On the Road to IPO
Listing Options & Key Considerations
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Agenda

Topic

Overview of Equity Markets & Global Trends

Key Listing Venues for Mining Companies

Key IPO Considerations
Some of 2012 equity market themes: Facebook, Eurozone crisis and resilience of SE Asia

US markets in the lead, boosted by $16bn Facebook IPO

Other markets subdued, with AsiaPac proceeds less than ½ of 2011 and Europe less than 1/3rd

Tech IPOs dominated, with nearly a quarter of global proceeds raised in this sector

Share of energy and mining IPO proceeds reduced to 17% from 27% in 2011
**Equity capital raising - mining and metals**

**Total number of IPOs and Follow-Ons in Metals and Mining**

- **London – Main and AIM**
  - Total money raised (USD m): $11,694M
  - Number of IPOs: 26

- **Hong Kong**
  - Total money raised (USD m): $9,155M
  - Number of IPOs: 30

- **New York**
  - Total money raised (USD m): $2,972M
  - Number of IPOs: 13

- **Toronto – TSX and TSX-V**
  - Total money raised (USD m): $2,063M
  - Number of IPOs: 128

- **Australia**
  - Total money raised (USD m): $1,653M
  - Number of IPOs: 122

Source: Dealogic as of 07 November 2012

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## Some of EU&M equity stories of 2012

US and China markets generated most sizeable IPOs, although no jumbos this year

<table>
<thead>
<tr>
<th>Company</th>
<th>Market</th>
<th>Country of ops</th>
<th>Amount raised</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ivanplats</td>
<td>TSX</td>
<td>Africa</td>
<td>$305m</td>
<td>Successful IPO of African platinum miner – quality of assets and Robert Friedland’s name key to success</td>
</tr>
<tr>
<td>Linn Co</td>
<td>Nasdaq</td>
<td>US</td>
<td>$1,270m</td>
<td>Secondary offering in Oct 2012 of a NYSE listed company subsidiary structured as an IPO – no change of control</td>
</tr>
<tr>
<td>China Nonferrous Mining Corp</td>
<td>HKSE</td>
<td>Zambia</td>
<td>$252m</td>
<td>First Africa-based (copper) miner to list in HK, part of a Chinese SOE</td>
</tr>
<tr>
<td>Petrologistics</td>
<td>NYSE</td>
<td>US</td>
<td>$595m</td>
<td>Propylene producers, priced at bottom of range in May 2012</td>
</tr>
<tr>
<td>Eland Oil &amp; Gas</td>
<td>LSE-AIM</td>
<td>Nigeria</td>
<td>$187m</td>
<td>Successful IPO of a Nigerian producer, to fund acquisitions of fields divested by majors. Further acquisition plans.</td>
</tr>
<tr>
<td>Sunshine Oilsands</td>
<td>HKSE</td>
<td>Canada</td>
<td>$579m</td>
<td>Early stage tar sands company backed by Chinese SOEs, shares priced at bottom and fell on debut. TSX secondary listing plans</td>
</tr>
<tr>
<td>Huadian Fuxin Energy Corp</td>
<td>HKSE</td>
<td>China</td>
<td>$319m</td>
<td>Diversified energy company with hydropower projects, coal-fired power plants, wind power and clean energy projects throughout China</td>
</tr>
<tr>
<td>Seadrill Partners</td>
<td>NYSE</td>
<td>UK</td>
<td>$221m</td>
<td>Successful spin off of offshore drilling rigs operator owned by Norwegian Seadrill Ltd in MLP structure</td>
</tr>
<tr>
<td>PAK SA</td>
<td>WSE</td>
<td>Poland</td>
<td>$215m</td>
<td>Government selling down its stake in the utility company</td>
</tr>
<tr>
<td>Gas Malaysia</td>
<td>Malaysia</td>
<td>Malaysia</td>
<td>$233m</td>
<td>The sole licensed seller of natural gas in Peninsular Malaysia,</td>
</tr>
<tr>
<td>Yechiu Metal Recycling</td>
<td>Shanghai</td>
<td>China</td>
<td>$216m</td>
<td>Asia's largest secondary aluminium producer</td>
</tr>
<tr>
<td>RusPetro</td>
<td>LSE</td>
<td>Russia</td>
<td>$261m</td>
<td>Russian upstream oil company, completed IPO in January 2012</td>
</tr>
</tbody>
</table>
Outlook

