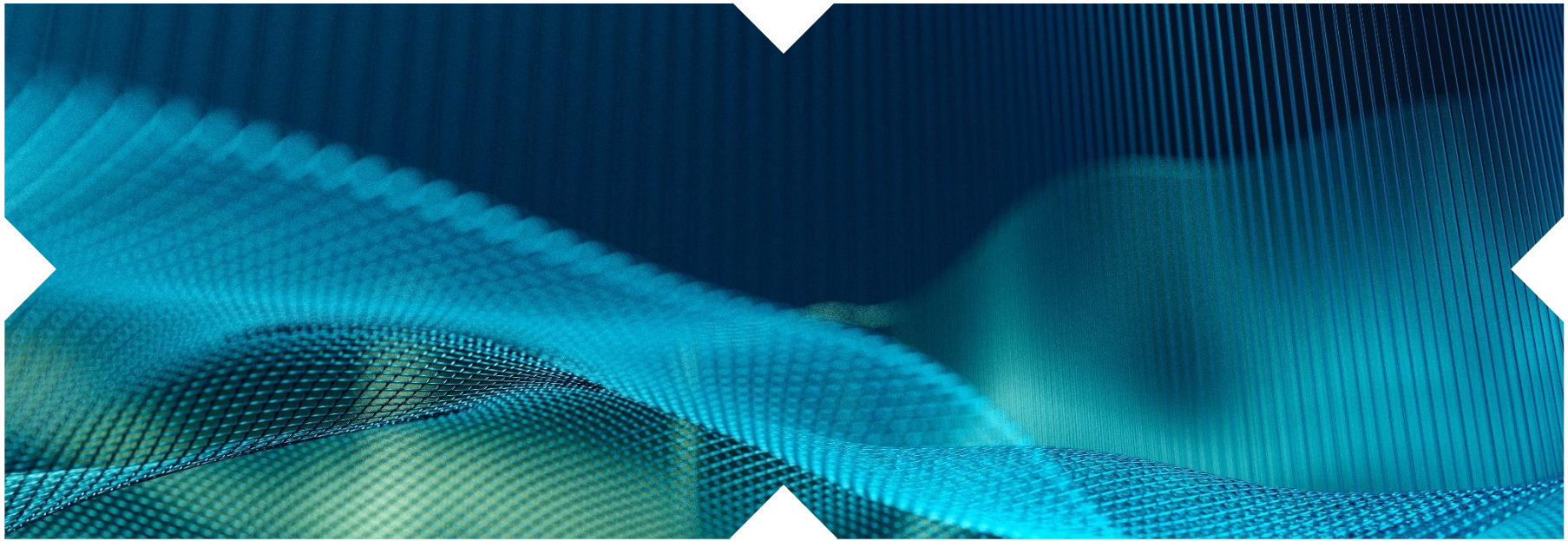
ASX Listing Rules Compliance Course

Module 3: Issue of equity securities



Before we begin

An important legal notice

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This module does not purport to cover all aspects of the Listing Rules relevant to the subject matter in its title. There may also have been changes to a Listing Rule, or to ASX's policy or guidance on the application of a Listing Rule, mentioned in this module since the module was last updated.

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ASX Listing Rules Compliance Course

Module 3 – Issue of equity securities

- Welcome to module 3 of the ASX Listing Rules Compliance Course.
- This module covers issuing equity securities. It should take you around 30 minutes to complete.



Module	Name of module
Module 1	Continuous disclosure
Module 2	Periodic reporting
Module 3	Issue of equity securities
Module 4	Transactions with persons in a position of influence
Module 5	Significant transactions
Module 6	Corporate governance disclosures
Module 7	General meetings
Module 8	Lodging documents with ASX
Module 9	Trading halts and suspensions
Module 10	Waivers and in-principle advice
Module 11	Directors' interest notifications

Issue of equity securities

Introduction



- In this module, we cover:
  - an entity's placement capacity under rules 7.1 and 7.1A
  - the exceptions to rules 7.1 and 7.1A in rule 7.2
  - ratifying an issue or agreement to issue securities under rule 7.4
  - notice of meeting requirements for approvals under rules 7.1, 7.1A and 7.4
  - the time limit to issue securities approved under rule 7.1 or 7.4
  - Appendix 2A, 3B and 3G notification requirements, and
  - the restrictions on issuing equity securities during a board spill or takeover in rules 7.6 and 7.9.
- For further information on these matters, please refer to Guidance Note 21 – The Restrictions on Issuing Equity Securities in Chapter 7 of the Listing Rules.

