

## BURSA MALAYSIA SECURITIES BERHAD

## PRACTICE NOTE 32

ADDITIONAL REQUIREMENTS FOR LISTED ISSUERS INVOLVED IN MOG  
ACTIVITIES

Details	Cross References
Effective date:	2 January 2018, 31 March 2018 ( <i>paragraph 7.0 and 8.0 below</i> ), 13 March 2019
	Paragraphs 9.56, 10.15 and 15.28

**1.0 Introduction**

- 1.1 This Practice Note prescribes additional requirements in respect of disclosure, shareholder approval and governance to be complied with by an MOG listed issuer, and in relation to an acquisition or disposal involving MOG Assets.

**2.0 Definitions**

- 2.1 For the purpose of this Practice Note, unless the context otherwise requires –

Acceptable Reporting Standard means the MOG reporting standards and MOG valuation standards.

MOG Assets has the meaning assigned to “**mineral assets**” or “**petroleum assets**” or the equivalent in the MOG valuation standards, and includes any right, title or interest to explore or extract the MOG Assets.

Reserves refers to the following:

- (a) in relation to minerals, the Proved Reserves or Probable Reserves as defined in the Acceptable Reporting Standard adopted by an MOG listed issuer; and
- (b) in relation to O&G, the Proved Reserves, Probable Reserves or Possible Reserves as defined in the Acceptable Reporting Standard adopted by an MOG listed issuer.

Resources refers to the following:

- (a) in relation to minerals, the Measured Resources, Indicated Resources or Inferred Resources as defined in the Acceptable Reporting Standard adopted by an MOG listed issuer.

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- (b) in relation to O&G, the Contingent Resources or Prospective Resources as defined in the Acceptable Reporting Standard adopted by an MOG listed issuer.
- 2.2 Unless otherwise defined in the Listing Requirements or unless the context otherwise requires, the terms “**competent person**”, “**competent valuer**”, “**mineral**”, “**mineral reporting standards**”, “**MOG reporting standards**”, “**MOG valuation standards**”, “**O&G**”, “**O&G reporting standards**” and “**recognised professional organisation**” have the meanings assigned to them in the SC’s Equity Guidelines.
- 3.0 Criteria of MOG listed issuer**
- 3.1 A listed issuer which fulfils any one of the following criteria is considered a MOG listed issuer:
- (a) a listed issuer whose MOG exploration or extraction activities represent 25% or more of its total assets, revenue, operating expenses or after tax profit, based on its latest published or announced audited financial statements or audited consolidated financial statements, as the case may be; or
- (b) a listed issuer which has completed an acquisition involving MOG Assets that falls within paragraphs 10.11 or 10.15 of the Listing Requirements.
- 3.2 For the avoidance of doubt, a MOG listed issuer excludes a listed issuer which purely provides services or equipment to other corporations engaged in such core business.

**PART I – ADDITIONAL CONTINUING DISCLOSURE REQUIREMENTS OF AN MOG LISTED ISSUER**

**4.0 Additional continuing disclosure requirements**

- 4.1 Paragraph 9.56 of the Listing Requirements states that in addition to the requirements set out in Chapter 9 of the Listing Requirements, an MOG listed issuer must also comply with such other disclosure requirements as may be prescribed by the Exchange.
- 4.2 Part I of this Practice Note sets out the additional requirements that must be complied with by an MOG listed issuer when making immediate announcements or periodic disclosures.

**5.0 Acceptable Reporting Standard**

- 5.1 An MOG listed issuer must –
- (a) prepare and present all announcements, statements or reports in relation to its Reserves or Resources and exploration results in accordance with an Acceptable Reporting Standard;
- (b) state the Acceptable Reporting Standard adopted in the announcements, statements or reports; and
- (c) apply an Acceptable Reporting Standard to its MOG Assets in a consistent manner.

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- 5.2 All data on an MOG listed issuer's Reserves or Resources must be presented in tables in a manner readily understandable to a non-technical person and a glossary of technical terms used must be provided. All assumptions must be disclosed and statements must include an estimate of volume, tonnage and grades.
- 5.3 Where a competent person or a competent valuer is appointed to prepare the announcements, statements or reports, such person must also comply with paragraphs 5.1 and 5.2 above and Part II below.