- IPO pipeline remains strong, however alternative sources of financing increasingly sought.
- Increased EU&M activity in debt markets, including high yield bonds
- Increasing competition among key financial centres for IPO candidates, eg promotion of Hong Kong as a listing venue for resource sector, first mining IPOs in Singapore
- Attractive environment for M&A with strong balance sheets, favourable fundamentals and lower valuations – Chinese buyers particularly active seeking undervalued gold stocks and upstream O&G assets
Today’s Agenda

Topic

Overview of Equity Markets & Global Trends
Key Listing Venues for Mining Companies
Key IPO Considerations

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Markets for Miners
**Evolution of the mining industry capital markets**

Increasing choice for issuers and strong competition amongst exchanges

**Past**
- NYSE and LSE - key global capital markets
- TSX and ASX as main options for juniors
- Domestic capital markets illiquid and shallow

**Present**
- London remains a major int’l mining finance hub
- TSX and ASX continue attracting juniors
- Significance of NY diminished
- Push by HKSE to become a major mining centre
- Significant cross-border activity - Some domestic capital market growth

**Future**
- HK as an established global mining finance hub for majors?
- SGX as a creditable Asian alternative to HKSE for juniors?
- Bovespa as a LatAm mining hub?
- Further attempts at exchange consolidation? Global trading platforms?
- Ultimately, domestic capital markets as the primary source of mining equity finance?
- Developed PE and SWF financing routes for miners?
## Which market – which investors will buy your story?

<table>
<thead>
<tr>
<th>LSE</th>
<th>ASX</th>
<th>TSX</th>
<th>HK</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Overview</strong></td>
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</tr>
<tr>
<td>- Leading exchange for inbound listings</td>
<td>- High concentration of mid/small cap companies</td>
<td>- High concentration of small cap companies, fewer large scale IPOs</td>
<td>- Fewer number of resource companies, large Chinese SOEs</td>
</tr>
<tr>
<td>- Significant liquidity and appetite for resource companies</td>
<td>- Investors have significant experience with international exploration &amp; development assets</td>
<td>- Investors have significant experience with international exploration &amp; development assets</td>
<td>- Investors less familiar with international miners, limited analyst coverage</td>
</tr>
<tr>
<td>- Global diversified miners account for c.30% of market value of sector</td>
<td>- Rio Tinto and BHP Billiton account for over 2/3 of mining sector value</td>
<td>- Flexible listing regime</td>
<td>- Lack of understanding of exploration assets, companies with only inferred resources not eligible to list</td>
</tr>
<tr>
<td>- Well developed market infrastructure including large number of mining analysts and investors</td>
<td>- Limited large scale IPOs in resources</td>
<td>- Proximity to US capital</td>
<td>- Complex regulatory process</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Lower trading volumes than other global exchanges</td>
<td>- Higher proportion of retail investors</td>
</tr>
</tbody>
</table>
**Which market – which investors will buy your story?**

<table>
<thead>
<tr>
<th>Commodity &amp; geographic focus</th>
<th>LSE</th>
<th>ASX</th>
<th>TSX</th>
<th>HK</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Largest listing venue for <strong>copper</strong> companies by market value</td>
<td>• Most diversified listing venue with <strong>balanced mix</strong> across all <strong>commodities</strong></td>
<td>• High concentration of precious metal companies especially <strong>gold</strong></td>
<td>• Largest listing venue for <strong>coal</strong> companies by market value</td>
<td></td>
</tr>
<tr>
<td>• Strong presence of <strong>precious metals</strong></td>
<td>• Largest listing venue for <strong>iron ore</strong> by market cap</td>
<td>• <strong>Uranium</strong> and <strong>potash</strong> miners well represented</td>
<td>• Proximity to Chinese base is an advantage</td>
<td></td>
</tr>
<tr>
<td>• Most international venue, particularly well represented Russia / CIS and Africa</td>
<td>• Predominantly projects in Australia, SE Asia and increasingly Africa</td>
<td>• International companies mainly from US and Australasia</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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The Emerging Markets Exchange

