

HKEX GUIDANCE LETTER

HKEX-GL52-13 (March 2013) (Updated in July 2013 and February 2020)

[Streamlined and incorporated into the Guide for New Listing Applicants in January 2024]

Subject	Guidance for Mineral Companies
Listing Rules	Main Board Rules 2.13(2), 8.05, 11.07, Chapter 18 and paragraph 41(6) of Appendix 1A GEM Rules 14.08(7), 17.56(2), Chapter 18A and paragraph 41(2) of Appendix 1A
Related Publications	Consultation Paper on New Listing Rules for Mineral and Exploration Companies published in September 2009 (“2009 Consultation Paper”) Consultation Conclusions on New Listing Rules for Mineral Companies published in May 2010 (“2010 Consultation Conclusions”)
Author	IPO Department

Important note: *This letter does not override the Listing Rules and is not a substitute for advice from qualified professional advisers. If there is any conflict or inconsistency between this letter and the Listing Rules, the Listing Rules shall prevail. You may consult the Listing Division on a confidential basis for an interpretation of the Listing Rules, or this letter.*

1. Purpose

- 1.1. This letter provides guidance to new applicants which are Mineral Companies on (i) disclosure in listing documents; (ii) application of Main Board Rule 18.04; (iii) adoption of alternative reporting standard and other disclosure matters for Petroleum Resources and Reserves; and (iv) inclusion of Competent Person’s Report (“**CPR**”) in the listing document.
- 1.2. Appendix 1 to this letter sets out a list of frequently asked questions, including questions about post-listing compliance matters of Chapter 18 of the Main Board Rules (Chapter 18A of the GEM Rules).
- 1.3. Unless otherwise defined, capitalised terms in this letter have the same meaning as those used in Chapter 18 of the Main Board Rules (Chapter 18A of the GEM Rules).

2. Disclosure in listing documents (*Updated in February 2020*)

- 2.1. We expect the following disclosure, where applicable and material, to be made in listing documents.
- 2.2. **“Summary” section**

- (i) an overview of the Mineral or Petroleum Assets, including the location, main products and by-products generated and a summary of the Reserves, Resources and/ or exploration results by category under a Reporting Standard, the grade(s) and quality of the applicant's Natural Resources with reference to applicable industry standards;
- (ii) the mining method, the life of the mines/ oilfields, the current status and future development plan, the access of mines/ oilfields to major transportation networks, and mining rights which are pledged to secure the applicant's banking facilities or a negative statement;
- (iii) in tabular format, (a) the cash operating and production costs of the minerals or Petroleum produced as extracted from the CPR; (b) the material terms of the mining and exploration licenses such as the identity of each of the license holders, the validity period, the approved production volume, and the particular Natural Resources which the licenses are related to; and (c) the revenue, production volume, sales volume and average selling price of each major product during the track record period; and
- (iv) the risk associated with the applicant's capital expenditure projects if the expected capital expenditure is significantly more than its IPO proceeds.

2.3. ***CPR and related disclosure***

- (i) the cut-off grade (which should be an industry standard commonly used), minimum mining width, economic parameters (e.g. waste to ore ratio, stope productivity), specific gravity derivation, prevailing commodity price assumptions;
- (ii) if the Competent Person has a different view on certain assumptions (e.g. processing recovery rate) made by the applicant, both views should be disclosed in the listing document, with differences highlighted and underlying reasons for the different views, and the impact on the applicant if the more conservative view is adopted;
- (iii) detailed analysis for harmful elements identified at mines (e.g. mercury or arsenic at lead and zinc mines) to give a better picture of whether there are material concentrations of these elements within particular lodes, and the impact on the saleability of the minerals;
- (iv) clear and meaningful drawings and diagrams, shown to scale, of the location of the applicant's principal Mineral or Petroleum Assets;
- (v) the procedures, amount of testing, assessment and time required to ascertain the amount of Reserves, and the existing Reserves of the mine over its entire mine life, expected average Resource and Reserve grades of ore that can be extracted in future years (preferably covering the whole economic life of the mine), depletion charges and hedging activities;
- (vi) whether the historical or the expected improved recovery rate is used for estimating the net present value ("**NPV**"), and the basis on which the discount rates are considered appropriate;

- (vii) if the Competent Person did not conduct a site visit, the applicant should disclose in the “Business” section of the listing document the basis on which the Reserves/ Resources, cost forecasts and other data relating to the mines/ oilfields as disclosed in the CPR are arrived at, how the lack of a site visit would affect the reliability of the information, and an appropriate risk factor. The sponsor should also submit to the Exchange the basis that the Competent Person considers unnecessary to perform verification work by conducting any facility or onsite investigation;
- (viii) all material risks mentioned in the CPR should be disclosed in the “Risk Factors” section of the listing document; and
- (ix) measures taken/ will be taken by the applicant to address key recommendations mentioned in the CPR and the corresponding time frame should be disclosed in the “Business” section of the listing document.

