

# PACIFIC CURRENT GROUP

## Continuous Disclosure Policy

As a listed public company Pacific Current Group Limited (**Company**) is required to comply with the continuous disclosure obligations contained in Listing Rules 3.1, 3.1A and 3.1B of the Australian Securities Exchange, and section 674(2) of the Corporations Act 2001 which also imposes statutory liability for its breach.

We are committed to complying with both the letter and spirit of these continuous disclosure obligations. This policy is designed to ensure there are procedures in place so that the market is properly informed of matters which may have a material impact on the price or value of the Company's shares.

## Interpretation

"Act" means the Corporations Act 2001;

"Board" means the board of directors of the Company;

"Business" means the business of the Company;

"MD" means the Managing Director of the Company and "CEO" means the Chief

Executive Officer of the Company and if no MD or CEO has been appointed then the roles and responsibilities of those positions are the roles and responsibilities of the person or persons the Board appoints to meet those obligations. All references to MD or CEO in those circumstance are taken to mean the individuals tasks with the obligations of the MD or CEO;

"Chairman" means the chairman of the Board and is used in a gender-neutral sense;

"Company" means Pacific Current Group Limited;

"Company Goals" means the goals of the Company as set out in Part 2;

"Director" means a Director of the Company Board and refers to both non-executive and executive Directors;

"Management" means the management personnel of the Company;

"Management Limitations" means the limitations on the actions of Management as set out in paragraph 4.3;

"Secretary" means the Board secretary or the person normally exercising the functions of a Board secretary;

"Shareholders" means the shareholders of the Company.

## **Obligation to Disclose**

Under Listing Rule 3.1, the Company is required to notify the ASX immediately when it becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the Company's securities.

This disclosure obligation is subject to the exceptions found in Listing Rule 3.1A. This rule comprises three separate limbs, which if satisfied, removes the need for disclosure.

The ASX regards this Listing Rule as central to the orderly conduct and integrity of the ASX market and it is implicit within its general thrust that as an ASX listed entity we establish procedures to prevent inadvertent leaks of confidential information that may result in the Company being forced to disclose information at a time when it is **not** commercially advantageous to do so.

Under ASX Listing Rule 19.12, we become aware of information if a director or executive officer of the Company has, or ought reasonably to have, come into possession of information in the course of the performance of their duties as a director or executive officer of the Company. An "executive officer" is a person who is concerned in, or takes part in, the management of the Company, regardless of their designation.

In other words, the disclosure obligation applies not only to information of which our directors or executive officers are actually aware, but also information of which they ought reasonably to have been aware. This rule necessitates that a listed entity takes positive steps to establish and maintain an effective internal compliance program.

We must not release this information to any other person until we have given the information to the ASX and received an acknowledgment that the ASX has released the information to the market (Listing Rule 15.7). This Rule specifically prohibits an entity giving information to the media even on an embargoed basis, prior to giving the information to the ASX.

## **Materiality**

### **Guidelines for Materiality**

Section 677 of the Corporations Act 2001 defines what is meant by a "material effect" on price or value of the Company's securities as follows:

"A reasonable person would be taken to expect information to have a material effect on the price or value of securities of a disclosing entity if the information would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the securities."

The commentary to the ASX Listing Rules suggests an effective "rule of thumb" by which to assess materiality is as follows:

"If the CEO or the board of the company needs to be alerted to the information, consideration should also be given as to whether it should be disclosed to the market".

The following guidelines are based on the commentary to ASX Listing Rule 3.1 and ASX Guidance Note 8. They are provided to assist our directors and executive officers in identifying information that may need to be disclosed. The thresholds for materiality may

be qualitative and/or quantitative.

### **Qualitative Test**

Circumstances that may require the Company to make disclosure include:

- (a) Matters that might have a material effect on our future business activities.
- (b) Matters that might have a material effect on our income, cash flow or ability to generate profits.
- (c) Matters involving any significant changes in technology or the application of technology that could affect our business.
- (d) Matters involving any change in regulations or laws that could materially affect our business.
- (e) Matters of strategic and/or operational importance which is likely to influence a decision by a third party to buy or sell our securities.
- (f) Matters involving a significant allegation of any breach of law, whether civil or criminal, by us or any of our staff.
- (g) A material change in our published financial forecasts or expectations. (h) A

material agreement.

- (i) A declaration of our dividend or a decision that a dividend will not be declared. (j)

A change in our executive personnel or structure.

