

13 September 2024

Michelle Milligan
Manager, Listings Compliance
ASX Compliance Pty Ltd
20 Bridge Street
Sydney NSW 2000

Dear Ms Milligan,

Re: Nanosonics Limited ('NAN'): ASX Aware Letter

Nanosonics Limited (ASX:NAN) (**Nanosonics, NAN** or the **Company**) refers to the letter from your colleague, Ms Lisa Banh, dated 29 August 2024 entitled 'Nanosonics Limited ('NAN'): ASX Aware Letter' (**ASX Aware Letter**) and responds to your questions in that letter as set out below. Capitalised terms used, but not defined, in this letter have the meanings given to them in the ASX Aware Letter.

1. ***Does NAN consider that any measure of its statutory or underlying earnings for the full year ended 30 June 2024 as disclosed in the Results Announcements ('Earnings Information') differed materially from the market's expectations, having regard to the following three base indicators (in decreasing order of relevance and reliability):***
 - 1.1 ***If NAN had published earnings guidance, that guidance.***
 - 1.2 ***If NAN is covered by sell-side analysts, the earnings forecasts of those analysts.***
 - 1.3 ***If paragraph 1.1 and 1.2 are not applicable, NAN's earnings for the prior corresponding period, being the full year ended 30 June 2023***

Response: Nanosonics considers that its results in respect of the measures for the full year ended 30 June 2024 (**FY24**) (as disclosed in the Results Announcements) for which Nanosonics published guidance in FY24 were within the relevant ranges disclosed in that published guidance. As explained in Nanosonics' response to question 2 below, NAN considered that the market's expectations in respect of NAN's performance for FY24 were set by its published guidance and, on the basis that the Company issued guidance for its expected financial performance for FY24, the Company believes that its approach to determining what the market was expecting its financial performance for FY24 to be and whether an expected variation to that expectation required disclosure to the ASX was consistent with that described in ASX GN 8 (as defined below).

However, for completeness, as explained in detail in Nanosonics' response to question 2 below:

- the sell-side analysts that cover Nanosonics provided forecasts in respect of Nanosonics' EBIT and PBT for FY24;
- consistent with its past practice, the Company did not provide an outlook statement or other forecast or guidance to the ASX specifically with respect to EBIT or PBT for FY24 on the basis that the Company is currently in a growth or investment phase and, in that context, NAN did not consider that its EBIT or PBT for FY24 was or would be a material driver of value creation for its shareholders (and, therefore, was not a material driver of the price or value of NAN's shares); and
- the Company's actual EBIT and PBT for FY24 was ultimately greater than the average of each of the EBIT and PBT forecasts of the sell-side analysts referred to above, however, for the reasons set out in Nanosonics' response to question 2 below, at and leading up to the time that Nanosonics' internal forecasts in respect of its EBIT and PBT results for FY24 became sufficiently certain to give NAN reasonable grounds to believe that its FY24 results for those measures may exceed the average of the sell-side analysts forecasts in respect of those measures, the Company did not consider that information to be information that a reasonable person would expect to have a material effect on the price or value of NAN's shares, particularly given that NAN had already published guidance which contained statements regarding its expectations for each of the 3 financial performance measures (total revenue, total gross profit margin and operating expenses) that NAN regarded (and continues to regard) to be more material drivers of the price or value of NAN's shares than EBIT or PBT for

a particular period (and subsequently affirmed that guidance after the end of FY24 but before the release of the Results Announcements). Further, the Company also considers that the growth in and number of installed base of trophon units in the market, and the launch of new products, are more material drivers of the price or value of NAN's shares than EBIT or PBT for a particular period.

Further details (including information about Nanosonics' published earnings guidance for FY24, the forecasts of the sell-side analysts that covered Nanosonics in FY24, and an explanation of the basis of Nanosonics' views in relation to the matters referred to above) are provided in the response to question 2 below. Paragraph 1.3 of question 1 is not applicable.

2. Please explain the basis for the view provided in response to question 1. In doing so, please specify how NAN determined market expectations in relation to each relevant measure of its earnings, including:

2.1 If NAN had published earnings guidance, details of:

2.1.1 that guidance and when it was released to the market; and

2.1.2 the date when the entity first became aware with a reasonable degree of certainty that its expected earnings for the relevant reporting period would vary from, or be in line with, that guidance.