An overview of the placement rules

Rules 7.1, 7.1A and 7.2

- Rules 7.1, 7.1A and 7.2 seek to balance the interests of an entity in being able to raise capital flexibly, and the interests of its security holders in not being unfairly diluted.
- Broadly speaking, rule 7.1 sets an aggregate limit on the number of equity securities an entity can issue over any 12-month period without security holder approval equivalent to 15% of its fully paid ordinary issued capital. Up to that limit, the entity is free to issue equity securities at whatever price and on whatever terms its board considers appropriate. Once that limit is reached, the holders of the entity's ordinary securities must approve the issue.
- Rule 7.1 is expressed to operate subject to rule 7.1A and 7.2.
- Rule 7.1A was introduced in 2012 to make it easier for small to mid-cap entities to raise additional equity capital. It allows an 'eligible entity' to obtain at its AGM an approval from the holders of its ordinary securities (a '7.1A mandate') to have an additional placement capacity equivalent to 10% of its fully paid ordinary issued capital.
- Rule 7.2 sets out various types of equity security issues that are excluded from the operation of rules 7.1 and 7.1A.

An overview of the placement rules

Rules 7.1, 7.1A and 7.2 (cont.)

- Whatever is remaining of the 15% limit in rule 7.1 is often referred to as an entity's 'placement capacity', reflecting the fact that the types of issues to which rule 7.1 applies (after the exceptions in rule 7.2 are taken into account) would often be characterised as 'placements'.
- Comparing the two:
  - The 15% placement capacity under rule 7.1 is available to all entities. It is automatically replenished every 12 months on a rolling basis and there are no conditions on the type of equity securities that can be issued or the price at which they can be issued.
  - The extra 10% placement capacity under rule 7.1A is only available to eligible entities with a 7.1A mandate, which has to be renewed each year at the entity's AGM. There are also constraints on the type of equity securities that can be issued and the price at which they can be issued.
- GN 21 has extensive guidance, including worked examples, on the operation of rules 7.1, 7.1A and 7.2.



The formula for calculating an entity's 15% placement capacity

Rule 7.1

Rule 7.1 provides that:

Subject to rules 7.1A and 7.1B, without the approval of the holders of its ordinary securities, an entity must not issue or agree to issue more equity securities than the number calculated in accordance with the following formula:

(A x B) – C

where:

A = the number of fully paid ordinary securities on issue at the commencement of the relevant period,

- *plus the number of fully paid ordinary securities issued in the relevant period under an exception in rule 7.2 other than exception 9, 16 or 17,*
- *plus the number of fully paid ordinary securities issued in the relevant period on the conversion of convertible securities within rule 7.2 exception 9 where:*
  - *the convertible securities were issued or agreed to be issued before the commencement of the relevant period, or*
  - *the issue of, or agreement to issue, the convertible securities was approved, or taken under these rules to have been approved, under rule 7.1 or 7.4,*

The formula for calculating an entity's 15% placement capacity

Rule 7.1 (cont.)

- *plus the number of fully paid ordinary securities issued in the relevant period under an agreement to issue securities within rule 7.2 exception 16 where:*
  - *the agreement was entered into before the commencement of the relevant period, or*
  - *the agreement or issue was approved, or taken under these rules to have been approved, under rule 7.1 or 7.4,*
- *plus the number of any other fully paid ordinary securities issued in the relevant period with approval under rule 7.1 or 7.4,*
- *plus the number of partly paid ordinary securities that became fully paid in the relevant period,*
- *less the number of fully paid ordinary securities cancelled in the relevant period*

B = 15%

The formula for calculating an entity's 15% placement capacity

Rule 7.1 (cont.)

