

Part A General Information of the Respondent

All fields are mandatory, except the fields with an asterisk (*) if you are an individual respondent.

Name/ Company Name*	:	Runge Asia Limited
Contact Person*	:	
Title*	:	
Phone Number	:	
E-mail Address	:	

If you **do not wish** to disclose the above information to the public, please check the box here:

☐ I do not wish to disclose the information above.

Part B Consultation Questions

Please indicate your preference by checking the appropriate boxes. Please make your comments by replying to questions below against proposed changes discussed in the Consultation Paper at the hyperlink: http://www.hkex.com.hk/consul/paper/cp200909m_e.pdf

Where there is insufficient space provided for your comments, please attach additional pages.

For ease of cross-referencing, please note the question numbers in this questionnaire correspond to the question numbers as they appear in the Consultation Paper.

Consultation Questions on Additional Eligibility Requirements for New Applicant Mineral and Exploration Companies

- 3.1 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?

☒ ☐ Yes

☐ No

Please provide specific reasons for your views.

This proposal protects the rights of shareholders by ensuring that the board of their company can adequately and correctly represent their interests.

- 3.2 Do you agree with our proposal that new applicant Mineral and Exploration Companies that have not yet obtained rights to extract relevant reserves must disclose details of how they plan to proceed to extraction and must state risks relevant to obtaining relevant rights?

☒ ☐ Yes

☐ No

Please provide specific reasons for your views.

This proposal will clearly state the investment risks related to gaining access to the reserves/resources and conforms with similar provisions in other jurisdictions.

- 3.3 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?

☒ ☐ Yes

☐ No

Please provide specific reasons for your views.

125% of working capital for the next 12 months should be considered as a minimum. If the company proposes to develop a mine then it should clearly state its proposed sources of capital for such development and the likelihood of it being able to successfully access those sources.

- 3.4 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?

☒ ☐ Yes

☐ No

Please provide specific reasons for your views.

These estimates reflect the normal cash operating requirements of exploration/mining companies and conform with requirements in other jurisdictions.

- 3.5 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?

☒ ☐ Yes

☐ No

Please provide specific reasons for your views.

Statement of unit costs allows the investor the opportunity to quickly compare different companies/projects operating efficiencies.

- 3.6 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?

☒ ☐ Yes

☐ No

Please provide specific reasons for your views.

This provision serves to protect the investor by ensuring that management has the relevant and specific necessary skills to run the company in a professional and best practice manner.

Consultation Questions on Disclosure (General) Obligations

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

☒ ☐ Yes

☐ No

Please provide specific reasons for your views.

It is essential that the investor is presented with a neutral and non-biased view of the qualities of all elements of the proposed projects to allow them to best judge if they will commit funds.

- 4.2 Do you agree with our proposal that a Competent Person must be a member of a Recognised Professional Organisation?

☒ ☐ Yes

☐ No

Please provide specific reasons for your views.

Being a member of a recognised professional organisation ("RPO") ensures that the Competent Person must conform to a strict code of ethics and must continuously qualify as being competent to complete specific and specialised tasks related to project analysis. Need to ensure that the relevant RPO actually polices compliance with its code in the jurisdiction of the HKEx.

- 4.3 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?

☒ ☐ Yes

☐ No

Please provide specific reasons for your views.

This provision seeks to ensure that the investor can rely upon the information with which they are presented to as best as possible represent the current matters relating to the project and company

- 4.4 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?

☒ ☐ Yes

☐ No

Please provide specific reasons for your views.

Information must be current and relevant if an investor is to be correctly informed as to the potential value of the intended investment. It is best that such reports are in hard copy to ensure that date stamps are reliable.

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

☒ ☐ Yes

☐ No

Please provide specific reasons for your views.

Such a statement ensures that any impacting information of a positive or negative nature cannot be used to distort the investment profile at a later date.

- 4.6 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?

☒ ☐ Yes

☐ No

Please provide specific reasons for your views.

As a minimum yes and then also expand upon that table when and where required to accurately reflect risks, the more impactful of which can be clearly defined and discussed in the body of the report

- 4.7 Do you agree with the Exchange's proposal that disclosure on risks must be provided as part of a Competent Person's Report?

☒ ☐ Yes

☐ No

Please provide specific reasons for your views.

This provision serves to ensure that the investor will have full knowledge of the potential downside risk to any investment.

- 4.8 Do you agree that data on reserves and resources must be presented in tables in a manner readily understandable to a non-technical person?

☒ ☐ Yes

☐ No

Please provide specific reasons for your views.