**6.0 Immediate announcement by an MOG listed issuer**

- 6.1 An MOG listed issuer must immediately announce to the Exchange the following events in relation to its MOG activities:
- (a) any material exploration results;
  - (b) any material discovery of new Reserves or Resources;
  - (c) any material change to Reserves or Resources published or announced previously;
  - (d) any report of Reserves or Resources prepared by a competent person;
  - (e) any decision to abort its material MOG activity and the rationale for the decision;
  - (f) any change in the Acceptable Reporting Standard adopted, including the reasons for the change and the impact, if any, on the level of Reserves or Resources published or announced previously; and
  - (g) any appointment of a new competent person or competent valuer.
- 6.2 In making an announcement that contains any of the matters referred to in paragraphs 6.1(a), (b), (c) above, the MOG listed issuer must state –
- (a) that the announcement is based on, and fairly represents, information and supporting documentation prepared by a named competent person; and
  - (b) the full name, professional qualifications, years of relevant experience, membership and details of the recognised professional organisation, of the competent person.

The MOG listed issuer must publish a copy of the competent person's report on its website and make available a copy for inspection at its registered office as soon as practicable from the date of the announcement.

**7.0 Quarterly report of an MOG listed issuer**

- 7.1 In addition to the information set out in Part A of Appendix 9B of the Listing Requirements, an MOG listed issuer must include the following information in its quarterly report:
- (a) a description of the exploration, development and production activities undertaken by the MOG listed issuer during the period under review. If there is none, a statement to that effect; and
  - (b) a summary of the expenditure incurred on the exploration, development and production activities during the period under review.

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**8.0 Annual report of an MOG listed issuer**

- 8.1 In addition to the information set out in Part A of Appendix 9C of the Listing Requirements, an MOG listed issuer must include the following information in its annual report;
- (a) the information set out in paragraphs 7.1(a) and (b) above during the financial year; and
  - (b) a summary of Reserves or Resources as at the end of the financial year, including an update, if any, and a comparison with the Reserves or Resources reported in the previous year.

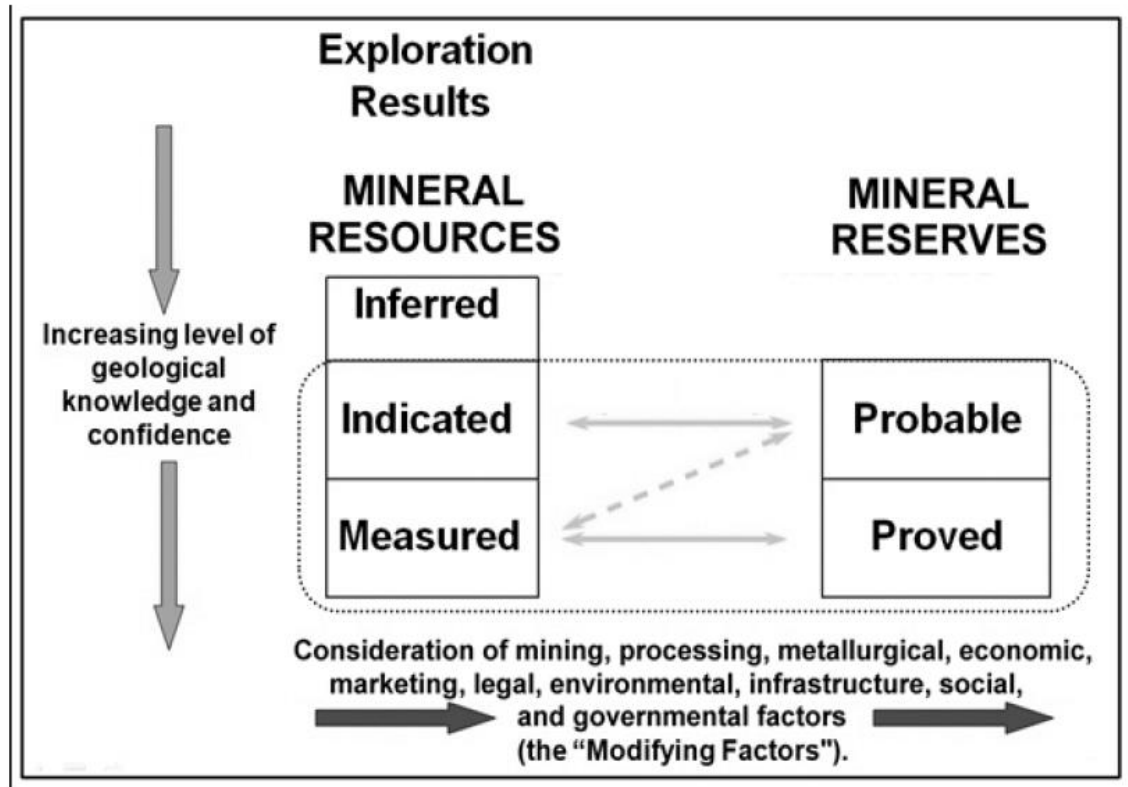
**PART II – STANDARD OF DISCLOSURE FOR ANNOUNCEMENTS, STATEMENTS OR REPORTS IN RELATION TO MOG RESERVES, RESOURCES AND EXPLORATION RESULTS**

