PRACTICAL GUIDE TO LISTING MINING COMPANIES ON THE MALAWI STOCK EXCHANGE



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INTRODUCTION

This brochure has been developed to provide information that is necessary to enable mining companies to list on the Malawi Stock Exchange. The brochure is aimed at providing an overview of the opportunities available to mining companies, the benefits attached to listing and the requirements and process of listing on the Malawi Stock Exchange. In addition to the brochure, mining companies are encouraged to review the Malawi Stock Exchange Listings Requirements with specific focus on Section 11 that deals with Mining companies.

ABOUT MALAWI STOCK EXCHANGE

The Malawi Stock Exchange MSE is a self-regulatory institution licensed under the Financial Services Act, 2010. The MSE and its members operate under the Securities Act, 2010 and the Companies Act, 2013. The companies listed on the MSE are required to also adhere to the Malawi Stock Exchange Listing Requirements. MSE has been in existence since 1994 but commenced equity trading in November 1996 when the first company, NICO Holdings plc (then NICO General), was listed. The MSE currently trades equities and bonds.

OUR CORE VALUES

Our core values are the defining principles by which we operate as individuals and as a company. They define who we are, how we work, what we believe in and what we stand for.

Our core values are:

T T F P I

- Transparency
- Teamwork
- Fairness
- Professionalism
- Integrity

MISSION STATEMENT

To provide and operate a fair, orderly, transparent and properly regulated securities market for the creation of wealth and value to our investors and listed companies.

OUR VISION

To be an efficient securities market worthy of public trust characterized and underpinned by transparency and integrity.



What are the opportunities in the stock market?

1. Growth in pension funds have seen annual pension contribution grow since the enactment of the Pensions Act 2011 from K9 billion in 2011 to K203.3 billion in 2023. This has resulted in a substantial increase in funds under management from K0.13 trillion in 2011 to K3.6 trillion in 2023.
2. Huge appetite by pension funds to fund listed companies. Currently, pension funds allocate 40-50% of their assets to shares on the MSE and only 4% to unlisted equities.
3. There is a good return on investment on the MSE since inception at an average of 34.27% against average inflation of 17.88% and average money market return of 21.97% as at 31st December 2023.
4. As per 2023/24 budget statement, there is no stamp duty on primary issuance of shares through an initial public offering (IPO).



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WHAT ARE THE BENEFITS OF BEING A PUBLIC LISTED COMPANY?

There are many benefits that accrue to public companies whose shares are listed. These include:

Access to large pools of capital

A public issuance of shares provides issuers with access to a large pool of funds through the numerous investors such as individuals, institutions, local or foreign who, in aggregate, have a significant amount of funds to invest in listed instruments. This is as opposed to private placements which limit the number and variety of investors the issuing party can reach. This ability to raise funds from the investing public by the issue of securities is perhaps the most valuable of all the benefits that accrue to public companies. The raising of such capital allows for future expansion, growth and greater ability to withstand competition.

Increase liquidity to shareholders

Listing provides liquidity to shareholders by providing a ready market in the event that the shareholders would like to exit or realize value from their shareholding. Most majority shareholders have used Initial Public Offers (IPOs) as an exit strategy

Motivation to staff

The company during listing may provide shares to employees through an Employee Share Ownership Scheme which serves as an incentive to employees to put in best efforts in their work.

Market determined valuation

Once a company is listed, the market value of the company is determined by the market through the trading of the company's shares on the Stock Exchange. This has the potential to drive prices upwards.

Efficient way to raise capital

Raising capital on the stock market provides an efficient way to raise capital due to the low cost of raising capital achieved through public listing compared to private placements. Historical statistics show that the average cost of raising funds on the stock market is between 2.6% and 9%. Please note that the actual cost may vary depending on the size of the capital raising and the negotiation power of the issuer

Improve gearing and balance-sheet ratios

By issuing additional shares to the public, the company can increase its share capital and thereby improving its gearing. This gives the company greater ability to take on expansion projects without the worry of debt repayments. With such capital reinforcement and good management, higher earnings and dividends are almost certain to follow.

Enhanced visibility and company profile

Listing generates publicity for the listed companies thereby making their products and services known to a wider group of potential customers.

Listing on a stock market increases your company's external and internal profile. It can enhance the view that investors, shareholders and other stakeholders have of your company, its ambitions and the way in which it meets its obligations and adheres to regulatory requirements.