Most investors are non-technical people and such a provision assists them to properly understand the risks associated with making an investment. Among other things the increasing confidence provided by the better resource category as risks are reduced and the additional funds required to bring resources to reserve status can be gauged from such tables.

Consultation Questions on Disclosure (Technical Reporting) Standards

- 5.1 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?

☒ ☐ Yes

☐ No

Please provide specific reasons for your views.

These Codes are tried and tested models from sophisticated resource investment regimes that have very positively assisted investors through adequately defining risk and reliability factors attached to specific projects.

- 5.2 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?

☐ Yes

☒ ☐ No

Please provide specific reasons for your views.

Actual conformance with JORC, NI 43-101 or SAMREC is required, that is, the data provided under the Chinese or Russian codes must be interrogated from first principles otherwise sign off under JORC etc is not possible. It is not acceptable to simply state that a particular Chinese or Russian designation 'sort of' equates with this or that section of the resource or reserves designation under JORC etc – that would not allow sign off by a Competent Person and if such a practice were allowed it would give room to unscrupulous operators to potentially corrupt factual evidence. Runge is currently converting Chinese and Russian data to ensure conformance and compliance with JORC, this is not a particularly time consuming or expensive exercise. This procedure then provides an even playing field for investors to be able to judge the comparative merits of each investment opportunity wherever they may be geographically located. If the Chinese or Russian codes are ever to be accepted by international investors they would have to be policed in the same manner as the other international codes.

- 5.3 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?

☒ ☐ Yes

☐ No

Please provide specific reasons for your views.

The designation of a reserve is an economic one which relies upon sufficient work having been undertaken to apply cost factors and other related issues such as social/environmental, legal and sovereign matters that may impact upon the viability of developing a mine.

- 5.4 Do you agree with the Exchange's proposal that information on mineral resources and mineral reserves must not be combined?

☒ ☐ Yes

☐ No

Please provide specific reasons for your views.

Separate statements make it absolutely clear to the investor or project financier as to the specific status of each element of resource and reserve and what the potential risks may be to development as regards the reserves base.

- 5.5 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?

☐ Yes

☒ ☐ No

Please provide specific reasons for your views.

Only reserves should be included in economic analysis for the reasoning stated under 5.3. If sufficient work has been done to make reliable financial conclusions about resources then by definition a reserve can be estimated, if not, then the basis for any such estimation is incomplete and misleading. The proposal is contrary to JORC and would not therefore be acceptable to the ASX.

- 5.6 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?

☒ ☐ Yes

☐ No

Please provide specific reasons for your views.

The estimation method for forward pricing of commodities will always be questionable and inexact but at least the investor will understand the company's logic for making its estimations.

- 5.7 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?

☒ ☐ Yes

☐ No

Please provide specific reasons for your views.

This undertaking is particularly relevant in volatile price regimes and where a company is estimating an escalating price situation

- 5.8 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?

☒ ☐ Yes

☐ No

Please provide specific reasons for your views.

Reasoning as in 5.8

- 5.9 Do you agree with our proposal to adopt the PRMS as the accepted reporting code for CPRs related to oil and gas resources?

☒ ☐ Yes

☐ No

Please provide specific reasons for your views.

This is a widely used code which is understood in many jurisdictions

- 5.10 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?

☒ ☐ Yes

☐ No

Please provide specific reasons for your views.

This is an acceptable mechanism which allows comparison between companies based upon an agreed set of data input and agreed financial parameters. This is standard international practice and allows benchmarking.

- 5.11 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?

☒ ☐ Yes

☐ No

Please provide specific reasons for your views.

This mechanism provides greatest clarity for the investor and thus allows the investor to make an informed decision.

- 5.12 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.

☒ ☐ Yes

☐ No

Please provide specific reasons for your views.

As a minimum condition. It would be preferable to require reasonable impact scenarios for other situations such as higher operating costs, lower grade, lower recovery also.

- 5.13 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?

☒ ☐ Yes

☐ No

Please provide specific reasons for your views.

This is acceptable as the risk statement is supposed to clarify the determination of volume.

- 5.14 Do you agree with our proposal that Mineral and Exploration Companies should not be permitted to attach economic values to Contingent or Prospective Resources?

☒ ☐ Yes

☐ No

Please provide specific reasons for your views.

To do otherwise falsely assumes conversion of resources to reserves which would be misleading when this may never occur for a variety of reasons.

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

☒ ☐ Yes

☐ No

Please provide specific reasons for your views.

Similar to other jurisdictions where there is a long history of oil and gas extraction.

- 5.16 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?

☒ ☐ Yes

☐ No

Please provide specific reasons for your views.