2.4. **“Business” section**

- (i) Project development
 - (a) construction details by key stages (e.g. different stages of a planned development) leading to commercial production; and
 - (b) how the applicant manages any upside and downside market developments (e.g. capital expenditure staging, joint development, cost-cutting strategies and financing);
- (ii) Workflow/ production
 - (a) a workflow diagram for each of the major steps/ processes for the applicant’s business (from excavation to product delivery), with a general indication of the time involved in each step/ process and whether any of the process is/ will be outsourced to contractors;
 - (b) designed capacities, permitted production volume and actual production volume of the mines, oilfields and/ or the production plants, the utilisation rates of the production plants, in tabular format, during the track record period and commentary on material fluctuations; and
 - (c) reasons and outstanding liabilities for major accidents that took place during the track record period and up to the latest practicable date, and the internal controls to prevent recurrence of similar accidents.
- (iii) Outsourcing arrangement

Material information on contractors engaged by the applicant for each major type of mining activities, including for each major type of activities, the number of contractors engaged by the applicant and total contracting fees incurred during the track record period, whether they are independent third parties, selection criteria, compliance with the relevant licensing/ qualification requirements, the applicant’s relevant internal control measures to ensure that the contractors comply with all applicable rules and the contractual terms (e.g. occupational health and safety, environmental protection, validity of the licenses).

(iv) Utilities

- (a) whether utility supplies were/ will be stable and sufficient during the track record period and up to the latest practicable date for the applicant's business operations, and if not, disclose the associated risks and measures taken to address this issue; and
- (b) if utilities are not charged at market rates, explain material differences and reasons therefor.

(v) Sales/ product delivery

If existing transportation infrastructure is not sufficient for the applicant's expansion, disclose the associated risks and the applicant's plans to secure sufficient access to the infrastructure.

(vi) Regulatory, environmental and social matters

- (a) a summary of all outstanding approvals and the current status of the relevant applications, any restriction on the renewal of exploration and mining permits, and the legal advisers' view (with basis) on the applicant's ability to obtain/ renew all relevant licenses, permits and approvals for the proposed exploration and mining activities;
- (b) details of any requirement to rehabilitate the affected environment and regulations governing the provision of rehabilitation costs and reserves, how the applicant estimates the relevant provisions, and the relevant accounting treatments;
- (c) environmental impact of the applicant's mining/ extracting activity and production processes, and measures taken/ to be taken to mitigate the adverse impact and under what time frame;
- (d) weaknesses and deficiencies of the applicant's environmental management policies/ measures, and how and when they have been/ will be addressed;
- (e) how the local community's concerns (e.g. potential pollution of local environment by the mining operation) have been addressed; and
- (f) operational and financial impact of newly introduced or pending environmental regulations/ programs, and the associated risks.

2.5. ***"Financial information" section***

- (i) a sensitivity analysis on the impact of changes in the price of Mineral or Petroleum Assets, contracting fees, utility expenses and transportation costs, in each case if material, on the applicant's financial results during the track record period and the forecast period;
- (ii) a breakdown of production costs and total cash operating costs; and the major assumptions adopted for the forecast operating costs;
- (iii) the amounts of exploration expenses during the track record period and up to the latest practicable date, and how they were accounted; and

- (iv) the expected time when a project under development becomes self-sufficient in terms of working capital and funding, and the amount of additional funding required to reach such level of self-sufficiency.

2.6. **Drafting**

The listing document, including the CPR, should (i) avoid using the word “*mine*” to describe a project which is at an early stage of development or exploration; and (ii) provide a benchmark for relative levels (e.g. “*high/ low/ best estimates*”) for Reserves and Resources.

