



**World Reach Limited**  
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16 March 2016

Ms Belinda Mai  
Adviser, Listings Compliance  
ASX Compliance Pty Limited  
20 Bridge Street  
Sydney NSW 2000

(By email)

Dear Belinda

Re: Letter to World Reach Limited dated 7 March 2016.

I refer to your letter of 7 March in which you asked World Reach Limited (the "Company") to respond to 4 questions following the release of the Company's Appendix 4C for the period ended 31 December 2015. You noted the following figures from December quarter:

- Negative net operating cash flows for the quarter of \$1,284,000.
- Cash at end of quarter of \$1,705,000.

*Question 1 Does the Entity expect that it will continue to have negative operating cash flows for the time being and, if not, why not?*

Answer to Q1

#### Operating Cash Flows

Based on current forecasts the Company does not expect to have negative operating cash flows.

The reasons for the net operating cash outflow for December quarter 2015 were outlined in the Company's Appendix 4C commentary, and included:

- An unbudgeted inventory increase of \$580,000. The Company purchases components from China and the USA. These purchases are in economic quantities which often lead to fluctuations in inventory.
- The shortened trading period in December reduced debtor collections and the Company elected to pay creditors leading into the Christmas shutdown, generating a \$411,000 net cash outflow.

On 28 January 2016, the same day as the Appendix 4C release, the Company also released an "Adjustment to 2016 Profit Outlook" to update the market on its latest outlook, which included the following comments:

*"A review of the Company's revenues in the year to date and its forecast for the remainder of this financial year has indicated that several factors will impact its overall sales performance. In particular:*

- *The Company had budgeted for the receipt of a significant product order in time for major deliveries to be effected shortly before 30 June 2016. The next delivery of, and hence recording of revenues in respect to, that product is now not anticipated until FY2017;*

- *During November and December, industry-wide volatility in the international market for satellite communication products and accessories was observed; and*
- *The recall from sale by the network operator of one of its satellite handsets, which affected the sale of related Beam Communications docking accessories for a period of 4 months.”*

The industry volatility and the recall of handsets experienced in late 2015 are not expected to be repeated in 2016 which will benefit revenues going forward. Further, as announced on 8 February 2016, Telstra has commenced selling Iridium GO!® in Australia which is a major product for the World Reach group. In addition, the Company anticipates receiving a further Australian Government’s Export Development Grant and a Research and Development Grant in June 2016.

Inclusive of these factors, and the additional investment in inventory made in December 2015, the latest Company forecasts show that cash flow from operations will be positive over the next twelve months and beyond.

The Company has started the second half of 2016 strongly, with sales in January and February exceeding internal budgets.

*Question 2      Has the Entity 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.*

Answer to Q2

With operating cash flow expected to be positive, as described above, any requirement for further funding for the Company will be determined by its requirements for additional investment in the new product development.

To date Beam Communications Pty Ltd (‘Beam’), a World Reach Limited subsidiary, has only developed products to specifically suit the two major global satellite networks of Iridium and Inmarsat.

During the last six months Beam has been in development of a new concept satellite terminal for a third network operator, as announced in April 2015. The project is anticipated to continue until late FY2017. Development work of this nature is generally costly and takes place several months or years in advance of releasing product to the market and generating cash revenue, however the project has contracted revenues of US\$3m minimum once sales begin.

In the event investing cash usage by Beam, net of expected Research and Development grants, was to exceed operating cash flows prior to the sales of the new concept satellite terminal, the Company has as at 31 December 2015 available cash funds of \$1,705,000, and existing unused bank facilities of \$740,000. The Company notes it also has the ability to raise capital from the issue of securities should it determine that additional investment in product development in excess of available cash and bank facilities is required.

*Question 3 Does the Entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?*

Answer to Q3

Yes it does for the same reasons described in responses to Question 1 and Question 2.

*Question 4 Can the Entity confirm that it is in compliance with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition in accordance with that Rule that has not already been released to the market?*

Answer to Q4

The Company confirms it is in compliance with Listing Rule 3.1.

- The Company notes the following ASX releases made since 1 January 2016:
  - 28 January 2016 - Appendix 4C, with covering explanatory letter,
  - 28 January 2016 – Adjustment to 2016 Profit Outlook,
  - 8 February 2016 – Telstra Commences Selling Iridium GO! in Australia,
  - 24 February 2016 – Half Year Report and Financial Report, including Directors' Report.

Yours faithfully



Dennis Payne  
Company Secretary



7 March 2016

Mr Dennis Payne  
Chief Financial Officer & Company Secretary  
World Reach Limited  
Unit 5/ 8 Anzed Court  
Mulgrave, Victoria

By email: [dennis.payne@beamcommunications.com](mailto:dennis.payne@beamcommunications.com)

Dear Mr Payne,

**World Reach Limited (the “Entity”): ASX Appendix 4C Query**

I refer to the Entity’s quarterly report in the form of Appendix 4C for the period ended 31 December 2015 lodged with ASX Market Announcements Platform and released on 28 January 2016 (the “Appendix 4C”).

ASX notes that the Entity has reported:

- negative net operating cash flows for the quarter of \$1,284,000; and
- cash at the end of the quarter of \$1,705,000

It is possible to conclude on the basis of the information provided in the Appendix 4C that if the Entity were to continue to expend cash at the rate for the quarter indicated by the Appendix 4C, the Entity may not have sufficient cash to continue funding its operations. In view of that, please respond to each of the following questions:

1. Does the Entity expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has the Entity 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 the Entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Can the Entity confirm that it is in compliance with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition in accordance with that Rule that has not already been released to the market?



Please also provide any other information that the Entity considers may be relevant to ASX forming an opinion on whether the Entity is in compliance with Listing Rule 12.2.

### **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 9:30AM AEDT on Thursday, 10 March 2016**. If we do not have your response by then, ASX will have no choice but to consider suspending trading in the Entity'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, 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.

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 [belinda.mai@asx.com.au](mailto:belinda.mai@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.

The obligation of the Entity to disclose information under Listing Rules 3.1 and 3.1A is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

In responding to this letter, you should have regard to the Entity's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

### **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 the Entity'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 black ink, appearing to read 'Belinda Mai', with a long horizontal flourish extending to the right.

**Belinda Mai**

**Adviser, Listings Compliance**