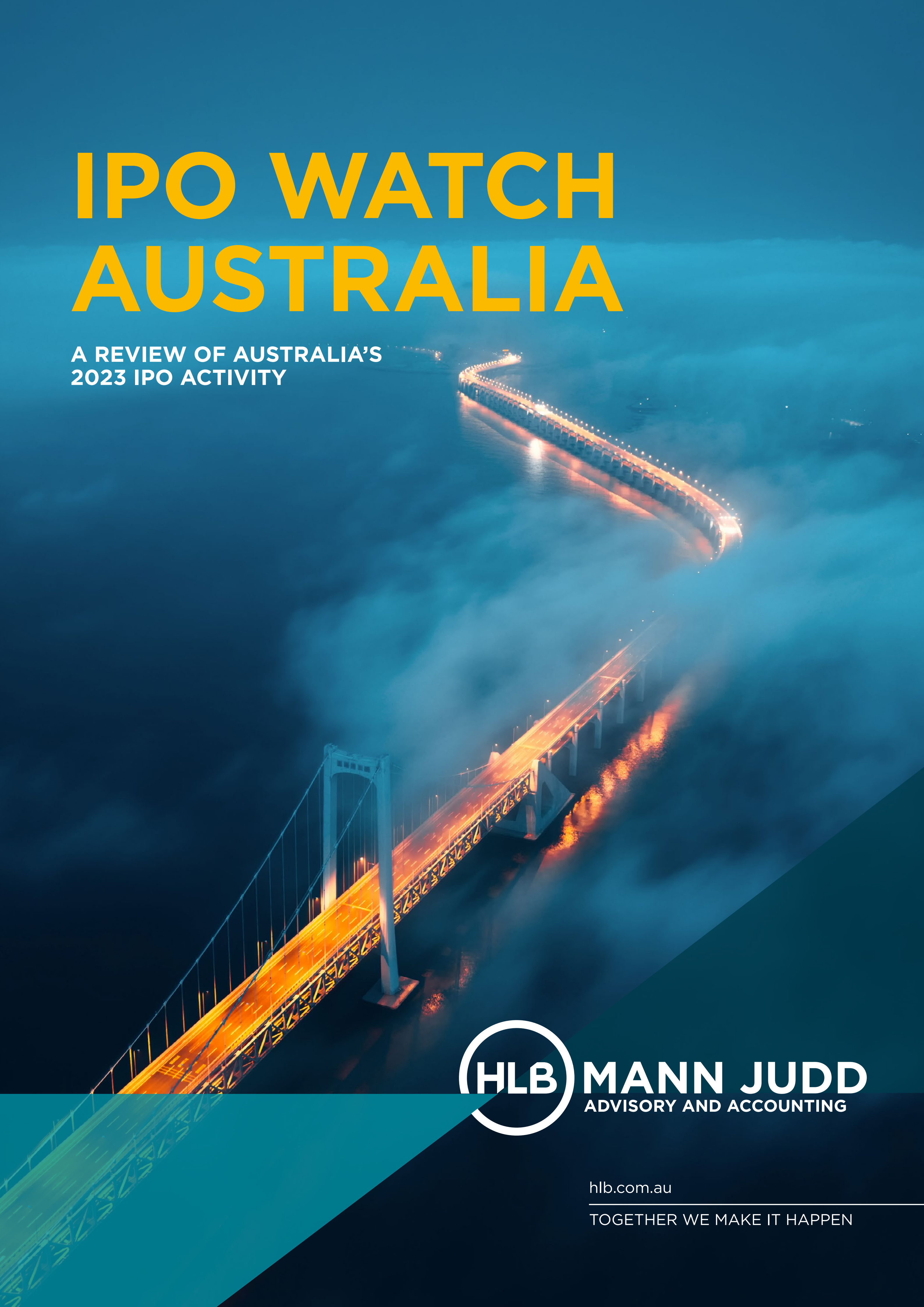

IPO WATCH AUSTRALIA

A REVIEW OF AUSTRALIA'S 2023 IPO ACTIVITY

HLB MANN JUDD
ADVISORY AND ACCOUNTING

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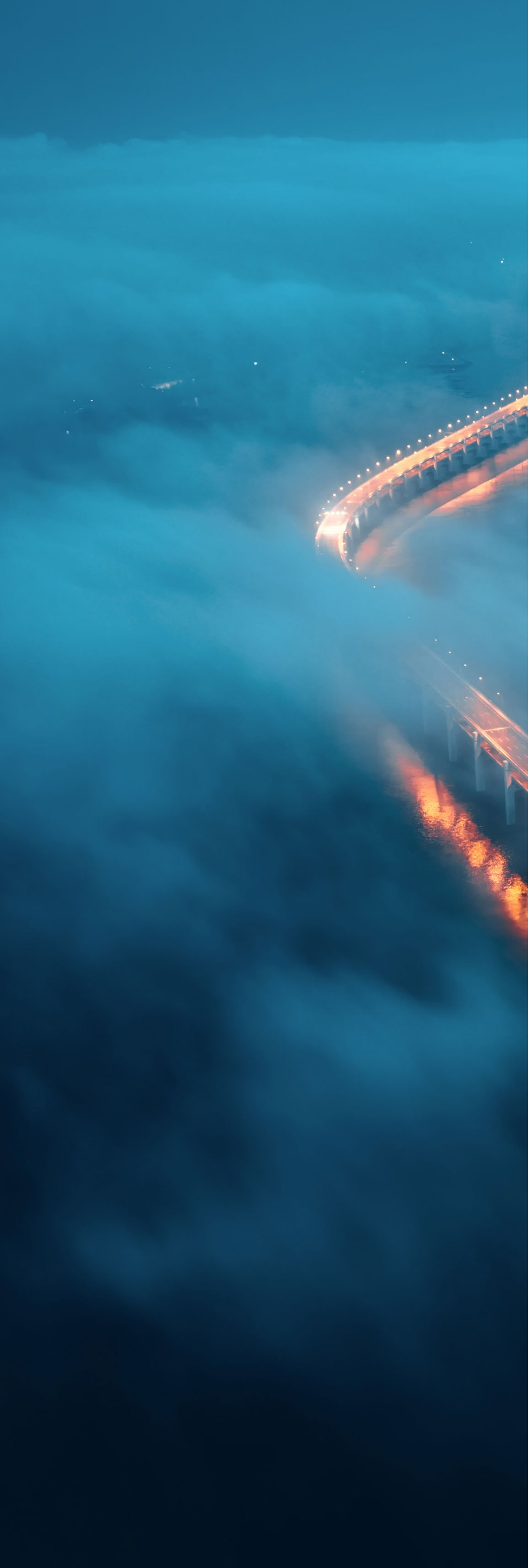
TOGETHER WE MAKE IT HAPPEN



ABOUT IPO WATCH AUSTRALIA

Established in 2004, IPO Watch Australia is a benchmarking-based report. The research, led by HLB Mann Judd Perth, analyses ASX listing activity. The primary report, which is released in January, analyses IPO activity from the previous 12-month period. A second, short-form, report is published in July and focuses on the first six months of the calendar year (IPO Watch Australia Mid-Year Report).

Both reports are authored by Corporate & Audit Services Partner, Marcus Ohm and co-written by Audit Manager, Isabel Godfrey. The report commentary articulates key data points and explores themes arising from market activity.

IPO Watch Australia is widely recognised in the market and is routinely referenced by clients, national media and the broader business community.

Disclaimer – The analysis presented in this report relates to all initial public offerings (IPOs) that have resulted in the listing of an entity's securities on the Australian Securities Exchange (ASX) with the exception of compliance, backdoor listings and offers of non-equity securities.

The term "small cap" is used to refer to companies with a market capitalisation of less than $100 million. All analysis by reference to market capitalisation on listing is based on the price at which new securities were issued.

While every care has been taken to ensure the accuracy of information contained in this report, we accept no liability for any error or omission, nor for any action taken in reliance on any statement or opinion in this report.

No statement or opinion in this report is intended to be construed as investment advice. Properly considered professional advice should always be sought if in doubt regarding the merits of any investment.

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FOREWORD

Marcus Ohm
Partner
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UNCERTAINTY STIFLES LISTING ACTIVITY

The IPO market experienced a marked deterioration in 2023, with just 32 listings for the year. This was 63% lower than the 87 listings in 2022 and 83% lower than the record-breaking 191 IPOs in 2021.

Indeed 2023 saw the lowest number of listings since HLB Mann Judd published its first annual IPO Watch Australia Report in 2004.

The macroeconomic and geopolitical environment both in Australia and across the globe has continued to present significant challenges for most companies seeking to list.

The slowdown of listings which started in the second half of 2022, continued throughout 2023. The month of January recorded the highest number of floats, with six listings. The majority of these listings came from the resources sector. However, the presence of challenging conditions and poor investor sentiment throughout 2023 meant that an IPO listing was not an attractive or viable option for many companies during the year.

