Market regulation for mineral companies

Davy

Job Langbroek   May 2009

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- Listing rules

- Prospectus rules
  - CESR guidelines (Committee of European Securities Regulators)

- Aim Market rules

Full listing Rules – normal business

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- No specific additional information required for mineral companies

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- **If it is a class 1 transaction**
  - Taken as >25% of turnover, profits, assets and reserves (special mineral company provision) with financial data based on most recent audited accounts
- **a Competent Persons Report (CPR) is required.**

  However

- **In the case of a 'disposal' this requirement can be modified if**

Full listing rules - CPR Modification

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- It can be demonstrated that such an exports report would not provide significant additional information to shareholders - (say in the case where delay would not allow a deal to complete)

- An issuer must include a Competent Persons report (CPR) if it has not been a mineral company for more than 3 years.

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- If a competent persons report is voluntarily included in a prospectus and it has not been prepared in accordance with the prescribed codes, consultation is required.

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- The listing rules define a mineral experts report as a report prepared in accordance with the CESR guidance on this subject.

    CESR says

- That the content of the report has to agree with local competent authority. These are usually taken as…

Export Reports: Acceptable Mining codes

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- Australian Joint Ore Reserves Committee
- Canadian Institute of Mining, Metallurgy & Petroleum
- UK Institute of Material. Minerals and Mining
- South African Mineral Committee
- US Society of Mining, Metallurgy & Exploration

Aim market rules

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- Market geared towards smaller companies
- Seen as 'riskier'
- Very heavily regulated
- Heavy onus on NOMAD (Nominated advisor)
- CPR (Competent Person's report) is crucial part of regulation
- A CP (Qualified Person) should be a member in good standing of a recognised professional association
- A CP should have at least 5 years relevant experience
- The NOMAD polices the CPR

Aim Admission

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- CPR within 6 months of admission
- If this differs from a CPR completed within last 12 months, such difference has to be explained
- There must be an appropriate 'summarisation'
- Directly extracted
- Summation and reference has to be reviewed by the CP
- Due diligence expected by NOMAD
- NOMAD usually makes a site visit
- Payments to regulatory bodies over £10k disclosed.

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- **As a minimum it should have**
  - Executive Summary
  - Table of contents
  - Introduction
  - Overview of region, location & Assets
  - Reserves & resources (in accordance with the standard)
  - Other assets
  - Conclusions
  - Qualifications
  - Appendices

- Rule 11 standard obligation (notification of change to operations, company, assets that would, if known, lead to a substantial movement in the share price)

- AIM overrides

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- He is presented with too little or too much information
- In a subject that requires an understanding of physical and chemical processes
- Non specialist investor will look to advisors for hard criteria
- Non specialist investor will consider soft criteria:
    - Management
    - Track record
    - Style & quality of presentation
    - Record of advisors
    - Previous experience (mostly likely mostly bad)