

## 2018 AGM Chairman's Address to Shareholders

At last year's AGM, we took you through the pivot in our approach to the recruitment and jobs market that took place through FY17 due to rapid changes in that market. Essentially, we elected to focus our efforts on what we called "the integrated talent acquisition solution" to assist employers take advantage of Google's investment into job search. This product has been well received by customers and has generated solid results. In FY18 we signed some significant contracts, for example:

- Victoria government
- Additional enhancements on the iWorkforNSW platform
- Re-signed First State Super

And just in the last week, we signed an agreement with APM, Australia's largest provider to employment disability services and the jobactive program. APM also operates in New Zealand and the UK and sees our solution as applicable in those markets. This is a very exciting opportunity for the company and another proof point of the value we can add to our customers. We expect contracts of this type to yield a revenue run rate of approximately \$0.5 million per year.

Lorcan will shortly give you more detail of what these and other contract wins mean for the company and an update of how our solution is assisting key clients. If you have seen some of the investor presentations on the ASX platform, you will be aware that the metrics are very impressive indeed.

These promising developments in the business have been reflected in revenue:

- Operating revenue for FY2018 increased by 148% on the prior year.
- Cash receipts for the September 2018 quarter were \$630,000, up 93% on the September 2017 quarter and 25% on the June 2018 quarter.

As you can see we have made some material improvements in the quality of clients acquired and in terms of revenue growth. That notwithstanding, as can be seen from the numbers that have been published, the company has not yet reached breakeven and this together with the volatility in markets, particularly in the microcap tech sector has seen the share price languish. This is disappointing for us shareholders. Additionally, the current market volatility, which has seen a number of IPOs withdrawn and capital raises disappoint, impacted our own placement in October 2018 where we were unable to raise the funds needed to take the company through to breakeven.

Accordingly, the Board and Management retained advisors to assist with capital management options into the future and separately, we have also embarked on a program of judicious cost management.

I now turn to the announcement this morning of the signing of a term sheet between AD1 and USS Pty Limited, a company associated with one of our directors, Michael Norster. Of course, the proposal to combine with USS is subject to due diligence, shareholder approval and other conditions, and in view of

the related party issue, an expert report on value. Nevertheless, the Board sees this opportunity as a major advance for the company.

Given the current state of capital markets and the fact that your company is still in a cash burn cycle, the USS opportunity clearly afforded the best option to cement our future. Appropriate conflicts of interests processes have been put in place with the advice of our solicitors, Minter Ellison, including establishing an independent board committee to progress the proposal.

Based on information received from USS and subject to due diligence, the combined enterprise is expected to have annual revenue of around \$5.5 million and importantly there will be material synergy benefits both in terms of technical capability and costs. In addition, USS is a profit making entity. We believe that this will enable the combined entity to accelerate the path to breakeven.

We will have more to say about the proposed combined entity as we work our way through due diligence and towards a binding agreement.

In addition to this proposed transaction, in order to provide additional working capital, the company intends to pursue a capital raise prior to the end of 2018 and there are good reasons why we think there is support to do so.

In summary, while 2018 has been a difficult year for shareholders, the company has made material progress and with the proposed transaction and capital raise, there will be the resources required to fulfil the company's potential.