2.2 If NAN used sell-side analyst forecasts to estimate the market's expectations of its earnings, details of:

2.2.1 the method that NAN used to translate sell-side analyst forecasts into its estimate of market expectations for each measure of earnings referred to in the Earnings Information and, in particular, whether or not NAN used a "consensus estimate" or an "adjusted consensus estimate" or a different specified approach for determining this estimate;

2.2.2 the entity's estimate of market expectations using that method; and

2.2.3 the date when the entity first became aware with a reasonable degree of certainty that its expected earnings for the relevant reporting period would vary from, or be in line with, its estimate of these expectations.

Response: NAN determined market expectations in relation to each relevant measure of its financial performance in FY24 as described below (using the numbering of the questions in the ASX Aware Letter).

2.1 Published outlook statements

The Company has a practice of making forward-looking or "outlook" statements in respect of its "total revenue", "gross profit margin" and "operating expenses" for the relevant financial year to the market. A summary of the relevant outlook statements that the Company disclosed to the ASX in before the release of the Results Announcements is provided below, together with a summary of the Company's FY24 financial results (which were disclosed in the Results Announcements).

On 26 February 2024, NAN disclosed to the ASX (at the time that it released its financial results for the half year ended 31 December 2024 (**H1 FY24**)) that its:

- Total revenue for FY24 was expected to be between \$164 and 171 million;
- Total gross profit margin for FY24 was expected to be between 76-78%; and
- Operating expenses for FY24 were expected to grow by between 9-11% (equivalent to an operating expense growth range of \$10.3-\$12.6 million to a total operating expense range of \$124.5 million to \$126.8 million),

(**February 2024 Outlook Statement**).¹

On 15 July 2024, NAN provided a trading update for the last six months of FY24 (**H2 FY24**) to the ASX, which disclosed that the Company expected:

- Total revenue for FY24 to be approximately \$170.0 million (which was within the expected range disclosed in the February 2024 Outlook Statement);

¹ See the "Business outlook – FY24" section of Nanosonics' ASX announcement on 26 February 2024 entitled "Nanosonics 2024 half-year financial results".

- Total gross profit margin for FY24 to be at the upper end of the range specified in the February 2024 Outlook Statement; and
- Operating expense growth to be within the range specified in the February 2024 Outlook Statement,

(July 2024 Trading Update).²

Nanosonics exercises care and diligence with respect to compliance with its obligations under ASX Listing Rule 3.1, as supplemented by the ASX's guidance in relation to such compliance in ASX GN 8, including the requirement for Nanosonics to update its published guidance if and when it expects there to be a material difference between its actual performance for the relevant period (in this case, FY24) and the guidance it has given to the market in respect of that period (in this case, in the February 2024 Outlook Statement and the July 2024 Trading Update) where that information is information that a reasonable person would expect to have a material effect on the price or value of Nanosonics' shares. As part of this, Nanosonics continuously monitored its expected performance in respect of the relevant measures against the guidance it gave to the market in the February 2024 Outlook Statement. On 15 July 2024, NAN believed that its internal forecasts in respect of its results for the 3 financial performance measures the subject of the February 2024 Outlook Statement (as described above) for FY24 were sufficiently certain to give NAN reasonable grounds to issue updated and more precise guidance in respect of total revenue, and reaffirm its guidance in the February 2024 Trading Update in respect of gross profit margin and operating expenses, for FY24, and, accordingly, NAN released the July 2024 Trading Update to the ASX shortly thereafter (and before market open that day).

On 27 August 2024, NAN disclosed the Earnings Information to the ASX in the Results Announcements, which reported that the Company's:

- Total revenue for FY24 was \$170.0 million;
- Total gross profit margin for FY24 was 77.9%; and
- Operating expense for FY24 grew by 10% to \$125.6 million.