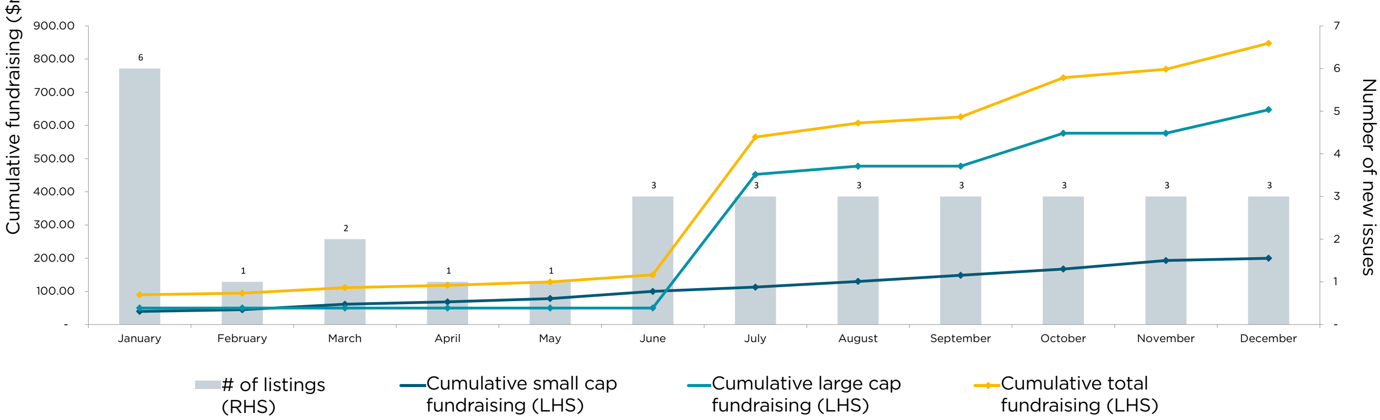
There were just 14 listings in the first six months to June 2023 and a further 18 in the second half of the year.

The total funds raised for the year were $847 million, reflecting a 21% decrease compared to 2022 when the total funds raised were $1.07 billion. It was the first time since 2012 where the total amounts raised did not exceed $1 billion. The proportionally smaller decline in amounts raised reflected, in part, the relative contributions of large caps to total listings. Of the 32 listings in the year, there were seven large cap listings (companies with a market capitalisation over $100 million) representing 22% of the total listings. By comparison, of the 87 listings in 2022 there were nine large listings, representing 10% of total listings.

The average funds raised per listing in 2023 was $26.5 million, a 115% increase in comparison to 2022 where the average funds raised per listing was $12.34 million. The significant increase in the average amount raised is attributable to one listing: Redox Limited (ASX: RDX), a chemical distribution company, raised $402 million, which accounted for 47% of total funds raised in the year. It was also the only IPO in 2023 to have a market cap at listing over $1 billion.

Small cap listings represented 78% of new market entrants in the year. The average amount raised by

IPO VOLUMES AND FUNDS RAISED



small caps was $8 million, slightly higher than the $7.48 million average for small cap listings in 2022. The resources sector (representing both the Energy and Materials sectors) accounted for 22 of the 25 small cap listings. Overall, for both small and large cap listings, Materials companies accounted for 23 of the 24 listings in the resources sector.

Western Australia recorded the highest number of listings, which continues the trend of the past few years. The state had 15 listings of which all were from the Materials sector. South Australia failed to register a listing in 2023 despite having at least one new listing every year for the past 15 years.

Just seven sectors recorded new listings in the year, compared to 12 in 2022 and 21 in 2021. Whilst the majority of listings came from the Materials sector, Health Care Equipment & Services had three listings and Pharmaceuticals, Biotechnology & Life Sciences recorded two listings. The Capital Goods, Consumer Services and Software & Services sectors each recorded one listing.

On a positive note, 29 of the 32 listings were able to raise their subscription target amount. This represented 91% of all listings and an increase from 70% in 2022. The total amount sought was $865.5 million, with listings raising 98% of the amount overall. The challenging market conditions likely ensured management was confident they had sufficient investor support before listing.

A total of 18 listings experienced a first day gain, with an average day one gain across all new listings of 6%. Reflecting the tough market conditions, however, only 11 were able to maintain their listing price or higher by year end. At 31 December 2023, the average loss across all listings against IPO price was 10%. This represents a larger loss compared to the previous year, where a year end loss of 2% was recorded.

Small caps performed marginally better, recording a first day gain of 10% and a smaller year end loss of 9%. Large caps recorded an average 7% first day loss which had widened to 17% at year end, showing the difficulties delivering growth in share price for both small and large newly-listed companies during the year.

Whilst the ASX delivered a record low number of new listings in the IPO market, the ASX All Ordinaries managed to grow 8%, from 7,222 to 7,830, with most of that growth being delivered in the final quarter of 2023. Should improved market performance continue into 2024, together with a reduction in geopolitical and macro risk, the window could open for a recovery in the IPO market.

As it stands, the current pipeline remains very subdued with many businesses waiting for improved conditions. At the time of writing, only five upcoming floats were registered with the ASX. The highest amount sought is $10 million, indicating that the IPO market will continue to remain subdued until there are significant changes in the macroeconomic and geopolitical environment.

"2023 SAW THE LOWEST NUMBER OF LISTINGS SINCE HLB MANN JUDD PUBLISHED ITS FIRST ANNUAL IPO WATCH AUSTRALIA REPORT IN 2004."

Marcus Ohm,
Corporate & Audit Services Partner

2023 SNAPSHOT

32
LISTINGS

87 listings in 2022

$847
MILLION RAISED

$1.07 billion in 2022

6%
AVERAGE DAY ONE GAIN

16% gain in 2022

25
SMALL CAPS

78 listings in 2022

72%
MATERIALS LISTINGS

72% materials listings in 2022

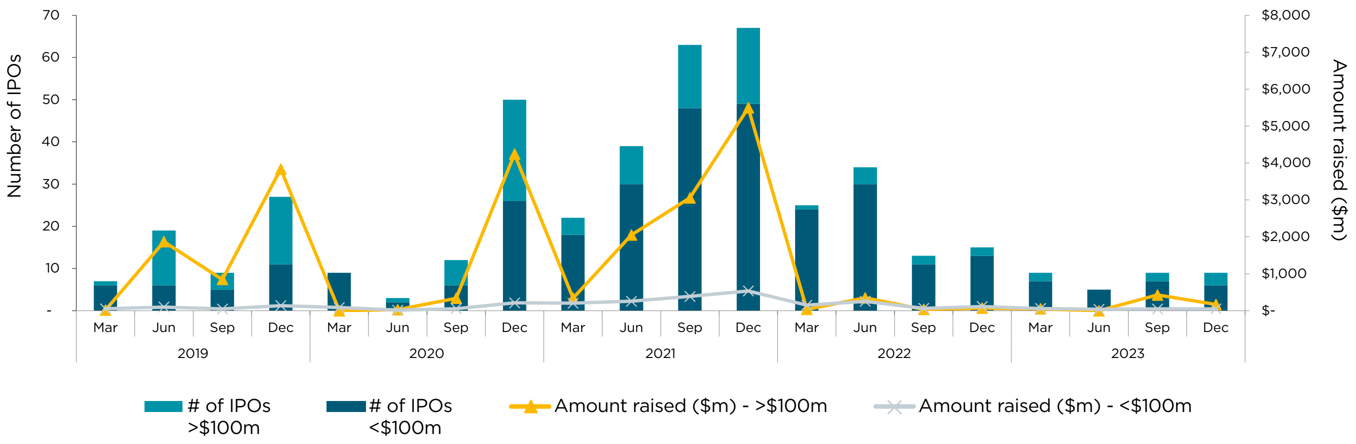
-10%
AVERAGE YEAR END LOSS

-2% loss in 2022

IPO ACTIVITY BY QUARTER

LOW VOLUMES THROUGHOUT THE YEAR

IPO ACTIVITY BY QUARTER



The low number of listings was relatively evenly spread throughout the year. The March, September and December quarters each recorded nine listings. The June quarter saw the lowest number of listings, with five IPOs.

The September quarter saw the highest amount raised, representing 56% of the total funds raised for the year. This was largely due to one listing, Redox Limited (ASX: RDX), which raised $402 million of the total $475 million raised in the quarter. The September quarter also recorded the highest first day gain against IPO issue price at 19%. The December quarter had the highest year end gain over listing price with an average gain of 12%.

There were no large cap listings in the June quarter, and listings in that quarter only contributed 4.6% of total funds raised in the year. The five small cap listings in the June quarter enjoyed an average 14% day one gain against IPO issue price, however this fell to a 35% loss at year end. All June listings were Materials companies.

