

Technical Note

Mineral Companies

Considering the specific features of the business and operating models of mineral companies, the Listing Rules offer a concessionary route to premium listing for mineral companies that would not otherwise be eligible for premium listing under LR 6.

LR 6.10.1R exempts a mineral company from the three year track record requirement under LR 6.2.1R(1) where the applicant has been operating for a shorter period. Such an applicant must produce published or filed historical financial information since the inception of its business activities. The financials must comply with LR 6.2.1R (2), (3), (4), LR 6.2.4R and LR 6.2.6R for the period to which the historical financial information is published or filed.

LR 6.10.2R also exempts a mineral company from LR 6.3.1R. An applicant mineral company does not, therefore, have to have historical financial information which (1) demonstrates a revenue earning track record and (2) puts prospective investors in a position to make an informed assessment of the business for which admission is sought.

Mineral companies will need to ensure: that the historical financial information (to the extent available) will represent at least 75% of the applicant's business; that it will be carrying on an independent business and meet the relevant requirements if they have a controlling shareholder.

Under LR 6.6.1R a mineral company must demonstrate it exercises operational control over the business it will be carrying on as its main activity. However, there is a concession in LR 6.10.3R from LR 6.6.1R where a mineral company cannot demonstrate compliance with LR 6.6.1R because it does not hold controlling interests in the majority of the properties, fields, mines or other assets in which it has invested. If a mineral company is unable to demonstrate that it controls interests for the majority of its assets under LR 6.10.3R (2) it must demonstrate that it has a reasonable spread of direct interests in mineral resources and rights to participate actively in their extraction.

This rule is intended to ensure the listed company has a substantive, operational business while recognising the common practice of co-venturing in resources industries. Our view has been that the 'reasonable spread' test should not be understood to require risk diversification in the manner in which an investment entity would be expected to spread risk. LR 6 is not intended for the listing of pure financial holdings or diversified investments; the latter may be able to be listed under LR 15.

We will make a subjective assessment of all the applicant's non-controlling interests to reach a decision on whether the reasonable spread requirement has been met.

One factor we may take into account is geographical spread of interests. In addition to assessing whether the reasonable spread requirement is satisfied, we will also assess whether the mineral applicant has, in relation to each non-controlling interest, rights to participate actively in extraction. This may be through voting rights or through other rights which give it influence in decisions about the timing and method of extracting resources. We may request analysis of the contractual agreements in place for each asset, such as operating/farm out agreements, license agreements, agreements with local governments as well as relevant national legislative requirements. Among other things, we may take the following factors into account: the operatorship role of the applicant, their right to participate and influence operating/management committee decisions, rights to appoint directors and veto rights. We find it helpful when advisers submit information that they detail each interest in resources, provide the terms of the relevant contractual agreement and show the significance of each asset by value.

When we assess whether the applicant has controlling interests in a majority by value of properties, we typically look at the details of the underlying agreements (partnership/joint venture), group structure diagrams showing the title to assets, influence of the national legislation over the applicant's control, accounting treatment of the rights in assets and sponsor's assessment of the value of each asset.

When considering whether or not a mineral company is eligible for a premium listing, an applicant together with its advisers may wish to consider how the LRs governing related party transactions, as set out in Chapter 11, will apply post admission. The holding structures and joint venture arrangements used by certain mineral companies mean that compliance with the LR governing related parties can be complex.

Where the applicant or its sponsor have concerns about complying with any of the specific premium listing criteria, including the ability to rely on the concession, they can get individual guidance on how a particular rule applies in accordance with LR 1.2.5G and Chapter 9 of our Supervision Manual (SUP).