The Company's result for each of the 3 financial performance measures the subject of the February 2024 Outlook Statement (and the July 2024 Trading Update for FY24), as disclosed in the Results Announcements), was:

- in the case of total revenue, within the expected range disclosed in the February 2024 Outlook Statement and equal to the expected amount disclosed in the July 2024 Trading Update); and
- in the case of total gross profit margin and operating expenses, within the expected range for each measure disclosed in the February 2024 Outlook Statement (and affirmed in the July 2024 Trading Update).

2.2 Sell-side analyst forecasts

As noted in the response to question 2.1 above, NAN has a practice of making forward-looking or "outlook" statements in respect of its total revenue, gross profit margin and operating expenses (as reflected in the February 2024 Outlook Statement and the July 2024 Trading Update) for the relevant financial year to the market. NAN considers that the market's expectations in respect of NAN's performance for a particular period are set by those outlook statements. On the basis that the Company issued guidance for its expected financial performance for FY24 (being the February 2024 Outlook Statement and the July 2024 Trading Update), the Company believes that its approach to determining what the market was expecting its financial performance for FY24 to be and whether an expected variation to that expectation required disclosure to the ASX was consistent with that described in subsections 1 and 4(a) of section 7.3 of ASX Guidance Note 8 (*Continuous Disclosure*) (**ASX GN 8**) – that is, Nanosonics monitored whether it expected there to be a material difference between its published guidance in respect of the financial performance measures the subject of the February 2024 Outlook Statement and its expected results in respect of those measures.

However, in addition to this, for the purpose of NAN's internal analysis, NAN has a practice of reviewing the forecasts in respect of the Company's financial performance of sell-side analysts

² See Nanosonics' ASX announcement on 15 July 2024 entitled "Nanosonics Trading Update for H2 FY24".

that cover the Company (contained in reports published by those analysts (**Analyst Reports**)) to estimate the market's expectations of NAN's total revenue, total gross profit margin and operating expenses (ie, the 3 financial performance measures for which NAN provides outlook statements to the ASX).

There were 10 sell-side analysts that produced Analyst Reports for FY24. NAN translates sell-side analyst forecasts into its estimate of market expectations for each financial performance measure referred to above by taking an average of the forecasts for each such measure provided by these sell-side analysts (as disclosed in their Analyst Reports). Other than as noted below in respect of the Updated Broker Consensus numbers, the Company did not prepare or use an "adjusted consensus estimate" (referred to in ASX GN 8) that excluded certain sell-side analysts' forecasts (but the Company notes that third party broker data providers that provide their view of "broker consensus" may, from time to time, exclude individual sell-side analyst estimates that are outliers or the provider believes contain errors).

The last time that this exercise was undertaken before Nanosonics released the Earnings Information to the ASX was on 16 July 2024, after a number of the sell-side analysts published Analyst Reports containing updated forecasts for the measures referred to above following the release of (and taking into account the information disclosed in) the July 2024 Trading Update. As part of this exercise, as not all sell-side analysts published updated Analyst Reports after the July 2024 Trading Update, two separate averages of the sell-side analysts' forecasts were calculated – an average of the forecasts of the sell-side analysts that published updated Analyst Reports (of which there were 5) (**Updated Broker Consensus**) and an average of the forecasts of all 10 sell-side analysts (**Full Broker Consensus**). The Updated Broker Consensus and Full Broker Consensus for the 3 financial performance measures the subject of the February 2024 Outlook Statement and July 2024 Trading Update were as set out below:

- **Total revenue for FY24:** Updated Broker Consensus was \$169.4m and Full Broker Consensus was \$168.3m (each of which was within the range provided in the February 2024 Outlook Statement and within approximately 1% of the Company's actual total revenue for FY24 and the expected amount disclosed in the July 2024 Trading Update (\$170m)).
- **Gross profit margin FY24:** Updated Broker Consensus was 77.9% and Full Broker Consensus was 77.7% (each of which was within the range provided in the February 2024 Outlook Statement (and affirmed in the July 2024 Trading Update) and equal to the Company's actual gross profit margin for FY24, being 77.9%).
- **Operating expenses for FY24:** Updated Broker Consensus was \$125.7m and Full Broker Consensus was \$124.7m (this represents 10.07% and 9.2% growth (respectively), each of which was within the range provided in the February 2024 Outlook Statement (and affirmed in the July 2024 Trading Update) and, in respect of Full Broker Consensus, within 8.0% and, in respect of Updated Broker Consensus, within less than 1.0%, of the Company's actual operating expense growth for FY24 of 10%).