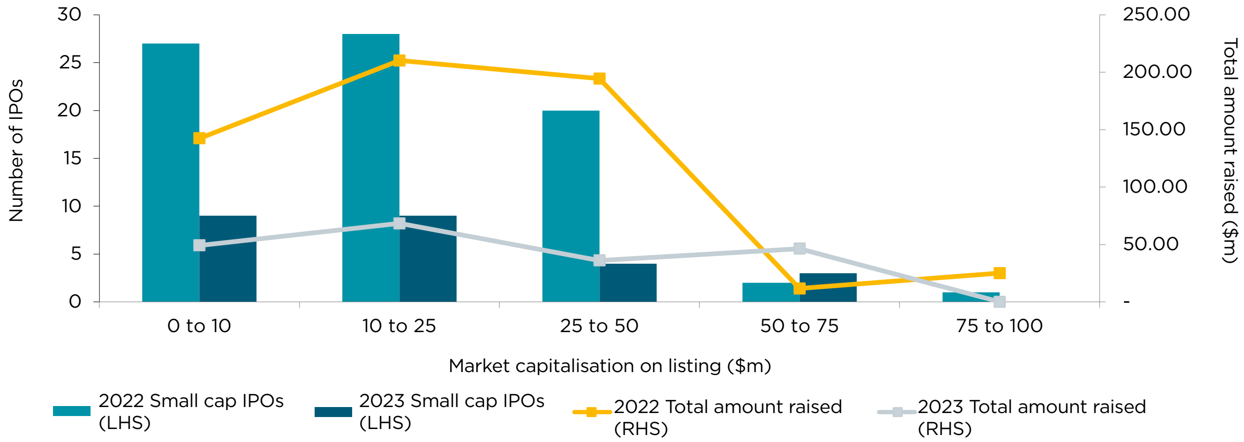
In terms of small cap listings, the March quarter raised the highest amount on average, at $8.76 million per listing. This was marginally higher than in the December quarter, which raised $8.59 million per listing.

Listings in the March quarter saw both a first day loss against IPO price (loss of 3%) and a year-end loss (32% loss), making it the only quarter to not record a gain in the period. The December quarter was the only quarter to enjoy an increase in share price following first day trading, on average recording a first day loss of 2% which rose to an average year end gain of 12%.

IPOs BY MARKET CAPITALISATION

SMALL CAPS LEAD THE WAY

NUMBER OF SMALL CAP IPOs BY MARKET CAPITALISATION



There were 25 small cap listings in the year, representing 78% of total listings. This is a fall from 2022, where 90% of listings were small caps. The smallest market cap ranges of $0-$10 million and $10-$25 million recorded nine listings each in the year. There were no listings in the $75-$100 million market cap band.

In the small cap market, the $10-$25 million band raised the highest amount of funds, reaching $68.39 million. This represented 8% of the total amounts raised during the year.

The $50-$75 million market cap band recorded the best share price performance across all bands, with the first day loss against the IPO issue price of 10% increasing to a year end gain of 29%.

All other market cap bands ended the year down on the first day gain or loss. The $10-$25 million market cap band recorded the worst result, moving from an 8% day one gain to a 24% year end average loss.

Both the $0-10 million and the $100+ million market cap bands were able to raise 98% of their sought amounts and the $10-$25 million and $25-$50 million market cap bands completed fully subscribed placements.

All nine listings in the $0-$10 million market cap band were Materials listings. This band also raised the highest percentage of its market capitalisation: 68% of the market cap at listing was raised through the IPO.

Large cap listings contributed 76% of the total funds raised in the year. On average, each large cap raised $92.5 million, with Redox Limited (ASX: RDX) securing the largest amount of $402 million.

Large caps contributed listings to five sectors during the year being Capital Goods (1 listing), Consumer Services (1 listing), Health Care Equipment & Services (2 listings), Materials (2 listings) and Software & Services (1 listing).

LARGEST SMALL CAP IPOs BY AMOUNT RAISED

Code	Company	Industry	Amount raised ($m)	Market cap ($m)
GHY	Gold Hydrogen Limited	Energy	20.0	70.0
TOK	Tolu Minerals Limited	Materials	17.3	57.7
COV	Cleo Diagnostics Ltd	Pharmaceuticals, Biotechnology & Life Sciences	12.0	25.7
AUG	Augustus Minerals Limited	Materials	10.0	27.2
CGR	CGN Resources Limited	Materials	10.0	22.0
NGX	NGX Limited	Materials	9.6	18.1
CC9	Chariot Corporation Ltd	Materials	9.0	67.5
PL3	Patagonia Lithium Ltd	Materials	8.6	11.7
ADC	ACDC Metals Ltd	Materials	8.0	14.5
LM1	Leeuwin Metals Ltd	Materials	8.0	15.8

SECTOR ANALYSIS

MATERIALS LISTINGS UNDERPIN NEW FLOATS

Seven sectors recorded new entrants in 2023, however there were only three sectors that welcomed more than one entrant. The Materials sector contributed 23 listings and continues to dominate the Australian market. New Materials listings accounted for 72% of all new listings in the year. In 2022, Materials also made up 72% of all new listings.

The average funds raised by Materials listings in the year was $10.34 million. There were two larger Materials listings, VHM Limited (ASX: VHM) and Brazilian Rare Earths Limited (ASX: BRE), which were the first and last listings of the year respectively. These new market entrants, both holding rare earths projects, experienced varied degrees of success upon listing. VHM successfully raised $30 million through its IPO but suffered a first day loss of 21% which widened to 48% at year end. Brazilian Rare Earths rose to a 9% gain at the close of day one, increasing to 30% at 31 December following its $50 million IPO. The Materials sector as a whole recorded an average 9% first day gain which fell to a 14% loss at year end.

Health Care Equipment & Services had three new listings, two of which were large caps. CurveBeam AI Limited (ASX: CVB) was the largest listing for the sector. The company listed in August and achieved a fully subscribed placement of $25 million. The $153 million market cap company at listing suffered a first day loss against IPO issue price of 29%, however by December the loss stood at 14%.

There were two Pharmaceuticals, Biotechnology & Life Sciences listings in the year. Both of these new market entrants listed in the second half of the year and were in the $25-$50 million market cap band. Cleo Diagnostics Ltd (ASX: COV) listed in August and raised $12 million, representing 47% of its market cap at listing.

The one Energy listing, Gold Hydrogen Limited (ASX: GHY), and the two Pharmaceuticals, Biotechnology & Life Sciences listings were the only sectors to record both first day gains and year end gains. Gold Hydrogen listed in January and recorded a first day gain over IPO issue price of 2%, increasing to 66% as of 31 December. The Pharmaceuticals, Biotechnology & Life Sciences listings recorded an average first day gain of 3% which increased to 30% at year end.

Acusensus Limited (ASX: ACE), the only Software & Services listing in the year, closed the first day of trading with no movement on the share price against issue price of $4. At year end the share price had fallen to $0.79, representing a fall of 80%.

Health Care Equipment & Services achieved a 78% subscription rate, the lowest of any sector. Materials fell marginally short of total targeted subscriptions raising 98% of total funds sought. All other sectors achieved their subscription rate.

TOP PERFORMING SECTORS IN 2023

Materials
23 listings
63 listings in 2022

Health Care Equipment & Services
3 listings
2 listings in 2022

Pharmaceuticals, Biotechnology & Life Sciences
2 listings
1 listing in 2022

SECTOR ANALYSIS - ALL LISTINGS VS SMALL CAP

	All Listings				Small Cap Only			
	2023		2022		2023		2022	
Industry	Number	Amount Raised ($m)	Number	Amount Raised ($m)	Number	Amount Raised ($m)	Number	Amount Raised ($m)
Automobiles & Components	-	-	1	22	-	-	-	-
Banks	-	-	-	-	-	-	-	-
Capital Goods	1	402	2	15	-	-	2	15
Commercial & Professional Services	-	-	2	188	-	-	1	5
Consumer Durables & Apparel	-	-	-	-	-	-	-	-
Consumer Services	1	99	-	-	-	-	-	-
Diversified Financials	-	-	3	76	-	-	1	5
Energy	1	20	7	105	1	20	6	60
Food & Staples Retailing	-	-	1	6	-	-	1	6
Food, Beverage & Tobacco	-	-	1	5	-	-	1	5
Health Care Equipment & Services	3	49	2	36	1	3	1	6
Hotels, Restaurants & Leisure	-	-	-	-	-	-	-	-
Household & Personal Products	-	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-
Materials	23	238	63	576	21	158	61	463
Media	-	-	-	-	-	-	-	-
Pharmaceuticals, Biotechnology & Life Sciences	2	19	1	7	2	19	1	7
Real Estate	-	-	-	-	-	-	-	-
Retailing	-	-	-	-	-	-	-	-
Semiconductors & Semiconductor Equipment	-	-	-	-	-	-	-	-
Software & Services	1	20	3	12	-	-	3	12
Technology Hardware & Equipment	-	-	-	-	-	-	-	-
Telecommunication Services	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-
Utilities	-	-	1	25	-	-	-	-
Total	32	847	87	1,073	25	200	78	584

SEVEN SECTORS RECORDED NEW ENTRANTS IN 2023, HOWEVER THERE WERE ONLY THREE SECTORS THAT WELCOMED MORE THAN ONE ENTRANT. THE MATERIALS SECTOR CONTRIBUTED 23 LISTINGS AND CONTINUES TO DOMINATE THE AUSTRALIAN MARKET. NEW MATERIALS LISTINGS ACCOUNTED FOR 72% OF ALL LISTINGS IN THE YEAR.

