National Stock Exchange of Australia
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PO BOX 283, Newcastle, NSW, 2300
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**Melbourne**
Level 8, 410 Collins Street, Melbourne, VIC, 3000
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www.nsxa.com.au
Incorporating
NSX Limited
ABN: 33 089 447 058
National Stock Exchange of Australia Limited
ABN: 11 000 902 063
Bendigo Stock Exchange Limited
ABN: 41 087 708 898
BSX Services Pty Ltd (t/a) BSX Taxi Markets
ABN 57 084 885 683

8 October 2007

Letter all to Shareholders

Dear Shareholder,

# Chairman and CEO's Report

For your information please find below the Chairman's and Chief Executive's Officers report extracted from this year's Annual Report. This report provides detailed information on the activities of the NSX and its subsidiaries during the year as well as in the future. In particular the report focuses on:

- Financial Performance
- Market Name Change
- Building for the Future
- Market Differentiation
- Incubator Exchange
- Taxi Markets
- Water Exchange
- Regional Exchange Initiative
- Sectoral Exchanges

A highlight, and the subject of a resolution at the forthcoming AGM, is the proposed purchase of The Watergroup Management Pty Ltd the owner of The Waterexchange Pty Ltd (www.waterexchange.com.au).

If you have any questions concerning the NSX Group's activities please feel free to call me on (03) 9664 0000 or via email at richard.symon@nsxa.com.au. I look forward to seeing you at the forthcoming AGM 2pm Monday 15th October, Level 1 257 Collins Street, Melbourne.

Yours Sincerely

Richard Symon
**Chief Executive Officer**

# CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S REPORT

With a new CEO appointed less than twelve months ago, the business has seen an invigorated focus on strategy, marketing and building relationships to form joint ventures.

The Board of NSX is strongly of the view that the increasing scale and globalisation of the securities markets, combined with the ever increasing turnover in Australian capital markets, creates even greater opportunity. Now more than ever there is a need for small to medium enterprises, and those businesses with unique requirements, to find a home where they can efficiently raise capital but still be recognised for the value they represent. By linking with other groups, NSX is leveraging its strengths of being a market operator with those closest to these target customers.

## Financial Results

The Company incurred a loss after tax of to $3,296,686 (2006 - loss of $754,082). The loss is predominately attributable to the impairment of goodwill of $2,473,958 from the termination of the COM-AgEx Asia Joint Venture. In the absence of this impairment (a non-cash item) the loss would have been $822,728. Cash reserves of the Company at balance date were $10.07 million (2006: $11.09 million). Revenue increased by 2% from $1,650,739 to $1,684,460. Earnings per share (EPS) has declined from (1.53) cents per share to (6.67) cents per share. Without the impairment earnings per share would have been (1.66).

### Revenue and Cost Drivers

NSX's business model is driven by application and listing fees and not by trading fees. The costs of the business tend to be fixed, with technology, compliance, regulation and retention of skilled staff being the dominant cost drivers. Revenue tends to be variable, dependent on economic conditions influencing consumer sentiment about the share market in general and IPOs in particular.

## Market Name Change

The National Stock Exchange of Australia is recognised as the Stock Exchange for medium and smaller enterprises including cooperative and community enterprises. The name change from Newcastle during the reporting period has captured the imagination of companies, media, investors and the advisory industry and NSX is seen as an effective solution for capital raising and listing securities.

The number of inquiries regarding the listing of companies has reached record levels and any concerns regarding lack of turnover and general participation are being overcome. Although these outcomes, resulting from the effort put into marketing and promoting the company, do not show up in the current financial year's results, the bona-fides of your company are being established now for substantial growth in the years ahead.

## Building for the future

NSX Limited is benefiting from the synergies resulting from previous initiatives. Your Company operates two Stock Exchanges (Australian Market Licences) on a common platform. The derived cost efficiencies have enabled us to focus resources on improving our market awareness and brand recognition in order to meet and exceed critical mass as soon as possible. However, the requirement of operating both the National (NSXA) and Bendigo (BSX) Stock exchanges as "fair, orderly and transparent" markets is a substantial responsibility.

| Operational Highlights |
|---|
| Re-branded to National Stock Exchange of Australia |
| 6.7% increase in listed securities |
| 44.6% increase in market capitalisation of NSXA and BSX securities. |
| 67% increase in the volume of shares traded |
| 179% increase in the value of shares traded |
| Sunshine Coast and Gold Coast Exchanges initiated. |
| Full year operations of the Taxi Market |
| Proposed acquisition of the Water Exchange |

The majority of our employees and systems expenditures through the reporting period were devoted to this core competency. The decision to implement the OMX trading platform (which went live August 2006) and combined with the existing SMARTS Compliance Explorer, for surveillance and compliance efficiency, gives your company rapid scalability with minimal marginal cost.