Listing also rebrands the company to be considered as a Malawi owned business and could give the company a competitive edge. Public companies also benefit from access to the useful information bought to them by their advisors, financial analysts, stockbrokers and shareholders.

WHAT INFORMATION MUST MY COMPANY PROVIDE TO THE EXCHANGE WITH MY LISTING APPLICATION?

The Malawi Stock Exchange listings requirements provide for the listing of both producing mining companies and mineral exploration and development companies. In addition to the general requirements for listing on the Main Board of the Exchange, mining companies are also required to comply with requirements specific to mining companies depending on their categorisation.

GENERAL REQUIREMENTS

For a company to have its shares or stocks listed on the MSE Main Board, it must meet the following minimum requirements:

- The company must be duly incorporated as a public limited liability company under the Companies Act 2013 or otherwise validly established under the law of the country of incorporation or establishment.

  Note: Foreign incorporated companies will need to register with the Registrar of Companies who will provide a registration certificate, a copy of which needs to be submitted to the Exchange together with the listing application.

- A subscribed capital (including reserves but excluding minority interests, revaluations of assets that are not supported by a valuation of an independent professional expert acceptable to the MSE prepared within the last six months and intangible assets) of at least K400 million

- The MSE will list securities held by the promoters of the companies listed on the main board subject to the following—

  (i) Undertaking by the promoters that securities amounting to 75% of their individual holdings in such company shall be placed in a locked account (locked holdings) by the CSD, subject to the CSD Rules;

  (ii) Trading in 30% of the Promoter's locked holdings shall only be permitted after 12 months from the date of listing, and trading in the balance shall be permitted after 24 months from the date of listing, and confirmation to that effect from the CSD must be submitted to the MSE.

- A satisfactory audited profit history for the preceding 2 financial years. In the case of a restructuring arrangement that creates a company with no track record or an inadequate track record, profit forecast for 3 years should be prepared, and reported on by a reporting accountant giving details of the assumptions made in arriving at such forecasts and giving reasons as to why the MSE should consider a listing on the Main Board.

  Note: In the case of mining companies, the listings requirements allow the Board to admit to the list a mining company that does not possess a profit history provided it complies with all other requirements and demonstrates that it has the expertise and mandate to carry out mining activities.

- The company should not have less than 20,000,000 equity shares in issue

- At least 25% of the issued capital for which a listing is being sought must be offered to the public

- The number of public shareholders of listed securities shall be at least—
  (i) 300 for equity shares;
  (ii) 100 for other class of shares

- The company should neither have limitations on the number of shareholders nor restrictions on the transferability of its shares;

- The company should be eligible to make invitations to the public to acquire any of its shares.

SPECIFIC REQUIREMENTS FOR LISTING PRODUCING MINING COMPANIES

A producing mining company must comply with the following additional requirements to list on the MSE Main Board platform:

- The applicant undertakes or proposes to undertake mining;
- The applicant demonstrates to the satisfaction of the Board that the applicant's managers have satisfactory experience in mining;
- The applicant demonstrates to the satisfaction of the Board that the applicant is entitled to mine the relevant minerals.
- These companies shall have proven and probable reserves to provide a mine life of at least ten (10) years from the date of listing, as estimated by an independent competent person;
- Companies that are pre-production must provide a positive bankable feasibility study and commercial contracts supporting forecast revenues;
- For companies with operational mining projects, documented historical production and financial performance as well as commercial contracts supporting forecast revenues must be submitted.
- The companies shall have sufficient funds or commitments of funding to bring the mine into commercial production if applicable, adequate working capital to fund all budgeted capital expenditures and carry on the business; and
- The company must be solvent as declared by the Board of directors through a written declaration submitted to the Board.

SPECIFIC REQUIREMENTS FOR LISTING MINERAL EXPLORATION AND DEVELOPMENT COMPANIES

A mineral exploration and development company must comply with the following additional requirements to list on the MSE Main Board platform:

- The applicant undertakes or proposes to undertake exploration;
- The applicant demonstrates to the satisfaction of the Board that the applicant's managers have satisfactory experience in exploration;
- The applicant demonstrates to the satisfaction of the Board that the applicant is entitled to explore for the relevant minerals.
- They have properties which have been subject to exploration with results indicating that the property contains at a minimum a compliant inferred resource or equivalent per any of the accepted Mining Codes as detailed in a report prepared by an independent competent person.
- The company must present a planned work programme (minimum of three (3) years) for further exploration and/or development approved by the board of directors, detailing the expected costs and timelines.

