



10 May 2017

Ms Hayley Pratt
ASX Compliance Pty Ltd
Level 40, Central Park
152-158 St George's Terrace
Perth WA 6000

By email: hayley.pratt@asx.com.au and tradinghaltsperth@asx.com.au

Dear Hayley,

RE: TRANSCENDENCE TECHNOLOGIES LIMITED ("ENTITY" OR "TTL")

We refer to your letter dated 04 May 2017 and respond to your questions as follows:

- 1. Please reconcile the statement on page 36 of the Prospectus that the model for business operations of E-Collate includes an applications department, marketing and sales department and development and engineering department with the disclosures in the Response, which suggest that E-Collate is largely a "one man brand" with the bulk of the product being done by Bowen Plug.**

The Board has taken prudent measures to pull back spending given the softening of the technology market generally in Australia. This meant that access to future capital to finance TTL's activities was likely to be more difficult and, as a result, it was decided to pull back the development spend and hiring of new staff to underpin the relevant departments until the product was in a better place to be launched.

This has resulted in an extension to the timelines originally proposed at the time the Company raised money last year, however, there has been no change to the overall strategy. Consistent with the original proposal, the Company brought forward completion of a web platform suitable to form the core of the E-Collate system with the primary feature of extensibility. Substantial extensions to this system are planned and will be implemented through outsourcing of carefully planned packages of outsourcing development work concurrent with building up of an initial end-user base.

Marketing and sales will be a focus as the product is closer to the monetisation phase which will result in building marketing and sales arms of the company at the appropriate time.

Further, as a general comment, is it **very** common for directors of public companies to reduce expenditure on projects in economic circumstances where particular sectors are experiencing difficulties in securing finance. As an example, when the resource



sector in Australia was underperforming, the level of exploration expenditure by resource companies was significantly reduced. If directors did not take action like this, they would potentially expose themselves claims for breach of their statutory and fiduciary duties.

The same rationale applies to technology companies.

- 2. Please explain why payment of more than half of Bowen Plug's salary has been deferred, as referred to in the Response.**

Cash transfer of half of CEO Bowen Plug's salary was deferred by mutual agreement between the Board and the Executive. While it was not an express written term of any agreement with Mr Plug, it was the understanding of the parties that the deferred component of his salary would be paid as and when the e-Collate product was more fully developed and ready for commercialisation. Once the product was developed to the Board's satisfaction, the deferred component of Mr Plug's salary was paid to him. The full amounts were recognised as fully owing, however payment was held back to be physically transferred in a lump sum in late 2016 or later at the Executive's request. The Board did this as part of a motivational remuneration package that the Board considered appropriate in the circumstances.

Further, the Board notes that it was always the intention that the accrued portion of Bowen's salary be paid in full, demonstrated by the fact that the total accrued amount was recorded in the Company's accounts as a current liability.

This arrangement was fully supported by the Executive to assist with TTL's cashflow management initiatives (as outlined in Point 1 above).

- 3. When is it anticipated that the deferred portion of Bowen Plug's salary will be paid? Are there any conditions that need to be satisfied before payment is made? If so, what are the conditions and when is it expected to be satisfied?**

The deferred portion of Bowen Plug's salary was paid in full on 6 April 2017.

- 4. Please advise why Quinn Cai's salary was renegotiated to an hourly rate subsequent to reinstatement. How many hours has Quinn Cai worked, and how much has she been paid, since the hourly rate was negotiated?**

Quinn Cai's salary was renegotiated to an hourly rate in accordance with the accelerated development strategy of the Company. Quinn indicated a preference to be involved in especially the outsourcing process due to resume later in the current quarter and, accordingly, her active ongoing involvement in the project was deferred until this stage of development. As such, no amounts have yet been accrued or paid under the renegotiated arrangement. Quinn remains an important member of the team and her contributions to building up detailed specifications and prototypes prior to listing have been invaluable during the period since.



5. Please advise how many hours Andrei Ambrossimov has worked and how much he has been paid. If he has not been paid, please advise why that is the case.

