

QUARTERLY REPORTS

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| <p>The purpose of this Guidance Note</p> | <ul style="list-style-type: none"> To assist listed entities subject to the quarterly reporting regime in Listing Rules 4.7B, 4.7C and 5.1 - 5.5 to understand and comply with their obligations in that regard |
| <p>The main points it covers</p> | <ul style="list-style-type: none"> Which entities must give quarterly reports to ASX and for how long? When must a quarterly report be given to ASX? What happens if a quarterly report is not given to ASX by the due date? The accounting standards applicable to a quarterly cash flow report Who should approve a quarterly report? The circumstances in which ASX may be prepared to waive the requirement for a quarterly report The circumstances in which ASX will exercise its discretion to require “commitments test” entities to continue providing quarterly reports beyond eight quarters The circumstances in which ASX will exercise its discretion to require other entities to provide quarterly reports The circumstances in which ASX may require a quarterly reporter to report more frequently than each quarter |
| <p>Related materials you should read</p> | <ul style="list-style-type: none"> Guidance Note 1 <i>Applying for Admission – ASX Listings</i> Guidance Note 17 <i>Waivers and In-Principle Advice</i> |

History: Guidance Note 23 amended 12/11/21. Previous versions of this Guidance Note were issued in 03/02, 04/15, 12/16 and 12/19.

Important notice: ASX has published this Guidance Note to assist listed entities to understand and comply with their obligations under the Listing Rules. Nothing in this Guidance Note necessarily binds ASX in the application of the Listing Rules in a particular case. In issuing this Guidance Note, ASX is not providing legal advice and listed entities should obtain their own advice from a qualified professional person in respect of their obligations. ASX may withdraw or replace this Guidance Note at any time without further notice to any person.

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1. Introduction

This Guidance Note is published by ASX Limited ("ASX") to assist entities admitted to the ASX Official List in the ASX Listing category¹ that are subject to the quarterly reporting regime in Listing Rules 4.7B, 4.7C and 5.1 - 5.5 to understand and comply with their obligations in that regard. For convenience, these entities are referred to in this Guidance Note as "quarterly reporting entities" and the quarterly activity reports and (where applicable) quarterly cash flow reports they are required to give to ASX for publication to the market are referred to collectively as "quarterly reports".

2. Background

The requirements for mining producing entities² and oil and gas producing entities³ to produce quarterly activity reports, and for mining exploration entities⁴ and oil and gas exploration entities⁵ to produce both quarterly activity reports and quarterly cash flow reports, are long standing ones.

The requirement for commitment test entities⁶ to produce quarterly cash flow reports in Listing Rule 4.7B was introduced in March 2000, following the publication of an exposure draft in January 2000. Similarities were noted between entities with developing businesses admitted under the commitments test and mining exploration entities. Mining exploration entities are usually admitted under the commitments test and they are required to provide quarterly activity and quarterly cash flow reports to assist the market to understand whether they are meeting their

¹ Listing Rules 4.7B, 4.7C and 5.1 - 5.5 do not apply to entities admitted to the ASX Official List in the ASX Debt Listing category (Listing Rule 1.10) or the ASX Foreign Exempt Listing category (Listing Rule 1.15.1). Unless otherwise indicated, references in this Guidance Note to an "entity" are to an entity admitted to the ASX Official List in the ASX Listing category.

² A "mining producing entity" is an entity whose main undertaking consists of extraction of minerals or which has been advised by ASX that it is a mining producing entity for the purposes of the Listing Rules (Listing Rule 19.12).

³ An "oil and gas producing entity" is an entity whose main undertaking consists of the extraction of petroleum or which has been advised by ASX that it is an oil and gas producing entity for the purposes of the Listing Rules (Listing Rule 19.12).

⁴ A "mining exploration entity" is an entity whose main undertaking consists of exploration for minerals or which has been advised by ASX that it is a mining exploration entity for the purposes of the Listing Rules (Listing Rule 19.12).

⁵ An "oil and gas exploration entity" is an entity whose main undertaking consists of exploration for petroleum or which has been advised by ASX that it is an oil and gas exploration entity for the purposes of the Listing Rules (Listing Rule 19.12).

⁶ The phrase "commitments test entity" refers both to an entity that was admitted under the commitments test in Listing Rule 1.3.2(b) and to an entity that has been required to re-comply with the commitments test in Listing Rule 1.3.2(b) because it has undergone a significant change in the nature or scale of its activities and ASX has required it to re-comply with the admission requirements in Chapters 1 and 2 of the Listing Rules.

exploration objectives. By analogy, it was thought appropriate that other commitments test entities should also provide quarterly cash flow reports to assist the market to understand the extent to which they were meeting their business objectives.