3. **Exemption of Main Board Rule 8.05 provided under Main Board Rule 18.04 (“R18.04 Exemption”)¹ (Added in February 2020)**

Background

- 3.1. Since 1989, the Listing Rules have exempted Mineral Companies from compliance with the eligibility requirements under Main Board Rule 8.05 (“**R8.05 Requirements**”). Given that the nature of the industry is highly capital intensive with a relatively long development curve, applicants (especially those that are in their early years of development) may not be able to meet the R8.05 Requirements. Investors could practically participate in the evolution of value of a Mineral Company if the Mineral Company could list when it was still in its exploration and development stage.
- 3.2. To mitigate the higher risk investors are exposed to due to the uncertainty of the development of the mining projects for a Mineral Company, an applicant can rely on the R18.04 Exemption if it can meet the conditions in paragraphs 3.4 to 3.6 below.

Path to commercial production

- 3.3. The 2010 Consultation Conclusions stated that a Mineral Company must demonstrate a clear path to commercial production to qualify for the R18.04 Exemption. Although this concept was not codified in the Listing Rules, the Exchange has been applying it in practice.
- 3.4. To demonstrate a clear path to commercial production, the applicant must:
- (i) have conducted exploration and/ or development activities on some or all of its mining assets during part or all of the track record period (“**Pre-Production Mining Assets**”). This means that if all its mining assets were under production throughout the track record period, it cannot satisfy this condition and is required to meet the R8.05 Requirements;
 - (ii) the Pre-Production Mining Assets must comprise a meaningful portfolio (in terms of quality and quantity) of Resources and Reserves; and
 - (iii) present a detailed plan, with reasonable assumptions, to achieve profitable

¹ For the avoidance of doubt, Main Board Rule 18.04 exempts an applicant from complying with the profit test, market capitalisation/revenue/cash flow test and the market capitalisation/revenue test under Main Board Rule 8.05, which also include the management continuity and ownership and control requirements.

commercial production with respect to the Pre-Production Mining Assets. When assessing the feasibility of the plan, we will consider the following factors, as applicable:

- (a) life of the mine with the Pre-Production Mining Assets and project payback period;
- (b) the development/ production stage of the Pre-Production Mining Assets;
- (c) the Competent Person's view on the adequacy and reasonableness of the applicant's mine plan, production schedule and/ or Pre-feasibility Study;
- (d) commodity price and demand for the applicant's products (e.g. binding commitments from existing/ potential customers);
- (e) an estimate of cash operating costs and cost of proposed exploration and/ or development;
- (f) feasibility of future fund raising (other than IPO) required to bring the project to the production; and
- (g) the level of certainty as to whether the necessary mining permits and licenses will be obtained.

3.5. The applicant must disclose in the listing document details of the plan to provide investors sufficient information to perform an informed assessment on its value.

Director and management experience

3.6. Main Board Rule 18.04 (GEM Rule 18A.04) requires directors and management to have experience relevant to the exploration and/ or extraction activity that the Mineral Company is pursuing. Where the experience of the directors or management in commodities or minerals is different from the applicant's operations, the Exchange will consider:

- (i) whether such skills are transferable to the applicant's mining activities; and
- (ii) his/ her academic and professional qualifications, significant mining related achievements/ awards, and contribution to the mining industry and/ or any Mineral Companies.

4. Petroleum reporting standard (*Added in February 2020*)

Other codes for Petroleum Resources and Reserves

4.1. Pursuant to Main Board Rule 18.32(2) (GEM Rule 18A.32), the Exchange will consider the following factors in determining whether other codes for Petroleum Resources and Reserves will give a comparable standard of disclosure and sufficient assessment of the underlying assets ("**Alternative Codes**"):

- (i) whether the Alternative Code is well recognised internationally and comparable to the requirements of Chapter 18 of the Main Board Rules (Chapter 18A of the GEM Rules). For example, it was stated in the 2009 Consultation Paper that the Canadian Standards of Disclosure for Oil and Gas Activities (“**NI 51-101**”) and the U.S. Securities and Exchange Commission’s Oil and Gas Disclosure Standards are globally recognised yardsticks for making oil and gas evaluations; and
- (ii) why the applicant is adopting the Alternative Code instead of PRMS under Main Board Rule 18.32 (GEM Rule 18A.32). For example, the applicant is listed on an overseas exchange or operates in a jurisdiction where the Alternative Code is a filing requirement.

