FREE GUIDE

HOW ECOBALT RAISED $30 MILLION IN 7 BUSINESS DAYS

BY FILING A SHELF PROSPECTUS

PILOT LAW LLP

PILOT LAW LLP

eCobalt raised $30 million by filing a shelf prospectus

THE FINANCING TOOK SEVEN BUSINESS DAYS FROM ANNOUNCEMENT TO CASH IN THE BANK

In volatile markets financing windows can open and close rapidly, so timing is crucial. The quicker the market can be accessed, the less the risk. Speedy access to capital is where a shelf prospectus offers one of its biggest advantages. With a shelf prospectus in hand, eCobalt Solutions was ready to act.

PILOT LAW LLP

On February 13, 2018, our client eCobalt Solutions Inc. announced a $26 million bought deal financing, with a 15% over-allotment option. The financing closed on February 23, with the over-allotment option being exercised by the underwriters in full, resulting in gross proceeds to eCobalt of $30 million.

SEVEN BUSINESS DAYS FROM ANNOUNCEMENT TO CASH IN THE BANK

WHAT IS A SHELF PROSPECTUS?

1. A shelf prospectus is a short form prospectus that permits companies to offer, from time to time over a 25-month period, up to a maximum aggregate dollar value of one or more types of securities.

2. The securities can include preferred shares, common shares, debt securities, warrants or units.

3. The base shelf prospectus contains, or incorporates by reference, disclosure not specific to a particular offering of securities (i.e., it omits so called “shelf information”).

PILOT LAW LLP

THE SHELF INFORMATION

The base shelf prospectus will state the maximum dollar amount and types of securities which can be issued over the relevant 25-month period. Both the maximum dollar value amount and the types of securities qualified by the base shelf prospectus can be set at the discretion of the company.

WHAT HAPPENS NEXT?

When a company decides to access the market by offering securities, a brief prospectus supplement disclosing the “shelf information”, including the specific terms of the securities being offered, is incorporated by reference into the base shelf prospectus and provided to investors.

PILOT LAW LLP

PILOT LAW LLP

ADVANTAGES OF A SHELF PROSPECTUS

QUICK ACCESS TO MARKETS

AS QUICKLY AS ONE WEEK FROM DEAL TERMS ANNOUNCED TO CLOSING AND CASH IN THE BANK.

PILOT LAW LLP

PILOT LAW LLP

SHELF PROSPECTUS ADVANTAGES

LOWER COST

Once a base shelf prospectus has been filed, accessing the capital markets requires only finalization of a prospectus supplement – a much less complex document than even a short form prospectus. This results in lower financing costs for the issuer.

PILOT LAW LLP

SHELF PROSPECTUS ADVANTAGES

FLEXIBILITY

In addition to ordinary equity, units, warrants and debt securities may be offered under the base shelf prospects.

CERTAINTY

Filing a base shelf prospectus ensures that the technical reports are not reviewed each time the market is accessed.

SECURITY

Once filed, a base shelf prospectus is valid for 25 months and permits ongoing financing from time to time of up to the dollar amount stated in the prospectus.

PILOT LAW LLP

SHELF PROSPECTUS ADVANTAGES

ATTRACTIVENESS TO AGENTS/UNDERWRITERS

The ability to close a shelf prospectus financing quickly means less market risk for agents and underwriters.

MARKETING

After a receipt has been issued for a base shelf prospectus, securities regulators do not have the same regulatory concerns about “marketing” before the filing of a shelf prospectus supplement as they do about “pre-marketing” before the filing of a short form prospectus or a long form prospectus.

PILOT LAW LLP

MARKET PERCEPTION

There has been a perception that filing a shelf prospectus will signal an imminent financing and create a market overhang.

PILOT LAW LLP

OUR EXPERIENCE IS THAT NEGATIVE MARKET REACTION, IF ANY, IS TEMPORARY.

In the junior resource sector, investors anticipate future dilution on the understanding that there are no cash flows from operations to fund necessary exploration and development.

PILOT LAW LLP

WHO CAN FILE A SHELF PROSPECTUS?

PILOT LAW LLP

COMPANIES ELIGIBLE TO FILE A SHORT FORM PROSPECTUS MAY FILE A BASE SHELF PROSPECTUS.

