

HKEx LISTING DECISION
HKEx-LD53-2013 (published in March 2013)

Summary	
Party	Company A – a Main Board listing applicant
Issue	Whether Company A’s directors and senior management, taken together, had “ <i>sufficient experience relevant to exploration and/ or extraction activity</i> ”?
Listing Rules	Rule 18.04
Decision	<p>Company A’s directors and senior management, taken together, were considered to have “<i>sufficient experience relevant to exploration and/ or extraction activity</i>” under Rule 18.04 as:-</p> <ul style="list-style-type: none">(i) the experiences of some directors and senior management in the polymetallic base metal mining industry generally was relevant and could be transferred to the area of lead and zinc ore mining; and(ii) five out of nine core management members possessed sufficient experience relevant to Company A’s exploration and/ or extraction activity.

FACTS

1. Company A engaged in the exploration and mining of zinc and lead in a mine in South Africa. The Competent Person Report prepared under the SAMREC Code indicated that there were Measured and Indicated Resources of zinc and lead.
2. Company A was not able to satisfy the profit test under Rule 8.05 as it had not yet started commercial production during the Track Record Period. Hence, it applied for a Rule 8.05 waiver under Rule 18.04.
3. Company A’s core management team comprised four executive directors and five senior management members. Of the four executive directors (“**Mr. W**”, “**Mr. X**”, “**Mr. Y**” and “**Mr. Z**”),
 - (i) Mr. W was Company A’s founder and managing director possessing more than 20 years’ experience in the mining industry including nickel and platinum. He had in-depth knowledge in mining projects’ development, execution, construction and operation, and was an architect of a base metal sulphides’ mining technology. He obtained a Bachelor of Science degree majoring in metallurgy, and was a member of The Southern African Institute of Mining and Metallurgy.

- (ii) Mr. X was Company A's chairman. He obtained a Bachelor of Science degree majoring in geology, and was a fellow of The Southern African Institute of Mining and Metallurgy. He had over 30 years practical experience in the production, exploration and technical skills in large scale open pit and underground mining operations, particularly in the fields of asset evaluation, mine project implementation and operational management. In addition, he was experienced in managing the large scale earth moving, blasting and crushing contracts, and the mining operations. Together with Mr. W, he was responsible for the implementation of all geological and mining aspects of the base metal sulphides' mining technology.
 - (iii) Mr. Y was Company A's chief executive. He obtained a Bachelor of Science degree majoring in metallurgy, and had more than 20 years' experience in strategic, operational and corporate levels in the minerals and mining industry. Prior to joining the company, he was a director and president of a Toronto Stock Exchange listed company where he was responsible for a number of mining exploration and development projects.
 - (iv) Mr. Z had more than 20 years' experience in the minerals and mining industry focusing on accounting, human resources, and social and labour portfolios.
4. Of the management team members,
- (i) two were experienced (17 years and 6 years) in conducting feasibility studies for polymetallic base metal projects including platinum, nickel and copper. They led teams to develop new mines from start-ups, were experienced in the control of financial, technical and operational disciplines, and managed exploration programmes which led to the declaration of the initial inferred resources;
 - (ii) one was experienced (20 years) in selling refined metals and sourcing raw materials (including coal, platinum, gold, coal bed methane, oil and gas, rare earths and base metals); and
 - (iii) two were experienced in corporate finance services including private and public capital raising for project development, and the progression of projects through resource delineation and feasibility study phases.

ISSUE

5. Whether Company A's directors and senior management, taken together, had "*sufficient experience relevant to exploration and/ or extraction activity*" under Rule 18.04?

APPLICABLE LISTING RULES

6. Rule 18.04 states that if a Mineral Company is unable to satisfy the listing eligibility requirements in Rule 8.05, it may still apply to be listed if it can establish to the Exchange's satisfaction that its directors and senior managers, taken together, have sufficient experience relevant to the exploration and/ or extraction activity that the Mineral Company is pursuing. Individuals relied on must have a minimum of five years relevant industry experience. Details of the relevant experience must be disclosed in the new applicant's listing document.

THE ANALYSIS

7. We consider that compliance with Rule 18.04 is a question of fact. In assessing whether the mineral company's directors and senior managers, taken together, have sufficient experience relevant to the exploration and/ or extraction activity that the mineral company is pursuing, we will take various factors into consideration, including but not limited to:-
- (i) their practical responsibilities and experience in the exploration and/ or extraction activity that is relevant to the applicant's mining activity. Their experience may not necessarily be in the same commodities or minerals as the applicant's operations. They can be experienced in other commodities or minerals which have mining processes that do not differ materially from that of the applicant and their skills are transferable to the applicant's mining activity;
 - (ii) their academic and professional qualifications, significant achievements/ awards received that are mining related, and significant contribution to the mining industry and/ or any mineral companies; and
 - (iii) whether the majority of the applicant's core management team involved in its daily operations has sufficient experience in the exploration and/ or extraction activity which the mineral company is pursuing. Emphasis will be placed on practical experience in relevant exploration and/ or extraction activity, rather than general management and marketing experience that is ancillary to the exploration and/ or extraction activity.
8. In the case of Company A, we noted that:-
- (i) the characteristics of various ores within the polymetallic base metal group (including lead, zinc, nickel, platinum and gold) were substantially similar, and the exploration, mine planning, ore extraction and production, ore handling and processing, and safety measures were also similar. Hence, the experiences of Company A's directors and senior management in the polymetallic base metal mining industry generally was relevant and could be transferred to the area of lead and zinc ore mining; and
 - (ii) as five out of nine core management members possessed sufficient experience relevant to Company A's exploration and/ or extraction activity, Company A's directors and senior management, taken together, was able to meet the requirements under Rule 18.04.

DECISION

9. We determined that Company A's directors and senior managers, taken together, have sufficient experience relevant to the exploration and/ or extraction activity that Company A is pursuing, subject to detailed disclosure of relevant experience in Company A's listing document.

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