Present NPVs on pre-tax and post-tax basis

- 4.2. If an applicant discloses the NPVs attributable to its Proved Reserves and Proved plus Probable Reserves (and also Possible Reserves, Contingent Resources or Prospective Resources, subject to a waiver from Main Board Rule 18.33(6) (GEM Rule 18A.33(6)) as stated below), in addition to the post-tax presentation requirement under Main Board Rule 18.33(2) (GEM Rule 18A.33(2)), it may disclose the NPVs on pre-tax basis if such disclosure is required or allowed under a widely adopted reporting standard and is in line with disclosure made by its comparable listed companies.

Disclosure of economic values of Possible Reserves, Contingent Resources or Prospective Resources

- 4.3. Main Board Rule 18.33(6) (GEM Rule 18A.33(6)) does not allow applicants to attach economic values to Possible Reserves, Contingent Resources or Prospective Resources because the measurement of such values usually lack a widely accepted industry standard and are estimated with high level of uncertainty.
- 4.4. The Exchange has in the past granted a waiver to an applicant from Main Board Rule 18.33(6) (GEM Rule 18A.33(6)) because:
- (i) the applicant’s Petroleum Resources were located in Canada and subject to NI51-101, which permits disclosure of estimates of both the volumes and values of all reserves and resources, including Possible Reserves, Contingent Resources and Prospective Resources. This applicant’s disclosure was in line with disclosures made by its comparable companies listed in Canada; and
 - (ii) the existence of the applicant’s Petroleum Resources (which was oil sand) was more certain than the typical Petroleum Resources such as oil, mainly because of the abundance of oil sand in the area where it operated, and the recoverability was largely within the applicant’s control as it was mainly dependent upon the applicant’s commitment to develop them.

5. CPR (Added in February 2020)

- 5.1. A Mineral Company applicant must establish that it has at least a portfolio of Indicated or Contingent Resources substantiated in a CPR, which is required to be disclosed in the listing document under Main Board Rule 18.05(1) (GEM Rule

18A.05(1)).

- 5.2. The Exchange acknowledges that it may be unduly burdensome and impractical to require an applicant to include in its listing document a CPR for each and every Resource, irrespective of its size, plans for and stage of development or ownership status, and has in the past waived the requirement under Main Board Rule 18.05(1) (GEM Rule 18A.05(1)) and allowed certain applicants to exclude part of their mining assets in a CPR ("**Excluded Projects**") on the following basis:
- (i) the Excluded Projects were not material to the applicant's portfolio of mineral/ petroleum Resource; and
 - (ii) the applicant demonstrated that the necessary information for the preparation of a CPR was not available (e.g. the mine was at early exploration stage, or the applicant did not have the necessary information on the relevant entities or businesses which it planned to acquire or had an option to acquire).
- 5.3. If the relevant information for the preparation of a CPR is available, an applicant must include such information in the CPR. A waiver from Main Board Rule 18.05(1) (GEM Rule 18A.05(1)) in such case will only be granted under special circumstances. We have in the past granted a waiver to an applicant to exclude a mine in the CPR, since the applicant had no intention or plan to develop such mine due to its insignificant size and lack of commercial value.
- 5.4. In the aforementioned cases, applicants who obtained waivers from disclosing the Excluded Projects in the CPR were required to, where applicable:
- (i) disclose in the listing document relevant material information, including the proposed terms of acquisitions such as the location and size of the Excluded Projects, expected mineral quality, proposed purchase consideration and expected development cost, for investors' assessment on the potential of the Excluded Projects and the likely benefit of the acquisitions;
 - (ii) provide an update on the stage of development and the management's intention on the Excluded Projects in the annual reports in accordance with Main Board Rules 18.15 to 18.17 (GEM Rules 18A.15 to 18A.17), to enable investors understand the progress of acquisition/ the development of the part of the portfolio of resources that are not previously reported on by a competent person; and
 - (iii) prepare and publish a CPR in accordance with the relevant requirements under Chapter 18 and Appendix 25 of the Main Board Rules (Chapter 18A and Appendix 18 of the GEM Rules) when the relevant information becomes available (e.g. when the applicant acquires the entities or businesses, or when the Excluded Projects are further developed).

Appendix 1 - Frequently Asked Questions (FAQs) relating to Mineral Companies (*Added in February 2020*)

Status of “Frequently Asked Questions”

The following frequently asked questions (FAQs) are designed to help issuers understand and comply with the Listing Rules, particularly in situations not explicitly set out in the Rules or where further clarification may be desirable.

Users of the FAQs should refer to the Rules themselves and, if necessary, seek qualified professional advice. The FAQs are not substitutes for the Rules. If there is any discrepancy between the FAQs and the Rules, the Rules prevail.

