

29 August 2017

Ms Kate Kidson
Principal Adviser, Listings Compliance
ASX

Email kate.kidson@asx.com.au

Dear Ms Kidson

Future Fibre Technologies Limited (ASX:FFT) (Company or FFT)

We refer to your letter on 28 August 2017 and our responses to each of ASX's queries are set out below.

Capitalised terms not defined in this letter have the meaning given to them in your letter.

Question 1: When did FFT first become aware of the Proposed Merger?

Whilst FFT and MSP have been discussing a potential merger for several months, key terms were not negotiated and agreed until late Thursday 24 August 2017. Accordingly, FFT became aware of proceeding with the Proposed Merger at the time that the bid implementation agreement was signed by FFT and MSP, at which time an announcement of the Proposed Merger was released promptly and without delay at 18.55pm on 24 August 2017. When FFT became aware of the potential that this may occur later that day, FFT asked for a trading halt at 11.15am on 24 August 2017.

Question 2: Does FFT consider the Proposed Merger to be information that a reasonable person would expect to have a material effect on the price or value of its securities?

Yes.

Question 3: If the answer to question 2 is "yes" and FFT first became aware of the information before the relevant date, did FFT make any announcement prior to the relevant date which disclosed the information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe FFT was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps FFT took to ensure that the information was released promptly and without delay.

The information was released to the market upon FFT becoming aware of it (i.e. once the bid implementation agreement was signed) and consequently could not have been released at an earlier time.

FFT considers that it was obliged to release the information under Listing Rules 3.1 and 3.1A at the time that it became aware of the information, which was on the relevant date, and at which time FFT ensured that the information was released promptly and without delay.

In particular, FFT notes the following:

1. the bid implementation agreement was not signed at the time that the placement occurred (as detailed in the announcement released by FFT at 9.29am on 24 August 2017). Given that FFT was dealing with MSP, being an independent third party, and negotiation of key commercial terms, including consideration, were not agreed, and still under consideration by FFT until late in the day on Thursday 24 August 2017, there was no guarantee that the bid implementation agreement would have in fact been signed prior to the relevant date;
2. the placement was not conditional on the bid implementation agreement being signed or the completion of any other arrangements in respect of the Proposed Merger;
3. the placement would have occurred irrespective of whether the Proposed Merger proceeded; and
4. the Company was placed in a trading halt immediately once the Company was aware there was the potential that agreement might be reached in respect of a possible bid implementation agreement.

FFT is not aware of any breach of any confidentiality obligations between the parties which would have necessitated earlier disclosure, nor is it aware of any inadvertent disclosure being made ahead of the relevant date.

Accordingly, FFT considers that, before the relevant date when the information was released, the information related to an incomplete proposal and negotiation, and did not require disclosure in reliance on the applicable carve out under Listing Rule 3.1A.

Question 4: If the answer to question 2 is “no”, please advise the basis for that view.

Not applicable based on the response to questions 2 and 3.

Question 5: Please confirm that FFT is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

FFT confirms that it is in compliance with the Listing Rules and, in particular, the Company confirms that it is in compliance with Listing Rule 3.1 by virtue of the information and reasons set out above.

The Company is aware of its obligations and will inform shareholders and ASX of significant matters affecting the Company in compliance with its continuous disclosure obligations.

Question 6: Please outline what arrangements FFT has in place to ensure that its internal processes are adequate to meet its continuous disclosure obligations under Listing Rule 3.1. If the current arrangements are inadequate or not being enforced, what additional steps does FFT intend to take to ensure compliance?

FFT has published and adheres to its Continuous Disclosure Policy which is available at www.fftsecurity.com/investor. All directors and senior management of FFT are fully conversant with the policy and act to ensure compliance.

Specifically and in accordance with section 4.9 of the policy:

- (a) as soon as an Employee becomes aware of any price sensitive information the Board or the Company Secretary is to be notified;
- (b) the Company Secretary will review and assess that information and determine whether it needs to be disclosed or whether it needs to be further discussed with the Board;
- (c) if an announcement of price sensitive information is required the Company Secretary will prepare a draft announcement;
- (d) the Company Secretary will provide the draft announcement to the Board for approval;
- (e) following the approval of an announcement of price sensitive information by the Board, the Company Secretary will then lodge the announcement with ASX electronically; and
- (f) after receiving acknowledgement from ASX that the announcement has been released the Company Secretary will ensure the announcement is accessible from the Company's website.

Question 7: Please confirm that FFT's response 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 FFT with delegated authority from the board to respond to ASX on disclosure matters.

The Company's responses to the questions above have been duly authorised and approved by the board of directors of FFT.

We trust that our responses sufficiently address your queries, but please do not hesitate to contact us if you have any further queries or comments.

Yours sincerely,



Leigh Davis
For and on behalf of Future Fibre Technologies Limited



28 August 2017

Leigh Davis
CFO
Future Fibre Technologies Limited
10 Hartnett Close
Mulgrave, VIC, 3170

By email: ldavis@fftsecurity.com

Dear Mr Davis

Future Fibre Technologies Limited ("FFT"): aware query

ASX Limited ("ASX") refers to the following:

- A. FFT's announcement entitled "FFT announces strategic investment in leading security company MaxSec" lodged on the ASX Market Announcements Platform at 9.18 am and released at 9.29 am on 24 August 2017, advising that FFT had acquired a 13.7% stake in MaxSec Group Limited ("MSP").
- B. FFT's request to ASX for a trading halt on 24 August 2017, placed on FFT at approximately 11.15 am on that day, pending an announcement regarding a material corporate transaction.
- C. FFT's announcement entitled "Intention to make takeover bid" lodged on the ASX Market Announcements Platform at 18.55 pm on 24 August 2017 and released at 8.51 am on 25 August 2017, disclosing that FFT intends to make an off-market takeover bid for all of the shares it does not hold in MSP ("Proposed Merger").
- D. 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.
- E. 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"*.

- F. 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."*

G. 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 FFT to respond separately to each of the following questions and requests for information:

1. When did FFT first become aware of the Proposed Merger?
2. Does FFT consider the Proposed Merger to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
3. If the answer to question 2 is "yes" and FFT first became aware of the information before the relevant date, did FFT make any announcement prior to the relevant date which disclosed the information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe FFT was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps FFT took to ensure that the information was released promptly and without delay.
4. If the answer to question 2 is "no", please advise the basis for that view.
5. Please confirm that FFT is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.
6. Please outline what arrangements FFT has in place to ensure that its internal processes are adequate to meet its continuous disclosure obligations under listing rule 3.1. If the current arrangements are inadequate or not being enforced, what additional steps does FFT intend to take to ensure compliance?
7. Please confirm that FFT'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 FFT 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 (**ie., before 9.30 a.m. AEST) on Wednesday, 30 August 2017**. If we do not have your response by then, ASX will have no choice but to consider suspending trading in FFT'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, FFT'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 kate.kidson@asx.com.au. 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 FFT'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 FFT'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 FFT'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

[Sent electronically without signature]

Kate Kidson

Principal Adviser, Listings Compliance (Melbourne)