CONSULTATION CONCLUSIONS
ON NEW LISTING RULES FOR MINERAL COMPANIES

May 2010

Hong Kong Exchanges and Clearing Limited
香港交易及結算所有限公司

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EXECUTIVE SUMMARY

1. This paper presents the results of the public consultation on our proposals to update Chapter 18 of the Listing Rules, for companies engaged in the exploration for, or extraction of, natural resources.

2. The proposals were strongly supported. We have modified some, taking account of respondents' views.

3. We have finalized the New Rules for Mineral Companies (the "**New Rules**") to implement the proposals. The New Rules have been approved by the Board of the Stock Exchange of Hong Kong Limited and the Securities and Futures Commission, and will become effective on 3 June 2010 (the "**Effective Date**"). There is an equivalent chapter in the GEM Listing Rules.

4. We proposed to exclude early stage exploration companies from listing. Most respondents objected to this position, although some of these respondents have a vested interest in the Exchange allowing early stage exploration companies to list. Experienced market practitioners support our position of only allowing mineral companies that have discovered at least Indicated Resources and petroleum companies that have at least discovered Contingent Resources. Given the importance of retail investors in the Hong Kong IPO market and the significantly higher investment risks involved in investing in early stage or pure-play exploration companies, we consider it is not appropriate to list early stage exploration companies at this time. Market infrastructure for natural resource companies in Hong Kong is also not as mature as in other jurisdictions. It may however be appropriate to list early stage exploration companies once the market is more mature.

5. As mineral ventures gain increasing popularity in South East Asia, the trend of listed issuers acquiring natural resource assets continues. Whilst we will require that Competent Person's Reports ("**CPR**s") be required for all Major (or above) acquisitions of mineral and petroleum assets, there are concerns associated with transactions which qualify as Very Substantial Acquisitions (where one of the ratios is 100% or more) when companies acquire early stage exploration assets that would not qualify for an IPO listing under the New Rules. Since Mineral Companies seeking a listing will not be eligible with only early stage exploration assets, i.e. companies yet to make a meaningful discovery and have only Inferred or Prospective Resources, we believe consistent standards should be applied to listed issuers in the interests of shareholder protection. We will, therefore, carefully consider whether there are any regulatory concerns associated with entering into such transactions.

6. Some Mineral Companies have recently benefited from waivers from the financial standard requirements in Listing Rule 8.05, relying on management

experience of at least three years in mining and/or exploration activities. We emphasise that the industry experience requirement has been increased from three to five years. There is also a requirement under the New Rules that early stage Mineral Companies must outline their plans to proceed to production, supported by an independent Scoping Study. Mineral Companies which do not satisfy Rule 8.05(1), but are applying to list under Listing Rule 18.04 must demonstrate a clear path to commercial production. While we expect most applicants taking advantage of Rule 18.04 will still be at the development stage, those who are already in the production stage are not necessarily precluded. This is because Mineral Companies in production may have junior assets that are yet to be developed.

7. Applicants that are already in production but unable to present a demonstrable path to profitability are unlikely to be considered favourably under Rule 18.04. By way of example, a Mineral Company unable to meet the profit requirements with all of its mining assets in operation and no development activity on hand will not be able to seek a waiver from the financial standard requirements. Likewise, a waiver will not be considered favourably where a Mineral Company has made losses which are attributable to suppressed commodity prices, and is relying purely on a recovery of prices to turn profitable in the future. By contrast, a Mineral Company incurring expenditure on further exploration or development activities which have contributed to the inability to meet the profit requirements is likely to be considered favourably for a waiver. We have received comments that this treatment of Mineral Companies applying for waivers should be made explicitly clear in the New Rules. In practice, we will apply Listing Rule 18.04 as described in this paragraph. We will however consider whether further clarity is required under this Rule and invite you to share your views on this point, if any. Please send any comments you may have to response@hkex.com.hk by no later than 3 July 2010. Please quote in the subject line 'Consultation Conclusions on New Listing Rules for Mineral Companies'.

8. We set out below details of those proposals that have been modified or areas where clarity was considered necessary.

Question 3.1 - Rights relevant to exploration and/or extraction and control of assets

9. We proposed in the Paper that new applicant Mineral and Exploration Companies must demonstrate that they have adequate rights to participate actively in the exploration or exploration and extraction of resources, either by having controlling interests in a majority (by value) of the assets in which they have invested or through other rights, which give them significant influence in decisions over the extraction of those resources.

10. The requirement to have 'significant' influence has been amended to a requirement to have 'sufficient' influence. The term 'significant' has a

specific meaning in an accounting context i.e. over 20% of a company's voting power. This threshold may be too low to exert a meaningful degree of influence/control over a listing applicant's assets. We do not believe that significant influence is necessarily determined by a specific percentage threshold. We will adopt a purposive approach to determine what is appropriate in specific circumstances but place the onus on applicants to demonstrate how their rights are adequate and that they have sufficient influence to establish eligibility.

Question 3.4 – Cash operating costs

11. We proposed that estimates of cash operating costs must include those of: (a) workforce employment; (b) consumables; (c) power, water and other services; (d) on and off-site administration; (e) environmental protection and monitoring; (f) transport of workforce; (g) product marketing and transport; (h) non-income taxes, royalties and other governmental charges; and (i) contingency allowances.

12. This proposal was strongly supported. We will implement the rule relating to cash operating costs as proposed. We clarify that this applies to Mineral Companies in production. New applicant Mineral Companies must set out the components of cash operating costs separately by category. Management should also discuss any cost items they wish to specifically highlight to investors. This may be, for example, where a company is enjoying favourable tax treatment for a limited time.

Question 4.5 – CPRs must include an up-to-date no material change statement

13. We proposed that CPRs must contain a no material change statement. However, it was questioned whether it is appropriate for the Competent Person to provide such a statement given that there is naturally some lead time between a site visit and publication of a CPR. Moreover, companies may undertake further exploration work between a site visit for a CPR and publication of the relevant listing document and companies are required by law to ensure that listing documents cover all material developments.

14. We are satisfied that the no material change statement relating to the CPR can be provided either by the company or the Competent Person preparing the CPR. Directors are required by law to ensure that prospectuses and circulars contain all relevant material information to enable investors and shareholders to make informed decisions. This will extend to information in CPRs. We recognize that this is ultimately the Company's responsibility.

Questions 4.6 and 4.7 – Risk factors and risk analysis

15. A number of respondents expressed concern that the Exchange appears to be mandating specific risks that must be disclosed. We clarify that risks are

ultimately a company's responsibility. The risk analysis format will serve as guidance to assist companies in explaining risks to investors.

16. There were concerns cited that our proposals seemed to place the onus of identifying relevant risks on the Competent Person. We do not propose to prescribe that all relevant risks must be addressed in CPRs. We do however note that Competent Persons usually make some assessment of risk, in assessing the technical, legal and economic viability of resources and reserves. In the case of mineral resources, Competent Persons will comment on prospects for eventual economic extraction. To clarify, we expect Competent Persons to continue providing reports in accordance with standards of the relevant Reporting Standard. Any discussions on risk and factors relevant to determination of Reserves and Resources in a CPR do not exonerate directors from their responsibility to disclose all material risks to investors.

Question 5.5 – Ascribing values to mineral resources

17. We proposed that mineral resources can only be included in economic analyses if they are appropriately discounted for the probabilities of their conversion to reserves and the basis on which they are considered to be economically extractable is stated.

18. This proposal was well supported although some respondents expressed concern that it may not be appropriate to attach value to mineral resources as, by definition, they are not commercially extractable. We recognize, however, that companies and Competent Persons often do ascribe a value to resources, under relevant assumptions on conversion. Attaching values to resources may assist investors in assessing companies' prospects. Where required under the New Rules, such values should be supported by the opinion of an independent Competent Person for valuations (a "Competent Evaluator" as defined under our New Rules). Companies must not attach value to Inferred Resources given the low level of geological confidence associated with this category. All assumptions must be disclosed clearly and prominently.

Questions 5.10 and 5.12 – Presentation of NPVs for oil and gas Reserves

19. We proposed that where NPVs of Proved and Proved plus Probable Reserves are presented, they be presented at various discount rates. We also proposed that NPVs of Proved and Proved plus Probable Reserves be presented using a forecast price as a base case, with a sensitivity analysis under a constant price. We allowed for some flexibility in our approach for dual listed companies.

20. Given that some listed oil and gas issuers have already been presenting NPVs on alternative bases to those we have proposed, it may not be in the best interests of comparability to prescribe the nature of presentation. We will allow companies to present estimates of NPVs for reserves using historical or future prices as a base case and fixed or variable discount rates. Issuers that

present NPVs on a forecast price scenario must provide a sensitivity analysis on price. In line with Canadian and US oil and gas standards, we will require that where estimates of future revenue are disclosed, it must be prominently stated that estimated values do not represent fair market value.

Question 5.15 – Requirements for Competent Persons, in particular RPOs

21. Our proposal to require that Competent Persons be members of RPOs was strongly supported and accordingly forms part of the New Rules. We clarify that the basic requirements for a 'Recognized Professional Organization' are that it must:

    a) be a self-regulatory organization of professional individuals in the mining or Petroleum industry;

    b) admit members primarily on the basis of their academic qualifications and experience;

    c) require compliance with the professional standards of competence and ethics established by the organization; and

    d) have disciplinary powers, including the power to suspend or expel a member.

Question 5.17 – Valuation of natural resource properties

22. Our proposal to accept the VALMIN, CIMVAL and SAMVAL codes was well supported. We were also invited to consider whether it is appropriate to recognize the International Valuation Standards Council (the "IVSC") Guidelines, given that they have a specific guidance note on Extractive Industries. Finally, some respondents suggested that the experience requirements on the part of Competent Evaluators were too onerous.

23. We do not propose to recognize the IVS for mineral reporting standards at this stage. The IVSC's guidance note for the Extractive Industries is currently under review. We understand that these guidelines are not yet well established in the natural resources industry.

Question 5.19 – Companies and Competent Persons to determine whether valuation reports should be provided

24. Some respondents, principally the appraisal firms, suggested that valuations should be mandatory at the IPO stage and for major acquisitions of Mineral or Petroleum Assets. We discussed this issue again with market practitioners. Valuations are rarely provided on IPOs and there are concerns that valuations of an applicant's portfolio of reserves and resources may be misleading,

especially in volatile commodity markets. We briefly discussed positions in other jurisdictions in the Paper. We note that valuations are required in other jurisdictions, principally Australia, in certain situations in mergers and acquisitions, particularly in takeover scenarios. It is no doubt helpful for shareholders to have an independent opinion on assets being acquired as part of a major transaction. We will therefore require that valuations be obtained for Major acquisitions (or above) on the Mineral or Petroleum Assets to be acquired as part of a Major (or above) acquisition.

25. Valuations on Mineral or Petroleum Assets to be acquired as part of a Major transaction (or above) must be performed by independent Competent Evaluators and presented to shareholders ahead of the meeting to approve the transaction. We do not consider that there should be concerns that valuations on acquisitions will be misleading, given that they are not valuations for an entire company. Consideration is often based on valuations. Moreover, valuations will in fact assist directors and financial advisers (where required) in forming their view on whether a transaction is reasonable or not and annual reconciliations can be performed to the extent this is necessary. Where, in the opinion of the Competent Evaluator, individual assets (such as plant and equipment) are not considered material, these need not be valued.

Question 6.2 – Requirement for CPRs on acquisitions of resources and/or reserves by existing listed issuers classed as major or above and grace periods

26. We proposed that the requirement to provide CPRs would apply to major acquisitions (or above) of mineral, oil or gas assets. Some respondents queried whether the proposal would apply to connected transactions. We clarify that this rule will also apply to connected transactions of the same threshold. We note that some connected transactions below the major (i.e. 25%) threshold still require shareholder approval. These transactions are not required to be supported by a CPR. The materiality threshold of 25% for CPRs will apply to all connected transactions.

27. We queried whether a grace period may be appropriate for transactions that have already been entered into. The market has however been aware of our proposals since last September. We do not see that companies should therefore be prejudiced if a grace period for compliance is not granted. Given that we have formulated proposals based on good international practice, we would like companies to comply as soon as possible. All transactions announced after the publication of the Effective Date, will accordingly be subject to the New Rules.

Question 8.3 – Plans to proceed to production

28. We will require a new applicant Mineral Company that has not yet begun production to disclose its plans to proceed to production with indicative dates and costs. We have adopted the recommendation from some respondents that

such plans must be supported by at least a Scoping Study, substantiated by the opinion of an independent Competent Person. This will assist applicants in outlining to investors a plan to proceed to production.

Question 8.5 – Definition of Mineral and Exploration Companies

29. Our definition for companies engaged in the natural resources sector will simply refer to Mineral Companies as opposed to Mineral and Exploration Companies, consistent with our proposal not to list early stage exploration companies.

PART A INTRODUCTION

1. On 11 September 2009, the Stock Exchange of Hong Kong Limited (**Exchange**), a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited (**HKEx**), published a Consultation Paper on New Listing Rules for Mineral and Exploration Companies ("**the Paper**"). The proposed revision of Chapter 18 aims to ensure Mineral Companies provide investors with material, relevant and reliable information, and to align our rules with global standards. The Paper also considered the possibility of allowing exploration companies to list.

2. The consultation period ended on 11 November 2009. We received a total of 42 submissions from a wide spectrum of respondents. A list of the respondents is provided in **Appendix I**.

3. The submissions can be grouped into broad categories:

Category	**No. of respondents**
Appraisal firms	10
Listed issuers	8
Market practitioners	9
Professional and industry associations	4
Industry experts	2
Overseas listed issuers	3
Overseas investors/funds	4
Individuals	2
Total	42

4. The submissions are available on the HKEx website at http://www.hkex.com.hk/eng/newsconsul/mktconsul/responses/cp200909mr.htm

5. The majority of submissions expressed general support for the proposals. Part B summarises the key points raised, our responses to these comments and conclusions on how to proceed with the proposals.

