



6 February 2020

Mr Corey Lian
Adviser, Listings Compliance (Sydney)

Email: ListingsComplianceSydney@asx.com.au

Dear Corey,

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

The Company is continuing to implement its turnaround plan, which consists of several discrete initiatives, which vary in complexity, being executed. Results remain positive despite the cash flows for the last quarter which were negatively affected by the typical end of year seasonal slowdown, an additional pay-cycle for the month of December and several one-off legal, insurance and business restructure costs.

The Company expects improvements in cash flows in the short to medium term, however the likelihood of negative operating cash flows for the time being continues to remain relatively high.

2. Has SIL 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?

The Company is actively considering all funding avenues open to it, including debt, equity and where appropriate asset sale. It remains confident it would be successful should it so elect to raise further funds, whether via equity capital markets, or through alternative means. In the last quarter it completed the following fund-raising activities:

- Successful completion of a \$3.3 Million 1:1 Accelerated Rights Issue; and
- Successful completion of the sale of two non-core operating practices for \$2Million.

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

The Company continues to believe in its underlying business model and the current board and management remain committed to the objectives set out in the Company's prospectus and market announcements, including focusing on implementing its turnaround plan, improving business performance and providing reliable dental services.

The Company expects to be able to continue its operations and to meet its business objectives on the basis that it continues to have the support of its stakeholders and that it is seeing positive tangible change within the business (including in respect of cash flows on a like-for-like basis) as a result of the implementation of its turnaround plan.



- 4. Please confirm that SIL 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.**

The Company considers that it is complying with listing rule 3.1 and there is no information that should be given to ASX about its financial condition that has not already been released to the market.

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

Confirmed.

Yours faithfully,

A handwritten signature in dark ink that reads "David Usasz".

David Usasz
Chairman



3 February 2020

Reference: 13308

Ms Emma Corcoran
Chief Financial Officer & Company Secretary
Smiles Inclusive Limited
Unit 3, 38-40 Township Drive,
Burleigh Heads, QLD, 4220

By email:

Dear Ms Corcoran

Smiles Inclusive Limited ('SIL'): Appendix 4C Query

ASX refers to SIL'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 SIL has reported:

- negative net operating cash flows for the quarter of \$3,215,000;
- cash at the end of the quarter of \$709,000; and
- estimated cash outflows for the next quarter of \$12,700,000.

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

Request for Information

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

Please also provide any other information that SIL considers may be relevant to ASX forming an opinion on whether SIL 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 **9:30 AM AEDT Friday, 7 February 2020**.

If we do not have your response by then, ASX will have no choice but to consider suspending trading in SIL'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, SIL'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 SIL'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 SIL'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 SIL'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

Corey Lian
Adviser, Listings Compliance (Sydney)