

Listing mining companies in London



MemeryCrystal



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Introduction

The London capital markets are host to a vast number of international mining companies, and London is the pre-eminent provider of finance to mining projects.

Through London, mining companies can access the deepest pools of long term, multi-currency investor capital to support exploration, development and expansion.

Memery Crystal is the most active law firm helping international mining companies achieve a London listing, and we work hard to help mining projects succeed in the London markets. We introduce the right advisers, and our familiarity with mining companies, particularly those with African projects, makes the listing process as smooth as possible. Once you're listed, we support you to make sure you have the best experience of being here. That's why we're the leading law firm for bringing international mining companies to the London markets.

We've written this guide to give an overview of the London markets that's specifically tailored to mining companies, whether they have an existing listing or are private. If you want to discuss your plans confidentially, we'd be happy to help.



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Why list in London?

Why come to London to raise money for a mining project? The short answer is that, for the right companies, a broader pool of capital is available in London and Europe.

London has provided the funding for mining projects for over a century. It is home to a broad and long term institutional investor base that has a deep understanding of the mining sector, together with a high quality advisory community with real expertise in the extractive industries. London's public markets provide a home for companies of all sizes, and a broad range of institutional and other investors supporting mining companies at all stages of their development. Companies headquartered, or with an existing listing, in Australia, Canada or South Africa often find that their domestic markets are more biased towards domestic projects, whereas London has appetite for projects in all jurisdictions.



Two examples help illustrate the point.



ASX and London-listed Danakali is the owner of a potash mining project in Eritrea. It is aiming to raise around \$300m to develop its mine, and this will be a mixture of debt and equity. Whilst its ASX listing serves it well, Danakali's board felt that a dual listing on London's Main Market would provide the company with additional access to sophisticated investors in London and internationally with a strong appetite for advanced stage development projects and a good understanding of the African mining and resource environment. Essentially, in London the company has access to a broader range of investors with more appetite for the development of a mining project in an African jurisdiction.



Kropz operates the Elandsfontein phosphate project in South Africa, and has additional projects in Ghana and Republic of Congo. Kropz listed on AIM in 2018 to provide it with greater access to capital to bring the Elandsfontein project into production and finance future corporate activities, as well as raising the company's profile. In conjunction with its AIM admission, Kropz acquired its Ghanaian and Congolese projects. The board of Kropz felt that London provided the best platform for developing a mining company with a portfolio of projects in different African countries.

Like Danakali and Kropz, a number of listed and private mining companies are finding that the UK markets are very receptive to them at their particular stage of development.

Comparison of London Markets

	AIM	MAIN MARKET STANDARD LISTING	MAIN MARKET PREMIUM LISTING
Mining - Average Market Cap	£50m	£725m	£9.3bn
Inclusion in FTSE indices	No	No	Yes
Free Float Requirement	Nominated Adviser discretion	25% in public hands	25% in public hands
Working Capital Requirement	12 months unqualified	Can be qualified	12 months unqualified
Requirement for Financial Adviser	Must retain Nominated Adviser at all times	No requirement	Must retain Sponsor for listing and certain transactions
Offering Document	Admission Document Approved by Nominated Adviser Must include CPR	Prospectus Approved by UKLA Must include CPR	Prospectus Approved by UKLA Must include CPR
Ongoing financial reporting	Annual and half yearly	Annual and half yearly	Annual and half yearly
Corporate Governance	Chosen Governance Code 'Comply or explain'	Chosen Governance Code 'Comply or explain'	UK Corporate Governance Code 'Comply or explain'
Restrictions on share issues	No restrictions	Prospectus required to issue over 20% of share capital in 12 months	Prospectus required to issue over 20% of share capital in 12 months. Discount over 10% requires shareholder approval.
Restrictions on options/warrants	No restrictions	No restrictions	20% (exc. employee schemes)
Restrictions on material transactions	No restrictions (except reverse takeover and fundamental disposal)	No restrictions (except reverse takeover)	Shareholder approval required for certain material/related party transactions

Choice of market

There are two serious choices of venue in London – AIM and the Main Market. Fundamentally, they both do the same thing – they are platforms for investors to invest in companies and trade those investments. However, there are some differences between the two markets, and it is important to match the choice of market to the particular size and stage of development of your company.