THE PRINCIPAL REQUIREMENTS ARE:

- the company must have, in at least one jurisdiction in which it is a “reporting issuer”, current annual financial statements, and a current AIF, and file documents electronically;

- the company’s equity securities must be listed and posted for trading on a short form eligible exchange; and

- the company must not be an issuer whose operations have ceased, or whose principal asset is cash, cash equivalents, or its exchange listing.

PILOT LAW LLP
TECHNICAL
REPORTS

TECHNICAL REPORTS

Non-compliant technical reports are the principal reason for denying prospectus receipts for mining and oil & gas issuers.

Companies filing a prospectus must have current technical reports on their material mining and oil & gas properties at the time of filing.

These reports (in form NI 43-101 F1 for mining and NI 51-101 F1 for oil & gas) are reviewed in detail by commission staff and may have to be revised and reissued.

NI 43-101 F1

FOR MINING

NI 51-101 F1

FOR OIL & GAS

PILOT LAW LLP

REVIEW OF TECHNICAL REPORTS CAN PREVENT THE COMPLETION OF FINANCINGS

ISSUERS REDUCE THE RISK

BY FILING A BASE SHELF PROSPECTUS

since the technical reports are only reviewed at the time of filing the base shelf prospectus

AND NOT WHEN THE MARKET IS ACCESSED THROUGH THE FILING OF A PROSPECTUS SUPPLEMENT.

PILOT LAW LLP

WHEN IS THE BEST TIME FOR A COMPANY TO FILE A SHELF PROSPECTUS?

THERE ARE A NUMBER OF CONSIDERATIONS, AND TIMING WILL VARY FROM COMPANY TO COMPANY.

LONDON | NEW YORK | TOKYO | MOSCOW

PILOT LAW LLP

THE FOLLOWING ARE A FEW OF THE FACTORS THAT SHOULD BE CONSIDERED:

WHEN WILL THE COMPANY NEED OR WANT TO RAISE CAPITAL?

- In order to go to market quickly, a company needs a base prospectus in place before it intends to go to market.
- The base shelf prospectus is reviewed and commented on by Canadian securities regulators, and that process can take some time.
- Therefore, companies generally file the base several weeks in advance of their target dates for going to market. Remember that a shelf prospectus will be valid for 25 months after clearance.

THE FOLLOWING ARE A FEW OF THE FACTORS THAT SHOULD BE CONSIDERED:

WOULD THE COMPANY'S TECHNICAL REPORTS BE CONSIDERED CURRENT?

- A company filing a prospectus must have current technical reports on their material mining and oil & gas properties at the time of filing.

- If a company's technical reports are not current or otherwise do not comply with applicable requirements for technical reports, this will increase the amount of time necessary to clear the base shelf through the review and comment process.

PILOT LAW LLP

THE FOLLOWING ARE A FEW OF THE FACTORS THAT SHOULD BE CONSIDERED:

IS THE COMPANY OTHERWISE CURRENT IN ITS CONTINUOUS DISCLOSURE OBLIGATIONS?

- A company filing a shelf prospectus must have filed in all Canadian jurisdictions in which it is a reporting issuer all periodic and timely disclosure documents that it is required to have filed in those jurisdictions.

PILOT LAW LLP

SUBJECT TO COMPANY-SPECIFIC FACTS THAT MAY INFLUENCE ITS ANALYSIS OF WHEN IT MAY BE ADVANTAGEOUS TO FILE A SHELF PROSPECTUS, FOR A COMPANY THAT PLANS TO FILE A SHELF PROSPECTUS IN THE NEAR TERM, IT CAN BE CONVENIENT TO DO SO SHORTLY AFTER FILING ITS AIF, AUDITED FINANCIAL STATEMENTS AND RELATED MD&A.

"A company planning to file a shelf prospectus should consider doing so shortly after filing its Annual Information Form and accompanying audited financial statements and related MD&A."

CHUCK HIGGINS, MANAGING PRINCIPAL AT PILOT LAW LLP

PILOT LAW LLP

LET'S TALK!

CALL US (416) 521-7200

FOLLOW US ON LINKEDIN

PILOTLAW.CA

EMAIL US INFO@PILOTLAW.CA

PILOT LAW LLP