A GUIDE TO THE AUSTRALIAN SECURITIES EXCHANGE (ASX) GENERAL ADMISSIONS
Why list on the Australian Securities Exchange (ASX)?

Australia currently ranks as the 13th largest economy in the world (measured by GDP), and the 3rd largest in the Asia Pacific region. In recent years Australia’s steady economic growth has been aided by a resources boom that has seen it emerge as one of the largest global suppliers of raw materials (coal, iron ore, etc).

With its stable political climate, Australia has become an attractive investment destination for global investors as well as home to many major multinational financial services providers.

The Australian Securities Exchange (ASX) sits comfortably in the top ten equity markets in the world (measured by market capitalisation) and has a reputation for integrity and for attracting international investors.

There are currently more than 2,200 entities listed on the ASX and, while it may come as no surprise that mining companies are well represented, the ASX is home to companies from a wide variety of industries including financial services, manufacturing, retail, media, transport, biotechnology, property, construction, tourism, telecommunications, healthcare, e-commerce services, infrastructure and primary production.

ASX Market Capitalisation by Industry: October 2011
There are many reasons why companies choose to list on the ASX, including the need to raise new capital from a wider market for growth strategies; to expand and improve their public profile with a range of stakeholders including institutional and professional investors; to enable management and staff to participate in employee share or option schemes; and/or to provide a means for an orderly exit for early stage investors.

The benefits must however, always be weighed against the responsibilities and costs that are associated with “going public” and particular regard must be had to the requirements of increased transparency and the need to adhere to strict corporate governance standards.

Admission

The initial listing of a company on the ASX is governed by the requirements of both the Corporations Act 2001 (Cth) (Corporations Act) and the ASX Listing Rules.

In order to be eligible for admission, an entity must fall within one of the three following categories:

1. General admission. To be eligible under this main admission category, an entity must satisfy either the “assets test” or the “profit test”.

   Essentially, to satisfy the “assets test”, the entity must at the time of admission either have (i) net tangible assets of at least A$2 million (from 1 November 2012, this will increase to A$3 million) (after the costs of fund-raising have been deducted) or (ii) a market capitalisation of at least A$10 million. The test is different for an investment entity.

   Furthermore, either less than half of the company’s total tangible assets (after raising any funds) must be cash or in a form readily convertible to cash (“liquid assets”) or one half or more of the company’s total tangible assets are liquid assets then the company must have entered into commitments to spend at least half of its liquid assets.

   Finally, in order to satisfy the “assets test” a company must meet minimum working capital requirements. A company must have at least A$1.5 million in working capital and have sufficient working capital to carry out its stated objectives.

   To satisfy the “profit test”, the entity’s gross profit for the previous three financial years must have been at least A$1 million in aggregate and its consolidated gross profit for the most recent year must exceed A$400,000.

2. Foreign exempt listing. This category is for foreign entities who are already listed on an offshore exchange that is a member of the World Federation of Exchanges, provided that the relevant foreign entity seeking listing on the ASX under this category is able to satisfy a more stringent “assets test” or “profit test”.

   To qualify for this category, the foreign entity must either possess net tangible assets of A$2 billion to satisfy the “assets test”, or must have achieved A$200 million in profit after tax in each of the previous three years to satisfy the “profit test”. Foreign companies that do not meet this criteria are able to apply for admission under the “general admission” category subject to meeting certain administrative requirements.

3. Debt listing. This category is for the admission of entities seeking quotation of debt securities only and is subject to certain other criteria including minimum net tangible assets and guarantee requirements.

   For simplicity, this guide only deals with the “general” admissions category, however, please do not hesitate to contact us should you require any further information on the “foreign exempt” or “debt” listing categories.

