

COMPANY POLICY 7

ASSOB: EXPIRATION OF INVESTMENT DOCUMENTS POLICY

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Version I

This document may be referred to as Company Policy 7 (CP7)

Purpose of the Policy

ASSOB Pty Ltd (ACN 114 772 020) (**ASSOB**) operates a Business Introduction Service pursuant to the Australian Securities and Investment Commission (**ASIC**) *Class Order 02/273* (**Class Order**), namely the Australian Small Scale Offerings Board, through its website at www.assob.com.au (the **Platform**).

ASSOB maintains sole discretion in relation to the information it promotes and publishes about a company through its Platform.

The purpose of this Policy is to articulate ASSOB's timeframe in promoting an Issuer's (**Company**) first (original or replacement and any associated supplementaries) investment document on the Platform for the purposes of capital raising.

Investment Documents Generally

In general, an investment document allows the directors and shareholders of a company to present a comprehensive, accurate, and attractive picture of the company, its investment opportunity and its overall potential.

An investment document is the most efficient way of providing a large volume of information about a company to investors, ensuring that all investors receive the same information.

And, from an investor's point of view, a well written investment document demonstrates the professionalism and motivation of the directors to promote the sale of share capital.

Dates of the Offer

An investment document includes an opening and closing date which defines the period during which an offer to subscribe for shares in the company is available.

In a typical investment offering promoted on the Platform, the standard offer period for each company is twelve (12) months, but includes wording enabling the directors to close the offer early or extend the offer closing date, as desired.

Both options, to either close the offer early or extend the offer period, are material changes to the investment offering and from a corporate governance perspective, should be effected by directors, at a director's meeting, approved by way of a board resolution.

The director's decision is then pronounced through a Company Announcement, signed and dated by a director, and provided to ASSOB for inclusion on the company's Profile Page to ensure that the information is communicated to shareholders, potential investors and other interested participants.

The Platform & Closing Dates

ASSOB acknowledges that company officeholders are directly accountable to investors for the content and management of their investment document and the terms and conditions contained therein.

In the event directors wish to close the offer early or extend the offer past the specified closing date, provided the company discloses the material changes to investor, ASSOB does not normally intervene in such decisions save to obtain the appropriate Company Announcement for posting on the Platform.

For any company extending the closing date past the 12 month period, as part of our duty of care ASSOB includes in its Company Announcement the following disclaimer that the investment information may be dated:

ASSOB Pty Ltd takes the opportunity to remind any potential investor that the NewCo Ltd Offer Document opened on 2 November 2011. Consequently, the information contained within the document is twelve (12) months old. The information could be out of date and no longer accurate. ASSOB Pty Ltd recommends any potential investor in NewCo Ltd request updated information prior to making any decision to invest in this entity and warns investors about the older information becomes the less reliable is its content. This statement does not constitute financial advice and should not be taken as such.

Notwithstanding the above, it is the Policy of ASSOB to not promote any original or replacement capital raising investment document which is older than 24 months (2 years) from the original opening date of the offer for the purposes of gaining investment from s708(1) personal investors pursuant to a small scale offering.

The decision to not promote any investment offering older than 24 months to personal / retail investors is a 'Business Judgment Rule' based on the following considerations:

1. The Corporations Act and Disclosure Documents

Sections 710 and 711 of the *Corporations Act 2001 (Cth)* (the **Act**) require each prospectus to contain certain general and specific content.

For the purposes of this Policy, pursuant to s711(6) a prospectus must contain an expiry date for the uptake of an offer made under prospectus:

*(6) Expiry date
The prospectus must state that no securities will be issued on the basis of the prospectus after the expiry date specified in the prospectus. The expiry date must not be later than 13 months after the date of the prospectus. The expiry date of a replacement prospectus must be the same as that of the original prospectus it replaces.*

According to s711(6), it is mandated that investor reliance upon the information contained within an original prospectus and/or its replacement version is only valid for 13 months. Any investment received after the 13 month date must be returned pursuant to s725 whereby the investor is to be refunded the investment monies, or provided with a new disclosure document. This is primarily because a prospectus is considered as the key document which contains all information that an investor would require to make an informed investment decision.

If we consider the underlying principles for the inclusion of general and specific content, such as the 13 month expiration date, [ASIC PS9] the requirement is designed to:

- (a) promote efficiency in the capital markets;
- (b) promote disclosure of relevant information;
- (c) reduce the likelihood of omitting important information;
- (d) focus issuers on the information needs of investors; and
- (e) be sufficiently flexible to accommodate changes in investors' information needs.

We acknowledge that the typical investment document promoted through the Platform is not a prospectus, does not contain all information for investors to base an investment decision and ASSOB is not a regulatory body like ASIC.

