

James Rowe
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ASX Listings Compliance
Level 40, Central Park
152-158 St Georges Terrace
Perth WA 6000

8 May 2018

RESPONSE TO ASX QUERY

In reference to ASX's query letter of 4 April 2018 regarding Tikforce's Jobseeker Support Platform announcements made between 3 April 2017 and 21 December 2017, the Company's response to your eight queries in number order is as follows:

- 1. Referring to TKF's announcement of 3 April 2017, has TKF completed the onboarding of 2,500 validated profiles? If so, please advise how many profiles were completed and the payments received by TKF. If not, when does TKF expect that the onboarding of 2,500 validated profiles will be completed and payment received by TKF?**

Response:

Referring to TKF's announcement of 3 April 2017, has TKF completed the onboarding of 2,500 validated profiles?

No.

If not, when does TKF expect that the onboarding of 2,500 validated profiles will be completed and payment received by TKF?

The Company processed 765 jobseeker profiles in total for the Job Active Network provider from the potential pool of 2,500 jobseekers from two regional locations (**Regional Pool**).

The Company has sent invoices totalling \$105,766 in respect of the 765 jobseeker profiles, of which \$105,766 has been paid and received by the Company.

Although the Company continues to communicate with the jobactive network providers, the timing of future onboarding of profiles is uncertain, and will be dependent upon factors such as:

- commencement of new legislation with the aim of improving attendance rates (being the *Social Services Legislation Amendment (Welfare Reform) Bill 2017* (No 26 of 2018), and relevantly to be effective on and from 1 July 2018); and
- the Company's review of the implementation of the new legislation by the job active network providers, including but not limited to an assessment of its impact on attendance rates, and an analysis of the resultant cost effectiveness of providing services.

- 2. Referring again to TKF's announcement of 3 April 2017, did TKF proceed with the opportunity to expand to a further 7,500 verified profiles with the same client? If so, please advise how many profiles were completed and the payments received by TKF. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe TKF was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps TKF took to ensure that the information was released promptly and without delay.**

Response:

Referring again to TKF's announcement of 3 April 2017, did TKF proceed with the opportunity to expand to a further 7,500 verified profiles with the same client?

Yes. Following commencement of onboarding of the Regional Pool profiles, the Company was also given access to a further potential pool of up to 7,500 jobseekers from five metropolitan locations (**Metropolitan Pool**).

If so, please advise how many profiles were completed and the payments received by TKF

To date, the Company has processed 202 jobseeker profiles the Metropolitan Pool. In respect of these jobseeker profiles from the Metropolitan Pool, the Company has sent invoices totalling \$8,492, of which \$8,492 has been paid and received by the Company.

3. **Referring to TKF's announcements of 27 July 2017 and 4 August 2017, has TKF completed the onboarding process of 10,000 jobseekers? If so, please advise how many jobseekers were onboarded and the payments received by TKF. If not, when does TKF expect to complete the onboarding process of the 10,000 jobseekers and receive the revenue associated with these jobseekers?**

Response:

Referring to TKF's announcements of 27 July 2017 and 4 August 2017, has TKF completed the onboarding process of 10,000 jobseekers?

No. The Company confirms that the reference to 10,000 jobseekers in the 27 July 2017 and 4 August 2017 announcements is the total targeted jobseeker pool comprising 2,500 jobseeker profiles from the Regional Pool plus the additional 7,500 jobseeker profiles from the Metropolitan Pool.

If so, please advise how many jobseekers were onboarded and the payments received by TKF. If not, when does TKF expect to complete the onboarding process of the 10,000 jobseekers and receive the revenue associated with these jobseekers?

Please refer to the Company's responses to questions one and two above.

4. **Referring to TKF's announcement of 21 December 2017 disclosing that \$200,000 had been billed by TKF for the quarter ended 31 December 2017 and the Appendix 4C lodged on 31 January 2018 disclosing receipts from customers of \$80,000 for the quarter ended 31 December 2017, has TKF received the balance outstanding that was billed in the quarter ended 31 December 2017? If not, why not?**

Response:

Yes. \$200,000 was billed in the quarter ended 31 December 2017. Of this amount, \$80,000 was received in the quarter ended 31 December 2017, and \$120,000 was received on 4 January 2018 and accordingly, \$120,000 was included in the report for the quarter ended 31 March 2018.

5. **Referring specifically to the revenue projections of \$500,000 and \$1,900,000 disclosed in TKF's announcements of 3 April 2017 and 4 August 2017 and the subsequent receipts from customers of an aggregate of \$246,000, does TKF believe it had a reasonable basis upon which to disclose the revenue projections? If yes, please set out the basis for this belief.**

Response:

Yes.

