



Sirtex Medical Limited

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15th December 2016

Ms Kimberley Brown
Principal Adviser, Listings Compliance (Sydney)
ASX Compliance Pty Limited
20 Bridge Street
Sydney NSW 2000

kimberley.brown@asx.com.au

Dear Ms Brown

SRX: Aware Query

I refer to your letter dated 12th December 2016. Terms defined in your letter have the same meaning when used in this letter.

On behalf of SRX, I respond as follows to the matters raised in your letter:

- a. The board and senior management of SRX are very familiar with, and are committed to ensuring complete compliance with, the requirements of Listing Rules 3.1 & 3.1A, and Guidance Note 8.
- b. The board and senior management of SRX consider that SRX has at all times been in complete compliance with those requirements, including in connection with the Update Announcement issued on 9th December 2016.
- c. As you are aware, SRX's business has a very short sales cycle, measured in days. As a result, there is no transparency on dose sales beyond a very short window.
- d. It is primarily for this reason that SRX does not provide specific financial guidance to the market. Rather, it uses historical dose sale numbers, and indications of estimated dose sales growth, as a means of assisting the market to better assess SRX's future business potential.
- e. The board and senior management of SRX take into account a number of factors as a means of estimating dose sales growth. Those factors include (without limitation):
 - i) historical growth that has been achieved by SRX, particularly over the past 4-5 years, although recognising that past performance is no guarantee of future performance;
 - ii) the results of the application of various analytical tools used in SRX's budgetary process;

- iii) an assessment of the key growth drivers in SRX's business prevailing at the time of giving the estimate, such as processes for obtaining regulatory approvals, developments in securing better reimbursements, and take-up rates with new customers;
- iv) SRX's historical sales patterns, which show that dose sales in the first half of each financial year have traditionally been lower than in the second half of that financial year;
- v) in some cases, where appropriate, and dependent on timing, the possible impact of clinical trials being undertaken in the relevant financial year;
- vi) prevailing and anticipated market penetration, based on the addressable regional markets and the performance of the business as it relates to dose sales in those markets;
- vii) an understanding that SRX trades in a highly undeveloped medical market, which leads key metrics to be highly volatile; and
- viii) the performance of SRX's single direct competitor BTG Plc (LSE:BTG).

These factors are considered reasonable in all the circumstances, particularly given the short-term nature of the estimates being considered (usually, only a single financial year).

- f. Being predictive in character, estimates are, though, inherently vulnerable to over or under assumption, as well as to unforeseen and often unforeseeable changes in circumstances.
- g. SRX takes seriously its responsibility to continue to monitor its dose sales, and estimated dose sales growth, so that the market can be kept periodically informed of these matters.

Turning now to the specific questions raised on page 3 of your letter (and using your numbering):

1. SRX agrees that the information on dose sales growth, as detailed in the Original Announcement and in the Update Announcement, is information that a reasonable person would expect to have a material effect on the price or value of its securities.

However, this information has to be taken in context, and understood for what it is. By way of example (obviously exaggerated to demonstrate the point): if in year 1, dose sales were 100 units, in year 2 dose sales were 1000 units (year-on-year growth of 900%), and in year 3 were 3000 units (year-on-year growth of only 200%), while year-on-year growth will be seen to have slowed significantly in year 3, the increase in dose sales in absolute terms in year 3 is still materially positive.

Over the last 10 years, due to the highly variable nature of SRX's business, annual dose sales growth has ranged from 14.0% (FY2010) to 80.1% (FY2006), with an average annual growth rate of 24.5%.

2. Not applicable.
3. SRX usually re-evaluates its annual dose sales growth expectations semi-annually. This takes place as part of SRX's formal 6-monthly internal planning processes. The results of those planning processes (including any re-evaluation

of the dose sales growth expectations of senior management) are then presented to the SRX board at its next meeting. Where the information in the investor market is out of line with SRX's internal estimates, an appropriate market announcement is made. This is what SRX did in its ASX announcements on 1st June 2016 and 9th December 2016.

This year, SRX's 6-monthly planning processes were completed on 5th December. The next board meeting was on 6th December 2016. At that meeting, the CEO tabled, and spoke to, a paper which included a revised estimate of dose sales growth for FY17. The paper was discussed by the board, but no revised estimate was adopted or approved by the board at that meeting. Further work on the revised estimate was required by the board.

Following the meeting, revised and updated information was circulated by senior management to the board during the afternoon on 8th December 2016. A final revised estimate of dose sales growth was signed off by the board, and the related Update Announcement approved by the board, on the morning of 9th December 2016. The Update Announcement was released to the market at approximately 8.30 am on that date.

Given the fact that what is involved is a prediction of future results rather than a reflection of past results, it is not so much a question of when SRX first became aware of the decrease in anticipated dose sales growth for FY17, but rather a question of when, having regard to the information then available, the board of SRX revised its estimate of future dose sales growth for FY17. That was on the morning of 9th December 2016. The Update Announcement followed immediately afterwards.

What SRX did is consistent with our response to your enquiry on 2nd December 2016. In that response, we informed you that SRX was, at that time, in the middle of its formal 6-monthly internal planning processes and that, once there was an agreed position, the SRX board and senior management would ensure that SRX's continuous disclosure obligations would be met. That is precisely what happened, in as timely a manner as was possible.