IPO SUBSCRIPTION RATES

SUBSCRIPTION RATES IMPROVED IN 2023

Subscription rates improved in 2023 from the prior year, with 29 of 32 listings (91%) achieving their total funds sought. In 2022, 70% of listings achieved their subscription target. In the last five years, only 2020 achieved a higher percentage of new market entrants meeting their subscription target, at 93%.

Despite the record low number of IPOs in 2023, the generally high level of subscription rates reflects solid bookbuilds and levels of underwriting against the challenging environment for new listings.

Of the three listings that did not achieve their subscription target, two were Materials companies and one was in the Health Care Equipment & Services sector.

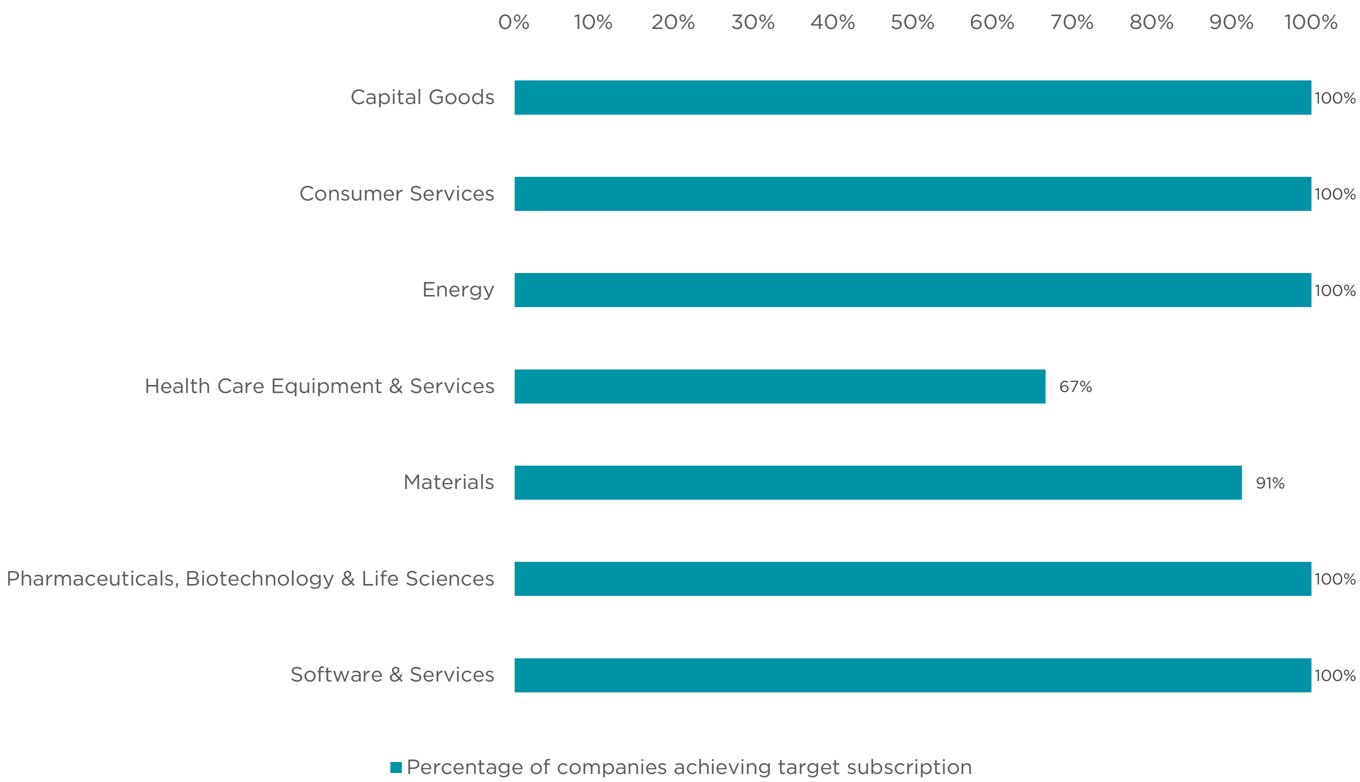
Chariot Corporation Ltd (ASX: CC9) sought to raise a maximum of $15.5 million in advance of its October listing. It ultimately raised $9 million, achieving 58% of the subscription target. The company's shares fell 43% at the close of first day trading against the IPO issue price, but ended 2023 with a gain of 20%.

In terms of large cap listings, there was one large listing which failed to achieve its subscription target. Enlitic Inc (ASX: ENL) sought to raise a maximum of $35 million however, at closing of the offer, had raised $21.1 million (60% subscription rate). The share price has remained stable since listing, recording a 2% first day gain increasing slightly to 4% at year end.

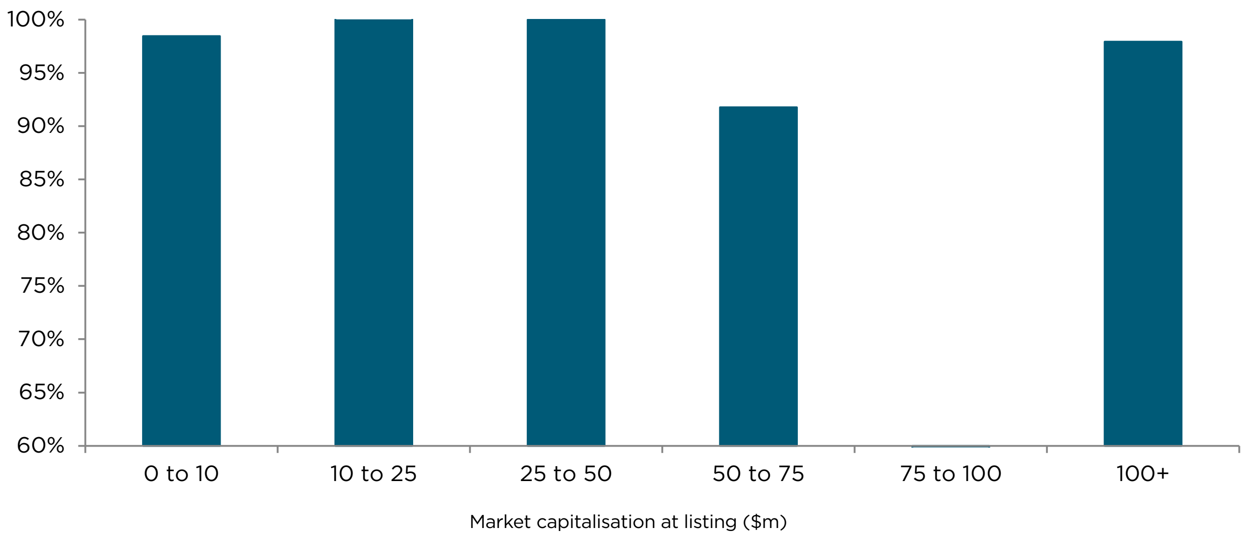
Those companies that met their targets recorded an average first day gain of 8%, but this fell to an average loss of 12% at 31 December. The average of the three companies which did not achieve their subscription target amount fell to a day one loss of 13%, however ended the year with a gain of 3%.

Eight companies listing in the year had their IPOs underwritten (25%), a notable increase from last year (8%) but consistent with 2021 (27%). In the current economic environment, more companies may consider the additional cost of underwriting to be justified.

% OF COMPANIES ACHIEVING TARGET SUBSCRIPTION BY SECTOR



% OF SUBSCRIPTION TARGET FUNDS ACHIEVED[1]



[1] Based on the funds target being the midpoint of any allotment range (some companies do not have a range). This means actual fundraising can exceed "targeted" fundraising (i.e. oversubscription).

