



# Coming to Canada

## Public Financing and Listing in Canada for Mining and Exploration Issuers

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# Mining Industry Financing Canada, TSX and TSXV



- More activity in the Canadian capital markets, TSX and TSXV than any other international markets
- TSX and TSXV owned and operated by TSX Group Inc., itself a corporation listed on the TSX
- Regulatory regime highly specialized for mining sector
- National Instrument 43-101
- Specific listing requirement regimes for exploration and mining companies

# TMX: 2009 Record Breaking Year for Mining

Over **\$22 B** raised on TSX/TSXV in 2009 for mining  
Over **1900** financings  
**75** financings over \$50 M



North America:  
**\$4.3 B** financing by Barrick Gold Corporation (TSX:ABX) was the largest in Toronto Stock Exchange and Canadian history



Africa:  
**\$2.6 B** raised for projects

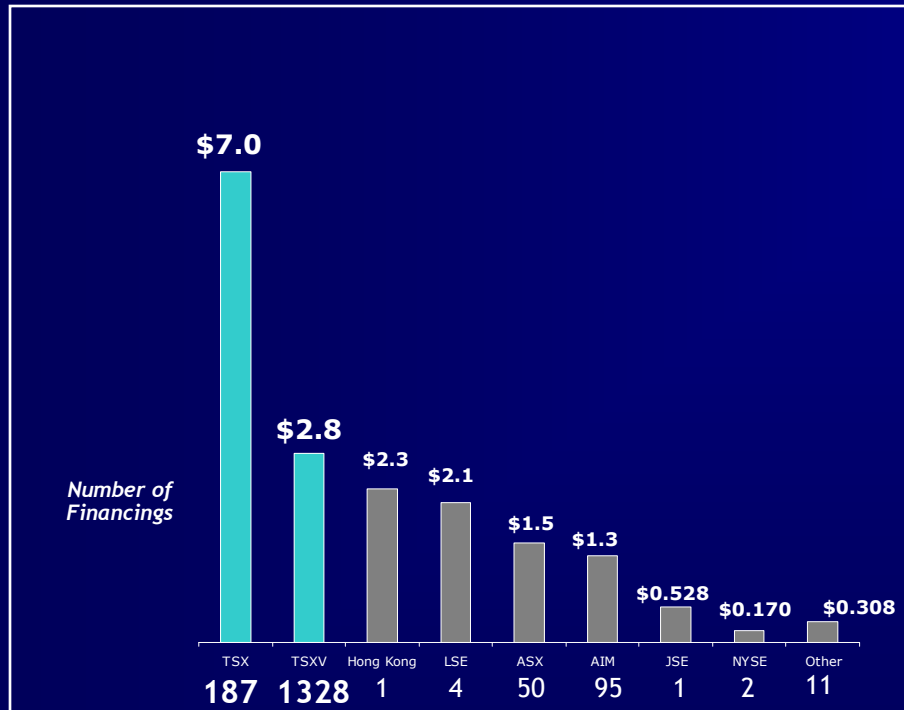
Australia:  
**\$2.2 B** raised by Australian Cos.

