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greatcellsolar
Global leaders in hi-tech solar

6 April 2018

Greatcell Solar Response to ASX Query (dated 4 April 2018)

1. Is the Company able to confirm that in the Directors' opinion the Financial Report:

(a) complies with the relevant Accounting Standards; and

Yes

(b) gives a true and fair view of the financial performance and financial position of the Company?

Yes

2. We note the Company expects to be successful in obtaining further funding via additional government grant funding, leasing/financing options to assist in the purchase of larger capital cost plant and equipment, a R&D tax offset finance facility, the payment from New Moonie Petroleum Pty Limited and the issue of certain convertible notes. Please provide an update on this.

The Company has continued to pursue all avenues of fundraising, including those mentioned. With regard to additional grant funding – the Greatcell Solar application for a $1 million relocation grant from state government has advanced to the next stage for consideration and a decision is expected in May 2018. These funds are additional to the ARENA matched funding of $6M and the CRC funding of approximately $2M which are being drawn down in accordance with the terms of those funding agreements.

Leasing/financing options – Greatcell Solar has been invited and provided detailed capital expenditure schedules to its lead Australian banker in anticipation of establishing a capital equipment leasing facility for significant prototype equipment items. This submission is currently being evaluated by the bank. The capital expenditure has not been committed at this stage.

R&D tax offset facility – Greatcell has successfully established and accessed a $4M annual R&D tax offset facility from CBA Bank for FY2018. It is drawing on it bi-monthly as expenses are incurred and recovering approximately 90% of eligible R&D expenditure. The most recent drawdown of $451,000 occurred on 7th March 2018.

New Moonie Petroleum (NMP) – this proposed subscription of $4M has experienced delays. NMP has indicated its intention to secure an investment in GSL when its funding issues have been resolved. In the meantime, we have taken alternative steps to raise development capital in order to fund our business plans out until at least the end of CY2019. These discussions are at an advanced stage and have involved major stakeholders including government and international investors, however they remain sufficiently confidential and uncertain that they have not concluded. We have strong reason to believe they will be successfully concluded no later than April 30 2018.

Convertible Note – the first tranche of $600k of the $2.4M convertible note is due for payment on April 30.

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3. How does the Company intend to meet its quarterly estimated cash outflows of $3,334,000 and its other liabilities and obligations as and when they fall due.

The estimated cash outflows for the next quarter referred to in December 2017 Quarterly Report and Appendix 4C is the March 2018 quarter (3QFY2018) which has now transpired. Expenditure for the quarter was significantly less than the forecast $3.3M as at least $1M was discretionary and related to the $17M prototype project which the Company is currently negotiating funding for. As stated above, the Company has strong grounds to believe that the funds will be raised from a mix of shareholder equity and government grants and that these negotiations will be successfully concluded by the end of April 2018.

4. Does the Company consider that the financial condition of the Company is sufficient to warrant continued listing on ASX in accordance with the requirements of listing rule 12.2? In answering this question, please explain the basis for this conclusion.

Yes. Greatcell Solar is a leading Australian solar PV company with world-class technology and projects. It has successfully funded over $145M in R&D over the past 12 ½ years and is proceeding with the next critical step towards commercialisation. It has very significant stakeholders, including government agencies, a multi-national company and over 5,000 shareholders. The current fund raising initiatives have been taken because the board believes that it would be imprudent to embark on its next very significant phase of development, including a minimum of $10M capital expenditure, without being fully funded. Thus, it has needed to change its historical R&D milestone based funding model. Raising between $8M and $10M of new shareholder equity will release approximately $15M (or $25M in total) of non-dilutionary government financial assistance, allowing the Company to progress its world-class prototyping project.

5. If the answer to questions 4 is "No", please explain what steps the Company has taken, or proposes to take, to warrant continued listing on ASX in accordance with the requirements of listing rules 12.1 and 12.2.

Not applicable.

6. Please confirm that the Company is in compliance with the listing rules and, in particular, listing rule 3.1 and 12.2.

The board of directors believes it is compliant with both ASX Listing Rules 3.1 and 12.2. Successful conclusion of the capital-raising initiatives underway and the lifting of the Company's voluntary suspension will see the Company enter an exciting new phase in the commercialisation of its revolutionary technology.

7. 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.

Confirmed.

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4 April 2018

Kim Hogg
Company Secretary
Greatcell Solar Limited
3 Dominion Place
QUEANBEYAN NSW 2626

By email

Dear Mr Hogg

Greatcell Solar Limited (the "Company") – Financial Condition Query

ASX Limited ("ASX") refers to the following:

1. The Company's announcement entitled "December 2017 Quarterly Report and Appendix 4C" lodged with ASX on 31 January 2018 which disclosed total estimated cash outflows for the next quarter of $3,334,000.

