

Dear Mr Bristow,

19 October 2017

Nanopac Innovation Limited (the "Company") – Periodic Disclosure Query

We refer to the Interim Financial Report lodged on 11th September 2017 on which NSX has made below observations.

Mr. Andrew Bristow
Company Secretary
Nanopac Innovation Limited
Suite 2.14, Level 2
33 Lexington Drive
Bella Vista NSW 2153

1. In Consolidated Statement of Profit or Loss and Other Comprehensive Income the below **Cost of Sales** has been reported: cost of sales – USD\$(1,446,766), which is 80.5% of the revenue (USD\$1,796,674) in 2017. While comparing with 2016's financials, the cost of sales was USD\$(314,978) which was 36.8% of the revenue (USD\$855,170) in 2016.

There are no notes provided corresponding to the above changes of cost of sales.

NSX also notes that no announcements have been made by the Company highlighting the significant change in the cost of goods sold for the period before the reporting date.

2. In relation to the above observations please respond to the below questions.
 - 1) Can the Company please provide information supporting the material change in its cost of sales?
 - 2) When did the Company first become aware of the information regarding possible change in business activities that could result in material change in the cost of sales?
 - 3) Does the Company believe it is in compliance with Listing Rule 6.4 as the financial position of the group has significantly changed from the period ended 30 June 2016 to the period ended 30 June 2017?

Please be reminded that the Issuer must comply with Chapter 6CA of the Corporations Act and Listing Rules Section IIA 6.4, 6.5 and 6.5A under continuous disclosure.

Your response should be provided to me directly via email at Ingrid.wei@nsx.com.au no later than 4pm on 23rd October 2017. Your response will be released to the market along with a copy of this letter. If you wish to discuss the content of your response, please do not hesitate to contact me as soon as possible.

Listing Rule 6.4

The NSX continuous disclosure rule states:

Generally, and apart from compliance with all the specific requirements, the issuer shall keep the Exchange informed without delay, for dissemination of any information relating to the group of which it is aware that:

- is necessary to enable the Exchange and the public to appraise the financial position of the issuer and the group;
- is necessary to avoid the establishment of a false market in its securities; or
- a reasonable person would expect to have a material effect on the price or value of its securities.

Such information must be made available to the Exchange before the time at which any other public announcement of the information is made.

These provisions will be breached by an issuer who intentionally, recklessly or negligently fails to notify the Exchange of information that:

- is not generally available; and
- a reasonable person would expect, if it were generally available, to have a material effect on the price or value of its securities.

Yours sincerely

Ingrid Wei
Market Surveillance Analyst