C = the number of equity securities issued or agreed to be issued in the relevant period that are not issued:

- *with the approval of the holders of its ordinary securities under rule 7.1 or 7.4*
- *under rule 7.1A.2, or*
- *under an exception in rule 7.2, and*

'relevant period' means:

- *if the entity has been admitted to the official list for 12 months or more, the 12-month period immediately preceding the date of the issue or agreement, or*
- *if the entity has been admitted to the official list for less than 12 months, the period from the date the entity was admitted to the official list to the date immediately preceding the date of the issue or agreement.*

The formula for calculating an entity's extra 10% placement capacity

Rule 7.1A.2

Rule 7.1A .2 provides that in addition to issues under rule 7.1:

… an eligible entity which has obtained the approval of the holders of its ordinary securities under … rule 7.1A may, during the period of the approval, issue or agree to issue a number of equity securities calculated in accordance with the following formula:

(A x D) – E

where:

A = has the same meaning as in rule 7.1

D = 10%

E = the number of equity securities issued or agreed to be issued under rule 7.1A.2 in the relevant period where the issue or agreement has not been subsequently approved by the holders of its ordinary securities under rule 7.4, and

'relevant period' has the same meaning as in rule 7.1.

The conditions to qualify for the extra 10% placement capacity

Rule 7.1A

- For an entity to qualify for the extra 10% placement capacity provided for in rule 7.1A.2:
  - it must be an ***eligible entity***
  - it must be issuing securities in an existing class of quoted securities
  - the consideration for the issue must be a cash amount not less than the minimum issue price prescribed in the rules, and
  - it must have a current 7.1A mandate.
- We explain these conditions further in the next three slides.

An ‘eligible entity’ issuing an existing class of quoted securities …

Rule 7.1A

What is an ‘eligible entity’?

- An entity is eligible for the extra 10% placement capacity in rule 7.1A if, at the date of the AGM at which it receives a 7.1A mandate, it has a market capitalisation of less than $300 million and it is not included in the S&P/ASX 300 Index.
- If an entity meets both of these eligibility criteria at the date of its AGM, a 7.1A mandate given at that AGM continues to be valid notwithstanding that the entity’s market capitalisation may increase above $300 million, or it may be included in the S&P/ASX 300 Index, at some time after the date of the AGM and during the life of the mandate.

Existing class of quoted securities

- Only securities in an existing class of quoted equity securities can be issued under rule 7.1A.2 (i.e. an entity cannot issue unquoted securities or securities in a new class of quoted securities under that rule).
- If an entity wishes to issue securities in a class that is not presently quoted on ASX without security holder approval, the issue must fit within its rule 7.1 placement capacity or fall within an exception in rule 7.2.

… for a cash consideration at or above the prescribed issue price …

Rule 7.1A (cont.)

- Securities can only be issued under rule 7.1A.2 for a cash consideration.
- The issue price must not be less than 75% of the volume weighted average price for securities in the relevant quoted class, calculated over the 15 trading days on which trades in that class were recorded immediately before:
  - the date on which the price at which the securities are to be issued was agreed by the entity and the recipient of the securities, or
  - if the securities are not issued within 10 trading days of that date, the date on which the securities were issued.
- If an entity wishes to issue securities for a non-cash consideration or for a cash consideration that is lower than the minimum issue price specified above without security holder approval, the issue must fit within its rule 7.1 placement capacity or fall within an exception in rule 7.2.

… with a current 7.1A mandate

Rule 7.1A (cont.)

- To fit within rule 7.1A.2, an issue of equity securities must be made, or an agreement to issue equity securities must be entered into, during the currency of a '*7.1A mandate*'.
- A 7.1A mandate is an approval from the holders of an entity's ordinary securities by way of special resolution that it should have the additional capacity to issue securities provided for in rule 7.1A.
- A 7.1A mandate can only be sought at an entity's AGM and not at any other meeting of security holders.
- A 7.1A mandate commences on the date of the AGM at which the resolution approving the mandate is passed and expires on the earliest of:
  - the date that is 12 months after the date of the AGM at which the mandate was approved
  - the time and date of the entity's next AGM, and
  - the time and date on which the entity receives security holder approval for a transaction under either rule 11.1.2 (significant change to nature or scale of activities) or 11.2 (disposal of main undertaking).