In terms of how long the quarterly reporting obligation should last, it was noted that mining exploration entities had to provide quarterly cash flow reports while they continued to be mining exploration entities but this obligation ceased if and when they became mining producing entities. There was no corresponding generic milestone that could be applied to commitments test entities that would mark a suitable end point for quarterly cash flow reporting. Accordingly, it was determined that the requirement should apply for at least eight consecutive quarters or for such longer period as ASX requires.

It was also considered appropriate that ASX should have the discretion to extend the quarterly reporting regime to other types of entities on a case-by-case basis.

The requirement for commitment test entities to produce quarterly activity reports in Listing Rule 4.7C was introduced in December 2019 to better align the reporting frameworks for quarterly reporters.

3. Which entities must give quarterly reports and for how long?

Under Listing Rules 5.1 and 5.2, a mining producing entity and an oil and gas producing entity must complete an activity report for each quarter and give it to ASX. The entity must continue giving such reports to ASX for so long as it remains a mining producing entity or an oil and gas producing entity. The entity is not required to give any quarterly cash flow reports to ASX.

Under Listing Rules 5.3, 5.4 and 5.5, a mining exploration entity and an oil and gas exploration entity must complete both an activity report and an Appendix 5B cash flow report for each quarter and give it to ASX. The entity must continue giving such reports to ASX for so long as it remains a mining exploration entity or an oil and gas exploration entity. It will only cease to have that obligation when it graduates to being a mining producing entity or an oil and gas producing entity, as applicable, or it becomes some other type of entity.⁷

Under Listing Rules 4.7B and 4.7C, an entity must complete both an activity report and an Appendix 4C cash flow report each quarter and give it to ASX if:

- (a) the entity is not an investment entity,⁸ mining producing entity, mining exploration entity, oil and gas producing entity or oil and gas exploration entity and it was admitted under the “commitments test”⁹ in Listing Rule 1.3.2(b);
- (b) the entity is not an investment entity, mining producing entity, mining exploration entity, oil and gas producing entity or oil and gas exploration entity and it has been required to re-comply with the commitments test in Listing Rule 1.3.2(b) because it has undergone a significant change in the nature or scale of its activities

⁷ Although, if an entity ceases to be a mining producing entity, mining exploration entity, oil and gas producing entity or oil and gas exploration entity as a result of a significant change in the nature of its activities and ASX has required it to re-comply with the admission requirements in Chapters 1 and 2 of the Listing Rules, including the commitments test in Listing Rule 1.3.2(b), it may become a “commitments test entity” that is required to give Appendix 4C quarterly cash flow reports to ASX under Listing Rule 4.7B (see below).

⁸ An “investment entity” is an entity that, in ASX’s opinion, has as its sole or principal activities investing, directly or through a child entity, in listed or unlisted securities or derivatives and whose objectives do not include exercising control over or managing any entity, or the business of any entity, in which it invests. Investment entities are not subject to the commitments test in Listing Rule 1.3.2(b) (see the opening words to Listing Rule 1.3). Instead they must have net tangible assets of at least \$15 million after deducting the costs of fund raising or they must be a pooled development fund and have net tangible assets of at least \$2 million after deducting the costs of fund raising (Listing Rule 1.3.4).

⁹ To be admitted to the ASX Official List in the ASX Listing category, an entity must meet either the “profit test” in Listing Rule 1.2 or the “assets test” in Listing Rule 1.3 (Listing Rule 1.1 condition 9). The commitments test in Listing Rule 1.3.2(b) is part of the assets test. It requires an entity which has at the time of its listing half or more of its total tangible assets (after raising any funds) in cash or in a form readily convertible to cash, to have commitments consistent with its business objectives to spend at least half of that cash and those assets. The entity’s listing prospectus, PDS or information memorandum must include an expenditure program setting out those commitments. The purpose of the commitments test is to prevent entities that are essentially “cash boxes” from listing on ASX.

and ASX has required it to re-comply with the admission requirements in Chapters 1 and 2 of the Listing Rules;¹⁰ or

- (c) ASX has asked the entity to do so.

In cases (a) and (b) above, the entity must give ASX quarterly reports for at least the first full eight quarters after its admission or re-admission (as the case may be) and continue giving them to ASX for each quarter thereafter until it is advised by ASX that it is no longer required to do so.¹¹ ASX will generally tell the entity at the time of its admission or re-admission that it is subject to Listing Rules 4.7B and 4.7C and confirm the requirement for it to provide quarterly reports for at least the next eight quarters.

In case (c) above, the entity must continue to give ASX quarterly reports until advised otherwise by ASX.

4. When must quarterly reports be given to ASX?

A mining producing entity or oil and gas producing entity must give its quarterly activity report to ASX within one month after the end of the quarter.

