

17 May 2017

Mr Chris Dobbs
 Adviser, Listings Compliance
 ASX Compliance Pty Limited
 Level 6, 20 Bridge Street
 Sydney NSW 2000

By email: chris.dobbs@asx.com.au

Dear Chris,

OtherLevels Holdings Limited (“the Company”): Appendix 4C query

Further to your letter received dated 12 May 2017, we provide the following responses to your queries in relation to the Company’s Appendix 4C quarterly report for the period ended 31 March 2017:

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

The Company is expecting to achieve cash flow positive status during FY18, although we anticipate that we will have negative operating and investing cash flows in the short term. The Company’s goal, subject to projected sales being achieved, has been to be cash flow positive by Q2 FY18. In support of this the Company has been growing sales and reducing costs as detailed in the table set out below.

Note that as the Company allocates a portion of its development labour costs as an investing cash outflow, operating and investing cash flows for the Company should always be considered together. In addition, the Company does not have (or expect to have) any significant capital expenditure that would otherwise be included in investing cash flows.

The following table summarises the quarterly cash receipts and net cash payments from operating and investing activities over the last 12 months:

	Cash inflows (Customer receipts) A\$'000	Cash outflows (Operating & Investing) A\$'000	Net cash flows (Operating & Investing) A\$'000
Q4 FY17 (to date)	1,209		
Q3 FY17	1,050	(1,834)	(784)
Q2 FY17	1,132	(1,997)	(865)
Q1 FY17 *	489	(3,177)	(3,666)
Q4 FY16	984	(2,708)	(1,724)
Q3 FY16	978	(2,509)	(1,531)

* In addition to the \$489,000 in customer receipts in Q1 FY17, the Company also received the R&D tax concession for the financial year ended 30 June 2016 of \$799,270. The Company expects to receive another R&D tax concession in Q1 FY18 for the 2017 financial year.

The above table demonstrates the impact of cost reductions that have been put in place by the Company since Q2 FY17. Importantly, Q4 FY17 cash receipts from customers are expected to be

in the order of A\$1,500,000, and to date we have confirmed receipt of approximately A\$1,200,000. This was clearly explained in the commentary that was lodged with the Appendix 4C report on 28 April 2017.

- 2. Has the Company 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?**

As at the date of this letter, the Company has A\$300,000 available from the Directors' loan facility that has been put in place. In addition, the Company has recently secured an additional A\$300,000 credit facility from a major shareholder for working capital purposes.

The cash position of the Company is under constant review by the Board, and the Board is considering its options to secure additional funding.

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

The Company expects its operations to continue and meet its business objectives on the basis of the responses provided to Questions 1 and 2 above.

This is further supported by the increase in year on year quarterly cash flows, as seen in Q3 FY17, and Q4 FY17 to date (see (1) above), which is substantiated by a strong pipeline and significant increases in annual contract renewals for existing customers, as disclosed in the market release dated 28 April 2017.

- 4. Please confirm that the Company 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.**

The Company believes it is in compliance with Listing Rule 3.1, and at present there is no further information that should be given to the ASX regarding its financial position. Once the circumstances highlighted in Question 2 (above) have been finalised, the Company will make the appropriate disclosure to the ASX in accordance with Listing Rule 3.1.

- 5. Please confirm that the Company's response 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 the Company with delegated authority from the board to respond to ASX on disclosure matters.**

The Company's responses have been authorised by the Board of Directors of the Company.

Yours sincerely, and on behalf of the Board.



Andrew Ritter
Company Secretary



12 May 2017

Andrew Ritter
Company Secretary
OtherLevels Holdings Limited
Level 1, 235 Edward Street
PO Box 15305 BRISBANE QLD 4000

By email: andrew.ritter@otherlevels.com

Dear Andrew,

OtherLevels Holdings Limited (“the Company”): Appendix 4C Query

I refer to the Company’s Appendix 4C quarterly report for the period ended 31 March 2017 lodged with ASX Market Announcements Platform and released on 28 April 2017 (the “Appendix 4C”).

ASX notes that the Company has reported:

- negative net operating cash flows for the quarter of \$429,000;
- cash at the end of the quarter of \$220,000; and
- estimated cash outflows for the next quarter of \$1,913,000.

It is possible to conclude, based on the information in the Appendix 4C, that if the Company were to continue to expend cash at the rate indicated by the Appendix 4C, the Company may not have sufficient cash to continue funding its operations. In view of that, ASX asks the Company to answer separately each of the following questions and provide the following confirmations in a format suitable for release to the market in accordance with Listing Rule 18.7A:

1. Does the Company expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has the Company 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 Company expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Please confirm that the Company 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.
5. Please confirm that the Company’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 the Company with delegated authority from the board to respond to ASX on disclosure matters.

Please also provide any other information that the Company considers may be relevant to ASX forming an opinion on whether the Company is in compliance with Listing Rule 12.2 (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, 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 **10:00 am AEST on Wednesday 17 May 2017**. If we do not have your response by then, ASX will have no choice but to consider suspending trading in the Company'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 Company'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 **chris.dobbs@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 the Company'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 the Company'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 the Company'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 'Christopher Dobbs', written in a cursive style.

Christopher Dobbs
Adviser, Listings Compliance
Ph: (02) 9227 0488