

Applicant	Background and Decision
<p>Company A (MB Applicant) (2013)</p> <p>Rule reference: MB Rule 2.06; MB Chapter 8</p>	<p><i>Background</i></p> <ol style="list-style-type: none"> 1. Company A was a Mineral Company with its principal asset being an exploration stage mineral project that had not generated any profit (the “Project”). 2. Company A’s first listing application was not approved due to insufficient history and experience in bringing any mineral project to the production stage; and the early stage of the development of the Project. 3. Company A completed a Pre-feasibility Study of the Project and resubmitted its listing application two years after its first application. 4. Most of the original development plan was delayed by more than two years, and the economic estimates of the Project were substantially revised. 5. Total capital cost for the Project increased over 100%, the estimated mine life reduced from 17 years to nine years, meanwhile the payback period was seven years and the internal rate of return was 6.7%. 6. Company A only had limited cash balance and no banking facility. It expected it would only be able to obtain a banking facility after the Project had completed a further feasibility study. <p><i>Decision</i></p> <ol style="list-style-type: none"> 7. The listing application was rejected because Company A was not qualified for a waiver under MB Rule 18.04 as it had not demonstrated that its principal assets had a clear path to commercial production: <ol style="list-style-type: none"> (i) There was high risk concerning the project payback period as the Project was highly sensitive to variations in commodity prices, operating costs, the estimated lengthy payback period and low internal rate of return; (ii) The proposed funding plan was overly ambitious. The funds to be raised in the proposed offering were insufficient to bring the Project to a stage of commercial production and further fund raising exercises of a considerable scale would be required post listing; and (iii) Given the outstanding issue regarding aboriginal rights, which was subject to the local government’s consultation with indigenous groups prior to the approval of the Project, there was a high degree of uncertainty as to whether Company A was able to obtain the necessary mining permits and licences to commence commercial production.
<p>Company B (MB Applicant) (2015)</p>	<p><i>Background</i></p> <ol style="list-style-type: none"> 1. Company B was a Mineral Company.

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<p>Rule reference: MB Rule 2.06; MB Chapter 8</p>	<ol style="list-style-type: none"> 2. Its principal operations and assets were located in a jurisdiction with significant legal and political uncertainties and a high Corruption Perceptions Index in accordance with Transparency International. 3. There were repeated delays in the trial production schedule for a major project during and after the track record period, and its other mining projects had ceased operations after the track record period pending renewal of its exploration licence which had been outstanding since its listing application. <p><i>Decision</i></p> <ol style="list-style-type: none"> 4. The listing application was rejected due to the extreme uncertainties that rendered Company B not suitable for listing. The uncertainties and concerns arising from the jurisdiction in which Company B operated gave rise to questions as to whether Company B could carry out its business in a viable manner or retain ownership of its assets.
<p>Company C (MB Applicant) (2015)</p> <p>Rule reference: MB Rule 2.06; MB Chapter 8</p>	<p><i>Background</i></p> <ol style="list-style-type: none"> 1. Company C was a mining company. 2. Its mine commenced commercial production in 2014 and recorded immaterial revenue in 2014 and in the first half of 2015. 3. Company C applied for a waiver from the strict compliance with the requirements of MB Rule 8.05 under MB Rule 18.04. <p><i>Decision</i></p> <ol style="list-style-type: none"> 4. The listing application was rejected because Company C was not able to meet the requirement under MB Rule 8.05(1). Company C was also not qualified for a waiver under MB Rule 18.04 as it had not demonstrated that its mine had a clear path to commercial production: <ol style="list-style-type: none"> (i) There was insufficient justification for Company C's breakeven analysis to substantiate its mine's profitability; (ii) Company C had not demonstrated that it was able to generate sufficient funding for a proposed increase in its annual designed mining capacity where approximately half of the required funding had to be derived from Company C's operating activities and/or future fund raisings. There were extreme uncertainties as to whether Company C had demonstrated its ability to sell its products as: <ol style="list-style-type: none"> (a) It only had four customers during the track record period and all the sales agreements would expire in 2016; (b) It had not fulfilled any of its existing sales commitments since it commenced commercial production in 2014; (c) It was not able to demonstrate there would be sufficient demand for its products; and

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	<p>(d) It estimated an ambitious increase in sales volume of its low value by-product in 2017 (17 times) as compared with that in 2016 with no supporting data; and</p> <p>(iii) In addition, there were uncertainties as to whether Company C would be able to renew its mining permit as, in light of the above, it may not have sufficient funds to design and/or construct the relevant facilities and pay relevant fees and taxes.</p>