SECTORS WITH 100% OF COMPANIES ACHIEVING SUBSCRIPTION TARGETS

Capital Goods

Consumer Services

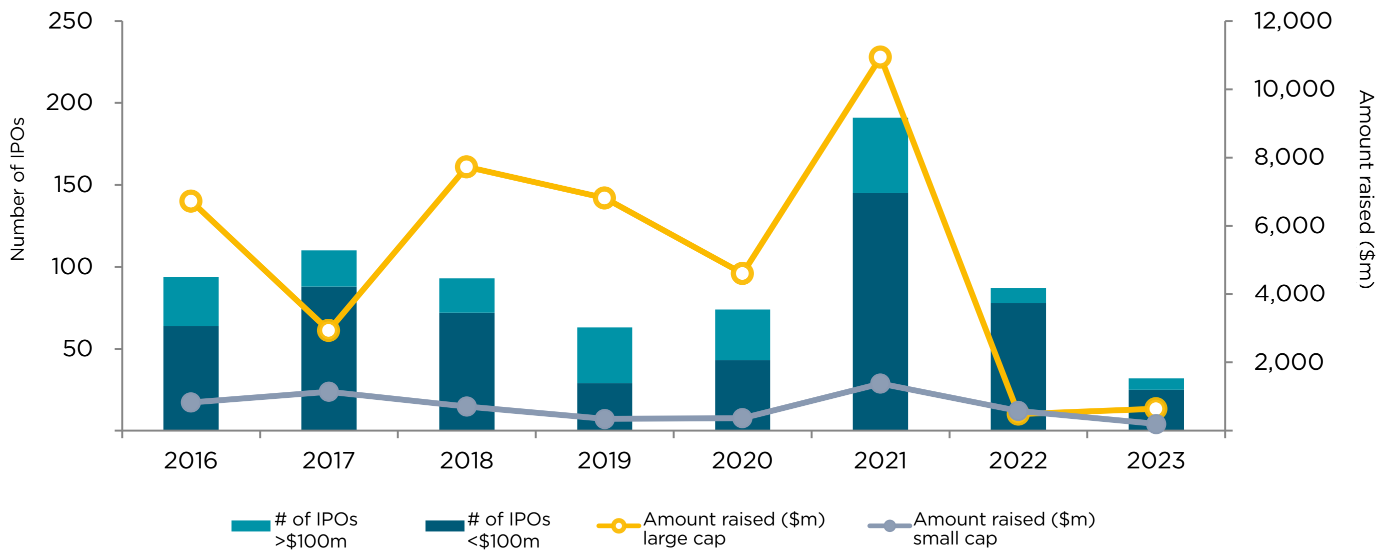
Energy

Pharmaceuticals, Biotechnology & Life Sciences

Software & Services

IPO ACTIVITY BY YEAR
FALL IN VOLUMES AND FUNDS RAISED

IPO ACTIVITY BY YEAR



THE ROAD AHEAD
MARKET SUBDUED IN THE NEW YEAR

At the time of writing, there were five upcoming listings registered with the ASX, half the number as at the same time last year, where 10 listings were registered. The proposed new entrants are seeking to raise $35 million compared to $118.5 million at the same time last year. There have already been two new market entrants in 2024, Kali Metals Limited (ASX: KM1), which holds a portfolio of lithium projects and Infini Resources Limited (ASX: I88), a uranium and lithium explorer.

Companies looking to list in 2024 will hope that the improved market sentiment reflected in the ASX All Ordinaries Index, which rose 8% in 2023, will contribute to a more conducive environment for new listings during the year.

Mining and exploration account for four of the five upcoming listings. Climate change targets, the shift toward green energy and electric vehicle batteries are key drivers and those proceeding with listings this year are largely focused on exploring resources like lithium and rare earths. Throughout 2023 there were significant fluctuations in the price of these resources. This has hampered exploration efforts, particularly for nickel. Despite this, Western Australia Energy Resources Limited is looking to list on the back of nickel projects in WA.

There are currently two upcoming listings holding gold exploration projects.

There is only one listing outside of mining and exploration. The Australian Wealth Advisory Group (pending ASX code: WAG) is a diversified financial services firm seeking to build a portfolio of complementary financial services and fund management businesses. The company is seeking to raise $5 million.

The highly anticipated listing of Virgin Australia in 2023 did not eventuate. The airline's owners, Bain Capital, has indicated the listing may happen in 2024 although has not offered details.

SHARE PRICE PERFORMANCE

A CHALLENGING MARKET FOR NEWLY-LISTED COMPANIES

Eighteen new market entrants enjoyed a first day gain above listing price. This represents 56% of the total new listings in the year.

The largest first day gain was Pioneer Lithium Limited (ASX: PLN), which closed 80% higher than its IPO issue price. The company, which listed in September 2023, could not sustain the initial gains and closed at $0.20 at year end, resulting in no movement from issue price.

Nine companies which recorded a first day gain also finished the year with a gain against issue price. LTR Pharma Limited (ASX: LTP) recorded no movement in share price at close of day one, however the company's share price had increased by 73% to close at $0.35 from $0.20 at year end. The Pharmaceuticals, Biotechnology & Life Sciences company achieved a fully subscribed placement before listing in mid-December.

The only Energy listing in the year, Gold Hydrogen Limited (ASX: GHY), recorded a day one gain of 2%, increasing to 66% at 31 December. Gold Hydrogen was the largest small cap listing of the year, raising $20 million at $0.50 per share for its mid-January 2023 listing. The new market entrant was the only listing from the first seven months of the year (17 listings) that managed to record a year end gain.

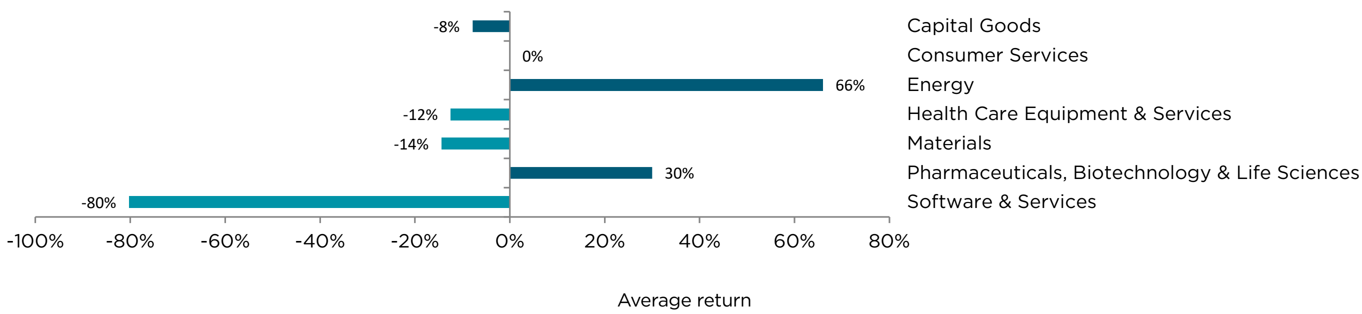
61% of Materials listings recorded a first day gain, however only 22% of listings maintained a gain by year end. Materials companies were dependent upon positive announcements to generate value as opposed to having the backdrop of a supportive general market environment.

At year end, eight companies recorded a gain. Great Divide Mining Ltd (ASX: GDM) and James Bay Minerals Limited (ASX: JBY) recorded first day gains of 50% and increased to gains of 55% and 58% respectively at the end of the year.

No listing managed to record either a first day gain or year end gain over 100% in the year, whilst in 2022 there were a handful of listings which had standout results. The lack of such results in 2023 indicates a subdued market.

The average year end loss across all new listings in 2023 was 10%. This is in contrast to the ASX All Ordinaries index which grew 9% year-on-year, indicating large and established businesses have been able to recover more strongly than relatively small and newly-listed businesses in the current economic environment.

2023 IPO SHARE PRICE PERFORMANCE BY INDUSTRY[1]



[1]Reflects the overall gain or loss from a notional investment of $1 in each IPO, based on the share price at 31 December 2023.

RESOURCES SECTOR ANALYSIS

A MARKET IN FLUX

Brad McVeigh
Partner
Corporate & Audit Services
Perth

It was a year of contrasts for the resources sector. While some commodities performed very strongly, others surprisingly struggled.

Iron ore was one of the few areas that did well. Prices remained strong throughout the year, and well above the cost of production. Demand from China for iron ore has supported prices, although whether this level can be sustained in 2024 remains to be seen.

On the other hand, the performance of gold continued to be very muted throughout 2023. The price tried several times to break through the US$2000 per ounce mark, and the general view is that if it can stay above this level for a sustained period, it would continue to rally. Despite gold historically being typically viewed as a safe haven by investors during inflationary periods, this was not the case in 2023.

Another surprise is the collapse in the price of nickel, despite its crucial role in rechargeable batteries. It finished the year at around half its initial value. This decline is largely attributed to oversupply in the nickel market. Additionally, other metals such as zinc and lithium have also experienced decreases, while copper has remained steady, though not at the levels anticipated at the beginning of the year.

Across the board, producers have struggled with rising costs during the past 12 months. Labour costs have increased sharply throughout the resources sector, particularly in Australia which has been competing with cheaper producers overseas. For producers of those metals which have experienced a significant drop in price throughout the year, this has brought into question the viability of current operations and there has been a number of instances recently where producers have announced plant closures or voluntary administration.

Another significant factor affecting the resources sector has been the ongoing cash rate increases from the Reserve Bank of Australia (RBA). With investors able to access a risk-free return from banks of 5%, there has been a shift in capital out of the share market into term deposits and the like. As a result, it has become significantly harder to raise funds in the IPO market which has impacted junior explorers who have few other alternatives for raising capital.

Of the 32 IPOs in 2023, 24 have been from the resources sector and the majority of these were lithium producers (8) followed by gold (5) and rare earths (6). Just one was in the Energy sector – hydrogen producer Gold Hydrogen Limited (ASX: GHY) which listed in January.

Most of these resources listings were well subscribed, with just two not achieving their targets. However the amounts raised were small, with 19 of the 24 listings seeking $10 million or less.

During the boom times, acquiring drills and rigs required long lead times. However, with some drillers seeking work, it may indicate a slowdown in the market.