In formulating our “answers”, we may have assumed certain underlying facts, selectively summarised the Listing Rules or concentrated on one particular aspect of the question. They are not definitive and do not apply all cases where the scenario may at first appear similar. In any given case, regard must be given to all the relevant facts and circumstances.

The Listing Division may be consulted on a confidential basis. Please contact the Listing Division at the earliest opportunity with any queries.

Unless otherwise defined, capitalised terms in this FAQs have the same meaning as those used in Chapter 18 of the Main Board Rules (Chapter 18A of the GEM Rules).

No.	Main Board Rules	GEM Rules	Query	Response
1.	18.01(3)	18A.01(3)	In calculating the 25% size test for Major Activity, are costs incurred for processing, refining and marketing activities allowed to be included as operating costs?	Yes, if a Mineral Company conducts exploration, extraction, subsequent processing and refining of its Reserves and Resources as part of its ordinary course of business. Companies that are only engaged in refining activities will not be regarded as Mineral Companies. (Updated in February 2020 – previously FAQ Series 12, No. 1)

No.	Main Board Rules	GEM Rules	Query	Response
2.	18.01(3)	18A.01(3)	Does the term “extraction” in Chapter 18 encompass “production”?	<p>Yes. We follow the practice of the other international exchanges, the terms “extraction” and “production” can be used interchangeably.</p> <p>(Updated in February 2020 – previously FAQ Series 12, No. 2)</p>
3.	18.03(1)(b), 18.07	18A.03(1)(b), 18A.07	How an applicant demonstrates it has “adequate rights” under Rule 18.03(1)(b)?	<p>Companies can demonstrate it has adequate rights if they (i) participate in mineral and/ or exploration activity under joint ventures, product/ profit sharing agreements or other valid arrangements; and (ii) can demonstrate such agreements give them sufficient influence over the exploration for and extraction of Resources and Reserves, which we ordinarily would expect to be at least 30% interest in the exploration for and/ or extraction of Natural Resources. This corresponds with the level of “controlling” interest under the Listing Rules.</p> <p>The Exchange may consider other arrangements where an applicant has interests lower than 30% but actively operate mining projects depending on facts and circumstances in each individual case. For example, (i) exploration/ extraction rights granted under specific government mandates ; and (ii) the ability of an applicant to veto resolutions can also demonstrate the applicant has adequate rights to give sufficient influence.</p>

No.	Main Board Rules	GEM Rules	Query	Response
				(Updated in February 2020 – previously FAQ Series 12, No. 3)
4.	18.03(1)(a), 14.04(12)	18A.03(1)(a), 19.04(12)	What does “control of over a majority of assets in which it has invested” in Rule 18.03(1)(a) mean?	It means the Mineral Company must have an interest greater than 50% (by value) in its total assets (which shall have the same meaning as defined in Rule 14.04(12)). (Updated in February 2020 – previously FAQ Series 12, No. 4)
5.	18.03(3)	18A.03(3)	Please provide examples of “material cost items” in the note to Rule 18.03(3) that should be highlighted to investors.	They include items such as (i) favourable tax treatment for a limited period of time or may be subject to challenge; and (ii) a temporary disruption to transport routes which led to increased costs for a limited time. (Updated in February 2020 – previously FAQ Series 12, No. 5)
6.	18.03(4), 18.03(5)	18A.03(4), 18A.03(5)	Clarify, when determining whether a new applicant meets the 125% working capital requirement, (i) what do “cost of any proposed exploration and/ or development” under Rule 18.03(4)(c) and “capital expenditure” in the note to Rule 18.03(4) include; and	The cost of proposed exploration and/ or development under Rule 18.03(4)(c) relates to new applicants’ daily operation (i.e. working capital) such as contracting fees for excavating the minerals and transportation fees for delivering the minerals. Capital expenditures mentioned in the note to Rule 18.03(4) relate to expenditures associated with development of infrastructure of the mines and

