

### **Consultation Questions ("CQ")**

#### **CQ 3.2 Where rights have not been obtained, a company must disclose details of how they plan to obtain them**

We would be supportive of the disclosure of a non - exhaustive list of material outstanding rights and details of the company's plan to secure those approvals.

A requirement for early-stage development companies to provide an all inclusive list of approvals to bring a project into production would be unduly onerous and may be difficult to support with a firm legal opinion.

#### **CQ 3.5 Disclosure of operating cash cost per appropriate unit**

Disclosure of cash cost per unit is a common practice on the ASX and TSX. It is a widely accepted method of disclosing costs that is easy for investors to benchmark against previous periods, other companies and commodity prices.

We support the SEHK's requirement for new applicants to disclose this information. However, it is important that there is consistency in terms of the terminology for calculating cash costs. If this is difficult between the different codes then it should be a requirement that the constituents of the cash cost are prominently disclosed (and broadly consistent with C1 cost definition used by the market). In particular there should be a consistent methodology for factoring in by-product credits.

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### **CQ 3.6 Requirement of at least 5 years experience for board/senior management**

We are supportive of a requirement for 5 years of experience for members of the board and senior management. However, we would stress that resource development companies require a balance of technical, operational, commercial, financial and legal expertise.

Whilst there should be technical representation (mining engineers, geologists, metallurgists etc.) at a board and senior management levels, we would also favour appropriate representation from other fields. We believe that the sector experience acquired in accounting, legal, advisory and commercial should also be recognised within this definition.

### **CQ 4.5 CPR no material changes statement**

We do not believe that it is necessary or practical to require a Competent Person to issue a no material changes statement if their report has been completed within 6 months of the circular.

Our reasons are as follows:

- (i) to issue a no material changes statement may require significant further work from the CPR to verify that there has been no material changes;
- (ii) there is a lead time between undertaking a site visit, reviewing additional drilling results or amendments to a company's geological database (ie. not practical to provide this opinion on the same date that a circular is issued);
- (iii) companies are required to disclose all material information - if they aware that circumstances had changed following issue of the CPR then they would be under an obligation to disclose this additional information; and
- (iv) if a company has undertaken further drilling or analysis within the 6 month period (for example upgrading reserves), then they are naturally incentivised to have their CPR updated.

We are however supportive of using a no material changes statement to address the requirement that a CPR be issued within 6 months. If there are no material changes to an asset since the last report, then a CP no materials statement should be sufficient rather than asking the company to produce a 'new' report which is in essence the same as the previous other than the date.

### **CQ 4.8 Reserves/resources in a table easily understood by non-technical person**

Whilst the CPR may provide detailed reserve/resources tables, we believe 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 we believe that it is also important that price assumptions as well as mining recovery and dilution factors are clearly disclosed.

### **CQ 5.1 Acceptance of other "JORC-type" codes**

We are supportive of the acceptance of the three main "JORC-type" codes for presenting information on reserves and resources (JORC Code, NI 43-101, SAMREC Code). The codes have been drafted for developed metals and mining exchanges, are internationally recognised and have comfortably co-existed.

Once a company has reported under a specific code, it should not be required to undertake any form of reconciliation to other codes as there may be inherent differences in methodology and CPs reporting under one code may not be qualified to opine under other codes/ reporting standards.

### **CQ 5.2 Chinese/Russian standard reconciliation**

Based on our experiences with HK and international institutional investors there is a strong preference for internationally recognised reporting standards (JORC, NI 43-101, SAMREC). We believe that allowing companies to publish Russian/Chinese standards and undertake a reconciliation to JORC-type codes would detract from market confidence.

Practically, it may be difficult to have a CP reconcile the differences as they may not be qualified to opine under the different standards.

### **CQ 5.3 Reserves supported by minimum PFS**

We are supportive of this proposal as JORC-type reserves are usually supported by a PFS standard analysis.

### **CQ 5.4 / 5.5 Combining mineral resources and mineral reserves / inclusion of resources in economic analyses**

We have no objection to companies showing their mineral resources inclusive of ore reserves as long as their approach is clearly disclosed. General the market prefers resources inclusive of reserves.

With respect to an economic analysis, analysts will typically value reserves on a 100% basis and apply an appropriate risk weighting to the resources. The risk weighting is an estimate of the expected conversion factor of resources to reserves.

**CQ 5.6 / 5.7 Explanation over method used for price forecasts in reserve valuations and statement over reasonableness / presentation of sensitivity analysis**

We would be comfortable with an outline of the methodology for selecting price forecasts.

With respect to a sensitivity analysis this should only extend to valuing the existing reserves and it should not be expected that reserves should be estimated under different cut-off prices (this would require the development of multiple mine plans).

**CQ 6.5 Requirement of details of exploration, mining production and development activities in interim and annual reports**

We recommend that this requirement be imposed on a quarterly basis (especially for pre-production companies). Up-to-date information is particularly important in the assessment of exploration and development companies. Quarterly reporting ensures that investors are kept properly abreast of use of funds and the status exploration and development activities.

We also believe that companies should be required to publish JORC-type reserves and resource statements on an annual basis.

**CQ 6.6 / 6.7 Proposal to prohibit blanket disclaimers in technical reports / disallow material indemnities in favour of the Competent Person**

We do not believe that this will be possible and may result in some top tier technical consultancy firms avoiding producing SEHK CPR's.

Technical consultants are also heavily reliant upon information supplied by the company and are likely to wish to limit their liability based on any deficiency on information supplied by the company.

Individuals are also regulated via their memberships to various institutes of mining, metallurgy and geology, which impact on their capacity to act as CP's.

**CQ 8.1 Should exploration companies be allowed to list?**

We would be supportive of the listing of companies with mineral resources. Such companies are commonly seen listed on the ASX and TSX. They provide resource investors who have greater risk appetites with the opportunity to participate in the evolution of value as mining companies progress from explorer to developer to producer.

**CQ 8.2 Is it appropriate to list early stage exploration companies to protect investors?**

We believe that companies should at least have an initial JORC type resource base before being eligible for listing.

**CQ 8.3 Should an applicant that has not yet commenced production disclose plans to proceed with production and indicative dates and costs**

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 say inferred JORC-type resources) this information may not yet be estimated with a sufficient degree of confidence.

**CQ 8.4 Additional eligibility requirements on companies that have not yet commenced production (e.g. minimum market cap)**

Suggested requirements include:

- 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