6. This paper should be read together with the Consultation Paper, which is posted on the HKEx website. Defined terms in the Consultation Paper have the same meaning in this document and/or in the Listing Rules, including the New Listing Rules for Mineral Companies.

7. We have modified certain proposals, to reflect respondents' views, address relevant concerns and provide clarity.

8. The New Rules are available on the HKEx website at: http://www.hkex.com.hk/rule/mbrule/mb_ruleupdate.htm and at: http://www.hkex.com.hk/rule/gemrule/gemrule_update.htm. They have been approved by the Board of the Exchange and the SFC, and will become effective on 3 June 2010.

9. The Exchange would like to thank all those who responded for sharing their views and suggestions with us, including the market practitioners who met with us to provide their considered views. We would also like to thank those who assisted in formulating the proposals and the New Rules, in particular Behre Dolbear and Co., Gaffney Cline & Associates and, Minter Ellison Lawyers.

PART B MARKET FEEDBACK AND CONCLUSIONS

1. We set out below the proposals, major comments made by the respondents, our responses to these and conclusions on how we will proceed.

2. The comments are categorized under the following headings:

- Additional Eligibility Requirements for New Applicant Mineral and Exploration Companies;
- Disclosure (General) Obligations;
- Disclosure (Technical Reporting) Standards;
- Continuing Obligations (for companies treated as Mineral and Exploration Companies and existing listed issuers engaging in mineral and/or exploration activity);
- Social and Environmental Standards; and
- Eligibility of exploration companies.

PART A – ADDITIONAL ELIGIBILITY REQUIREMENTS FOR NEW APPLICANT MINERAL AND EXPLORATION COMPANIES (Paragraphs 3.1 to 3.27 of the Paper)

Proposal 3A: Rights relevant to exploration and/or extraction and control of assets

Question 3.1

Question asked

3. Do you agree with the Exchange's proposal that new applicant Mineral and Exploration Companies must demonstrate that they have adequate rights to participate actively in the exploration or exploration and extraction of resources, either by having controlling interests in a majority (by value) of the assets in which they have invested or through other rights, which give them significant influence in decisions over the extraction of those resources? Please provide specific reasons for your views.

Comments received

4. The proposal was strongly supported.

5. Respondents sought clarification on how we would evaluate 'control' and what assets will be taken into account for the purposes of the test. Clarification was also sought on the meaning of 'significant influence'. If this

is to be interpreted in accordance with accounting standards, which in Hong Kong means over 20% of a company's voting power, this should be stated. Companies may have less than a 20% stake and nevertheless be the manager of the exploration and/or extraction project. It can be said that they have "significant influence", as the manager of a project.

6. Respondents consider that the interpretation of control and significant influence must be flexible enough to include different subsurface use contracts or agreements used in other jurisdictions. Production sharing contracts, incremental production contracts and option/earn-in agreements should be specifically included as internationally recognized contracts, where the contractor party (the investor) has significant influence, by definition. Similarly, another respondent suggested that our proposal may preclude the listing of mineral/resource investment funds and royalty companies which are vital in capital markets for resource companies elsewhere in global markets and serve to diversify investment risk.

7. It was commented that royalty companies and mineral/resource investment funds should also be considered eligible for listing. Royalty companies may provide financing to operators of mines and share in the profits of extraction but often do not have ownership interests.

Our response

8. We note that "control" is interpreted differently in other jurisdictions and not always well defined. Practices in other jurisdictions reviewed are summarized in paragraphs 3.6 and 3.7 of the Paper. We have stated that control is reflected by an interest in a majority (by value) of assets. This will normally be interpreted as an interest greater than 50%. We note that control may not always determine whether companies have all relevant exploration and mining rights. Companies must disclose full details of what rights they do have in place and what rights are necessary to their operations.

9. The natural resources industry is characterized by enforceable arrangements which may not give a company control of its assets but will give it a right to participate in the exploration for and/or extraction of Natural Resources. These agreements include joint ventures, production sharing contracts or specific government mandates, which are all legitimate ways of participating in the exploration for and/or extraction of Natural Resources. Companies adopting these arrangements will accordingly be eligible under Chapter 18 provided that their rights give them sufficient influence over the exploration for and/or extraction of Natural Resources. This list is not exhaustive and potential applicants operating under different legal structures should seek guidance on eligibility.

10. We note the term 'significant influence' has a specific meaning in an accounting context, i.e. over 20% of a company's voting power. This threshold may be too low to exert a meaningful degree of influence/control over a listing applicant's assets. Ordinarily we would expect that applicants have an interest of at least 30% in assets relevant to extraction of Natural Resources. This corresponds with the level of "controlling" interest under the Listing Rules. However, we will consider other arrangements where companies have interests smaller than 30% but actively operate mining projects. Market practitioners should note that to establish eligibility in Canada, a company must hold or have the right to earn and maintain at least a 50% interest in the qualifying property. Companies holding less than a 50% interest, but not less than a 30% interest, in the qualifying property may be considered on an exceptional basis, based on program size, stage of advancement of the property and strategic alliances.

11. We have amended the requirement to have 'significant' influence to a requirement to have 'sufficient' influence. We did not intend to convey that significant influence would necessarily be determined by reference to a specific threshold. We retain some flexibility in this area given the many different types of arrangements under which companies may participate in the mineral resources industry. We will adopt a purposive approach to determine what is appropriate in specific circumstances but place the onus on applicants to demonstrate how their rights are adequate and that they have sufficient influence to establish eligibility.

12. It should be noted that Chapter 18 is not intended to be a conduit for mineral resource investment funds to list. Investment funds are and will continue to be subject to different rules. To be eligible to list under Chapter 18, companies must be genuine participants in the natural resources industry, having relevant expertise and sharing in the risks and profits of extraction. We note that some companies engage only in processing or refining activities and do not therefore require rights for exploration and exploitation for their business operations. Such companies may not necessarily be regarded as Mineral Companies and may therefore be subject to the eligibility requirements of Chapter 8 of the Listing Rules.

Question 3.2

Question asked

13. Do you agree with our proposal that new applicant Mineral and Exploration Companies that have not yet obtained rights to extract reserves must disclose details of how they plan to proceed to extraction and must state risks relevant to obtaining such rights? Please provide specific reasons for your views.

Comments received

14. The majority of respondents supported our proposal as the ability to extract is essential to the economic success of the listing applicant and it is important that investors assess the commercial risk of not obtaining exploitation rights. A respondent commented that companies yet to acquire relevant rights are not mineral companies in a true sense.

15. One respondent suggested that companies that have not yet commenced production should be subject to additional disclosure requirements, including detailed drilling, exploration, development and feasibility studies on a continual basis together with quarterly exploration and development reporting obligations.

16. Despite the above, it was also commented that before exploration activity yields any results, it may not be appropriate for companies to develop a detailed extraction plan. To require a company to produce a detailed plan of extraction at the early stage of exploration is unreasonable. Some respondents stated that the Exchange should issue a guideline to clarify the required period and the content and depth of information required.

Our response

17. We will implement the proposal as disclosed in the Paper. We are not seeking detailed extraction plans but indicative ones which must be updated with material details on a periodic basis. Material updates will be required under general disclosure requirements. We will not therefore impose additional mandatory disclosure requirements on companies that have not yet commenced production but all Mineral Companies must provide details of exploration, mining production and development activities on a half-yearly basis (please see paragraphs 197 to 201). Companies must also set out details of what information will be provided to shareholders on a periodic basis.

18. Whilst we propose to allow companies with resources to list on the Exchange, early stage exploration companies will not be eligible. As stated in our Consultation Paper (paragraph 2.14), Mineral Resources are sub-divided in order of increasing geological confidence into "Inferred", "Indicated" and "Measured" categories. The Inferred category under the JORC-type codes covers resources where a mineral concentration has been discovered but limited sampling completed and geological and/or grade continuity cannot be confidently interpreted. It therefore cannot be assumed that all or part of an Inferred Mineral Resource will be upgraded to an Indicated or Measured Resource.

19. Given our requirement to demonstrate a plan to proceed to extraction/production, a company which simply has Inferred Resources will

not be eligible for listing. Our rules therefore stipulate that companies must have at least Indicated Resources to establish eligibility. We would expect the prospects for eventual commercial extraction to have been reviewed by an applicant and by an independent Competent Person. We will also require that applicants with solely or mainly Indicated Resources must have obtained a Scoping Study with the support of an independent Competent Person. This is further discussed in paragraphs 229 and 230.

Proposal 3B: Cash operating costs and working capital requirements

Question 3.3

Question asked

20. Do you agree that new applicant Mineral and Exploration Companies must demonstrate that they have sufficient working capital for 125% of their budgeted working capital needs for the next twelve months? Do you consider that the requirement for a working capital statement should be extended beyond a period of twelve months? Please provide specific reasons for your views.

Comments received

21. The vast majority of respondents supported the proposed working capital requirement for 125% of the applicants' budgeted working capital needs for 12 months, as it aims to ensure stable operations and reduce investment risks.

22. Some respondents suggested that we should provide guidance on broad assumptions to be adopted in determining whether the applicant will have sufficient working capital for 125% of its budgeted working capital needs.

Our response

23. We will implement the proposal as set out in the Paper. Market practitioners should already be familiar with the assumptions that are acceptable on a working capital statement. Sponsors have obligations under Listing Rule 8.21A to confirm that working capital statements are made after due and careful enquiry and that persons or institutions providing finance have stated in writing that the relevant financing facilities exist.

24. We clarify that capital expenditure items need not be included under working capital requirements as they are usually associated with the acquisition of fixed assets or represent costs incurred on assets whose useful life extends beyond a taxable year. Where capital expenditure is financed through borrowings, however, we expect that interest and loan repayments for the next 12 months are taken into account for the working capital statement. We also expect exploration costs to be expensed in accordance with appropriate

accounting standards. Where applicants do have significant capital expenditures to be incurred in the twelve months after listing, they should ensure that appropriate facilities are in place with adequate headroom to ensure they have sufficient liquidity.

Question 3.4

Question asked

25. "Do you agree that estimates of cash operating costs must include those of: (a) workforce employment; (b) consumables; (c) power, water and other services; (d) on and off-site administration; (e) environmental protection and monitoring; (f) transport of workforce; (g) product marketing and transport; (h) non-income taxes, royalties and other governmental charges; and (i) contingency allowances?"

Comments received

26. This proposal was well supported. A number of respondents, however, expressed personal preferences for items that should or should not be included under cash operating costs. Suggested revisions to our proposal are:

- the components of cash operating costs should be reported separately by category as these figures are less useful when reported only as aggregated sums. In particular, tax and royalty calculations should be separately disclosed, to allow investors to better assess the financial arrangement with host country governments.

- including an explanation of the basis for income tax and other taxes, royalties, cost escalation and exchange rates, in line with paragraph 90 of the VALMIN Code, to enable investors to form as accurate as possible a picture of the issuer's longer-term financial position.

- including facility protection/ maintenance fees.

- including key expenditures related to "property holding costs and the cost of proposed exploration and development" such as professional contractor costs, claim assessment and environmental bonds etc. By taking account of these expenditures, the definition will address the expenditures of companies in the exploration or mineral development stages as contemplated by paragraph 3.14(a) of the Consultation Paper.

Our response

27. Our definition of cash operating costs follows paragraph 91 of the VALMIN Code and the rationale is to ensure comparability between new applicants.

Although different companies and experts may have different views as to whether items should be incorporated in cash operating costs, they must adopt the standardized approach and explain the reason for any departure from these items. The list is not exhaustive and applicants must add and quantify any additional material costs items.

28. We note some respondents suggested that individual items should be broken down by category. This is another purpose of adopting the list of items and we have clarified this in the New Rules. We clarify that this applies to Mineral Companies in production. New applicant Mineral Companies must set out the components of cash operating costs separately by category. Management should also discuss any cost items they wish to specifically highlight to investors. This may be, for example, where a company is enjoying favourable tax treatment for a limited time.

Question 3.5

Question asked

29. Do you agree that producing new applicant Mineral and Exploration Companies must disclose their operating cash cost per appropriate unit for the mineral(s) and/or oil and gas produced?

Comments received

30. This proposal was well supported because a statement of unit costs is a widely accepted method of disclosing costs that is easy for investors to benchmark against previous periods, other companies and commodity prices. Also, disclosure of cash cost per unit is a common practice on the ASX and TSX.

31. A few respondents objected to disclosure of operating cash cost per appropriate unit because this may reveal commercially sensitive information. One of those that objected stated the proposal did not provide any information incremental to that in production schedules and operating costs.

Our response

32. We will implement the proposal as stated in the Paper. We consider this disclosure provides investors with a basis of comparison between Mineral Companies and is meaningful information for shareholders to evaluate the viability of business plans. Coupled with the requirement to provide a breakdown by category on specific costs we aim to ensure that sufficient information is readily available for investors to assess the prospects of a business. The concerns over disclosure of information which is commercially sensitive do not seem to have merit given that this information may be extracted from the accounts of listing applicants.

Proposal 3C: Alternative eligibility requirements for new applicant Exploration Companies, and Mineral Companies that cannot meet the financial track record requirements under Listing Rule 8.05

Question 3.6

Question asked

33. Do you agree that a new applicant Mineral and Exploration Company must demonstrate that its board and senior management, taken together, have adequate experience relevant to the mining and/or exploration activity that the applicant is pursuing, unless it can meet the financial track record requirements under Listing Rule 8.05? Do you agree that individuals relied on must have a minimum of five years relevant experience?

