing rule 10.1, other than as required by law or through a receiver, or receiver or manager (or analogous person) appointed by the Lender exercising their power of sale under the Security and selling the assets to an unrelated third party on arm's length commercial terms and conditions and distributing the cash proceeds to the Lender or any of its associates in accordance with their legal entitlements;
- b) a summary of the material terms of the Security must be made in each annual report of the Company during the term of the Security;
- c) any variations to the terms of the Security which is not a minor change, or which is inconsistent with the terms of the Waiver, must be subject to shareholder approval;
- d) the Company and the Lender must seek to discharge the Security when the funds advanced to the Company are repaid, or, if it is not discharged, seek shareholder approval for the continuation of the Security for any further period; and
- e) the Company must immediately release to the market an announcement which sets out the terms of the Waiver and the transaction, and:
 - i. the Company's plans with respect to the repayment of the funds advanced under the Loan Facility, and discharge of the Security, including the timeframe within which it expects the repayment and discharge to occur; and

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- ii. a statement of the reasons why the Company has chosen to obtain a financial accommodation from a listing rule 10.1 party rather than a lender that is not a related party, and the steps the Company's board has taken to satisfy itself that the transaction is being entered into on arms' length terms and is fair and reasonable from the perspective of the Company's shareholders.

The Company expects to repay the Loan Facility out of its normal operating cash flow on or before the maturity date of 31 December 2019 and discharge the Security shortly thereafter.

The Company has entered into the Loan Facility with a related party as the Loan Facility is on more favourable terms and the Board determined this was preferable to what could be obtained from unrelated party lenders.

~ends~

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