Number of listed mining stocks at December 31, 2011

- Predominantly Coal
- Petroleum & Natural Gas
- Metals & minerals
- Land/Stone Quarry

US$46bil
Market Cap of energy & mining companies @ December 31, 2011

21 COAL MINING
1. ADRO Adaro Energy Tbk. [S]
2. ARII Atlas Resources Tbk [S]
3. ATPK ATPK Resources Tbk.
4. BORN Borneo Lumbug Energi & Metal Tbk. [S]
5. BRAU Berau Coal Energy Tbk.
6. BUMI Bumi Resources Tbk.
7. BYAN Bayan Resources Tbk.
8. DEWA Darma Henwa Tbk. [S]
9. DOID Delta Dunia Makmur Tbk.
10. GEMS Golden Energy Mines Tbk. [S]
11. GTBO Garda Tujuh Buana Tbk. [S]
12. HRUM Harum Energy Tbk. [S]
13. ITMG Indo Tambangraya Megah Tbk. [S]
14. KKGi Resource Alam Indonesia Tbk. [S]
15. PKPK Perdana Karya Perkasa Tbk.
16. PTBA Tambang Batubara Bukit Asam Tbk. [S]
17. PTRO Petrosea Tbk. [S]

Sources: IDX website, PwC research

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Which market – considerations to help your decision

- **Likely investor base**
  - Management track record
  - Commodity fit, degree of diversification
  - Size and stage of development of assets, extent of capital required
  - Quality and risks of assets

- **Geographic proximity**
  - Location of management
  - Location of mines
  - Proximity to key customers and markets, especially China

- **Market**
  - Market capitalisation and liquidity
  - Location of listing peers
  - Total money raised from resource IPOs
  - Presence of mining analysts

- **Regulation and process**
  - Admission criteria, including CPR requirements
  - Ongoing obligations
  - Speed and cost
  - Index inclusion
## Comparison of stock exchanges

<table>
<thead>
<tr>
<th>At 31 December 2011</th>
<th>London</th>
<th>Australia</th>
<th>Toronto</th>
<th>Hong Kong</th>
<th>Indonesia</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Main Market</td>
<td>AIM</td>
<td>ASX</td>
<td>TSX</td>
<td>TSXV</td>
</tr>
<tr>
<td>Total number of issuers</td>
<td>1,376</td>
<td>1,143</td>
<td>2,079</td>
<td>1,588</td>
<td>2,249</td>
</tr>
<tr>
<td>Total market cap, US$ bn</td>
<td>5,584</td>
<td>101</td>
<td>1,198</td>
<td>1,967</td>
<td>48</td>
</tr>
<tr>
<td>No. of mining issuers listed</td>
<td>44</td>
<td>136</td>
<td>687</td>
<td>371</td>
<td>1,274</td>
</tr>
<tr>
<td>Mining market cap, US$ bn</td>
<td>405</td>
<td>20</td>
<td>308</td>
<td>391</td>
<td>28</td>
</tr>
<tr>
<td>New mining IPOs in 2011</td>
<td>3</td>
<td>9</td>
<td>49</td>
<td>6</td>
<td>42</td>
</tr>
<tr>
<td>Proceeds of mining IPOs in 2011, US$ m</td>
<td>10,907</td>
<td>67</td>
<td>471</td>
<td>202</td>
<td>145</td>
</tr>
<tr>
<td>Average raise</td>
<td>3,636</td>
<td>7</td>
<td>10</td>
<td>34</td>
<td>3</td>
</tr>
</tbody>
</table>