The combined markets traded over 85 million shares during the last financial year (2006: 51 million) worth in excess of $42 million in value (2006: $15 million). The markets have access to 14 brokers and 25 advisers who support the pre and post listing process for all companies. These indicators point to growing liquidity and acceptance by investors to our markets.

## Market Differentiation

The main differences between the two stock exchanges, in essence, lies in the settlement processes adopted. NSXA transactions are settled T+3[1] via the established Clearing House Electronic Sub-register System (CHESS) which shareholders of ASX listed companies have become accustomed. Also, NSXA has adopted a Nominated Adviser and Sponsoring Broker model to enhance disclosure at the time of listing and while the company is listed.

BSX on the other hand continues to settle T+5[2] via a certificated process. Whilst this may seem less efficient, it is more effective for companies whose shareholders are less concerned about trading on a frequent basis with a consequent reduction in costs. On BSX, as well as NSXA, investors continue to benefit from the supervision, disclosure and reporting requirements, and certainty of settlement of a regulated stock exchange.

## Incubator Exchange

NSX is in continuing discussions with ASIC[3] to amend the listing rule requirements of BSX so that Australia can have a true incubator stock exchange similar to many countries with established capital markets. The success of the BSX in listing 55 established Bendigo Community Banks and the appetite by angel, mentor and micro-cap investors is palpable. NSX intends to provide a stock exchange solution to companies as they grow and transition from BSX to NSXA, increase their capitalisation, number of investors and turnover of shares. BSX will also provide an ongoing solution to companies who, because of their size, ownership structure or cost constraints require a viable alternative to a traditional stock exchange. BSX is awaiting approval of the amended rules from ASIC to enable the promotion of further listings.

[1] Trade date plus 3 business days
[2] Trade date plus 5 business days
[3] Australian Securities & Investments Commission

## Taxi Markets

The launch of the BSX Taxi Market in March 2006 has gained considerable momentum with over $46.5 million (2006: $11.5 million) in transactions of licenses and $82.2 million (2006: $16.8 million) of assignments (leases) transacted by financial year end by 19 (2006: 12) accredited taxi brokers. The taxi market is being made available to regions outside the mandated Melbourne metropolitan area and many are joining this market on a voluntary basis. Discussions are being held to provide market services in other states.

## Water Exchange

NSX's capability and experience in operating exchanges for diverse asset classes, licenses and permits is being sought in a number of areas. Our agreement to purchase the Water Exchange, which conducts the majority of Australia's transactions water entitlements, will further expand NSX's capabilities. We plan to build on this and expand our capacity to provide trading platforms and regulatory oversight for other environmental and sustainable emerging markets.

## Regional Exchanges

A number of post balance day announcements have occurred which should result in more listings on the National Stock Exchange. Gold Coast and Sunshine Coast regional business development organisations have entered into agreements with NSX to promote regional boards so that prominence can be given to local companies for investment. The agreements in effect provide each region with the ability to promote their own market with dedicated people and offices. Regional press coverage about these initiatives has been substantial and your Company is well advanced with other significant regions.

## Sectoral Exchanges

The announcement on July 10th 2007 of an agreement with FEX to establish a board for Environmental and Sustainable company listings takes NSXA into the area of industry specific listings. The FEX[4] initiative follows the unwinding of the terminated Com-Agex agreement of 2006 and provides an exciting opportunity to list companies in this important sector. The FEX-SIM market in Bridge Street, Sydney is due to be launched by ex US Vice President Al Gore in September.

In conclusion, your Board is focused on growing existing business revenue streams, developing initiatives to improve information channels and exceed its statutory obligations, all of which lead to successful NSX exchanges.

**Ian Mansbridge**
**Chairman**

**Richard Symon**
**Chief Executive Officer**

**Melbourne, 10 September 2007**

4 Financial & Energy Exchange Limited ("FEX") is the parent company of a business seeking a derivatives markets licence for trading in financial and energy derivatives products.