- (k) An agreement between us and a director.
- (l) Our giving or receiving of a notice of intention to make a takeover. (m)  
A proposal to change our auditor.
- (n) A material change in our accounting policy.
- (o) Where there is a reasonably specific rumour or media comment that has not been confirmed or clarified by an announcement to the market.
- (p) Under-subscriptions or over-subscriptions to a share issue.
- (q) A transaction for which the consideration payable or receivable is a significant proportion of the written down value of our consolidated assets.
- (r) Matters that are in some way onerous, unusual or so outside the ordinary course of our business that it ought to be considered.
- (s) Matters that might affect our ability to carry on business, including the appointment of a receiver, manager, liquidator or administrator.

## Quantitative Test

Neither the Listing Rules nor the Corporations Act 2001 defines a quantitative threshold. However, the commentary to Listing Rule 3.1 and the Australian Accounting Standard on materiality AASB 1031 provide the following guidance:

- an amount equal to or greater than 10% of the relevant base amount would be material unless there is evidence or convincing argument to the contrary;
- an amount between 5% and 10% of the relevant base amount may be material unless there is evidence or convincing argument to the contrary;
- an amount less than 5% of the relevant base amount would not be material unless there is evidence or convincing argument to the contrary.

Guided by these pronouncements, the Company has adopted the following quantitative threshold when considering matters for possible disclosure to the market:

- (a) Matters which potentially may affect our profit (loss) before tax in any one year by more than 5%.
- (b) Matters which potentially may affect our assets or liabilities by more than 5%. (c)

Matters involving any claim against us or a company controlled by us exceeding 5% of total assets or total liabilities.

## Exceptions to Disclosure

Under Listing Rule 3.1A, disclosure is not required where each of the following three conditions is satisfied:

- (a) a reasonable person would not expect the information to be disclosed; and
- (b) the information is confidential, and the ASX has not formed the view that the information has ceased to be confidential; and
- (c) one or more of the following applies:
  - (i) it would be a breach of a law to disclose the information;
  - (ii) the information concerns an incomplete proposal or negotiation;
  - (iii) the information comprises matters of supposition or is insufficiently definite to warrant disclosure;
  - (iv) information is generated for the Company's internal management purposes; or
  - (v) the information is a trade secret.

For example, any information which is not confidential does not qualify for the exceptions from disclosure. It is therefore essential that information which is to be withheld is and

remains subject to strict confidentiality obligations and is not leaked. If the information has been leaked, even in breach of a duty of confidentiality, it is no longer confidential, and disclosure of the information to the ASX will be required.

### **Correcting a False Market**

If ASX considers that there is, or is likely to be a false market in the Company's securities and asks us to provide it with information to correct or prevent a false market, we must provide the information. We are required to give the ASX this information regardless of whether the exceptions to disclosure apply.

ASX is likely to consider that there is, or is likely to be a false market in the Company's securities if:

- (a) We have information that has not been released to the market (e.g. because the exceptions to disclosure apply); and
- (b) There is a reasonably specific rumour or media comment in relation to us that has not been confirmed or clarified by us making an announcement to the market; and
- (c) There is evidence that the rumour or comment in (b) is having, or ASX forms a view that the rumour or comment is likely to have, an impact on the price of our securities.

### **Continuous Disclosure Manager**

The Company has appointed a Continuous Disclosure Manager as the manager who has responsibility for ensuring compliance with the continuous disclosure regulatory requirements and in particular:

- Educating directors and key staff
- Establishing broad guidelines to assist in determining materiality
- Overseeing and coordinating the continuous disclosure process
- Reporting and making recommendations to the board (or its delegated committee) with respect to continuous disclosure
- Keeping records of all disclosures and all decisions not to disclose information
- Monitoring continuous disclosure compliance
- Maintaining this continuous disclosure program

### **Continuous Disclosure Process**

The Company has established the following specific processes and procedures to assist in ensuring compliance with our continuous disclosure obligations:

### **Maintaining Confidentiality of Price Sensitive Information**

Maintaining the confidentiality of price sensitive information is critical to avoid a situation

where we are forced to disclose information to the market at a time that may be commercially inappropriate.

As an example, under the Listing Rules we would be required to disclose information to the market about an incomplete negotiation or proposal if the information has ceased to be confidential. Information will cease to be confidential if it has become known either selectively or generally, whether inadvertently or deliberately, in circumstances where the Company does not retain control of its use or disclosure.

To assist in the maintenance of the confidentiality of price sensitive information, we have developed the following procedures:

- Any undisclosed price sensitive information is to only be distributed on an "as needs basis" to our managers, staff and professional advisors.
- Under no circumstances is undisclosed price sensitive information to be shared with any individual who is not bound to maintain the confidentiality of this information.
- All managers and staff who may be exposed to price sensitive information must be trained in this policy and a record of this training maintained.
- Non-disclosure agreements must be used during any negotiations involving potentially price sensitive transactions.