Calculating an entity's placement capacity under rules 7.1 and 7.1A

A simple example

A listed company had 1 million ordinary shares on issue 12 months ago. It has not issued any equity securities during the intervening 12 months apart from 100,000 ordinary shares issued in a placement that did not fall within any of the exceptions in rule 7.2. It has a market capitalisation of more than $300 million and therefore is not eligible for the extra 10% placement capacity in rule 7.1A.

Question: What is the entity's remaining placement capacity under rule 7.1?

Answer: The formula in rule 7.1 to calculate an entity's placement capacity is *(A x **15%**) – C*. In this case:

A = 1,000,000 ordinary shares

C = 100,000 ordinary shares

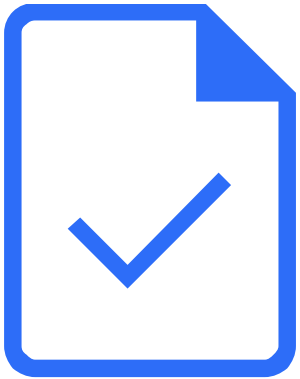
The entity's remaining placement capacity is therefore (1,000,000 x 15%) – 100,000, or ***50,000 ordinary shares***.

Annexure A of GN 21 has a number of more detailed worked examples showing how to calculate placement capacity under rules 7.1 and 7.1A.

Ratification of placements

Rule 7.4

- Rule 7.4 provides that an issue of, or agreement to issue, securities made without approval under rule 7.1 is treated as having been made with approval for the purpose of rule 7.1 if:
  - the issue or agreement did not breach rule 7.1, and
  - the holders of the entity's ordinary securities subsequently approve the issue.
- To comply with the first requirement above, the issue must have come within the entity's placement capacity under rules 7.1 and (if applicable) 7.1A at the time it was made or agreed to be made. Rule 7.4 does not allow the ratification of an issue of, or agreement to issue, securities that exceeded an entity's placement capacity under rules 7.1 and 7.1A.



Exceptions to security holder approval

Rule 7.2

- Rule 7.2 lists 17 different types of security issues (referred to as numbered ‘exceptions’) to which rules 7.1 and 7.1A do not apply. Those issues can therefore be made without security holder approval under rule 7.1 and without expending any of the entity’s placement capacity under rules 7.1 or 7.1A.
- In broad terms, those exceptions are:

1. A pro rata issue to ordinary security holders and to any other security holders entitled to participate in such an issue
2. An issue under an agreement to underwrite the shortfall on an issue within exception 1
3. An issue to make up the shortfall on an issue within exception 1
4. An issue under a dividend/distribution reinvestment plan (‘DRP’), or an agreement to underwrite the shortfall on a DRP, that does not impose any limits on participation
5. An issue under a qualifying security purchase plan (‘SPP’)

Exceptions to security holder approval

Rule 7.2 (cont.)

6. An issue under a ‘regulated takeover or ~~a~~ merger’, unless the issue is made under a ‘reverse takeover’ or ‘prescribed transaction’.

7. An issue to fund the cash consideration payable under a ‘regulated takeover or merger where the terms of the issue are disclosed in the relevant transaction documents, unless the issue is made to fund a ‘reverse takeover’ or ‘prescribed transaction’.

8. An issue approved under item 7 of section 611 of the Corporations Act

9. An issue resulting from the conversion of convertible securities

10. An issue under an agreement to underwrite the shortfall on an exercise of options

A ‘*regulated takeover or merger*’ includes specified Australian regulated transactions and qualifying foreign-regulated transactions.
A ‘*prescribed transaction*’ is a regulated takeover or merger by an entity included in the S&P/ASX 300 Index where the relevant securities issued or to be issued equal or exceed the entity’s ‘prescribed threshold’.
The ‘*prescribed threshold*’ is generally 25% for eligible entities, unless a higher threshold applies under the entity’s constitution or has been approved under Listing Rule 7.3B.

Exceptions to security holder approval

Rule 7.2 (cont.)