No.	Main Board Rules	GEM Rules	Query	Response																								
			(ii) how are refinancing of loan repayments accounted for?	<p>expansion of the processing facilities, etc. We noted that new applicants have normally included capital expenditures to demonstrate compliance with the 125% working capital requirement for prudence sake, which is not required.</p> <p>If loan repayment is required during the 12-month period, new applicants should include the repayment in its 125% working capital analysis. Below is a simplified illustration of the 125% working capital analysis, assuming that the borrowings will be drawn down and repaid within the 12-month period, and the proceeds from the borrowings will be fully used to finance the capital expenditures in the case with external financing:</p> <table border="1" data-bbox="1167 824 1879 1408"> <thead> <tr> <th data-bbox="1167 824 1583 946"></th> <th data-bbox="1583 824 1732 946">Without external financing</th> <th data-bbox="1732 824 1879 946">With external financing</th> </tr> </thead> <tbody> <tr> <td data-bbox="1167 946 1583 1031">Cash at the beginning of the period</td> <td data-bbox="1583 946 1732 1031">300</td> <td data-bbox="1732 946 1879 1031">300</td> </tr> <tr> <td data-bbox="1167 1031 1583 1083">Operating cash inflow (<i>Note 1</i>)</td> <td data-bbox="1583 1031 1732 1083">1,300</td> <td data-bbox="1732 1031 1879 1083">1,300</td> </tr> <tr> <td data-bbox="1167 1083 1583 1135">Proceeds from borrowings</td> <td data-bbox="1583 1083 1732 1135">-</td> <td data-bbox="1732 1083 1879 1135">500</td> </tr> <tr> <td data-bbox="1167 1135 1583 1219">Total working capital available (A)</td> <td data-bbox="1583 1135 1732 1219">1,600</td> <td data-bbox="1732 1135 1879 1219">2,100</td> </tr> <tr> <td data-bbox="1167 1219 1583 1304">Operating cash outflow (<i>Note 2</i>)</td> <td data-bbox="1583 1219 1732 1304">1,000</td> <td data-bbox="1732 1219 1879 1304">1,000</td> </tr> <tr> <td data-bbox="1167 1304 1583 1356">Repayment of borrowings</td> <td data-bbox="1583 1304 1732 1356">-</td> <td data-bbox="1732 1304 1879 1356">500</td> </tr> <tr> <td data-bbox="1167 1356 1583 1408">Interest payments</td> <td data-bbox="1583 1356 1732 1408">-</td> <td data-bbox="1732 1356 1879 1408">40</td> </tr> </tbody> </table>		Without external financing	With external financing	Cash at the beginning of the period	300	300	Operating cash inflow (<i>Note 1</i>)	1,300	1,300	Proceeds from borrowings	-	500	Total working capital available (A)	1,600	2,100	Operating cash outflow (<i>Note 2</i>)	1,000	1,000	Repayment of borrowings	-	500	Interest payments	-	40
	Without external financing	With external financing																										
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No.	Main Board Rules	GEM Rules	Query	Response						
				<table border="1" data-bbox="1167 334 1877 505"> <tr> <td data-bbox="1167 334 1583 415">Total working capital required (B)</td> <td data-bbox="1583 334 1732 415">1,000</td> <td data-bbox="1732 334 1877 415">1,540</td> </tr> <tr> <td data-bbox="1167 415 1583 505">Sufficiency of working capital (A/B)</td> <td data-bbox="1583 415 1732 505">160%</td> <td data-bbox="1732 415 1877 505">136%</td> </tr> </table> <p data-bbox="1167 558 1906 743"> Notes: 1. Operating cash inflow mainly represents receipt from sales. 2. Operating cash outflow includes payment for mining, transportation and utility expenses, and workforce. </p> <p data-bbox="1167 797 1906 862">(Updated in February 2020 – previously FAQ Series 12, No. 5A)</p>	Total working capital required (B)	1,000	1,540	Sufficiency of working capital (A/B)	160%	136%
Total working capital required (B)	1,000	1,540								
Sufficiency of working capital (A/B)	160%	136%								
7.	18.04	18A.04	What does “primary activity” in the note to Rule 18.04 mean?	<p data-bbox="1167 915 1906 1084">It means Mineral Companies relying on the exemption under Rule 18.04 from the R8.05 Requirements must mainly focus on Natural Resource exploration and/or extraction, although this does not have to be their sole activity.</p> <p data-bbox="1167 1117 1906 1182">(Updated in February 2020 – previously FAQ Series 12, No. 7)</p>						
8.	18.05(5), Guidance Note 7	18A.05(5), Practice Note 4	How should Mineral Companies disclose their specific risks and general risks in the listing document	<p data-bbox="1167 1224 1906 1398">Mineral Companies should follow Guidance Note 7 to the Main Board Rule (GEM: Practice Note 4) on risks disclosure to the extent applicable, or ensure the risks disclosed in the listing document is no less than those set out in the Guidance/ Practice Note.</p>						

