



Bendigo Stock Exchange

Guide to Listing on the BSX Market

This guide has been prepared to provide an overview of how an entity may list and quote its securities on the BSX market. This guide is not a substitute for the BSX Listing Rules, guidance notes or professional advice.

Please note that the term “company” is used throughout this guide instead of “entity”. Other entities apart from companies may list on the BSX market, for instance trusts which are managed investment schemes. The term “company” has been used for the purpose of convenience.

BSX and its employees and agents do not accept any liability for any error in, or omission from, the information in this guide, and any loss occasioned to any person acting or refraining from acting, as a result of the information in this guide.

Enquiries regarding this guide may be made to BSX at 61 3 5444 0055..

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Overview

What is BSX?

BSX provides a suite of capital raising, financial market and business services for small and medium sized companies.

In particular, BSX provides a market for trading in securities of small and medium enterprises (SMEs).

Why List with BSX?

The BSX market is tailored to meet the specific needs of the SME sector. Listing on BSX provides access to a capital market from which small to medium sized companies can fund both their present and future growth.

What are the Key Prerequisites to Listing with BSX?

To list on the BSX market a company needs to satisfy the requirements in the BSX Listing Rules. The BSX Listing Rules have been specifically developed for SMEs while also meeting the regulatory requirements of the Australian Securities and Investments Commission (ASIC) and under the Corporations Law.

What Issues Need to be Considered in Preparing the Company for Listing?

There are many issues that need to be considered when preparing a company for listing. Some of these issues are: how to best access capital for growth, the company's profile, investment flexibility for shareholders, corporate governance issues, time and resources and benefits to employees.

Before an informed decision can be made about whether it is appropriate and feasible to list a company, all factors which could impact upon the company must be carefully considered.

What Advice and Assistance will be Required?

The advice of professional advisers may be required to assist the company in making an informed decision about whether to list, preparing for the company for listing and providing assistance to the company after listing with meeting ongoing listing requirements.

Will a Prospectus be Required?

A company wishing to list its securities on the BSX Official List must issue a prospectus or an Information memorandum that complies with the relevant provisions of the Corporations Law.

What does the Listing Process Involve?

The listing process can be divided into four stages:

- Pre-Application – at this stage a company can discuss its application with BSX and other matters that may impact upon its application;
- Application – a company seeking admission to the BSX Official List of companies must provide BSX with a completed application, any other documents required and the listing fees;
- Lodgement of Application – at this stage BSX will be in a position to ask any questions that arise following an examination of the registered prospectus or information memorandum, and will formally commence processing the listing application;
- Pre-Quotation – if a company's application is successful the company will be granted admission to the BSX Official List. Admission to the BSX Official list is conditional upon the company applying for quotation of its main class of securities.

What Happens After Listing ?

Listed companies have ongoing listing requirements which must be met. These include disclosure of material information to the market and ongoing reporting requirements.

What Costs are involved in Listing?

There will be listing fees, and any other costs incurred by seeking professional advice and services.

What is BSX?

BSX evolved from concerns that Australia's current capital market structure prevents many SMEs making a more positive contribution to the economy, employment and development of innovative new products and services.

The key aim of the BSX is to assist SMEs gain better access to growth capital. This is being achieved through a suite of capital raising, trading and business services for the SME sector. The BSX market is one of these services.

The BSX web site www.bsx.com.au is a one stop shop for SMEs. A range of services are provided to assist SMEs and small cap companies at different stages of their development and assist fund raisers, venture capitalists and other investors with a higher level of confidence in the SME sector.

The BSX market offers a small cap market for trading in securities.

The BSX market lists companies, trusts and similar Companies.

By providing a trading platform for the small cap market BSX assists small and medium sized companies raise capital in an environment tailored to meet their specific needs.

In the past, one of the obstacles for the SME sector in attracting investment was that Australia did not have a market focused on SMEs such as in the US, Europe and Asia. People were less willing to subscribe their funds to a venture because they could not be sure whether they could retrieve or relocate their funds at an appropriate time. Now it is easier for small and medium sized companies to raise capital as investors can be certain that the securities they will be issued can be traded.