11. An issue of preference shares that comply with chapter 6 of the rules and do not have any rights of conversion into another class of equity security
12. A sale or reissue of forfeited shares within 6 weeks after the date the call was due and payable
13. An issue under a qualifying employee incentive scheme ('EIS')
14. An issue approved under rule 10.11 or 10.14 (covered in module 4 of this course)
15. A grant of options or other rights to acquire securities under an EIS where the securities to be acquired on the exercise of the options or in satisfaction of the rights are required by the terms of the EIS to be purchased on-market
16. An issue under a qualifying agreement to issue securities, and
17. An agreement to issue equity securities that is conditional on the holders of its ordinary securities approving the issue under rule 7.1 before the issue is made.

Exceptions to security holder approval

Rule 7.2 (cont.)

- The list of exceptions in rule 7.2 on the 3 preceding slides is a high-level summary.
- Many of the exceptions in rule 7.2 (including exceptions 2, 3, 4, 5, 9, 10, 13 and 16) have conditions that must be met before they apply. It is important that an entity validates that an issue of equity securities it is proposing to make under an exception in that rule in fact meets the conditions applicable to that exception.
- For example, to fall within exception 16 (an issue under a qualifying agreement to issue securities), the entity must have entered into the agreement:
  - before it was listed and disclosed the existence and material terms of the agreement in its listing prospectus, PDS or information memorandum, or
  - after it was listed and complied with the rules when it did so.

Notice of meeting requirements for rule 7.1, 7.1A and 7.4 resolutions

Rules 7.3, 7.3A and 7.5

- A notice of meeting seeking security holder approval to an issue of equity securities under rule 7.1 must include:
  - the information set out in rules 7.3.1 to 7.3.8, and
  - a voting exclusion statement (rule 7.3.9).
- A notice of meeting seeking security holder approval for a 7.1A mandate must include:
  - the information set out in rules 7.3A.1 to 7.3A.6, and
  - if at the time of dispatching the notice the entity is proposing to make an issue of equity securities under rule 7.1A.2, a voting exclusion statement (rule 7.3A.7).
- A notice of meeting seeking security holder approval to an issue of equity securities under rule 7.4 must include:
  - the information set out in rules 7.5.1 to 7.5.7, and
  - a voting exclusion statement (rule 7.5.8).

Notice of meeting requirements for rule 7.1, 7.1A and 7.4 resolutions

Rules 7.3, 7.3A and 7.5 (cont.)

- A notice of meeting seeking security holder approval to an issue of equity securities under rule 7.1, 7.1A or 7.4 must also include a summary of the relevant rule and what will happen if security holders give, or do not give, the approval sought under that rule (rule 14.1A).
- In the case of an approval under rule 7.1 or 7.4, this summary should include an explanation of the effect passing the resolution will have on the entity's ongoing capacity to issue equity securities without security holder approval under rule 7.1 (see the note to rule 14.1A).
- An approval under rule 7.1, 7.1A or 7.4 is not valid if the notice does not meet the applicable requirements set out in this and the preceding slide (rule 14.6).
- A notice of meeting that includes a resolution under rule 7.1, 7.1A or 7.4 must be provided to ASX in draft and not finalised until ASX tells the entity that it does not object to the notice (rule 15.1).

Time limits on issuance

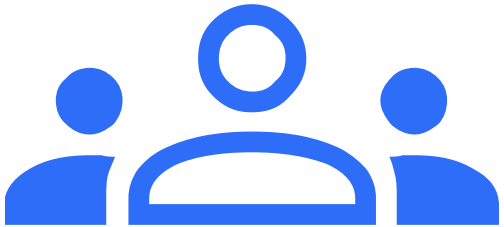
Rules 7.3.4, 7.5.4, 14.6 and 14.7

- An issue or agreement to issue equity securities approved by security holders under rule 7.1 must be completed:
  - if the securities are being issued under, or to fund, a reverse takeover or prescribed transaction, no later than 12 months after the date of the meeting granting that approval
  - if court approval of a re-organisation of capital is required before the issue, no later than 3 months after the date of the court approval, or
  - if neither of the above apply, no later than 3 months after the date of the meeting granting that approval (rules 7.3.4, 14.6 and 14.7).
- An issue under an agreement to issue equity securities that has been approved by security holders under rule 7.4 must be completed no later than 3 months after the date of the meeting approving the agreement (rules 7.5.4, 14.6 and 14.7).

