

Xped Limited
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6 November 2019

Mr Dean Litis
Principal Adviser, Listing Compliance
Level 4, North Tower
525 Collins Street
Melbourne Vic 3000

Dear Mr Litis,

Xped Limited ('XPE'): Appendix 4C Query

We refer to ASX's query dated 1 November 2019 and respond as follows:

1. Does XPE expect that it will continue to have negative operating cashflows for the time being and, if not, why not?

Yes, that is XPE's expectation. However, the board has instigated significant cost reduction measures in September/October 2019 with the cash burn rate significantly reduced from October forward.

2. Has XPE taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

The company engaged a corporate advisor and steps were taken to raise capital in June 2019 that did not proceed. The Company, with its advisors, is currently considering funding initiatives however it is too early to determine the success or otherwise of an initiative.

3. Does XPE expect to be able to continue its operation and to meet its business objectives and, if so, on what basis?

Yes, the Company expects to be able to continue its operation and meet its business objectives on the basis of reduced costs and continued income generated by Xped's JCT Healthcare division.

4. Does XPE consider that its level of operations is sufficient to warrant continued quotation of its securities on ASX as required under listing rule 12.1? In answering this question please state the basis for this conclusion. In answering this question, please comment on the nature of XPE's current business activities.

Yes, XPE is now focussing on its JCT Healthcare business which sells professional healthcare technology equipment and solutions and has expanded into the assisted independent living segment of the health care market. In this market segment, JCT delivers Internet of Things (IoT) based products along with its traditional nurse call products and its NuCAMS cloud based scheduling platform. JCT Healthcare had sales revenues of \$1.85 million in the 2019 financial year ended 30 June 2019.

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5. Does XPE consider that the financial condition of XPE is sufficient to warrant continued listing on ASX as required under Listing Rule 12.2? In answering this question, please also explain the basis for this conclusion.

Yes, the Company believes that its financial condition is sufficient to warrant continued listing on the ASX based on the following:

- Significant cost reductions have been made by ceasing research and development expenditure associated with IoT products.
- The company is expecting to have sufficient funds into the future if JCT Healthcare revenues continue as expected.
- JCT continues to develop new technology as announced on 30 October 2019.
- The company is optimistic that the appeals process for the AusIndustry Certificate of Findings will be resolved in favour of the company.

6. If the answer to questions 3 or 4 is "No", please explain what steps XPE has taken, or proposes to take, to warrant continued listing on ASX under the requirements of Listing Rules 12.1 and 12.2.

No applicable.

7. Please confirm that XPE is complying with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under that rule that has not already been released to the market.

We confirm that XPE is in compliance with the Listing Rules and in particular, Listing Rule 3.1 concerning the Company's continuous disclosure obligations.

8. Please confirm that XPE'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 XPE with delegated authority from the board to respond to ASX on disclosure matters.

We confirm that XPE's above responses have been approved by the board.

Yours Sincerely,



Julie Edwards
Company Secretary



1 November 2019

Reference: ODIN10074

Ms Julie Edwards
Company Secretary
Xped Limited
Level 6 412 Collins Street
Melbourne VIC 3000

By email

Dear Ms Edwards

Xped Limited ('XPE'): Appendix 4C Query

ASX refers to XPE's:

- A. Appendix 4C quarterly report for the period ended 30 September 2019 lodged with the ASX Market Announcements Platform ('MAP') and released on 30 October 2019 (the 'Appendix 4C').
- B. ASX release entitled 'Company Update' lodged with MAP and released on 30 October 2019 (the 'Company Update') which states, among other things, under the heading *Business Development* that:

'Due to the need to conserve funds, the Company has downsized its operations in its Internet of Things business unit.'
- C. Annual Report for FY2019 lodged with MAP and released on 26 September 2019 (the 'Annual Report') which contained the following emphasis of matter in the auditor's report:

Material Uncertainty Related to Going Concern

We draw attention to Note 1(a) in the financial report which states that as at 30 June 2019 the Group has \$1,405,831 (2018: \$2,372,208) in cash and cash equivalents and a net liabilities of \$351,658 (2018: \$3,364,751 net assets). During the year ended 30 June 2019 the Group incurred a loss after tax of \$3,716,409 (2018: \$9,058,493 loss) and a net cash outflow from operating activities, excluding government grants and refundable R&D tax incentives, of \$3,313,985 (2018: \$7,256,720 outflow).

The continuing losses and cash outflows from operating activities have significantly reduced the Group's cash and net working capital position. This limits the Group's ability to further invest in the commercialisation of its Internet of Things ("IoT") solutions which impedes the development of near term revenue streams in order to sustain the current level of operating cash outflows.

As stated in Note 1(a), these events or conditions, along with other matters as set forth in Note 1(a) indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.



ASX notes that XPE has reported the following in the Appendix 4C:

- negative net operating cash flows for the quarter of \$828,000;
- cash at the end of the quarter of \$698,000; and
- estimated cash outflows for the next quarter of \$863,000.

It is possible to conclude, based on the information in the Appendix 4C, that if XPE were to continue to expend cash at the rate indicated by the Appendix 4C, XPE may not have sufficient cash to continue funding its operations.

It is also possible to conclude, based on the information in the Appendix 4C; the Company Update; and the Annual Report that XPE's:

- level of operations may not be sufficient to warrant continued quotation of its securities on ASX as required under listing rule 12.1;
- financial condition may not be sufficient to warrant continued listing on ASX as required under Listing Rule 12.2.

Request for Information

In view of that, ASX asks XPE to answer separately each of the following questions and provide the following confirmations in a format suitable for release to the market under Listing Rule 18.7A:

1. Does XPE expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has XPE taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
3. Does XPE expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Does XPE consider that its level of operations is sufficient to warrant continued quotation of its securities on ASX as required under listing rule 12.1? In answering this question, please explain the basis for this conclusion. In answering this question, please comment on the nature of the XPE's current business activities.
5. Does XPE consider that the financial condition of XPE is sufficient to warrant continued listing on ASX as required under Listing Rule 12.2? In answering this question, please also explain the basis for this conclusion.
6. If the answer to questions 3 or 4 is "No", please explain what steps XPE has taken, or proposes to take, to warrant continued listing on ASX under the requirements of Listing Rules 12.1 and 12.2.
7. Please confirm that XPE is complying with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under that rule that has not already been released to the market.
8. Please confirm that XPE'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 XPE with delegated authority from the board to respond to ASX on disclosure matters.

Please also provide any other information that XPE considers may be relevant to ASX forming an opinion on whether XPE is complying with Listing Rule 12.2 that a listed entity's financial condition must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **9:30 AM AEDT Thursday, 7 November 2019**.

If we do not have your response by then, ASX will have no choice but to consider suspending trading in XPE'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, XPE'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 ListingsComplianceMelbourne@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 Rule 3.1 and 3.1A

Listing Rule 3.1 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. Exceptions to this requirement are set out in Listing Rule 3.1A. In responding to this letter, you should have regard to XPE'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 XPE'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 XPE's securities under Listing Rule 17.1. If you wish to request 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*.

Enquiries

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

Yours sincerely

Dean Litis
Principal Adviser, Listings Compliance (Melbourne)