Latin America:  
**\$3.5 B** raised for projects

# Mining Financing Update - First Nine Months 2010



## First Nine Months 2010 Mining Equity Financings (\$ Billions)



## First Nine Months 2010:

- **\$18 Billion** total equity capital raised globally
- **1675+** financings

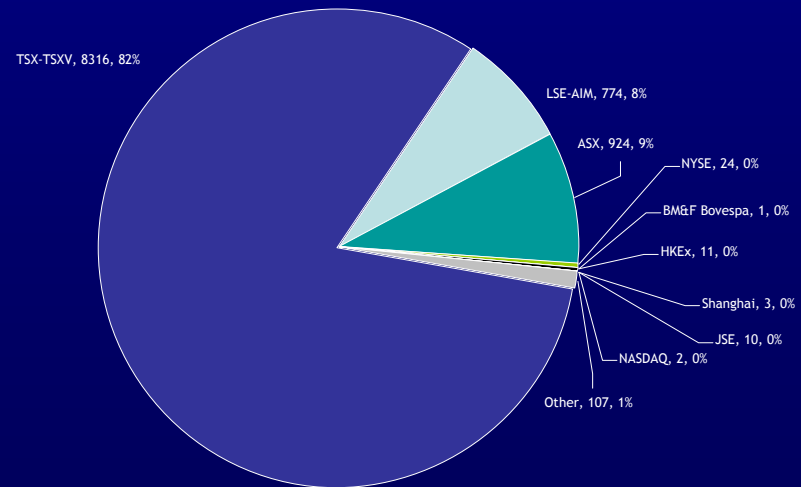
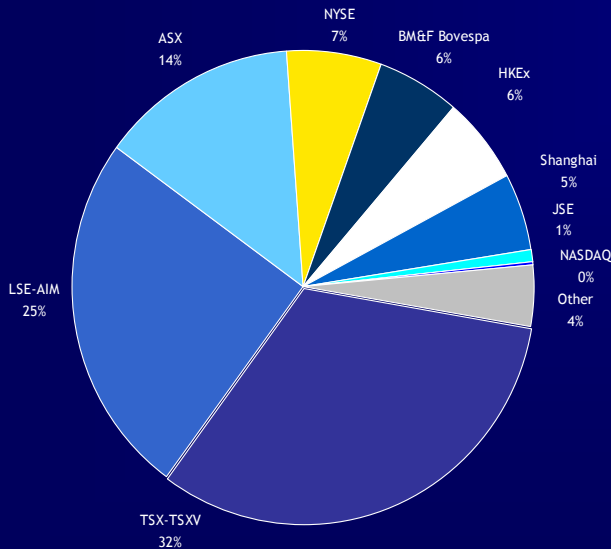
# TMX Group is the Leading International Exchange Group for Mining Financing

Over the past five years, the TSX and TSXV together have led all international stock exchanges in mining equity financings



Value of Equity Financings  
5-Year (2005 to 2009)  
Total = \$200.3 Billion

Number of Equity Financings  
5-Year (2005 to 2009)  
Total = 10,172 Deals



Source: Gamah International, 2004- 2008 Compiled by TMX Group

# TMX is Major Exchange for Mining in South America



**275**

Number of Mining Companies in South America

**1069**

Number of S. American Mining Properties

**\$3.5B**

Amount of Equity Capital Raised in 2009 for S. American Mining Projects Through 125 Financings

**\$1.6B**

Amount of Equity Capital Raised to September 2010 for S. American Mining Projects Through 87 Financings



# TMX leads globally in mining financing and new listings



## New Mining Listings 2005 to First Three Quarters 2010

	TSX/ SXV	% of Total	LSE/AIM	ASX	NYSE Amex	NYSE	HKEx	JSE
<b>Q1+Q2 +Q3 2010</b>	<b>140</b>	<b>68%</b>	16	36	4	3	4	3
2009	<b>104</b>	<b>78%</b>	4	22	1	1	1	0
2008	<b>138</b>	<b>73%</b>	29	9	5	3	3	2
2007	<b>186</b>	<b>49%</b>	142	33	13	3	n/a	4
2006	<b>112</b>	<b>42%</b>	70	55	14	6	n/a	10

## Mining Equity Financings 2005 to First Three Quarters 2010 (\$Billions)

	TSX/TSXV	% of Total	LSE/AIM	ASX	NYSE Amex	NYSE	HKEx	JSE
<b>Q1+Q2+Q3 2010</b>	<b>\$9.8</b>	<b>55%</b>	\$3.4	\$1.5	0	\$0.170	\$2.3	\$0.528
2009	<b>\$22.2</b>	<b>34%</b>	\$22.3	\$13.5	0	\$4.5	\$3.0	\$0.007
2008	<b>\$8.3</b>	<b>36%</b>	\$5.0	\$3.1	0	\$5.4	\$1.3	\$0.040
2007	<b>\$20.5</b>	<b>47%</b>	\$9.3	\$8.3	\$0.09 5	\$2.6	\$0.909	\$1.5
2006	<b>\$12.5</b>	<b>43%</b>	\$10.8	\$2.2	0	\$0.571	\$2.7	\$0.047

# A Record Year: International Mining Companies by the Numbers



147

Inter. Mining Cos. on  
TSX and TSX V

\$61B

Market Cap

28

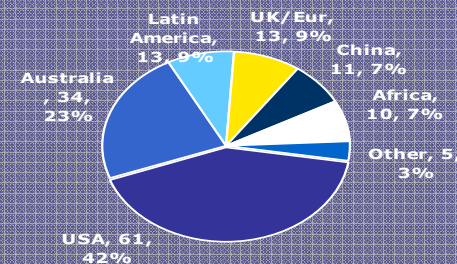
New International  
Mining Listings  
(YTD Oct 2010)

\$3.4B

Raised Through 87  
Financings

5

Average Number of  
Analysts Covering Int'l  
Mining Cos.