For completeness, Nanosonics notes that the sell-side analysts referred to above provided forecasts in Analyst Reports in respect of Nanosonics' earnings before interest and tax (**EBIT**) and profit before tax (**PBT**) for the relevant financial year. Consistent with its past practice, the Company did not provide an outlook statement or other forecast or guidance to the ASX specifically with respect to EBIT or PBT for FY24 on the basis that the Company is currently in a growth or investment phase and, in that context, NAN did not consider that its EBIT or PBT for FY24 was or would be a material driver of value creation for its shareholders (and, therefore, was not a material driver of the price or value of NAN's shares). NAN believes that its total revenue, gross profit margin and operating expenses for the relevant financial year are material drivers of value creation for its shareholders (and, therefore, may be material drivers of the price or value of NAN's shares), which is why NAN has a practice of disclosing outlook statements in respect of those measures to the ASX. As noted above:

- the Updated Broker Consensus and Full Broker Consensus for each of total revenue, gross profit margin and operating expenses was within the expected range or not materially different to the expected amount (as applicable) disclosed by the Company to the market in the February 2024 Outlook Statement or the July 2024 Trading Update; and
- the Company's actual FY24 results for each of these 3 financial performance measures, as disclosed in the Results Announcements, was within the expected range for each

measure disclosed in the February 2024 Outlook Statement and the July 2024 Trading Update.

The Company notes that (a) the Updated Broker Consensus for EBIT and PBT was \$6.7m and \$9.7m (respectively) and the Full Broker Consensus for EBIT and PBT was \$7.0m and \$9.6m (respectively), and (b) the Company's EBIT for FY24 (as disclosed in the Company's Annual Report for FY24) was \$9.1m and the Company's PBT for FY24 was \$13.0m (as disclosed in the Results Announcements). The Company's actual EBIT and PBT for FY24 was ultimately greater than the average of each of the EBIT and PBT forecasts of the sell-side analysts, however, at and leading up to the time that Nanosonics' internal forecasts in respect of its EBIT and PBT results for FY24 became sufficiently certain to give NAN reasonable grounds to believe that its FY24 results for those measures may exceed the average of the sell-side analysts forecasts in respect of those measures, the Company did not consider this information to be information that a reasonable person would expect to have a material effect on the price or value of NAN's shares for the following reasons:

- As noted above, the Company is currently in a growth or investment phase and, in that context, NAN did not consider that its EBIT or PBT for FY24 was a material driver of value creation for its shareholders (and, therefore, was not and would not be a material driver of the price or value of NAN's shares).
- NAN had provided the February 2024 Outlook Statement, which contained statements regarding its expectations for each of the 3 financial performance measures (total revenue, total gross profit margin and operating expenses) that NAN regarded (and continues to regard) to be more material drivers of the price or value of NAN's shares than EBIT or PBT for a particular period (and affirmed the guidance in respect of those financial measures provided in the February 2024 Outlook Statement in the July 2024 Trading Update), and, as noted above, the Updated Broker Consensus and Full Broker Consensus for each of these measures was either within the expected range or not materially different to the expected amount (as applicable) disclosed by the Company to the market in the February 2024 Outlook Statement or the July 2024 Trading Update. The Company also considers that the growth in and number of installed base of trophon units in the market, and the launch of new products, are also more material drivers of the price or value of NAN's shares than EBIT or PBT for a particular period.
- The difference between the Updated Broker Consensus and Full Broker Consensus for EBIT and PBT in FY24 and the Company's actual results for each of those measures was very low in absolute terms.
- As the Company is still in a growth or investment phase, the Company has never paid a dividend (or other distribution) to its shareholders. Accordingly, the Company believed that the market did not expect the Company to pay a final dividend in respect of FY24 and, therefore, that the difference between the Updated Broker Consensus and Full Broker Consensus for EBIT and PBT in FY24 and the Company's actual results for each of those measures – which, as noted above, was very low in absolute terms – would not affect what the market expected in respect of the existence or amount of the Company's final dividend for FY24.
- The Company considered that a number of the sell-side analysts' forecasts (and, therefore, the Updated Broker Consensus and Full Broker Consensus) for each of FY24 EBIT and PBT may have been prepared on a materially different basis to the manner in which the Company's FY24 EBIT and PBT would be calculated as part of the preparation of its FY24 financial statements in that a number of the sell-side analysts appear to have not included "other income" of \$1.7m associated with the benefit received by the Company from a government grant or the effect of realised/unrealised foreign exchange gains (\$0.5m), as well as the lower interest income (\$0.5m), in the preparation of their EBIT or PBT forecasts for FY24. If this is the case, the basis of preparation of the Updated Broker Consensus and Full Broker Consensus for each of FY24 EBIT and PBT was not in line with the manner in which the Company's actual FY24 results in respect of those measures would be calculated, and the difference was not related to the Company's underlying performance in FY24.