Since reinstatement to trading on 8 June 2016, Andrei Ambrossimov has worked 204.5 hours for the Company. Andrei has invoiced the Company a total \$11,452 which has been paid in full.

6. Please reconcile the salaries paid to Bowen Plug, Quinn Cai and Andre Ambrossimov with the cash outlays for staff costs for the period from 1 April 2016 to 31 March 2017 totalling \$83,000 reported in the Appendices 4C referred to above.

Andrei Ambrossimov was employed as a consultant to the Company under a consultancy agreement. Consulting fees paid to Andrei were allocated to research and development in the Appendices 4C and therefore were not included under staff costs.

Refer below for the reconciliation of salaries paid to Bowen Plug and Quinn Cai on a cash accounting basis (versus accrual) during 1 April 2016 and 31 March 2017.

| Employee | \$ |
|--------------|---------------|
| Bowen Plug | 66,913 |
| Quinn Cai | 16,425 |
| Total | 83,338 |

7. Please reconcile the technology and development expenditure of \$137,481 claimed to have been spent over the period from June 2016 to December 2016 in the Company's Response with the cash outlays for research and development for the period 1 April 2016 to 31 March 2017 totalling \$10,000 reported in the Appendices 4C above.

The variance between the Appendices 4C and the technology and development expenditure disclosed in the Company's Response is due to the basis of accounting. The expenditure of \$137,481 incurred by the Company from June 2016 to December 2016 includes accrued expenses relating to technology and development and the amounts in the Appendices 4C has been recorded on a cash accounting basis. The \$137,481 figure also includes salary expenses for the Company's CEO, Bowen Plug, which were allocated to staff costs in the Appendices 4C for his work performed in relation to the development of the product. The research and development totaling \$10,000 reported in the Appendices 4C includes consulting fees paid to Andrei Ambrossimov. The variance from the table below to the figure reported in the Appendices 4C is a rounding variance.

| Expenditure | \$ |
|---------------------|---------|
| Bowen Plug (Note 1) | 126,029 |
| Andrei Ambrossimov | 11,452 |



| | |
|-------|---------|
| Total | 137,481 |
|-------|---------|

Note 1: This figure comprises reimbursement for a software subscription, salary paid and payable accrued salary amounts at 31 December 2016.

8. Please provide a detailed breakdown of the expenditure for administrative and corporate costs for the period 1 April 2016 to 31 March 2017 reported in the Appendices 4C referred to above.

| Expense | \$ |
|--|----------------|
| Company secretarial, accounting & audit fees | 134,554 |
| ASX fees | 31,481 |
| ASIC | 3,760 |
| Director fees | 125,305 |
| Insurance | 37,250 |
| Legal fees | 185,993 |
| Corporate advisory fees | 106,766 |
| Share registry fees | 40,660 |
| General administration costs | 24,298 |
| BAS Return | (80,397) |
| Total | 609,670 |

9. Please disclose who is the “major software house” in Shanghai that has been engaged to provide strategic advice regarding selection of development tools and underlying system architecture, as referred to in the Response. How many people does it employ? How much has it been paid to date to provide such strategic advice? If it has been paid anything, please reconcile that amount with the cash flows disclosed in the Appendices 4C referred to above.

The “major software house” in Shanghai referred to in the previous response is Shanghai Qixian Information Technology Co Ltd (“Online-SH”). Their website is www.online-sh.com and they have approximately 140 employees in total including 90 in R&D across offices in Shanghai and Hangzhou. Support provided by Online-SH to date has been given on the basis of their interest to be potentially engaged as part of the outsourced development phase planned late this quarter. Therefore, no payment has been made to Online-SH to date.

10. Please advise whether the Company has established any agreements with SMSF management service providers, which was said on page 44 of the Prospectus to be a key factor to the Company meeting its business objectives. If not, why not?



The Company has not established formal written agreements with any SMSF management service providers ("SMSF Providers") because, up to this point, it was not yet appropriate to do so.

Agreements with SMSF Providers are to support roll-out of the system to the overall SMSF sector and to accelerate uptake of the system by end-users. Since roll-out has not yet occurred, establishment of these agreements for use of the system has been deferred to the appropriate time. Monetisation can occur in the absence of agreements with SMSF Providers as the system is disruptive and intended to also be used directly by the end-user without cooperation required from SMSF Providers such as accountants and auditing firms in the SMSF industry.

