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6 May 2019

Ms Maria Clemente
Adviser, ASX Listings Compliance
ASX Compliance Pty Limited
Level 6, Bridge Street
Sydney
NSW 2000

By Email: maria.clemente@asx.com.au
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Dear Ms Clemente

ADCORP AUSTRALIA LIMITED (“AAU” OR THE “COMPANY”) – APPENDIX 4C QUERY

With reference to your letter dated 1 May 2019 and with specific reference to your queries contained therein, we advise as follows:

1. *Does AAU expect that it will continue to have negative operating cash flows for the time being and, if not, why not?*

The Company announced a major restructure during Q2 that will transform the operating structure of the business to improve financial performance. This restructure is expected to be complete by end of June 2019 and the business will then start to see a positive impact. As a result of this restructure, investment in new systems and a reduction in expense base, operating cash flow are forecast to be break even.

2. *Has AAU taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?*

On 1 May 2019, AAU announced an increase in the current funding facility with Millennium Company Pty Ltd ATF The Rodwell (New Millennium) Trust (ACN 169 798 798) and with this expects that the funding facilities available are sufficient for the current business operations. The Company has considered alternate funding options should any adverse situations arise or in the event that the existing funders cease to provide funding purely as a prudent course of action, as there is no evidence to suggest this would occur.

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3. *Does AAU expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?*

AAU's Agency business is in the process of repositioning itself within the market and aligning its service offering to the needs of clients. This has resulted in a reduction in the operations, rationalisation of cost base, resignation of some key clients and taking a more commercial approach to the type of work and clients serviced. The objective is to return to profitability on a smaller cost base. Whilst this process is slow the Company is committed to achieving this objective and can continue its operations in the meantime.

The Company has also diversified into TV Production through a wholly-owned subsidiary and taken an investment in a video production company of which both are starting to generate positive cash flow positive returns.

4. *Please confirm that AAU is complying with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that rule that has not already been released to the market.*

The Board of Directors confirm compliance with Listing Rule 3.1 and there is no information that would presently have a material effect on the value of the Company's securities.

5. *Please confirm that AAU's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of AAU with delegated authority from the board to respond to ASX on disclosure matters.*

Responses to these questions have been reviewed and approved by all members of the Board of Directors.

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For and on behalf of the Board,

David Franks
Company Secretary

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1 May 2019

Reference: 001141

Mr David Franks
Company Secretary
Adcorp Australia Limited

By email: david.franks@automicgroup.com.au

Dear Mr Franks

Adcorp Australia Limited ('AAU'): Appendix 4C Query

ASX refers to AAU's Appendix 4C quarterly report for the period ended 31 March 2019 lodged with the ASX Market Announcements Platform and released on 30 April 2019 (the 'Appendix 4C').

ASX notes that AAU has reported:

- negative net operating cash flows for the quarter of \$1,928,000;
- cash at the end of the quarter of \$1,207,000; and
- estimated cash outflows for the next quarter of \$6,227,000.

It is possible to conclude, based on the information in the Appendix 4C, that if AAU were to continue to expend cash at the rate indicated by the Appendix 4C, AAU may not have sufficient cash to continue funding its operations.

Request for Information

In view of that, ASX asks AAU to answer separately each of the following questions and provide the following confirmations in a format suitable for release to the market under Listing Rule 18.7A:

1. Does AAU expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has AAU taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
3. Does AAU expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Please confirm that AAU is complying with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under that rule that has not already been released to the market.
5. Please confirm that AAU's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of AAU with delegated authority from the board to respond to ASX on disclosure matters.

Please also provide any other information that AAU considers may be relevant to ASX forming an opinion on whether AAU is complying with Listing Rule 12.2 that a listed entity's financial condition must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **9:30 AM AEST Monday, 6 May 2019**. If we do not have your response by then, ASX will have no choice but to consider suspending trading in AAU's securities under Listing Rule 17.3. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, AAU's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market. Your response should be sent to me by e-mail. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1 and 3.1A

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A. In responding to this letter, you should have regard to AAU's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that AAU's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in AAU's securities under Listing Rule 17.1. If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Enquiries

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

Maria Clemente
Adviser, Listings Compliance (Sydney)