Comments received

34. The majority of respondents agreed with this proposal. In addition, one respondent expected that the Board should be able to understand and evaluate market risk, credit risk and other material business risks. The Board should balance adequate sector experience with other skills and competences such as independence and integrity so that, as a whole, it is capable of guiding and supervising senior management and playing a role in corporate strategy development.

35. Two respondents questioned whether it was appropriate to quantify experience in terms of years as this may not ensure it is "adequate". It was also queried whether the other requirements under Listing Rule 8.05, i.e. management continuity and ownership continuity, could be waived for a Mineral Company that is not able to meet the track record profit requirements.

Our response

36. Paragraph 3.26 of the Consultation Paper stated that the experience requirement is a suitable alternative for Mineral Companies that cannot meet the track record requirements of Listing Rule 8.05. The five year experience requirement provides reassurance to investors but we would also expect boards of listed companies to be well versed in other matters such as accounting affairs and corporate governance. Sponsors have the obligation under paragraph 3A.15(6) to ensure directors of an applicant "have the experience, qualifications and competence to manage the new applicant's business and comply with the Exchange Listing Rules…" Biographical information of directors and senior management is required to be disclosed under paragraph 41 of Appendix 1A of the Main Board Rules, and paragraph 34 of Appendix 1B to the Main Board Rules.

37. We will implement the proposal as stated in the Paper. The current Listing Rules allow the possibility for waivers from the track record profit requirement, the management and ownership continuity requirements given that the Exchange can accept a shorter trading record. Any waiver applications will be considered on a case by case basis. Please note, as described above in the Executive Summary, waivers from the financial standard requirements, are only likely to be considered favourably where Mineral Companies demonstrate a clear path to commercial production. A Mineral Company unable to meet the profit requirements with all of its mining assets in operation and no development activity on hand will not be able to seek such a waiver. Likewise, a waiver will not be considered favourably where a Mineral Company has made losses attributable to suppressed commodity prices, and is relying purely on a recovery of prices to turn profitable in the future. By contrast, a Mineral Company incurring expenditure on further exploration or development activities which have contributed to the inability to meet the profit requirement is likely to be considered favourably for a waiver. We will consider whether further clarity is required in Listing Rule 18.04 to reflect the approach adopted to waivers from the financial standard requirements. We are happy to receive any views you may have on this point. Please send any comments you may have to response@hkex.com.hk, by no later than 3 July 2010. Please quote in the subject line 'Consultation Conclusions on New Listing Rules for Mineral Companies'.

PART B – DISCLOSURE (GENERAL) OBLIGATIONS (Paragraphs 4.1 to 4.26 of the Paper)

Proposal 4A: Requirement that Technical/Competent Persons' Reports ("CPRs") be prepared by independent Competent Persons

Question 4.1

Question asked

38. Do you agree with our proposal that technical reports and valuations required by the Listing Rules must be prepared by independent Competent Persons?

Comments received

39. The majority of respondents agreed with this proposal.

40. A minority of respondents suggested that companies should be allowed to have reports on reserves and resources prepared by their own internal experts. It was considered that independence is a disclosure matter, as is the practice in some other jurisdictions. Some respondents suggested that there could be an exemption on independence for larger issuers as is the case in Canada.

41. One respondent agreed with the proposal but suggested that the term *Competent Person* be replaced with *Technical Expert* for Technical Reports (Quality and Quantity of Reserves and Resources) and *Valuer* for Valuation Reports (Market Value or Fair Value).

Our response

42. The term "Competent Person" is used and defined in the JORC code and the SAMREC code - two of the three mineral reporting codes accepted by the Exchange. "Competence" is one of the main principles governing these codes. Its use is not intended to suggest that others may be "incompetent" but to define the criteria for individuals determining and valuing reserves and resources.

43. As stated in the Paper (paragraph 4.6), ensuring that a Competent Person is independent should improve the quality and integrity of reserves data disclosure. As the proposal is well supported, we will implement it as set out in the Paper.

44. It should be noted that the requirements for independent CPRs apply to new listing applicants and to major acquisitions or disposals. To present information on Reserves and Resources at other times, companies may rely on their own internal experts.

Question 4.2

Question asked

45. Do you agree with our proposal that a Competent Person must be a member of a Recognised Professional Organisation? Please provide specific reasons for your views.

Comments received

46. The overwhelming majority of respondents supported the proposal. While the requirement to be a member of an RPO will restrict the number of individuals capable of working as Competent Persons, it is recognized that this is outweighed by the benefits of professional regulation and in particular, the disciplinary powers of professional bodies.

47. Three respondents recommended that the Exchange should maintain a list of RPOs, as they do in international mining centres, to help ensure the quality of the disclosure and the reports, especially given the global nature of the mining companies who may seek listing.

48. One respondent noted that at present Mainland China does not have such organizations. This respondent would only support our proposal if the Chinese Petroleum Society were regarded as an RPO by the Exchange.

Our response

49. We believe that the requirement for Competent Persons to be members of RPOs will provide reassurance that those providing estimates of Resources and Reserves are suitably qualified with current knowledge. RPO lists are only maintained by exchanges operating in jurisdictions which are currently regarded as mining centres. We do not see this as necessary for the Exchange at this stage. We are satisfied that we will be able to evaluate whether technical experts are suitably qualified on a case by case basis and expect companies' sponsors to evaluate experience in accordance with our criteria. We have not ruled out any particular RPOs. The broad criteria for recognition are:

i) the RPO should be a self regulating organization of professional individuals in the mining or Petroleum industry;
ii) members should be admitted on consideration of their academic qualifications and experience;
iii) the RPO should maintain professional standards of competence and ethics;
iv) the RPO should have disciplinary powers, including the power to suspend and expel.

Question 4.3

Question asked

50. Do you agree that the Exchange should only accept Competent Persons' Reports ("CPRs") prepared by Competent Persons who are registered in jurisdictions where the statutory securities regulator has adequate arrangements with the Securities and Futures Commission for mutual assistance and exchange of information for enforcing and securing compliance with relevant laws of each jurisdiction? Please provide specific reasons for your views.

Comments received

51. This proposal was strongly supported.

52. One respondent, who supports our proposal, suggested that the Exchange should only accept Competent Persons who are registered in jurisdictions with exchanges recognised by the Exchange for having a significant resource component, as opposed to those who do not have strict compliance with rules governing mineral and exploration companies.

Our response

53. The proposal will be implemented as set out in the Paper. It is aimed at ensuring Competent Persons are from jurisdictions where the SFC has powers to gather information in case of enforcement issues. The rule is not concerned with practices or the quality of regulation on different exchanges.

Proposal 4B: Age/Currency of the CPR

Question 4.4

Question asked

54. Do you agree that the CPR must have an effective date less than six months prior to the date of the publication of the prospectus or circular required under the Listing Rules? Please provide specific reasons for your views.

Comments received

55. The proposal was strongly supported.

56. Some respondents, based in Canada, preferred their domestic approach, where the issuer has a current CPR on file with the TSX, which must be updated annually and in the event of material changes.

57. Another respondent suggested that the CPR need not be dated within 6 months provided the Competent Person has provided a no material change statement. However, it was also suggested that CPRs should have an effective date within three months of the publication of the prospectus.

Our response

58. The proposal will be implemented as set out in the Paper. We note the practice in Canada. However, under the Canadian National Instruments, issuers must file a current CPR prepared by an independent qualified evaluator or auditor, with the TSX on an annual basis. We do not consider that an annual independent CPR is necessary, taking account of practices in all the jurisdictions reviewed.

59. The proposal is in line with current practice of the UKLA and the JSE. Applicants and issuers only need to provide shareholders with a CPR in specific limited circumstances, i.e. at the IPO stage and when the company enters into a major transaction (or above) in connection with mineral or petroleum assets. Given the circumstances they are required under, it should not be considered onerous to provide CPRs on Resources and Reserves dated within six months.

Question 4.5

Question asked

60. Do you agree that CPRs must include an up to date no material change statement?

Comments received

61. The majority of respondents agreed with this proposal. However, one respondent commented that it is unnecessary and impractical for a Competent Person to issue a no material change statement within six months as there is a lead time between undertaking site visits and reviewing and reporting on relevant data. In addition, companies are required to provide any material updates of information and if they have undertaken further exploration since the date of the CPR, should consider doing so. This respondent is however supportive of using a no material change statement to address the requirement that a CPR be issued within 6 months.

62. It was also suggested directors should be responsible for including an up to date no material change statement in the prospectus or circular.

63. Another respondent recommended that a "Consent to File" a CPR should be obtained from the appropriate independent Competent Person before its inclusion in any prospectus or circular**.**

Our response

64. Under our Rules, applicants and issuers only need to provide shareholders with a CPR in specific limited circumstances, i.e. at the IPO stage and when the company enters into a major transaction (or above) in connection with Mineral or Petroleum Assets. In this context, it is appropriate for the effective date of the CPR to be reasonably proximate to the date of the listing document or circular for the relevant notifiable transaction.

65. Directors are required by law to ensure that prospectuses and circulars contain all relevant material information to enable investors and shareholders to make informed decisions. This will extend to information in CPRs. We are therefore satisfied that the no material change statement can be provided either by the company or the Competent Person. We recognize that this is ultimately the Company's responsibility.

Proposal 4C: Risk factors and risk analysis

Questions 4.6 and 4.7

Question asked

66. Do you agree that all Mineral and Exploration Companies must disclose in the CPR, where one is required, risk factors and provide a risk analysis in the format outlined in Appendix I to the Consultation Paper? Please provide specific reasons for your views. Do you agree that disclosure on risks must be provided as part of a Competent Person's Report?

Comments received

67. Many respondents expressed concern that the Exchange appears to be mandating specific risks that must be considered. It is consistently felt that risks should ultimately be determined by directors themselves as they have full knowledge of their business.

68. A few respondents commented that Competent Persons should not be required to evaluate risk. A Competent Person is commonly equipped to comment on technical fact only and seeking comment on risks may compromise the objectivity provided on technical information.

Our response

69. We clarify that risks are ultimately a company's responsibility. This is reflected in our Consultation Paper. We considered that a framework under which all companies rate risks from likely to unlikely and low to high based on likelihood and consequence is desirable as it provides a common reference point for investors. The risk analysis in Appendix 1 of the Consultation Paper will accordingly be incorporated as a Guidance Note to the Listing Rules, as stated in the original Proposal.

70. We do not propose to prescribe that all relevant risks must be addressed in CPRs. We do however note that Competent Persons usually make some assessment of risk, in particular operational and development risk, when discussing factors relevant to estimations of Reserves. In the case of mineral Resources, Competent Persons will comment on prospects for eventual economic extraction. To clarify, we expect Competent Persons to continue providing reports in accordance with standards of the relevant JORC-type Code. Any discussions on risk and factors relevant to determination of Reserves and Resources in a CPR do not exonerate directors from their responsibility to disclose risks to investors.

Proposal 4D: Presentation of information on reserves and resources

Question 4.8

Question asked

71. Do you agree that data on reserves and resources must be presented in tables in a manner readily understandable to a non-technical person? Please provide specific reasons for your views.

Comments received

72. The proposal was strongly supported. One respondent commented that whilst the CPR may provide detailed reserve/resources tables, a summary that can be easily understood by a non-technical person that includes aggregated figures (tonnages, grade and contained metal) in units typically associated with the relevant commodities is important. With respect to the estimation of reserves, it is also important that price assumptions as well as mining recovery and dilution factors are clearly disclosed.

Our response

73. We agree with this comment. The proposal has been amended so summaries must include aggregated figures (tonnages and grade) for each category of Reserves and Resources in units typically associated with the relevant

commodities. Relevant assumptions on estimations of Reserves must be clearly and prominently disclosed.

PART C – DISCLOSURE (TECHNICAL REPORTING) STANDARDS
(Paragraphs 5.1 to 5.91 of the Paper)

Proposal 5A: Accepted mineral (technical reporting) standards

Question 5.1

Question asked

74. Do you agree with the Exchange's proposal to accept the three main JORC-type codes for the presentation of information on resources and reserves, namely the JORC Code, NI 43-101 and the SAMREC Code? Please provide specific reasons for your views.

Comments received

75. The majority of respondents supported the Exchange's acceptance of the three main JORC-type codes. The JORC-type codes have been drafted for developed metals and mining exchanges, are internationally recognized, have comfortably co-existed and have assisted investors through adequately defining risk and reliability factors attached to specific projects.

Our response

76. We will implement the proposal as set out in the Paper. We will monitor efforts aimed at international convergence and development of other codes to ensure our position reflects international best practice.

Question 5.2

Question asked

77. Do you agree with the Exchange's proposal to request reconciliation to one of the above codes where information is presented in accordance with Russian or Chinese standards, until such time as they achieve widespread recognition or efforts at convergence between these standards and JORC-type codes are sufficiently advanced? Please provide specific reasons for your views.

Comments received

78. One respondent commented that reconciliation cannot be resolved easily as the two systems are fundamentally different. Other respondents (technical experts) have, however, commented that conversion of Chinese and Russian data to ensure compliance with JORC is not particularly time consuming or expensive. However, guidance should be provided on procedures to be followed to ensure that information is meaningful to investors. At a minimum,

estimates of resources under Russian or Chinese standards must be interrogated from first principles and re-assigned using JORC-related standards to determine any marked differences.

79. Reconciliation is desirable as it provides a level playing field for investors to be able to judge the comparative merits of each investment opportunity wherever it may be geographically located. A supporter of the proposal did, however, state that we should recognise Chinese standards as soon as possible because most of the mineral and exploration assets listed in Hong Kong are located in China.

80. One respondent commented that, based on his professional experience, there is a strong preference among Hong Kong and international institutional investors for internationally recognized reporting standards (JORC, NI 43-101, SAMREC). The Exchange should therefore insist on this to avoid detracting from market confidence. In practice, it may be difficult to have a Competent Person reconcile the differences as they may not be qualified to opine under the different standards.