Time limits on issuance

Rules 7.3.4, 7.5.4, 14.6 and 14.7 (cont.)

- These time limits are designed to strike a balance between giving entities the time practically necessary to complete an issue of equity securities and ensuring that the securities are issued within a reasonable time frame after security holder approval so that the approval can still be considered to be current and not rendered stale by subsequent events.
- ASX will generally only grant a waiver of these time limits where there is a clear and compelling commercial reason for the issue to be made at a later date, and security holders are in a positon to know with reasonable certainty at the time they approve the issue or agreement the dilutive impact the issue or agreement will have on their security holdings.



Notification requirements for issues of securities

Rule 3.10.3 – 3.10.3C and Appendices 2A, 3B and 3G

- Rule 3.10.3 requires an entity to notify ASX immediately via an Appendix 3B *Proposed issue of securities* of a proposed issue of:
  - equity securities (other than a proposed issue under a DRP or EIS or as a result of the conversion of convertible securities)
  - debt securities in a class of securities that is already quoted, or that is intended to be quoted, on ASX.
- An entity must notify ASX of:
  - an issue of equity securities under an EIS:
    - to a member of key management personnel ('KMP') or an associate within 5 business days of the issue, or
    - to someone who is not a KMP or associate, with 10 business days of the end of the quarter in which they were issued (rule 3.10.3A).
  - the conversion of convertible securities:
    - if the convertible securities are quoted and are being converted on their conversion date or expiry date, in accordance with the timetable in section 5 of Appendix 6A

Notification requirements for issues of securities

Rule 3.10.3 – 3.10.3C and Appendices 2A, 3B and 3G (cont.)

- if the convertible securities are quoted and are being converted prior to their conversion date or expiry date, within 5 business days of their conversion
- if the convertible securities are not quoted and were issued under an EIS:
  - to a KMP or an associate, within 5 business days of the conversion, or
  - to someone who is not a KMP or associate, with 10 business days of the end of the quarter in which the conversion occurred, or
- if the convertible securities are not quoted and were not issued under an EIS, within 5 business days of their conversion (rule 3.10.3B).

- an actual issue of equity securities not otherwise notifiable to ASX under rules 3.10.3A or 3.10.3B or the timetables in Appendix 6A or 7A, within 5 business days of the issue (rule 3.10.3C),

in each case using an Appendix 2A *Application for quotation of securities* (if the converted securities are intended to be quoted) or an Appendix 3G *Notification of issue, conversion or payment up of unquoted equity securities* (if the converted securities are not intended to be quoted).

Some other notifications required in relation to securities

Rule 3.10.3D

- For completeness, rule 3.10.3D requires an entity to notify ASX of the details of a call, instalment or other amount paid up on any partly paid equity securities:

  (a) in the case of a call or instalment on quoted partly paid equity securities, in accordance with the timetable in section 3 or 4 of Appendix 6A (as applicable);

  (b) in the case of an amount paid up on quoted partly paid equity securities other than by way of a call or instalment, within 5 business days of the payment;

  (c) in the case of a call or instalment on unquoted partly paid equity securities, within 5 business days of the last date for the payment of the call or instalment; or

  (d) in the case of an amount paid up on unquoted partly paid equity securities other than by way of a call or instalment, within 5 business days of the payment.

  In the case of (a), (b) and (d) above, the notification must be in such form as ASX may require.

  In the case of (c) above, if the payment of the call, instalment or other amount results in the securities becoming fully paid securities that are intended to be quoted on ASX, the notification must be in the form of, or accompanied by, an Appendix 2A. Otherwise, the notification must be in the form of, or accompanied by, an Appendix 3G.