- 11. Please advise whether the Company has established any agreements with software development companies to support rolling out and commercialising of the systems developed by E-Collate, which was also said on page 44 of the Prospectus to be a key factor to the Company meeting its business objectives. If not, why not?**

The agreements with software development companies ("Development Agreements") referred to on page 44 of the Prospectus are contractual arrangements for conducting specific software development outsourcing work. These Development Agreements will be established as and when the Company is prepared to outsource specific development tasks which is currently planned for late this quarter as highlighted above.

- 12. Please explain the current state of development of the E-Collate system in respect of the corporate administration, education, reimbursements, taxation and projects, as referred to on the E-Collate website.**

The E-Collate system has not yet been adapted to other end-user sectors such as these.

However, the development strategy currently being pursued by the Company is consistent with realising transition to these other industry sectors at the earliest possible time. The modularity of the current web platform ensures that any systems refined for specific SMSF industry requirements can be efficiently swapped out with alternative functionality meeting specific refinements of these other sectors. Thus, any substantial progress in technical development for the SMSF sector can be considered as equally substantial progress for realisation of the E-Collate system for these other sectors.

TTL reiterates that development of the E-Collate system occurs in stages. The Board has taken a prudent approach to ensure each stage is completed before moving onto the next stage of development. The same approach applies to the commercialization strategy. TTL intends to initially target the SMSF Providers and then move into other sectors.

For illustrative purposes only, the current state of certain interfaces of the E-Collate system are illustrated in the following screenshots that reveal some of the central



aspects of the App. Note: this does not demonstrate the entire scope of current functionality.

Homepage:

Comprises basics to give the user insight into navigation of the app and to explain in simple terms about each of the key sections.