WHAT INFORMATION MUST MY COMPANY PROVIDE TO THE EXCHANGE WITH MY LISTING APPLICATION?

The listing rules specify the information that is to be provided in an original listing application. The application requires information in the following areas:

- Background of the Company – (history, type of business)
- Capitalization and share distribution – (authorized and issued capital if applicable, distribution of shareholding, etc.)
- Directors and key management staff
- Long-term and funded debt - (financing arrangement, interest rates, maturity dates, etc.)
- Investments and properties
- Competition and industry analysis
- A compiled audited financial history for the preceding 2 financial years
- Dividend records
- A competent persons report on the mining company and its activities
- Capacity and mandate - (licensing, experience in sector, details of all management and service level agreements etc)
- Capital requirements – (historical and projected funding requirements, capital adequacy etc)
- Details of prior mining activities undertaken
- Environmental, Social and Governance framework adopted or to be adopted
- A copy of the prospectus
- Other information – (fiscal year end, pending legal actions, etc.)

The objective of all the information required is to provide sufficient information to investors so that they can make an informed investment decision. It is the responsibility of the sponsoring broker to verify all the information provided by the company and then file with the Exchange all the necessary documentation that supports the application.

LISTING PROCESS

Our listing process is structured to be very efficient, transparent and simple. It includes several steps and will require the involvement and support of third parties. We encourage you to expedite the process by pre-assessing your readiness for listing, appointing advisors early, and carefully preparing each step. Below are the key steps involved in the listing process. We are available to guide and support you during the process and in all listing related matters.

PRE-LISTING

I. Appoint advisors
II. Verification of listings requirements
III. Due diligence review
IV. Pre-verification of application
V. Preparation of prospectus

POST-LISTING

I. All successful applicants registered in CSD
II. Financial reporting
III. Ad hoc announcements
IV. Secondary market reporting requirements.
V. Payment of annual fees
VI. Secondary trading of shares on the MSE
VII. Annual General Meetings

LISTING

I. Application for provisional admission to trading
II. Submission of a formal application for listing
III. Payment of listing fees
IV. Approval and registration of prospectus
V. Granting of listing
VI. Road show and pre-marketing
VII. Official listing
VIII. Trading and settlement

PARTIES INVOLVEDIN THE

LISTING PROCESS

You will need to engage professional advisors to successfully issue shares on the Main Board.

The issuer may engage some or all the below parties:



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CORPORATE LEAD ADVISOR

It is recommended that an Issuer appoint a Lead Advisor. This may be a commercial bank, investment bank, stockbroker or any other professional advisor accredited by the MSE. The Lead Advisor has the overall responsibility for the success of the issue and for the detailed co-ordination of the activities of all the parties in the lead up to the listing of the company. Specifically, the Lead Advisor is therefore responsible for the following:

- Determining the structure, method and drawing up the timetable for the issuance
- Have the task of advising the best price for the capital issuance and preparing the prospectus
- Provide advice on the composition of the board, caliber of the directors and strength and expertise of management so as to ensure that relevant disciplines are represented and that there is management depth and succession appropriate to the size of the business
- Co-ordinate the activities of all other professional advisors.
- Assist in generating public interest in the company by arranging presentations of the company to investors and to the press.
- Organize underwriting placements with potential underwriters or ensuring that relevant provisions of the MSE Listings Requirements are met where the issuance is not underwritten (Refer to Paragraph 3.7 of the Listings Requirements).

REPORTING ACCOUNTANTS/ FINANCIAL ADVISORS

The issuer is also required to engage a Reporting Accountant accredited by the MSE. The Reporting Accountant is responsible for the following:



SPONSORING BROKER

Every public listing requires the appointment of a sponsoring broker. The sponsoring broker is required to be a stockbroker that is registered as a member of the MSE. The role of the sponsoring broker is to:

- To ensure submission of all required documents to the MSE
- To ensure full disclosure is made in the listing document and application documents
- To communicate on all matters to do with the listing with the MSE on behalf of the issuer
- To advise on market conditions and the likely demand from investors for the issuance thereby providing a marketing strategy, advising on the size of the issue, and the timing or the pricing of the issuance
- To represent the company to investors to try to generate interest by providing investors with research material and other information of the company.

