



29 March 2018

Isabelle Andrews
ASX Compliance Pty Ltd
Level 40, Central Park
152-158 St George's Terrace
Perth WA 6000

By email: Isabelle.Andrews@asx.com.au

Dear Isabelle

MYFIZIQ LIMITED (“MYQ”)

We refer to ASX's letter to MYQ dated 19 March 2018.

Please see our responses to your specific questions below.

Fitocracy

1 How many Fitocracy application users have commenced paid subscription to the MYQ solution under the Agreement?

None at this stage.

MYQ is in the process of building the MYQ application for rollout to Fitocracy app users under its collaboration with Fitocracy. MYQ confirms its previous market guidance that the application will be ready for release to Fitocracy app users during calendar year 2018 (see MYQ Appendix 4C Commentary for the September 2017 quarter, released to the market on 27 October 2017).

2 What revenue has MYQ received from the Agreement to date?

None at this stage. See response to question 1 above for details of the expected timing for release of the application to Fitocracy app users.

3 Does MYQ still stand by the statement in the Fitocracy Announcement that the Agreement has “initial potential annual revenue of up to US\$9 million per annum”?

Yes. The agreement with Fitocracy includes an initial target of 500,000 Fitocracy app users subscribing to the MYQ solution. This target was set and agreed with Fitocracy based on what it considered to be a reasonable penetration rate for its customer base. MYQ understands that this expectation was based on 2,000,000 Fitocracy subscribers and a penetration rate of 25% over the first 12 months from launch. MYQ believes this is reasonable based on guidance from Fitocracy that it has consistently seen uptake of 500,000 + paid users when offering new unique paid offerings to its user base.

Once that target is met, at the applicable pricing model of US\$1.50 per user per month, the revenue impact for MYQ will be up to US\$9 million per annum.

**MyFiziq Limited
ACN 602 111 115**

**Postal Address: PO Box 190, South Perth WA 6951
Email: admin@myfiziq.com**

Based on the following factors:

- Fitocracy having a very active user base with a high level of engagement;
- Fitocracy being very well received in the US fitness community as a trusted application;
- Fitocracy management indicating that they were highly confident that MYQ will be well received by Fitocracy users; and
- Fitocracy committing to use its best endeavours to reach the target,

MYQ expects to reach that initial user target in the first year from release of the application to Fitocracy app users.

As noted in MYQ's announcement of 15 September 2017 in relation to the agreement with Fitocracy:

- Fitocracy has a large user base that trust their application provider and the offerings brought to their environment; and
- MYQ expects that having the MYQ technology stand alongside Fitocracy's global brand partners will drive further reach and revenue potential.

Red Leaf Securities

4 What is the relationship between MYQ and Red Leaf Securities?

MYQ has entered into a corporate advisory mandate with Red Leaf Securities. Under the terms of the corporate advisory mandate, MYQ agreed to pay the following fees to Red Leaf Securities:

- \$20,000 in cash; and
- issue 500,000 MYQ unlisted options, exercisable at 10c each on or before 31 December 2020.

MYQ intends to issue the options to Red Leaf Securities in the near future.

The agreement to issue the options has not yet been announced as MYQ is in the process of formalising an update to its mandate with Red Leaf Securities. MYQ was intending to announce the agreement to issue the options once that update has been finalised. However, following this enquiry from ASX, MYQ now intends to promptly announce the agreement to issue these options.

5 Apart from the First Research Report and the Second Research Report commissioned by MYQ, what other services has Red Leaf Securities provided to MYQ in the last 24 months?

General corporate advisory and investor relations services. Red Leaf Securities has provided MYQ with various introductions to the institutional investment community, including brokerage houses and fund managers, and assisted with MYQ roadshows targeted at those groups.

The fees payable for all services provided by Red Leaf Securities to MYQ are described in the response to question 4 above.

6 Please describe the factors that MYQ took into account in deciding to commission Red Leaf Securities to produce the First Research Report and the Second Research Report, commenting in particular on whether Red Leaf Securities' experience and expertise in analysing technology stocks was a factor and, if so, what steps MYQ took to satisfy itself on that score.

MYQ commissioned Red Leaf Securities to have the First Research Report and the Second Research Report prepared. Red Leaf Securities has engaged Banyan Tree Investment Group Pty Limited (**Banyan Tree**) on a monthly retainer to produce independent research on companies that Red Leaf Securities is working with. Banyan Tree is an independent equities research house that provides "white label" independent research for release by its customers (such as Red Leaf Securities) for release to their clients. Banyan Tree holds an Australian Financial Services Licence (AFSL 486279).

MYQ took into account the following matters in deciding to enter into a corporate advisory mandate with Red Leaf Securities and commissioning Red Leaf Securities to have the First Research Report and the Second Research Report prepared:

- Red Leaf Securities was recommended to MYQ management by the Chair of another ASX listed company who had been working with Red Leaf Securities;
- Red Leaf Securities is a corporate authorised representative of BR Securities Australia Pty Ltd, which is the holder of an Australian Financial Services Licence (AFSL 45663);
- prior to establishing Red Leaf Securities, the principals of Red Leaf Securities have had extensive experience in equity markets and the financial services industry, including with reputable broking houses; and
- MYQ management's favourable initial meetings with the Red Leaf Securities team, and the initial introductions which they were able to make for MYQ in the institutional investment community.