A mining exploration entity, oil and gas exploration entity or commitments test entity must give its quarterly cash flow report to ASX immediately the information is available for release to the market, and in any event within one month after the end of the quarter. It must give its quarterly activity report to ASX at the same time

ASX interprets the term “immediately” in Listing Rule 4.7B and 5.5 in the same way as it does for the continuous disclosure requirements in Listing Rule 3.1 – that is, as meaning “promptly and without delay”.¹² A quarterly cash flow report must therefore be given to ASX promptly and without delay after the information it contains is “available for release to the market”.

For these purposes, information about an entity’s quarterly cash flows is “available for release to the market” when it has been properly compiled, verified and approved.¹³

For an entity whose financial year ends on 30 June, the applicable quarters will be the 3 month periods ending on 30 September, 31 December, 31 March and 30 June and its quarterly reports will be due by no later than 31 October, 31 January, 30 April and 31 July respectively.¹⁴

An entity whose financial year ends on a different date will need to determine its quarters and the due dates for its quarterly reports by reference to its financial year end.¹⁵

If an entity is admitted or re-admitted as a mining exploration entity or an oil and gas exploration entity or under the commitments test on the first day of a quarter, the first quarter for which it should provide quarterly reports is the quarter commencing on the day of its admission or re-admission (ie, the current quarter).

¹⁰ Pursuant to ASX’s powers in that regard under Listing Rule 11.1.3. For convenience, the time at which an entity re-complies with the admission requirements in Chapters 1 and 2 of the Listing Rules is referred to in this Guidance Note as “re-admission”.

¹¹ See ‘14 ASX’s discretion to extend the reporting period for commitments test entities’ on page 12.

¹² See ASX Listing Rules Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

¹³ See the notes to Listing Rules 4.7B and 4.7C.

¹⁴ Likewise for an entity whose financial year ends on 30 September, 31 December or 31 March.

¹⁵ An entity whose financial year ends on a particular day rather than a particular date (for example, the last Friday in June) may choose either to report on the corresponding days in each quarter (in the example given, on the last Friday in September, December, March and June) or on corresponding dates in each quarter (so, if the last Friday in June was the 26th, on 26 September, 26 December, 26 March and 26 June), whichever is the more convenient for it. In the latter case, for quarters that occur after a financial year end, it will need to adjust its quarter end to keep the alignment between the date of each quarter end and its next financial year end. To illustrate, suppose an entity was admitted to the ASX Official List on 15 April 2015 and its financial year end was the last Friday in June. Its next financial year end would be Friday 26 June 2015, the one after that Friday 24 June 2016 and the one after that Friday 30 June 2017. If it chooses to provide quarterly reports using the latter option above, it would prepare its quarterly reports for the period from 27 March to 26 June 2015, 27 June to 24 September (adjusting for the change in financial year end), 25 September to 24 December 2015, 25 December 2015 to 24 March 2016, 25 March to 24 June 2016, 25 June to 30 September (adjusting again for the change in financial year end), 1 October to 30 December 2015, and 31 December 2015 to 30 March 2016.

If an entity is admitted or re-admitted as a mining exploration entity or an oil and gas exploration entity or under the commitments test on the last day of a quarter, the first quarter for which it should provide quarterly reports is the quarter commencing on the day after its admission or re-admission (ie, the next quarter).

If an entity is admitted or re-admitted as a mining exploration entity or an oil and gas exploration entity or under the commitments test part way through a quarter, the first quarter for which it should provide quarterly reports is the quarter during which it was admitted or re-admitted (ie, the current quarter). Its first quarterly reports should cover the full quarter and not just the period from the date of its admission or re-admission to the end of that quarter.

ASX understands that, as a matter of good corporate governance, most listed entities require their quarterly reports to be approved by their board, a committee of the board or senior management before the reports are released to the market.¹⁶ In such a case, ASX takes the view that the information is not “available for release to the market” unless and until it has been through the applicable approval process. Of course, to meet the one month reporting deadline after quarter end in Listing Rule 4.7B, 4.7C and 5.1 - 5.5, the reports will have to be approved by no later than the end of that month.

In the case of quarterly cash flow reports, once they have been approved, they must be given to ASX promptly thereafter. Their release cannot, and should not, be deferred until the end of the month after quarter end just because that is the last date for giving them to ASX.

5. What happens if quarterly reports are not given to ASX by the due date?

If an entity does not give ASX its quarterly reports by the due date, ASX will automatically suspend its securities from quotation from the commencement of trading on the first trading day after that date.¹⁷ ASX will not reinstate its securities to quotation unless and until it gives the required reports to ASX.