BSX Brokers play an important role as intermediaries for Companies and investors. BSX Brokers must meet many standards and they must be of good character and high business integrity. Companies listing on the BSX market will benefit from the expertise of Brokers dedicated to the SME sector.

Computershare provides a sophisticated trading system for the BSX market. The trading system performs the trading algorithm and on a daily basis provides live export of the trade data directly to the BSX web site.

Computershare's high performance software systems provide the infrastructure for many of the world's exchanges .

BSX has appointed Sandhurst Trustees to act as the settlement agent and provide a clearing and settlement system. Most Brokers find that it is more efficient to go through a settlement agent than to settle each trade themselves.

As the SME sector is diverse and located in cities, towns and communities throughout Australia, BSX has utilised the Internet as a market in terface to create a virtual market with no boundaries. SMEs will also benefit from a market that can be accessed by the global community of investors.

Australia's SME sector is at the forefront of innovation and entrepreneurial business. The BSX market provides a trading platform for raising capital in order that small to medium sized companies can grow and evolve to meet the challenges of the new millenium.

Why List with BSX?

A listing on the BSX market can provide an SME with:

- more shareholders;
- a far more efficient and transparent way for shareholders to trade their shares;
- a public arena to publicise announcements about the company, on the BSX web site;
- a higher public profile, which in turn can generate further business;
- a more cost effective and efficient way to raise subsequent capital for further expansion;
- the advantages of being listed on a stock exchange that understands the requirements of the SME community particularly in rural and regional areas.

To list on the BSX market a company needs to satisfy the requirements in the BSX Listing Rules. The BSX Listing Rules have been specifically developed for SMEs and meet the regulatory requirements of the Australian Securities and Investments Commission (ASIC).

What are the Key Prerequisites to Listing with BSX?

A company must satisfy BSX requirements relating to size, quality and operations before it can be listed on the BSX market.

Requirements for listing are set out in the BSX Listing Rules. Once a company is listed on the BSX market it is contractually bound by the Listing Rules. The Listing Rules govern the conduct of companies listed on the BSX market.

BSX provides a market for trading in small cap securities. The requirements for listing on BSX have therefore been developed to meet the particular requirements of small cap Companies.

Principles behind the Listing Rules

All Companies wishing to be listed on the BSX market, must meet minimum standards of size, quality operations.

Listed Companies must keep investors and the market informed on a timely basis of information that is likely to affect the price at which their securities trade on the BSX market.

The activities of Companies listed on the BSX market must be carried out in an efficient and certain manner to reduce risk and promote confidence in the functioning of the BSX market.

BSX Listing Requirements

The key requirements to be listed on the BSX market are as follows:

Profit test and Assets test

The company must satisfy either:

- the profit test; or
- the assets test.

To satisfy the profit test:

- *going concern* – the company must be a going concern or the successor of a going concern;
- *business activities for past three years* – if the company has not conducted the same business activities during the past three full financial years the

company must disclose details of how its business activities have changed either in its prospectus or information memorandum;

- *three years' profit* – the company's aggregated operating profit before tax and abnormal profits (but including abnormal losses) for the last three full financial years must have been at least \$500,000.

To satisfy the assets test:

- *size* – at the time of admission to the official list, the company must have either net tangible assets of at least \$500,000 (after deducting the costs of fundraising) or a likely market capitalisation (based on the offer price under the prospectus) of at least \$1 million;
- *cash position* – if half or more of the company's total tangible assets (after raising any funds from the float) are cash or in a form readily convertible to cash, the company must have commitments consistent with its business objectives to invest or spend enough money to reduce the proportion to less than half. If the prospectus or information memorandum does not contain a statement of the company's business objectives the company must give a statement of its business objectives to BSX;
- *working capital* – the company must have enough working capital to carry out its stated objectives. If the prospectus or information memorandum does not contain a statement to that effect, BSX may require the company to provide it with one from an independent expert;
- *revenue* – the company's business must be developed to the point where it is reasonably likely it will generate revenue from its ordinary activities within three years of admission to the official list. BSX may require the company to provide it with a written statement to that effect from an independent expert.

