

### QUARTERLY CASH FLOW REPORTS

<p><b>The purpose of this Guidance Note</b></p>	<ul style="list-style-type: none"> <li>To assist listed entities subject to the quarterly cash flow reporting regime in Listing Rules 4.7B and 5.5 and Appendices 4C and 5B to understand and comply with their obligations in that regard</li> </ul>
<p><b>The main points it covers</b></p>	<ul style="list-style-type: none"> <li>Which entities must give quarterly cash flow reports to ASX and for how long?</li> <li>When must a quarterly cash flow report be given to ASX?</li> <li>What happens if a quarterly cash flow report is not given to ASX by the due date?</li> <li>The accounting standards applicable to a quarterly cash flow report</li> <li>Who should approve a quarterly cash flow report?</li> <li>The circumstances in which ASX may be prepared to waive the requirement for a quarterly cash flow report</li> <li>The circumstances in which ASX will exercise its discretion to require "commitments test" entities to continue providing Appendix 4C quarterly cash flow reports beyond eight quarters</li> <li>The circumstances in which ASX will exercise its discretion to require other entities to provide Appendix 4C quarterly cash flow reports</li> </ul>
<p><b>Related materials you should read</b></p>	<ul style="list-style-type: none"> <li>Guidance Note 1 <i>Applying for Admission – ASX Listings</i></li> <li>Guidance Note 17 <i>Waivers and In-Principle Advice</i></li> </ul>

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

**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 to assist entities admitted to the ASX Official List in the ASX Listing category<sup>1</sup> that are subject to the quarterly cash flow reporting regime in Listing Rules 4.7B and 5.5 and Appendices 4C and 5B to understand and comply with their obligations in that regard.

## 2. Background

The requirement for mining exploration entities<sup>2</sup> and oil and gas exploration entities<sup>3</sup> to produce quarterly cash flow reports is a long standing one, having originally been introduced into the Listing Rules in August 1982.<sup>4</sup>

The requirement for commitment test entities<sup>5</sup> to produce quarterly cash flow reports in Listing Rule 4.7B was introduced in March 2000,<sup>6</sup> following the publication of an exposure draft in January 2000. Similarities were noted

<sup>1</sup> Listing Rules 4.7B and 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). Unless the context otherwise requires, references in this Guidance Note to an "entity" are to an entity admitted to the ASX Official List in the ASX Listing category.

<sup>2</sup> 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).

<sup>3</sup> 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).

<sup>4</sup> In the form of Listing Rule 3B(10) and Appendix 8. That rule applied to "mining exploration companies" only but the definition of that term effectively captured oil and gas exploration companies as well. When Chapter 5 of the Listing Rules was re-written in July 2014, separate definitions of "mining exploration entity" and "oil and gas exploration entity" were introduced into the Listing Rules and the quarterly reporting requirement in Listing Rule 5.5 was expressly made applicable to both.

<sup>5</sup> 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.

<sup>6</sup> The requirement accompanied changes to the commitments test in Listing Rule 1.3.2(b) intended to facilitate the admission of smaller start-up entities with developing businesses based on new technology or other intellectual property. Before September 1999, Listing Rule 1.3.2(b) required an entity that had half or more of its total tangible assets in the form of cash or in a form readily convertible to cash to have "binding contracts" to reduce this proportion to less than half. On 1 September 1999, this was replaced with a requirement that such an entity have "commitments" consistent with its business objectives to spend at least half of its cash and assets in a form readily convertible to cash. A companion amendment introduced Listing Rule 4.10.19, which required (and still requires) an entity admitted or re-admitted under the commitments test to include in its first two annual reports after admission or re-admission, a statement about whether it has used its cash and assets in a form readily convertible to cash at the time of admission or re-admission in a way that was consistent with its business objectives.

The introduction of Listing Rule 4.7B was intended to address concerns that Listing Rule 4.10.19 did not fully meet the market's informational needs because the statement required under that rule was only provided annually and did not include specific information about actual expenditures or cash flow.

between entities with developing businesses admitted under the commitments test and mining exploration entities. Mining exploration entities were (and still are) usually admitted under the commitments test and they were (and still are) required to provide a quarterly cash flow report to assist the market to understand whether they are meeting their 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 but that ASX should have the discretion to extend the requirement for longer on a case-by-case basis.

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.

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

Listing Rule 5.5 requires a mining exploration entity or an oil and gas exploration entity to complete an Appendix 5B cash flow report 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<sup>7</sup> or an oil and gas producing entity,<sup>8</sup> as applicable, or it becomes some other type of entity.<sup>9</sup>

Listing Rule 4.7B requires an entity to complete an Appendix 4C cash flow report each quarter and give it to ASX if:

- the entity is not an investment entity,<sup>10</sup> mining exploration entity or oil and gas exploration entity and it was admitted under the “commitments test”<sup>11</sup> in Listing Rule 1.3.2(b);
- the entity 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;<sup>12</sup> or

<sup>7</sup> 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).