Our response

81. Given that reconciliation to JORC-type codes is desirable and can be performed at a reasonable cost in the overall context of IPOs or major acquisitions, we will implement the proposal as set out in the Paper.

82. Competent Persons performing reconciliation must be familiar with Chinese or Russian standards and the relevant JORC-type Code. They should review the interpretation of the mineralization, procedures and parameters used (including sampling methods) as well as the confidence level of the database used. Where information is obtained from third parties or geological bureaus, this should be certified as authentic.

83. Prior to conversion of resources into JORC-type compliant resources, experts generally consider that a pre-feasibility study would have been carried out to evaluate commercial extractability. The crucial difference between Chinese or Russian standards and the JORC-type Codes is that the former standards are based on in-situ estimates, while the latter are focused on commercial extractability, taking account of mining dilution and losses. Listing applicants should be cautioned that owing to the difference between Chinese/Russian resource estimates and those estimated under JORC, a resource under Chinese/Russian standards may not be categorized as such under a JORC-type Code. A "Reserve" referred to by a Russian or Chinese estimate is only a Resource under the JORC Code as it does not include economic and technical factors. We will consider publishing further guidance on reconciliations in the future.

Proposal 5B: Estimates of mineral reserves must be supported at a minimum by a pre-feasibility study

Question 5.3

Question asked

84. Do you agree with the Exchange's proposal to require that estimates of mineral reserves be supported at a minimum by a pre-feasibility study as defined in the SAMREC Code and NI 43-101? Please provide specific reasons for your views.

Comments received

85. The overwhelming majority of respondents supported our proposal. Although the JORC Code does not use the terminology feasibility study, JORC-type reserves are usually supported by a study that provides analysis of at least a pre-feasibility study level.

Our response

86. The rationale for suggesting Pre-feasibility Studies is extensively discussed in the Paper in paragraphs 5.18 to 5.24. We will implement the proposal as set out in the Paper.

Proposal 5C: Information on mineral resources and mineral reserves must not be combined

Question 5.4

Question asked

87. Do you agree with the Exchange's proposal that information on mineral resources and mineral reserves must not be combined? Please provide specific reasons for your views.

Comments received

88. The proposal was strongly supported. A few respondents had no objection to mineral companies showing their mineral resources inclusive of ore reserves as long as their approach is clearly disclosed. This approach is consistent with the JORC code. These respondents considered that, in general, the market prefers resources inclusive of reserves.

Our response

89. The rationale for the proposal was stated in paragraphs 5.27 and 5.28 of the Paper, namely that mineral Resources are the in-situ material whilst Reserves include allowances for mining losses. JORC stated in its Companies Update of 18 March 2008 that "Mineral Resources estimates must not be aggregated with Ore Reserves estimates to report a single combined figure." The update did, however, go on to state that where figures for both Resources and Reserves are reported, a statement must be incorporated which states clearly "whether the Mineral Resources are inclusive of, or additional to, the Ore Reserves."

90. Given the concerns associated with combining Mineral Resources and Reserves, we will implement the proposal as set out in the Paper.

Question 5.5

Question asked

91. Do you agree with the Exchange's proposal that mineral resources must only be included in economic analyses if they are appropriately discounted for the probabilities of their conversion to reserves and the basis on which they are considered to be economically extractable is stated? Please provide specific reasons for your views.

Comments received

92. This proposal was well supported. Some respondents considered that only reserves should be included in economic analysis. The designation of a reserve relies on the application of cost factors and other related issues such as social/environmental, legal and sovereign matters that impact upon the viability of developing a mine. If sufficient work has been done to make reliable financial conclusions about resources then it should be possible to estimate reserves. Economic analyses on resources are, by their nature, incomplete and misleading. The proposal is contrary to JORC and would not therefore be acceptable to the ASX.

Our response

93. We acknowledge the concerns of some respondents. We recognize, however, that companies and Competent Persons often do ascribe a value to Resources, under relevant assumptions on conversion. Attaching values to Resources may assist investors in assessing companies' prospects. Where required under the New Rules, such values should be supported by the opinion of an independent Competent Person for valuations (a "Competent Evaluator" as defined under our New Rules). Companies must not attach value to Inferred

Resources given the low level of geological confidence associated with this category. All assumptions must be disclosed clearly and prominently.

Proposal 5D: Disclosure on commodity prices (hard minerals)

Question 5.6

Question asked

94. Do you agree with our proposal that Mineral and Exploration Companies must explain the methodology used to determine commodity prices used in pre-feasibility and feasibility-level studies and valuations of reserves and resources, and state the basis on which such prices represent reasonable views of future prices? Please provide specific reasons for your views.

Comments received

95. This proposal was unanimously supported by respondents. One respondent, who agreed with our proposal, suggested that the Exchange should require issuers to disclose in a sensitivity analysis, assumptions used with respect to the forecast price for carbon dioxide equivalent emissions (as carbon prices will extend across a range of markets and rise over the economic life of the issuers' assets). Companies should include the impact of carbon pricing scenarios on cost structures and demand for products.

Our response

96. The estimation methods for forward pricing of commodities are by their nature imprecise but there should be appropriate disclosure to ensure that investors will understand the basis for the Mineral Company's estimations. We do not propose to single out assumptions for carbon emission pricing at this stage but this should be factored in, if material. It is stated in Rule 18.30(4) that all material assumptions must be clearly stated. Accordingly, we will implement the New Rule as proposed.

Question 5.7

Question asked

97. Do you agree with our proposal that Mineral and Exploration Companies must present sensitivity analyses on price in their valuations of reserves and profit forecasts? Please provide specific reasons for your views.

Comments received

98. The proposal was strongly supported. One respondent suggested that the sensitivity analyses on price in a Mineral Company's valuation of reserves and profit forecasts should follow the approach in NI 43-101. Under Item 25(h) of Canadian Form 43-101F1, technical reports on development properties and production properties must include an economic analysis with cash flow forecasts on an annual basis using proven mineral reserves and probable mineral reserves only, and sensitivity analyses with variants in metal prices, grade, capital and operating costs.

99. Two respondents prefer the approach under the US SEC rules which provides for voluntary, not mandatory disclosure of price sensitivity analyses, i.e. the company should be allowed to decide.

Our response

100. The majority of respondents share our view that price sensitivity analysis is helpful, especially given the volatility associated with commodity prices. Recent listing applicants engaged in mining have included sensitivity analyses around price and sponsors often encourage this. Accordingly, we will implement our proposal as stated. We should clarify that the sensitivity analyses (on price) only extend to valuations of Reserves and profit forecasts, both of which have usually been provided on a voluntary basis. All assumptions must be clearly stated.

Question 5.8

Question asked

101. Do you consider that the requirement to state the methods used to determine prices and state the basis on which they are reasonable should extend to forecast prices of oil and gas? Please provide specific reasons for your views.

Comments received

102. This proposal was strongly supported.

Our response

103. We will implement the proposal as suggested.

Proposal 5E: Oil and gas reporting framework

Question 5.9

Question asked

104. Do you agree with our proposal to adopt the PRMS as the accepted reporting code for CPRs related to oil and gas resources? Please provide specific reasons for your views.

Comments received

105. The proposal was overwhelmingly supported by respondents. One respondent who supports the proposal, considers that only deterministic methods should be allowed (not probabilistic) for the estimation of "reserves". Deterministic reserve estimation promotes a more defined set of rules on interpretation of data by the independent engineering firm and relates to specific development cases, which is necessary when it comes to estimating development costs etc for the calculation of net present values.

106. Another respondent, who agreed with the proposal, noted that both the US SEC requirements and the PRMS allow voluntary disclosure of probable and possible reserves.

Our response

107. "Deterministic" and "probabilistic" methods are two alternative means of estimating reserves. PRMS, NI 51-101 and the US SEC oil and gas rules permit both deterministic and probabilistic estimation methods. The Canadian Oil and Gas Evaluation Handbook states that there should not be a material difference between estimates prepared using probabilistic or deterministic methods. Professional judgment must be used to determine the appropriate method to be used. Further guidelines are set out in the Companion Policy to NI 51-101 for "Reserves Evaluators" that use probabilistic methods to determine reserves. Under NI 51-101, a reserves evaluator that uses the probabilistic method to estimate reserves should provide a brief explanation on the reserves definitions used for estimating the reserves, the method used, and the underlying confidence levels applied.

108. We note from section 4.2 of PRMS that the probabilistic method is most often applied to volumetric resource calculations in the early phases of an exploitation and development project.

109. In conclusion, we will allow Competent Persons to decide whether to estimate Reserves under the deterministic or probabilistic method. The reason for their

choice should be disclosed to investors and in the case of the probabilistic method, the underlying confidence levels applied should be stated.

Proposal 5F: Disclosure and presentation of NPVs for Reserves

Question 5.10

Question asked

110. Do you agree with the proposal that Proved and Proved plus Probable Reserves be presented as Net Present Values ("NPVs") on a post-tax 'unrisked' basis at varying discount rates, including a reflection of the weighted average cost of capital or minimum acceptable rate of return applicable to the entity at the time of evaluation? Please provide specific reasons for your views.

Comments received

111. The proposal was strongly supported but respondents made the following comments.

Profit Forecasts

112. Two respondents requested us to clarify that any valuation of natural resource assets (i.e. reserves) based on discounted cash flows (DCF) will not be regarded as a profit forecast under Listing Rule 14.61, so that the issuer need not include in its listing document a reporting accountant's review of the accounting policies and calculations for the DCF (as required by existing Listing Rule 11.17, Appendix 1A(34)(2) and Appendix 1B(29)(2)). A number of reasons were cited, including the fact that accountants are not specialists in valuing natural resource assets and professional accounting bodies in Hong Kong have not issued any guidance. Costs of transactions will also be increased if such valuations are treated as profit forecasts.

Discount Rates

113. A number of modifications were suggested to our approach on discount rates. Some respondents opted for various prescribed discount rates as it may be difficult to define a minimum acceptable rate of return to an entity. There was an alternative preference for a fixed discount rate of 10% and it was pointed out that some listed entities already report to the market in this way under SEC standards. Fixed discount rates are preferred as they provide the best basis for comparability.

Additional Information on Future Net Revenue (Forecast Case)

114. Four respondents suggested that the Exchange should require additional detailed disclosure of estimated future costs in line with the requirements of Canadian NI 51-101. Such disclosures, in particular estimates of royalties and

future income tax expenses, give investors a clearer picture of the economic arrangement between companies and host countries and thus allow for a fuller assessment of country risk.

Tax Horizons - Item 6.5 of Form 51-101F1

115. Four respondents suggested the Exchange should require similar disclosure to that set out in Item 6.5 of Form 51-101F1, which requires disclosure of a company's "tax horizon" - an estimation of the date on which the company will begin to be liable for income taxes. This enhanced disclosure will enable investors to form a view on sustainability of current and future taxation arrangements; reduce the scope for corruption and extortion for securing extraction rights; reduce the risk of enforcement action in the event of alleged corruption; and reduce the likelihood of contracts becoming subject to renegotiation on less attractive terms. This would in turn reduce investment risk and support valuations.

General comment

116. It was also commented that it should be made clear that NPV estimates may or may not represent market or fair value of reserves.

Our response

Profit Forecasts

117. We do not intend to treat, valuations of Reserves and Resources prepared on a DCF basis as profit forecasts. We expect, however, that all assumptions and the basis of methodology must be clearly explained to investors.

Discount Rates

118. We stated in our consultation paper that companies which adopted the SEC's approach to valuation of Reserves may continue to do so. Given that some prominent companies listed in Hong Kong have historically been providing NPVs in accordance with SEC standards of disclosure, we will not mandate that new applicants provide NPVs on a different basis. This may not best serve the interests of providing a basis of comparison to investors. However, we will leave companies and investors to determine best market practice.

Overall approach and other considerations

119. Whilst stating in our proposal that NPVs of Proved and Proved plus Probable Reserves be presented in accordance with varying discount rates, we did indicate that companies subject to SEC reporting standards may continue to use fixed discount rates. We have amended the proposed rule to state that NPVs of Reserves may be presented under various or fixed discount rates. One respondent suggested that we should consider allowing companies to provide NPVs of Possible Reserves. This is unconventional and not permitted in other jurisdictions. Possible Reserves have a much lower level of confidence than Proved and Probable Reserves, which have already been

deemed more likely to be recoverable than not. We have made clear under the proposed rule that NPVs must not be presented in connection with Possible Reserves or Oil and Gas Resources.

120. We do not propose to prescribe that further information be provided in connection with future operating costs or tax horizons. If there are material matters to be disclosed relating to these issues, companies should disclose them in any event. Applicants should also have regard to items for consideration under social and environmental obligations, which are dealt with elsewhere in our proposals.

121. In terms of NPV forecasts, both NI 51-101 (using the forecast case) and the standardized measure approach under the SEC's rules are not intended to provide a fair market value for oil and gas reserves. In particular, section 5.6 of NI 51-101 states that "disclosure of an estimate of *future net revenue*, whether calculated without discount or using a discount rate, must include a statement to the effect that the estimated values disclosed do not represent fair market value'. Accordingly, issuers must disclose that their NPV forecasts do not represent fair market value.

Question 5.11

Question asked

122. Do you agree with the proposal that Proved Reserves and Proved plus Probable Reserves must be analysed separately and the principal assumptions must be stated in all cases? Please provide specific reasons for your views.

Comments received

123. The proposal was strongly supported. One respondent commented that due to the nature of the reserve definition, proved, probable and possible reserves usually relate to each other in terms of the potential from a particular deposit. Therefore, it is impossible to analyse these separately.