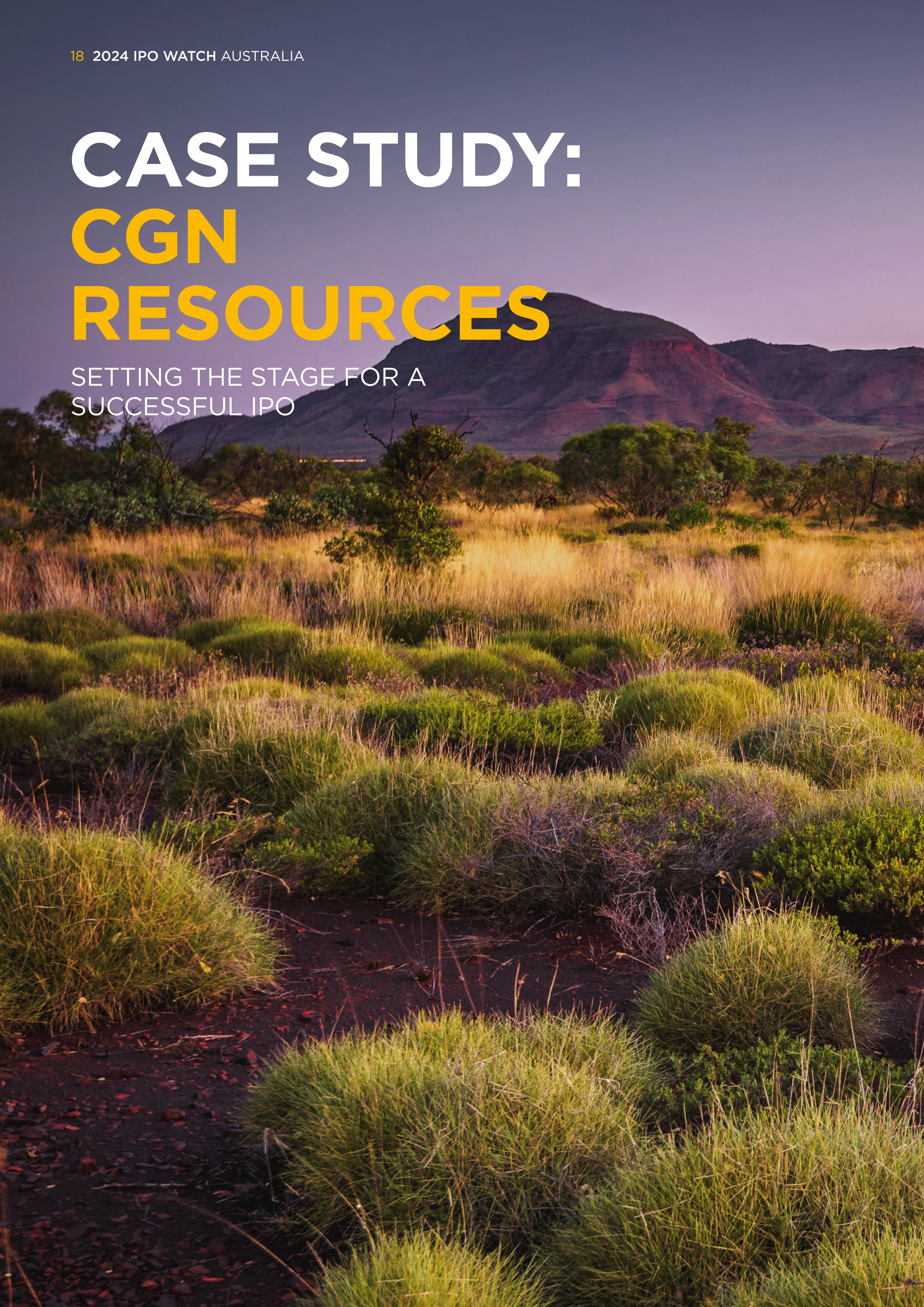
Looking ahead to 2024, the current environment indicates it will continue to be a tough year for the resources sector, particularly if the RBA continues to increase interest rates. However if gold prices manage to break through the US$2000 level, or lithium goes on a run, this might act as a catalyst for greater interest in the junior explorers.

“ACROSS THE BOARD, PRODUCERS HAVE STRUGGLED WITH RISING COSTS DURING THE PAST 12 MONTHS.”

Brad McVeigh,
Corporate & Audit Services Partner

CASE STUDY: CGN RESOURCES

SETTING THE STAGE FOR A SUCCESSFUL IPO



CGN Resources Ltd (ASX: CGR) is an exploration company based in Western Australia that listed on the Australian Securities Exchange (ASX) on 18 October 2023. It raised $10 million in an offer that was oversubscribed.

Its flagship undertaking is the Webb Project in northern Western Australia in the West Arunta Region, an area recognised for its strong potential for copper, gold, nickel and speciality metals. The Webb Project is a 948 square kilometre package of tenements and is largely unexplored but which is surrounded by major mining companies and exploration companies, some of which have already made significant discoveries. As well as copper, gold and nickel, there is also the prospect of rare earths on the site.

Stan Wholley, managing director of CGN, says listing on the ASX has enabled to company to take the next step in its exploration activities.

"We know we have a high quality site but exploration is a multi-year process and it was essential to have a strong balance sheet in order to take full advantage of the opportunity ahead of us.

"We needed to be able to take a technical and methodical approach to exploration in order to deliver results – we knew we had a great landholding but we needed the funding to deliver and execute.

"The board was in unanimous agreement that an IPO was the right path for us."

Mr Wholley said that overall, the process of becoming a public company went smoothly.

"The management team was familiar with what an IPO entailed, and while it was a learning experience, it was also an enjoyable and worthwhile one.

"As a private company, we had always acted responsibly and had high governance standards, so the transition to being a public company was relatively smooth.

"The company was already audited every year, and we had strong compliance systems and processes in place."

To achieve a successful IPO, Mr Wholley said that it is vital to have an experienced advisory team to navigate the process.

"We ensured we had advisers who understood our business and what we are offering, and who had been through the IPO process many times before.

"The team we put together knew their own roles inside out and also had a good understanding of the resources space.

"In particular, our advisers from HLB Mann Judd did a great job, working in a very tight timeframe. They were able to deliver the work at a high standard in full compliance with what we had asked them to do. When you are closing out the IPO paperwork and you are under pressure, it's great to get that kind of support.

"In addition, we have a well-structured board and technical team and this helped make the process run smoothly.

"It's also important to be clear about what you are going to do, both before and after the public listing, and to follow through on promises.

"Overall, the IPO process was a positive experience, thanks to the expertise we had supporting us. We started the process in mid-July and listed in mid-October, on time and on budget," Mr Wholley said.

Since listing, CGN has been able to more easily formulate its future plans and commit to them.

"We now have the opportunity to deliver on the potential of the Webb Project and we're looking forward to a busy year of exploration where we can refine what we know, make more discoveries along the way, and continue to deliver results."

"OVERALL, THE IPO PROCESS WAS A POSITIVE EXPERIENCE, THANKS TO THE EXPERTISE WE HAD SUPPORTING US. WE STARTED THE PROCESS IN MID-JULY AND LISTED IN MID-OCTOBER, ON TIME AND ON BUDGET."

Stan Wholley
Managing Director, CGN Resources

MANDATORY CLIMATE-RELATED DISCLOSURES

PREPARING FOR THE JOURNEY

Katelyn Adams
Partner
Corporate Advisory
Adelaide

In June, Treasury proposed mandatory climate-related reporting to be phased in from 2024-25 to 2027-28 in Australia. In its climate-related disclosures consultation paper, it indicated that climate-related disclosure requirements will extend to fundraising documents, meaning that organisations preparing for an IPO must consider the steps required as part of their disclosure journey.

In addition, the AASB released Sustainability Reporting Exposure Draft EDSR1 in October 2023. The exposure draft is modelled on IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*, with adaptation for Australian entities preparing general purpose financial statements.

Although the focus of climate-related disclosures will initially focus on larger organisations, boards and management of small organisations must also prepare. Organisations may find themselves unable to meet stakeholder and market expectations should they not commence or consider the following steps:

Governance

Disclose the governance processes, controls and procedures an entity uses to monitor, manage and oversee climate-related risks and opportunities.

- Determine a governance framework and assign responsibilities for managing climate-related risks. The board will oversee the climate-related risk management strategy with support from committees or management.
- Upskill your board and management team on climate-related risks. Directors have an obligation to understand existing and emerging risks that may impact the organisation.

Strategy

Disclosure to provide an understanding of an entity's strategy for managing climate-related risks and opportunities.

- Establish a cross functional working group from various departments and locations. Climate-related risks require collaboration across the whole business.
- Identify key stakeholders and create engagement opportunities to understand stakeholder priorities.
- Gather an understanding of how your organisation is dependent on natural, social and human capital and the impact that climate change can make. Consider and identify climate-related risks in the short, medium and long term.
- Determine opportunities to mitigate climate-related risks including:
  - Resource efficiency – efficient production and distribution processes, recycling, reduced energy and water usage.
  - Products and services – development of low carbon products and services, R&D and innovation to develop new products and/or diversify.
  - Resilience – renewable energy and supply chain management.
- Develop a strategy and action plan for mitigating and adapting to climate-related issues.
- Develop scenario analysis to understand the impact and build resilience to potential climate-related risks.