# TSX and TSX Venture Exchange vs LSE and AIM



Mining Market Comparison for 2010 YTD September

	New Mining Listings	Equity Capital Raised (C\$)	No. of Financings	Value Traded (C\$)
<b>TSX</b>	35	\$7.0B	187	\$291.4B
<b>TSXV</b>	105	\$2.8B	1328	\$13.6B
<b>LSE</b>	3	\$2.1B	4	\$276.8B
<b>AIM</b>	13	\$1.3B	95	\$5.0B
<b><i>TSX/TSXV International</i></b>	28	\$3.4B	87	\$20.9B

TSX and TSXV International numbers are a subset of the full TSX and TSXV numbers

# Listing and Financing in Canada



- Traditional IPO: closely-held private company with exploration/mining assets raising money in public offering with listing
- Spin-Off: large mining company has exploration (or mining) assets not achieving any value within the company's portfolio, in comparison with its core assets (maintains some ownership of new public company)
- Attractive exploration or mining asset is available for acquisition and needs financing acquired and taken public (usually by reverse-takeover transaction in business combination with a listed shell company)
- Additional listing for international public company

# Business Objectives for Exploration/Mining Companies Considering Canadian Capital Markets



- Accessing capital required for next phase of one or more projects
- Favorable valuations of the issuer's securities due to liquidity and active secondary market trading
- Analyst coverage of the issuer to add to likelihood of higher valuations
- Presence in the same markets with majority of world's public mining companies to facilitate merger, acquisition and joint venture opportunities

# Transaction Structuring Alternatives



- (1) Initial Canadian public offering with listing
- (2) Reverse take-over transaction, with or without prior financing
- (3) Simple additional listing for international issuers
- (4) Accessing capital in Canada through “private placement” financing, with or without concurrent listing

# Initial Canadian Public Offering with Concurrent Listing



- Often the most likely structure to yield achieve the business objectives successfully (therefore frequently chosen, despite time and expense involved)
- True IPO (private company or spin-off) or Canadian IPO for international issuer
- Not necessary to re-domicile as Canadian corporation
- Prospectus, technical reports, listing application

# Reverse Take-Over Transactions



- RTOs, also known as “backdoor listings” involve business combination transaction (assets or shares) in which the business is sold to a listed shell company in exchange for shares of the listed company
- Usually completed as a series of transactions, including a financing
- Not less time or expense than IPO with prospectus and often more complicated and longer time frame
- Useful in specific circumstances, most commonly to accommodate a financing at a point in time, quickly (which cannot be done under prospectus due to rules against pre-marketing)

# Additional Listing



- Issuers with securities listed on one or more international stock exchanges add TSX listing
- No financing in Canada
- Long-form listing application and technical reports are required
- Less time, less cost, not often successful (although there are cases)
- Canadian market success usually requires critical mass of Canadian holders to generate secondary market activity on TSX (or TSXV)

# Additional Listing with Private Placement Financing



- International issuer finances and lists in Canada concurrently
- Financing on a private placement basis to “accredited investors”
- Achieves some Canadian shareholding
- No immediate liquidity due to four-month statutory hold period

# National Instrument 43-101 – Standards of Disclosure for Mineral Projects



- Cornerstone of the success of the Canadian capital markets
- Applies to all disclosure, written or oral, made by every issuer (public and private) with respect to a “mineral project” on a property material to the issuer
- “Mineral project” means any exploration, development, or production activity, including a royalty interest or similar interest in these activities, in respect of diamonds, natural solid inorganic material, or natural solid fossilized organic material, including base and precious metals, coal and industrial minerals

# The Three Fundamentals of NI 43-101



- (1) Rules prohibiting certain mineral disclosure and prescribing the mineral disclosure standards (reserve and resource categories)
- (2) Rules requiring that a “qualified person” (often must be independent) prepare or supervise all of an issuer’s scientific and technical disclosure (includes certification and expert liability)
- (3) Requirement that scientific and technical disclosure about mineral projects on properties material to the issuer be supported by technical reports in prescribed form

# NI 43-101 Considerations



- Timing impact of Technical Reports on the transaction
- Regulatory review of Technical Reports
- Foreign code reporting: issuers may make disclosure of mineral reserves and mineral resources in accordance with US SEC Industry Guide 7, the JORC Code (Australia), the IMM Reporting Code (UK), or the SAMREC Code (South Africa) if a reconciliation to NI 43-101 is included