**9.0 Disclosure requirements in relation to mineral Resources and mineral Reserves**

- 9.1 Pursuant to the mineral reporting standards –
- (a) mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories; and
  - (b) mineral Reserves are sub-divided, in order of increasing confidence, into Probable Reserves and Proved Reserves.
- 9.2 The relationship between the exploration results, mineral Resources and mineral Reserves as set out in paragraph 9.1 above is depicted in the diagram below for illustration purposes:

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General relationship between exploration results, mineral Resources and mineral Reserves



(Source: Figure 1 in the International Template for Reporting of Exploration Results, Mineral Resources and Mineral Reserves prepared by the Committee for Mineral Reserves International Reporting Standards)

- 9.3 In disclosing the exploration results, mineral Reserves and mineral Resources, an MOG listed issuer must comply with the following:
- (a) support disclosure of any estimates of mineral Reserves with at least a Pre-Feasibility Study;
  - (b) disclose the estimates of mineral Reserves and mineral Resources clearly and separately;
  - (c) if Indicated Resources and Measured Resources are included in economic analyses –
    - (i) ensure sufficient work has been done on the Modifying Factors;
    - (ii) disclose and explain the basis why they are considered to be economically extractable;
    - (iii) disclose whether they are appropriately discounted for the probabilities of conversion to mineral Reserves;
    - (iv) state all assumptions clearly; and
    - (v) include appropriate, prominently disclosed cautionary statements;