These matters are all relevant to the full determination of investment risk and should be undertaken by neutral unbiased parties unattached to the economic outcome for the company of the investigations concerned.

- 5.17 Do you agree with the Exchange's proposal to accept the VALMIN, CIMVAL and SAMVAL valuation codes for the valuation of natural resources properties?

☒ ☐ Yes

☐ No

Please provide specific reasons for your views.

These codes are tried and tested in mining investment regimes with a long history of mining investment and have proved to be of valuable assistance to investors.

- 5.18 Do you agree with the Exchange's proposed definition of 'Competent Person' for valuation purposes?

☒ ☐ Yes

☐ No

Please provide specific reasons for your views.

The 10 year stipulation under VALMIN was arrived at after much discussion to ensure that deep experience was brought to bear on making valuation decisions.

- 5.19 Do you agree with the Exchange's proposal that company management and the relevant independent expert must determine whether a valuation report is required?

☒ ☐ Yes

☐ No

Please provide specific reasons for your views.

The inclusion of an independent expert in the process assists the investor by adding an unbiased opinion as to the need for such reports.

Consultation Questions on Continuing Obligations (for companies treated as Mineral and Exploration Companies and existing listed issuers engaging in mineral and/or exploration activity)

- 6.1 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)?

☒ ☐ Yes

☐ No

Please provide specific reasons for your views.

This provision of course allows the investor to understand the impact on the company and its ongoing obligations in relation to sales/disposals and the risks related thereto.

- 6.2 Do you agree with our proposal that listed issuers which enter into acquisitions for 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?

☒ ☐ Yes

☐ No

Please provide specific reasons for your views.

If acquisitions or disposals are major then there will be a balance sheet impact potentially affecting the company's ability to achieve or maintain profitability. If transactions have already been entered into prior to this 'transition' period it could be severely financially detrimental to have them stall.

- 6.3 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?

☒ ☐ Yes

☐ No

Please provide specific reasons for your views.

Providing that the codes are followed and that information is up to date.

- 6.4 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?

☒ ☐ Yes

☐ No

Please provide specific reasons for your views.

This is particularly relevant as the status of the reserve is affected by financial factors such as commodity price volatility and cost elements not to mention deterioration of the reserve as material is extracted.

- 6.5 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?

☒ ☐ Yes

☐ No

Please provide specific reasons for your views.

Half yearly reports should be a minimum requirement. It would be preferable to have data reported quarterly to fully inform investors of their companies' financial status.

6.6 Do you agree with the Exchange's proposal to prohibit blanket disclaimers in technical reports?

☒ ☐ Yes

☐ No

Please provide specific reasons for your views.

The Competent Person must take responsibility for the veracity of the data and the conclusions drawn in their reports other than where reliance is placed upon the work of other Experts.

6.7 Do you agree with the Exchange's proposal to disallow material indemnities in favour of the Competent Person or entity that prepared the report?

☒ ☐ Yes

☐ No

Please provide specific reasons for your views.

Yes – reasoning as in 6.6

Consultation Question on Social and Environmental Standards

7.1 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?

☒ ☐ Yes

☐ No

Please provide specific reasons for your views.

Changes to social or environmental parameters which are detrimental to development or mining can have a serious negative impact on project development or on continuing operations particularly where debt funding is supporting operations and may be carried or withdrawn entirely.

Consultation Questions on Eligibility of exploration companies

- 8.1 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?

☒ ☐ Yes

☐ No

Please provide specific reasons for your views.

This provision is in line with common practice in other jurisdictions with a longer history of mining investment.

- 8.2 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?

☐ Yes

☒ ☐ No

Please provide specific reasons for your views.

Whilst the logic of the Consultation Paper is clear, the provisions designed for protection of investors espoused in the CP will provide a high degree of protection for investors – one must ask what further protective measures would HKEx seek for pure exploration companies that would improve upon the current proposed measures?

- 8.3 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?

☒ ☐ Yes

☐ No

Please provide specific reasons for your views.

Clearly, where production is envisaged this work should have been completed by the company and can be disclosed to shareholders allowing for our comments under 8.2

- 8.4 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?

☐ Yes

☒ ☐ No

Please provide specific reasons for your views.

Providing that the company is required to explain its path to production and the funds required then it will be obvious if further capital raising is required along the way.

- 8.5 Do you agree with the Exchange's proposed definition for 'Mineral and Exploration Companies'?

☒ ☐ Yes

☐ No

Please provide specific reasons for your views.

The definition proposed is reasonable as it defines mining as a primary activity or source of funds.

- End -