Converted at: USD:AUD of 1.02, USD:CAD of 0.98, USD:GBP of 1.55, HKD:USD of 7.76, USD:Rupiah9,068
sources: World Federation of Exchanges, stock exchanges, ThomsonOne data, PwC research
Agenda

Overview of Equity Markets & Global Trends

Key Listing Venues for Mining Companies

Key IPO Considerations
Key decisions on the road to IPO

Start of preparation

Strategy and equity story, which businesses/assets to float

Appointment of experts & other advisors

Tax and legal structuring, holding company location

Financial reporting and track record audit requirements

Choice of market and timing

Management information systems

People and resources, key management

Transparency and corporate governance

IPO decision

Board composition

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What is your equity story

Maximising value of asset portfolio

- Quality of resource base
- Proximity to emerging market customers
- Competition and market share
- Credibility of management
- Commodity synergies
- Understanding stage of development
- Well thought through capex plans
- Positive commodity prices outlook
- Good access to transportation routes
- Off-take agreements

Exploration

Development

Established production

Early production
The IPO journey

Pre-IPO
Initial planning and preparation

IPO
“Going Public”
Execution of IPO process

Post IPO
“Being Public”
Change programme to enable company to operate effectively as a public company

Readiness assessment
Implementation plan

Project set up
Delivering the IPO

Embedding change

3-12 months
4-6 months
12-24 months

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Assessing IPO Readiness

Key factors

<table>
<thead>
<tr>
<th>Structure</th>
<th>Financial history</th>
<th>Financial control &amp; governance</th>
<th>Taxation</th>
<th>Business planning &amp; forecasting</th>
<th>Management information</th>
<th>Related party transactions</th>
<th>Legal title to assets</th>
<th>Private</th>
</tr>
</thead>
<tbody>
<tr>
<td>A collection of legacy businesses</td>
<td>FS prepared for tax/entity structuring</td>
<td>Informal, owner managed</td>
<td>Unidentified exposures</td>
<td>Cash based annual budget</td>
<td>Standalone local GAAP</td>
<td>Opaque &amp; confusing</td>
<td>Assumed</td>
<td>IPO Ready</td>
</tr>
<tr>
<td>Efficient tax &amp; legal structure</td>
<td>GAAP compliant (3 to 5 years record)</td>
<td>Robust internal controls &amp; governance framework</td>
<td>Compliance &amp; disclosure</td>
<td>Reliable working capital forecasts, longer term strategic plans</td>
<td>Integrated GAAP, defined KPIs</td>
<td>Transparent &amp; arms length</td>
<td>Confirmed</td>
<td></td>
</tr>
</tbody>
</table>
Understanding the scale of the challenge

The IPO process
- Creation of the new group structure
- Prepare equity story
- Numerous advisers and requirements
- Public expose, investor road shows and communication
- IPO workstreams
- Prospectus rules and regulations

Transforming the business to operate as a public company
- Reputation, predictability and citizenship
- Corporate governance requirements
- Financial reporting procedures, KPIs and business planning
- Financing and working capital
- Timely and transparent reporting
- Independence

Impact on key individuals in the team

“Business as usual”

Accounting and regulatory requirements
- 3-5 year financial history with full disclosures
- Availability of consolidated financial information at level of issuer
- Consideration of impact of segmental presentation on presentation of the business
- Financial reporting – internal and external
- Complexity of the standards and rules

Corporate governance framework
- Board and management structure
- Acting and delivering as a stand-alone entity
- Formality of control and oversight, and corporate governance
- Location of management, head corporate functions and operations
- Risk management framework

“Risk of delivery failure”
Getting your company IPO ready - conclusion

**IPO windows are tight**
- being well prepared ensures deadlines can be met

**Have you decided which market best suits you?**

**Identify and address issues early in the process**

- Have you got your equity story right? Are you clear about your strategy?

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**How PwC can help**
- IPO readiness
- IPO advisory
- Structuring & Tax
- Corporate Governance
- Accounting advice
- Reporting Accountant
PwC Global Capital Markets network

Over 400 professionals in more than 27 territories
Thank you

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