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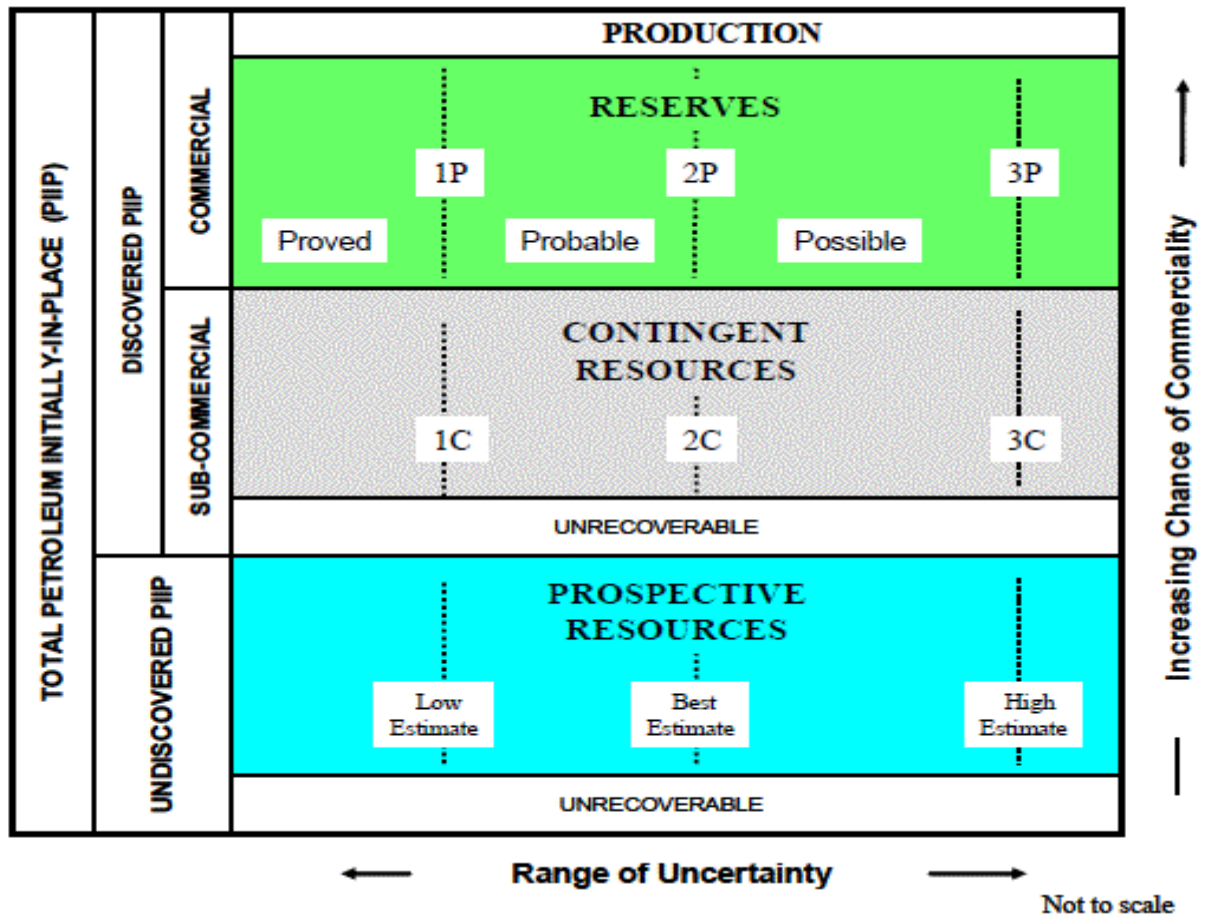
- (d) for commodity prices assumed in Pre-Feasibility Studies, Feasibility Studies and valuations of Indicated Resources, Measured Resources and mineral Reserves –
    - (i) disclose the methods to determine such commodity prices together with all key assumptions and explain the basis why those prices represent reasonable views of future prices; and
    - (ii) apply the contract price if there is an existing contract for future prices of mineral Reserves; and
  - (e) avoid basing production targets on Inferred Resources and attaching economic value to Inferred Resources.
- 9.4 For the purpose of paragraph 9.3 above, the terms “**Feasibility Studies**”, “**Indicated Resources**”, “**Inferred Resources**”, “**Measured Resources**” “**Pre-Feasibility Studies**” and “**Modifying Factors**” have the meanings given in the Acceptable Reporting Standard adopted by the MOG listed issuer.

## **10.0 Disclosure requirements in relation to O&G Reserves and O&G Resources**

- 10.1 Pursuant to the O&G reporting standards –
- (a) O&G Resources are sub-divided, in order of increasing likelihood of commerciality into Prospective and Contingent Resources; and
  - (b) O&G Reserves are sub-divided in order of increasing recoverability into Possible Reserves, Probable Reserves and Proved Reserves.
- 10.2 The categorisation of O&G Resources and O&G Reserves is depicted in Figure 2.1 in the Guidelines for Application of the Petroleum Resources Management System sponsored by the Society for Petroleum Engineers, American Association of Petroleum Geologists, World Petroleum Council, Society of Petroleum Evaluation Engineers and Society of Exploration Geophysicists (“**SPE-PRMS**”) as reproduced below for illustration purposes:

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Resources classification framework



(Source: Figure 2.1 in the SPE-PRMS)

- 10.3 In disclosing O&G Reserves and O&G Resources, an MOG listed issuer must comply with the following:
- disclose the method and basis for choice of estimation, if estimates of O&G Reserves are disclosed;
  - analyse Proved Reserves and Proved plus Probable Reserves (2P) separately and state the principal assumptions and the basis of the methodology clearly;
  - classify and report O&G Resources in the most specific Resource class in which they may be classified under the Acceptable Reporting Standard;
  - set out the relevant risk factors clearly if estimated volumes of Contingent Resources or Prospective Resources are disclosed;
  - if the Contingent Resources disclosed represent aggregated estimates, disclose the method of aggregation, which must be either arithmetic summation by category or statistical aggregation of uncertainty distributions up to the field, property or project level;
  - avoid attaching economic values to Prospective Resources;