Some other notifications required in relation to securities

Rule 3.10.3E and Appendix 3H

- Also, for completeness, rule 3.10.3E requires an entity to notify ASX via an Appendix 3H *Notice of Cessation of Securities* of the details of the cessation of:
  - any securities issued under an EIS:
    - to a KMP or an associate within 5 business days of their cessation
    - to someone who is not a KMP or associate, with 10 business days of the end of the quarter in which the cessation occurred
  - any other equity securities not otherwise notifiable to ASX under rule 3.8A (buy-backs), within 5 business days of their cessation, and
  - any quoted debt securities, within 5 business days of their cessation.
- For these purposes, the cessation of a security includes:
  - the expiry of an option or other convertible security without it being exercised or converted
  - the lapse of a conditional right to equity securities because the conditions have not been, or have become incapable of being, satisfied

Some other notifications required in relation to securities

Rule 3.10.3E and Appendix 3H (cont.)

- the cancellation of a security pursuant to a minimum holding buy-back, employee share scheme buy-back, on-market buy back, equal access scheme buy-back, selective buy-back or other form of buy-back
- the cancellation of a security pursuant to a reduction of capital, scheme of arrangement or other reconstruction
- the cancellation of a security by agreement between the entity and the holder
- the repayment or redemption of a debt security or convertible debt security
- the redemption of redeemable preference securities or redeemable CCIV sub-fund securities
- the redemption of interests in a managed investment scheme or foreign passport entity, and
- the cancellation of partly paid securities upon a call or instalment not being paid.

- For further guidance on the notification obligations relating to changes in issued securities, see section 2 and annexure A of GN 30 *Notifying Changes in Issued Securities and Applying For Quotation of New or Additional Securities*.

Employee incentive scheme notification obligations

When to give an Appendix 2A, 3G or 3H

Employee incentive schemes trigger multiple notifications under the rules. Here are some common examples:

Event	Notification to be given to ASX
An issue of new shares to be quoted and tradeable immediately	Appendix 2A
An issue of new shares to be quoted and tradeable only if and when vesting conditions are met	Appendix 3G initially Appendix 2A when vesting conditions met
A transfer of shares purchased on-market that are not subject to a holding lock/divestiture conditions	Nil
A transfer of shares purchased on-market that are subject to a holding lock until vesting conditions are met	Nil
A grant of unquoted options or unquoted rights	Appendix 3G
An issue of new quoted shares consequent upon options being exercised or rights being satisfied	Appendix 2A
A transfer of shares purchased on-market consequent upon options being exercised or rights being satisfied	Appendix 3G
A lapsing, forfeiture or other cessation of options or rights under an employee incentive scheme	Appendix 3H

- If the event involves a member of key management personnel ('**KMP**') or an associate, the notification must be given with 5 business days of the event.
- Otherwise, the notification must be given within 10 business days after the end of the quarter in which the event occurred.
- If the KMP is a director, an Appendix 3Y will also likely have to be given to ASX in relation to **all** of these events (see module 11).

Appendix 3B

Questions concerning the application of rules 7.1 and 7.1A

- If a proposed issue of equity securities is being undertaken by way of a bonus issue, standard pro rata issue, accelerated entitlement offer or qualifying SPP (all of which fall within an exception in rule 7.2), the Appendix 3B will not ask any questions regarding rules 7.1 and 7.1A.
- For any other proposed issue of equity securities, the Appendix 3B will ask if the entity has obtained, or is obtaining, security holder approval for the entire issue under rule 7.1.
- If the entity responds ‘no’, the Appendix 3B will ask if any of the securities are proposed to be issued without security holder approval using:
  - the entity’s 15% placement capacity under rule 7.1, and/or
  - if applicable, the entity’s additional 10% placement capacity under rule 7.1A.

Appendix 3B

Questions concerning the application of rules 7.1 and 7.1A (cont.)

- If the entity indicates it is relying on its rule 7.1 placement capacity to make the proposed issue, the Appendix 3B will ask the entity:
  - how many securities it is proposing to issue without security holder approval under that rule, and
  - to complete and send to the entity's listing adviser a work sheet in the form of Annexure B to GN 21 confirming that the entity has the available placement capacity under rule 7.1 to issue that number of securities. If the entity indicates it is relying on its rule 7.1A placement capacity to make the proposed issue, the Appendix 3B will ask the entity:
  - how many securities it is proposing to issue without security holder approval under that rule, and
  - to complete and send to the entity's listing adviser a work sheet in the form of Annexure C to GN 21 confirming that the entity has the available placement capacity under rule 7.1A to issue that number of securities.