AIM is the UK's leading growth stock exchange. It was established as an international market for smaller growing companies. A wide range of businesses including early stage, venture capital backed as well as more established companies join AIM seeking access to growth capital. It is the most successful growth market in the world, and attracts a truly international range of companies.

The Main Market is aimed at larger, more developed companies. It has two segments – the Standard Segment, which applies the minimum regulations required by European Union legislation; and the Premium Segment, which applies additional rules and is aimed at larger, blue chip companies. Only companies with a Premium listing are eligible for the FTSE indices. For most small- and mid-cap mining companies joining the Main Market, a Standard listing is the more appropriate choice. Experience has shown that liquidity and exposure to institutional investors is high with a number of companies joining the Main Market from either AIM or overseas markets seeing a significant boost in their liquidity and share price. Often, companies are put off of the Main Market as being too expensive, or only for much larger companies, but in our experience this isn't the case.

There is some overlap in the sizes of companies on AIM and the Standard Segment, with them having broadly similar regulatory requirements - in fact in some respects the Standard Segment has fewer regulations than AIM. The key difference between the two is that companies on AIM are required to retain a Nominated Adviser (or 'Nomad'), being a corporate finance adviser who acts partly as adviser and partly as regulator, whereas on Standard Segment there is no requirement to retain an adviser. The Nomad can provide helpful advice and guidance to boards that have little previous experience of the public markets, and so typically we find that smaller, earlier stage companies with relatively inexperienced boards find AIM more suitable, and larger companies with established boards, particularly those with an existing overseas listing, choose the Main Market.

Beyond that fundamental distinction, there are a number of regulatory differences that companies should take into account when choosing a market.



Listing document

Floating on AIM requires an Admission Document, produced by the company, its Nomad and other advisers. The Admission Document is not independently reviewed by a regulator. Conversely, listing on the Main Market requires a Prospectus. Whilst in many respects a Prospectus is similar to an Admission Document, it is more detailed and must be vetted and approved by the UK Listing Authority. This process typically takes more time, and is more costly, than producing an Admission Document. For mining companies, both markets require a competent person's report to be included in the listing document. For both markets, an early-stage 'eligibility' application is required – for the Main Market, an 'eligibility letter' is submitted, explaining how the company complies with the market's listing requirements. For AIM, an 'early notification' is submitted by the Nomad. Both processes are aimed at identifying any material issues that might compromise or delay listing.

Free float

Companies listing on the Main Market must have a minimum of 25% of their shares in 'public hands', which broadly means not held by directors or 5%+ shareholders and not subject to a lock-in of over 180 days. The free float must be held within a European Economic Area country, unless the company is listed on an overseas market (e.g. ASX or TSX) in which case the local free float can be taken into account. For AIM, there is no specific minimum free float, but a Nomad must be satisfied that the company is suitable for AIM and will consider free float as one element of suitability.

Fast-track?

Companies that have been listed on certain international exchanges, including ASX and TSX, for more than 18 months can join AIM without publishing an Admission Document - only a shorter form disclosure announcement is required. This is supposed to be quicker and cheaper. However, in our experience, Nomads' desire to provide full disclosure and brokers' requirements for a comprehensive marketing document have meant that in practice the fast-track route is seldom used, and is rarely as fast or cheap as anticipated. There is no equivalent for the Main Market.

Minimum working capital

Companies joining AIM must be able to confirm that the working capital available to them will be sufficient for their requirements for the twelve months following listing. To support this confirmation, the company will need to undertake a detailed working capital exercise, signed off by an accounting firm. The Main Market has a similar requirement, but for companies listing on the Standard Segment a qualified working capital statement can be given, provided that sufficient information is given as to how long existing working capital is expected to last and how the board intends to finance any shortfall.