Risk management

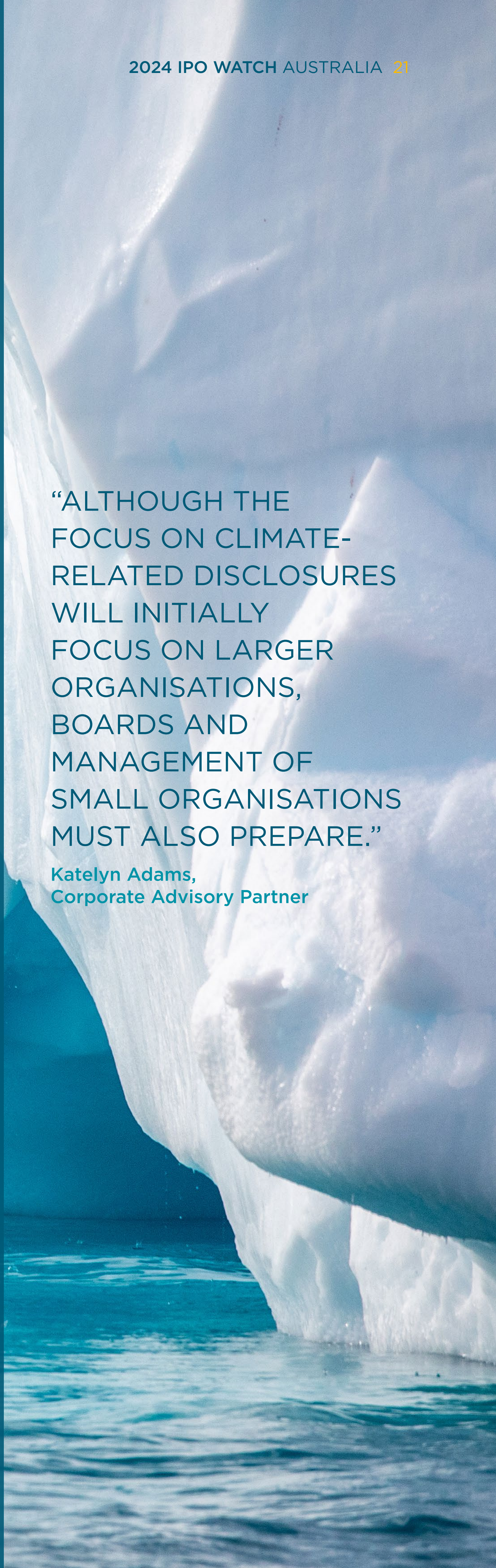
Disclose the processes to identify, assess, prioritise and monitor climate-related risks and opportunities and assess the overall risk profile and risk management process.

- Integrate climate-related risks into existing risk management processes. Promote collaboration across departments, locations and management in relation to climate-related risk management.
- Ensure climate-related risk management is consistent with the organisation's current risk management processes.

Metrics and targets

Disclosure to understand an entity's performance in relation to its climate-related risks and opportunities.

- Calculate your greenhouse gas emissions baseline for Scope 1 and Scope 2 emissions and ideally Scope 3.
- Develop reduction targets for Scope 1, 2 and 3 emissions.
- Determine opportunities for reducing emissions such as renewable energy and efficiency strategies.
- Consider industry-based metrics that are relevant to your organisation.



"ALTHOUGH THE FOCUS ON CLIMATE-RELATED DISCLOSURES WILL INITIALLY FOCUS ON LARGER ORGANISATIONS, BOARDS AND MANAGEMENT OF SMALL ORGANISATIONS MUST ALSO PREPARE."

Katelyn Adams,
Corporate Advisory Partner

UNLOCKING SUCCESS

M&A ALTERNATIVES DURING PERIODS OF MARKET UNCERTAINTY

Nicholas Guest
Partner
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Sydney

The ASX 2023 IPO data supports the capital raising experience of many business owners and managers over the past 12 months – it was challenging! Global economic conditions and market uncertainty combined with increasing costs of capital have expanded the valuation expectation gaps between what investors were prepared to pay for acquisitions and sellers' price expectations. These conditions can make achieving a successful public market IPO very challenging.

These same conditions, however, present opportunities for well prepared business owners to create a liquidity event via merger or acquisition (M&A) activity. A private M&A transaction may be an attractive proposition for vendors of a mid-market business for a number of reasons including:

- Reduced complexity and transaction variable compared to a public market transaction
- Access to large pools of undeployed private capital (family office, private equity etc.)
- Potential for acquisition by a local or global trade buyer seeking expansion or access to complementary products, knowledge workforce, technology, or markets.

As observed in our *HLB Mann Judd M&A Annual Report FY2023* the past year has also been a relatively restrained period of M&A activity within the Australian mid-market segment. The report analyses Australian M&A transactions by deal volume, pricing and industry. Our report noted a reduction in the total number of deals completed (1,077 deals completed in FY2023 compared to 1,455 in FY2022) and also a reduction in the average transaction value ($92.97 million in FY2023 down from $121.30 million in FY2022).

While a number of transactions may have been temporarily postponed during 2023 with business operators deferring transactions until market conditions become more favourable, there were positive signs late in the year with a number of high profile transactions announced or completed including the public markets M&A transactions involving Newcrest, Sigma Healthcare, Allkem, Link, Healthia and Invocare.

There remains a significant amount of undeployed capital that has been allocated to private capital managers (private equity, family offices etc) that needs to be deployed in order to generate a return for investors. Combined with trade purchases looking for opportunities to diversify or expand their businesses to take advantage of emerging opportunities, there are many acquirers on the lookout for good businesses. To take advantage of these opportunities in 2024 and beyond, vendors need to be prepared in order to navigate the transaction process and reduce opportunities for deals to stall as a result of an increased due diligence focus of acquirers, looking to mitigate their risks.

Vendors contemplating an IPO or M&A can take steps now to proactively plan for a transaction which will maximise the likelihood of success, maximise the value of their business and provide optionality over the desired timing and pathway for a liquidity event.

While many factors contribute to a successful exit strategy, we have identified some key steps to improve the overall outcome:

- **Early preparation:** plan for a potential liquidity event well in advance. Adequate lead time allows for thorough due diligence, financial audits and documenting internal systems, processes and strategies. Consider and address potential risks. Become transaction ready.

- **Develop robust corporate governance:** A well-structured and transparent governance framework instils confidence in investors and de-risks the investment.
- **Expert advisory team:** assemble a capable team of advisers, accountants and solicitors to navigate the complexities of the exit event, as early as possible. Their expertise can optimise opportunities and mitigate risks.
- **Sustain focus on core business:** even if contemplating a transaction, maintain operational focus to prevent erosion of business value. Implement processes and delegate responsibilities to ensure business continuity during the transition.
- **Explore diverse options and remain flexible:** explore a range of potential transactions that align with your exit goals. Being prepared allows you optionality to consider a variety of transaction structures which enhance the likelihood of a favourable outcome.

Being prepared and taking action now will maximise business value and provide vendors with maximum transaction optionality, regardless of whether it is part of a well-developed long-term exit strategy or you have been presented with an opportunistic offer to exit/list your business for a value too good to pass up!

IT AND CYBER ESSENTIALS FOR SMALL CAPS

BOARDS MUST TAKE ACTION

Jude Lau
Partner
Audit & Assurance,
Corporate Advisory
Melbourne

We are increasingly hearing news of cyberattacks on high profile organisations. Most recently, Court Services Victoria, Eagers Automotive and St Vincent Health were all subject to some form of cyberattack, which would have placed pressure on the Board of Directors and senior management to address a range of security and IT issues within their organisations.

According to the Australian Cyber Security Centre's most recent ASD Cyber Threat Report:

- The average cost of cybercrime has increased by 14 per cent (small business: $46,000, medium business: $97,200 and large business: $71,600)
- On average, a cybercrime was reported every 6 minutes (an increase from every 7 minutes in 2021-2022)
- The top three types of cybercrime affecting businesses were:
  - email compromise;
  - business mail comprise fraud;
  - online banking fraud.

With these alarming statistics in mind, it has become apparent that the threats of a cyberattack are real and present for organisations of all sizes. Sadly, the risk of falling victim to a cybercrime victim is a matter of "when" rather than "if".

It is our considered view that businesses and their respective Boards can no longer continue to treat cyber threats and risks as mere IT issues. IT and cyber risks should be a priority and need to be addressed by the Board with the same level of rigor and diligence as any other business risks impacting the organisation.

The Australian Securities and Investments Commission's (ASIC) position on cyber security is evident in its latest release (23-300MR), whereby ASIC chair Joe Longo stated:

"For all organisations, cyber security and cyber resilience must be a top priority. ASIC expects this to include oversight of cyber security risk throughout the organisation's supply chain – it was alarming that 44% of participants are not managing third-party or supply chain risks. Third-party relationships provide threat actors with easy access to an organisation's systems and networks."