Appendices 2A and 3G

Questions concerning the application of rules 7.1 and 7.1A

- If an entity undertakes an issue of securities that does not require the lodgement of an Appendix 3B, the Appendix 2A or 3G the entity will give to ASX in relation to the issue will ask the same questions in relation to rules 7.1 and 7.1A mentioned in the two previous slides as the Appendix 3B asks.
- Again, if the entity indicates in its answers that it is relying on its rule 7.1 and/or rule 7.1A placement capacities to issue the securities without security holder approval, the Appendix 2A or 3G will ask the entity to complete and send to their listing adviser the applicable Annexure B or C work sheet(s) to confirm that it has the available placement capacity to make the issue.
- The Annexure B and C work sheets are available on ASX Online and can also be downloaded in an editable form from the ASX Supervision Downloads page on the ASX website:

  https://www.asx.com.au/about/regulation/asx-compliance/asx-compliance-downloads

Issues during board spills and takeovers

Rules 7.6 and 7.9

- Subject to the exceptions on the next slide, rule 7.6 prohibits an entity from issuing or agreeing to issue any equity securities, without the approval of the holders of its ordinary securities, for ***three months*** after it is told in writing by the holders of more than 50% of the ordinary securities that they intend to call, or request the directors to call, a general meeting of the entity's security holders to appoint or remove directors.
- Subject to the exceptions on the next slide, rule 7.9 prohibits an entity from issuing or agreeing to issue any equity securities, without the approval of the holders of its ordinary securities, for ***three months*** after it is told in writing that a person is making, or proposes to make, a takeover for securities in it.

The exceptions to rules 7.6 and 7.9

Rules 7.6 and 7.9

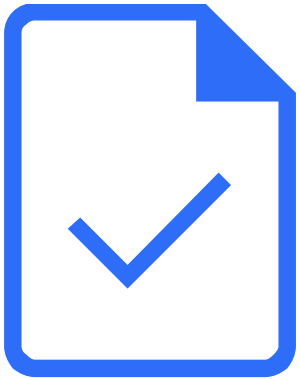
- The intent of rules 7.6 and 7.9 is to prevent an entity from issuing securities with a view to altering the outcome of the board spill/takeover unless the issue falls within one of the exceptions below or it is made with security holder approval.
- The following issues are excluded from rules 7.6 and 7.9:

1. An issue notified to ASX before the entity was told, or made under an agreement to issue notified to ASX before the entity was told, of the intention to call the meeting or make the takeover (as applicable)
2. A pro rata issue to holders of ordinary securities and to holders of other equity securities to the extent that the terms of issue of the equity securities permit participation in the pro rata issue
3. An issue made under a DRP that is in operation at the time the entity was told
4. An issue made under a regulated takeover or merger.

The exceptions to rules 7.6 and 7.9

Rules 7.6 and 7.9 (cont.)

5. An issue made on the exercise of rights of conversion
6. An agreement to issue equity securities that is conditional on the holders of the entity's ordinary securities approving the issue before the issue is made
7. An issue made after the person tells the entity in writing that it is no longer intending to call the meeting or make the takeover (as applicable), and
8. An issue made with the approval of the person giving the notification referred to in rule 7.6 or 7.9 (as applicable).



Issue of equity securities

End of module 3

- Congratulations you have reached the end of module 3. In it we covered:
  - an entity's placement capacity under rules 7.1 and 7.1A
  - the exceptions to rules 7.1 and 7.1A in rule 7.2
  - ratifying an issue or agreement to issue securities under rule 7.4
  - notice of meeting requirements for approvals under rules 7.1, 7.1A and 7.4
  - the time limit to issue securities approved under rule 7.1 or 7.4
  - Appendix 2A, 3B and 3G notification requirements, and
  - the restrictions on issuing equity securities during a board spill or takeover in rules 7.6 and 7.9.



- For further information on these matters, please refer to GN 21 *The Restrictions on Issuing Equity Securities in Chapter 7 of the Listing Rules*.
- If you wish, you can now move on to module 4 of the course, which covers transactions with persons in a position of influence. Alternatively, click here to return to the home page for the course.

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