6. The contents of a quarterly activity report

The quarterly activity report for a mining producing entity must include:

- details of its mining production and development activities for the quarter and a summary of the expenditure incurred on those activities (if there were no substantive mining production and development activities during the quarter, that fact must be stated); and
- a summary of its mining exploration activities for the quarter and a summary of the expenditure incurred on those activities (if there were no substantive mining exploration activities during the quarter, that fact must be stated).¹⁸

The quarterly activity report for an oil and gas producing entity must include:

- details of its oil and gas production and development activities for the quarter and a summary of the expenditure incurred on those activities (if there were no substantive oil and gas production or development activities during the quarter, that fact must be stated); and
- a summary of its oil and gas exploration activities for the quarter and a summary of the expenditure incurred on those activities (if there were no substantive oil and gas exploration activities during the quarter, that fact must be stated).¹⁹

The quarterly activity report for a mining exploration entity must include:

¹⁶ As indicated in the text accompanying note 36 below, as a matter of good corporate governance, ASX would generally expect an entity's quarterly activity and quarterly cash flow reports to be approved by its board or a committee of the board.

¹⁷ Suspension occurs automatically under Listing Rule 17.5. ASX will not waive that Listing Rule.

¹⁸ Listing Rule 5.1.

¹⁹ Listing Rule 5.2.

- details of its mining exploration activities for the quarter, including any material developments or material changes in those activities, and a summary of the expenditure incurred on those activities (if there were no substantive mining exploration activities during the quarter, that fact must be stated);
- details of its mining production and development activities for the quarter and a summary of the expenditure incurred on those activities (if there were no substantive mining production and development activities during the quarter, that fact must be stated);
- details of:
 - any mining tenements acquired or disposed of during the quarter and their location;
 - the mining tenements held at the end of the quarter and their location;
 - any farm-in or farm-out agreements it entered into during the quarter; and
 - the beneficial percentage interests it held at the end of the quarter in farm-in or farm-out agreements;
- if the quarter is included in a period covered by a “use of funds” statement or expenditure program in the prospectus, PDS or information memorandum lodged by the entity with ASX under Listing Rule 1.1 condition 3, a comparison of the entity’s actual expenditure on the individual items in the “use of funds” statement or expenditure program since the date of its admission or re-admission to the official list against the estimated expenditure on those items in the “use of funds” statement or expenditure program in the prospectus, PDS or information memorandum, and an explanation of any material variances; and
- a description of, and an explanation for, any payments to, or to an associate²⁰ of, a related party of the entity included in its Appendix 5B for the quarter.²¹

The quarterly activity report for an oil and gas exploration entity must include:

- details of its oil and gas exploration activities for the quarter, including any material developments or material changes in those activities, and a summary of the expenditure incurred on those activities (if there were no substantive oil and gas exploration activities during the quarter, that fact must be stated);
- details of its oil and gas production and development activities for the quarter and a summary of the expenditure incurred on those activities (if there were no substantive oil and gas production and development activities during the quarter, that fact must be stated);
- details of:
 - any petroleum tenements it acquired or disposed of during the quarter and their location;
 - the petroleum tenements held by it at the end of the quarter and their location;
 - any farm-in or farm-out agreements it entered into during the quarter; and
 - the beneficial percentage interests it held at the end of the quarter in farm-in or farm-out agreements;
- if the quarter is included in a period covered by a “use of funds” statement or expenditure program in the prospectus, PDS or information memorandum lodged by the entity with ASX under Listing Rule 1.1 condition 3, a comparison of the entity’s actual expenditure on the individual items in the “use of funds” statement or expenditure program since the date of its admission or re-admission to the official list against

²⁰ As defined in Listing Rule 19.12. Note that the definition of “associate” includes a provision deeming a related party of a natural person to be their associate unless the contrary is proven.

²¹ Listing Rule 5.3.

the estimated expenditure on those items in the “use of funds” statement or expenditure program in the prospectus, PDS or information memorandum, and an explanation of any material variances; and

- a description of, and an explanation for, any payments to, or to an associate²² of, a related party of the entity included in its Appendix 5B for the quarter.²³

The quarterly activity report for a commitments test entity must include:

- details of its business activities for the quarter, including any material developments or material changes in those activities, and a summary of the expenditure incurred on those activities (if there were no substantive business activities during the quarter, that fact must be stated);
- if the quarter is included in a period covered by a “use of funds” statement or expenditure program in the prospectus, PDS or information memorandum lodged by the entity with ASX under Listing Rule 1.1 condition 3, a comparison of the entity’s actual expenditure on the individual items in the “use of funds” statement or expenditure program since the date of its admission or re-admission to the official list against the estimated expenditure on those items in the “use of funds” statement or expenditure program in the prospectus, PDS or information memorandum, and an explanation of any material variances; and
- a description of, and an explanation for, any payments to, or to an associate²⁴ of, a related party of the entity included in its Appendix 4C for the quarter.²⁵

In each case, the quarterly activity report must cover the entity and its child entities on a consolidated basis.