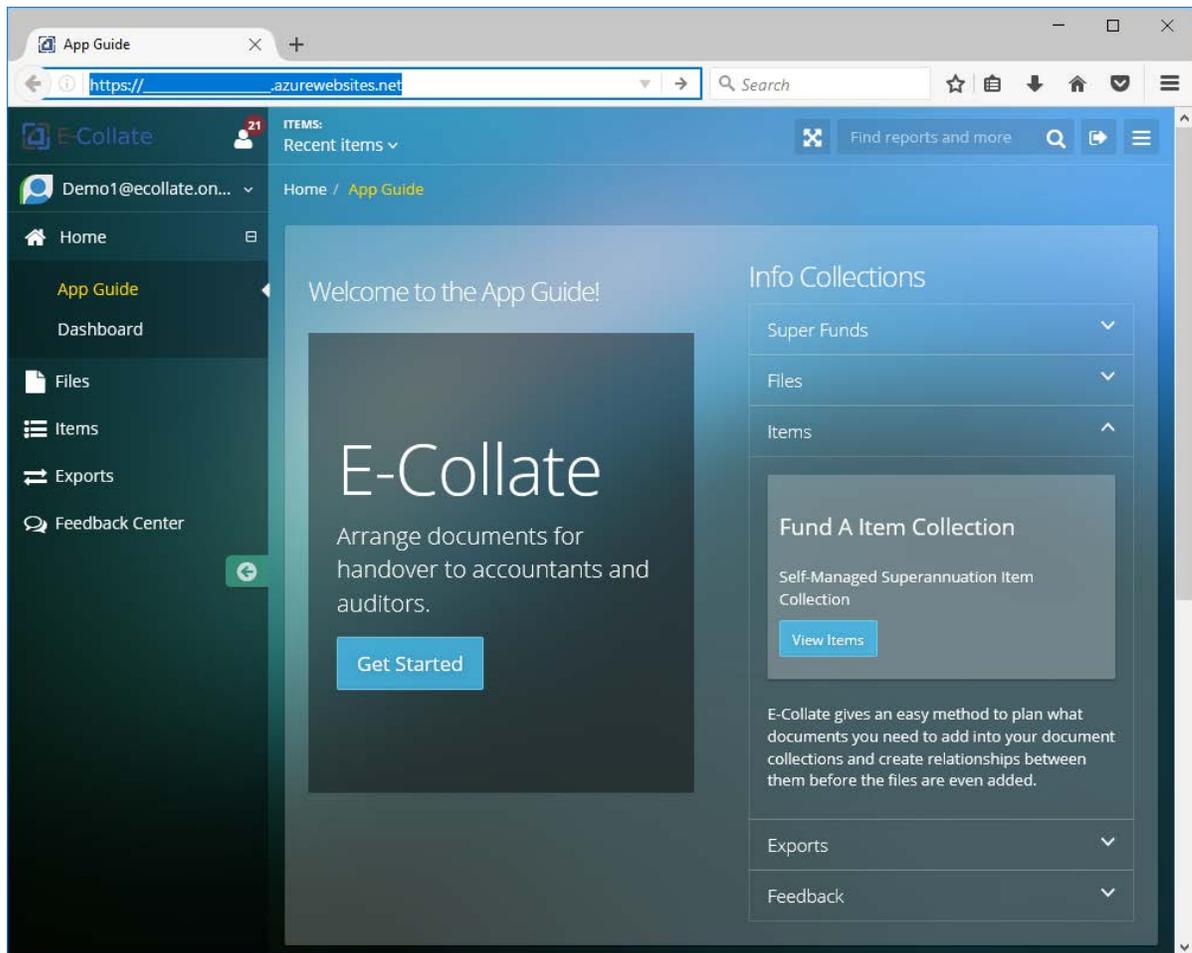


Figure 1: Homepage screenshot for the E-Collate App.

Dashboard:

Includes overview of documentation entered into the system so far and provides simple feedback for the user to see what further work they have to go to close off their documentation collection for the year.

