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ARTICLE REGARDING ASSOB IN MY BUSINESS

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About ASSOB:

The Australian Small Scale Offerings Board is an independent commercial organisation dedicated to the needs of growing companies seeking capital, a trading platform for their securities and increasing their profile. Since formation in 2005, ASSOB has benefited small and medium sized companies by allowing them to raise capital, without the need for a costly prospectus.

Principles of good governance to shareholders, investors and the Board are based on a set of disclosure rules known as the ASSOB rules of Admission, which balances flexibility for companies with appropriate investor safeguards. In order for a company to list its offer to raise capital on the Australian Small Scale Offerings Board it must first engage the services of an accredited ASSOB Sponsor. ASSOB Sponsors are often professional service firms that help their own clients access valuable investment capital and at the same time add a revenue stream to their business.

<http://www.assob.com.au>

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RAISING FUNDS on the unlisted market

Despite the tough financial conditions over the past year or so, the Australian Small Scale Offerings Board is continuing to raise money for its existing and newly listed companies, many of them smaller companies. To date more than \$100 million has been raised for a range of businesses. By **Bruce Nelson**

WHEN INNOVATIVE food and beverage company Preshafood closed its investment offer through the Australian Small Scale Offerings Board (ASSOB) having received over-subscriptions of \$1 million recently, the signs of renewed investor confidence were clearly evident.

Preshafood has since had to return the excess funds (there was no provision for over-subscriptions in its offer) and couldn't be happier with the result. Its capital raising exercise was not only successful, but also provided a litmus test for investment appetite in Australia's billion dollar unlisted companies sector.

Preshafood Limited is a food and beverage company using a revolutionary high pressure processing (HPP) method to produce fruit juices, coulis and food products. The company was established in 2006 and has been manufacturing HPP products since early 2007 with their first commercial product an apricot, peach and apple mix for yoghurt, the world's first HPP fruit product used in the dairy industry.

Simon Ward, managing director of Melbourne-based Tauro Capital Partners who facilitated the capital raising through the ASOB platform, says while the results for Preshafood were outstanding, there were a number of factors that facilitated the matters success.

"Preshafood is an excellent company that is in exactly the right stage of its lifecycle to seek capital to expand its business and cement its position as a significant player in the highly competitive

and developed non-alcoholic beverages industry," Ward says.

"They recently won first prize in both the 'Best New Juice and Juice Drink' and the 'Best New Beverage Concept' categories in the prestigious International Drinktec Award in Germany, beating other entrants including beverage giant PepsiCo. However accessing growth capital has not been that easy given the recent credit crunch, so utilising an established platform such as ASOB provided the right compliance model which in turn gave that extra level of comfort for potential investors."

Investment niche

ASSOB has carved out a niche assisting unlisted companies such as Preshafood raise capital typically between \$200,000 and \$10 million plus. The concept, first conceived by businessman Tony Puls in 1987, was to create a platform that would allow unlisted companies to easily access private capital. His dream was achieved when ASIC issued a Class Order exemption ten years later, allowing for the formation of a trading and investment platform for small companies.

In 2004 ASOB was formed and since then has evolved into the country's largest unlisted securities platform for showcasing investment opportunities in high-growth, unlisted Australian companies. The platform has represented over 200 companies and raised over \$100 million and provided compliance services and a range of tools from which to raise capital

and inform potential investors about investment opportunities.

Presently there are over 60 companies listed, including 22 companies listed in VIP mode, a service that provides a private listing to a select group of investors prior to going public on the ASOB Primary Board.

The companies listed on ASOB have a combined market capitalisation based on their last share sale of over \$500 million, and are raising equity through a pool of over 11,500 subscribers to the ASOB database, a mix of sophisticated investors, high net-worth individuals, institutional investors, overseas investors and self managed super funds.