No.	Main Board Rules	GEM Rules	Query	Response
			as required under Rule 18.05(5)?	(Updated in February 2020 – previously FAQ Series 12, No. 8)
9.	18.07	18A.07	A Scoping Study is required to be substantiated by an opinion of a Competent Person under Rule 18.07. What is a Scoping Study and must it be included in a CPR?	<p>A Scoping Study is a preliminary evaluation of a mining project to assess the economic viability of mineral Resources and whether or not a Mineral Company shall pursue the project. If a project survives a Scoping Study, it provides an indication that it is appropriate to proceed with further work and commission a Pre-feasibility Study. As such, Scoping Studies are only required for Mining Companies which have not yet begun production, and it can either form part of the CPR or be supported by the independent opinion of a Competent Person.</p> <p>(Updated in February 2020 – previously FAQ Series 12, No. 9)</p>
10.	18.28 to 18.33	18A.28 to 18A.33	Does a new applicant or listed issuer need to ensure disclosures in the listing document (including circular for the Relevant Notifiable Transaction) consistent with the related CPR?	<p>Yes. In particular, the directors should ensure there is no mismatch between statements about Reserves and Resources in the listing document and in the CPR. Descriptions of Reserves and Resources in the listing document and in the CPR must also correspond to the specific categories in the Reporting Standards.</p> <p>(Updated in February 2020 – previously FAQ Series 12, No. 10)</p>

No.	Main Board Rules	GEM Rules	Query	Response
11.	18.21(1)	18A.21(1)	What information does the Exchange require when assessing whether a person has the relevant experience to act as the Competent Person for a Relevant Notifiable Transaction involving acquisition or disposal of mineral or petroleum assets?	<p>The person should ensure there are sufficient details to demonstrate that the experience is relevant to the mineral or petroleum assets being acquired or disposed of. In general, the person is expected to provide a list of engagements showing his relevant experience with the following information:</p> <ul style="list-style-type: none"> • the period of each engagement; • a description of each project undertaken, including the location and the type of resources involved, and the relevance to the resources being acquired or disposed of; • details of any technical reports on the resources of the project, including the reporting standards and the use of the reports; and • details of his role and responsibilities in the project and the preparation of any technical reports. <p>(Previously FAQ Series 20, No. 24)</p>
12.	18.24(2)	18A.24(2)	Rule 18.24 provides that a CPR or Valuation Report must have an effective date (being the date when the contents of the CPR or Valuation Report are valid) less than six months before the date of publishing the listing document. When is this effective date?	<p>The effective date of a CPR or Valuation Report should be the date of appraisal (i.e. the date when Resources and Reserves are estimated or valued). It should not be the date when the CPR or Valuation Report is signed.</p> <p>(Updated in February 2020 – previously FAQ Series 12, No. 10B)</p>

No.	Main Board Rules	GEM Rules	Query	Response
13.	18.09(2)	18A.09(2)	Under what circumstances is the Exchange likely to waive the requirement for a CPR on a disposal which is also a Relevant Notifiable Transaction?	<p>The factor to consider is whether there is sufficient alternative information on the Mineral or Petroleum Assets being disposed of. For example, the Exchange may waive this requirement where a Mineral Company has Mineral or Petroleum Assets that had been the subject of a CPR in the past which were accounted for on the company's balance sheet.</p> <p>(Updated in February 2020 – previously FAQ Series 12, No. 12)</p>
14.	14.22	19.22	If an issuer completes a series of acquisitions with different parties within a 12 month period, each of which is not major (as defined in Chapter 14) but their cumulative size exceeds the 25% threshold, will this company be treated as a Mineral Company upon completion of the transactions?	<p>Yes. The principles of aggregation under Rule 14.22 apply to transactions undertaken by all listed companies, including those that enter into a series of small acquisitions of Mineral or Petroleum Assets.</p> <p>(Previously FAQ Series 12, No. 13)</p>
15.	18.09, 18.10, Chapter 14A	18A.09, 18A.10, Chapter 20	Does Chapter 18 cover all connected transactions involving the acquisition or disposal of Mineral or Petroleum Assets which	No. Chapter 18 only covers Relevant Notifiable Transaction (as defined under Rule 18.01(3)) involving the acquisition or disposal of assets which are solely or mainly Mineral or Petroleum Assets by a Mineral Company or a listed issuer. Some connected

