



29 May 2012

ASX Market Announcements
Australian Securities Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

MARKET UPDATE

The past week has seen a large drop in the share price of Adept Solutions Limited (**Adept Solutions**) (ASX: AAO). This drop followed a steady decline in the price since Adept Solutions capital raising in July of 2011. It goes without saying that the record to-date of the Adept Solutions equity has been quite disappointing. The purpose of this letter is to seek patience from shareholders as Adept Solutions executes its strategy.

The Pre-Paid Debit Card Industry

To understand the strategy that Adept Solutions is pursuing, it is important to also understand the industry within which Adept Solutions is operating, how Adept Solutions derives its revenue, which will ultimately provide a profitable return. Understanding these things provides context for the actions being taken by management and confidence that this business can be a success.

Adept Solutions is operating in the pre-paid debit card industry in Australia. The research firm, Edgar Dunn & Company, estimates the size of this market to be \$16.2B in spend value per annum. In March 2012, the Reserve Bank of Australia reported the growth rate of the value to debit card payments has consistently averaged approximately 15% per annum over the past 8 years. Management believes that as businesses and individuals seek to 'de-gear' and more closely manage risk, moving to debit cards and away from credit cards, has underpinned this growth.

Our Strategic Focus

In its simplest terms, there are two basic types of debit cards; non-reloadable gift cards and reloadable debit cards. There are far more competitors in the gift card market segment and, as a result, profit margins can be small. There are far fewer competitors in the reloadable, debit card market. Adept Solutions' wholly-owned subsidiary, Emerchants, has developed proprietary technology that enables it to offer unique and flexible reloadable debit card offerings to the market. To better understand Emerchants product offering we urge you to visit their website at www.emerchants.com.au.

With the ability to put the control of card functionality in the hands of the client, businesses are able to tailor debit cards to their unique situation and control how, where and when the cards are used. It is for this reason Adept Solutions' strategy is focused on commercial applications of reloadable debit cards.

Adept Solutions has not walked away from the gift card market, however, Emerchants recently announced a new 3-year contract with Edge Loyalty Systems Pty Ltd (**Edge Loyalty**), one of the largest providers of gift card rebate programs in Australia. Edge Loyalty has been a customer of Emerchants since 2008 and, to-date, has underpinned the majority of Emerchants' revenue.

Under the terms of the contract, Emerchants will partner exclusively with Edge Loyalty to continue to lead the Australian market in consumer gift card programs, both for existing gift card programs and for virtual gift card programs due to launch in the coming months. In addition, Edge Loyalty has agreed to introduce Emerchants to their corporate customer base for reloadable card programs. This agreement will underpin Adept Solutions' revenue growth rate for the next several years and provides a platform upon which the Company can accelerate overall growth with the addition of commercial reloadable debit card products.

Positioning Adept Solutions for Success

A number of very important actions have been taken since Adept Solutions purchased Emerchants last July. The management team has been significantly strengthened with the addition of:

- a new CEO, Mr Tom Cregan, who brings with him 13 years of experience in Australian and US pre-paid card industry;
- a new Chief Technology Officer and a new Chief Commercial Officer. These two individuals bring with them years of specifically relevant experience in this industry and within their respective fields of expertise; and
- the Sales Team has been bolstered through the addition of Business Development Executives in the key markets of Brisbane, Sydney and Melbourne. We expect to announce the addition of a new Business Development Executive in Perth, as well.

The Board of Directors has been reconfigured with:

- Mr Bob Browning assuming the role of Executive Chairman;
- the addition of Mr Peter Martin (former CEO of Rothschild Asset Management); and
- Mr David Liddy (former CEO of Bank of Queensland) joining Mr Tony Adcock and Mr John Toms.

The mix of experience and skills on the Board now includes banking, regulatory, capital markets, business leadership and risk management.

Tracking Our Progress

Adept Solutions tracks a number of key performance indicators, which give the directors and management confidence that the business is moving progressively in the right direction. These include:

- stored value, the dollars loaded in bank accounts by clients and managed by Emerchants to support the debit cards on issue, has grown by 89% over the past year;
- revenue-generating transactions have increased by 165% over the past year;
- new cards activated have grown by 105%; and
- new dollars loaded on cards has grown 77% over the prior corresponding period.

Recently, Adept Solutions commissioned an independent research report intended to further educate the market on the industry within which Adept Solutions operates, its strategy and its sources of income. The forecasts adopted by the analyst did not fully reflect management's own forecasts as it relates to commercial pre-paid card sales, but rather largely extrapolated gift card sales history of Emerchants into the future.

Adept Solutions currently has approximately \$2.75M of cash on its balance sheet. Nevertheless, given the strengthening of the management team previously outlined, the cash burn rate continues to draw down this balance. It is important to note that management will continue to rationalise operating costs in order to minimize the cash burn rate over the next year. It is also important to note that the scalability of Emerchants' systems enable far greater levels of revenue with minimal increases in operating costs. Directors and management will consider the most prudent courses of action necessary to maintain a strong balance sheet during this period in which revenue must grow to a level higher than operating costs.

Taking an immature, small business and reconfiguring it for success in a large and growing industry is hard work. It requires careful planning, consistent focus on and execution of a quality strategic plan and the resources to support the action plans necessary to achieve success. Over the past year, Adept Solutions has completed the steps necessary to reposition the Company for success.

The directors and management firmly believe in the achievable success of Adept Solutions. We seek your patience and support over the coming year in seeing this through. We will continue to communicate key results and activities into the future and look forward to a continued relationship with each of you.

-ENDS-

For more information, please contact:

Tom Cregan

Chief Executive Officer
Adept Solutions Limited
Phone: +61 (0)8 6143 2050
Mobile: +61 0488 041 910

Bob Browning

Executive Chairman
Adept Solutions Limited
Phone: +61 (0)8 6143 2050

About Adept

Adept Solutions is led by Chief Executive Officer, Tom Cregan, and is a financial services company that specialises in the issuance and management of prepaid card programs. It is one of the few PCI compliant, non-bank card issuers in Australia with products including E-Expense, E-Community, E-Reward and E-Gift.