For these reasons, the Company believed (and continues to believe) that, at and leading up to the time that Nanosonics' internal forecasts in respect of its EBIT and PBT results for FY24 became sufficiently certain to give NAN reasonable grounds to believe that its FY24 results for those measures may exceed the average of the sell-side analysts forecasts in respect of those

measures, that information was not information that a reasonable person would expect to have a material effect on the price or value of NAN's shares. In this regard, the Company notes that:

- many of the reasons for the Company's view in respect of this (as described above) are specifically identified in the ASX's guidance in section 7.3 of ASX GN 8 as other factors that will be relevant to an entity's assessment of whether a potential earnings surprise is market sensitive; and
- as noted above, on the basis that the Company issued guidance for its expected financial performance for FY24 (being the February 2024 Outlook Statement and the July 2024 Trading Update), the Company believes that its approach to determining what the market was expecting its financial performance for FY24 to be (and whether an expected variation to that expectation required disclosure to the ASX) was consistent with that described in subsections 1 and 4(a) of section 7.3 of ASX Guidance Note 8.

Regarding question 2.2.3 in the ASX Aware Letter:

- as noted above, NAN considered that the market's expectations in respect of NAN's performance for FY24 were set by its published guidance and, on the basis that the Company issued guidance for its expected financial performance for FY24, the Company believes that its approach to determining what the market was expecting its financial performance for FY24 to be and whether an expected variation to that expectation required disclosure to the ASX was consistent with that described in ASX GN 8 (as defined below);
- however, for completeness, Nanosonics notes that:
 - the time that Nanosonics' internal forecasts in respect of its EBIT and PBT results for FY24 first became sufficiently certain to give NAN reasonable grounds to believe that its FY24 results for those measures may exceed the average of the sell-side analysts forecasts in respect of those measures was after market close on 16 July 2024; but
 - Nanosonics did not become aware of the extent to which its FY24 results in respect of EBIT and PBT would exceed the average of the sell-side analysts forecasts in respect of those measures (that is, the magnitude of that variance) with a reasonable degree of certainty until the time that the audit in respect of Nanosonics' financial statements for FY24 was finalised (which occurred immediately before Nanosonics released the Results Announcements to the ASX).

3. Does NAN consider that, at any point prior to the release of the Results Announcements, there was a variance between its expected earnings and its estimate of market expectations for the relevant reporting period of such a magnitude that a reasonable person would expect information about the variance to have a material effect on the price or value of NAN's securities?

Please answer separately for each measure of earnings referred to in the Earnings Information and each relevant reporting period.

Response: As explained in detail in Nanosonics' responses to questions 1 and 2 above:

- Nanosonics considers that its results in respect of the measures for FY24 (as disclosed in the Results Announcements) for which Nanosonics published guidance in FY24 were within the relevant ranges disclosed in that published guidance;
- NAN considered that the market's expectations in respect of NAN's performance for FY24 were set by its published guidance and, on the basis that the Company issued guidance for its expected financial performance for FY24, the Company believes that its approach to determining what the market was expecting its financial performance for FY24 to be and whether an expected variation to that expectation required disclosure to the ASX was consistent with that described in ASX GN 8;
- however, for completeness, Nanosonics notes that:
 - the sell-side analysts that cover Nanosonics provided forecasts in respect of Nanosonics' EBIT and PBT for FY24;
 - consistent with its past practice, the Company did not provide an outlook statement or other forecast or guidance to the ASX specifically with respect to EBIT or PBT for FY24 on the basis that the Company is currently in a growth or investment phase and, in that context, NAN did not consider that its EBIT or PBT for FY24 was or would be a material driver of value creation for its shareholders (and, therefore, was not a material driver of the price or value of NAN's shares); and