Red Leaf Securities' recommended that Banyan Tree be selected to prepare the First Research Report and the Second Research Report. MYQ accepted that recommendation on the basis that:

- Banyan Tree is an AFSL holder (AFSL 486279);
- Red Leaf Securities has commissioned Banyan Tree to prepare research reports on a number of ASX-listed companies in the technology sector; and
- Red Leaf Securities is an experienced corporate adviser, and MYQ had no reason to question their recommendation.

First Research Report

7 How much did MYQ pay Red Leaf Securities for the production of the First Research Report?

The fees payable to Red Leaf Securities by MYQ for the production of the First Research Report are described in the response to question 4 above. MYQ has not paid, and has

not agreed to pay, any other fees to Red Leaf Securities or any other party for the production of the First Research Report.

8 Was MYQ the source of the First 5 Year Revenue Forecasts, as stated in the First Research Report? If it wasn't, what information did MYQ provide to Red Leaf Securities for it to produce the First 5 Year Revenue Forecasts included in the First Research Report?

MYQ was not the source of the First Five Year Revenue Forecasts. The First 5 Year Revenue Forecasts were prepared by Banyan Tree (the author of the First Research Report) for Red Leaf Securities based on their own assessment of MYQ's operations and presumably a review of MYQ's ASX releases.

MYQ had one meeting with Banyan Tree and some telephone discussions to discuss MYQ's business and operations. However, MYQ did not provide any information to Red Leaf Securities or Banyan Tree beyond information that is publicly available through its ASX releases.

MYQ assumes that it was named as the "source" under the table in the First Research Report which contained the First Five Year Revenue Forecasts because Banyan Tree prepared those forecasts based on a review of MYQ's ASX releases.

9 In light of the disclosure requirements in ASIC's Regulatory Guide 170, please provide the following information for the First 5 Year Revenue Forecast:

9.1 The basis for the First 5 Year Revenue Forecast;

MYQ generates revenue by:

- charging subscribers on a per monthly basis for use of its mobile phone app; and
- charging development and licence fees in relation to the development of software and applications based on MYQ's proprietary technology.

In FY18, prior to release of the First Research Report, MYQ announced transactions with BCT, Fitocracy, and MYQ's Indian partner.

Licence payments from BCT commenced in October 2017, and the revenue / licence payments for Fitocracy and the India partnership are expected to commence during calendar year 2018.

To-date this financial year, MYQ has received licence payments from BCT of \$1,500,000 and app development revenue of \$257,000, with another \$500,000 in licence payments and \$160,000 of app development revenue estimated by the end of the financial year.

In terms of tax reimbursements and grants, MYQ has also received \$560,000 in this financial year, bringing the total received incomings to-date to approximately \$2,300,000 (ex GST).

MYQ expects to launch and begin subscription downloads from Fitocracy and the India partnership customer user bases during calendar year 2018.

Set out below are MYQ's internal revenue forecasts (**MYQ Oct 17 Revenue Forecasts**) based on information available at the time the First 5 Year Revenue Forecasts were published in the First Research Report. The final row of the table shows the First 5 Year Revenue Forecasts as published in the First Research Report for comparison.

The MYQ Oct 17 Revenue Forecasts were comprised of revenue estimated to be received from the following sources (based on the assumptions set out in the response to question 9.2):

	FY19	FY20	FY21	FY22	FY23
Subscribers for the MYQ application generated by the Fitocracy partnership	\$11,970,000	\$12,568,500	\$15,710,625	\$17,281,688	\$18,577,814
Development and licence fees payable by MYQ's Indian partner subject to conditions as announced	\$8,355,060	\$8,772,813	\$10,966,016	\$12,062,618	\$12,967,314
Development and licence fees payable under the BCT joint venture	\$480,000	\$0	\$0	\$0	\$0
R&D Tax Re-imbursements	\$300,000	\$0	\$0	\$0	\$0
Grants	\$40,000	\$0	\$0	\$0	\$0
MYQ Revenue Forecast Total	\$21,145,060	\$21,341,313	\$26,676,641	\$29,344,305	\$31,545,128
First 5 Year Revenue Forecasts	\$17.9M	\$18.0M	\$21.9M	\$21.9M	\$21.9M

Table 1: MYQ Oct 17 Revenue Forecasts compared to First 5 Year Revenue Forecasts.

The MYQ Oct 17 Revenue Forecasts were prepared based on an assessment of current economic and operating conditions at the time and on the general and specific assumption regarding future events and actions set out in the response to question 9.2 below.

The headings in the columns in the table in the First Research Report seem to contain an error. Those columns are headed:

2018 30/06/17	2019 30/06/18	2020 30/06/19	2021 30/06/20	2022 30/06/21
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MYQ understands that the First 5 Year Forecasts were calculated for the following periods (and has included them in Table 1 above on that basis):

FY19	FY20	FY21	FY22	FY23
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Despite what was contained in the column headings in the First Research Report, MYQ understood that the First 5 Year Forecasts were calculated for the periods FY19 to FY23 and reviewed them on that basis.

9.2 The material assumptions underpinning the First 5 Year Revenue Forecast;

The MYQ Oct 17 Revenue Forecasts were based on the following material assumptions:

- (a) The MYQ Oct 17 Revenue Forecasts were based on internal targets that have been developed through feedback from its commercial partners and based on what both parties believe to be reasonable penetration rates.