Regarding the \$500,000 statement, at the time of the 3 April 2017 announcement, the Company had a reasonable basis for making the statement comprised of 2,500 jobseekers and a figure of \$200 per transaction on the following basis:

- representations and communications made by the regional manager of the job active network provider (including reference to relevant legislation requiring jobseekers attend 7 meetings in a 3 month period, and reference to legislative

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penalties if jobseekers did not attend meetings);

- the Company’s review of publicly available government reports on the jobactive network relative to the Regional Pool;
- the Company’s price list provided to the jobactive network provider; and
- the jobactive network provider’s regional manager’s assessment and representations of the service needs of the jobseekers in the Regional Pool.

Regarding the \$1.9 million statement, the Company is of the view this statement was not a revenue projection. Notwithstanding, the Company had a reasonable basis for making the statement, on the basis set out above, and additionally, on the following basis:

- the targeted 10,000 jobseeker figure was comprised of the Metropolitan Pool and Regional Pool;
- \$190 was based on an average price determined in consultation with the relevant regional and branch managers of the jobactive network provider and their assessment and representations of the service needs of the jobseekers in the Metropolitan Pool and Regional Pool; and
- based on the results of the trials, the challenges identified during the trials, and in consultation with and the representations of the relevant regional and branch managers of the jobactive network provider, the nine to twelve month estimated delivery timeframe was considered reasonable.

6. Please provide a breakdown of the cash receipts received from customers totalling \$151,000 for the year to date (6 months to 31 December 2017).

Response:

| | |
|-------------------|------------------|
| Client 1 | \$20,000 |
| Jobseeker Client* | \$87,491 |
| Client 3 | \$10,250 |
| Client 4 | \$33,632 |
| Total | \$151,373 |

* This revenue is related to the jobseeker project. Other clients listed above are not related to the jobseeker client.

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

Response:

Yes.

8. Please confirm that TKF’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 TKF with delegated authority from the board to respond to ASX on disclosure matters.

Response:

Yes, the Company’s responses to the questions above have been authorised by the Chairman, and Managing Director.

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4 April 2018

Mr Stuart Usher
Company Secretary
Tikforce Limited
Suite A7
435 Roberts Road
Subiaco WA 6008

By email: stuart@tikforce.com

Dear Mr Usher

Tikforce Limited ("TKF"): Query

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

- A. TKF's announcement entitled "Tikforce commences commercial volumes for job seekers" lodged on the ASX Market Announcements Platform ("MAP") and released at 08:15 am AEST on 3 April 2017, disclosing that TKF had commenced large scale onboarding in the job seeker market with 2,500 new individuals expected to have their credentials uploaded and verified and supplied with an online profile and supporting documents. It was expected that the 2,500 validated profiles would be completed in the April quarter and, at just over \$200 per transaction, the 2,500 onboards would generate approximately \$500,000 in the April quarter. The announcement also disclosed that "a short-term opportunity exist [sic] to expand to a further 7,500 verified profiles with the same client".
- B. TKF's announcement entitled "Tikforce Jobseeker Support Platform progress" lodged on MAP and released at 08:30 am AEST on 27 July 2017, disclosing that following commencement of the trial in April 2017, it was agreed to provide a more streamlined process which was rolled out in June 2017. The announcement also disclosed that TKF was expanding the trial to address and service a larger group, bringing the targeted trial up to 10,000 jobseekers.
- C. TKF's announcement entitled "Tikforce Operational Progress update" lodged on MAP and released at 11:24 am AEST on 4 August 2017, disclosing that the jobseekers program commenced in the June quarter. Revenue of \$43,500 associated with the initial trials was booked in the month of July. The program, as announced on 27 July 2017 had been extended to 10,000 jobseekers and at an average fee of \$190 per transaction, had the capacity to progressively generate \$1,900,000 in revenue for TKF. The announcement also disclosed that it was expected that the onboarding process of 10,000 jobseekers would be carried out over the next nine to twelve months.
- D. TKF's announcement entitled "30 June 2017 Appendix 4C - Revised format" lodged on MAP and released at 07:02 pm AEST on 11 August 2017, disclosing receipts from customers totalling \$95,000 during the quarter ended 30 June 2017.
- E. TKF's announcement entitled "Appendix 4C September Quarter" lodged on MAP and released at 5:16 pm AEDT on 27 October 2017, disclosing receipts from customers totalling \$71,000 during the quarter ended 30 September 2017.

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F. TKF's announcement entitled "Market Update" lodged on MAP and released at 03:27 pm AEDT on 21 December 2017, disclosing that TKF had billed over \$200,000 for the quarter ending 31 December 2017 and TKF expects this to increase through all four quarters of 2018.