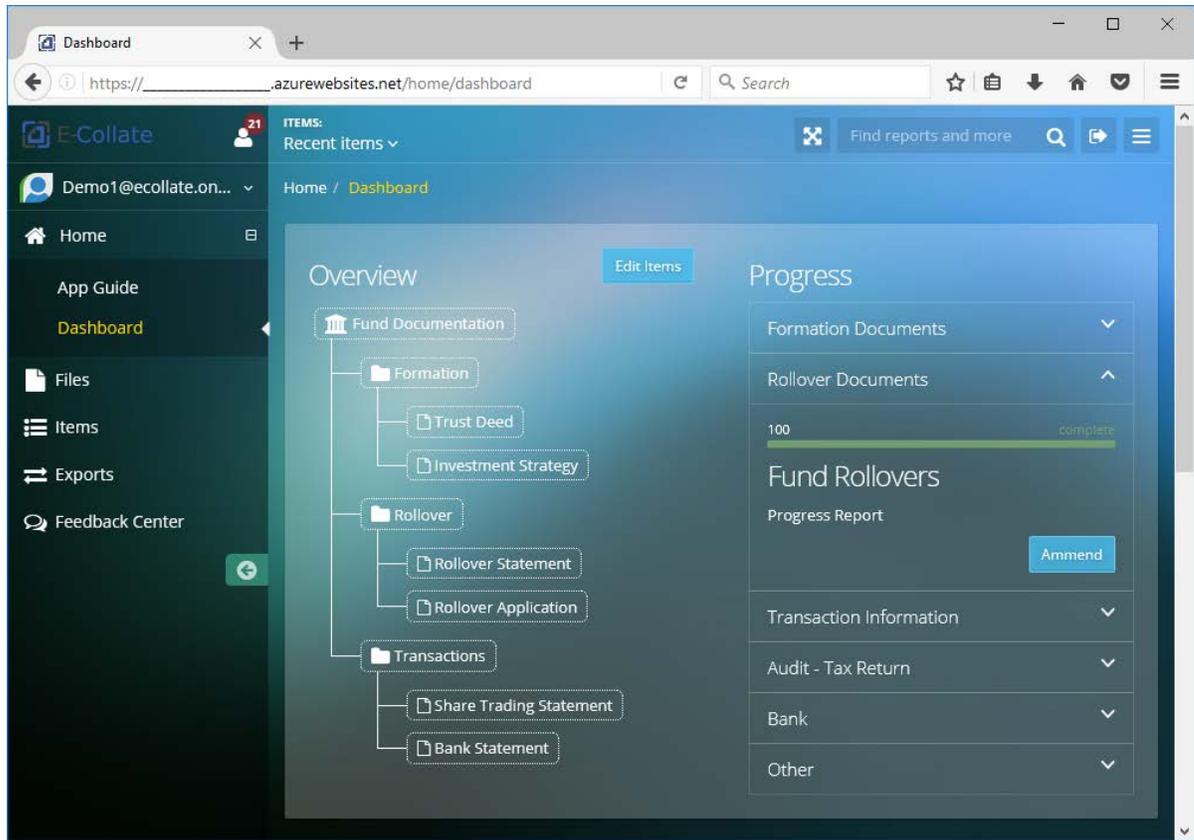


Figure 2: Dashboard screenshot for the E-Collate App.

Items:

Centralizes management of the user documentation collection including recording if particular documents are needed but have not yet been supplied.

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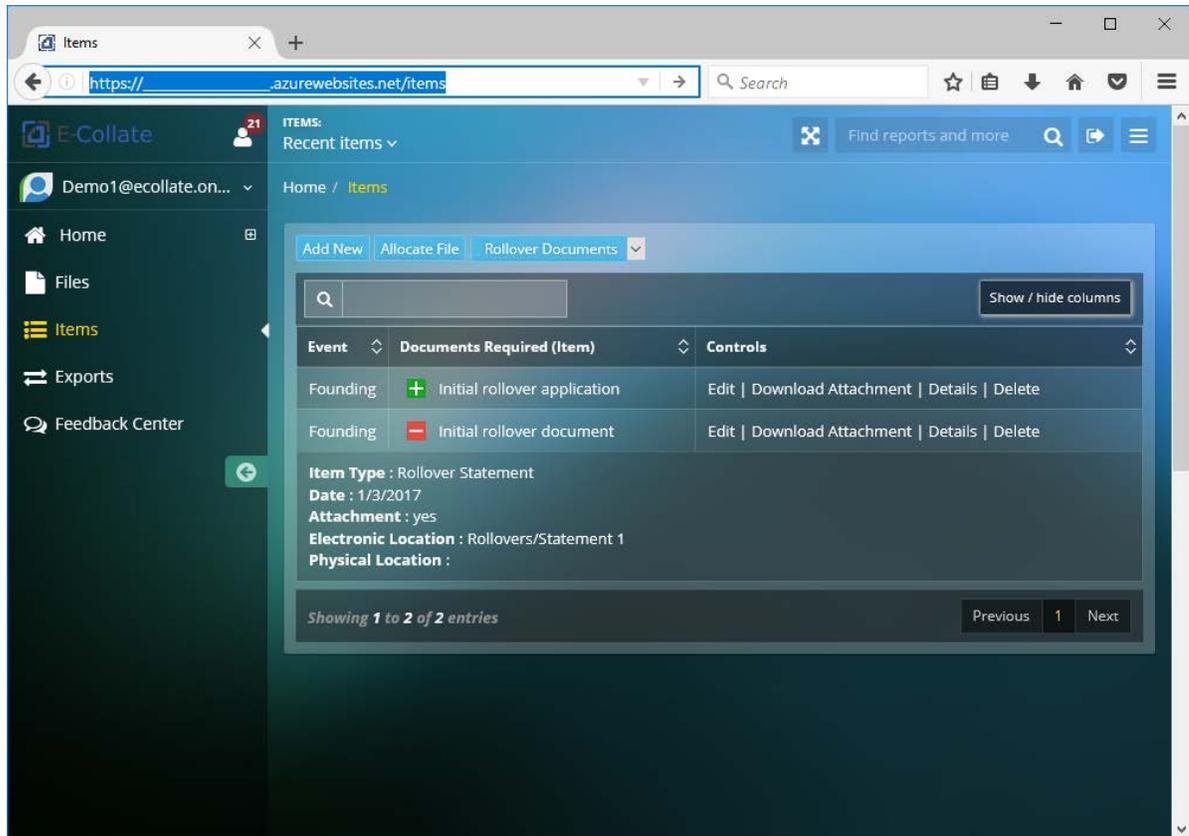


Figure 3: Screenshot of Item Collection Filtered to a Topic for the E-Collate App.