The obligation for a mining exploration entity, oil and gas exploration entity or commitments test entity to include in a quarterly activity report information about variances in actual expenditures against estimated expenditures in a “use of funds” statement or expenditure program in a prospectus, PDS or information memorandum only applies where the prospectus, PDS or information memorandum has been lodged with ASX in connection with an entity’s admission or re-admission to the official list under Listing Rule 1.1 condition 1. It does not apply to variances as against a “use of funds” statement or expenditure program in a prospectus, PDS or information memorandum lodged in connection with a post-admission secondary capital raising (although those variances may have to be separately disclosed under Listing Rule 3.1 if they are market-sensitive²⁶ or under the Corporations Act 2001 (Cth)²⁷ if failure to report them might mislead investors²⁸).

ASX understands that:

- the “use of funds” statement or expenditure program in a prospectus, PDS or information memorandum will typically cover a period substantially longer than a single quarter – often one or two years;
- expenditure on the individual items in the statement or program is unlikely to occur at a linear rate over that period; and
- the individual amounts set out in the statement or program are estimates only and the actual expenditure on those items is likely to vary.

Hence, the fact that the entity may be a given proportion of the way through the period covered by a “use of funds” statement or expenditure program and its actual expenditure on an item is a higher or lower proportion of the

²² See note 20 above.

²³ Listing Rule 5.4.

²⁴ See note 20 above.

²⁵ Listing Rule 4.7C.

²⁶ See Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

²⁷ Referred to in this Guidance Note as the “Corporations Act”. Unless otherwise indicated, references in this Guidance Note to sections of an Act are to sections of the Corporations Act.

²⁸ For an outline of the Corporations Act provisions applying to misleading market announcements, see Annexure B of Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

estimated total expenditure on that item over the entire period does not mean that it is ahead of, or behind, its planned rate of expenditure.

ASX expects entities to set out, preferably in tabular form, a list of the different items in the “use of funds” statement or expenditure program with the total amount estimated in the prospectus, PDS or information memorandum to be spent on each item in one column, and the amount the entity has actually spent on that item during the period from its admission or re-admission to the official list up to the end of the quarter covered by the activity report in an adjacent column.

This table should be accompanied by commentary explaining whether the entity is “on track”, or ahead of or behind schedule, in terms of meeting the business objectives that sit behind the “use of funds” statement or expenditure program. If the entity has decided to quicken or slow its planned expenditure on a particular item, or to abandon it altogether, the commentary should mention that fact and explain why. If the entity finds that it has under or over budgeted for a particular item in its “use of funds” statement or expenditure program, the commentary should also mention that fact and explain why.

7. The contents of a quarterly cash flow report

The prescribed form of a quarterly cash flow report for a commitments test entity subject to Listing Rule 4.7B is set out in Appendix 4C, and for a mining exploration entity or oil and gas exploration entity subject to Listing Rule 5.5 in Appendix 5B, of the Listing Rules.

The two forms are largely consistent and require broadly the same information (with necessary differences reflecting the nature of a mining or oil and gas exploration business compared to other businesses).

Entities should note section 8 of Appendices 4C and 5B, which requires an entity to calculate the estimated quarters of funding it has available, based on its cash burn for the latest quarter. If it has less than 2 quarters of funding available, it will be required to answer 3 further questions in its Appendix 4C or 5B:

- Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?
- Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
- Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

These questions go to whether the entity meets the requirements in Listing Rules 12.1 and 12.2 that the entity's level of operations is sufficient, and its financial condition is adequate, in ASX's opinion, to warrant the continued quotation of its securities and its continued listing.

Section 8 may require the entity to disclose confidential information about an incomplete transaction, such as a new capital raising or other financial accommodation it is working on to address its cash requirements. If this is likely to cause the entity any concern or embarrassment, the proper course is not to “fudge” its disclosures in section 8 of its Appendix 4C or 5B but rather to indicate in its answers to the questions in section 8 that the entity is in incomplete and confidential negotiations for a transaction that, if successful, will improve its financial position and, if its securities are still trading, that it will be requesting a trading halt or voluntary suspension to allow it to progress the negotiations to a point where it can make a more detailed announcement to the market about the transaction.²⁹

²⁹ Note that if an entity delays lodging its quarterly reports past their due date, this will result in a mandatory suspension under Listing Rule 17.5: see ‘5 What happens if quarterly reports are not given to ASX by the due date?’ on page 5.