- the Company's actual EBIT and PBT for FY24 was ultimately greater than the average of each of the EBIT and PBT forecasts of the sell-side analysts referred to above, however, for the reasons set out in Nanosonics' response to question 2 above, at and leading up to the time that Nanosonics' internal forecasts in respect of its EBIT and PBT results for FY24 became sufficiently certain to give NAN reasonable grounds to believe that its FY24 results for those measures may exceed the average of the sell-side analysts forecasts in respect of those measures, the Company did not consider that information to be information that a reasonable person would expect to have a material effect on the price or value of NAN's shares.

4. If the answer to question 3 is "no", please provide the basis for that view.

Response: Please see the Company's response to question 2 above.

5. If the entity first became aware of the variance before the release of Results Announcements, did NAN make any announcement prior to the release of the Results Announcements which disclosed the relevant variance? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe NAN was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps NAN took to ensure that the information was released promptly and without delay.

Response: Please see the Company's response to question 2 above.

6. Please provide details of any other explanation NAN may have for the trading in its securities following the release of the Results Announcements.

Response: NAN considers that its share price has historically been volatile and has experienced significant fluctuations in 2024. NAN believes that volatility in share markets generally between the release of the July 2024 Trading Update and the Results Announcements caused NAN's share price to fall from \$3.22 at market close on 16 July 2024 to \$2.70 at market close on 26 August 2024, being the trading day before the Results Announcements were made.

NAN considers that the market may have reacted favourably to NAN's financial performance for FY24 being confirmed (in the Results Announcements) to be within its published guidance.

NAN also notes that the Results Announcements³ contained an outlook statement that disclosed NAN's expectations for its total revenue growth, gross margin and operating expenses growth in the financial year ending 30 June 2025 (FY25), together with some commentary on NAN's targeted business and strategic priorities after FY25. NAN considers that the market may have reacted favourably to, and investors sought to acquire NAN shares on the basis of, that outlook statement.

NAN is not actually aware of any other specific explanation for the trading in its securities following the release of the Results Announcements.

7. Please confirm that NAN is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

Response: NAN confirms that it believes that it is currently in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

8. Please confirm that NAN's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of NAN with delegated authority from the board to respond to ASX on disclosure matters.

³ See the "Business outlook – FY25 and beyond" section of Nanosonics' ASX announcement on 27 August 2024 entitled "Nanosonics 2024 Full Year Financial Results".

Response: NAN confirms that its Company Secretary is authorised to respond to ASX on disclosure-related matters pursuant to the Nanosonics Continuous Disclosure and Shareholder Communication Policy.

Yours sincerely,

Matthew Carbines
General Counsel & Company Secretary
Nanosonics Limited

For personal use only



29 August 2024

Reference: 98881

Mr Matthew Carbine
Company Secretary
Nanosonics Limited
Building A, Level 1
7-11 Talavera Road
Macquarie Park NSW 2113

By email:

Dear Mr Carbine

Nanosonics Limited ('NAN'): ASX Aware Letter

ASX refers to the following:

- A. NAN's announcements released on the ASX Market Announcements Platform ('MAP') on 27 August 2024 in connection with its full year results ('Results Announcements'), being its:
- 1.1 "Appendix 4E - Preliminary Final Report" for the year ended 30 June 2024, released on MAP at 8:30 AM AEST;
 - 1.2 "2024 Annual Report", released on MAP at 8:32 AM AEST;
 - 1.3 "2024 Full Year Results Investor Presentation", released on MAP at 8:33 AM AEST; and
 - 1.4 "2024 Full Year Financial Results", released on MAP at 8:34 AM AEST.
- B. The change in the price of NAN's securities from \$2.70 immediately prior to the release of the Results Announcements to a high of \$3.35 following the release of the Results Announcements.
- C. 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.
- D. 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."*
- E. Section 4.4 in *Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B* titled "When does an entity become aware of information?"
- F. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure as follows.
- 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 5 situations 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."*

- G. ASX's policy position on "market sensitive earnings surprises", which is detailed in section 7.3 of Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. In particular:

"...If an entity becomes aware that its earnings for the current reporting period will differ materially (downwards or upwards) from market expectations, it needs to consider carefully whether it has a legal obligation to notify the market of that fact."...

