

## Part A General Information of the Respondent

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

<b>Name/ Company Name*</b>	:	Wardrop Engineering Inc.
<b>Contact Person*</b>	:	
<b>Title*</b>	:	
<b>Phone Number</b>	:	
<b>E-mail Address</b>	:	

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](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.

It can be presumed that potential investors are interested in companies because of their assets. If a company does not control the asset(s) of interest to the potential investor then an investment in that company may not provide a meaningful avenue through which to invest in the asset of interest.
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- 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.

The granting of mining (extraction) rights is discretionary on the part of the relevant government agency(ies) and for various reasons these rights may be withheld indefinitely or denied. An investor who invests in a company on the assumption that the extraction rights will be granted automatically or unconditionally may be seriously mistaken. It is important that potential investors are made to realize a) what steps must be taken in order to obtain mining rights and b) the potential risks of denial that pertain to each of these steps.

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.

1. Working capital should cover at least 125% of capital needs otherwise the applicant may be unable to carry out its proposed plan of action and thereby would render its stock worthless or at least of little value. 2. It is probably impractical to require a working capital statement that extends beyond a 12 month period as the operations of this type of company typically are highly changeable and so any such projection would be of little meaning or value as a means of assessing the stability of the company.

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.

Cash operating cost estimates must be as complete as possible so as to provide as realistic a projection of cash flow requirements as possible.

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.

Operating costs per unit of commodity produced are one of the most useful tools by which to measure performance and value and to permit comparison with both the industry as a whole and other similar entities within the industry. Without this measure meaningful comparisons are very difficult.

- 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.

Relevant knowledge of the industry is essential in any sector; management is charged by investors with making appropriate and hopefully wise decisions with their investments. This is not possible unless the management are knowledgeable about the industry in which they are participating. It is assumed that 'individuals relied on' refers to what the ASX terms a 'competent person' or what the TSX terms a 'Qualified Person'. Both jurisdictions require a minimum of five years of relevant experience. From personal experience I can attest that at least five years is required to gain competency in most technical aspects of the mining industry and that therefore this is an essential requirement.

#### *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.

Yes without question. If the quality of technical reporting is to be regulated by or for the Exchange, it is essential that standards of quality be imposed. Formal qualification in the form of meeting the requirements of a 'Competent Person' is the only way to regulate the standard of individuals who prepare reports, and requiring that those Competent Persons are independent of the issuer is the only way the potential investor can have some assurance that the technical reports have not been prepared for the primary benefit of the author or company insiders.

- 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.

As for 4.1: Qualification as a Competent Person must be regulated, monitored and enforced. Professional organizations, formally constituted and with the right and ability to impose penalties for breach of conduct, are the most effective bodies to achieve this.

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 is the only way to establish and maintain adequate reporting standards.
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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.

Yes with the qualification that if there have been no material changes in the property since the completion of the CPR then the required minimum six month period is not going to improve the relevancy of the report. In such a case it may be adequate for the author (Competent Person) to state that no material changes have taken place with respect to the subject property since the completion of the CPR.
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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.

I should have read this question before answering the last one, but yes, it is necessary that the CP provides assurance in writing that no changes have taken place with respect to the property since completion of the report that would materially affect the accuracy of the report.
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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.

Yes with the qualification that many of these risks are difficult or impossible to assess and it is equally difficult to assess the skill of the person making the assessment. Regardless, a risk analysis is useful if only to point out the areas and extent of lack of knowledge regarding a given property.

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.

Yes – see 4.6 above.

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.

This commonly is the only part of a technical report that is ever read. It is therefore essential that it is unambiguous and that the reporting format is consistent regardless of author.

*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.

All three are similar in intent and content and have been in effect long enough to demonstrate that they largely accomplish their intended purposes of transparency and completeness.

- 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.

This is not an easy issue to resolve as the two systems are fundamentally different regardless of the superficial appearance of similarity. At a minimum I would recommend that the Exchange require that resources that have been calculated by Russian or Chinese standards be re-calculated using JORC-related standards to determine whether there are any marked differences. A pass / fail standard may be appropriate in which if the two systems generate results that are within say 10 or 20% of each other, the Russian / Chinese estimate is accepted. If the difference is greater, the western result should be used. Other issues would still remain however, principally the question of Quality Assurance / Quality Control which is a central requirement under JORC / NI 43-101 and is not even contemplated within the Russian and Chinese systems.