However, it is logical to assume that the 13 month rule is legislated for a reason and that being, the information on which an investor bases their decision be accurate and timely so that their assessment of the investment company is a truthful reflection of its current position. According to the Australian Corporate Law Reform Bill (No 2) 1992 – “*The government considers it essential that there be timely disclosure of relevant information about the financial position and prospects of entities in which Australia invests.*”

ASSOB business judgment in this regard is risk minimisation – at a fundamental level, ASSOB has no desire to account to ASIC in relation to an investor complaint that what was presented to the investor was old, inaccurate and misrepresented the investment entity, when this risk could be avoided.

If ASSOB ever had to justify why it approved the promotion of investment in a company hawking old investment information, it would be difficult to defend our position when disclosure documents, which have been prepared to lessen the risk for investors, have a maximum shelf-life of 13 months.

In short, the investment documents published on the ASSOB Platform are high risk offers, made without disclosure, designed for the unsophisticated or professional investor market, and old investment material simply exacerbates the risk of investment to an unacceptable level.

Since ASSOB is responsible to ASIC for its business practices, to cover our own liability risk, we will only promote original or replacement investment documents for a period of up to 24 months. After this period, any capital raising campaign through the ASSOB Platform must be achieved through a new and updated investment document.

2. Marketing IOI

If a house has been on the market for two years and does not garner much interest or sell, this communicates different things to different people about the house. From a pure marketing perspective the best course of action

is usually to take the house off the market for a while, consider pricing, spruce it up, maybe change agents and then relist it for sale.

The same reasoning can be applied to the marketing of investment offerings.

Whilst it is true that you only have one chance to make a good first impression, it is ASSOB opinion that first impressions don't carry much weight if, over time, you can reveal more about your company, the nature of the investment opportunity, its team, its milestone successes and objectively determine the company's value.

On that basis, entering into a second or third year with fundamentally the same investment document is not an inspiring marketing strategy to promote the sale of shares in that company.

If an investment offering has failed to secure many investors, then extending the life of the same document is counterproductive to gaining investment traction and simply fails to provide any incentive for investors to invest.

Basic marketing principles suggest that the investment document to be re-written to take into consideration changes which have occurred over the period since the investment offer first opened and then communicated with a compelling, convincing and credible story built around this history. If possible, people that have read the investment document or shown interest in the investment offering should be contacted to obtain feedback as to why they did not invest in the company.

There is usually a reason why an investment offering fails to entice investors so before considering simply to extend a current offering, and directors should think objectively as to how they can improve the offer, using constructive criticism and feedback wisely.

From a commercial viewpoint, ASSOB does not make any money if a company does not raise any capital and investors will start to turn away if ASSOB does not continually refresh its investment offerings. For this reason, relying upon an investment document that remains unchanged in its core content after 24 months is counterproductive to our corporate interests and overall, to the company raising capital.

3. Investment to date

Lastly, when considering the option to extend an investment document past the 24 month period (or even past the first 12 months), it is important to reflect upon the context of the information being conveyed.

When the investment document was originally written, the business was at a very early stage. Over 24 months, it is reasonable to assume that through the whole positioning of the business has changed, from director experience, to risks and market entrants, to profitability based on economic climate and so forth.

And over the period of the 24 months, the company has had to complete an audited financial report and hold an Annual General Meeting of shareholders.

Of relevance to the content of the investment document is whether the company has progressed as planned and if the investment funds received been used as detailed in the original investment document. If an investor, after reading the aged information document, did an exercise where they compared the Use of Funds table with the recent financial accounts, what picture would they get? Is it easy to see that funds received have been used for the purposes they were intended? If the fundraising has failed to progress as quickly as planned, how has the business been funded in the interim? What effects will that have on the individual investor?

Most of these questions are contextually focused as a new investor needs to understand what they are actually getting into, 24 months and beyond. Matching up an investment document with recent accounts and working out where the business is at is not an easy task generally and for that reason, an aged document may be considered misleading for investment purposes. Such practices are not in accord with the information ASSOB seeks to disclose through its Platform – which is for clear and transparent investment content.

Exclusions to the Policy - Sophisticated and Professional Investors

The Policy in relation to the timeframe of an investment document being no older than 24 months relates to companies seeking investment by personal investors (i.e. not overseas, professional, sophisticated and other excluded investor categories pursuant to s708). These investor types should, wherever possible, be protected based on the notion that their level of technical understanding and disparity in negotiation is less and the investment opportunities produced without disclosure are high risk.

Since sophisticated and professional investors are deemed to have sufficient investing experience and knowledge to weigh the risks and merits of an investment opportunity, the principles of caveat emptor are dominant.

Therefore, on the basis that a company close the investment offer to s708(1) personal investors, the original investment document may remain open and extended for other excluded investors. All promotion from ASSOB will reflect that the offer is not a small scale offering and Company Announcements will also be required to communicate this fact.