"...An earnings surprise will need to be disclosed to the market under Listing Rule 3.1 if it is market sensitive – that is, it is of such a magnitude that a reasonable person would expect information about the earnings surprise to have a material effect on the price or value of the entity's securities."...

Request for information

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

1. Does NAN consider that any measure of its statutory or underlying earnings for the full year ended 30 June 2024 as disclosed in the Results Announcements ('Earnings Information') differed materially from the market's expectations, having regard to the following three base indicators (in decreasing order of relevance and reliability):
 - 1.1 If NAN had published earnings guidance, that guidance.
 - 1.2 If NAN is covered by sell-side analysts, the earnings forecasts of those analysts.
 - 1.3 If paragraph 1.1 and 1.2 are not applicable, NAN's earnings for the prior corresponding period, being the full year ended 30 June 2023.

Please answer separately for each measure of earnings referred to in the Earnings Information. In your response, please have regard to ASX's commentary in paragraphs 4(a) and 4(b) of section 7.3 of Guidance Note 8 about when a variation from market expectations may be material.

2. Please explain the basis for the view provided in response to question 1. In doing so, please specify how NAN determined market expectations in relation to each relevant measure of its earnings, including:
 - 2.1 If NAN had published earnings guidance, details of:
 - 2.1.1 that guidance and when it was released to the market; and
 - 2.1.2 the date when the entity first became aware with a reasonable degree of certainty that its expected earnings for the relevant reporting period would vary from, or be in line with, that guidance.
 - 2.2 If NAN used sell-side analyst forecasts to estimate the market's expectations of its earnings, details of:

- 2.2.1 the method that NAN used to translate sell-side analyst forecasts into its estimate of market expectations for each measure of earnings referred to in the Earnings Information and, in particular, whether or not NAN used a “consensus estimate” or an “adjusted consensus estimate” or a different specified approach for determining this estimate;
 - 2.2.2 the entity’s estimate of market expectations using that method; and
 - 2.2.3 the date when the entity first became aware with a reasonable degree of certainty that its expected earnings for the relevant reporting period would vary from, or be in line with, its estimate of these expectations.
3. Does NAN consider that, at any point prior to the release of the Results Announcements, there was a variance between its expected earnings and its estimate of market expectations for the relevant reporting period of such a magnitude that a reasonable person would expect information about the variance to have a material effect on the price or value of NAN’s securities?

Please answer separately for each measure of earnings referred to in the Earnings Information and each relevant reporting period.
4. If the answer to question 3 is “no”, please provide the basis for that view.
5. If the entity first became aware of the variance before the release of Results Announcements, did NAN make any announcement prior to the release of the Results Announcements which disclosed the relevant variance? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe NAN was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps NAN took to ensure that the information was released promptly and without delay.
6. Please provide details of any other explanation NAN may have for the trading in its securities following the release of the Results Announcements.
7. Please confirm that NAN is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.
8. Please confirm that NAN’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 NAN 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 **3:00 PM AEST Tuesday, 3 September 2024**.

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, NAN’s obligation is to disclose the information ‘immediately’. This may require the information to be disclosed before the deadline set out above and may require NAN to request a trading halt immediately if trading in NAN’s securities is not already halted or suspended.

Your response should be sent by e-mail to ListingsComplianceSydney@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow us 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.

Suspension

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

Listing Rules 3.1 and 3.1A

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

Release of correspondence between ASX and entity

We reserve the right to release all or any part of this letter, your reply and any other related correspondence between us to the market under Listing Rule 18.7A. The usual course is for the correspondence to be released to the market.

Kind regards

ASX Compliance