Our response

124. PRMS clearly identifies three categories of Reserves which differ in terms of potential for recovery. Possible Reserves may never be recovered as the prospect for development is slim. Technical experts we have consulted consider that Proved and Proved plus Probable Reserves can be analysed separately. Accordingly, we will implement the proposal as set out in the Paper.

Question 5.12

Question asked

125. Do you agree with the proposal that companies must present estimates of NPVs of reserves using a forecast price as a base case but must also provide a sensitivity analysis including a constant price, to be represented by the unweighted arithmetic average of the closing price on the first day of each month in that 12 month period? Please note the possible variation in this proposed rule applicable for companies that may be subject to the SEC's Oil and Gas Disclosure Standards in paragraph 5.59 of the Consultation Paper. Please provide specific reasons for your views.

Comments received

126. This proposal was well supported. One respondent stated that this proposal should be the minimum condition but companies should also include reasonable impact scenarios for other situations such as higher operating costs, lower grade and lower recovery.

127. Three respondents considered that oil and gas companies should present estimates of NPVs of reserves using a constant price as a base case (i.e. the unweighted arithmetic average of the closing price on the first day of each month in that 12 month period) in line with the US SEC requirement. Two of these respondents also stated that sensitivity analyses on the forecast case scenario should only be provided on a voluntary basis.

Our response

128. We note the concerns of the respondents and also note that some of the dually listed companies already present NPVs for reserves on a historical cost price basis.

129. We have decided that companies who wish to present estimates of NPVs for Reserves may do so using either a constant or forecast price as a base case. Given that some companies have already been presenting NPVs on the constant price basis, others may wish to do so to provide comparability under a standardized measure. Alternatively, companies that are making decisions on the basis of forecast prices may present NPVs on the basis of forecast prices. The bases for forecasts must be disclosed.

130. Companies that present forecast valuations of Reserves will still be required to provide sensitivity analyses on price. The basis on which price is considered reasonable must also be stated. Assumptions must be stated clearly and prominently.

Proposal 5G: Disclosures about estimated volumes of oil and gas resources

Question 5.13

Question asked

131. Do you agree with the Exchange's proposal that disclosures about estimated volumes of oil and gas resources should be allowed, provided relevant risk factors are clearly stated? Please provide specific reasons for your views.

Comments received

132. There is strong support for our proposal to permit disclosure of oil and gas resources volumes, provided that relevant risk factors are clearly stated.

Our response

133. We will implement our proposal as stated in the Consultation Paper. We are not mandating the disclosure of Contingent and Prospective Resources but companies that wish to disclose these may do so, provided that risks are clearly stated.

Proposal 5H: Disclosures on economic values attached to resources

Question 5.14

Question asked

134. Do you agree with our proposal that Mineral Companies should not be permitted to attach economic values to Contingent or Prospective Resources? Please provide specific reasons for your views.

Comments received

135. The vast majority of respondents supported the proposal.

136. One respondent did suggest that if conversion of contingent resources into reserves is purely dependent on, for example, oil or natural gas prices, with respect to an economic threshold then this price should be stated, and a suitably couched view given on the possible economic value should this price be exceeded.

Our response

137. We will implement the proposal as set out in the Paper.

138. Although some industry standards have been developed to enable companies to attach values to Petroleum Resources, these are not widely accepted and are often disregarded by market practitioners when evaluating petroleum companies. Given that attaching values to Petroleum Resources is complex and gives rise to uncertainty, whilst there are no widely accepted methodologies, it will not be permitted.

Proposal 5I: Competent Persons for oil and gas CPRs & detailed requirements

Question 5.15

Question asked

139. Do you agree with the Exchange's proposed definition of 'Competent Person' for oil and gas reporting?

140. A 'Competent Person' must have a minimum of five years experience relevant to the style of mineralization and type of deposit under consideration or to the type of oil and gas exploration, reserve estimate, and to the activity which that person is undertaking. A Competent Person must be professionally qualified, and a member in good standing of an RPO that upholds professional standards and ethics, and has disciplinary powers, including those of suspension and expulsion.

Comments received

141. The proposal was strongly supported.

142. One respondent considered that the definition should be modified so it applies to professionals involved in oil and gas exploration and production activities including reserve determination for the appropriate field. It would be difficult to engage a specialist who necessarily has experience on the specific oil and gas deposit being valued.

143. A respondent considered that the Chinese Petroleum Society should be regarded as an RPO by the Exchange.

Our response

144. The technical experts we consulted are satisfied that our proposed definition of Competent Person for petroleum reporting is appropriate. We are not requiring that a Competent Person has experience on the specific Petroleum deposit being assessed but their experience should be relevant to the type of Petroleum exploration. Relevant experience will be reasonably construed.

145. There is no objection in principle to recognizing the Chinese Petroleum Society as an RPO, provided that it meets the criteria set.

146. The basic requirements for recognition of the 'Recognized Professional Organization' are that it must:

a) be a self-regulatory organization of professional individuals in the mining or Petroleum industry;

b) admit members primarily on the basis of their academic qualifications and experience;

c) require compliance with the professional standards of competence and ethics established by the organization; and

d) have disciplinary powers, including the power to suspend or expel a member.

147. A submission in support of recognition of a Competent Person must be supported by an applicant's sponsor, financial, and/or legal adviser.

Question 5.16

Question asked

148. Do you agree with the Exchange's proposal that CPRs must be prepared by independent Competent Persons and deal with the list of items in Appendix II to the Consultation Paper? Please provide specific reasons for your views.

Comments received

149. The majority of respondents supported our proposal which sets out a broad framework of the matters to be addressed in a Competent Person's Report for oil and gas companies.

Our response

150. We will implement the proposal as set out in the Paper.

Proposal 5J: Valuation codes

Question 5.17

Question asked

151. Do you agree with the Exchange's proposal to accept the VALMIN, CIMVAL and SAMVAL valuation codes for the valuation of natural resources properties? Please provide specific reasons for your views.

Comments received

152. The proposal was well supported. Most respondents considered that these codes are tried and tested in mining investment regimes with a long history of mining and have proved to be of valuable assistance to investors.

153. Another respondent agrees with our proposal so long as these are reconciled with the International Valuation Standards Council ("IVSC") standards and IFRS, as these presently use different bases of value. It is considered that the Exchange should recognize the International Valuation Standards, particularly as they have a detailed note (Guidance Note 14) on the extractive industries, and accept valuations based on the market approach. The market approach provides an indication of value by comparing the subject asset to publicly available tradable assets.

154. Some respondents suggested that we should consider accepting China Mining Valuation rules but provided little information on these rules.

Our response

155. We believe that our proposal to accept the VALMIN, CIMVAL and SAMVAL codes for the valuation of Mineral or Petroleum Assets is appropriate, as they are internationally recognised and complement the Natural Resources Reporting Standards (i.e. JORC, NI 43-101 and SAMREC code). While these codes tend to be country specific and contain differences in the defined terms and the valuation details addressed, they are compatible in terms of fundamental principles and general approach to the technical assessment and valuation of mineral properties. The fact that the VALMIN Code is the only valuation code of those to be adopted that applies to petroleum assets should ensure that petroleum companies use it.

156. We are aware that the IVS have a guidance note on valuations, Guidance Note 14 (Valuation of Properties in the Extractive Industries). This is seen as favouring a market approach. Valuations may also be based on an income or cost approach. The SAMVAL Code suggests that differing bases of valuation may be appropriate depending on the nature of mineral assets, e.g. early stage

exploration assets should be valued on a cost basis. We are not mandating that companies and experts use a specific method of valuation but the basis of valuation should be stated clearly with relevant assumptions as well as the reason why a particular method is considered most appropriate.

157. We note that the IVS's Guidance Note 14 is under review. We do not consider that it is appropriate to recognize IVS at this stage.

158. Appraisal firms invited us to consider whether valuations of reserves and resources in particular should be linked to valuations of mineral assets from an accounting perspective. Given that auditors mainly account for exploration costs and attach value to mining rights whilst technical experts perform NPVs on reserves and resources, it seems difficult to marry the two. We are however aware that the IASB is currently considering a current value approach to reserves and resources under IFRS. We will monitor developments.

159. We do not have enough detailed information on the China Mining Valuation Rules to decide whether it is appropriate to accept this standard. We are however open to considering the acceptance of other codes.

160. Some respondents, principally the appraisal firms, suggested that valuations should be mandatory at the IPO stage and for major acquisitions of mineral and/or petroleum assets. We have discussed this issue again with market practitioners. Full valuations are rarely provided on IPOs and there are concerns that valuations of an applicant's portfolio of Reserves and Resources may be misleading, especially in volatile commodity markets. We briefly discussed positions in other jurisdictions in the Paper. We note that valuations are required in other jurisdictions, principally Australia, in certain situations in mergers and acquisitions, particularly in takeover scenarios. It is no doubt helpful for shareholders to have an independent opinion on assets being acquired as part of a major transaction. We will therefore require that valuations be obtained for Major acquisitions (or above) of the Mineral or Petroleum Assets to be acquired as part of a Major (or above) acquisition.

161. Valuations on Mineral or Petroleum Assets to be acquired as part of a Major transaction (or above) must be performed by independent Competent Evaluators and presented to shareholders ahead of the meeting to approve the transaction. We do not consider that there should be concerns that valuations on acquisitions will be misleading, given that they are not valuations for an entire company. Valuations will in fact assist directors and financial advisers in forming their view on whether a transaction is reasonable or not and annual reconciliations can be performed to the extent this is necessary. Where assets are not considered to be material, in the opinion of the Competent Evaluator, these need not be valued.

Question 5.18

Question asked

162. Do you agree with the Exchange's proposed definition of 'Competent Person' for valuation purposes? Please provide specific reasons for your views.

163. To perform valuations, a Competent Person must have at least ten years of relevant and recent general mining or petroleum experience as appropriate; at least five years of relevant and recent experience in the assessment and/or valuation of mineral or petroleum assets or securities, as appropriate; hold appropriate licenses; be independent; be professionally qualified, and, be a member in good standing of an RPO.

Comments received

164. The majority of respondents did not support our proposed definition of 'Competent Person' for valuation purposes. This majority represented mostly the appraisal firms.

165. Some respondents considered that Competent Persons performing valuations should have five years mining or petroleum experience, similar to that required for a Competent Person involved in the preparation of estimates of reserves and resources, as well as five years experience in valuing mineral or petroleum assets. One of these respondents commented that the proposed ten years experience requirement would limit the number of Competent Persons who would be qualified to perform valuations of mineral or petroleum assets.

166. Some respondents suggested that valuers accustomed to valuing other assets should also be able to value mineral assets as they simply need to value assets by reference to a particular industry.

Our response

167. We note that some respondents objected to our position on valuations, one stating that experience required on the part of valuers is too onerous. The experience requirement was drawn from the VALMIN Code. The CIMVAL and SAMVAL Codes are not as specific as the VALMIN Code but require that extensive experience should be obtained to value mineral assets. We adopted a bright line experience requirement in the interests of objectivity and transparency to investors. The requirements for experience in the recognized codes are based on the fact that an understanding of geology and the basis on which Reserves and Resources is determined is imperative to properly valuing mineral assets. Therefore, we do not consider it appropriate that valuers with no specific experience or expertise should be permitted to value mineral assets. We will accordingly implement our proposal as stated in the Paper.

Competent Persons for valuations will be described in the New Rules as "Competent Evaluators".

Question 5.19

Question asked

168. Do you agree with the Exchange's proposal that company management and the relevant independent expert must determine whether a valuation report is required? Please provide specific reasons for your views.

Comment received

169. The majority of respondents did not support our proposal. This majority was represented mostly by appraisal firms. For connected transactions and transactions requiring shareholder approval, Listing Rule 13.39(6)(b) requires the issuer to appoint an independent financial adviser acceptable to the Exchange to make recommendations to the Board and shareholders as to whether the terms of the transactions or arrangements are fair and reasonable.

170. One respondent sought clarification as to whether the Competent Person for valuation purposes now replaces the independent financial adviser for such transactions involving mineral companies. This respondent sought clarification as to whether the company should state that it has determined that a valuation report is not necessary.

171. Some respondents suggested that we should also require issuers to submit an independent valuation to shareholders for transactions requiring shareholder approval. It was also highlighted that some jurisdictions outline particular circumstances under which valuations should be provided such as takeover offers and related party transactions. This is the case in Australia. Part 4, Section 4.2(1)(g) of National Instrument 43-101 states that an issuer must file a current technical report where a valuation is required to be prepared and filed under securities legislation. By way of example, under Ontario Securities Commission Rule 61-501, under certain situations, such as insider bids and related party transactions, a formal valuation is required, subject to certain exemptions.

Our response

172. We note that some respondents suggested that valuations should be mandatory. We have discussed this issue again with market practitioners. Valuations are rarely provided on IPOs and there are concerns that valuations of an applicant's portfolio of Reserves and Resources may be misleading, especially in volatile commodity markets. We briefly discussed positions in other jurisdictions in the Paper. We note that valuations are required in other

jurisdictions, principally Australia, in certain situations in mergers and acquisitions, particularly in takeover scenarios. It is no doubt helpful for shareholders to have an independent opinion on assets being acquired as part of a major transaction. We will therefore require that valuations be obtained for Major acquisitions (or above) of the Mineral or Petroleum Assets to be acquired.

173. Valuations on Mineral or Petroleum Assets to be acquired as part of a Major transaction (or above) must be performed by independent Competent Evaluators and presented to shareholders ahead of the meeting to approve the transaction. We do not consider that there should be concerns that valuations on acquisitions will be misleading, given that they are not valuations for an entire company. Consideration is often based on valuations. Moreover, valuations will in fact assist directors and financial advisers (where required) in forming their view on whether a transaction is reasonable or not and annual reconciliations can be performed to the extent this is necessary. Where, in the opinion of the Competent Evaluator, individual assets (such as plant and equipment) are not considered material, these need not be valued.