- Conducting a detailed analysis of the company and highlighting any matters that require addressing before issuance can proceed.
- producing specific sets of finance related reports based on an audit of the company's financial statements and internal controls
- Fulfilling regulator's requirement for 2 years audited financial statements
- Preparation and evaluation of the financial forecasts to ensure accuracy to withstand public scrutiny and re-assure investors that management is in control of the company.
- Preparation of the final disclosure package for the prospectus.

In certain circumstances the Reporting Accountants are required to report on this in the prospectus so far as the accounting bases, policies and calculations are concerned. The Reporting Accountants are normally also responsible for all tax matters connected with the issue.

ATTORNEYS (LEGAL ADVISORS)

The issuer is required to engage a legal advisor accredited by the MSE. The Legal Advisor to the issue would normally be a different firm to the company's usual solicitors, who would advise the company and its directors in relation to all matters where the usual solicitors would otherwise have a conflict of interest.

This would include advice in relation to the underwriting agreement entered with the sponsor, and in relation to any tax and other indemnities and warranties that may be required.
The Legal Advisor is also responsible for:

- Ensuring that all statements made in the prospectus are true
- Preparation of legal documentation in connection with the issue

TRANSFER SECRETARIES

The company will need to engage a Transfer Secretary who will be responsible for maintaining the records on the ownership of shares as shares are bought and sold on the Stock Exchange. They keep the company's register and ensure Annual Reports and such corporate actions notices as Annual General Meeting, Dividend payment etc are sent to investors.

PUBLIC RELATIONS CONSULTANT

An issuing company may also consider appointing a Public Relations Consultant. A Public Relations Consultant will normally be retained to help generate appropriate public awareness of the company and the issue, particularly if the company is not already well known. In addition, the consultants will arrange interviews with the press and assist with promotional material.



LISTING FEES AND EXPENSE

The following are the fees payable to MSE:

Primary listing expenses

An application fee is payable at submission of the listing application. Subsequently, upon approval the following other fees arise;

- Primary listing fee (this is dependent on the value of shares issued)
- Professional advisors' fees
  - > Lead corporate advisor
  - > Sponsoring broker(s)
  - > Reporting accountants
  - > Legal professionals
  - >Underwriters (applicable if issue is underwritten)
- Marketing expenses: These fees will vary with the amount of work required to prepare the information for a listing.

Based on historical evidence the full cost of raising capital through the stock exchange is estimated at between 2.6% and 9% of the amount raised. Note that this may vary depending on the amount raised and negotiation power of the issuer. Our fee schedule is available upon request or can be accessed via https://mse.co.mw/listing/mainboard



ANNUAL SUSTAINING FEES

An annual sustaining fee is payable based on the market capitalization of the company at the end of each year. Our fee schedule is available upon request or can be accessed via https://mse.co.mw/listing/mainboard

WHAT INFORMATION MUST MY COMPANY CONTINUE TO REPORT TO THE EXCHANGE?

Information required on an on-going basis for compliance purposes is your annual and half year financial statements, corporate announcements such as dividend payments and any information material to an investor in deciding whether or not to invest in your company's shares. Mining companies are also expected to provide quarterly market updates detailing mining and/or exploration activities during the quarter. This should be accompanied by a quarterly cashflow update.

ESG reporting

Due to the fact that mineral companies are extremely sensitive to environmental and social issues with high environmental and social exposure and impacts, this warrants specialised reporting frameworks for meaningful assessments of issuer risk and performance. It is required that mining companies adopt Global Reporting Initiatives (GRI) standards or other internationally and nationally recognised framework for ESG reporting.

REGISTERED STOCKBROKERS OF THE MALAWI STOCK EXCHANGE

CEDAR CAPITAL LIMITED

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http://www.stockbrokersmalawi.com

REGISTERED CORPORATE ADVISORS

The list of accredited corporate advisors is available upon request or can also be accessed via https://mse.co.mw/members/advisors

For clarification on any items contained herein, please do not hesitate to contact the Malawi Stock Exchange on the below address details:

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DISCLAIMER

This note is for guidance purposes only and it is not intended and should not be used as substitute for professional advice in any specific situation. Reference should be made to the MSE Listing Requirements at all time.

Note Date: / /