   The following conditions must also be met in order for an entity to qualify for admission:

   Spread of shareholders. To meet the ASX requirement that a listed entity must have a satisfactory spread of shareholders, a company must have at least 400 shareholders, each holding shares with a value of at least A$2,000 and at least 25% of the company’s shares must be held by parties unrelated to the company. If more than 75% of the company’s shares are held by related parties, the company must have 500 shareholders, who must similarly hold shares with a value of at least A$2,000.
From 1 November 2012, the spread of shareholders test will change. From that date, a company must satisfy one of the following (i) it must have at least 300 shareholders, each holding shares with a value of at least A$2,000 and at least 50% of the company’s shares must be held by parties unrelated to the company, (ii) it must have at least 350 shareholders, each holding shares with a value of at least A$2,000 and at least 25% of the company’s shares are held by parties unrelated to the company, (iii) it must have at least 400 shareholders, each holding shares with a value of at least A$2,000.

It is not necessary to have the required shareholder spread before the listing application is made. Typically, approval for listing is granted subject to the company meeting the shareholder spread requirement through an IPO of shares associated with the listing application.

Further, the ASX encourages overseas companies seeking a listing on the ASX to obtain and maintain a sizeable and diverse shareholding base in Australia. To promote liquidity in the Australian market, it is recommended that companies have at least 300 Australian-resident shareholders at the time of listing.

Prospectus. A prospectus is required to be issued by the entity seeking the ASX listing and lodged with the Australian Securities and Investments Commission (ASIC). In some cases, however, the ASX may agree to the issue of an information memorandum in place of a prospectus where a company does not need to raise capital and where the company already meets the shareholder spread requirements under the ASX Listing Rules.

The form and content of any prospectus must comply with the requirements of the Corporations Act and must contain all information that investors and their professional advisers would reasonably require to make an informed assessment as to:

1. The rights and liabilities attaching to any securities that are being offered.

2. The assets and liabilities, financial position and performance, profits and losses and prospects of the company.

Such information must be presented in a clear, concise and effective manner. While the Corporations Act requires that certain information must be disclosed, generally the content of prospectuses is not specifically prescribed. However, in practice, certain minimum expected disclosure standards have been developed to meet the requisite legal requirements.

For instance, prospectuses prepared for resource companies generally include a legal report on mining tenements along with further independent technical reports on geological, engineering and mining operations. All disclosures contained in a resource company’s prospectus, including any independent technical reports, must conform with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC). Preparing the prospectus can be a time consuming process as stakeholders are required to embark on a detailed due diligence exercise to ensure that material information which is known (or could reasonably be found out by making enquiries) is included in the prospectus.

A properly co-ordinated due diligence process (involving suitably qualified personnel) will not only identify material issues for disclosure in the prospectus but may also afford stakeholders with a potential defence against any liability that may arise in the event that the prospectus subsequently turns out to be defective.

Minimum share price. The issue price or sale price of all securities for which the entity seeks quotation must be at least A$0.20 at the time of admission. Further, if the entity has issued any options, the exercise price for each underlying security must be at least A$0.20.

Corporate Governance standards. The entity must provide a statement to the ASX disclosing the extent to which it will follow the detailed governance recommendations set by the ASX Corporate Governance Council. While the recommendations are not compulsory, if an entity does not intend to follow all of the recommendations it must disclose the reasons why.

Entities are well advised to have appropriate corporate governance policies in place and ensure that their employees are made aware of and adhere to them. Certain policies (such as a share trading policy) must be put in place in order to ensure compliance with the ASX Listing Rules.
It is also a condition of listing that the ASX must be satisfied that each director of the entity at the date of listing is of good fame and character.

**Constitution.** It is a condition of being admitted to the official list that a company's constitution complies with certain mandatory requirements prescribed in the ASX Listing Rules. These requirements are not onerous and essentially provide that the constitution must not prevent the company from complying with the ASX Listing Rules.

**Restricted securities.** The ASX Listing Rules provide for the classification of certain securities as restricted securities, which are subject to escrow and restriction from sale or transfer for a period of up to two years from the date of listing.

Generally, restrictions may be applied to shares issued as consideration for the acquisition of speculative assets (e.g. exploration tenements) or shares issued to promoters on more favourable terms than those offered to members of the public.

Whether securities are treated as restricted securities is decided by the ASX on a case-by-case basis and will depend on a number of factors including:

- The category of the company’s admission to listing on the ASX.
- The nature and quantum of the consideration paid for the shares.
- The relationship of the shareholder to the company.
- The period the shares have been held.