4. Not applicable.
5. SRX confirms that it is in complete compliance with the Listing Rules and, in particular, Listing Rule 3.1.
6. SRX's responses in this letter to ASX's questions have been authorised and approved by the board in accordance with SRX's published continuous disclosure policy.

If you require any further information about these matters, please let me know.

Yours faithfully

Darren Smith
Chief Financial Officer & Company Secretary



12 December 2016

Darren Smith
Chief Financial Officer & Company Secretary
Level 33
101 Miller Street
North Sydney NSW 2060

By email: dsmith@sirtex.com

Dear Mr Smith

Sirtex Medical Limited (“SRX”): aware query

ASX Limited (“ASX”) refers to the following:

- A. SRX’s announcement entitled “*CEO’s AGM Address and Presentation*” lodged on the ASX Market Announcements Platform and released at 9:39am on 25 October 2016 (the “Original Announcement”), disclosing SRX’s anticipation that “double digit dose sales growth will continue in FY17 whilst we await the results of the three major clinical studies due to report findings in the first half of the calendar year 2017. These preparations are well advanced.”
- B. ASX’s discussions with SRX on 26 October 2016 regarding the use of imprecise terms, such as “double digit”, in the Original Announcement and SRX’s confirmation that:
 - a) it was awaiting the final results of three major clinical studies, the findings of which were expected to be reported in FY17;
 - b) as such, SRX could not accurately determine at this juncture the likely impact on its dose sales; but
 - c) SRX believed the commentary it made around dose sales for FY 17 was appropriate, noting a number of factors beyond SRX’s direct control.
- C. Following a tip-off, ASX’s discussion with SRX on 2 December 2016 querying whether the double digit growth guidance for dose sales was still current and SRX’s confirmation that the guidance was current and that, upon conclusion of an internal planning process, SRX would take the appropriate action to ensure that the ASX continuous disclosure requirements were met.
- D. SRX’s announcement entitled “*Trading Update*” lodged on the ASX Market Announcements Platform and released at 08:27am on 9 December 2016 (the “Update Announcement”), disclosing SRX’s anticipation that:

“On a full year basis worldwide dose sales growth is anticipated to be in the order of 5-11% compared to growth of 16.4% achieved in FY16. Constant currency EBITDA for the full year is anticipated to be in the range \$65-74 million, representing a decline of 12% to no growth versus the pcp.”

- E. The Company's share price, which closed at \$25.49 on 8 December 2016 and, following release of the Update Announcement on 9 December 2016, fell to a low of \$12.20 before closing at \$16.00 on significant volumes of trades.
- F. Listing Rule 3.1, which 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.
- G. The definition of "aware" in Chapter 19 of the Listing Rules, which states that:

"an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity"

and section 4.4 in Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B* "When does an entity become aware of information".

- H. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.

"3.1A Listing rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:

3.1A.1 One or more of the following applies:

- *It would be a breach of a law to disclose the information;*
- *The information concerns an incomplete proposal or negotiation;*
- *The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
- *The information is generated for the internal management purposes of the entity; or*
- *The information is a trade secret; and*

3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and

3.1A.3 A reasonable person would not expect the information to be disclosed."

- I. ASX's policy position on the concept of "confidentiality", which is detailed in section 5.8 of Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. In particular, the Guidance Note states that:

"Whether information has the quality of being confidential is a question of fact, not one of the intention or desire of the listed entity. Accordingly, even though an entity may consider information to be confidential and its disclosure to be a breach of confidence, if it is in fact disclosed by those who know it, then it ceases to be confidential information for the purposes of this rule."

Having regard to the above, ASX asks SRX to respond separately to each of the following questions and requests for information:

1. Does SRX consider the information on dose sales growth, as detailed in the Original Announcement and the Update Announcement, to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
2. If the answer to question 1 is “no”, please advise the basis for that view, particularly given the trading in SRX’s securities on 9 December 2016.
3. If the answer to question 1 is “yes”, when did SRX first become aware of the decrease in anticipated dose sales growth for FY17, as disclosed in the Update Announcement?
4. If the answer to question 1 is “yes” and SRX first became aware of the decrease in anticipated dose sales growth before the date that the Update Announcement was lodged with ASX, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe SRX was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps SRX took to ensure that the information was released promptly and without delay. When answering this question, SRX’s answer is to take into consideration the confirmation that it gave ASX on 2 December 2016 that its guidance in relation to double digit growth guidance for dose sales was still current.
5. Please confirm that SRX is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.
6. Please confirm that SRX’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 SRX with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than half an hour before the start of trading (i.e. before 9.30 a.m. AEDT) on Friday, 16 December 2016. If we do not have your response by then, ASX will have no choice but to consider suspending trading in SRX’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, SRX’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 at kimberley.brown@asx.com.au or by facsimile to (02) 9241 7620. 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 Rules 3.1 and 3.1A

In responding to this letter, you should have regard to SRX’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 SRX’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 SRX's securities under Listing Rule 17.1.

If you wish 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*.

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

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Kimberley Brown', with a small dot at the end.

Kimberley Brown
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