2. The Company's half-year financial report for the half-year ended 31 December 2017, lodged with ASX on 28 February 2018 (the "Financial Report") which disclosed, among other things, the following:

   2.1. "In addition, the Company is expecting to receive from New Moonie Petroleum Pty Limited a total of $4m cash deposit, for their GSL share investment at 22 cents per share, although a final date has not been determined. Current indications are that the payment will occur in March 2018."

   2.2. "As a result of several awarded grant funding projects for its R&D activities, the Company is expecting to receive significant cash deposits amounting to a total of $3.0m for the period to 30 June 2018 upon deliverables of successful milestones."

   2.3. "The first Tranche of $600k cash contribution from Tasnee's convertible notes (total $2.4m) is planned for an earlier drawdown during March 2018, instead of April 2018."

3. The Independent Auditor's Review Report on pages 24 to 25 of the Financial Report ("Auditor's Review Report") which includes the following Disclaimer of Opinion (the "Disclaimer"):

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Sydney NSW 2000

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Customer service 13 12 79

P: (02) 9227 0602
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Basis for Disclaimer of Conclusion

We draw attention to note 2 in the financial report which indicates the consolidated entity incurred a net loss after income tax of $3,579,582 and an operating net cash outflow of $400,954 during the half-year ended 31 December 2017. As at 31 December 2017 cash and cash equivalents amounted to $928,576. In Note 2, the directors have outlined a number of initiatives to raise capital that they anticipate will be successful in order to continue as a going concern and further progress the development of its technology and intellectual property.

These matters, along with other matters as set forth in Note 2, indicate the existence of material uncertainty that cast significant doubt about the Group's ability to continue as a going concern and whether it will realise it's assets and discharge it's liabilities in the normal course of business. We have been unable to obtain sufficient evidence as to the likelihood that the initiatives to raise capital as described in Note 2 will be achieved in the required timeframe. Accordingly, we have been unable to conclude on the Group's ability to continue as going concern for a period of at least twelve months from the date of this review report. As a result of these uncertainties we are unable to express a conclusion on the financial report as a whole.

Due to the significance of the matter described in the *Basis for Disclaimer Conclusion* section of our report, we have not been able to obtain sufficient appropriate evidence to provide a basis for a conclusion on these consolidated financial statements.

Relevant Listing Rules and Guidance

- Listing Rule 12.1 – *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.*
- Listing Rule 12.2 – *An entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing*.
- Listing Rule 19.11A – *If a listing rule requires an entity to give ASX accounts, the following rules apply:*
  …
  (b)The accounts must be prepared to Australian accounting standards. If the entity is a foreign entity the accounts may be prepared to other standards agreed by ASX.

Questions for Response

In light of the Auditor's Review Report, the information contained in the Financial Report, and the application of the listing rules stated above, please respond to each of the following questions:

1. Is the Company able to confirm that in the Directors' opinion the Financial Report:

   (a) complies with the relevant Accounting Standards; and

   (b) gives a true and fair view of the financial performance and financial position of the Company?

2. We note the Company expects to be successful in obtaining further funding via additional

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government grant funding, leasing/financing options to assist in the purchase of larger capital cost plant and equipment, a R&D tax offset finance facility, the payment from New Moonie Petroleum Pty Limited and the issue of certain convertible notes. Please provide an update on this.

3. How does the Company intend to meet its quarterly estimated cash outflows of $3,334,000 and its other liabilities and obligations as and when they fall due.

4. Does the Company consider that the financial condition of the Company is sufficient to warrant continued listing on ASX in accordance with the requirements of listing rule 12.2? In answering this question, please explain the basis for this conclusion.

5. If the answer to questions 4 is "No", please explain what steps the Company has taken, or proposes to take, to warrant continued listing on ASX in accordance with the requirements of listing rules 12.1 and 12.2.

6. Please confirm that the Company is in compliance with the listing rules and, in particular, listing rule 3.1 and 12.2.

7. 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.

Please note the ASX reserves its right under listing rule 18.7A to release this letter and the Company's response to the market. Accordingly, the Company's response should address each question separately and be in a format suitable for release to the market.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event by **9:30am WST, Monday 9 April 2018.**

Any response should be sent to tradinghaltsperth@asx.com.au. It should not be sent to the ASX Market Announcements Office.

If you have any queries regarding any of the above, please let me know.

Yours sincerely

(sent electronically without signature)

Hayley Pratt
Adviser, Listings Compliance (Perth)