Security holder spread

After the offer, the company must have achieved a satisfactory spread of security holders. This will be satisfied if the company has:

- at least 50 security holders, each holding securities with a value (based on the prospectus offer price) of at least \$2,000 (excluding restricted securities), and at least 25% of its main class of securities held by security holders are not held by related parties of the company (excluding restricted securities).

This requirement will not be met if the spread is obtained by artificial means e.g. giving shares away.

Structure and operations

The company's structure and operations must be appropriate to be listed on BSX. This requirement is not a barrier to listing for most companies.

Prospectus/Information memorandum

The company must have issued a prospectus or Information memorandum that complies with the Corporations Law. The prospectus must contain all the information about the company that investors, and their advisers would reasonably require to make an informed assessment of:

- the assets and liabilities, financial position and performance, profits and losses, and prospects of the company; and
- the rights and liabilities attaching to the shares to be offered.

Alternatively, and if agreed by BSX, the company must have issued an information memorandum that complies with the Listing Rules.

Quotation of Securities

When a company applies to list on BSX it must also apply for quotation of some or all of its securities. Once it is admitted to the BSX Official List, a company may apply for the quotation of additional securities.

What Issues Need to be Considered in Preparing a Company for Listing?

There are many issues that need to be considered about preparing a company for listing. Before an informed decision can be made about whether it is appropriate and feasible to list a company, all factors which could impact upon the company must be carefully considered.

As every company is unique, the goals, work environment, image, values and particular circumstances of the company will need to be considered before a decision to list is made.

Access to Capital

The advantages to listing on the BSX market are significant. In particular, listing on BSX enables a company to realise its potential for growth whilst gaining greater

flexibility in the methods of financing such as growth. Many companies choose to list at the time when they are looking to expand their business as listing provides access to a capital market from which the company can fund both its present and future growth.

Listing is a means by which companies wishing to expand can issue additional securities to raise equity finance and reduce their reliance on debt finance. Often the original shareholders in a company want the company to list in order that they can realise part of their investment by selling a portion of their existing securities. Companies may list by offering to the public existing shares, newly created shares or a mixture of both.

Raised Profile

Listing enhances a company's profile in the investment community and generates greater awareness of a company and its products and services.

A company that has listed operates in the regulated environment of a market and is subject to the Listing Rules and public scrutiny, as such a company will find that its reputation as a professional and successful enterprise will increase with people's knowledge of the company being listed.

Publicity received may be beneficial to its business and the higher profile may increase its standing and reputation within its particular industry. It may also enable the company to negotiate more favourable terms from such diverse groups as its suppliers, customers and banks.

As a result of a company's obligation to keep the market fully informed, information about the company will be brought to the attention of the users of BSX services as well as investors and members of the general public. For instance, a company listed in the BSX market may publish company announcements on the BSX web site.

Benefits to Employees

A company listing on BSX should consider whether it is appropriate to introduce an employee incentive scheme. These schemes enable listed companies to issue securities to their employees on more favourable terms than are generally available to the public.

Securities in a listed company are much more attractive to employees because they are a liquid investment which can be realised at any time. Employees may feel a greater sense of team spirit and cohesion armed with the knowledge that their efforts can add value not only to the company but also to their finances. Sharing in the growth of the company is rewarding for employees and employers.

More Flexible Investment

A listed company may decide to implement a Dividend Reinvestment Plan (DRP) so that shareholders are provided with the opportunity to elect to receive part or all of their dividends in the form of additional shares rather than cash. This may be important because shareholders who invest in listed companies have different investment objectives. For example, some may seek an income stream in the form of dividends, while others look for capital growth or a combination of both. DRPs are a way in which listed companies can provide their shareholders with greater flexibility with which to achieve their investment objectives and at the same time preserve the company's cash.

