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ASX Announcement 1 April 2019

Smiles Inclusive Limited: response to press release by Mr Timoney and Mr Herlihy

Smiles Inclusive Limited (ASX:SIL) has been made aware of a press release from Mr Mike Timoney and Mr David Herlihy today.

Smiles vehemently denies the allegations made by Mr Timoney and Mr Herlihy.

Unfortunately, Smiles' business performance under Mr Timoney and Mr Herlihy's leadership since its IPO in April 2018 has been far below the expectations of the board and the broader market. At its AGM on 21 November 2018, Smiles gave guidance that its FY19 cash EBITDA was expected to be \$5.0m and NPAT was expected to be \$2.3m. This was significantly below the pro forma guidance in its IPO prospectus. At 28 February 2019, the Company forecast a statutory loss of between \$0.5m and \$1m for FY19.

In response to this performance the board of Smiles had in October 2018 appointed Mr Tony McCormack as a consultant to review its business. Mr McCormack raised a number of legitimate concerns in relation to how Smiles was carrying on its business and it became apparent that Mr Timoney was not the best person to improve the Company's performance.

The board communicated this to Mr Timoney at a meeting on 20 February 2019.

Mr Timoney initially agreed to stand down as CEO of the Company subject to the terms of an ongoing role being agreed and the board agreed to appoint Mr McCormack (initially as COO, and then on 5 March 2019 as CEO). Mr Herlihy was supportive of both of these outcomes at the board's meeting on 20 February 2019.

Smiles entirely disagrees with Mr Timoney and Mr Herlihy's contention that there was somehow a lack of governance involved in Mr McCormack's appointment or Mr Timoney's stepping down as CEO. Both Mr Timoney and Mr Herlihy have failed to explain the basis of their concerns to the board. Mr McCormack was and is uniquely positioned to assist Smiles, and has the right experience and skill-set to do so.

Smiles has communicated a number of specific concerns about Mr Timoney's behaviour both prior to and after 20 February 2019 to Mr Timoney and his advisors. Mr Timoney has not refuted these concerns.

Smiles is continuing to investigate Mr Timoney's behaviour, and has communicated to Mr Timoney that it may take further steps once this investigation is further progressed.

Mr Herlihy did not resign as the Company's chair in protest at ongoing abuse of good governance. He did so because he lost the support and confidence of the majority of the board.

The Company remains focussed on its plan to turnaround and improve operational performance, which notwithstanding Mr Timoney and Mr Herlihy's actions, has been significantly progressed in recent weeks.

Mr Peter Evans (as the only director whose removal has not been requisitioned by shareholders) will oversee all matters relating to the requisition requests and forthcoming extraordinary general meeting.

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