PART D – CONTINUING OBLIGATIONS (for companies treated as Mineral and Exploration Companies and existing listed issuers engaging in mineral and/or exploration activity) (Paragraphs 6.1 to 6.20 of the Paper)

Proposal 6A: Requirement for CPRs and statements on reserves and resources

Question 6.1

Question asked

174. Do you agree with our proposal that Mineral and Exploration Companies must produce CPRs on transactions for the acquisition or disposal of resources and/or reserves, which require shareholder approval (i.e. transactions which are classed as 'major' or above)? Please provide specific reasons for your views.

Comments received

175. The overwhelming majority of respondents supported our proposal.

176. One respondent suggested that the definition of "major" in Chapter 14 is not appropriate for exploration companies as most of the value is in the reserves or exploration upside rather than in the financial statements.

177. One respondent suggested that a CPR should be required for connected transactions involving mineral companies to support the independent financial adviser's advice to the Board and shareholders as to whether the transaction is fair and reasonable. Conversely, another respondent considered that the requirement for a CPR simply duplicated work as directors were required to do sufficient due diligence on transactions in any case.

178. Two respondents suggested that the requirement for a CPR on a major disposal may be seen as inconsistent with the Listing Rules given that accountants' reports are not required for disposals.

Our response

179. The Exchange applies the percentage ratios set out in Rule 14.07, to determine whether an acquisition or disposal falls within the classification of a major transaction or above. There are 5 tests that can be applied to measure a transaction from different perspectives, without limitation to financial statements. By way of example, we will adopt the higher of the fair value of the consideration and the fair value of the asset in calculating the consideration ratio. Moreover, if it is considered that any one of these tests is not appropriate for determining the size of the subject acquisition/disposal or anomalous, we may disregard that particular size test under Listing Rule 14.20.

For further details, please refer to listing decisions HKEx-LD85-1, HKEx-LD83-1 on our website.

180. The approach to requiring CPRs for major disposals is consistent with practices adopted in Australia, London and South Africa. Canadian listed issuers must also file a technical report in connection with any material change in mineral resources or reserves. Moreover, Canada is the only country requiring an independent auditor's report on reserves for annual reporting. Our proposal ensures that shareholders can base their decision on information about Reserve and/or Resource estimates that is accurate, reliable and prepared by an independent expert. We have, however, retained the ability to dispense with the requirement for a CPR on disposals where shareholders have sufficient information on the assets being disposed of.

181. We note the view expressed that CPRs on major transactions should extend to connected transactions. Even in the instance of connected transactions, CPRs will only be required if a transaction is certified as major or above. We note that some connected transactions below the major (i.e. 25%) threshold still require shareholder approval. These transactions are not required to be supported by a CPR.

Question 6.2

Question asked

182. Do you agree with our proposal that issuers which enter into acquisitions of resources and/or reserves classed as major or above must also comply with the requirement to produce CPRs? Do you consider that such companies should be granted a short grace period for relevant transactions that have already been entered into and announced on implementation of the new rules? Please provide specific reasons for your views.

Comments received

183. Respondents unanimously supported our proposal to require listed issuers which enter into acquisitions for resources and/or reserves classed as major or above to comply with the requirement to produce CPRs.

184. In addition, one respondent suggested that a CPR should be required for connected party transactions involving mineral reserves and/or resources to support the independent financial adviser's advice to the Board and shareholders as to whether the transaction is fair and reasonable.

Grace Periods

185. The majority of respondents considered that a short grace period should be granted for relevant transactions that have already been entered into and

announced, on implementation of the new rules. Some respondents understood that the purpose of the grace period was to provide sufficient time for companies to have relevant CPRs prepared.

Our response

186. As our proposal has been unanimously supported, the Exchange will implement the New Rule as proposed. For clarity, this rule will also apply to connected transactions of the same threshold.

Grace Periods

187. We should clarify that the purpose of the suggested grace period was to ensure that genuine transactions which have already been announced should not be hindered by the imposition of our New Rules.

188. The market has been aware of our proposals since last September. We do not see that companies should therefore be prejudiced if compliance with our New Rules is required now. Given that we have formulated proposals based on good international practice, we would like companies to comply as soon as possible. All transactions announced after the Effective Date, will accordingly be subject to the New Rules.

Question 6.3

Question asked

189. Do you agree with our proposal that we may dispense with the requirement for CPRs on relevant transactions if detailed information on reserves and resources, in accordance with our approved mineral and/or oil and gas codes, is already in the public domain? Please provide specific reasons for your views.

Comments received

190. The majority of respondents supported our proposal. Importantly, most respondents supported it on the basis that there is already an independent CPR of a public company (prepared in accordance with approved mineral and/or oil and gas codes) in the public domain. Approximately one-third of these respondents recommended that this already existing CPR must have an effective date less than six months.

Our response

191. We agree with these comments. The proposed rule has been amended. Companies will not be required to obtain a fresh CPR if there is already an up-

to-date independent CPR (prepared in accordance with our approved Reporting Standards) in the public domain.

192. We note that in several jurisdictions, where a previously filed experts report is re-used, the issuer must file updated experts consents with that disclosure. Australia, South Africa, Canada and the US require that companies obtain the written consent of Competent Persons for their material to be included in the form and context in which it appears in a public report. Before consenting, the expert should consider whether the report has been accurately reproduced and used for the purpose for which it was commissioned.

193. Where experts reports are used in listing documents or circulars in Hong Kong, the experts must provide consent statements to confirm that their statements are included in the form and context in which they appear. Please refer to paragraph 9 of Appendix 1A of the Main Board Rules, and paragraph 5 of Appendix 1B of the Main Board Rules. This will necessitate obtaining consent from the relevant expert to re-use a previously produced report as the requirement for consent statements applies to all statements made by an expert in a listing document, regardless of whether they are appointed directly by the issuer.

Question 6.4

Question asked

194. Do you agree listed issuers that have previously published details of reserves and resources must update such statements once a year in their annual reports? Please provide specific reasons for your views.

Comments received

195. There was unanimous support for our proposal.

Our response

196. We will implement the proposal. For clarity, the rule will not be applied retrospectively. It will apply to companies who publish details of Reserves and Resources from the Effective Date.

Question 6.5

Question asked

197. Do you agree with our proposal that Mineral and Exploration Companies must provide details of exploration, mining production and development activities and details of expenditure incurred on these three activities in their interim

(half-yearly) and annual reports? Please provide specific reasons for your views.

Comments received

198. The majority of respondents supported our proposal. One respondent suggested this approach is appropriate for the Hong Kong market, where investor knowledge of the sector and its risks is currently relatively weak.

199. Some respondents recommended that our proposal should go further and require quarterly reporting for the above requirements (especially for pre-production companies). Our proposals should also require disclosure (at least on an annual basis) of all payments (royalties, taxes, fees, etc.) made by listed extractive companies to host governments, in line with the Extractive Industries Transparency Initiative, which sets standards for similar disclosure and reconciliation of reported company payments and government receipts. It was highlighted that AIM requires mineral companies to disclose payments made to governments for the acquisition of mineral rights at the IPO stage.

200. A smaller number of respondents, including some existing listed companies, suggested that these disclosures should be made on an annual basis to avoid diverting management's attention. Their views are, however, contrasted with those of foreign listed issuers who consider that provision of exploration and development updates is good market practice. This is information that should be provided to management in any case and our tying the requirement in with semi-annual reporting means that there is no separate reporting requirement. The information covers the whole scale of a mining company's operations and may collectively be material.

Our response

201. We propose to retain our original proposal on the frequency of reporting i.e. reporting in half-yearly and annual reports. Our requirement is contrasted with the position in Australia where quarterly updates must be provided one month after the period end. We do not consider that our requirement is onerous. It is intended to provide an update on operations but is specifically tailored for Mineral Companies. To the extent that there are material changes in funding requirements or exploration activity, companies must update shareholders immediately, as required under existing general disclosure requirements. The proposal to deal with payments to host country governments is dealt with under Social and Environmental Standards.

Proposal 6B: Disclaimers in CPRs (also applicable to CPRs for new applicants)

Question 6.6

Question asked

202. Do you agree with the Exchange's proposal to prohibit blanket disclaimers in technical reports? Please provide specific reasons for your views.

Comments received

203. The overwhelming majority of respondents supported our proposal to prohibit blanket disclaimers in technical reports. These respondents maintained that Competent Persons must take responsibility for assessment of the data and conclusions drawn in their reports except where they rely on work of other experts outside their area of expertise.

Our response

204. We will implement the proposal as set out in the Paper.

Question 6.7

Question asked

205. Do you agree with the Exchange's proposal to disallow material indemnities in favour of the Competent Person or entity that prepared the report? Please provide specific reasons for your views.

Comments received

206. The proposal was well supported. A number of respondents however raised the concern that technical experts may not perform evaluations without first obtaining standard industry indemnities.

Our response

207. We agree Competent Persons should be entitled to protect themselves from liability to an extent consistent with market practice. As a guide, paragraph 39 of the VALMIN Code, states a Competent Person should obtain from the Commissioning Entity an indemnity under which they will be compensated for any liability: (a) resulting from their reliance on information provided by the Commissioning Entity that is materially inaccurate or incomplete. (Such an indemnity does not absolve Competent Persons from critically examining the information provided); or (b) relating to any consequential extension of workload through queries, questions or public hearings arising from the CPR.

208. One of the reasons that we considered a specific rule on indemnities is to ensure that the impartiality of experts is not affected. Our position on independence is clearly reflected in the New Rules. We will require that all indemnities be prominently disclosed. Indemnities for reliance placed on information provided by applicants or listed issuers and third party experts (for information outside the Competent Person's expertise) are generally acceptable. Indemnities for fraud and gross negligence are generally unacceptable.

PART E – SOCIAL AND ENVIRONMENTAL STANDARDS (Paragraphs 7.1 to 7.5 of the Paper)

Question 7.1

Question asked

209. Do you agree with the Exchange's proposal to encourage Mineral and Exploration Companies to consider and provide disclosure on the social and environmental matters described in paragraph 7.1 of the Consultation Paper, where material to their business operations? Please provide specific reasons for your views.

Comments received

210. The overwhelming majority of respondents supported our proposal.

211. Several respondents strongly recommended that our proposal should go further and require that:

- the suggested disclosure items be a mandatory requirement irrespective of materiality;
- companies disclose how they evaluate and control the operational and financial risks stemming from the identified factors;
- disclosure of social and environmental factors be updated annually to account for changing circumstances. In particular, disclosure of payments for tax, royalties and other significant payments to host country governments should be made on a country specific basis, where material; and
- mineral companies undertake an annual appraisal of remediation and closure costs, disclose the conclusions in NPV terms, and demonstrate that financial reserves have been set aside to underwrite such costs.

212. Three respondents commented that disclosures on the social and environmental matters identified should be encouraged, not required. Consistent with our approach, they considered that disclosure should be provided on issues that have a material impact on business operations.

213. One respondent commented specific issues should be dealt with as part of risk factors generally whilst the issues identified are too abstract to enable meaningful compliance.

Our response

214. We will implement our proposal with minor modification. The list of items we identified was drawn from a variety of guidelines and discussions with technical experts. Mineral Companies often have operations in multiple jurisdictions and the factors identified may or may not be material to their operations. We would like to ensure that disclosure provided to investors is material and meaningful, whilst encouraging companies to conduct their operations in a socially responsible manner.

215. We note the comments about remediation and closure costs. This is already included under our proposals and forms part of the New Rules. We also note comments that some of the items discussed appear abstract in nature and we have revised our proposals to remove discussion of "secondary impacts" and "management operational measures". The request that payment to host country governments in respect of tax, royalties and other significant payments should be made on a country specific basis where these are material has also been included in our proposals. We are aware that the International Accounting Standards Board will consider making disclosure on payments to host country governments mandatory in its proposals on IFRS for extractive industries.

PART F – ELIGIBILITY OF EXPLORATION COMPANIES (Paragraphs 8.1 to 8.14 of the Paper)

Question 8.1

Question asked

216**.** Do you agree that Chapter 18 should be amended to allow Mineral and Exploration Companies that have mineral or oil and gas resources to apply for listing? Please provide specific reasons for your views.

Comments received

217. Most respondents strongly supported our proposal to require that mineral companies with mineral or petroleum resources, as a minimum, should be eligible for listing. Investors who have greater risk appetites will be able to participate in the evolution of value as mining companies progress from exploration to development and production activities. Please see our response to Question 8.2 below which refers to the minimum requirement to have at least a portfolio of Indicated or Contingent Resources. As stated in the New Rules, this must be meaningful and of sufficient substance to justify a listing.

Our response

218. As the majority of respondents supported our proposal, we will implement the proposal as set out in the Paper.

Question 8.2

Question asked

219. Do you agree that it is not appropriate to list early stage exploration companies in the interests of investor protection, i.e. those that have not yet determined the existence of resources? Please provide specific reasons for your views.

Comments received

220. Most respondents did not agree with the proposal and considered the Exchange should allow early stage exploration companies to list, provided safeguards are in place to protect investors. Early stage exploration companies (an important segment of the industry) should be provided with a platform to list and in turn this will provide investors with greater diversification of "risk-reward". Additional disclosure requirements may be warranted such as ensuring documents have sufficient geological data, details of work programs

and budgets, an independent expert's assessment of prospects of the tenements and a 'valuation'.

221. Some respondents, however, agreed with the proposal that mineral companies should at least have an initial JORC type resource base before being eligible for listing.

222. Three respondents suggested the Exchange should allow early stage exploration companies to list on its GEM Board, while only established companies with acceptable risk characteristics should list on the Main Board.