The internal targets which feed into the MYQ Oct 17 Revenue Forecasts are as follows:

- Fitocracy: 500,000 users from Fitocracy's 2,000,000 subscriber base. As noted in the response to question 3 above, this was a target that both MYQ and Fitocracy agreed would be a reasonable penetration rate and it was provided for as a target in the contract executed between the parties (as previously announced to ASX).
- India partnership: 350,000 users over the first 12 months from launch which will include both current Stepathlon subscribers, and a marketing campaign to the 200 million+ and growing middle class market, who have an increased awareness about health, wellness and market trends. A target of 350,000 users is considered by MYQ to be a relatively conservative estimate given that the target is less than 0.0018% of the Indian middle-class market.
- MYQ also expects further app development revenue from BCT totalling \$480,000 and expects to lodge and receive approximately \$340,000 in tax re-imbursments and grants over the course of FY19.

For FY20, MYQ has kept its initial growth low (5% averaged across all customers) whilst the company enters the subscription market and better understands the up-take and churn on new users. MYQ then forecasts a FY21 "ramp-up" growth of 25% as customer marketing campaigns take full effect. Post ramp-up MYQ forecasts a diminishing yearly growth rate from FY22 of 10% and then 7.5% in FY23 to account for new technology, competitors and market maturity.

- (b) No contractual wins or partnerships, other than those already referred to in this letter, are assumed to occur in the period covered by the First 5 Year Revenue Forecasts.

- (c) An exchange rate of \$1USD:\$1.33AUD.

The disclosure of the assumptions is intended to assist in assessing the reasonableness and likelihood of the assumptions occurring and the effect on the MYQ Oct 17 Revenue Forecasts if they do not occur and is not intended to be a representation that the assumptions will occur.

MYQ believes the general and specific assumptions set out above, when taken as a whole, to be reasonable at the time the First Research Report was published. However, the information is not fact and investors are cautioned not to place undue reliance on the MYQ Oct 17 Revenue Forecasts. In particular, MYQ notes that the MYQ Oct 17 Revenue Forecasts have since been updated due to subsequent events – refer to the responses to questions 12.1 and 12.2 below for details of the updated forecasts and underlying assumptions.

9.3 The factors which MYQ believes gave it a reasonable basis to publish the First 5 Year Revenue Forecast via the First Research Report;

MYQ believes that there was a reasonable basis to publish the First Five Year Revenue Forecasts for the following reasons:

- (a) the First Five Year Revenue Forecasts were within MYQ's internal forecasts at the time (being the MYQ Oct 17 Revenue Forecasts set out above); and
- (b) the MYQ Oct 17 Revenue Forecasts were reasonable having regard to the material underlying assumptions, as described in more detail in the response to question 9.2 above.

9.4 What steps did MYQ take to verify the reasonableness and reliability of the First 5 Year Revenue Forecast; and

MYQ reviewed the First 5 Year Revenue Forecasts in the First Research Report against its own internal revenue forecasts at the time (being the MYQ Oct 17 Revenue Forecasts set out in Table 1 above). As shown in Table 1 above, the MYQ Oct 17 Revenue Forecasts exceeded the First 5 Year Revenue Forecasts in the First Research Report. On that basis and taking into account the material assumptions underlying the MYQ Oct 17 Revenue Forecasts as described in the response to question 9.2 above, MYQ was of the view that the First 5 Year Revenue Forecasts in the First Research Report were reasonable.

9.5 Any independent or objectively verifiable sources of information that MYQ has to establish that there are reasonable grounds for the First 5 Year Revenue Forecast.

None. As noted above, MYQ's internal revenue forecasts are based on internal targets that have been developed through feedback from its commercial partners and based on what both parties believe to be reasonable penetration rates.

Second Research Report

10 How much did MYQ pay Red Leaf Securities for the production of the Second Research Report?

The fees payable for all services provided by Red Leaf Securities to MYQ are described in the response to question 4 above. MYQ has not paid, and has not agreed to pay, any other fees to Red Leaf Securities or any other party for the production of the Second Research Report.

11 Was MYQ the source of the Updated 5 Year Revenue Forecasts, as stated in the Second Research Report? If it wasn't, what information did MYQ provide to Red Leaf Securities for it to produce the Updated 5 Year Revenue Forecasts included in the Second Research Report?

MYQ was not the source of the Updated 5 Year Revenue Forecasts. The Updated 5 Year Revenue Forecasts were prepared by Banyan Tree (the author of the Second Research Report) for Red Leaf Securities based on their own assessment of MYQ's operations and presumably a review of MYQ's ASX releases.

As noted in the response to question 8 above, MYQ had one meeting with Banyan Tree and some telephone discussions to discuss MYQ's business and operations. However, MYQ did not provide any information to Red Leaf Securities or Banyan Tree beyond information that is publicly available through its ASX releases.

As noted in the response to question 8 above, MYQ assumes that it was named as the "source" under the table in the Second Research Report which contained the Updated 5 Year Revenue Forecasts because Banyan Tree prepared those forecasts based on a review of MYQ's ASX releases.

12 In light of the disclosure requirements set out in ASIC's Regulatory Guide 170, please provide the following information for each of the Updated 5 Year Revenue Forecast:

12.1 The basis for the Updated 5 Year Revenue Forecast;

As noted in the response to question 9.1, MYQ generates revenue by:

- charging subscribers on a per monthly basis for use of its mobile phone app; and
- charging development and licence fees in relation to the development of software and applications based on MYQ's proprietary technology.

