

SINGAPORE

ATMD BIRD & BIRD

Singapore Exchange implements new listing rules for mineral, oil and gas companies



By Joanna Teng

Effective 1 February 2011, companies whose principal activities consist of exploration for or extraction of minerals, oil or gas (MOG companies) are able to list on the Catalist (the first sponsor-supervised listing platform in Asia which caters for fast-growing local and international companies) without the need to have revenue or profit. However, the new listing criteria require such early-stage MOG companies to have established the presence of at least "indicated resources" of minerals or "contingent resources" of oil and gas.

A risky business

The move by SGX recognises that exploration for minerals, oil or gas is a risky venture that requires a large capital investment over a long period of time with no certainty of making an economically viable discovery. Such companies carry significant discovery risks and as such are of higher investment risks. To cater for the risks associated with an early-stage exploration activity, MOG companies seeking a listing on Catalist must demonstrate that they have adequate deposits of mineral, oil or gas in such form, quality and quantity that there are reasonable prospects for economic extraction. The existence of such resources must be substantiated by the opinion of an independent qualified person according to specified international standards and practice.

New disclosure requirements

Taking into consideration the nature of exploration companies and following a public consultation, SGX has also introduced new disclosure requirements primarily intended to increase the transparency of developments in such companies and ensure timely disclosure. MOG companies must observe the new listing rules in addition to the existing rules that apply to all Catalist companies. MOG companies must make quarterly announcements on:

- (i) their use of funds including projected funds usage for the next immediate quarter;
- (ii) details of exploration, mining development and/or production activities; and
- (iii) their current position on reserves and resources.

Other requirements

Other key elements of the new rules include verification requirements by an independent qualified expert and working capital requirements. Disclosures of technical information such as geological analysis and metallurgical testing results, material new asset discoveries and disposal must be evaluated by an appropriately qualified technical expert. Sponsors taking on sponsorship of or advising such companies must, too, maintain access to appropriate technical expertise for the entire period in which they remain as sponsors of these companies.

On listing, MOG companies will have to demonstrate that they have available working capital sufficient for at least 18 months after listing, whereas other Catalist companies need to have available working capital sufficient for at least 12 months after listing.

With effect from 1 July 2011, existing companies listed on Catalist engaged in exploration activities or having acquired businesses in this sector, will have to comply with the new disclosure requirements,

such as independent expert verification on technical matters.

With the implementation of the new rules, a broadening segment of resource companies seeking to list on the Catalist can be expected by SGX, and investors could look forward to more investment opportunities in the commodities and resources sector.

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