

HKE_x LISTING DECISION
HKE_x-LD49-2013 (published in January 2013)

Summary	
Name of Party	Company A – a Main Board listing applicant and a Mineral Company under Chapter 18 of Main Board Rules
Subject	<p>(1) Whether disclosure of net present values attributable to Proved Reserves, Proved plus Probable Reserves, Proved plus Probable plus Possible Reserves and Contingent Resources both on a pre-tax and post-tax basis is acceptable under Main Board Rule 18.33(2)</p> <p>(2) Whether to grant a waiver of Main Board Rule 18.33(6) to allow Company A to disclose estimated values of Possible Reserves, Contingent Resources and Petroleum-Initially-In-Place</p>
Listing Rules	Main Board Rules 18.33(2) and 18.33(6)
Decision	<p>(1) The Exchange determined that disclosure of net present values attributable to Proved Reserves, Proved plus Probable Reserves, Proved plus Probable plus Possible Reserves and Contingent Resources both on a pre-tax and post-tax basis is acceptable under Main Board Rule 18.33(2)</p> <p>(2) The Exchange agreed to waive Main Board Rule 18.33(6)</p>

FACTS

1. Company A, incorporated in Canada, was principally engaged in the development and production of oil sands. Company A sought a primary listing on the Main Board of the Exchange.
2. Company A proposed to disclose in the prospectus and on an ongoing basis the net present values (“NPVs”) attributable to its Proved Reserves, Proved plus Probable Reserves, Proved plus Probable plus Possible Reserves and Contingent Resources, both on a pre-tax and post-tax basis, in accordance with NI 51-101 F1¹.

¹ “National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities” (NI 51-101), 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. NI 51-101 FI is the Statement of Reserves Data and Other Oil and Gas Information stipulated under NI 51-101. Under NI 51-101 F1, the reporting issuers in Canada are required to disclose the NPVs attributable to their reserves and resources on both a pre-tax and post-tax basis. NI 51-101 also allows the reporting issuers in Canada to

3. Company A also proposed to disclose in the prospectus and on an ongoing basis estimated volumes and values of Possible Reserves, Contingent Resources and Petroleum-Initially-In-Place (“**PIIP**”) in accordance with both NI 51-101 and Petroleum Resources Management System (“**PRMS**”, an acceptable petroleum reporting standard under Main Board Rule 18.32).
4. Following the listing, Company A would remain benchmarked to its peer group in Canada, which are allowed to disclose the NPVs attributable to their reserves and resources on both a pre-tax and post-tax basis, and estimated values on Possible Reserves, Contingent Resources and PIIP under NI 51-101. Company A considered that it would be difficult to compare its resource base against its competitors if it would not report in a way that was consistent with its peer group.

ISSUES

5. Whether disclosure of NPVs attributable to Proved Reserves, Proved plus Probable Reserves, Proved plus Probable plus Possible Reserves and Contingent Resources both on a pre-tax and post-tax basis is acceptable under Main Board Rule 18.33(2); and whether to grant Company A a waiver of Main Board Rule 18.33(6).

APPLICABLE LISTING RULES

6. Main Board Rule 18.33(2) requires that if the NPVs attributable to Proved Reserves and Proved plus Probable Reserves are disclosed, they are presented on a post-tax basis at varying discount rates or a fixed discount rate of 10%.
7. Main Board Rule 18.33(6) requires that economic values are not attached to Possible Reserves, Contingent Resources or Prospective Resources.

THE ANALYSIS

8. The Consultation Conclusions on New Listing Rules for Mineral Companies dated May 2010 stated that the Exchange does not propose to prescribe further information to be provided in connection with future operating costs or tax horizons. If there are material matters to be disclosed relating to these issues, companies should disclose them in any event.
9. In determining the issues, the Exchange considered the following:
 - (i) the proposed disclosure of NPVs on both pre-tax and post-tax basis is in accordance with the requirements of NI 51-101, provide additional information to investors, and is in line with disclosure made by comparable companies listed in Canada;

disclose estimates of both the volumes and values of all reserves and resources, including Possible Reserves, Contingent Resources and Petroleum-Initially-In-Place.

- (ii) as opined by Company A's competent person and the Exchange's independent mineral consultant, the existence or recoverability of oil sand resources is less uncertain than oil and gas resources because the location and quantum of bitumen volumes is generally very high in Canada. Company A's Contingent Resources are largely dependent upon its commitment to develop the resources (such as filing of a regulatory application seeking approval to proceed with a development project) rather than uncertainty in recoverability. Upon filing of an application, the estimated volumes of Contingent Resources can be reclassified as Probable or Possible Resources; and
- (iii) the proposed disclosure of Possible Reserves and Contingent Resources for oil sands (including the basis upon which the Contingent Resources are economically viable and the discount rate applied) is in accordance with the requirements of NI 51-101 (which is a widely adopted standard in Canada and is well known internationally in the mineral and oil industry), and in line with disclosure made by comparable companies listed in Canada.

THE DECISION

10. The Exchange, having considered the totality of factors in paragraph 9 above and based on the specific facts and circumstances, was of the view that the relevant disclosure of NPVs on both pre-tax and post-tax basis in the prospectus and on an ongoing basis would be acceptable under Main Board Rule 18.33(2); and agreed to waive the requirement under Main Board Rule 18.33(6).