8. Disclosure of additional information

An entity's quarterly reports provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.³⁰

9. The accounting standards applicable to a quarterly cash flow report

An Appendix 4C or 5B quarterly cash flow report is required to be prepared in accordance with Australian Accounting Standards³¹ or, if the entity is a foreign entity, other standards agreed by ASX.³² It must also give a true and fair view of the matters disclosed.³³

If the quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 107: *Statement of Cash Flows* and, in the case of a mining exploration entity or oil and gas exploration entity, AASB 6: *Exploration for and Evaluation of Mineral Resources* apply to the report. If the quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX, the corresponding equivalent standards apply to the report.³⁴

Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.³⁵

10. Who should approve a quarterly report?

The compliance statement at the foot of Appendices 4C and 5B requires an entity to disclose the name of the body or officer authorising the release of the quarterly cash flow report to the market.

If the report has been authorised for release to the market by the entity's board of directors, this can be completed by inserting: "By the board". If it has been authorised for release by a committee of the entity's board of directors, this can be completed by inserting: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release by the entity's disclosure committee, this can be completed by inserting: "By the Disclosure Committee".

ASX would generally expect an entity's quarterly reports to be approved and authorised for release by the entity's board or a committee of the board. This is not a Listing Rule requirement but rather a matter of good corporate governance. The activities reported in the quarterly activity report will effectively become a component part of the operating and financial review in the directors' report in the entity's annual report. The quarterly cash flows reported in an entity's quarterly cash flow report will effectively form a component part of the statement of cash flows required to be included in the entity's half yearly and annual financial statements, which the board will be required to approve in due course.³⁶ It therefore makes sense that the board should have early visibility and oversight of the entity's quarterly reports.

If an entity's quarterly reports are not approved and authorised by its board, as a matter of good governance, ASX would expect them to be circulated to the board contemporaneously with their release to the market so that the board is aware of the contents of the reports.³⁷

³⁰ See note 1 at the foot of Appendices 4C and 5B.

³¹ See generally Australian Accounting Standard AASB 107 *Statement of Cash Flows*.

³² See Listing Rule 19.11A and paragraph (c) of the definition of "accounts" in Listing Rule 19.12. See also the compliance statement at the foot of Appendices 4C and 5B.

³³ See the compliance statement at the foot of Appendices 4C and 5B.

³⁴ See note 2 at the foot of Appendices 4C and 5B.

³⁵ See note 3 at the foot of Appendices 4C and 5B.

³⁶ In the case of an Australian entity, see sections 292-301 (annual financial report) and sections 302-306 (half-yearly financial report) of the Corporations Act and Australian Accounting Standard AASB 101 *Presentation of Financial Statements*.

³⁷ See also recommendation 5.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* (4th edition), which recommends that a listed entity "should ensure that its board receives copies of all material market announcements promptly after they have been made".

If a quarterly cash flow report is approved by an entity's board, then it should note recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* (4th edition), which provides that:

The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

On its face, this recommendation applies to any financial statement that the board of a listed entity may approve, including an Appendix 4C quarterly cash flow report under Listing Rule 4.7B or an Appendix 5B quarterly cash flow report under Listing Rule 5.5.

Therefore, if an entity has its Appendix 4C or 5B quarterly cash flow reports approved by its board and it wishes to comply with recommendation 4.2, the board should be receiving a declaration from its CEO and CFO in the terms set out in that recommendation before the board approves each report.³⁸

11. The auditor's review of quarterly cash flow reports

An entity's quarterly cash flow reports are not required to be audited or reviewed by its auditors before they are released to the market. However, ASX expects an entity's auditor will inspect the entity's:

- first two quarterly reports when it is auditing or reviewing the entity's half year financial statements;³⁹ and
- all four quarterly reports when it is auditing the entity's full year financial statements,⁴⁰

as part of its work plan for that audit or review and, if it identifies any material errors or omissions in the quarterly reports, to communicate those to the entity's board.

If the entity's board receives such a communication from its auditor, ASX will expect the entity to make an announcement to the market highlighting and correcting the errors or omissions.

12. ASX's review of quarterly reports

ASX reviews quarterly reports after lodgement to assess the entity's compliance with Listing Rules 4.7B, 4.7C and 5.1 - 5.5 (as applicable) and the requirements in Listing Rules 12.1 and 12.2 that the entity's level of operations is sufficient, and its financial condition is adequate, in ASX's opinion, to warrant the continued quotation of its securities and its continued listing.

If the entity indicates in section 8 of its quarterly cash flow report⁴¹ that it may not have enough cash to fund its next two quarters, based on the cash burn indicated in its Appendix 4C or 5B for its most recent quarter, ASX will carefully examine the report and any recent announcements the entity has made that go to its capacity to continue its operations and to meet its business objectives. ASX may suspend trading in the entity's securities⁴² if ASX has any concerns in this regard.

