27 May 2019

Kate Kidson
Principal Advisor
Listings Compliance (Melbourne)
ASX

By email: ListingsComplianceMelbourne@asx.com.au

Your Reference: ODIN02717

Dear Ms Kidson,

I am writing in response to your letter of 24 May 2019. I have set out below the Company's response to your request for information, taking each of your points in turn.

1. Does AMS consider the Earnings Upgrade to be information that a reasonable person would expect to have a material effect on the price or value of its securities?

   Yes

2. If the answer to question 1 is "no", please advise the basis for that view.

   Not applicable

3. When did AMS first become aware of the Earnings Upgrade? Please answer with reference to the following:

   3.1. In the 14 May 2019 announcement, AMS:
   a) confirmed the Initial Full Year Forecast; and
   b) noted that it had reported 1HY2019 pro forma EBITDA of $0.7m.

   3.2. *At the time of the 14 May 2019 announcement, AMS re-confirmed that sales were expected to be stronger than the prospectus forecast as announced in its 1H FY19 results presentation on 28 February 2019. However, at that time, the Board had no basis to amend the Initial Full Year Forecast for Pro Forma EBITDA that had previously been announced as part of the 1H FY19 Results on 28 February 2019 as it did not have sufficient certainty at that time as to the anticipated full year results.*

   AMS released the Earnings Upgrade on 22 May 2019, six business days after the 14 May announcement.

   The AMS Board met on the evening of 20 May 2019 and considered a revised confidential internal forecast tabled by management. This forecast included updates to both:

a) *the Company's year to date sales and Pro Forma EBITDA for the 10 months to April and;*
b) *revised expectations for sales and Pro Forma EBITDA for the remaining months of 2H FY2019. The second half revisions reflected revised expectations in relation to the timing of product shipments (and therefore revenue recognition) in particular for the final two months of the year as well as revised forecasts for margins and costs anticipated during 2H FY2019.*

The Board reviewed the draft actual results for the 10 months to April at this meeting for the first time. Such results were not available at the time of the 14 May release. It appeared from the updated forecast that an upgrade may need to be released to the market, however, to ensure that there was a reasonable basis for the revised numbers, the Board requested the Chairman of the Audit Committee and Board Chairman to review with Management the details of the forecast (including assumptions for product mix and timing of product shipments) and, if required, draft a market announcement.

As soon as this review was completed, the Board determined that the second half sales and Pro Forma EBITDA would very likely be ahead of the Initial Full Year forecast and therefore resolved to update the market. Accordingly, a draft announcement was circulated to the Board for approval after market close on 21 May 2019. The Earnings Upgrade was considered by all directors and approved by the Board during the evening of 21 May 2019 and was released pre-market open on 22 May 2019.

3.3. AMS cited strong sales of the Ninja V product and higher-than-forecast sales of AMS products bundled with cameras from major manufacturers when it confirmed the Initial Full Year Forecast on 14 May 2019.
3.4. AMS cited 'stronger than forecast sales' of the Ninja V product and the two Shinobi devices as reasons for the Earnings Upgrade.
3.5. ASX would expect that, given the proximity between the two announcements:
   a) the Ninja V sales data that informed AMS's decision to reiterate the Initial Full Year Forecast on 14 May 2019 would not have materially changed between then and 22 May 2019; and
   b) the Shinobi sales data and its impact on pro forma EBITDA would reasonably have been available to AMS around 14 May 2019.

The strong sales of both Ninja V and the Shinobi products in the year to date had to be balanced with the anticipated sales and profit to be generated in the remainder of the second half, a period which is expected to be materially influenced by the timing of additional new product releases, particularly in the last two months.

If the answer to question 1 is "yes" and AMS first became aware of the Earnings Upgrade before the relevant date, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe AMS was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps AMS took to ensure that the information was released promptly and without delay.

Not applicable. AMS released the Earnings Guidance as soon as its internal financial information was sufficiently definite to enable disclosure and when the Board was comfortable that it had a reasonable basis for the updated guidance.

4. Please confirm that AMS is complying with the Listing Rules and, in particular, Listing Rule 3.1.

   AMS is complying with the Listing Rules, including Listing Rule 3.1

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

   AMS's response to the questions above has been authorised by the Board of Directors.

Yours sincerely



Lisa Dadswell
Company Secretary
Atomos Limited

24 May 2019

Reference: ODIN02717

Ms Lisa Dadswell
Company Secretary
Atomos Limited

By email only

Dear Ms Dadswell

Atomos Limited ('AMS'): Aware Query

ASX refers to the following:

A. AMS's prospectus dated 30 November 2018 and released on the ASX market announcements platform ("MAP") on the date of its admission to the official list, being 27 December 2018. Page 19 of the prospectus contained a forecast pro forma EBITDA of $288,000 for the financial year to 30 June 2019 (the "Initial Full Year Forecast").