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- (g) if economic values are attached to the O&G Reserves or O&G Resources (other than Prospective Resources), disclose the following:
- (i) the full name, professional qualifications, years of relevant experience, membership and details of the recognised professional organization, of the competent valuer;
  - (ii) the Acceptable Reporting Standard adopted;
  - (iii) method of valuation and basis for choice of the valuation method;
  - (iv) principal assumptions used in arriving at the valuation and the basis for each assumption; and
  - (v) sensitivity analysis on the valuations arising from changes made to the principal assumptions provided in subparagraph (iv) above; and
- (h) base production targets only on Proved Reserves and Probable Reserves and not on Possible Reserves, Contingent Resources or Prospective Resources.
- 10.4 For the purpose of paragraph 10.3 above, the terms “**Contingent Resources**”, “**Possible Reserves**”, “**Probable Reserves**”, “**Prospective Resources**”, “**Proved Reserves**” and “**Proved plus Probable Reserves (2P)**” have the meanings given in the Acceptable Reporting Standard adopted by the MOG listed issuer.

**PART III – ADDITIONAL REQUIREMENTS FOR ACQUISITION OR DISPOSAL INVOLVING MOG ASSETS**

**11.0 Acquisition or disposal involving MOG Assets**

- 11.1 Paragraph 10.15 of the Listing Requirements states that in addition to the requirements set out in Chapter 10 of the Listing Requirements, a listed issuer which intends to undertake an acquisition or disposal involving MOG Assets where any one of the percentage ratios of the transaction is 25% or more, must also comply with such other requirements as may be prescribed by the Exchange.
- 11.2 The additional requirements that a listed issuer must comply with pursuant to paragraph 10.15 of the Listing Requirements are as follows:
- (a) include the additional information set out in Annexure PN32-A and Annexure PN32-B respectively, in the announcement to the Exchange, and the circular issued to the shareholders;
  - (b) appoint a competent person and ensure the competent person’s report on the technical assessment of the Reserves or Resources of the MOG Assets complies with the requirements in paragraph 12 below and is included in the circular issued to the shareholders; and
  - (c) appoint a competent valuer and ensure the competent valuer’s report on the valuation of the MOG Assets complies with the requirements in paragraph 12 below and is included in the circular issued to the shareholders.



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**12.0 Competent person's report and competent valuer's report**

- 12.1 A competent person's report or competent valuer's report must –
- (a) be prepared in accordance with an Acceptable Reporting Standard;
  - (b) be addressed to the listed issuer;
  - (c) state the Acceptable Reporting Standard adopted in preparing the report; and
  - (d) comply with the disclosure requirements and contents of reports as prescribed in Chapter 17, Division 1, Part II of the SC's Prospectus Guidelines in relation to Specific Requirements For A Corporation with MOG Exploration or Extraction Assets.
- 12.2 The competent person's report and the competent valuer's report are to be dated not more than 6 months before the date of the circular issued to the shareholders.
- 12.3 There must be a statement in the circular to shareholders that no material changes have occurred since the effective date of the competent person's report and competent valuer's report. If the listed issuer, the competent person or the competent valuer, as the case may be, becomes aware of any circumstance or significant change which has or will have material effect on the content, validity or accuracy of the relevant reports before the date of issuance of the circular, the competent person or the competent valuer, as the case may be, and the listed issuer must cause the reports to be updated. If the listed issuer fails to do so, the competent person or the competent valuer, as the case may be, must withdraw its consent to the inclusion of the reports in the circular.
- 12.4 The listed issuer must submit to the Exchange the following, immediately after the listed issuer announces the transaction or as soon as the relevant reports are ready:
- (a) 2 copies of the competent person's report;
  - (b) 2 copies of the competent valuer's report; and
  - (c) a copy each of the undertaking letter in the form of Appendix 6D of the Listing Requirements from the competent person and competent valuer.
- In any event, the listed issuer must submit the reports together with the undertaking letters from the competent person and competent valuer, to the Exchange at least 1 month before it submits its draft circular in relation to the transaction to the Exchange.
- 12.5 The Exchange may refer any competent person's report or competent valuer's report received by the Exchange to another competent person or competent valuer for review, at the cost of the listed issuer. The listed issuer and the competent person or competent valuer must provide the Exchange on a timely basis, any information or assistance required in relation to the competent person's report or competent valuer's report.
- 12.6 A listed issuer, its competent person and competent valuer must comply with the instructions, directives or conditions imposed by the Exchange and within such timeframe as may be specified by the Exchange.
- 12.7 For the avoidance of doubt, the competent person's report and the competent valuer's report referred to in paragraphs 11.2(b) and 11.2(c) above may be prepared by the same person provided that such person meets both the requirements of a competent person and competent valuer.