Corporate governance issues

A private or proprietary limited company will need to become a public company. This will require the approval of existing shareholders and the adoption of a new public company constitution. This process usually takes around five weeks to complete.

If there are any subsidiaries, the existence of these entities should be reviewed to determine whether they are still an appropriate part of the corporate structure for listing.

As a listed company is open to public scrutiny, the composition of the Board of Directors should be reviewed to ensure that there is appropriate expertise and independence. Consideration should be given to whether any independent non-executive directors with experience on the boards of public listed companies should be appointed.

Appropriate corporate governance procedures will need to be put in place to ensure ongoing compliance with the Listing Rules.

Time and resources

Listing a company requires time and resources.

Time and resources are not only required in preparing the company for listing, but are needed to ensure compliance with disclosure and reporting once the company has been listed.

Careful planning and timing are the key components in the listing process and any detailed preparatory work undertaken by management prior to appointing advisers may save the company time and money.

Each company must assess whether it can realistically commit the time and resources required to meet compliance on an ongoing basis.

The development of a timeline will simplify listing and ensure that everybody involved clearly understands their responsibilities and deadlines. A timetable will also assist in giving an overview of the listing process and focusing priorities.

What Advice and Assistance will be Required?

Professional advisers can assist a company in deciding whether it would be appropriate to list, help a company prepare for listing and ensure that the company is meeting its ongoing listing requirements.

Professional advisers need to work closely with management throughout the listing process to ensure that investors are provided with sufficient information to make informed investment decisions.

During the early stages of listing some of the important issues that will need to be addressed and which professional advisers may be able to assist with are as follows:

- | | |
|---------------------------------------|--|
| Corporate Structure and Legal Matters | <ul style="list-style-type: none">• appropriate corporate structure;• management structure;• board structure;• material contracts;• review of current or impending litigation; and• constitution. |
| Financial Issues | <ul style="list-style-type: none">• historical accounts;• financial forecasts;• taxation implications; and• valuation of assets. |

- | | |
|--|---|
| Prospectus and Due Diligence | <ul style="list-style-type: none"> • management of listing process; • form and amount of fundraising; • pricing the issue; • requirement for experts' reports; • prospectus preparation; and • due diligence. |
| Marketing and Distribution of Securities | <ul style="list-style-type: none"> • underwriting; • marketing the issue; and • allocation of securities |

Where can Professional Advisers be Found?

There are many professional advisers located throughout Australia.

The BSX web site www.bsx.com.au provides information on professional advisers who can assist your company prepare for listing.

A range of professional advisers are available to help advise your company, underwrite the cost of listing and assist in the preparation of the prospectus. Lawyers, accountants, auditors, financial planners and underwriters are the range of professional advisers who can provide specialised assistance to companies wishing to list.

As with any professional advice or assistance you should always retain professional advisers who have proven experience in assisting companies prepare for listing. The reputation and qualifications of professional advisers is a good starting point for determining whether it is worth seeking the assistance of a particular professional or firm.

Companies operating in specialised industries may benefit from seeking the opinion of other companies who have listed successfully. Ask directors and executive officers who they retained for professional advice and whether they were satisfied with the results, or who they would recommend. However, a company must ensure that any

professional adviser retained understands the particular industry and circumstances of the company wishing to list.

Some of the sources that may be useful for finding particular professional advisers include the following:

Lawyers

The BSX web site www.bsx.com.au provides contact details of lawyers who are able to provide specialised advice and assistance to the SME sector on listing and prospectuses.

In Australia each state has a Law Institute which holds details of every lawyer qualified to practice in that state. Law Institutes will be happy to provide information to your company about lawyers who specialise in listing and prospectus work.

Accountants, Auditors & Financial Planners

The BSX web site www.bsx.com.au provides contact details of financial advisers and specialists who are able to provide advice and assistance to the SME sector on a range of matters.

