WEMBLEY
CORPORATE SERVICES

11 February 2019

ASX Limited
PO Box H224
Australia Square NSW 1215

Attention: Mavis Tan

Wembley Corporate Services

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Dear Ms Tan,

Simplifying, clarifying and enhancing the integrity and efficiency of the ASX listing rules

Section 3.4 - The additional 10% placement capacity in rule 7.1A

I do not agree for the proposed change to LR7.1A of "*removing the ability for entities to make an issue under their additional 10% placement capacity in rule 7.1A for non-cash consideration*" for the reason that it is "*seldom used and creates significant compliance issues*".

The compliance issues mentioned are easily fixed by removing them, and allowing an issue of securities under LR 7.1A to occur on the same basis as an issue under LR 7.1.

The purpose of LR7.1A was to provide smaller companies the ability to issue additional securities without having to undertake general meetings when their initial 15% capacity was used up.

The 7.1A rule is often used in the mining industry with small cap exploration companies which do not generate revenue and typically will need to issue securities on a regular basis.

As noted in **Annexure F - GN 21 Section 2.9**, " *An eligible entity with a 7.1A mandate which has capacity available under both Listing Rules 7.1 and 7.1A and which is making an issue that complies with all of the other requirements in Listing Rule 7.1A, can elect which of those capacities it wishes to use.*"

I agree that companies should utilise their LR 7.1 capability before using their 7.1A capability as it is an additional capability, however, if 7.1A is no longer allowed for non-cash issues then it is likely that companies will utilise their 7.1A capability first and keep their 7.1 capability for potential non-cash issues which may or may not occur.

The problem with the current rule is that an issue of securities under LR7.1A for non-cash consideration requires a valuation to be undertaken on the asset acquired. This is not required for a non-cash issue under LR 7.1. Why?

An easier solution would be to remove the requirement for a valuation to be undertaken on a non-cash 7.1A issue and have it the same as a LR 7.1 issue. LR 7.1A was, I believe, just supposed to be an additional issue capacity so why have additional restrictions on it.

Sincerely,

Graeme Smith

Company Secretary / Director