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ASX ANNOUNCEMENT

Pacific Smiles Group Limited (ASX: PSQ)

30 March 2020

UPDATE ON COVID-19 RELATED ACTIONS

Further to our market update on 24 March 2020, government and community actions in relation to the COVID-19 virus have rapidly evolved.

Arising from the decision of dentists at our centres to only perform emergency procedures in line with the Australian Health Protection Principal Committee (AHPPC)'s statement adopting the Australian Dental Association's response to COVID-19, we cannot operate most of our centres.

Effective today, PSQ will reduce its centre footprint from 93 centres down to 17 centres. The centres which will remain open have been selected due to the role they can play as regional "hubs" to continue to offer emergency care within their communities.

PSQ stands ready to assist the government and health authorities in providing dental care throughout the COVID-19 crisis if a clinically safe and commercially viable basis can be established.

Depending on how COVID-19 and the dental industry response evolves, it is possible that the remaining 17 centres will also close in coming weeks. As always, the health and safety of our staff, dentists and patients remains our paramount concern.

The dental centre closures mean that a majority of PSQ's employees will be stood down from 1 April 2020. Employees who are stood down will be provided two weeks full pay, will continue to accrue all entitlements, and will be able to access their annual leave.

Employees will still be required in those centres continuing to operate. A majority of group support personnel will also be stood down.

In addition to other cost management initiatives previously advised, the Company will immediately implement the following reduction to salaries and fees, to be reviewed on 30 June 2020:

- Non-Executive Directors fees reduced by 50%
- Chief Executive Officer salary reduced by 30%
- Executive Leadership team salaries reduced by 20%

In addition, there will be no bonuses paid for the year ending 30 June 2020, notwithstanding that prior to COVID-19 management were on target to achieve their targets for FY2020.

In our cashflow planning we have allowed for a period of up to 6 months with no dental centres operating. We assume no rental payments for those centres which are closed. We expect minimal capital expenditure over this period.

As previously announced, we currently have approximately \$19m of cash at bank. The Company is in ongoing discussions with its lender regarding its debt arrangements and facilities, as PSQ seeks to maximise its financial flexibility in the current environment.

The Company also wishes to advise that a Dividend Reinvestment Plan ("DRP") will be established in relation to the interim dividend of 2.4 cents per share (\$3.6 million). The Board has taken this action to give existing shareholders the flexibility to reinvest in the business at historically low prices, while allowing the Company to retain additional cash as a buffer for the period of shutdowns. In order to accommodate the implementation of a DRP, the payment date for the interim dividend will be deferred until 1 May 2020. Shareholders will receive formal correspondence in relation to the DRP, including an election to participate in the DRP, as soon practicable.

Commenting on the actions taken, Phil McKenzie, Chief Executive Officer said: "We are dealing with a previously unimaginable set of circumstances across the healthcare industry and society in general. Sadly, all our stakeholders will make significant sacrifices in coming months, and none more so than those dentists and employees who won't be able to work due to the shutdowns. I look forward to the day when full trading can resume, and in the meantime, I will focus my energies on how we emerge from this crisis stronger than when we went in."

Pacific Smiles will continue to closely monitor developments related to COVID-19 and provide updates as and when appropriate.

Authorised for release by the Board

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