ASSOB CEO Paul Niederer says the private company sector makes up 43 per cent of Australia's GDP and is a substantial contributor to the economy in terms of both finance and employment. "For a long time now the sector has not been properly understood and many Australian companies have had limited access to financing and investment funds to commercialise technology or grow their businesses," Mr Niederer says.

"This has led to some of our best ideas and brightest people heading offshore, taking with them our future economic growth and job opportunities. This changed with the emergence of ASOB which is now the largest capital raising platform for unlisted companies in Australia, and the only one with a secondary board providing investors with ▶

a potential exit without having to wait for a trade-sale, stock exchange listing or other liquidity event."

Changing profile

Up until three years ago many of the companies listed on ASSOB were early stage companies. "Today the board still accepts listings for early stage companies and quality start-ups, however over the past 12 months the profile of companies has changed dramatically," Niederer said.

"They are now predominantly well established, highly profitable companies applying to list on ASSOB, for example the latest company to lodge an application to list has been established for over 15 years, has \$17 million in revenue and is making \$3 million EBIT."

The amount of capital companies raise through ASSOB can range between \$200,000 and \$10 million, with the average listing typically looking to raise

between \$2 to \$3 million. Some may undertake further and larger capital raisings once initial capital has been used to fund growth.

Companies wanting to list their equity capital raising offer through an information memorandum or prospectus must engage the services of an accredited ASSOB sponsor. Sponsors are typically corporate advisors, accountants, lawyers, commercial finance brokers and business consultants who have added the ASSOB ►

GETTING INVESTOR READY

STEPPING STONE EQUITY, a Queensland headquartered boutique corporate advisory firm, has successfully been using the ASSOB model to raise capital for its clients for the past two years. CEO Terry Richards says having the ability to offer a service that provides

compliance during a tough financial period has proven beneficial for both issuers and potential investors.

On average Stepping Stone Equity accounts for more than 40 per cent of listings on the ASSOB primary board with current listed issuers raising almost \$7

million and filling 80 per cent of their capital raising targets. In the past two years Stepping Stone has sponsored 45 issuers on ASSOB's primary board raising a total of \$17.2 million with a combined market cap of \$215 million.

Stepping Stone Equity also has a number of matters either underway or about to be launched worth another \$30 million in equity raising; in total the matters under appointment exceed \$60 million dollars. Client successes have included Shared Vision Group which successfully raised almost \$940,000 and has since signed a joint venture with one of the largest companies in Saudi Arabia to set up Shared Vision International.

The Saudi partner will put in US\$4 million per annum to cover set up and operating costs while Shared Vision provides the IP, operational and management know-how to develop the business worldwide.

Mr Richards says Stepping Stone would evaluate some 300 companies each year, with only a handful being assessed as either ready to raise capital or with the potential after some extra corporate advisory mentoring.

"There are plenty of companies who think that with a bit of growth capital that they can take themselves to a whole new level," Richards said. "Unfortunately many don't understand that presenting to a potential investor is like presenting yourself at a job interview. Without the right company structure, corporate advice and well written and presented offer, it's like turning up to a potential employer without a well-written resume and wearing shorts and a t-shirt."



Stepping Stone Equity CEO Terry Richards

capital raising functions onto their existing suite of services.

"There is a two part process to list with ASSOB," Niederer said. "First a company applies to see if they are suitable to be an ASSOB member. Once they get approval, they work on their offer document and when it is complete they complete an application for listing."

Once a company has completed their primary capital raising, shareholders can potentially undertake a full or partial sell

down or exit through the ASSOB secondary sales system. "Our secondary sales board is potentially very useful for the investors and also for the company to sell their shares," Niederer said.

"More advanced, profitable companies can also undertake an ASSOB compliance listing providing the company's shareholders with the ability to make secondary sales offers to sell their shares through the ASSOB secondary sales bid alerts system.

"This means that existing founders and shareholders can potentially sell down their equity to a number of buyers, thereby gradually divesting themselves of ownership and potentially realising a profit."