Between the release of the First Research Report and the Second Research Report, MYQ announced a transaction with Mayweather Boxing & Fitness. MYQ expects to launch and begin subscription downloads from Mayweather's customer user base during calendar year 2018.

Set out below are MYQ's updated internal revenue forecasts (**MYQ Dec 17 Revenue Forecasts**) based on information available at the time the Updated 5 Year Revenue Forecasts were published in the Second Research Report. The final row of the table shows the Updated 5 Year Revenue Forecasts as published in the Second Research Report for comparison.

The MYQ Dec 17 Revenue Forecasts were comprised of revenue estimated to be received from the following sources (based on the assumptions set out in the response to question 12.2):

	FY19	FY20	FY21	FY22	FY23
Sources set out in the response to question 9.1	\$21,145,060	\$21,341,313	\$26,676,641	\$29,344,305	\$31,545,128
Subscribers for the MYQ application generated by the Mayweather partnership	\$4,680,000	\$4,914,000	\$6,142,500	\$6,756,750	\$7,263,506
Updated MYQ Forecast Total	\$25,825,060	\$26,255,313	\$32,819,141	\$36,101,055	\$38,808,635
Second Research Report Forecasts	\$19.2M	\$20.7M	\$26.0M	\$26.5M	\$27.0M

Table 2: MYQ Dec 17 Revenue Forecasts compared to Updated 5 Year Revenue Forecasts.

The MYQ Dec 17 Revenue Forecasts were prepared based on an assessment of current economic and operating conditions at the time and on the general and specific assumption regarding future events and actions set out in the response to question 12.2 below.

As with the First Research Report, the headings in the columns in the table in the Second Research Report seem to contain an error. Those columns are headed:

2018 30/06/17	2019 30/06/18	2020 30/06/19	2021 30/06/20	2022 30/06/21
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MYQ understands that the Updated 5 Year Forecasts were calculated for the following periods (and has included them in Table 2 above on that basis):

FY19	FY20	FY21	FY22	FY23
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Despite what was contained in the column headings in the Second Research Report, MYQ understood that the Updated First 5 Year Forecasts were calculated for the periods FY19 to FY23, and reviewed them on that basis.

In the period since the Second Research Report was published, MYQ's current forecast still aims to achieve the internal targets referred to above in calendar year 2018. However, there have been some minor timing amendments to this forecast, which are noted below for transparency:

- USD to AUD exchange rate decreased from \$1.33 to \$1.30, equates to approx. 2.26% decrease in revenue forecasts;
- Consistent with previous guidance referred to above, the launch of the MYQ app to the Fitocracy user base is still expected to occur in calendar year 2018.

However, this is now expected to occur in June 2018 rather than April 2018 as contemplated in the MYQ Dec 17 Revenue Forecasts set out above.

- As per MYQ's ASX announcement - Binding Term Sheet signed with Ravi Krishnan, dated 27 November 2017, the Indian partnership is to commence subject to Mr Krishnan successfully completing a financing. The MYQ Dec 17 Revenue Forecasts set out above contemplated that this would be completed in the first quarter of calendar year 2018. MYQ's current internal revenue forecasts now contemplate that this will occur during the second quarter of calendar year 2018.
- The MYQ Dec 17 Revenue Forecasts set out above did not include proof of concept payments from BCT to MYQ. MYQ's current revenue forecasts include an additional \$500,000 for partner development proof of concept payments for FY19.
- An MYQ Dec 17 internal target for subscribers for the MYQ application generated by the Mayweather partnership of 200,000 users (being a penetration rate of approx. 0.5% of Mayweather's 41,000,000 social media followers). The current forecast has changed to 1% as per the Mayweather ASX announcement.

MYQ's current internal revenue forecasts, which take account of these changes referred to above are set out below:

	FY19	FY20	FY21	FY22	FY23
Subscribers for the MYQ application generated by the Fitocracy partnership	\$8,921,250	\$9,367,313	\$11,709,141	\$12,880,055	\$13,846,059
Development and licence fees payable by MYQ's Indian partner subject to conditions as announced	\$5,671,250	\$5,272,313	\$6,590,391	\$7,249,430	\$7,793,137
Development and licence fees payable under the BCT joint venture	\$980,000	\$0	\$0	\$0	\$0
Subscribers for the MYQ application generated by the Mayweather partnership	\$8,365,500	\$8,783,775	\$10,979,719	\$12,077,691	\$12,983,517
R&D Tax re-imbursements	\$300,000	\$0	\$0	\$0	\$0
Grants	\$40,000	\$0	\$0	\$0	\$0
Current MYQ Forecast Total	\$24,278,000	\$23,423,400	\$29,279,250	\$32,207,175	\$34,622,713

As can be seen, the current internal revenue forecasts still exceed the Updated 5 Year Revenue Forecasts in the Second Research Report.

12.2 The material assumptions underpinning the Updated 5 Year Revenue Forecast;

The MYQ Dec 17 Revenue Forecasts were based on the following material assumptions:

- (a) The assumptions set out in the response to question 9.2.
- (b) An internal target for subscribers for the MYQ application generated by the Mayweather partnership of 200,000 users (being a penetration rate of 0.5% of Mayweather's 41,000,000 social media followers)

MYQ's current revenue forecasts as disclosed in the response to question 12.1 are based on the same underlying material assumptions as the MYQ Dec 17 Revenue Forecasts with the following changes:

- (a) An exchange rate of \$1USD:\$1.30AUD (changed from \$1USD:\$1.33AUD).
- (b) Internal targets for user numbers generated through Fitocracy and Indian partnership remain the same, with the changes to launch timing as noted in the response to question 12.1 above.

