

**HKE<sub>x</sub> LISTING DECISION**  
**HKE<sub>x</sub>-LD51-2013 (published in February 2013)**

<b>Summary</b>	
<b>Name of Party</b>	Company A – a Main Board listing applicant and a Mineral Company under Chapter 18 of Main Board Rules
<b>Subject</b>	Whether NI 51-101 is an acceptable reporting standard under Rule 18.32
<b>Listing Rules</b>	Rule 18.32
<b>Decision</b>	The Exchange determined that NI 51-101 is an acceptable reporting standard for Company A under Rule 18.32

**FACTS**

1. Company A was a mineral company under Chapter 18 of the Main Board Rules. Company A’s shares were listed on a foreign stock exchange (the “**Foreign Exchange**”). Company A sought a secondary listing on the Main Board of the Exchange.
2. Company A reported its oil and gas reserves in accordance with NI 51-101<sup>1</sup> for its filings with the Foreign Exchange.
3. Company A submitted that:
  - (i) disclosure of oil and gas reserves under NI 51-101 provides a comparable standard of disclosure to Chapter 18 of the Listing Rules and a sufficient assessment of Company A’s oil and gas reserves; and
  - (ii) reporting its oil and gas reserves under the Petroleum Resources Management System (“**PRMS**”, an acceptable reporting standard under Rule 18.32) would only provide potential investors with minimal benefits from such additional disclosure compared with the cost and time to provide such information. Company A had already been subject to the high reporting standards under NI 51-101.

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<sup>1</sup> National Instrument 51-101 “Standards of Disclosures for Oil and Gas Activities”, which was implemented in September 2003 by the Canadian Securities Administrators, provides comprehensive rules for reserves disclosure by relevant oil and gas companies in Canada. It requires oil and gas companies to report annually on their reserves and oil and gas activities, and where a material change occurs in a company’s reserves after an annual filing is made, a company is required to disclose the changes to their reserves to the Canadian Securities Administrators and the public before the next required annual filing.

4. Company A proposed to disclose in the prospectus all the information which was in its latest annual information filing (a report filed with the relevant securities regulators annually on reserves), including Company A's reserves and resources. Company A also agreed to confirm in the prospectus that there was no material adverse change in valuation of Company A's oil and gas reserves and resources since the last valuation as stated in its 2010 annual information filing which would not be more than six months old at the expected time of issuing the prospectus.

## ISSUE

5. Whether NI 51-101 is an acceptable reporting standard under Rule 18.32.

## APPLICABLE LISTING RULES

6. Rule 18.32 requires that a mineral company must disclose information on petroleum resources and reserves either under PRMS or other codes acceptable to the Exchange if it is satisfied that they give a comparable standard of disclosure and sufficient assessment of the underlying assets.

## THE ANALYSIS

7. During the Exchange's consultation on the new rules for mineral and exploration companies in 2009 and 2010, the Canadian standard under NI 51-101 had been identified as a well recognised international standard adopted by international mineral and gas companies.
8. The Consultation Paper on New Listing Rules for Mineral and Exploration Companies dated September 2009 (the "**Consultation Paper**") stated that "*there are two main systems for reporting oil and gas resources commonly in use, the Canadian NI 51-101 and the SEC's Oil and Gas Disclosure standards, the recently updated version of which will come into effect on 1 January 2010. Both of these systems are based on or in broad agreement with PRMS, which may be considered the globally-recognised yardstick for making oil and gas evaluations.*"
9. However, the Consultation Paper further stated that "*PRMS provides the basis for both the SEC and the Canadian standards and provides a common reference point for the international petroleum industry. The adoption of PRMS by the Exchange will ensure that oil and gas companies are able to report on their complete portfolios of resources (including reserves) to shareholders under a recognised framework. This will be particularly important to junior oil and gas exploration companies.*"
10. The Exchange considered the relevant facts and circumstances, among other things:
  - (i) Company A's adoption of NI 51-101 is comparable to the requirements of Chapter 18 of the Listing Rules;
  - (ii) the prospectus would include Company A's latest published reserves and resources information; and
  - (iii) Company A's shares had been listed on the Foreign Exchange.

## **DECISION**

11. Taking the totality of factors into consideration, the Exchange was of the view that NI 51-101 is an acceptable reporting standard for Company A under Rule 18.32.