<sup>8</sup> 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).

<sup>9</sup> Although, if an entity ceases to be a mining exploration entity or oil and gas exploration entity as a result of 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, 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).

<sup>10</sup> 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).

<sup>11</sup> 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 business objectives must be clearly stated and include an expenditure program. The purpose of the commitments test is to prevent entities that are essentially “cash boxes” from listing on ASX.

<sup>12</sup> 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”. Note that, by necessary implication, this particular limb of Listing Rule 4.7B does not apply to an entity that after re-admission will be an investment entity,

- ASX has asked the entity to do so.

In the first two cases above, the entity must give ASX Appendix 4C quarterly reports for the first eight quarters after its admission or re-admission (as the case may be), or for any longer period set by ASX. ASX will generally tell the entity at the time of its admission or re-admission that it is subject to Listing Rule 4.7B and confirm the requirement for it to provide quarterly cash flow reports for at least the next eight quarters.

In the third case above, the entity must continue to give ASX Appendix 4C quarterly reports for the period set by ASX. ASX will tell the entity that period at the time it notifies the entity that it is required to provide quarterly reports under Listing Rule 4.7B.

#### 4. When must a quarterly cash flow report be given to ASX?

An entity subject to Listing Rule 4.7B or Listing Rule 5.5 must give ASX the applicable Appendix 4C or 5B quarterly cash flow report immediately the information is available, and in any event within one month after the end of each quarter of its financial year.

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.<sup>13</sup>

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.<sup>14</sup>

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 a quarterly cash flow report is the quarter commencing on the day of its admission or re-admission (ie, the current 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 on the last day of a quarter, the first quarter for which it should provide a quarterly cash flow report 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 a quarterly cash flow report is the quarter during which it was admitted or readmitted (ie, the current quarter). Its first report 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 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”.<sup>15</sup> A quarterly cash flow report must therefore be given to ASX promptly and without delay after the information it contains is “available”.

ASX understands that, as a matter of good corporate governance, most listed entities will require an Appendix 4C or 5B quarterly cash flow report to be approved by its board or senior management before the report is released to

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mining exploration entity or oil and gas exploration entity (although an entity that after re-admission will be a mining exploration entity or oil and gas exploration entity will instead be subject to the quarterly cash flow reporting regime in Listing Rule 5.5 and Appendix 5B).

<sup>13</sup> Likewise for an entity whose financial year ends on 30 September, 31 December or 31 March.

<sup>14</sup> 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 26<sup>th</sup>, 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.

<sup>15</sup> See ASX Listing Rules Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

the market.<sup>16</sup> In such a case, ASX takes the view that the information is not “available” 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 and 5.5, the report will have to be approved by no later than the end of that month. However, once it is so approved, it must be given to ASX promptly thereafter. Its 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 it to ASX.

### 5. What happens if a quarterly cash flow report is not given to ASX by the due date?

If an entity does not give ASX a quarterly cash flow report 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.<sup>17</sup> ASX will not reinstate its securities to quotation unless and until it gives the required report to ASX.

### 6. The contents of a quarterly cash flow report

The prescribed form of a quarterly cash flow report for an entity subject to Listing Rule 4.7B is set out in Appendix 4C, and for an 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).

Section 9 of the two Appendices requires the disclosure of estimated cash outflows for specific categories of operating activities for the next quarter.<sup>18</sup> The reason these categories have been selected is that these are likely to constitute the core operating expenses of the entity, where a lack of cash to cover these expenses could indicate serious issues with the sustainability of its business. There is, however, also a category labelled “other”<sup>19</sup> where disclosures can (and should) be made about estimated cash outflows for the next quarter for any other types of operating activities and for investing and financing activities, if material.

It should be noted that the information called for in section 9 does not include information about estimated cash inflows for the next quarter. In part, this is because cash inflows (particularly revenues) are often more difficult to estimate with accuracy than cash outflows and listed entities are therefore understandably cautious about being required to include this type of information in their quarterly cash flow reports.<sup>20</sup>

In the case of mining exploration entities and oil and gas exploration entities, it is also because these entities typically will generate little revenue until they become producing entities and the primary information needed by the market to understand whether they can meet their exploration objectives in the short term is information about their current cash position and estimated outflows for the next quarter.