As noted in the response to question 12.1 above, MYQ's current revenue forecasts include an additional \$500,000 for partner development proof of concept payments in FY19 from BCT.

- (c) An internal target for subscribers for the MYQ application generated by the Mayweather partnership of 410,000 users (being an increase in penetration rate from 0.5% to 1% of Mayweather's 41,000,000 social media followers).

The disclosure of these assumptions is intended to assist in assessing the reasonableness and likelihood of the assumptions occurring and the effect on the current revenue forecast disclosed in the response to question 12.1 above (**Current Revenue Forecasts**) if they do not occur and is not intended to be a representation that the assumptions will occur.

MYQ believes the general and specific assumptions set out above, when taken as a whole, to be reasonable at the date of this letter. However, the information is not fact and investors are cautioned not to place undue reliance on the Current Revenue Forecasts. While MYQ believes it has a reasonable basis for presenting the Current Revenue Forecasts, investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Current Revenue Forecasts and that this may have a material positive or negative effect on MYQ's actual financial performance, cash flows or financial position.

In addition, the assumptions upon which the Current Revenue Forecasts are based are, by their very nature, subject to significant uncertainties and contingencies, many of which will be outside MYQ's control, and are not reliably predictable. Accordingly, none of MYQ, its management or any other person can give investors any assurance that the outcomes disclosed in the Current Revenue Forecasts will arise. Events and outcomes might differ in amount and timing from the assumptions, with a material consequential

impact on the Current Revenue Forecasts and the Current Revenue Forecasts should be read in this context.

12.3 The factors which MYQ believes give it a reasonable basis to publish the Updated 5 Year Revenue Forecast via the Second Research Report;

MYQ believes that there was a reasonable basis to publish the Updated 5 Year Revenue Forecasts for the following reasons:

- (a) the Updated 5 Year Revenue Forecasts were within MYQ's internal forecasts at the time (being the MYQ Dec 17 Revenue Forecasts set out above); and
- (b) the MYQ Dec 17 Revenue Forecasts were reasonable having regard to the material underlying assumptions, as described in more detail in the response to question 12.2 above.

Similarly, MYQ believes it has a reasonable basis for publishing the Current Revenue Forecasts, as MYQ believes that the Current Revenue Forecasts are reasonable having regard to the material underlying assumptions described in detail in the response to question 12.2 above.

12.4 What steps did MYQ take to verify the reasonableness and reliability of the Updated Year 5 Revenue Forecast; and

MYQ reviewed the Updated 5 Year Revenue Forecasts in the Second Research Report against its own internal revenue forecasts (being the MYQ Dec 17 Revenue Forecasts set out in Table 2 above. As shown in Table 2 above, the MYQ Dec 17 Revenue Forecasts exceeded the Updated 5 Year Revenue Forecasts in the Second Research Report. On that basis and taking into account the material assumptions underlying the MYQ Dec 17 Revenue Forecasts as described in the response to question 12.2 above, MYQ was of the view that the Updated 5 Year Revenue Forecasts in the Second Research Report were reasonable.

12.5 Any independent or objectively verifiable sources of information that MYQ has to establish that there are reasonable grounds for the Updated 5 Year Revenue Forecast.

None. As noted above, MYQ's internal revenue forecasts are based on internal targets that have been developed through feedback from its commercial partners and based on what both parties believe to be reasonable penetration rates.

General Compliance

13 Please confirm that MYQ is in compliance with the Listing Rules, and in particular, Listing Rule 3.1.

Confirmed.

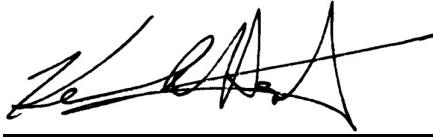
14 Please confirm that MYQ's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or

otherwise by its board or an officer of MYQ with delegated authority from the board to respond to ASX on disclosure matters.

Confirmed.

Yours sincerely

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read 'Kevin Hart', written over a solid horizontal line.

**Kevin Hart
Company Secretary**



19 March 2018

Mr Kevin Hart
Company Secretary
MyFiziq Limited
Suite 8 7 The Esplanade
Mount Pleasant WA 6153

By Email: kevinh@endeavourcorp.com.au

Dear Mr Hart

MyFiziq Limited ("MYQ")