Note: the Company expects various aspects of the interface to change rapidly in response to feedback generated during the current pilot program phase. As such, the current backend systems have been specifically designed to support rapid prototyping on the live system during evolution of the system to react to real-world use requirements. These same systems will be invaluable for the later phase of repurposing the core parts of the app to these other sectors.

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

TTL is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

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



TTL's board of directors has authorised and approved the responses to the questions above.

By Order of the Board

A handwritten signature in black ink, appearing to read "Sarah Smith", is positioned above the printed name.

Sarah Smith
Company Secretary
Transcendence Technologies Limited



4 May 2017

Sarah Smith
Company Secretary
Transcendence Technologies Limited
Suite 4, Level 1
11 Ventnor Avenue
West Perth WA 6005

By Email: ss@miradorcorporate.com

Dear Ms Smith,

Transcendence Technologies Limited (“Company”)

ASX Limited (“ASX”) refers to the following:

A. The Company’s Prospectus for its recompliance listing lodged on ASX’s Market Announcements Platform (“MAP”) on 14 December 2015 (“Prospectus”) which stated as follows:

“The model for business operations of E-Collate includes the following:

- *Applications department responsible for populating templates and document flow systems with specific data to apply the underlying E-Collate system to markets such as for SMSF compliance.*
- *Marketing and sales department responsible for building cross-selling opportunities with SMSF participants and corporate channel partnering programs and driving up subscriptions of the App.*
- *Development and engineering department responsible for developing the underlying software technology system at the core of E-Collate.” [page 36]*

“The key factors that E-Collate will depend on to meet its objectives under its business model are:

- (a) The Company will need to establish agreements with a number of SMSF management service providers in Australia in early 2016. This will provide an important distribution channel and opportunity for customer feedback and integration with established software systems. This will also provide a valuable edge over competing IT developers in the way of establishing a captured market; and*
- (b) The Company will need to establish various agreements with software development companies to support rolling out and commercialising of the systems developed by E-Collate.” [Page 44]*

B. The Company’s announcement entitled “Quarterly Report & Appendix 4C” for the period ended 30 June 2016 lodged on MAP on 29 July 2016 which disclosed, amongst other things:

- Cash at the end of the quarter of \$3,481,000;
- Payments for staff costs, advertising and marketing, research and development, and leased assets of \$0;

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- Payments for “other working capital” of \$175,000;
- “Director fees paid to directors and or associated entities” of \$9,000; and
- “Legal fees paid to directors and or associated entities” of \$112,711.

C. The Company’s announcement entitled “Quarterly Report and Appendix 4C” for the period ended 30 September 2016 lodged on MAP on 24 October 2016 which disclosed:

- Cash at the end of the quarter of \$3,001,000;
- Payments for research and development, product manufacturing and operating costs, advertising and marketing, and leased assets of \$0;
- Payments for staff costs of \$39,000; and
- Payments for administration and corporate costs of \$132,000.

D. The Company’s announcement entitled “Quarterly Report and Appendix 4C” for the period ended 31 December 2016 lodged on MAP on 30 January 2017 which disclosed:

- Cash at the end of the quarter of \$2,831,000;
- Payments for research and development of \$8,000;
- Payments for product manufacturing and operating costs, advertising and marketing, and leased assets of \$0;
- Payments for staff costs of \$31,000; and
- Payments for administration and corporate costs of \$161,000.

E. The announcement entitled “Response to ASX Query” lodged on Map on 4 April 2017 (“Response”) which disclosed, amongst other things:

“The second phase post-relisting was to build up a scalable web hosted SQL database schema and database access layer for the app integrating access control as well as administrative functionalities. This work was conducted under the supervision of TTL’s Chief Executive Officer (CEO) Bowen Plug by a contracted in-house database developer. Concurrently Mr Plug constructed database access interfaces for prototyping use and as a means to test fit-for-purpose success of the database design work. The contracted in-house database developer has since remained on standby pending further tasks during full commercial release of the product to the SMSF market. ...

