

Dear Mr. Lees,

Air Change International Limited (the “Company” or “AC1”)

Periodic Disclosure Query

We refer to the Half-Yearly Financial Report¹ lodged on 12 March 2019 on which NSX has made below observations from the Independent Auditor's Review Report.

18 March 2019
Air Change International
Limited
Attn: Mr. Robert Lees
Company Secretary
2 Ashford Avenue, Milperra
NSW Australia 2214

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Air Change International Limited

Report on the Half-Year Financial Report

Qualified conclusion

We have reviewed the half-year financial report of Air Change International Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, with the exception of the matter described in the *Basis for qualified conclusion* section, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for qualified conclusion

As discussed in Note 1(ii), the Company's financing arrangements have expired and can therefore be withdrawn at one month's notice. The Company has been unable to conclude re-negotiations or obtain replacement financing. This situation indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. The financial report does not adequately disclose this matter.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

The auditor issued a qualified conclusion on the Half-Yearly Financial Report for the period ended 31 December 2018 due to the material uncertainty. As the Company disclosed in the Note 1(ii) of the 2018 Half-Yearly Financial Report, the Group has a Confidential Debtor Finance Facility that is necessary to finance its working capital requirements. The term of the facility has now expired and can therefore be withdrawn at one month's notice. Without this facility, the entity's ability to continue as a going concern would be in significant doubt, and therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

¹ <https://www.nsx.com.au/ftp/news/021736598.PDF>

In relation to the above observations please respond to the below questions.

- a) Please provide an update on the Company's re-negotiation or replacement financing progress.
- b) If the Company unable to secure a finance facility, please confirm whether the Company is of the view that the financial condition of the Company is sufficient to warrant its continued listing on NSX in accordance with the requirements of Listing Rule 6.54. Please explain why the Company believes so.

We would be grateful for your written response to all the questions by 4pm on 20th March 2019. Your response will be released to the market along with this letter.

If you wish to discuss the content of your response, please do not hesitate to contact me as soon as possible.

Please be reminded that the Issuer must comply with Chapter 6CA of the Corporations Act and Listing Rules Section IIA 6.4, 6.5 and 6.5A under continuous disclosure.

Listing Rule 6.54

The issuer shall carry out, directly or indirectly, a sufficient level of operations or have tangible assets of sufficient value and/or intangible assets for which a sufficient potential value can be demonstrated to the Exchange to warrant the continued listing on the Exchange of the issuer's securities.

Yours sincerely

Ingrid Wei
Market Surveillance Analyst