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

- A. The announcement by MYQ released on ASX's Market Announcement Platform ("MAP") on 15 September 2017 titled *"Strategic Partnership with Leading Fitness App Fitocracy"* ("Fitocracy Announcement") ("Agreement"). The Announcement included the following highlights:
- *"Strategic partnership with initial potential annual revenue of up to US\$9 million per annum."*
 - *"Fitocracy and MyFiziq will collaborate to offer MyFiziq's revolutionary body shape tracking application to the Fitocracy community. Fitocracy's current user base of over 2 million users will be able to track changes in their body shape and dimension using the MyFiziq technology as they follow Fitocracy's coaching programs. MyFiziq will be an integral part of Fitocracy's offering and a key point of difference to other platforms."*
 - *"The MyFiziq pricing model, as previously outlined for our high-volume partners, has been structured to create customer retention and low friction when assessing value over a 12-month subscription. This model is further explained below:*
 - *1 – 999,999 monthly users US\$1.50 per user per month - US\$18.00 per annum*
 - *1,000,000-2,999,999 monthly users US\$1.00 per user per month - US\$12.00 per annum*
 - *3,000,000 or more monthly users US\$0.80 per user per month - US\$9.60 per annum."*
 - *"With an initial target of 500,000 Fitocracy users subscribing to the MyFiziq solution, potential revenue to MyFiziq, excluding future Fitocracy growth, is up to US\$9 million per annum (subject to this target being achieved)."*
- B. The announcement made by MYQ released on MAP on 7 December 2017 at 17:07 (AEDT) after market close, titled *"Research Report"* ("First Research Report Announcement"). The First Research Report Announcement included a link to the research report titled *"MyFiziq Limited (ASX: MYQ) Achieving Milestones"* by Red Leaf Securities Pty Ltd appearing on the MYQ website and the following statement:

"The research report was commissioned by MyFiziq Limited."

- C. The research report by Red Leaf Securities Pty Ltd dated 6 December 2017 titled “*MyFiziq Limited (ASX: MYQ) Achieving Milestones*” (“First Research Report”) that includes, among other things, the following table forecasting revenue from 2018 to 2022 (“First 5 Year Revenue Forecast”).

Figure 4: MYQ DCF Valuation

Discounted Cash Flow (DCF)	Forecasted Period				
	2018 30/06/17	2019 30/06/18	2020 30/06/19	2021 30/06/20	2022 30/06/21
Revenue	17.9	18.0	21.9	21.9	21.9
EBIT	15.0	15.1	19.0	19.0	19.0
YoY Growth		1.0%	25.5%	0.0%	0.0%
Tax rate	30.0%	30.0%	30.0%	30.0%	30.0%
EBIAT	10.5	10.6	13.3	13.3	13.3
Depreciation & Amortization	2.0	2.0	2.0	2.0	2.0
Cash from Working Capital	-0.1	-0.1	-0.1	-0.1	-0.1
Capital expenditures	0.0	0.0	0.0	-0.7	-0.7
Unlevered Free Cash Flows	12.4	12.5	15.2	14.5	14.5
Discount factor	0.91	0.76	0.64	0.54	0.46
Midyear adjustment factor	1.05	1.09	1.09	1.09	1.09
Present Value of Free Cash Flows	11.8	10.4	10.6	8.6	7.2
Sum of present values of FCF	48.7				

The First Research Report attributes the source of the information above as “the Company” (meaning MYQ) and also states the report was commissioned by MYQ.

- D. The tweet made by Red Leaf Securities using the handle @RedLeafSec on Twitter on 6 December 2017 stating that “*We have just released an updated research note on @MyFiziq \$MYQ with a price target of \$1.14. If you would like a copy, please PM us or email administration@redleafequities.com.au*”.
- E. The announcement made by MYQ released on MAP on 19 December 2017 at 12:24 (AEDT) titled “Research Report” (“Second Research Report Announcement”). The Second Research Report Announcement included a link to the research report titled “*MyFiziq Limited (ASX: MYQ) Another Win*” by Red Leaf Securities Pty Ltd appearing on the MYQ website. and the following statement:

“The research report was commissioned by MyFiziq Limited.”

- F. The research report by Red Leaf Securities Pty Ltd dated 18 December 2017 titled “*MyFiziq Limited (ASX: MYQ) Another Win*” (“Second Research Report”), that includes, among other things, the following table forecasting revenue from 2018 to 2022 (“Updated 5 Year Revenue Forecast”).

Figure 4: MYQ DCF Valuation

Discounted Cash Flow (DCF)	Forecasted Period				
	2018 30/06/17	2019 30/06/18	2020 30/06/19	2021 30/06/20	2022 30/06/21
Revenue	19.2	20.7	26.0	26.5	27.0
EBIT	16.4	17.9	23.1	23.6	24.0
YoY Growth		9.3%	29.3%	2.0%	2.0%
Tax rate	30.0%	30.0%	30.0%	30.0%	30.0%
EBIAT	11.4	12.5	16.2	16.5	16.8
Depreciation & Amortization	2.0	2.0	2.0	2.1	2.1
Cash from Working Capital	-0.1	-0.1	-0.1	-0.1	-0.1
Capital expenditures	0.0	0.0	0.0	-0.8	-0.8
Unlevered Free Cash Flows	13.4	14.4	18.1	17.6	18.0
Discount factor	0.91	0.77	0.65	0.54	0.46
Midyear adjustment factor	1.05	1.09	1.09	1.09	1.09
Present Value of Free Cash Flows	12.8	12.1	12.7	10.5	9.0
Sum of present values of FCF	57.0				

Again, the Second Research Report attributes the source of the information above as “the Company” (meaning MYQ) and also states the report was commissioned by MYQ.