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**PART IV – SPECIFIC REQUIREMENTS FOR A LISTED ISSUER OR SPECIAL PURPOSE ACQUISITION COMPANY INVOLVED IN MOG ACTIVITIES**

**13.0 Additional criteria for independent directors and external auditor**

13.1 Paragraph 15.28 of the Listing Requirements states that a listed issuer falling within any one of the following categories (collectively referred to as “**the specified listed issuer**”) must comply with the additional governance requirements as may be prescribed by the Exchange:

- (a) a listed issuer admitted as an MOG corporation under the SC’s Equity Guidelines;
- (b) a SPAC intending to acquire MOG Assets as part of its qualifying acquisition; or
- (c) a listed issuer whose MOG exploration or extraction activities represent 50% or more of the total assets, revenue, operating expenses or after-tax profit based on its latest published or announced audited financial statements or audited consolidated financial statements, as the case may be.

13.2 In this respect, the specified listed issuer must, on a continuous basis, ensure that –

- (a) at least one of its independent directors has appropriate MOG exploration or extraction experience or expertise; and
- (b) the external auditor it appoints has the relevant MOG exploration or extraction industry expertise.

13.3 For the purpose of paragraph 13.2(b) above, the external auditor may rely on the experience of its network firms to demonstrate that it has the relevant MOG exploration or extraction industry expertise provided that the partner-in-charge from the network firm is involved in the engagement.

**Annexure PN32-A**

**Additional Specific Information to be included in the announcement, where applicable, in relation to an Acquisition or Disposal involving MOG Assets**

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**ANNEXURE PN32-A**

**Additional specific information to be included in the announcement, where applicable, in relation to an acquisition or disposal involving MOG Assets**  
(paragraph 11.2(a))

- (1) The total size of the concession area and the location of the MOG exploration or production operation.
- (2) The salient features of the contractual arrangements entered into (for example concessions, licenses or production sharing contracts etc.) in respect of the MOG exploration or production operation including a description of the legal rights for exploration or extraction activities and control over the MOG Assets.
- (3) The total financing required for the MOG exploration or production operation and its source of funds.
- (4) The value of the MOG Assets together with the basis of such valuation.

[ End of Annexure ]

**Annexure PN32-B**

**Additional Specific Information to be included in the Circular to Shareholders, where applicable, in relation to an Acquisition or Disposal involving MOG Assets**

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**ANNEXURE PN32-B**

**Additional specific information to be included in the circular to shareholders, where applicable, in relation to an acquisition or disposal involving MOG Assets**  
(paragraph 11.2(a))

- (1) The total size of the concession area and the location of the MOG exploration or production operation, together with a location diagram or map.
- (2) The salient features of the contractual arrangements entered into (for example concessions, licenses or production sharing contracts etc.) in respect of the MOG exploration or production operation including a description of the legal rights for exploration or extraction activities and control over the MOG Assets.
- (3) The estimated timeframe to advance the MOG Assets to commercial production (if applicable).
- (4) The estimated Reserves or Resources together with the basis of the existence of such mineral or O&G.
- (5) The value of the MOG Assets together with the basis of such valuation.
- (6) The total financing required for the MOG exploration or production operation and its source of funds, whether debt financing, equity financing or other sources of funding and details of the development expenditure incurred to date.
- (7) The full name, professional qualifications, years of relevant experience, membership and details of recognised professional organisations, of the competent person and competent valuer.
- (8) The risks in relation to the MOG exploration or production operations which could materially affect the listed issuer.

[ End of Annexure ]