

Ms Melissa Lim
Adviser, ASX Listings Compliance (Sydney)

5 February 2020

RE: NSX Limited (NSX): Appendix 4C Query

ASX Market
Announcements
Office

Dear Ms Lim

We refer to your letter dated 4 February 2020 concerning the Appendix 4C and Activities report release by NSX on 31 January 2020.

ASX Limited

Background

20 Bridge St,
SYDNEY NSW 2000

- NSX has a history of negative cash flows per quarter (except September) as it builds its business and meets changing regulatory and commercial requirements as well as exploring new business opportunities.
- NSX is not currently profitable as has been disclosed in previous financial related disclosures.

Response to request for information

NSX provides the following information in response:

1. Yes, NSX expects to continue to have negative operating cash flow (item 1.9 of the report) while it continues to invest and build its business and explore new opportunities for growth. Note that NSX is typically cash flow positive in the September quarter of each year as NSX receives the bulk of the receipts from its customers for the financial year during this period.

As disclosed in the Cash Flow and Activities report, the larger than previous quarters operating negative cash flow of \$1.9 million was due to the timing of extra payments in the quarter of \$0.8 million. The next quarter's forecast in section 9 of the report also has some expenses related to timing of payments and one-off contract expenses for work that will fall due as projects start to wind down.
2. Yes, the Board has been actively pursuing capital raising options. As disclosed in the Cash Flow and Activities report lodged with ASX on 31 January 2020 the NSX Board is investigating and negotiating a share issue by way of a placement. Once the various terms have been finalised NSX will make an announcement to the market including an Appendix 3B – Proposed issue of securities as is required by ASX listing rules.
3. Yes. The NSX believes that it will have the required support of investors as part of its current capital raising activities which will enable NSX to carry on its operations.
4. NSX confirms that there are no additional disclosures required under ASX listing rule 3.1 at this present time that have not already been released to the market, are not already known to the market based on NSX's past operating and financial performance disclosures or disclosed in the response to ASX's questions above.
5. NSX confirms that this response has been circulated to the NSX Board for review, comment and resolved to be approved for release as required by its published continuous disclosure policy.

Authorised and by order of the Board



4 February 2020

Reference: 13409

Mr Scott Evans
Company Secretary
NSX Limited
Level 3, Suite 3.04
1 Bligh Street
Sydney NSW 2000

By email

Dear Mr Evans

NSX Limited ('NSX'): Appendix 4C Query

ASX refers to NSX's Appendix 4C quarterly report for the period ended 31 December 2019 lodged with the ASX Market Announcements Platform and released on 31 January 2020 (the 'Appendix 4C').

ASX notes that NSX has reported:

- negative net operating cash flows for the quarter of \$1,911,000;
- cash at the end of the quarter of \$3,297,000; and
- estimated cash outflows for the next quarter of \$1,415,000.

It is possible to conclude, based on the information in the Appendix 4C, that if NSX were to continue to expend cash at the rate indicated by the Appendix 4C, NSX may not have sufficient cash to continue funding its operations.

Request for Information

In view of that, ASX asks NSX to answer separately each of the following questions and provide the following confirmations in a format suitable for release to the market under Listing Rule 18.7A:

1. Does NSX expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has NSX 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 NSX expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Please confirm that NSX is complying with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under that rule that has not already been released to the market.
5. Please confirm that NSX'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 NSX with delegated authority from the board to respond to ASX on disclosure matters.

Please also provide any other information that NSX considers may be relevant to ASX forming an opinion on whether NSX is complying with Listing Rule 12.2 that 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 Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **9:00 AM AEST Friday, 7 February 2020**.

If we do not have your response by then, ASX will have no choice but to consider suspending trading in NSX'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, NSX'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 ListingsComplianceSydney@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 and 3.1A

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 NSX'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 NSX'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 NSX's securities under Listing Rule 17.1. If you wish to request 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*.

Enquiries

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

Kind regards

Melissa Lim
Adviser, Listings Compliance (Sydney)