By contrast, ASX acknowledges that many commitments test entities may well be producing revenue and that information about estimated cash outflows for the next quarter, without information about estimated cash inflows, may not tell the full story of their financial position. Despite this, ASX still requires such entities to include in their Appendix 4C the prescribed information about their estimated cash outflows for the next quarter on the basis that this is important information for the market about the entity’s expense profile. ASX therefore will not waive this requirement. If a revenue-generating commitments test entity wishes to supplement the information about estimated cash outflows for the next quarter in its Appendix 4C with information about its estimated cash inflows, it is free to do so by adding that either as a separate section or as a note in its Appendix 4C.<sup>21</sup>

<sup>16</sup> As indicated below, as a matter of good corporate governance, ASX would generally expect an Appendix 4C or 5B quarterly cash flow report to be approved by an entity’s board.

<sup>17</sup> Suspension occurs automatically under Listing Rule 17.5. ASX will not waive that Listing Rule.

<sup>18</sup> See sections 9.1 – 9.6 of the Appendix 4C and sections 9.1 – 9.5 of the Appendix 5B.

<sup>19</sup> See section 9.7 of the Appendix 4C and section 9.6 of the Appendix 5B.

<sup>20</sup> Such estimates are a “forward looking statement” and must therefore be based on reasonable grounds or else they will be deemed to be misleading. Further guidance on forward looking statements can be found in sections 7.1 and 7.8 of Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

<sup>21</sup> But see note 20 above.

### 7. 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 Standards<sup>22</sup> or, if the entity is a foreign entity, other standards agreed by ASX.<sup>23</sup>

### 8. Who should approve a quarterly cash flow report?

The compliance statement at the foot of the Appendices 4C and 5B is stated to be signed by a director or secretary. With electronic lodgement, these documents are in fact no longer required to be physically signed by a director or secretary but are taken to have been appropriately authorised and sent by the entity pursuant to the ASX Online agreement it will have entered into with ASX.<sup>24</sup>

In accordance with that compliance statement, a quarterly cash flow report should be approved and authorised for release by a director or secretary of the entity.

ASX would generally expect an Appendix 4C or 5B quarterly cash flow report in fact to be approved and authorised for release by an entity's board. This is not a Listing Rule requirement but rather a matter of good corporate governance. The quarterly cash flows included 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.<sup>25</sup> It therefore makes sense that the board should have early visibility and oversight of the entity's quarterly cash flow reports.

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

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*, 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.<sup>26</sup>

### 9. ASX's review of quarterly cash flow reports

ASX reviews Appendix 4C and 5B quarterly cash flow reports after lodgement to assess compliance with the requirement in Listing Rule 12.2 that an entity's financial condition must, in ASX's opinion, be adequate to warrant continued quotation of its securities and its continued listing. If an entity has negative operating cash flow and it

<sup>22</sup> See generally Australian Accounting Standard AASB 107 *Statement of Cash Flows*.

<sup>23</sup> 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.

<sup>24</sup> Under Listing Rule 1.1 condition 14 or the former Listing Rule 15.4A.

<sup>25</sup> 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 2001 (Cth) and Australian Accounting Standard AASB 101 *Presentation of Financial Statements*.

<sup>26</sup> See ASX Listing Rules Guidance Note 9 *Disclosure of Corporate Governance Practices*.

appears to ASX that the entity may not have enough cash to fund its next two quarters based on the rate of cash expenditure indicated in its Appendix 4C or 5B, ASX will generally<sup>27</sup> send the entity a query letter<sup>28</sup> asking it to respond separately to each of the following questions and provide the following confirmations:

- Does the entity expect that it will continue to have negative 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?
- Please confirm that the entity is in compliance with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition in accordance with that rule that has not already been released to the market.
- Please confirm that the entity's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of the entity with delegated authority from the board to respond to ASX on disclosure matters.<sup>29</sup>

The query letter will also ask the entity to provide any other information that the entity considers may be relevant to ASX forming an opinion on whether the entity is in compliance with Listing Rule 12.2.

ASX's query letter and the entity's response will typically be released as a market announcement.<sup>30</sup>

If ASX considers that the entity does not comply with Listing Rule 12.2, ASX may suspend the entity's securities from quotation<sup>31</sup> or terminate the listing of the entity.<sup>32</sup>

## 10. ASX's policy on waiving quarterly cash flow reports

Given the history and purpose of Listing Rules 4.7B and 5.5, ASX is highly unlikely to grant a waiver of either of those rules unless there is a compelling case to do so.

ASX may be prepared to grant a waiver from Listing Rule 4.7B 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).<sup>33</sup> The waiver will be subject to a condition that the entity makes an announcement to the market

<sup>27</sup> In deciding whether or not to send a query letter, ASX will take into account any recent announcements made by the entity about its capacity to continue its operations and to meet its business objectives (for example, about any capital raising it is proposing to undertake or other sources of funding available to it).

<sup>28</sup> Pursuant to Listing Rule 18.7.