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			require shareholder approval?	<p>transactions below the major (i.e. 25%) threshold are not covered by Chapter 18 (and therefore not required to be supported by a CPR) but still require shareholder approval under Chapter 14A.</p> <p>(Updated in February 2020 – previously FAQ Series 12, No. 15)</p>
16.	14A.52	20.50	<p>A listed issuer is principally engaged in mining and production of certain mineral resources.</p> <p>It proposes to enter into an off-take agreement with a connected person to sell part of its future mineral production to that person. Is it acceptable if the off-take agreement covers a period of more than three years?</p>	<p>Yes, if the listed issuer can provide an independent financial adviser's opinion to explain why a longer period for the agreement is required and confirm that it is normal business practice for this type of agreements to be of that duration.</p> <p>(Previously FAQ Series 20, No. 16)</p>
17.	18.05, 18.09, 18.10	18A.05, 18A.09, 18A.10	When are CPRs required?	<p>A CPR is required for:</p> <ul style="list-style-type: none"> (i) new applicant Mineral Companies (Rule 18.05); (ii) Mineral Companies that propose to acquire or dispose of assets which are solely or mainly Mineral or Petroleum Assets as part of a Relevant Notifiable

No.	Main Board Rules	GEM Rules	Query	Response
				<p>Transaction (Rule 18.09); and</p> <p>(iii) listed issuers that propose to acquire assets which are solely or mainly Mineral or Petroleum Assets as part of a Relevant Notifiable Transaction (Rule 18.10).</p> <p>Although not required under the Rules, listed issuers' internal experts (who are likely to be qualified geologists and Competent Persons) may prepare estimates of Reserves at other times, such as updates of details of Reserves and Resources in annual reports. Updates on exploration, mining production and development activities in interim and annual reports may also include statements of Reserves and Resources.</p> <p>(Updated in February 2020 – previously FAQ Series 12, No. 17)</p>
18.	18.01(3), 18.28 to 18.33	18A.01(3), 18A.28 to 18A.33	If the acquisition target reports its Reserve and Resource information using a different mineral report code, (e.g. NI 43-101), whilst the Mineral Company reports using the JORC Code, would the Exchange accept both Reporting Standards?	<p>Yes, if the presentation of Reserves and Resources under the codes are very similar. For comparability, we will require the issuer to (i) disclose a reconciliation to one of the accepted Reporting Standards; and (ii) highlight any material differences in these Reporting Standards.</p> <p>(Updated in February 2020 – previously FAQ Series 12, No. 19)</p>

No.	Main Board Rules	GEM Rules	Query	Response
19.	18.33(1)	18A.33(1)	Does the Exchange accept both “deterministic” and “probabilistic” methods of estimating Reserves?	<p>Yes, Competent Persons and issuers may decide whether to estimate Reserves under the deterministic or probabilistic method. The rationale should be disclosed. Under Rule 18.33(1), where estimates of Reserves are disclosed using the probabilistic method, the Competent Person must state the underlying confidence levels applied.</p> <p>(Updated in February 2020 – previously FAQ Series 12, No. 20)</p>
20.	11.17, 14.61, 18.34, Appendix 1A(34)(2), Appendix 1B(29)(2)	14.29, 19.61, 18A.34, Appendix 1A(34)(2), Appendix 1B(29)(2)	Will valuations of Natural Resource assets (i.e. Reserves) based on discounted cash flows (“DCF”) be regarded as profit forecasts under Rule 14.61 which is required to be reviewed by the reporting accountants?	<p>No. However, issuers must disclose all relevant assumptions and the reason DCF was chosen as a valuation method.</p> <p>(Updated in February 2020 – previously FAQ Series 12, No. 21)</p>

No.	Main Board Rules	GEM Rules	Query	Response
21.	18.15, 18.17, 18.18	18A.15, 18A.17, 18A.18	Rule 18.15 requires a listed issuer that publicly discloses details of Resources and/ or Reserves to give an annual update of those Resources and/ or Reserves once a year in its annual report. Does the annual update need to comply with Rule 18.18?	<p>Yes. Rule 18.17 states that annual updates of Resources and/ or Resources must comply with Rule 18.18. This applies to listed issuers that publicly disclose details of Resources and/ or Reserves (Rule 18.15) and Mineral Companies (Rule18.16).</p> <p>(Previously FAQ Series 20, No. 26)</p>