**Directors Interests.** The directors of a publicly listed company are required to disclose various interests including any relevant interest they (or their associates) hold in securities of the company and contracts to which the director is a party or under which the director is entitled to a benefit. Any changes in a director’s interest must be advised to the market as and when they occur.

The following table provides an overview of the key admission conditions for each admission category.

<table>
<thead>
<tr>
<th>Type of condition</th>
<th>ASX Listing</th>
<th>ASX Debt Listing</th>
<th>ASX Foreign Exempt Listing</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>* net tangible assets test; or market capitalisation test</td>
<td>* profit test</td>
<td>* net tangible assets test</td>
</tr>
<tr>
<td>Number of security holders</td>
<td>500 x $2,000 or 400 x $2,000 + 25% held by unrelated parties</td>
<td>500 x $2,000 or 400 x $2,000 + 25% held by unrelated parties</td>
<td>1,000 x $500</td>
</tr>
<tr>
<td>Net tangible assets; or Market capitalisation; or Profit</td>
<td>$2 million or $10 million</td>
<td>n/a</td>
<td>$10 million (can be met by parent entity guarantor) or the debt securities are at least investment grade</td>
</tr>
<tr>
<td>Financial statements</td>
<td>Last 3 financial years (if any) + Last half year (if any) + Reviewed pro forma balance sheet</td>
<td>Last 3 financial years (audited) + Last half year (audited or reviewed) + Reviewed pro forma balance sheet</td>
<td>Last 2 financial years</td>
</tr>
<tr>
<td>Working capital</td>
<td>$1.5 million + sufficient to carry out stated objectives</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Less than 50% of the company’s total tangible assets (after fund raising) are ‘liquid assets’ or, if not the company has commitments to spend at least 50% of its liquid assets</td>
<td>Yes</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Disclosure document</td>
<td>Prospectus or, if ASX agrees, information memorandum</td>
<td>Prospectus or, if ASX agrees, information memorandum</td>
<td>n/a</td>
</tr>
</tbody>
</table>
Fees and timeline associated with listing. The costs associated with listing can be substantial, but can be kept to a minimum by proper planning and the early engagement of suitably qualified advisers. In addition to the costs associated with engaging advisers (corporate advisers, underwriters, lawyers, accountants, share registrar, and technical experts) to assist with the listing application and preparation of the prospectus, fees are also payable to the ASX upon admission to the official list.

The following table sets out the initial listing fees payable for a typical ASX Listing:

<table>
<thead>
<tr>
<th>Value of equity securities for which quotation is sought (A$)</th>
<th>Fee payable on application for admission (A$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to $3m</td>
<td>$25,000</td>
</tr>
<tr>
<td>$3m to $10m</td>
<td>$25,000 + 0.46% on excess over $3m</td>
</tr>
<tr>
<td>$10m to $50m</td>
<td>$57,200 + 0.09% on excess over $10m</td>
</tr>
<tr>
<td>$50m to $100m</td>
<td>$93,200 + 0.052% on excess over $50m</td>
</tr>
<tr>
<td>$100m to $500m</td>
<td>$119,200 + 0.037% on excess over $100m</td>
</tr>
<tr>
<td>$500m to $1,000m</td>
<td>$267,200 + 0.032% on excess over $500m</td>
</tr>
<tr>
<td>Over $1,000m</td>
<td>$427,200 + 0.027% on excess over $1,000m</td>
</tr>
</tbody>
</table>

An entity must also pay an annual fee as set and published by the ASX.

The complexity of a company’s operations and the proposed scale of any capital raising will determine the length of time it will take to list a company. As a general guide company’s should allow between 4-6 months to complete the listing process, however it should be noted that the process can take significantly longer.

Obligations once listed

Continuous disclosure. Companies listed on the ASX are required to adhere to continuous disclosure requirements, which mandate the timely advising of information to ensure that the market is informed of events and developments as they occur.

Once an entity is or becomes aware of 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, the entity must, subject to limited exceptions, immediately disclose the information to the ASX and the market.