The Institute of Chartered Accountants in Australia can also provide companies with details of qualified accountants, auditors and financial planners within each state.

Underwriters

A range of organisations entertain underwriting and sub -underwriting agreements for capital raisings.

Companies should clearly explore the need for any underwriting support with their key advisors and BSX Brokers associated with the listing.

Will a Prospectus be Required?

A company wishing to list its securities on the BSX Official List must issue a prospectus or an Information memorandum that complies with the relevant provisions of the Corporations Law. Alternatively, and if agreed by BSX, the company must have issued an information memorandum.

A prospectus must contain all information that investors and their professional advisers would reasonably require for the purpose of making an informed assessment of:

- the assets and liabilities, financial position and performance, profits and losses, and prospects of the company; and
- the rights and liabilities attaching to the shares being offered.

The test is a broad one, set under the Corporations Law. A prospectus must include all information actually known to the directors of a company, the underwriters and stockbrokers to the listing, experts quoted in the prospectus, and other advisers who are named in the prospectus. The test also requires a prospectus to include anything else which these parties could reasonably find out, and as such requires the parties to make reasonable enquiries to ensure that all material information is made available to potential investors.

A prospectus should also include some information about the company's business, its board and management team and the industry in which it operates, to help market the listing.

How to Prepare a Prospectus?

A typical prospectus will contain the following information:

- Chairperson's Letter – an introduction to investors from the Chairperson;
- investment Overview – summary of important investment information for the company, including key financial ratios;
- details of the Offer – includes offer price and number of shares being offered;
- industry Background – includes a description of the industry the company operates in;
- background on Company – includes a description of the company's operations and past performance;
- information on the Board of Directors and Senior Managers – includes experience and background of directors and whether executive or non-executive, it also highlights staff who are important to the business;

- company Financial Information Summary – summarises and comments on historical and forecast financial information, underlying assumptions and sensitivity analysis;
- risk Factors – discussion of general and specific risks relating to the offer;
- investigating Accountant’s Reports – reports on historicals and prospects;
- additional Reports – reports from special experts e.g. technology specialist;
- additional Information – includes summaries of material contracts, material litigation, the constitution of the company, and other specific information required under the corporations Law;
- instructions to Applicants and Application Forms.

What Does the Listing Process Involve?

Pre-Application

Prior to the lodgement of a prospectus or information memorandum BSX may be contacted to discuss the company's application for admission to the BSX Official List.

These discussions may include such issues as:

- the company’s constitution;
- whether BSX would be likely to treat any of the company’s securities as restricted securities and impose escrow provisions;
- employee incentive schemes;
- dividend reinvestment plans;
- investment restrictions;
- management agreements;
- timetables; and
- compliance with the Listing Rules.

Application

A company seeking admission to the BSX Official List must provide BSX companies office with all documents required under Chapter 1 of the Listing Rules. These include:

- a completed application form;
- any other documents required; and
- the listing fees payable to BSX.

In some circumstances, BSX may require additional documents or information e.g. if a prospectus or information memorandum does not provide sufficient information for investors on the BSX market to make informed decisions about trading in the applicant's securities then additional disclosure will be sought from the applicant company.

The BSX companies office will examine all documentation provided by the applicant company to ensure that the applicant complies with the initial listing requirements. In particular:

- the company's constitution must be examined to ensure that it complies with the Listing Rules. If the applicant company is a trust additional requirements will need to be complied with in the applicant's constitution;
- the initial disclosure document provided by the applicant, whether it is a prospectus or information memorandum, needs to be checked to ensure it will provide sufficient information for an informed secondary market in the applicant's securities;
- the applicant must provide sufficient information to satisfy BSX that it satisfies either the profit test or the assets test. Additional information may need to be sought from the applicant to ensure the relevant test is satisfied; and
- the applicant needs to satisfy the spread test. BSX will closely examine any evidence that an applicant may have obtained the spread by artificial means.