³⁸ See ASX Listing Rules Guidance Note 9 *Disclosure of Corporate Governance Practices*.

³⁹ See Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*.

⁴⁰ See Auditing Standard ASA 315 *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment* (at paragraph A18).

⁴¹ See the discussion of section 8 in '7 The contents of a quarterly cash flow report' on page 8.

⁴² Pursuant to Listing Rule 17.3.1 and/or 17.3.4.

Upon suspension, ASX is likely to send the entity a query letter⁴³ asking it for further information about its level of operations and financial condition and what steps it intends to take to comply with Listing Rules 12.1 and 12.2.

ASX's query letter and the entity's response will typically be released as a market announcement.⁴⁴

If ASX is not satisfied with the entity's response, ASX is likely to continue the entity's suspension until ASX is satisfied that the entity is in compliance with Listing Rules 12.1 and 12.2. Alternatively, ASX may remove the entity from the official list.⁴⁵

13. ASX's policy on waiving quarterly reports

Given the history and purpose of the quarterly reporting rules, ASX is highly unlikely to grant a waiver of those rules unless there is a compelling case to do so.

ASX may be prepared to grant a waiver from Listing Rules 4.7B and 4.7C to an entity at the time of its admission or re-admission where it has binding contracts or other firm arrangements that are expected to be completed before its first quarterly report is due under that rule, which will have the effect of reducing the proportion of its total tangible assets in the form of cash or in a form readily convertible to cash to less than half of its total tangible assets (after raising any funds).⁴⁶ The waiver will be subject to a condition that the entity makes an announcement to the market confirming the expenditure under the contracts or arrangements in question before its first quarterly report is due under Listing Rule 4.7B.

ASX is unlikely to grant a waiver from Listing Rule 4.7B or 4.7C to a commitments test entity after its admission or re-admission, even if the entity has expended its cash and assets in a form readily convertible to cash in accordance with its commitments well within the minimum eight quarter period for quarterly reporting provided for in that rule. ASX is of the opinion that once the market has developed an expectation for quarterly reporting, it is generally not appropriate for ASX to waive the requirement to provide quarterly reports.

A US entity subject to US SEC quarterly reporting obligations should note one waiver, in particular, that it can seek from ASX in relation to its ASX quarterly reporting obligations. ASX will usually, on request, grant to such an entity a waiver from Listing Rules 4.7B and 4.7C to allow the entity to lodge with ASX:

- in lieu of an Appendix 4C and a quarterly activity report for the first, second and third quarters of its financial year:
 - a copy of the Forms 10-Q the entity has filed with the SEC for those quarters; and
 - for each of those quarters, if there is any information that ought to have been disclosed in the entity's quarterly activity report for that quarter under Listing Rule 4.7C that is not included in the entity's Form 10-Q for that quarter, a supplement to the Form 10-Q for that quarter that discloses the information; and
- in lieu of an Appendix 4C and a quarterly activity report for the fourth quarter of its financial year:
 - a copy of the Form 10-K the entity has filed with the SEC for that financial year; and
 - if there is any information that ought to have been disclosed in the entity's quarterly activity report for the fourth quarter under Listing Rule 4.7C that is not included in the entity's Form 10-K, a supplement to the Form 10-K that discloses the information.

⁴³ Pursuant to Listing Rule 18.7.

⁴⁴ Pursuant to Listing Rule 18.7A.

⁴⁵ Pursuant to the first and third bullet points of Listing Rule 17.12.

⁴⁶ This is on the basis that if the expenditure under the contracts or arrangements had occurred before admission or re-admission, the entity would satisfy Listing Rule 1.3.2(a) and would not be subject to the commitments test in Listing Rule 1.3.2(b), nor to the quarterly reporting requirement in Listing Rules 4.7B and 4.7C.

For further details of the waiver, see Guidance Note 17 *Waivers and In-Principle Advice*.⁴⁷

14. ASX's discretion to extend the reporting period for commitments test entities

The initial period of eight quarters for which a commitments test entity must provide quarterly reports under Listing Rules 4.7B and 4.7C is a minimum reporting period. The obligation of a commitments test entity to provide quarterly reports continues for as long as ASX requires – in effect, until ASX advises the entity that it is no longer required to provide quarterly reports.

If after the expiration of that initial eight quarter period, a commitments test entity wishes to cease providing quarterly reports, it should approach ASX to discuss whether ASX is agreeable to that course of action.