In January 2016, TTL’s Chief Executive Officer Bowen Plug conducted a search process through Australia and Asia for a software development company to extend the prototype software following testing to native mobile App platforms (Android and iOS). A result of this process has been that Mr Plug opened and maintained communication with a major software house in Shanghai who has been providing strategic advice regarding selection of development tools and underlying system architecture to ensure a smooth transition from prototype software to app platform. This advice has been on the informal understanding that they will be given an opportunity to make a competitive bid on “second generation” app development project work expected to commence mid 2017. ...

Expenditure from 10 June 2016 to 31 December 2016

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| | Total Budgeted Expenditure Jun 16 – Dec 16 (\$) | Budgeted Percentage of funds (%) | Actual Expenditure Jun 16 – Dec 16 (\$) | Actual Percentage of Expenditure (%) | Explanation for Variance |
|--|--|---|--|---|---------------------------------|
| Marketing Activities | \$239,167 | 17.89% | \$ - | 0% | Note 1 |
| Technology and Development | \$379,167 | 28.36% | \$137,481 | 14% | Note 2 |
| Technology Acquisitions | \$262,500 | 19.63% | \$ - | 0% | Note 3 |
| Expenses associated with the Acquisition | \$400,000 | 29.92% | \$427,771 | 44% | Note 4 |
| Working Capital | \$56,235 | 4.21% | \$397,852 | 41% | Note 5 |
| Total | \$1,337,069 | 100% | \$963,104 | 100% | |

Note:

1. Marketing spend was nil as the company is unable to incur significant expenditure on marketing until the current product development phase is complete.
2. The Technology and Development spend was around half of the anticipated amount due to an accelerated strategy advocated by the company CEO Bowen Plug and supported by the company board. This has been to essentially construct a fully scalable skeleton version of the web app in-house with all key functionality and then to outsource development work to fully revamp each of the system modules individually. This was so multiple modules could be re-vamped simultaneously by separate software houses and iteratively integrated into the existing system independent to integration progress of the other modules. In addition, so vast improvements could be made on the reliability and timeframes of the outsourcing work while protecting company intellectual property. This approach was to allow building up of a testing customer base at the earliest possible stage in the process. ...

Bowen Plug is employed as Chief Executive Officer of the Company and remains on the salary disclosed in the Prospectus. Half of this salary has been accrued by agreement between the board and the Executive but is now currently payable. Quinn Cai is employed on an hourly rate. This was renegotiated with the board subsequent to reinstatement in alignment with the accelerated development strategy.

Bowen Plug

| Month | Gross Pay | Accrued Wages |
|---------------------------------|------------------|----------------------|
| June (Backpay 1/3/16 – 30/6/16) | \$20,000 | \$30,000 |
| July (1/7/16 – 31/7/16) | \$5,000 | \$5,000 |
| August (1/8/16 – 31/8/16) | \$5,000 | \$5,000 |
| September (1/9/16 – 30/9/16) | \$5,000 | \$5,000 |
| October (1/10/16 – 31/10/16) | \$5,000 | \$5,000 |
| November (1/11/16 – 30/11/16) | \$5,000 | \$5,000 |

| | | |
|-------------------------------|-----------------|-----------------|
| December (1/12/16 – 31/12/16) | \$5,000 | \$5,000 |
| January (1/1/17 – 31/1/17) | \$5,000 | \$5,000 |
| February (1/2/17 – 28/1/17) | \$5,000 | \$5,000 |
| March (1/3/17 – 31/3/17) | \$5,000 | \$5,000 |
| Total | \$65,000 | \$75,000 |

Qing Cai [sic]

| Month | Gross Pay | Accrued Wages |
|--------------|-----------------|---------------|
| July 2016 | \$15,000 | - |
| Total | \$15,000 | - |

... In addition to Company CEO Bowen Plug and Quinn Cai, Andrei Ambrossimov is employed as a consultant to the Company under a consultancy agreement at an hourly rate. His role is to plan, establish and administer database and software structures for the purpose of the E-Collate product backend system prototyping for E-Collate Pty Ltd."

