ASX RELEASE

2016 Guidance

2 June 2016

Azure Healthcare Limited (the Company) wishes to update the market on recent developments effecting its expected financial performance for the 12 months to 30 June 2016.

Operating performance

The Company has observed in respect of its operating performance for the current quarter ended 30 June 2016 a slowing in revenue and a contraction in gross margins attributable to certain complex site installations as well as previous announced increased costs from the operation of dual manufacturing facilities and raw material costs arising from the higher US Dollar.

As previously announced, the Company is also undertaking a significant program to restructure the business operations. This has included the transition of its manufacturing operations to the USA, the largest review and rationalization of products in the Company's history, whilst also accelerating product research and development to further enhance its world-leading technologies in healthcare communication and clinical workflow management solutions.

The investment in these programs has been undertaken as it will create a foundation for future growth and profitability. The Nursecall market is in a phase of quantum change, which requires investment in software products in order to maintain and grow in our existing markets. The move of manufacturing to the USA is of paramount importance to reduce our factory overheads by 45% as well as to maintain FDA registration and UL1069 approval of our products, which are fast becoming mandatory standards for Nursecall providers. The Company has adopted an approach to the extent practicable to accrue costs associated with the restructuring programs and initiatives in the 2016 financial year, rather than carry these costs forward into the 2017 financial year.

As a result of the decline in revenue and margins, in conjunction with the restructuring programs and initiatives, the Company anticipates a net loss after tax for the 12 months ending 30 June 2016 in the range of $3.3 to $3.6 million compared to a net profit after tax of $1.08 million for the previous corresponding period. This result is subject to the completion of audit activities that are expected to be completed by 31 August 2016.

The significant variances when compared to the previous corresponding period are:

- while Revenue was marginally above target for the half year ended 31 December 2015, the Company experienced a recent revenue slowdown translating into approximately $3 million reduction for the 2016 full financial year as compared to the previous corresponding period. The revenue slowdown attributes approximately $1.53 million to the net loss after tax;
- margin reduction of approximately 4% arising from additional costs associated with the complex installation of products in respect of specific sites, the operation of dual manufacturing facilities and increased raw material costs from the higher US Dollar. The margin reduction attributes approximately $1.4 million to the net loss after tax;
- redundancy costs of $0.6 million including the closure of the Perth manufacturing facility in December 2016; and

- costs associated with the setup and transfer of manufacturing to Dallas USA of $0.4 million in relocation and recruitment expenses.

The Company has expended considerable financial resources to complete its restructuring program negatively impacting operating cash flows for the 12 months ending 30 June 2016. The Company continues to review and monitor its operating cash flow requirements going forward in light of anticipated full year revenue and restructuring programs.

Continued focus on return to profitability

In addition to the measure outlined in our Investor Presentation of 13 April 2016, the Company has completed its review and rationalisation of product lines. In reducing product lines from approximately 800 items to 300 the Company anticipates a simpler manufacturing process with improved operating efficiencies and a lower cost of output.

Further, the Company has released its pricing for new products including Tacera Pulse on a subscription based model as well as increased its pricing for existing products. The revised price list for existing products will take effect from 1 July 2016.

The Company expects that all restructuring programs and initiatives will be completed by 31 December 2016 to coincide with the closure of the Perth factory.

Possible divestment of non-core business

In the context of the restructure and strategic initiatives, the Company has commenced a process to assess the potential value that could be generated by the sale of its Cellguard business. Cellguard provides audio communication systems for custodial care facilities such as prisons. The process is at an early stage and no assurance can be given that a transaction will proceed.

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About Azure Healthcare Limited (ASX:AZV)

Azure Healthcare Limited is an international provider of healthcare communication and clinical workflow management solutions. The company is headquartered in Australia, has subsidiaries in six countries and supports healthcare facilities through our global reseller network which includes growing markets in health, aged care and remand care. Azure Healthcare services markets including Australia, New Zealand, Canada, UK, USA, Asia and the Middle East. For further information please refer to the Company's website www.azurehealthcare.com.au