Our response

223. We are satisfied that the New Rules provide reasonable and appropriate safeguards to protect investors. However given the importance of retail investors in the Hong Kong IPO market and the significantly higher investment risks involved in investing in early stage or pure-play exploration companies, we consider it is not appropriate to list early stage exploration companies at this time. Market infrastructure for natural resource companies in Hong Kong is also not as mature as in other jurisdictions. It may however be appropriate to list early stage exploration companies once the market is more mature.

224. We consider that our proposal will still accommodate significant numbers of Mineral Companies that have identified Resources wishing to raise development capital. Investors will benefit from the fact that these companies will have a business plan and will not be exposed to early stage geological risk. Early stage exploration companies are considered speculative by nature. The requirement for Indicated or Contingent Resources together with a production plan should also ensure that the market is less susceptible to potential abuse.

Question 8.3

Question asked

225. Do you agree that new applicant Mineral and Exploration Companies that have not yet commenced production must disclose their plans to proceed to production with indicative dates and costs? Please provide specific reasons for your views.

Comments received

226. The proposal received mixed responses. It was, however, well supported amongst experienced market practitioners.

227. One respondent recommended that an applicant should only disclose such plans if supported by a scoping or feasibility study and confirmed by an independent CPR. For some earlier stage exploration companies (which hold e.g. inferred JORC-type resources) this information may not yet be estimated with a sufficient degree of confidence.

228. One respondent welcomed guidance as to the level of disclosure required, in particular if the implementation plans involve the construction of smelting/production facilities.

Our response

229. We do not propose to be too prescriptive as to the nature of development plans prepared by listing applicants that have not yet commenced production as they may only be indicative by nature. However, we do expect that companies which only have Resources in their portfolios should ensure that at least Scoping Studies are provided to investors, as part of their independent Competent Person's Reports. The New Rules have been drafted accordingly.

230. Scoping or conceptual studies are considered important in considering whether or not to pursue mineral projects further at an early stage. These preliminary evaluations outline the parameters of a project and provide indicative estimates of capital and operating costs. If a project survives a conceptual or Scoping Study it provides an indication that it is appropriate to proceed with further work and commission a Pre-feasibility Study. We do not consider, therefore, that requiring at least Scoping Studies should add additional costs to applications for listing. Moreover, investors will obtain comfort that an applicant's plan to proceed to production at an early stage is supported by the independent opinion of a Competent Person.

Question 8.4

Question asked

231. Do you consider that new applicant Mineral and Exploration Companies which have not yet commenced production should be subject to any additional eligibility requirements, such as a requirement to have a minimum market capitalisation? Please provide specific reasons for your views.

Comments received

232. The overwhelming majority of respondents considered there is no need to impose a minimum market capitalization as an additional eligibility requirement for mineral companies as the other proposals, in particular the requirement to provide steps to production and cost requirements for junior companies, provide sufficient protection to investors. Moreover, market

capitalisation of a company may not reflect the size of a company but the level of debt assumed by it and market capitalisation in junior mining companies may be volatile.

233. One respondent suggested that companies that have not yet commenced production, should be subject to the following additional eligibility requirements including:
- JORC type resources;
- comprehensive exploration and development plan/strategy (supported by an independent CPR);
- detailed breakdown of planned drilling, exploration, development and feasibility study expenses planned over the next 24 months;
- quarterly exploration and development reporting obligations.

Our response

234. We will not introduce a minimum market capitalization specifically for Mineral Companies. All listing applicants are, however, subject to the requirements under Listing Rule 8.09, to have a minimum market capitalisation of $HK200m. Our proposals have been revised in line with comments received for companies that have not yet commenced production. We will require that listing applicants have at least a portfolio of Indicated Resources or Contingent Resources supported by a Scoping Study to establish eligibility for listing. This portfolio must be meaningful and of sufficient substance to justify a listing. A new applicant Mineral Company would not therefore simply be able to meet the minimum market capitalisation requirement by raising HK$200m in an IPO fundraising.

Question 8.5

Question asked

235. Do you agree with our proposed definition of 'Mineral and Exploration Companies'? Please provide specific reasons for your views.

Comments received

236. While the majority of respondents supported our proposed definition, the following modifications have been suggested:

Production to be included as a 'principal activity' and consideration of processing

237. Two respondents noted that the proposed definition of "Mineral and Exploration Company" only discusses exploration or extraction activities (but not production activities). They suggest that production of natural resources

(e.g. smelting) should be included as a 'principal activity' as the term 'production' is used in the context of oil and gas. The addition of this term would ensure that a company is eligible to list under Chapter 18 where it is engaged in both extraction and production activities, but the production activities constitute the greater part of its total activities.

238. One respondent asserted that a Mineral and Exploration company that is also involved in the processing, refining and potentially marketing of its own products should have this taken into account when defining the 25% threshold. We infer that this respondent is suggesting that processing and refining (and possibly marketing) are activities that should be included in our definition of Mineral Companies. It then follows that, these activities should be factored into the class tests for the purpose of determining the 25% threshold.

Our response

Production to be included as a 'principal activity' and consideration of processing

239. The UKLA, ASX and Singapore Stock Exchange use the term 'extraction' in their respective definitions of 'mineral companies' or equivalent. However, it is should be noted that in each of these jurisdictions there is a strong bias towards mining as opposed to oil and gas. It is not, however, our intention to exclude production activities where these are a part of a Mineral Company's existing operations. We note that the UK Listing Rules specify that 'production' is included under the term extraction. We do not consider it is necessary to define extraction further given that other exchanges use the term extraction, where it is interpreted to include production.

240. We note the definition of 'oil and gas activities' in NI 51-101 expressly excludes 'refining or marketing oil or gas', but does include 'field processing'. Moreover, even though the SEC has expanded the scope of the definition of 'oil and gas producing activities', this definition continues to 'exclude the transporting, refining, processing (other than field processing of gas to extract liquid hydrocarbons by the company and the upgrading of natural resources extracted by the company other than oil or gas into synthetic oil or gas) or marketing of oil and gas'. We propose to deal with these issues on a case by case basis but are only minded to allow the inclusion of refining costs if they are an integral part of a company's operations.

General considerations

241. Given that we will not be listing early stage or pure-play exploration companies, we have decided to remove the reference to 'Exploration' from the term 'Mineral and Exploration Companies'. We do not propose to differentiate between production and exploration companies as they are largely subject to the same requirements. However it should be noted that companies involved solely in production or processing may only be eligible for listing under Chapter 8 of the Listing Rules.

242. We note that some market participants have questioned the need for a 25% threshold, suggesting that the term principal or major activity could just be used leaving greater flexibility for the Exchange to determine Mineral Companies. However, we prefer a bright line test.

243. It was suggested that Mineral Companies should include companies involved in the extraction and exploitation of natural forests as trees are like metals and coal naturally existing on the Earth's crust. None of the jurisdictions reviewed include natural forests in their definition of mineral companies or its equivalent. Moreover, the IFRS has guidelines specifically dealing with accounting and valuation issues relating to biological assets. Biological assets and mineral assets have totally different valuation dynamics. A characteristic of the Extractive Industries that sets them apart from other industries or economic sectors is the depletion or wasting of natural resources. We do not propose to include natural forests under our definition of Natural Resources.

APPENDIX I LIST OF RESPONDENTS

Appraisal firms

1. American Appraisal China Limited
2. Grant Sherman Appraisal Limited, Managing Director
3. Grant Sherman Appraisal Limited, Director
4. Grant Sherman Appraisal Limited, Director
5. Appraisal firm 1 (name not disclosed at the respondent's request)
6. Appraisal firm 2 (name not disclosed at the respondent's request)
7. Appraisal firm 3 (name not disclosed at the respondent's request)
8. Appraisal firm 4 (name not disclosed at the respondent's request)
9. Appraisal firm 5 (name not disclosed at the respondent's request)
10. Appraisal firm 6 (name not disclosed at the respondent's request)

Listed issuers

1. Enviro Energy International Holdings Limited (GEM Board issuer)
2. G-Resources Group Limited
3. Hutchison Whampoa Limited
4. Main Board issuer 1 (name not disclosed at the respondent's request)
5. Main Board issuer 2 (name not disclosed at the respondent's request)
6. Main Board issuer 3 (name not disclosed at the respondent's request)
7. Main Board issuer 4 (name not disclosed at the respondent's request)
8. Main Board issuer 5 (name not disclosed at the respondent's request)

Market practitioners

1. Accounting Firm (name not disclosed at the respondent's request)
2. ACE – Asian Capital Events Ltd.
3. *Charltons on behalf of:*
   Anglo Chinese Corporate Finance, Limited
   Somerley Limited
4. ClarkeKann Lawyers
5. Hermes Equity Ownership Services Limited
6. Latham & Watkins
7. LCH (Asia-Pacific) Surveyors Limited
8. PricewaterhouseCoopers
9. Market Practitioner 1 (name not disclosed at the respondent's request)

Professional and industry associations

1. International Valuation Standards Council
2. The Law Society of Hong Kong
3. Revenue Watch Institute

4. SAMI African Mineral Solutions

Industry experts

1. Runge Asia Limited
2. Wardrop Engineering Inc.

Overseas listed issuers

1. Apex Minerals (Australia)
2. CanAlaska Uranium Ltd.
3. Tethys Petroleum Limited

Overseas investors/funds

1. California State Teachers' Retirement System
2. F&C Asset Management plc
3. Norges Bank Investment Management
4. Railpen Investments

Individuals

1. Individual 1 (name not disclosed at the respondent's request)
2. Individual 2 (name not disclosed at the respondent's request)

Remarks:

1. *The total number of submissions (including 29 questionnaires and 13 letters) is 42.*
2. *Eleven identical questionnaires were received.*
3. *One submission is counted as one response.*
4. *One law firm (Charltons) indicated that its submission was made on behalf of two companies.*
5. *The total number of responses is based on submissions we receive not the underlying members that they represent.*

APPENDIX II: SUMMARY STATISTICS OF RESPONDENTS' VIEWS

Question no.		AF	L	P	I	A	E	OL	OF	Total	Reference to Consultation Conclusions Paper (paragraph no.)
Additional eligibility requirements for new applicant Mineral Companies											
Q3.1:	Rights to participate in exploration and extraction of resources										3 - 12
	Agreed with the proposal	10	6	5	2	1	2	1	4	31	
	Disagreed with the proposal		1	-	-	1	-	1	-	3	
	No comment		1	4	-	2	-	1	-	8	
Q3.2:	Plans to proceed to extraction and risks to obtaining rights										13 - 19
	Agreed with the proposal	1	6	5	-	2	2	2	4	22	
	Disagreed with the proposal	9	2	1	2	-	-	-	-	14	
	No comment		-	3	-	2	-	1	-	6	
Q3.3:	12 month working capital statement for 125% of needs										20 - 24
	Agreed with the proposal	10	5	5	2	1	2	2	4	31	
	Disagreed with the proposal		3	-	-	1	-	-	-	4	
	No comment		-	4	-	2	-	1	-	7	
Q3.4:	Items included in cash operating costs										25 - 28
	Agreed with the proposal	10	4	4	2	2	2	1	4	29	
	Disagreed with the proposal		3	1	-	-	-	1	-	5	
	No comment		1	4	-	2	-	1	-	8	
Q3.5:	Operating cash cost per appropriate unit										29 - 32
	Agreed with the proposal	9	3	5	2	1	2	2	4	28	
	Disagreed with the proposal	1	4	1	-	-	-	-	-	6	
	No comment		1	3	-	3	-	1	-	8	
Q3.6:	Board & senior management - adequate mining exp >5 years										33 - 37
	Agreed with the proposal		5	5	-	2	2	2	4	20	
	Disagreed with the proposal	10	1	-	2	-	-	-	-	13	
	No comment		2	4	-	2	-	1	-	9	

Question no.		AF	L	P	I	A	E	OL	OF	Total	Reference to Consultation Conclusions Paper (paragraph no.)
Disclosure (General) Obligations											
Q4.1:	Independent experts for technical reports & valuations										38 - 44
	Agreed with the proposal	1	5	6	-	3	2	-	4	21	
	Disagreed with the proposal	9	3	-	2	-	-	2	-	16	
	No comment		-	3	-	1	-	1	-	5	
Q4.2:	Competent Person must be a member of an RPO										45 - 49
	Agreed with the proposal	10	6	5	2	2	2	2	4	33	
	Disagreed with the proposal		1	-	-	-	-	-	-	1	
	No comment		1	4	-	2	-	1	-	8	
Q4.3:	RPO jurisdictions must have MOU with SFC										50 - 53
	Agreed with the proposal	9	4	5	2	2	2	2	4	30	
	Disagreed with the proposal	1	3	-	-	-	-	-	-	4	
	No comment		1	4	-	2	-	1	-	8	
Q4.4:	CPR must have an effective date < six months										54 - 59
	Agreed with the proposal	10	7	5	2	2	2	-	4	32	
	Disagreed with the proposal		1	-	-	-	-	2	-	3	
	No comment		-	4	-	2	-	1	-	7	
Q4.5:	CPRs must include an up to date no material change statement										60 - 65
	Agreed with the proposal		7	4	-	2	2	2	4	21	
	Disagreed with the proposal	10	1	2	2	-	-	-	-	15	
	No comment		-	3	-	2	-	1	-	6	
Q4.6:	Companies must disclose risks factors/analysis in the CPR										66 - 70
	Agreed with the proposal		5	5	-	1	2	-	1	14	
	Disagreed with the proposal	10	2	-	2	-	-	2	-	16	
	No comment		1	4	-	3	-	1	3	12	
Q4.7:	Risks must be provided as part of a CPR										66 - 70
	Agreed with the proposal	9	5	4	2	1	2	-	1	24	