G. TKF's announcement entitled "Appendix 4C - quarterly" lodged on MAP and released at 03:45 pm AEDT on 31 January 2018, disclosing receipts from customers totalling \$80,000 during the quarter ended 31 December 2017 and receipts from customers totalling \$151,000 during the year to date.

H. ASIC's Regulatory Guide 170: *Prospective financial information*, in particular:

RG 170.11 - *We believe the general test of whether prospective financial information must be disclosed is whether it is:*

(a) *relevant to its audience; and*

(b) *reliable (i.e. there must be a reasonable basis for it: see GIO Australia Holdings Ltd v. AMP Insurance Investment Holdings Pty Ltd (1998) 29 ACSR 584). ...*

RG 170.17 - *The making of a statement that contains prospective financial information (i.e. a forward-looking statement) must have reasonable grounds or it will be taken to be misleading under s728(2) or 769C of the Corporations Act. What are 'reasonable grounds' should be determined objectively in light of all of the circumstances at the time of the statement, so that a reasonable person would view as reasonable the grounds for the statement.*

RG 170.18 - *We consider that prospective financial information based on hypothetical assumptions (rather than reasonable grounds) is likely to be misleading and provide little information value to investors. In our view, prospective financial information without reasonable grounds is not material to investors, nor would an investor reasonably require it or reasonably expect to find it in a disclosure document or PDS. ...*

RG 170.41 - *We generally consider that prospective financial information for a period of more than two years may require independent or objectively verifiable sources of information to establish that there are reasonable grounds to provide it. However, for an existing business preparing a statement on estimates for up to two years, we will generally not regard as necessary independent verification if there otherwise appear to be reasonable grounds to make the statement. Directors should state why they believe the information is objectively reasonable. We may still take action on a statement on estimates for up to two years if we believe there are no reasonable grounds to provide it.*

RG 170.42- *The reasonable grounds requirement means that there should be a relevant factual foundation for the prospective financial information and that the information is not contrived ...*

RG 170.50 - ***The general principles in this regulatory guide also apply to advertising because of the interaction of s769C and 1041H.*** [emphasis added]

Section 769C states:

For the purposes of this Chapter, or of a proceeding under this Chapter, if:

(a) *a person makes a representation with respect to any future matter (including the doing of, or refusing to do, any act); and*

(b) *the person does not have reasonable grounds for making the representation; the representation is taken to be misleading.*

Section 1041H states:

A person must not, in this jurisdiction, engage in conduct, in relation to a financial product or a financial service, that is misleading or deceptive or is likely to mislead or deceive. ...

RG 170.59 - *Investors should be given enough information to enable them to:*

- (a) *assess whether the prospective financial information is relevant and reliable (i.e. to form their own view about how reasonable the grounds are for making the statement); and*
- (b) *identify with certainty the facts and circumstances that support prospective financial information, as well as being able to demonstrate that the information is reasonable. ...*

RG 170.61 - *A disclosure document or PDS must specifically disclose any assumptions used in compiling prospective financial information that materially affect the forecast outcome. The assumptions should be detailed and specific enough to enable the investor to work through all of the prospective financial information. This may require details about how returns are calculated during each year that the information covers. Among other things, assumptions about expenditures, revenues, inflation rates and other such variables should be clearly disclosed and highlighted if different assumptions have been used for different parts of the term that the prospective financial information covers.*

RG 170.62 *Investors must be able to assess:*

- (a) *the validity of the assumptions on which the prospective financial information is based;*
- (b) *the likelihood of the assumptions actually occurring; and*
- (c) *the effect on the prospective financial information if the assumptions vary.*

RG 170.63 - *We expect a disclosure document or PDS to disclose material assumptions about:*

- (a) *specific future economic conditions; and*
- (b) *particular circumstances affecting a company or financial product and the industries relevant to that company or financial product.*

RG 170.64 - *Disclosure of the material assumptions allows an investor or adviser to make an informed assessment of an issuer's prospects, or a person as a retail client to make an informed decision whether to acquire the product.*

RG 170.65 - *An assessment of the impact of these assumptions on prospective financial information should also be included. However, a disclosure document or PDS does not have to:*

- (a) *state general assumptions, such as the absence of war or natural disasters, unless the forecast takes these events into account; or*
- (b) *disclose assumptions that would not materially affect the prospective financial information.*

RG 170.66 - *It is not sufficient to state the general nature of an assumption. Specific quantities or amounts should be set out. For example, it may not be sufficient to state that prospective financial information is based on an anticipated recovery in equity markets, without setting out the amount of the required recovery: see GIO Australia Holdings Ltd v. AMP Insurance Investment Holdings Pty Ltd (1998) 29 ACSR 584.*

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RG 170.67 - *We consider that because the presence or absence of reasonable assumptions is a factor in any determination of whether an issuer has satisfied the relevant disclosure obligation, the basis for the assumptions underlying the prospective financial information should be stated in the disclosure document or PDS in order that an investor has some means of assessing that information*

..