# NSX Limited

## ABN: 33 089 447 058

## Income Statement
## For the Year Ended 30 June 2007

| | Note | Consolidated 2007 $ | Consolidated 2006 $ | Parent 2007 $ | Parent 2006 $ |
|---|---|---|---|---|---|
| Revenue | 2 | **1,684,460** | 1,650,739 | **584,971** | 615,671 |
| Employee benefits expense | | **(988,650)** | (1,017,008) | **(181)** | (704) |
| Depreciation, amortisation and impairments | 3 | **(154,756)** | (58,309) | **-** | - |
| Consultancy expenses | | **(175,786)** | (265,327) | **-** | (118,996) |
| Compliance expenses | | **(49,570)** | (43,502) | **-** | - |
| Legal expenses | | **(14,373)** | (51,161) | **-** | (8,432) |
| Market trading expenses | | **(520,168)** | (509,595) | **-** | - |
| Marketing and promotion | | **(97,253)** | (16,253) | **(29,479)** | (8,167) |
| Service fee expense | | **-** | - | **(590,647)** | (228,486) |
| Rental expenses | 3 | **(77,303)** | (43,280) | **-** | - |
| Administration expenses | | **(263,163)** | (191,993) | **(55,704)** | (110,280) |
| Impairment losses | 3 | **(2,473,958)** | - | **-** | - |
| Other expenses | | **(166,163)** | (208,328) | **(57,564)** | (103,855) |
| Finance costs | 3 | **(3)** | (65) | **-** | - |
| **Loss before income tax** | | **(3,296,686)** | (754,082) | **(148,604)** | 36,751 |
| Income tax expense | 5 | **-** | - | **-** | - |
| **Loss attributable to members** | | **(3,296,686)** | (754,082) | **(148,604)** | 36,751 |
| Earnings Per Share: | | | | | |
| Basic earnings per share (cents per share) | 29 | **(6.67)** | (1.53) | **-** | - |
| Diluted earnings per share (cents per share) | 29 | **(6.67)** | (1.53) | **-** | - |

**Please Note: These figures should be read in conjunction with the Full Annual Report available from the Shareholders section of the NSX website: http://www.nsxa.com.au/shareholder_default.asp.**

# NSX Limited

## ABN: 33 089 447 058

## Balance Sheet
## As At 30 June 2007

| | Note | Consolidated 2007 $ | Consolidated 2006 $ | Parent 2007 $ | Parent 2006 $ |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Current assets** | | | | | |
| Cash and cash equivalents | 7 | **576,542** | 779,694 | **343,742** | 514,332 |
| Trade and other receivables | 8 | **88,347** | 76,575 | **1,785,205** | 941,086 |
| Financial assets | 9 | **9,500,000** | 10,315,000 | **8,800,000** | 9,615,000 |
| Other current assets | 10 | **35,102** | 25,936 | **-** | 19,526 |
| **Total current assets** | | **10,199,991** | 11,197,205 | **10,928,947** | 11,089,944 |
| **Non-current assets** | | | | | |
| Financial assets | 9 | **-** | - | **3,541,735** | 3,541,735 |
| Property, plant and equipment | 11 | **187,497** | 160,704 | **-** | - |
| Intangible assets | 12 | **411,322** | 2,885,280 | **-** | - |
| **Total non-current assets** | | **598,819** | 3,045,984 | **3,541,735** | 3,541,735 |
| **TOTAL ASSETS** | | **10,798,810** | 14,243,189 | **14,470,682** | 14,631,679 |
| **LIABILITIES** | | | | | |
| **Current liabilities** | | | | | |
| Trade and other payables | 14 | **287,995** | 432,534 | **209,384** | 221,777 |
| Short-term borrowings | 15 | **8** | 3,816 | **-** | - |
| Short-term provisions | 16 | **55,308** | 54,654 | **-** | - |
| **Total current liabilities** | | **343,311** | 491,004 | **209,384** | 221,777 |
| **TOTAL LIABILITIES** | | **343,311** | 491,004 | **209,384** | 221,777 |
| **NET ASSETS** | | **10,455,499** | 13,752,185 | **14,261,298** | 14,409,902 |

**Please Note: These figures should be read in conjunction with the Full Annual Report available from the Shareholders section of the NSX website: http://www.nsxa.com.au/shareholder_default.asp.**