### **Notification of Rumours, Leaks and Inadvertent Disclosures**

To ensure that the share market is properly informed, the Company requires all senior managers and directors to keep the CEO and the Continuous Disclosure Manager informed about any matters they consider may be material and that may require disclosure to the ASX.

### **Authorised Spokespersons**

The only persons authorised to speak to ASX or externally (such as analysts, investors, brokers or shareholders) in relation to the Company are the Chairman, MD/CEO and Company Secretary. Authorised spokespersons must comply with this Policy and any internal procedures regarding external communications about the Company

### **Trading Halts**

The Company may request a trading halt or suspension of quotation of securities pending an announcement, to prevent trading in the Company's securities in an unfair or uninformed market. The MD/CEO and Company Secretary will determine whether to apply for a trading halt, in consultation with the Chairman.

### **Briefings, Presentations and Other Disclosures**

To reduce the risk of breaching the continuous disclosure rules by inadvertently disclosing price sensitive information before notifying the ASX:

- Any briefings and or presentations prepared for analysts, brokers or institutional investors, must be approved by the the Company Board before use.
- At the conclusion of any such meeting a review should be undertaken of the information provided to ensure that no price sensitive information was disclosed inadvertently.

### **The Disclosure Decision**

The decision as to whether or not to disclose a matter to the ASX will be made by the Chief Executive Officer in consultation with the Company Board taking into account:

- (a) Whether the matter would have a material effect on the price or value of the Company's securities.
- (b) Whether the matter being assessed falls within the exceptions to disclosure outlined in Listing Rule 3.1A.

Following this assessment:

- (i) If the matter is material and does **not** fall within the exceptions to disclosure, notice shall be given to all of the directors and then the ASX shall be notified immediately.
- (ii) If the matter is material and falls within the exceptions to disclosure, a record of the decision will be recorded however no disclosure will be made.
- (iii) In the event that the matter is considered to be not material and does not fall within the exceptions to disclosure, the Chief Executive Officer will assess whether or not disclosure should, in any case, be made to keep the market informed.

### **The Notification Process**

If it is decided that a matter is to be disclosed, the Continuous Disclosure Manager is responsible for issuing the disclosure notice to the ASX.

In preparing a disclosure notice, the question arises about what form the information should take. The term 'information' is not defined in the Listing Rules, however, ASX and ASIC have issued some guidance notes.

- ASX suggests, in its guidance notes to continuous disclosure that information given to the ASX should be in a form suitable for release to the market.
- ASIC suggests, in its October 2006 study on small & mid-cap miners, that information provided to investors should be timely and accurate. By 'accurate', ASIC means the information disclosed should be factually correct, easily understandable, give due prominence to both positive and negative information, and avoid unnecessary repetition of previously disclosed information.

On receipt of acknowledgement from the ASX that the information has been

released to the market, the Continuous Disclosure Manager shall immediately publish the disclosure notice on the company website.

## **Reporting**

### **Ongoing Assessment**

Disclosure issues will be a standing item at all meetings of the Board, and where applicable in divisional monthly reporting. It is essential that all directors, executive officers and other staff are familiar with the continuous disclosure obligations.

### **Reporting Procedures**

All potential matters for disclosure should be brought to the attention of the Continuous Disclosure Manager as set out in the Continuous Disclosure Process.

### **Consequences of Non Compliance**

The Corporations Act 2001 reinforces the continuous disclosure obligations arising under the Listing Rules by imposing civil and criminal penalties for non-compliance:

#### **Civil Liability**

Under section 674 of the Corporations Act both the Company and individuals 'involved' in the contravention (senior managers or directors who take part in the decision making process with respect to continuous disclosures) may be held civilly liable. In civil cases the contravention only needs to be proved on the "balance of probabilities".

#### **ASIC Infringement Notices**

An alternative strategy open to ASIC is to issue a Continuous Disclosure Infringement Notice which requires a lesser degree of proof than civil liability.

Infringement Notices only require proof where ASIC has "reasonable grounds to believe" a contravention has taken place and only apply to ASX listed entities not to individuals involved. ASIC Infringement Notices carry fines of between \$33,000 and \$100,000 depending upon market capitalisation.

#### **Criminal Liability**

A breach of the continuous disclosure provisions also constitutes a criminal offence where it can be proved that the ASX listed entity expressly, tacitly or impliedly authorised or permitted the commission of the offence. This may be established by referencing the "corporate culture" of the entity.

Directors, officers and even professional advisors may be criminally liable if they aid or abet, or are in any way knowingly concerned in a contravention.