As a general rule, before it will allow a commitments test entity to cease provide quarterly reports, ASX usually likes to see at least four consecutive quarters of positive net operating cash flows. To that end:

- an entity that has reported positive net operating cash flows for the last four quarters will not usually be required by ASX to continue providing quarterly reports;
- an entity that has reported positive net operating cash flows:
 - for the last three quarters but had negative net operating cash flows for the preceding quarter will usually be required by ASX to provide at least one more quarterly report;
 - for the last two quarters but had negative net operating cash flows for the preceding quarter will usually be required by ASX to provide at least two more quarterly reports;
 - for the last quarter but had negative net operating cash flows for the preceding quarter will usually be required by ASX to provide at least three more quarterly reports,after which ASX may agree to re-assess the position in accordance with the principles above; and
- an entity that has reported negative net operating cash flows for the last quarter will usually be required by ASX to provide at least four more quarterly reports, after which ASX may agree to re-assess the position in accordance with the principles above.

ASX considers these issues on a case-by-case basis and will have regard to all relevant circumstances in determining whether or not it will allow an entity to cease providing quarterly reports. For example, an entity which has had positive net operating cash flows in three out of the last four quarters may not be required to provide further reports if it appears to have reasonable and established positive cash flows and the one negative report was clearly referable to cyclical factors that are transparent and well understood by investors or to an identifiable and extraordinary “one-off” event.

Where ASX agrees that a commitments test entity is no longer required to provide quarterly reports, it will expect the entity to make an announcement to the market confirming that fact.

15. ASX's discretion to require quarterly reports from other entities

ASX has a general discretion to admit an entity to the official list on such conditions as it thinks appropriate.⁴⁸ This may include a condition that the entity submit quarterly reports for such period as ASX determines or until ASX determines otherwise.

⁴⁷ See standard waiver number 2 in the Annexure to Guidance Note 17. The waiver also extends to the US entity's obligation to give to ASX an Appendix 4D under Listing Rule 4.2A.3 and an Appendix 4E under Listing Rule 4.3A.

⁴⁸ Listing Rule 1.19.

ASX also has a general discretion to require quarterly reports from any entity at any time and for any period that it considers appropriate.⁴⁹ For the avoidance of doubt, this includes:

- mining producing entities and oil and gas producing entities,⁵⁰ even though these entities have graduated from the quarterly reporting regime that applies to mining exploration entities and oil and gas exploration entities under Listing Rules 5.3 - 5.5;
- investment entities, even though these entities are not subject to the commitments test; and
- commitments test entities and other entities that have previously been required to provide quarterly reports under Listing Rules 4.7B and 4.7C and that have been allowed by ASX to cease providing such reports.

ASX exercises these discretions on a case-by-case basis where it considers it appropriate that an entity should provide quarterly reports to supplement its continuous disclosure obligations. Some relevant examples include:

- where the entity is not a commitments test entity, mining exploration entity or oil and gas exploration entity but its cash flow position appears to ASX to be critical to the entity achieving its business objectives and its capacity to generate positive cash flow at the time of listing is unproven or unclear (in which case, ASX again will typically impose a condition under Listing Rule 1.19 requiring the provision of quarterly reports as a condition of listing);
- where the entity's audited or reviewed financial statements include a modified opinion, emphasis of matter or other matter paragraph that questions whether the entity can continue as a going concern;
- where the entity's securities have been re-instated to trading after a lengthy period of suspension; or
- where ASX otherwise has concerns about the financial condition of the entity or the sustainability of its business.

16. ASX's discretion to require more frequent reports

ASX general discretion to admit an entity to the official list on such conditions as it thinks appropriate⁵¹ empowers ASX to impose a requirement at listing that an entity provide periodic activity and cash flow reports more frequently than quarterly (for example, monthly).

ASX also has general powers:

- to require an entity to provide any information or document that ASX asks for to be satisfied that an entity is complying with the Listing Rules;⁵² and
- to impose any requirements on an entity in order to ensure compliance with the Listing Rules.⁵³

This includes compliance with the requirement in Listing Rules 12.1 and 12.2 that an entity's level of operations must be sufficient, and its financial condition must be adequate, in ASX's opinion, to warrant the continued quotation of its securities and its continued listing.

Again, in an appropriate case, ASX may exercise these powers to require an entity at any time to provide periodic activity and cash flow reports more frequently than might otherwise be required under the Listing Rules (for example, monthly).

⁴⁹ Listing Rule 4.7B(c).

⁵⁰ ASX will not generally exercise this discretion in relation to mining exploration entities or oil and gas exploration entities, as these entities are subject to the separate quarterly reporting regime in Listing Rules 5.3 - 5.5.

⁵¹ Listing Rule 1.19.

⁵² Listing Rule 18.7.

⁵³ Listing Rule 18.8.