Working capital confirmations can be complicated for development companies that need to raise significant capital to develop their projects following listing, but we have extensive experience of dealing with the regulatory requirements surrounding qualified working capital statements.

Further issues of shares

AIM imposes no limits on the number of shares that a company issues, or the price at which it issues them. So, subject to any pre-emption rights that apply to the company under its local law, or the rules of any other exchange that it is listed on (for example, the TSX or ASX), an AIM-quoted company has a great deal of flexibility in raising capital. This makes it attractive to growth companies. Companies listed on the Main Market must publish a further Prospectus if they wish to issue more than 20% of their existing share capital in any twelve month period. Whilst not prohibitive, this adds to the cost and timeframe for major new issues of shares, making the Main Market less suitable for companies who anticipate frequent capital raisings. However, for development companies it is likely that future major issues of shares will be one-offs rather than a regular occurrence, and so the requirement to produce a prospectus should not be seen as a reason not to choose the Main Market if it is otherwise the most suitable platform.

How much work is it?

Joining a public market is one of the most significant decisions a business can take - even more so when the market is on the other side of the world.

Whilst the IPO process itself is intensive, and will take up a considerable amount of management time for around three months, in our view the ongoing obligations required of companies quoted on AIM or listed on the Standard Segment of the Main Market are relatively light. This is particularly so for companies with an existing overseas listing – broadly, if you're compliant with the Listing Rules of a major overseas exchange you are going to be materially compliant with the UK regulations.

Board

A public company must have a board whose members, individually and collectively, are suitable for a UK public market. The existing board of an overseas listed company is likely to be satisfactory for these purposes. It is not a regulatory requirement that a board has a UK member, but practically it is always helpful to have a board member based in the UK who can liaise with UK investors and who is available during UK market hours. A Nomad would typically require this when assessing an overseas company's suitability for AIM. For companies without an existing listing, one of the board members should ideally have experience of being on the board of a UK public company.

Continuous disclosure

Whilst there are some differences between the announcement obligations of the UK and overseas markets, for all material purposes the obligations are often very similar. The main issue is the timing of announcements for dual listed companies, because there may be minimal overlap in the opening hours of the overseas and UK markets. The restrictions around delayed announcement of inside information are prescriptive in the UK, and there are very strict protocols that must be followed when 'wall crossing' third parties prior to a fundraising or other transaction. There are also very prescriptive requirements on the control of inside information and keeping 'insider lists'.

Trading halts

The UK markets don't recognise the concept of trading halts – only voluntary suspension, which is granted only in exceptional circumstances, and not simply because an overseas listed company has entered a trading halt on its home exchange. UK law requires the immediate announcement of inside information other than in limited circumstances – you can't halt trading pending clarification of an announcement. Instead, a company would typically be required to release a holding announcement and would only be permitted to suspend trading in extreme circumstances. As a result, dual listed companies tend to use trading halts far less frequently.

Reporting

Companies are required to report annually (audited) and half yearly (unaudited). There is no requirement for quarterly reporting, but there is no restriction on doing so. Accounts can be prepared in accordance with IFRS or major overseas accounting standards.

Corporate governance

Companies on AIM are obliged to disclose on their website details of how they 'comply or explain' against a recognised corporate governance code chosen by the board. For companies solely quoted on AIM the QCA Corporate Governance Code or the UK Corporate Governance Code would be appropriate. For companies with an existing overseas listing it is acceptable to report against an appropriate overseas governance code. A company's governance disclosure should be reviewed annually. Companies listed on the Standard Segment of the Main Market must include a 'comply or explain' corporate governance statement in their annual report. Again, an overseas governance code will be sufficient.

Dealing restrictions and disclosure

For both AIM and Main Market companies the obligations relating to the disclosure of dealings by management are very prescriptive – the obligations go beyond directors to all members of management with access to inside information, and certain family members and other associates. Also, there are mandatory close periods for the 30 days prior to publication of annual and interim accounts. For non-UK companies, disclosure of shareholdings by major shareholders on AIM is at 3% and every 1% thereafter, and on the Main Market is at 5% intervals up to 30% and then at 50% and 75%.