Accordingly, prior to listing, it is essential that proper internal reporting protocols are established so that material developments can be quickly identified and released in a timely manner. A clear and concise continuous disclosure policy should be adopted and all employees should be made aware of their obligations in this regard.

Periodic disclosure. Companies listed on the ASX are also required to make mandatory disclosures (which are made available to the public) on a periodic basis including the following:

Half-year disclosure:

Following the end of each half year of an entity, the entity must provide the ASX with the following financial information or documents:

- If the entity is incorporated in Australia or required to comply with the Corporations Act, a copy of the financial documents which a disclosing entity must lodge with ASIC under the Corporations Act.
• If the entity is not required to comply with the Corporations Act, the financial information or documents prepared under the law of its home jurisdiction which are equivalent to those that a disclosing entity must lodge with ASIC under the Corporations Act. These accounts must be audited or subject to review and the audit or review report must be given to the ASX with the accounts.

Annual disclosure:

The ASX requires an annual report to be sent to shareholders. This report must comply with the ASX Listing Rules and the Corporations Act and must contain the audited annual accounts as well as some additional information including:

• A distribution schedule of the number of holders in each class of equity securities.

• The names of the 20 largest holders of each class of equity securities.

• Information required by the ASX Corporate Governance Principles.

• If the entity is a mining exploration entity, a list of its interests in mining tenements, where the tenements are situated and the percentage interest it holds in each.

Quarterly disclosure:

Where a company has been admitted to the official list under the “assets test”, on the basis that more than half of its assets are liquid assets, then it must lodge a quarterly report setting out the financial information prescribed by Appendix 4C of the ASX Listing Rules.

Furthermore, companies that have an interest in mining tenements are required to make additional quarterly disclosures in relation to mining, exploration and development activities undertaken and the expenditure incurred on those activities.

Regulated transactions. The ASX Listing Rules and the Corporations Act place a number of restrictions on what companies are able to do without reference to their shareholders.

For instance, listed entities are restricted in the number of securities that they may issue in any 12-month period without obtaining shareholder approval and they must not issue securities to related parties or enter into transactions with related parties (except in limited circumstances) without first obtaining shareholder approval.

Furthermore, if an entity proposes to make a significant change to the nature or scale of its activities, it must provide full details to the ASX before proceeding and the ASX may (depending on the extent of the proposed change) require the entity to obtain the approval of ordinary security holders and re-comply with the initial listing requirements.

For more information, please contact:

Alistair Mackie
Head of Corporate, London
T: +44 (0)20 7264 8212
alastair.mackie@hfw.com

James Donoghue
Partner, Perth
T: +61 (0)8 9422 4705
james.donoghue@hfw.com

Nick Hutton
Partner, London
T: +44 (0)20 7264 8254
nick.hutton@hfw.com

Kirsten Rodger
Senior Associate, London
T: +44 (0)20 7264 8788
kirsten.roder@hfw.com

Aaron Jordan
Partner, Melbourne
T: +61 3 861 4535
aaron.jordan@hfw.com

Brian Gordon
Partner, Singapore
T: +65 6305 9533
brian.gordon@hfw.com

James Lewis
Partner, London
T: +44 (0)20 7264 8322
james.lewis@hfw.com

Mark Tan
Associate, Singapore
T: +65 6305 9536
mark.tan@hfw.com

Alistair Mackie
Head of Corporate, London
T: +44 (0)20 7264 8212
alastair.mackie@hfw.com

James Donoghue
Partner, Perth
T: +61 (0)8 9422 4705
james.donoghue@hfw.com

Nick Hutton
Partner, London
T: +44 (0)20 7264 8254
nick.hutton@hfw.com

Kirsten Rodger
Senior Associate, London
T: +44 (0)20 7264 8788
kirsten.roder@hfw.com

Aaron Jordan
Partner, Melbourne
T: +61 3 861 4535
aaron.jordan@hfw.com

Brian Gordon
Partner, Singapore
T: +65 6305 9533
brian.gordon@hfw.com

James Lewis
Partner, London
T: +44 (0)20 7264 8322
james.lewis@hfw.com

Mark Tan
Associate, Singapore
T: +65 6305 9536
mark.tan@hfw.com