Question no.		AF	L	P	I	A	E	OL	OF	Total	Reference to Consultation Conclusions Paper (paragraph no.)
	Disagreed with the proposal	1	2	-	-	-	-	2	-	5	
	No comment		1	5	-	3	-	1	3	13	
Q4.8:	Data on reserves and resources in tables										71 - 73
	Agreed with the proposal	9	6	6	2	2	2	2	1	30	
	Disagreed with the proposal	1	-	-		-	-	-	-	1	
	No comment		2	3		2	-	1	3	11	
Disclosure (Technical Reporting) Standards											
Q5.1:	Exchange to accept the three main JORC-type codes										74 - 76
	Agreed with the proposal		5	7	-	1	2	2	4	21	
	Disagreed with the proposal	10	1	-	2	-	-	-	-	13	
	No comment		2	2	-	3	-	1	-	8	
Q5.2:	Reconciliation to JORC-type code of Chinese or Russian standards										77 - 83
	Agreed with the proposal	1	5	5	-	1	1	2	4	19	
	Disagreed with the proposal	9	1	1	2	-	1	-	-	14	
	No comment		2	3	-	3	-	1	-	9	
Q5.3:	Reserves be supported at least by a pre-feasibility study										84 – 86
	Agreed with the proposal	10	6	5	2	1	2	1	3	30	
	Disagreed with the proposal		1	1	-	-	-	1	-	3	
	No comment		1	3	-	3	-	1	1	9	
Q5.4:	Mineral resources & mineral reserves must not be combined										87 – 90
	Agreed with the proposal	10	5	4	2	2	2	1	4	30	
	Disagreed with the proposal		1	2	-	-	-	1	-	4	
	No comment		2	3	-	2	-	1	-	8	
Q5.5:	Mineral resources discounted for economic analyses										91 – 93
	Agreed with the proposal	9	4	6	2	2	-	1	4	28	
	Disagreed with the proposal	1	2	-	-	-	2	1	-	6	
	No comment		2	3	-	2	-	1	-	8	

Question no.		AF	L	P	I	A	E	OL	OF	Total	Reference to Consultation Conclusions Paper (paragraph no.)
Q5.6:	Methodology and reasonableness of commodity prices										94 – 96
	Agreed with the proposal	10	6	6	2	1	2	2	4	33	
	Disagreed with the proposal		-	-	-	-	-	-	-	-	
	No comment		2	3	-	3	-	1	-	9	
Q5.7:	Sensitivity analyses for valuations & profit forecasts										97 – 100
	Agreed with the proposal	10	5	6	2	1	2	1	4	31	
	Disagreed with the proposal		3	-	-	-	-	-	-	3	
	No comment		-	3	-	3	-	2	-	8	
Q5.8:	Methodology & reasonableness of oil and gas valuations										101 – 103
	Agreed with the proposal	10	4	5	2	1	2	1	4	29	
	Disagreed with the proposal		1	-	-	-	-	-	-	1	
	No comment		3	4	-	3	-	2	-	12	
Q5.9:	Adoption of PRMS										104 – 109
	Agreed with the proposal	10	6	6	2	1	2	1	4	32	
	Disagreed with the proposal		-	-	-	-	-	-	-	-	
	No comment		2	3	-	3	-	2	-	10	
Q5.10:	1P & 2P Reserves - NPVs on a post-tax basis at varying discount rates										110 – 121
	Agreed with the proposal	10	5	6	2	1	2	1	3	30	
	Disagreed with the proposal		3	-	-	-	-	-	-	3	
	No comment		-	3	-	3	-	2	1	9	
Q5.11:	1P & 2P Reserves must be analysed separately										122 – 124
	Agreed with the proposal	10	6	5	2	1	2	1	3	30	
	Disagreed with the proposal		1	-	-	-	-	-	-	1	
	No comment		1	4	-	3	-	2	1	11	
Q5.12:	NPVs of reserves using a forecast price as a base case with a sensitivity analysis										125 – 130
	Agreed with the proposal	9	5	5	2	-	2	1	-	24	
	Disagreed with the proposal	1	3	-	-	-	-	-	-	4	
	No comment		-	4	-	4	-	2	4	14	
Q5.13:	Volumes of oil & gas resources allowed, provided risks disclosed										131 – 133

Question no.	AF	L	P	I	A	E	OL	OF	Total	Reference to Consultation Conclusions Paper (paragraph no.)
Agreed with the proposal	10	7	5	2	-	2	1	-	27	
Disagreed with the proposal		-	-	-	-	-	-	-	-	
No comment		1	4	-	4	-	2	4	15	
Q5.14: No economic values for Contingent or Prospective Resources										134 - 138
Agreed with the proposal	10	6	5	2	-	2	1	-	26	
Disagreed with the proposal		1	-	-	-	-	-	-	1	
No comment		1	4	-	4	-	2	4	15	
Q5.15: Definition of 'Competent Person' for oil & gas reporting.										139 – 147
Agreed with the proposal	10	4	5	2	1	2	1	-	25	
Disagreed with the proposal		2	-	-	-	-	-	-	2	
No comment		2	4	-	3	-	2	4	15	
Q5.16: Matters for inclusion in oil & gas independent CPR										148 – 150
Agreed with the proposal	10	4	4	2	-	2	1	-	23	
Disagreed with the proposal		2	1	-	-	-	-	-	3	
No comment		2	4	-	4	-	2	4	16	
Q5.17: Acceptance of VALMIN, CIMVAL & SAMVAL valuation codes										151 – 161
Agreed with the proposal	10	5	5	2	1	2	-	3	28	
Disagreed with the proposal		2	1	-	1	-	1	-	5	
No comment		1	3	-	2	-	2	1	9	
Q5.18: Definition of 'Competent Person' for valuations										162 – 167
Agreed with the proposal	1	3	4	-	1	2	-	-	11	
Disagreed with the proposal	9	3	2	2	-	-	1	-	17	
No comment		2	3	-	3	-	2	4	14	
Q5.19: Company mgt & CP to decide whether a valuation is required										168 – 173
Agreed with the proposal		6	4	-	-	2	1	-	13	
Disagreed with the proposal	10	1	2	2	1	-	-	-	16	
No comment		1	3	-	3	-	2	4	13	

Question no.		AF	L	P	I	A	E	OL	OF	Total	Reference to Consultation Conclusions Paper (paragraph no.)
Continuing Obligations (for companies treated as Mineral Companies and existing listed issuers engaging in mineral and/or exploration activity)											
Q6.1:	Mineral Companies - CPRs for major transactions of resources/reserves										174 – 181
	Agreed with the proposal	10	5	4	2	2	2	2	4	31	
	Disagreed with the proposal		2	1	-	-	-	-	-	3	
	No comment		1	4	-	2	-	1	-	8	
Q6.2:	Listed issuers - CPRs for major acquisitions of resources/reserves										182 – 188
	Agreed with the proposal	10	6	5	2	2	2	2	4	33	
	Disagreed with the proposal		-	-	-	-	-	-	-	-	
	No comment		2	4	-	2	-	1	-	9	
Q6.3:	Dispensation with CPRs if suitable info on reserves is in the public domain										189 - 193
	Agreed with the proposal	1	7	5	-	1	2	2	-	18	
	Disagreed with the proposal	9	-	-	2	-	-	-	-	11	
	No comment		1	4	-	3	-	1	4	13	
Q6.4:	Annual updates of reserves or no material change statement										194 - 196
	Agreed with the proposal	10	7	5	2	2	2	2	4	34	
	Disagreed with the proposal		-	-	-	-	-	-	-	-	
	No comment		1	4	-	2	-	1	-	8	
Q6.5:	Interim & annual exploration, mining production & development activity statement										197 - 201
	Agreed with the proposal	1	4	6	-	2	2	2	4	21	
	Disagreed with the proposal	9	2	-	2	-	-	-	-	13	
	No comment		2	3	-	2	-	1	-	8	
Q6.6:	Prohibition on blanket disclaimers in CPRs										202 - 204
	Agreed with the proposal	10	7	5	2	1	2	1	3	31	
	Disagreed with the proposal		-	1	-	-	-	1	-	2	
	No comment		1	3	-	3	-	1	1	9	
Q6.7:	Material indemnities in favour of CP should be disallowed										205 - 208

Question no.	AF	L	P	I	A	E	OL	OF	Total	Reference to Consultation Conclusions Paper (paragraph no.)
Agreed with the proposal	10	5	5	2	-	2	1	-	25	
Disagreed with the proposal		1	1	-	1	-	1	-	4	
No comment		2	3	-	3	-	1	4	13	
Social and Environmental Standards										
Q7.1: Companies to disclose social and environmental matters, if material										209 – 215
Agreed with the proposal	10	7	5	2	1	2	2	4	33	
Disagreed with the proposal		1	-	-	1	-	-	-	2	
No comment		-	4	-	2	-	1	-	7	
Eligibility of exploration companies										
Q8.1: Companies with 'resources' should be allowed to list										216 - 218
Agreed with the proposal	9	5	7	2	1	1	2	-	27	
Disagreed with the proposal	1	2	-	-	-	-	-	-	3	
No comment		1	2	-	3	1	1	4	12	
Q8.2: Not appropriate to list early stage exploration companies										219 - 224
Agreed with the proposal		4	5	-	-	-	-	-	9	
Disagreed with the proposal	10	3	2	2	1	2	3	-	23	
No comment		1	2	-	3	-	-	4	10	
Q8.3: Plans to proceed to production with indicative dates & costs										225 - 230
Agreed with the proposal	1	6	4	-	1	2	1	-	15	
Disagreed with the proposal	9	1	2	2	-	-	1	-	15	
No comment		1	3	-	3	-	1	4	12	
Q8.4: Additional eligibility requirements, e.g, min market cap										231 - 234
Agreed with the proposal		4	4	-	-	1	-	-	9	
Disagreed with the proposal	10	3	2	2	1	1	2	-	21	
No comment		1	3	-	3	-	1	4	12	
Q8.5: Definition of 'Mineral and Exploration Companies'										235 - 243

Question no.	AF	L	P	I	A	E	OL	OF	Total	Reference to Consultation Conclusions Paper (paragraph no.)
Agreed with the proposal	9	5	4	2	1	2	2	-	25	
Disagreed with the proposal	1	2	1	-	-	-	-	-	4	
No comment		1	4	-	3	-	1	4	13	

In summary: -

Category of respondents	Abbreviation	No. of respondents
Appraisal firms	**AF**	10
Listed issuers	**L**	8
Market practitioners	**P**	9
Professional & industry associations	**A**	4
Industry experts	**E**	2
Overseas listed issuers	**OL**	3
Overseas investors/funds	**OF**	4
Individuals	**I**	2
Total		**42**

Remarks:

1. *The total number of submissions (including 29 questionnaires and 13 letters) is 42.*
2. *Eleven identical questionnaires were received.*
3. *One submission is counted as one response.*
4. *One law firm (Charltons) indicated that its submission was made on behalf of two companies.*
5. *The total number of responses is based on submissions we receive not the underlying members that they represent.*

APPENDIX III PERSONAL INFORMATION COLLECTION AND PRIVACY POLICY STATEMENT

Provision of Personal Data

1. Your supply of Personal Data to HKEx is on a voluntary basis. "Personal Data" in these statements has the same meaning as "personal data" in the Personal Data (Privacy) Ordinance, Cap 486, which may include your name, identity card number, mailing address, telephone number, email address, login name and/or your opinion.

Personal Information Collection Statement

2. This Personal Information Collection Statement is made in accordance with the guidelines issued by the Privacy Commissioner for Personal Data. It sets out the purposes for which your Personal Data will be used after collection, what you are agreeing to in respect of HKEx's use, transfer and retention of your Personal Data, and your rights to request access to and correction of your Personal Data.

Purpose of Collection

3. HKEx may use your Personal Data provided in connection with this paper for purposes relating to this paper and for one or more of the following purposes:

   - administration, processing and publication of this paper and any responses received;
   - performing or discharging HKEx's functions and those of its subsidiaries under the relevant laws, rules and regulations;
   - research and statistical analysis; and
   - any other purposes permitted or required by law or regulation.

Transfer of Personal Data

4. Your Personal Data may be disclosed or transferred by HKEx to its subsidiaries and/or regulator(s) for any of the above stated purposes.

5. To ensure that the consultation is conducted in a fair, open and transparent manner, any response together with your name may be published on an "as is" basis, in whole or in part, in document form, on the HKEx website or by other means. In general, HKEx will publish your name only and will not publish your other Personal Data unless specifically required to do so under any applicable law or regulation. If you do not wish your name to be published or your opinion to be published, please state so when responding to this paper.

Access to and Correction of Data

6. You have the right to request access to and/or correction of your Personal Data in accordance with the provisions of the Personal Data (Privacy) Ordinance. HKEx has the right to charge a reasonable fee for processing any data access request. Any such request for access to and/or correction of your Personal Data should be addressed to the Personal Data Privacy Officer of HKEx in writing by either of the following means:

By mail to: Personal Data Privacy Officer
Hong Kong Exchanges and Clearing Limited
12th Floor, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Re: Consultation Conclusions on
New Listing Rules for Mineral Companies

By email to: pdpo@hkex.com.hk

Retention of Personal Data

7. Your Personal Data will be retained for such period as may be necessary for the carrying out of the above-stated purposes.

Privacy Policy Statement

8. HKEx is firmly committed to preserving your privacy in relation to the Personal Data supplied to HKEx on a voluntary basis. Personal Data may include names, identity card numbers, telephone numbers, mailing addresses, e-mail addresses, login names, opinion, etc., which may be used for the stated purposes when your Personal Data are collected. The Personal Data will not be used for any other purposes without your consent unless such use is permitted or required by law or regulation.

9. HKEx has security measures in place to protect against the loss, misuse and alteration of Personal Data supplied to HKEx. HKEx will strive to maintain Personal Data as accurately as reasonably possible and Personal Data will be retained for such period as may be necessary for the stated purposes and for the proper discharge of the functions of HKEx and those of its subsidiaries.