PUBLIC V PRIVATE MINING COMPANIES: SOME PRO'S AND CON'S FROM A TECHNICAL PERSPECTIVE

Mining is a global business and operated by both publicly-listed and privately-owned companies. From a technical perspective, what are the key advantages and disadvantages of each option?

Mining companies considering a listing on any of the internationally recognised stock and security exchanges must prepare a range of technical, commercial, financial and legal documentation.

Arguably, there are six key stock/securities exchanges that actively promote international minerals listings, and these are in Australia, Canada, Hong Kong, Singapore, South Africa and the United Kingdom. Each exchange has specific rules and requirements for technical documentation to support the listing process, and the time and cost to prepare this documentation varies from exchange to exchange.

The public documentation must also comply with specific national or international codes of practice; for example, the JORC Code (Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves), or the Canadian National Instrument 43–101: Standards of disclosure for mineral projects.

Once listed, all exchanges require various technical disclosures for ongoing compliance that must also fulfil the requirements of the relevant codes of practice. These include:

- Regular periodic reports on either a quarterly or six monthly basis, and/or an annual basis.
- Disclosures triggered by significant events such as changes in Mineral Resources and/or Mineral/Ore Reserves, as well as material acquisitions or disposals of mineral assets.

Consequently, the technical disclosure obligations of publicly-listed companies are significant and ongoing. To manage this process, companies must have access to recognised competent or qualified persons that meet the requirements of the relevant code of practice and who take responsibility for the technical content contained in public reports issued by the company. Some of these reports can be prepared by internal staff employed by the company, but other documents must be prepared by independent technical specialists.

In contrast, privately-owned mining companies do not have the same requirements for preparation and publication of technical information. Consequently, technical management and internal technical systems to support the mining operation may be less formal and less structured compared with the systems within publicly-listed companies.

Whilst this generally reduces the cost for privately-owned companies, there are disadvantages if important technical inputs and planning to support the operation's needs are inadequate. In addition, private companies do not need to use the reporting codes of practice enforced on publicly-listed companies.

Some privately-owned companies have elected to adopt the relevant code, but this is a voluntary decision and those companies choosing not to adopt these codes generally incur lower costs. However, if a privately-owned company is seeking funding, many financiers will expect to see technical documentation and reports prepared in accordance with these codes of practice, to assist with reviewing the funding application.

The choice of public company v private company will be dictated by many factors, and technical considerations are generally not one of the primary factors. However, it is important that company management clearly understands the technical benefits and obligations associated with operating a publicly-listed company versus a privately-owned company.

FOR MORE INFORMATION

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