- F. The Company's announcement entitled "Quarterly Activities Report & Appendix 4C" for the period ended 31 March 2017 lodged on MAP on 28 April 2017 which disclosed:
- Cash at the end of the quarter of \$2,709,000;
 - Payments for research and development of \$2,000;
 - Payments for product manufacturing and operating costs, advertising and marketing, and leased assets of \$0;
 - Payments for staff costs of \$13,000; and
 - Payments for administration and corporate costs of \$142,000.
- G. E-Collate's website located at www.e-collate.com.au, which refers to the "E-Collate system being currently in development for the following areas: SMSFs, administration, education, reimbursements, taxation and projects."
- H. ASX Listing Rule 12.1, which provides that the level of an entity's operations must, in ASX's opinion, be sufficient to warrant the continued quotation of the entity's securities and its continued listing.

Request for Information

Pursuant to Listing Rule 18.7, ASX requires the Company to answer the following questions and to provide the following information:

1. Please reconcile the statement on page 36 of the Prospectus that the model for business operations of E-Collate includes an applications department, marketing and sales department and development and engineering department with the disclosures in the Response, which suggest that E-Collate is largely a "one man band" with the bulk of the work on the E-Collate product being done by Bowen Plug.
2. Please explain why payment of more than half of Bowen Plug's salary has been deferred, as referred to in the Response.

3. When is it anticipated that the deferred portion of Bowen Plug's salary will be paid? Are there any conditions that need to be satisfied before payment is made? If so, what are the conditions and when is it expected that they will be satisfied?
4. Please advise why Quinn Cai's salary was renegotiated to an hourly rate subsequent to reinstatement. How many hours has Quinn Cai worked, and how much has she been paid, since the hourly rate was renegotiated?
5. Please advise how many hours Andrei Ambrossimov has worked and how much he has been paid. If he has not been paid please advise why that is the case.
6. Please reconcile the salaries paid to Bowen Plug, Quinn Cai and Andrei Ambrossimov with the cash outlays for staff costs for the period from 1 April 2016 to 31 March 2017 totalling \$83,000 reported in the Appendices 4C referred to above.
7. Please reconcile the technology and development expenditure of \$137,481 claimed to have been spent over the period from June 2016 to December 2016 in the Company's Response with the cash outlays for research and development for the period from 1 April 2016 to 31 March 2017 totalling \$10,000 reported in the Appendices 4C referred to above.
8. Please provide a detailed breakdown of the expenditure for administration and corporate costs for the period from 1 April 2016 to 31 March 2017 reported in the Appendices 4C referred to above.
9. Please disclose who is the "major software house" in Shanghai that has been engaged to provide strategic advice regarding selection of development tools and underlying system architecture, as referred to in the Response. How many people does it employ? How much has it been paid to date to provide such strategic advice? If it has been paid anything, please reconcile that amount with the cash flows disclosed in the Appendices 4C referred to above.
10. Please advise whether the Company has established any agreements with SMSF management service providers, which was said on page 44 of the Prospectus to be a key factor to the Company meeting its business objectives. If not, why not?
11. Please advise whether the Company has established any agreements with software development companies to support rolling out and commercialising of the systems developed by E-Collate, which was also said on page 44 of the Prospectus to be a key factor to the Company meeting its business objectives. If not, why not?
12. Please explain the current state of the development of the E-Collate system in respect of corporate administration, education, reimbursements, taxation and projects, as referred to on the E-Collate website.
13. Please confirm that the Company is in compliance with the Listing Rules, and in particular, Listing Rule 3.1.
14. Please confirm that the Company'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 the Company 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, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than **9.00 a.m. AWST on Tuesday, 9 May 2017**.

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, the Company'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 Hayley.Pratt@asx.com.au and to tradinghaltspert@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

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 the Company'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 the Company'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.

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

Yours sincerely,

[sent electronically without signature]

Hayley Pratt
Adviser, Listings Compliance (Perth)