Lodgement of Application

The BSX companies office will be in a position at this stage to ask any questions (i.e. requisitions) that may arise following examination of the registered prospectus or information memorandum, and will formally commence processing the listing application.

Pre-quotation

If a company's application is successful the company will be granted admission to the BSX Official List. Admission to the BSX Official List is conditional upon the company applying for quotation of its main class of securities. To do so, the applicant must provide to the BSX companies office all documents required under Chapter 2 of the Listing Rules. In particular, the applicant must provide a completed application form and the relevant quotation fees.

The BSX companies office will then examine all documentation to ensure that the applicant complies with the requirements for initial quotation of securities.

What Happens After Listing?

A company listed on the BSX market must provide information to the market on a timely basis to ensure that the company's securities are traded on an informed market.

Companies are required to provide material information immediately. They are also required to provide a range of other information on a periodic basis.

Material Information

If a company 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 company's securities, it must immediately provide that information to BSX.

This does not apply to particular information if a reasonable person would not expect the information to be disclosed, the information is confidential or a trade secret and one or more of the following applies:

- it would be a breach of a law to disclose the information;
- the information concerns an incomplete proposal or negotiation;
- the information comprises matters of supposition or is insufficiently definite to warrant disclosure; or
- the information is generated for internal management purposes of the company.

Financial Information

Companies must report on their financial position periodically. In general, the following reports must be lodged with BSX:

- *Half Yearly Reports* must be lodged at the end of each half year as soon as the information is available, and in any event within 75 days of the end of the relevant accounting period. A company may also be required to lodge half year financial documents with ASIC;
- *Annual Reports* must be lodged at the end of each company's financial year as soon as the information is available, and in any event within 75 days of the end of the relevant accounting period. The accounts must be audited. The company will usually also be required to lodge an annual report with ASIC.

The annual report or a summary of the annual report must be sent to all holders of ordinary securities and preference securities within 17 weeks of the end of the company's financial year.

The Listing Rules require that certain matters must be included in the annual report of every listed company over and above the requirements in the Corporations Law.

What Costs are Involved in Listing?

There are various costs that may be incurred.

Listing fees will be payable to BSX for being placed on the BSX Official List and for the quotation of securities.

Costs may be incurred in seeking the advice and or assistance of professional advisers, such as lawyers, accountants and underwriters.

Market Regulators

BSX is the market provider and regulates the conduct of listed companies through the Listing Rules. The ASIC is the government's corporate watchdog, a body that exists to ensure that Australian companies are complying with the law, policy and market requirements.

The company will need to liaise with BSX and ASIC during the listing process to make sure that it satisfies their requirements. It is possible to apply to the BSX and to ASIC to obtain waivers or modifications from compliance with some of these requirements. The requisite applications should be identified early on so that any potential delays are avoided.

ASIC

ASIC may be willing to grant a number of standard modifications for companies listing, for instance allowing the names of investors to be included on application forms before they are sent out. It is important that these matters are identified and applied for as early as possible in the process.

Contact details:

Web site: www.asic.com.au

Phone: 61 1300 300 630 (Information Line)

Address: Business Centre Melbourne
Level 17, CU Tower
485 Latrobe Street
MELBOURNE VIC 3000

BSX

The company will need to liaise regularly with BSX during the listing process to make sure that it is aware of the progress being made and to ensure that BSX is able to comply with the timing requirements of the company.

Contact details:

Web site: www.bsx.com.au

Fax: 61 3 5444 0033

Phone: 61 3 5444 0055

Post: PO Box 323
BENDIGO VIC 3552

Before an company can make an informed decision about whether to list with BSX the following laws and rules must be considered:

- *Corporations Law; and*
- *BSX Listing Rules.*

The Corporations Law and BSX Listing Rules are the core laws and rules which Companies listed on the BSX market must comply with. However, this is not an exhaustive list. There are laws and regulations which impact upon a listed company which are not referred to in this guide. Professional advisers should be consulted for specific advice.