Escrow provisions

Where the main business of a company applying for admission to AIM has not been independent and earning revenue for at least two years, all directors, 10%+ shareholders, their associates, and employees with 0.5%+ shareholdings must undertake not to dispose of their shares for a year from the date of listing. There is no exemption for companies with an existing overseas listing. Typically, the company's Nomad and broker would also require an additional undertaking for a second year only to dispose of shares through the company's broker on an 'orderly market' basis. There are no equivalent provisions on the Main Market, although a broker may require some form of escrow where funds are being raised.

Depository arrangements

To enable the electronic trading of an overseas company's shares through CREST, the company needs to set up a depository interest arrangement, typically through Computershare or another major registrar.

Takeovers

If you are incorporated outside of the UK, Channel Islands or Isle of Man the UK's Takeover Code will not apply. Your local takeover rules would continue to apply.

Costs

Whilst this shouldn't be the defining reason for choice of market, in our experience the costs of being on AIM and a listing on the Standard Segment of the Main Market are broadly similar. However, the ongoing compliance costs of a listing on the Standard Segment are typically lower than those for AIM, because there is no requirement to retain a Nomad. For companies with an existing overseas listing, the additional compliance costs are not prohibitive.

Why Us?

Memery Crystal – the leading law firm for listing mining companies on the London markets.

In 2018 we advised on three out of the five IPOs of mining companies in London.

Memery Crystal is a leading full-service commercial legal practice, based in London and with an international practice. Our main practice areas include equity capital markets, M&A, debt finance, dispute resolution, real estate, commercial law, tax, intellectual property and employment. We have expertise in a number of sectors, including natural resources, technology, financial services and real estate.

Our market-leading equity capital markets team acts for a large number of mining companies, and their financial advisers, on a range of transactions on the Main Market and AIM. We are consistently ranked in the top tier of advisers for mining and capital markets work by Chambers and The Legal 500, and several members of our team are individually ranked and recommended for their work within the sector.





DANAKALI

ASX/Main Market

Market cap: £108m



ASX/Main Market

Market cap: £36m



AIM

Market cap: £107m



PetraDiamonds

Main Market

Market cap: £366m

tharisa

JSE/Main Market

Market cap: £285m



AIM

Market cap: £54m

What our clients say about us

"Memery Crystal advised Danakali on its dual listing on the London Stock Exchange in July 2018. We instructed Memery Crystal because of their experience in the mining sector and their expertise with the dual-listing of ASX-listed companies. Michael and his team ensured that the whole listing process ran smoothly and in accordance with our timetable, and we would recommend their services on similar transactions."

Seamus Cornelius

Executive Chairman, Danakali
ASX and Main Market dual listing

"We are delighted to be joining a peer group of quality copper companies listed on the Main Market of the London Stock Exchange. The listing allows us to introduce MOD Resources to European and UK investors as we look to develop into a substantial copper producer. The LSE has a strong track record as a leading destination for companies with African mining assets, making it a natural dual listing destination for a company like ours with an exciting copper portfolio in Botswana's Kalahari Copper Belt. We instructed Memery Crystal because of their experience in the mining sector and their expertise with the dual-listing of ASX-listed companies. Michael and his team ensured that the whole listing process ran smoothly and in accordance with our timetable."

Julian Hanna

Managing Director,
MOD Resources

"Memery Crystal advised Kropz on its admission to AIM. As part of the admission process there was the complex acquisition of our Congolese assets, various associated shareholder matters that had to be addressed and the need to work across a multitude of operating jurisdictions – all of which was dealt with extremely effectively by you and your team."

We really appreciated Memery Crystal's legal and commercial expertise in mining and London's capital markets and the dedication shown to getting the deal done. This expertise ultimately playing a pivotal part in the successful listing of a complicated transaction and I would have no reservations in recommending you and your team for similar transactions."

Ian Harebottle

Chief Executive Officer,
Kropz

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This is not the end.

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