- G. The tweet made by Red Leaf Securities using the handle @RedLeafSec on Twitter on 17 December 2017 stating, “Please note that we have an updated \$MYQ research note which includes latest #Mayweather deal with \$1.38 price target.”
- H. ASIC’s Regulatory Guide 170: *Prospective financial information*, in particular:
- a. RG 170.11 - *We believe the general test of whether prospective financial information must be disclosed is whether it is:*
 - (a) *relevant to its audience; and*
 - (b) *reliable (i.e. there must be a reasonable basis for it: see GIO Australia Holdings Ltd v. AMP Insurance Investment Holdings Pty Ltd (1998) 29 ACSR 584).*
 - b. RG 170.17 - *The making of a statement that contains prospective financial information (i.e. a forward-looking statement) must have reasonable grounds or it will be taken to be misleading under s728(2) or 769C of the Corporations Act. What are ‘reasonable grounds’ should be determined objectively in light of all of the circumstances at the time of the statement, so that a reasonable person would view as reasonable the grounds for the statement.*
 - c. RG 170.18 - *We consider that prospective financial information based on hypothetical assumptions (rather than reasonable grounds) is likely to be misleading and provide little information value to investors. In our view, prospective financial information without reasonable grounds is not material to investors, nor would an investor reasonably require it or reasonably expect to find it in a disclosure document or PDS.*
 - d. RG 170.41 - *We generally consider that prospective financial information for a period of more than two years may require independent or objectively verifiable sources of information to establish that there are reasonable grounds to provide it. However, for an existing business preparing a statement on estimates for up to two years, we will generally not regard as necessary independent verification if there otherwise appear to be reasonable grounds to make the statement. Directors should state why they believe the information is objectively reasonable. We may still take action on a statement on estimates for up to two years if we believe there are no reasonable grounds to provide it.*
 - e. RG 170.42- *The reasonable grounds requirement means that there should be a relevant factual foundation for the prospective financial information and that the information is not contrived: see George v. Rockett (1990) 170 CLR 104 and Re Aldred & Dept of the Treasury (1994) 35 ALD 685.*
 - f. RG 170.50 - ***The general principles in this regulatory guide also apply to advertising because of the interaction of s769C and 1041H.*** [emphasis added]

Section 769C states:

For the purposes of this Chapter, or of a proceeding under this Chapter, if:

- (a) *a person makes a representation with respect to any future matter (including the doing of, or refusing to do, any act); and*
- (b) *the person does not have reasonable grounds for making the representation; the representation is taken to be misleading.*

Section 1041H states:

A person must not, in this jurisdiction, engage in conduct, in relation to a financial product or a financial service, that is misleading or deceptive or is likely to mislead or deceive.

- g. RG 170.59 - *Investors should be given enough information to enable them to:*

 - (a) *assess whether the prospective financial information is relevant and reliable (i.e. to form their own view about how reasonable the grounds are for making the statement); and*
 - (b) *identify with certainty the facts and circumstances that support prospective financial information, as well as being able to demonstrate that the information is reasonable.*

- h. RG 170.61 - *A disclosure document or PDS must specifically disclose any assumptions used in compiling prospective financial information that materially affect the forecast outcome. The assumptions should be detailed and specific enough to enable the investor to work through all of the prospective financial information. This may require details about how returns are calculated during each year that the information covers. Among other things, assumptions about expenditures, revenues, inflation rates and other such variables should be clearly disclosed and highlighted if different assumptions have been used for different parts of the term that the prospective financial information covers.*

- i. RG 170.62 *Investors must be able to assess:*

 - (a) *the validity of the assumptions on which the prospective financial information is based;*
 - (b) *the likelihood of the assumptions actually occurring; and*
 - (c) *the effect on the prospective financial information if the assumptions vary.*

- j. RG 170.63 - *We expect a disclosure document or PDS to disclose material assumptions about:*

 - (a) *specific future economic conditions; and*
 - (b) *particular circumstances affecting a company or financial product and the industries relevant to that company or financial product.*

- k. RG 170.64 - *Disclosure of the material assumptions allows an investor or adviser to make an informed assessment of an issuer's prospects, or a person as a retail client to make an informed decision whether to acquire the product.*

- l. RG 170.65 - *An assessment of the impact of these assumptions on prospective financial information should also be included. However, a disclosure document or PDS does not have to:*

 - (a) *state general assumptions, such as the absence of war or natural disasters, unless the forecast takes these events into account; or*
 - (b) *disclose assumptions that would not materially affect the prospective financial information.*

- m. RG 170.66 - *It is not sufficient to state the general nature of an assumption. Specific quantities or amounts should be set out. For example, it may not be sufficient to state that prospective financial information is based on an anticipated recovery in equity markets, without setting out the amount of the required recovery: see GIO Australia Holdings Ltd v. AMP Insurance Investment Holdings Pty Ltd (1998) 29 ACSR 584.*

- n. RG 170.67 - *We consider that because the presence or absence of reasonable assumptions is a factor in any determination of whether an issuer has satisfied the relevant disclosure obligation, the basis for the assumptions underlying the prospective financial information should be stated in the disclosure document or PDS in order that an investor has some means of assessing that information: see Miba Pty Ltd v. Nescor Industries (1996) 141 ALR 525 and Wesfi Ltd v. Blend Investments Pty Ltd (1999) 31 ACSR 69.*
- o. RG 170.68 - *Disclosure of the basis for prospective financial information may reduce the capacity of the information to mislead because such disclosure assists the assessment/decision of an investor or retail client.*
- p. RG 170.78 - *Investors must be able to assess the reliability of prospective financial information. To do this, they should be able to assess whether the key assumptions are likely to occur. Therefore, a disclosure document or PDS must disclose material details about the enquiries and research undertaken and the process followed in preparing the information.*

A complete copy of the Regulatory Guide is available at:

<http://download.asic.gov.au/media/1240943/rg170-010411.pdf>

- i. Section 7.5 of ASX's Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B "Publishing analyst forecasts or consensus estimates generally"* which states, amongst other things that:

"From time to time, ASX is asked for its view on whether an entity should publish information about analyst forecasts or consensus estimates so that investors have better access to that information and a better understanding of the market's expectations for its earnings.