ASIC's findings identified that smaller organisations are lagging behind larger organisations in third-party risk management, data security, consequence management and adoption of industry standards.

With the speed at which changes are occurring in the information technology and cyber space, it is important that Boards ensure that their businesses continue to invest adequate resources and capabilities in:

1. Identity and access management;
2. Governance and risk; and
3. Information asset management.

Importantly, they also need to turn their attention to building up IT and cyber resilience to ensure they are prepared, ready to respond and recover from an incident. This also includes testing the recovery plan with a degree of regularity.

Separately, ASIC has also stated it expects directors to ensure their company's risk management framework is able to address cyber security risk, and adequate controls are implemented to protect the company's key assets and enhance cyber resilience. Failing to do so could result in directors falling short of their responsibilities and regulatory obligations with respect to acting with reasonable care and diligence.

In the context of the ASX Corporate Governance Principles and Recommendations, *Principle 7: Recognise and manage risk*, it is expected that publicly listed entities establish a sound system of risk oversight and management and internal control designed to identify, assess, monitor and manage risk, and inform investors of material changes to the company's risk profile. This would equally extend to the issue of IT and cyber risk.

Next steps for small caps

IT and cyber risks, as well as resilience, are key business risks that must be managed with the same rigor as other critical business risks. The Board's buy-in is essential.

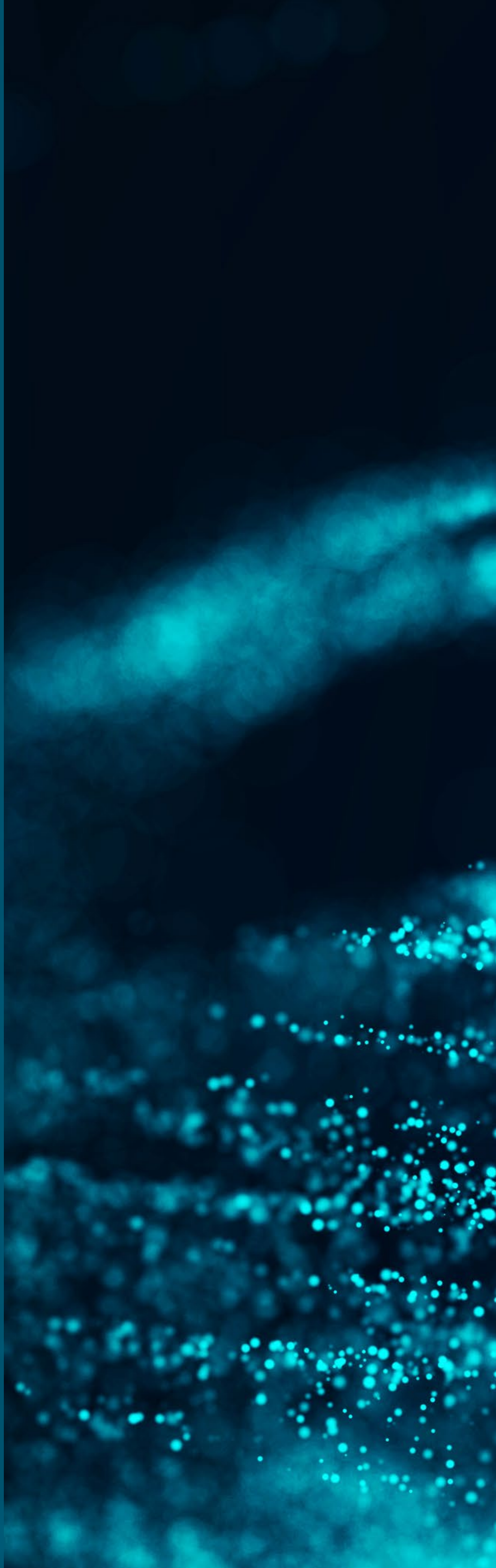
IT and cyber risks should be included in the risk register along with an appropriate treatment plan. A security gap analysis should form the basis for assigning risks and adopting a treatment strategy. Assign responsibilities, set deadlines and allocate resources for any remediation efforts.

Companies should also establish a security framework to manage cyber security risks and benchmark this framework against security standards, such as those available from the National Institute of Standards and Technology. This will help identify any gaps in IT security systems.

In addition, conducting vulnerability assessment and penetration testing on a regular basis will help identify cyber security exposures in the IT environment. Multi-factor authentication and adequate passphrase protocols is essential, as are secure cloud-based technology, and encryption methods, particularly if any staff work from home on a regular basis.

It is, in our experience, no longer acceptable for small cap companies to claim that "our IT functions are managed by a third-party IT vendor". Companies must actively manage contractual relationships and ensure that any third-parties are working to industry better standards (i.e. ISO 27001 and Microsoft security standards). Boards should familiarise themselves with the assistance and resources available such as the AICD's Cyber Security Governance Principles.

Directors are ultimately responsible for IT and cyber management within the organisations they govern. They carry the responsibility of cultivating a culture where security becomes second nature. By doing so, the company and the Board can evolve and foster trust among their shareholders, stakeholders and the broader community.



PAST TRANSACTIONS

HLB MANN JUDD IS PROUD TO HAVE ASSISTED IN THE FOLLOWING TRANSACTIONS IN RECENT YEARS:

- Askari Metals Ltd
- Botala Energy Ltd
- Cavalier Resources Ltd
- CGN Resources Ltd
- Diablo Resources Limited
- Equinox Resources Limited
- Falcon Metals Limited
- High-Tech Metals Limited
- Industrial Minerals Ltd
- Killi Resources Limited
- Minerals 260 Limited
- Lightning Minerals Ltd
- Lord Resources Limited
- Ominia Metals Group Ltd
- Pantera Minerals Limited
- Pure Resources Ltd
- Sarama Resources Ltd
- Western Mines Group Ltd
- Winsome Resources Limited

ABOUT HLB MANN JUDD

AWARD-WINNING CLIENT SERVICE

The HLB Mann Judd Australasian Association consists of nine member firms and three representative firms across Australia, New Zealand and Fiji. It represents a group of specialists providing business advice and services to a wide range of business organisations and private clients.

Our experience

HLB Mann Judd's member firms currently audit over 6% of all ASX-listed companies and 10% of all ASX-listed resources companies in Australia. In addition to audit-related services, it also provides a broad range of advisory and tax services.

IPO readiness

HLB Mann Judd firms have extensive experience in assisting clients in their preparation for an IPO and in evaluating the benefits of an IPO against alternative strategic options. Our assistance to companies pursuing an IPO typically includes:

- Independent limited assurance reports on historical and forecast financial information
- Analysis and advice on feasibility and alternatives to an IPO
- Pre-IPO diagnostic reviews
- Corporate and structuring advice
- Financial and taxation due diligence
- Valuations
- Company and shareholder tax advice and planning
- Accounting advice.

Global reach

HLB Mann Judd is a member of HLB International, the global advisory and accounting network. HLB has a history of innovation, collaboration and is dedicated to helping clients grow across borders. Through the power of more than 40,831 professionals across 156 countries, HLB combines local expertise and global capabilities to service clients' needs.

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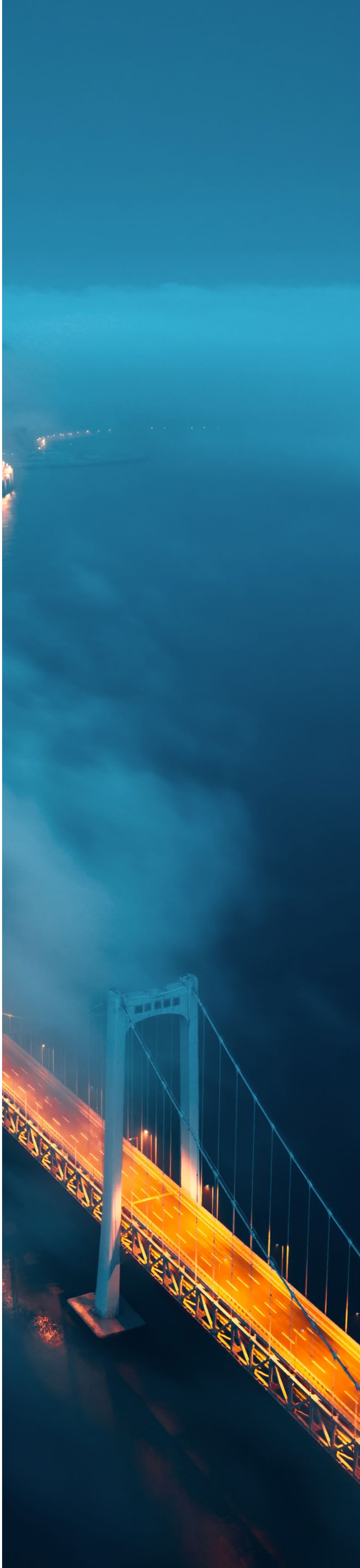

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