The platform's compliance and adherence to the *Corporations Act (2001)* has put it in a unique position to help companies raise funds for expansion, but there are strict guidelines.

Mr Niederer said that if you don't have a prospectus, you are not allowed to approach the public at all to raise capital for your business. "The only exceptions are immediate family, company officers, sophisticated investors or people living overseas. Even then you are limited to \$2 million per year and no more than 20 investors can be involved, not including the exceptions.

"So basically it's either registering your offer with ASIC through a prospectus, which can cost hundreds-of-thousands of dollars, or you are limited to 20 investors a year and a limit of \$2 million."

Building on success

Potential investors may look at unlisted companies because of their long-term prospects, the opportunity to invest at an early stage, and the ability to work closely with heads of the company. In the case of Preshafood ASSOB was the perfect platform for the company to build on its string of successes.

Managing Director Andrew Gibb said the company is at a very exciting stage of its growth having closed the capital raising oversubscribed and doing so in a record time. "The capital raised will help us fund the continued expansion of the business. This primarily involves funding for working capital and the supply of more equipment to ramp up production," Gibb said.

"We now have our products positioned in Coles and Woolworths stores and other retail outlets across the country and organic growth is not really an option if we are to take full advantage of these opportunities. "Having a compliant offer to take to potential investors has made a real difference as your investment is viewed as a serious opportunity, not just a quick cash grab from someone who hasn't bothered to put the right checks and balances in place."

Mr Niederer said ASSOB also views itself as a staging ground for companies to list on the ASX or other securities exchanges.

"We have had a number of success stories undertaking exchange listings — an example is Noble Mineral Resources which listed on ASSOB a couple of years ago. Round one ASSOB investors invested at eight cents per share and the company then used the funds to undertake an IPO and ASX listing at 20 cents, where trading on the first day reached over 30 cents per share. The company has been trading recently on the ASX at around 50 cents per share, a very healthy return for the pre-IPO investors that invested through the ASSOB listing."

Niederer says through Preshafood and other recent offers the platform has seen a real change in the investment market of late with clients raising over \$1.5 million in one month alone, indicative of the turnaround in the economy.

"Since the global credit crunch access to traditional debt finance from the banks is now more difficult than ever which has resulted in an increase in quality enquiries for ASSOB's services, and as a result we believe 2010 will be extremely busy."

ASSOB has also experienced unprecedented interest in their sponsor programs by professional service agencies to become qualified to work with and mentor companies listed on ASSOB. ●

Bruce Nelson is an experienced communications practitioner who has provided strategic marketing and public relations. He is based at the Gold Coast where he also lectures at both Bond and Griffith Universities in public relations, communications and journalism courses.

For more information visit:
www.assob.com.au

Microskin in the game

Skin technology company, Microskin, is expanding its international operations with new franchises being established in the US and UK. The company, which is listed on the ASSOB, is raising further capital from investors, to expand its growth, including a franchised US clinic in New York to be headed by renowned skin specialist, Dr Roy Geronemus.

Dr Geronemus is a Clinical Professor of Dermatology at New York University Medical Centre.

The Directors of Microskin are currently exploring the possibility of further franchises on the West Coast of the US and in Latin America. Microskin's founder, Linda Lowndes, believes that "whilst Microskin has had great success, particularly in the domestic market, I'm very happy that we've now got an opportunity to help more people overcome the aesthetic disabilities that come with some difficult skin conditions."

Linda Lowndes spent eight years developing the spray-on simulated skin made from a formulation that colour-corrects each person's individual skin condition. Since opening in Brisbane in July 2005, Microskin International has assisted people from all over the world with disfiguring skin related conditions such as vitiligo, birthmarks, burns, eczema, lupus and keloid scarring.

The company now employs 15 staff with more than 2000 patients seeking treatment from all over the world.

Microskin is currently raising capital to pursue further commercialisation opportunities.