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THE 10 MOST IMPORTANT THINGS TO KNOW ABOUT LISTING A MINERAL COMPANY ON THE STOCK EXCHANGE OF HONG KONG LIMITED (“HKEX”)



1 WHAT IS A MINERAL COMPANY?

HKEx defines a Mineral Company as a new listing applicant whose Major Activity (whether directly or through its subsidiaries) is the exploration for and/or extraction of minerals or petroleum products. A Major Activity is one representing 25% or more of the total assets, revenue or operating expenses of the listing applicant and its subsidiaries (as shown in the applicant’s latest audited consolidated financial statements). Companies already listed that complete a major acquisition of mineral or petroleum assets are also categorised as Mineral Companies.

2 DO MINERAL COMPANIES NEED TO MEET PROFIT OR OTHER FINANCIAL TESTS IN ORDER TO LIST?

A new applicant Mineral Company that cannot satisfy the profit test, the market capitalisation/revenue/cash flow test or the market capitalisation/revenue test of Main Board Rule 8.05, may still be accepted for listing if it establishes to HKEx's satisfaction that its directors and senior management, taken together, have a minimum of 5 years' experience relevant to the exploration and/or extraction activity that the Mineral Company is pursuing. Companies that are in production will however need to be able to show a clear path to profitability in order to qualify for the waiver.

A Mineral Company seeking to list on the Growth Enterprise Market (GEM) may be eligible for a waiver from the two-year trading record requirement if its directors and senior management meet the 5 years' relevant experience requirement. However, it must still satisfy the requirement for a minimum cashflow from operating activities of HK\$20 million for the shorter trading record period.

3 CAN EARLY STAGE EXPLORATION COMPANIES LIST ON HKEX?

No. A new applicant Mineral Company must be able to demonstrate that it has a portfolio of indicated resources (for minerals) or contingent resources (for petroleum) identifiable under one of the accepted reporting standards and substantiated in the report of an independent expert. The portfolio must also be of sufficient substance to justify a listing.

4 WHAT RIGHTS SHOULD A MINERAL COMPANY SEEKING A LISTING POSSESS?

A new applicant Mineral Company must be able to demonstrate that it has the right to actively participate in the exploration for and/or extraction of resources either through:

- Control over a majority (by value) of the assets in which it has invested together with adequate rights over the exploration for and/or extraction of resources.
- Adequate rights arising under arrangements acceptable to HKEx, which give it sufficient influence in decisions over the exploration for and/or extraction of the resources. Arrangements which may be acceptable include joint ventures, production sharing contracts or specific government mandates.

5 WHAT MINERAL REPORTING STANDARDS ARE ACCEPTABLE?

HKEx requires listing documents for Mineral Companies to include a competent person's report on the applicant's mineral resources and reserves prepared in accordance with either:

- the JORC Code
- NI 43-101
- the SAMREC Code or
- PRMS (Petroleum Resources and Reserves).

6 WHO IS A COMPETENT PERSON?

A competent person is required to have a minimum of 5 years' relevant experience and must be professionally qualified, and be a member of a relevant professional organisation, in a jurisdiction whose statutory securities regulator has satisfactory arrangements with the SFC for mutual assistance and exchange of information (*by way of the IOSCO Multilateral MOU or other bilateral agreement acceptable to HKEx*).

7 CAN THE COMPETENT PERSON BE AN EMPLOYEE OF THE COMPANY?

The competent person must be independent of the listing applicant, its directors, senior management and advisers. In particular, it must:

- Have no economic or beneficial interest (present or contingent) in any of the assets being reported on;
- Not be remunerated with a fee dependent on the findings of the report;
- In the case of an individual, not be an officer, employee or proposed officer of the listing applicant or any group, holding or associated company of the listing applicant; and
- In the case of a firm, not be a group, holding or associated company of the listing applicant. Any of the firm's partners or officers must not be officers or proposed officers of any group, holding or associated company of the listing applicant.

8 ARE THERE ANY ADDITIONAL DISCLOSURES FOR PRE-PRODUCTION STAGE COMPANIES?

A listing applicant which has not yet commenced production will be required to disclose in its listing document its plans to proceed to production with indicative dates and costs. These must be supported by a scoping study substantiated by the opinion of a competent person.

9 ARE THERE ANY ADDITIONAL DISCLOSURES FOR PRODUCTION STAGE COMPANIES?

Mineral Companies that have commenced production must disclose an estimate of the operating cash cost per appropriate unit for the minerals and/or petroleum produced. Applicants are required to set out the components of the following cash operating costs separately by category: *(i) workforce employment; (ii) consumables; (iii) fuel, electricity, water and other services; (iv) on and off-site administration; (v) environmental protection and monitoring; (vi) transportation of workforce; (vii) product marketing and transport; (viii) non-income taxes, royalties and other governmental charges; and (ix) contingency allowances.*

10 ARE THERE ANY WORKING CAPITAL REQUIREMENTS?

A new applicant Mineral Company will be required to demonstrate that it has sufficient working capital for 125% of the group's requirements for the next 12 months including general, administrative and operating costs, property holding costs and the cost of any proposed exploration and/or development. A statement as to the sufficiency of working capital must be included in the listing document.

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