RG 170.68 - *Disclosure of the basis for prospective financial information may reduce the capacity of the information to mislead because such disclosure assists the assessment/decision of an investor or retail client. ...*

RG 170.78 - *Investors must be able to assess the reliability of prospective financial information. To do this, they should be able to assess whether the key assumptions are likely to occur. Therefore, a disclosure document or PDS must disclose material details about the enquiries and research undertaken and the process followed in preparing the information.*

A complete copy of the Regulatory Guide is available at:

<http://download.asic.gov.au/media/1240943/rg170-010411.pdf>

- I. Section 4.15 of ASX's Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B "Guidelines on the contents of announcements under Listing Rule 3.1" which states, amongst other things that:

"Similarly, depending on the circumstances, ASX would generally expect an announcement about the signing of a market sensitive contract with a customer to include information about:

- *the name of the customer;*
- *the term of the contract;*
- *the nature of the products or services to be supplied to the customer;*
- *the significance of the contract to the entity;*
- *any material conditions that need to be satisfied before the customer becomes legally bound to proceed with the contract; and*
- *any other material information relevant to assessing the impact of the contract on the price or value of the entity's securities.*

In disclosing the significance of the contract to the entity, regard should be had to the guidance below about forward looking statements. For example, a statement about the projected revenue to be derived from a customer contract or any other projection that is a proxy for revenue will be a forward looking statement and therefore must have a reasonable basis in fact or else it will be deemed to be misleading."

- J. Listing Rule 3.1, which 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.

Having regard to the above, ASX asks TKF to respond separately to each of the following questions and requests for information in a format suitable for release to the market in accordance with Listing Rule 18.7A:

1. Referring to TKF's announcement of 3 April 2017, has TKF completed the onboarding of 2,500 validated profiles? If so, please advise how many profiles were completed and the payments received by TKF. If

not, when does TKF expect that the onboarding of 2,500 validated profiles will be completed and payment received by TKF?

2. Referring again to TKF's announcement of 3 April 2017, did TKF proceed with the opportunity to expand to a further 7,500 verified profiles with the same client? If so, please advise how many profiles were completed and the payments received by TKF. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe TKF was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps TKF took to ensure that the information was released promptly and without delay.
3. Referring to TKF's announcements of 27 July 2017 and 4 August 2017, has TKF completed the onboarding process of 10,000 jobseekers? If so, please advise how many jobseekers were onboarded and the payments received by TKF. If not, when does TKF expect to complete the onboarding process of the 10,000 jobseekers and receive the revenue associated with these jobseekers?
4. Referring to TKF's announcement of 21 December 2017 disclosing that \$200,000 had been billed by TKF for the quarter ended 31 December 2017 and the Appendix 4C lodged on 31 January 2018 disclosing receipts from customers of \$80,000 for the quarter ended 31 December 2017, has TKF received the balance outstanding that was billed in the quarter ended 31 December 2017? If not, why not?
5. Referring specifically to the revenue projections of \$500,000 and \$1,900,000 disclosed in TKF's announcements of 3 April 2017 and 4 August 2017 and the subsequent receipts from customers of an aggregate of \$246,000, does TKF believe it had a reasonable basis upon which to disclose the revenue projections? If yes, please set out the basis for this belief.
6. Please provide a breakdown of the receipts received from customers totalling \$151,000 for the year to date.
7. Please confirm that TKF is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.
8. Please confirm that TKF'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 TKF with delegated authority from the board to respond to ASX on disclosure matters.

In providing the information above, ASX would remind you that an officer or employee of a listed entity who gives, or authorises or permits the giving of, materially false or misleading information to ASX:

- knowingly, breaches section 1309(1) of the Corporations Act, which is a criminal offence punishable by a fine of up to 200 penalty units and/or imprisonment for up to 5 years; or
- without taking reasonable steps to ensure that the information was not false or misleading, breaches section 1309(2) of the Corporations Act, which is a criminal offence punishable by a fine of up to 100 penalty units and/or imprisonment for up to 2 years.

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 **9.30 a.m. AWST on Monday, 9 April 2018**. If we do not have your response by then, ASX will have no choice but to consider suspending trading in TKF's securities under Listing Rule 17.3.

ASX notes that TKF is currently in a voluntary suspension. TKF's shares will not be reinstated to official quotation until TKF has provided a response to this letter that is satisfactory to ASX.

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, TKF'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 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 Rules 3.1 and 3.1A

In responding to this letter, you should have regard to TKF'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 TKF'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)