# The Canadian IPO Process



## **Step 1**

- Retain advisors and professionals
- Investment bankers
- Legal
- Auditors/Financial Statements
- Technical / engineering

## **Step 2**

- Internal reorganization as required of corporate chain and assets
- Commencement of due diligence

## **Step 3**

- Prepare Preliminary Prospectus and file with Regulators
- Apply for TSX listing

## **Step 4**

- Settle regulatory deficiencies/comments

## **Step 5**

- Financial closing

**Elapsed Time – 3 to 4 months**

# Canadian IPO Discussion Topics



- Domicile of Issuer
- Directors
- Management
- Office location
- Timing
- Size of Canadian Offering
- Toronto Stock Exchange Listing Requirements
  - Personal Information Form Clearance
  - Technical Listing Requirements

# TSX and TSXV Listing Requirements - Mining



<b>PUBLIC DISTRIBUTION</b>	<ul style="list-style-type: none"><li>• TSX: Aggregate market value of C\$4 million and 300 public shareholders</li><li>• TSXV: Aggregate market value of C\$1 million and 20% public shareholders (C\$500,000 in lowest listing category)</li></ul>
<b>MANAGEMENT</b>	<ul style="list-style-type: none"><li>• All officers, directors and holders of more than 10% of the company's stock must produce details of their background, business experience and industry knowledge.</li><li>• Management and directors must have experience and technical expertise relevant to the project and sufficient knowledge of the Canadian capital markets</li></ul>
<b>SPONSORSHIP</b>	<ul style="list-style-type: none"><li>• All issuers (except most senior) are required to provide to TSX a sponsorship letter from an underwriting firm (an assessment of the applicant company and evidence of market support for the company's stock)</li><li>• Sponsors must comment on management projections, site visits, principal properties, as well as management credentials, experience and technical expertise.</li></ul>

# Exploration and Development Companies - TSX



The following TSX financial requirements are specific for Mineral Exploration or Development-Stage companies:

## **FINANCIAL REQUIREMENTS**

- An advanced-stage exploration property (at least 50% ownership interest), detailed in a report by an independent qualified person
- A planned program of exploration and/or development of at least C\$750,000 that will sufficiently advance the property and is recommended by an independent qualified person
- Sufficient funds to complete the planned program of exploration, general and administrative costs, property payments and capital expenditures for at least 18 months
- Working capital of at least C\$2 million and an appropriate capital structure
- Net tangible assets of C\$3 million

# Exploration and Development Companies - TSXV



The following TSXV financial requirements are specific for Mineral Exploration or Development-Stage companies:

## **FINANCIAL REQUIREMENTS**

- A qualifying exploration property, detailed in a report by an independent qualified person
- A planned program exploration and/or development of at least C\$200,000/500,000 (depending on listing category) that will sufficiently advance the property and is recommended by an independent qualified person
- Sufficient funds to complete the planned program of exploration, general and administrative costs, property payments and capital expenditures for at least 18/12 months (depending on listing category)
- Sufficient working capital
- Net tangible assets of C\$2 million or no requirement for lowest listing category

# IPO Discussion Topics



- Due Diligence
- Concurrent U.S. Private Placement
- Financial Statement Requirements and Use of Canadian GAAP, Other Reporting Standards
- French Translation Requirements
- Escrow Requirements

# IPO Discussion Topics



- Corporate Governance Matters  
(audit committee, independence of directors)
- Directors' and Officers' Liability Insurance
- Costs and Expenses
- Canadian Registrar and Transfer Agent
- Post-IPO Public Company Requirements in Canada

# Other Considerations



- Canadians are unlimited in investing in foreign companies – issuers no longer need to “re-domicile” to attract this investment
- Note the downsides of choosing not to re-domicile would be (1) loss of MJDS access to the US markets and (2) loss of rollover treatment for Canadian company acquisition transactions
- North American distribution of the issuer’s shares no longer required if shares listed on another “senior exchange” (although must take steps to ensure liquid market develops)
- No longer need to meet distribution requirements in Canada specifically – 300 shareholders worldwide (along with other listing criteria)
- If less than 25% of trading occurs on TSX, TSX will defer to foreign exchanges on certain exchange requirements, such as shareholder approvals for certain transactions

# Joint Ventures and Other Canadian Transactions



- Common alternative early-stage Canadian transactions include joint ventures and option agreements
- Typically begin with Rocky Mountain Mineral Law Foundation standard form agreements
- Agreements often governed by the laws of Canada or a province of Canada



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