<sup>29</sup> The reference here to the entity's response having been authorised and approved by the entity's board is intended to cater for situations where that has occurred and should not be interpreted as suggesting that the response needs to be authorised and approved by the board in any particular case (cf section 4.8 of Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*). In most cases, ASX would expect an entity to have a continuous disclosure policy (see Annexure C of Guidance Note 8) and its response to have been authorised and approved in accordance with that policy. If the entity does not have such a policy, or in the circumstances is not able to apply it, ASX would expect the entity's response either to have been authorised and approved by the board or by an officer of the entity with delegated authority from the board to respond to ASX on disclosure matters.

<sup>30</sup> Pursuant to Listing Rule 18.7A.

<sup>31</sup> Pursuant to Listing Rule 17.3.1 and/or 17.3.4.

<sup>32</sup> Pursuant to the first and third bullet points of Listing Rule 17.12.

<sup>33</sup> 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 Rule 4.7B.

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 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 two year 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 not appropriate for ASX to waive the requirement for such reporting.

### **11. 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 cash flow reports under Listing Rule 4.7B is the minimum reporting period. ASX has the discretion under that rule to extend the reporting period beyond eight quarters and frequently exercises that discretion.

At or around the end of those eight quarters, and at each subsequent review point thereafter, ASX will usually discuss with the entity whether it will be required to continue giving ASX quarterly cash flow reports and, if so, for how long.

As a general rule, ASX usually likes to see at least four consecutive quarters of positive net operating cash flows before it will lift the requirement for an entity to provide quarterly cash flow reports under Listing Rule 4.7B. To that end:

- an entity whose last four quarterly reports have all reported positive net operating cash flows will not usually be required by ASX to continue providing any further quarterly cash flow reports;
- an entity:
  - whose last three quarterly reports have all reported positive net operating cash flows but whose previous one did not, will usually be required by ASX to provide at least one more quarterly report;
  - whose last two quarterly reports have both reported positive net operating cash flows but whose previous one did not, will usually be required by ASX to provide at least two more quarterly reports;
  - whose last quarterly report reported positive net operating cash flows but whose previous one did not, will usually be required by ASX to provide at least three more quarterly reports,to see if the trend to positive cash flows continues for four consecutive quarters; and
- an entity whose last quarterly report reported negative net operating cash flows, will usually be required by ASX to provide at least four more quarterly reports, after which the position will be re-assessed in accordance with the principles above.

ASX considers these issues on a case-by-case basis and will consider all the relevant circumstances in determining whether or not it will require an entity to continue providing quarterly cash flow reports for a further period. 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.

### **12. ASX's discretion to require quarterly cash flow reports from other entities**

ASX has a general discretion under Listing Rule 1.19 to admit an entity to the official list on such conditions as it thinks appropriate. This may include a condition that the entity submit quarterly cash flow reports for such period as ASX determines or until ASX determines otherwise.



ASX also has a general discretion under Listing Rule 4.7B to require quarterly cash flow reports from any entity<sup>34</sup> at any time and for any period that it considers appropriate. For the avoidance of doubt, this includes:

- mining producing entities and oil and gas producing entities, even though these entities have graduated from the quarterly cash flow reporting regime that applies to mining exploration entities and oil and gas exploration entities under Listing Rule 5.5 and Appendix 5B;
- 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 cash flow reports under Listing Rule 4.7B and that have met those requirements.

ASX exercises these discretions on a case-by-case basis where it considers it appropriate that an entity should provide quarterly cash flow 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 is relying on its first year's revenue to meet the working capital requirements of Listing Rule 1.3.3(b) (in which case, ASX will typically impose a condition under Listing Rule 1.19 requiring the provision of quarterly cash flow reports as a condition of listing);
- 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 cash flow 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.

The period fixed for reporting will also take into account the individual circumstances of the entity.

Generally, ASX will ask an entity to report quarterly for a fixed period, after which a further assessment of its circumstances will be made. At the end of that period, and at each subsequent review period, ASX may ask the entity to continue providing quarterly reports for such further period as it considers appropriate in the circumstances.

### 13. ASX's discretion to require more frequent cash flow reports

ASX general discretion under Listing Rule 1.19 to admit an entity to the official list on such conditions as it thinks appropriate empowers ASX to impose a requirement at listing that an entity provide periodic cash flow reports more frequently than might otherwise be required under the Listing Rules (for example, monthly).

ASX also has general powers:

- under Listing Rule 18.7 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; and
- under Listing Rule 18.8 to impose any requirements on an entity in order to ensure compliance with the Listing Rules.

<sup>34</sup> Although 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 cash flow reporting regime in Listing Rule 5.5 and Appendix 5B.

This includes compliance with the requirement in Listing Rule 12.2 that an entity's financial condition must, in ASX's opinion, be adequate to warrant 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 cash flow reports more frequently than might otherwise be required under the Listing Rules (for example, monthly).