B. AMS's announcement entitled "Investor Update" released on MAP at 2.34 PM on 14 May 2019, disclosing, amongst other things:

   i. Key features of its performance for the half year ended 31 December 2018 (on pages 12 and 13) as previously disclosed in the announcement titled "Half Year Accounts" lodged on MAP at 9:44AM on 28 February 2019, namely:

      a. Revenue of $24.2m.

      b. Pro forma EBITDA of $0.7m.

      c. Sales growth driven by the on-time launch of Ninja V in September 2018 and strong sales of this product, and higher-than-forecast sales of product bundles with major camera manufacturers.

   ii. AMS is *"…Comfortable with forecast FY19 Pro Forma EBITDA guidance of $0.3m given in the prospectus"*, noting (on page 14):

      a. Investors should expect stronger sales for full year FY19 than forecast in the prospectus, based on the half year results.

      b. Gross profit margin for FY19 was expected to be lower than the FY19 prospectus forecast.

C. AMS's announcement entitled "Upgrade to FY19 Guidance" released on MAP at 8.27 AM on 22 May 2019, disclosing, amongst other things:

   i. "*The second half FY19 Pro Forma EBITDA is anticipated to be ahead of expectations and broadly in line with the first half Pro Forma EBITDA of $0.7m….*" (the "Earnings Upgrade").

   ii. "*The upgrade to expectations for FY19 revenue and Pro Forma EBITDA were driven by several factors including:*

      - *Stronger than forecast sales from the Ninja V which was launched in September 2018. Ninja V was the first product released on the Ninja platform, a highly leverageable new technology platform incorporating a redesigned operating system that will underpin a suite of new products over the coming years;*

- *Stronger than forecast sales from the two Shinobi devices, 5-inch HDMI and SDI monitors targeting the rapidly growing "Social" segment of the video market, which were launched in February and March 2019; and*
- *In part offset by continued investment in market development and product innovation*."

D. On 22 May 2019, trading in AMS's shares opened at $1.22.5. On 23 May, trading in AMS's shares closed at $1.34, on average volumes on each day of 1,028,136 shares transacted.

E. Listing Rule 3.1, which requires a listed entity to immediately give ASX 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.

F. The definition of "aware" in Chapter 19 of the Listing Rules, which states that:

"an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity" and section 4.4 in Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B "When does an entity become aware of information."

G. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.

"3.1A Listing rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:

3.1A.1 One or more of the following applies:

- *It would be a breach of a law to disclose the information;*
- *The information concerns an incomplete proposal or negotiation;*
- *The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
- *The information is generated for the internal management purposes of the entity; or*
- *The information is a trade secret; and*

3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and

3.1A.3 A reasonable person would not expect the information to be disclosed."

H. ASX's policy on "confidentiality", which is detailed in section 5.8 of Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B. In particular, the Guidance Note states that:

"Whether information has the quality of being confidential is a question of fact, not one of the intention or desire of the listed entity. Accordingly, even though an entity may consider information to be confidential and its disclosure to be a breach of confidence, if it is in fact disclosed by those who know it, then it ceases to be confidential information for the purposes of this rule."

Request for Information

Having regard to the above, ASX asks AMS to respond separately to each of the following questions and requests for information:

1. Does AMS consider the Earnings Upgrade to be information that a reasonable person would expect to have a material effect on the price or value of its securities?

2. If the answer to question 1 is "no", please advise the basis for that view.

3. When did AMS first become aware of the Earnings Upgrade? Please answer with reference to the following:

   3.1 In the 14 May 2019 announcement, AMS:

      a) confirmed the Initial Full Year Forecast; and

      b) noted that it had reported 1HY2019 pro forma EBITDA of $0.7m.[1]

   3.2 AMS released the Earnings Upgrade on 22 May 2019, six business days after the 14 May announcement.

   3.3 AMS cited strong sales of the Ninja V product and higher-than-forecast sales of AMS products bundled with cameras from major manufacturers when it confirmed the Initial Full Year Forecast on 14 May 2019.

   3.4 AMS cited 'stronger than forecast sales' of the Ninja V product and the two Shinobi devices as reasons for the Earnings Upgrade.

   3.5 ASX would expect that, given the proximity between the two announcements:

      a) the Ninja V sales data that informed AMS's decision to reiterate the Initial Full Year Forecast on 14 May 2019 would not have materially changed between then and 22 May 2019; and

      b) the Shinobi sales data and its impact on pro forma EBITDA would reasonably have been available to AMS around 14 May 2019.

4. If the answer to question 1 is "yes" and AMS first became aware of the Earnings Upgrade before the relevant date, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe AMS was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps AMS took to ensure that the information was released promptly and without delay.

5. Please confirm that AMS is complying with the Listing Rules and, in particular, Listing Rule 3.1.

6. Please confirm that AMS'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 AMS with delegated authority from the board to respond to ASX on disclosure matters.

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 **AEST Monday, 27 May 2019**.

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, AMS'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 and may require AMS to request a trading halt immediately.

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;

[1] as reported by AMS in its announcement titled "Half Year Accounts", released on MAP at 9:44 AM on 28 February 2019.

- 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 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*.

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 **ListingsComplianceMelbourne@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 Rules 3.1 and 3.1A

In responding to this letter, you should have regard to AMS'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 AMS'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.

Suspension

If you are unable to respond to this letter by the time specified above ASX will likely suspend trading in AMS's securities under Listing Rule 17.3.

Enquiries

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

Kind regards

Kate Kidson
Principal Adviser, Listings Compliance (Melbourne)