- 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.

Reserves by definition can be mined at a profit. Such an assertion cannot be made without a significant amount of effort to establish relevant costs related to extraction, processing, transportation and marketing and a pre-feasibility study represents the least amount of effort required to establish those costs. Less formally estimated costs are likely to be in significant error and potential investors could be seriously misled as to the merits of a given property or project if they are presented with poorly constrained estimates of mineable reserves.

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.

Yes - the two cannot be added together in a single table for instance but it is acceptable for a report to contain a section on the determination of resources followed by a subsequent section on the determination of reserves.

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.

It is very difficult to make a meaningful economic assessment of mineral resources for the reasons described in reference to the necessity for pre-feasibility studies and therefore it is almost meaningless to do so. It is therefore better to exclude mineral resources from any economic analyses.

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.

Transparency in this regard is of fundamental importance in assessing the credibility of the outcome of any pre-feasibility or feasibility level study.

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.

Sensitivity analyses are a normal component of most valuations for the benefit of the recipient. It is therefore not unreasonable to require their inclusion in valuations and forecasts.

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.

A single standard of reporting should apply to both the minerals and oil and gas sectors.

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.

I said yes but am not actually competent to judge. However, PRMS is apparently recognized globally which speaks in its favour as a standard.

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.

Yes but with the qualification that the identification of such aspects as acceptable rates of return are or can be highly subjective and may not by default make valuations or comparisons with other entities meaningful.

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.

For the simple reason that probable reserves have been established with a lower level of confidence than proven reserves and are likely to be developed at a potentially much later date in the future at which time assumptions valid today may be inaccurate or irrelevant.

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.

It would be useful to potential investors to be able to make comparisons among companies on the basis of a standard – in this case the 12-month arithmetic average of a given commodity price.

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.

As for mineral resources.

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.

The level of uncertainty regarding the existence of contingent or prospective resources is so great and the latitude permitted for their definition so broad, that such resources are simply too ill-defined to permit the assignment of an economic value.

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.

Consistent with the mining industry.

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.

This approach is similar in intent and somewhat similar in content to JORC et al, and is warranted for the same reasons.

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 have been industry standards for a substantial period. It would be difficult to find more appropriate codes.

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.

Economic valuations are considerably more difficult than technical evaluations and should be restricted to only those persons who can demonstrate appropriate competence.

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.

A qualified yes – valuations are commonly required as the basis of a financial transaction – acquisition, disposal – or a merger or takeover. Such circumstances may involve parties other than management and valuers such as legal counsel to recommend or require an economic valuation.
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***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.

Shareholders must be able to base their decision upon technically sound information that has been prepared by a disinterested party. Internally generated assessments are unlikely to meet this requirement.
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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.

1). Yes – for the same reasons as 6.1. 2) A grace period will be necessary not only to allow the affected companies to prepare the requisite reports, but also for the determination to be made as to which companies and which acquisitions qualify.

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.

One of the primary purposes of a CPR is transparency. If the information is already within the public domain then the aim of transparency has already been achieved.

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 common business practice for companies with operating mines and is information they are almost certain to generate whether required by the Exchange or not.

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.

A qualified yes – there is potential for overwhelming reporting obligations that could become a preoccupation and actually distract from the purpose of the companies' activities. Annual reporting should be sufficient for most cases.

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.

Disclaimers defeat the purpose of requiring technical reports.

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.

The onus for accuracy and completeness must rest with the author of a technical report, otherwise there can be no accountability. Disclaimers for those sections of a report for which the author relied upon other Competent Persons are, however, necessary.

***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.

Environmental issues are of increasing significance in almost every jurisdiction and may have as great an impact upon the success of a project as the fundamental physical aspects. These are entirely relevant and must be adequately disclosed.

*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.

No opinion – I do not have an appreciation of the implications of such a change.

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.

This market segment is very dynamic and in Canada and Australia for instance plays a significant role in the advancement of mineral exploration and development. It is however, highly speculative and requires much closer monitoring than the producing segment of the mining industry. Regardless, when adequately administered and monitored it is a vital segment of the mining industry.

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.

A qualified yes – these forecasts should be disclosed but may be so uncertain as to be fictitious. That does not of course mean that such forecasts should not be required.

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.

Minimum market capitalization is one viable approach; another is to institute a junior market for those companies with lower caps.

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 current definition is unnecessarily restrictive.

- End -