In ASX's view, with very few exceptions, a single analyst's forecast or a single consensus estimate is not information that is required to be, or that should be, published on the ASX Market Announcements Platform under Listing Rule 3.1. Publishing this information on the ASX Market Announcements Platform implies that the entity considers it to be market sensitive. It could only be market sensitive if it reflects or approximates the entity's own view of its likely earnings. Hence, the very act of publishing an analyst's forecast or consensus estimate on the ASX Market Announcements Platform constitutes an implied endorsement of the forecast or estimate. It therefore amounts to de facto earnings guidance, with the potential consequences described in '7.2 De facto earnings guidance'.

For these reasons, ASX will not generally allow an entity to publish a single analyst's forecast or a single consensus estimate on the ASX Market Announcements Platform without a detailed and acceptable explanation as to why the entity considers this information to be market sensitive."

Request for Information

Having regard to the above, ASX asks MYQ to respond separately to each of the following questions and requests for information in a form suitable for release to the market:

Fitocracy

- 1 How many Fitocracy application users have commenced paid subscription to the MYQ solution under the Agreement?
- 2 What revenue has MYQ received from the Agreement to date?

- 3 Does MYQ still stand by the statement in the Fitocracy Announcement that the Agreement has *“initial potential annual revenue of up to US\$9 million per annum”*?

Red Leaf Securities

- 4 What is the relationship between MYQ and Red Leaf Securities?
- 5 Apart from the First Research Report and the Second Research Report commissioned by MYQ, what other services has Red Leaf Securities provided to MYQ in the last 24 months?
- 6 Please describe the factors that MYQ took into account in deciding to commission Red Leaf Securities to produce the First Research Report and the Second Research Report, commenting in particular on whether Red Leaf Securities’ experience and expertise in analysing technology stocks was a factor and, if so, what steps MYQ took to satisfy itself on that score.

First Research Report

- 7 How much did MYQ pay Red Leaf Securities for the production of the First Research Report?
- 8 Was MYQ the source of the First 5 Year Revenue Forecasts, as stated in the First Research Report? If it wasn’t, what information did MYQ provide to Red Leaf Securities for it to produce the First 5 Year Revenue Forecasts included in the First Research Report?
- 9 In light of the disclosure requirements in ASIC’s Regulatory Guide 170, please provide the following information for the First 5 Year Revenue Forecast:
- 9.1 The basis for the First 5 Year Revenue Forecast;
 - 9.2 The material assumptions underpinning the First 5 Year Revenue Forecast;
 - 9.3 The factors which MYQ believes gave it a reasonable basis to publish the First 5 Year Revenue Forecast via the First Research Report;
 - 9.4 What steps did MYQ take to verify the reasonableness and reliability of the First Year 5 Revenue Forecast; and
 - 9.5 Any independent or objectively verifiable sources of information that MYQ has to establish that there are reasonable grounds for the First 5 Year Revenue Forecast.

Second Research Report

- 10 How much did MYQ pay Red Leaf Securities for the production of the Second Research Report?
- 11 Was MYQ the source of the Updated 5 Year Revenue Forecasts, as stated in the Second Research Report? If it wasn’t, what information did MYQ provide to Red Leaf Securities for it to produce the Updated 5 Year Revenue Forecasts included in the Second Research Report?
- 12 In light of the disclosure requirements set out in ASIC’s Regulatory Guide 170, please provide the following information for each of the Updated 5 Year Revenue Forecast:
- 12.1 The basis for the Updated 5 Year Revenue Forecast;
 - 12.2 The material assumptions underpinning the Updated 5 Year Revenue Forecast;

12.3 The factors which MYQ believes give it a reasonable basis to publish the Updated 5 Year Revenue Forecast via the Second Research Report;

12.4 What steps did MYQ take to verify the reasonableness and reliability of the Updated Year 5 Revenue Forecast; and

12.5 Any independent or objectively verifiable sources of information that MYQ has to establish that there are reasonable grounds for the Updated 5 Year Revenue Forecast.

General Compliance

13 Please confirm that MYQ is in compliance with the Listing Rules, and in particular, Listing Rule 3.1.

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

Once ASX has received and analysed the information above, it is likely to make further enquiries of MYQ.

In providing the information above, ASX would remind you that an officer or employee of a listed entity who gives, or authorises or permits the giving of, materially false or misleading information to ASX:

- knowingly, breaches section 1309(1) of the Corporations Act, which is a criminal offence punishable by a fine of up to 200 penalty units and/or imprisonment for up to 5 years; or
- without taking reasonable steps to ensure that the information was not false or misleading, breaches section 1309(2) of the Corporations Act, which is a criminal offence punishable by a fine of up to 100 penalty units and/or imprisonment for up to 2 years.

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 **7.00 a.m. WST on Thursday, 22 March 2018**.

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, the Entity'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. If any of the information requested under this letter requires immediate disclosure, MYQ should request a trading halt while it prepares an announcement to disclose the information.

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 elizabeth.harris@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

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 MYQ'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 MYQ'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.

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

Yours sincerely

[sent electronically without signature]

Elizabeth Harris

Principal Adviser, Listings Compliance (Perth)