

REPORTING ON OIL & GAS ACTIVITIES

<p>The purpose of this Guidance Note</p>	<ul style="list-style-type: none"> To assist listed entities to understand and comply with the reporting requirements for oil and gas activities in Chapter 5 of the Listing Rules
<p>The main points it covers</p>	<ul style="list-style-type: none"> The quarterly reporting obligations that apply to oil and gas entities The general requirements that apply to all public reports of petroleum resources The requirements that apply to public reports with information about: <ul style="list-style-type: none"> a geophysical survey; an exploration and drilling program for petroleum resources; or estimates of petroleum reserves, contingent resources or prospective resources for material oil and gas projects The interaction between Chapter 5 and other reporting obligations, including the obligation to give market sensitive information to ASX immediately The requirement for oil and gas exploration entities to include a list of petroleum tenements in their annual report The requirement for oil and gas entities with petroleum reserves to include a reserves statement in their annual report Qualified petroleum reserves and resources evaluator requirements
<p>Related materials you should read</p>	<ul style="list-style-type: none"> Petroleum Resources Management System (SPE-PRMS) Guidance Note 8: <i>Continuous Disclosure: Listing Rules 3.1 – 3.1B</i> Guidance Note 23: <i>Quarterly Reports</i>

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Important notice: ASX has published this Guidance Note to assist listed entities to understand and comply with their obligations under the Listing Rules. Nothing in this Guidance Note necessarily binds ASX in the application of the Listing Rules in a particular case. In issuing this Guidance Note, ASX is not providing legal advice and listed entities should obtain their own advice from a qualified professional person in respect of their obligations. ASX may withdraw or replace this Guidance Note at any time without further notice to any person.

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1. Introduction

This Guidance Note is published to assist listed entities to comply with the reporting requirements for oil and gas activities in Chapter 5 of the Listing Rules¹. These requirements are intended to align ASX’s framework for reporting oil and gas activities with global industry standards and to promote greater consistency in, and quality of, the public reporting of such activities.

The reporting framework for oil and gas activities in Chapter 5 is underpinned by the Petroleum Resources Management System (**SPE-PRMS**) sponsored by the Society of Petroleum Engineers, the American Association of Petroleum Geologists, the World Petroleum Council and the Society of Petroleum Evaluation Engineers. SPE-PRMS is an industry-sponsored set of guidelines that provide standardised definitions and a comprehensive

¹ More specifically, with Listing Rules 5.2, 5.4, 5.5 and 5.25 - 5.45.

classification system for petroleum resources. The objective of Chapter 5 is to be consistent with SPE-PRMS, however if there are any inconsistencies between the two, the Listing Rules prevail.²

2. Some common concepts that apply to the public reporting of mining activities

2.1. What is an “oil and gas entity”?

Listed entities that are formally characterised as “oil and gas entities” under the Listing Rules are subject to quarterly³ and annual⁴ reporting obligations under Chapter 5 of the Listing Rules.

There are two types of oil and gas entities under the Listing Rules – an oil and gas exploration entity and an oil and gas producing entity.⁵

The former is an entity whose main undertaking consists of *exploration*⁶ for petroleum⁷ or which has been advised by ASX that it is an oil and gas exploration entity for the purposes of the Listing Rules. The latter is an entity whose main undertaking consists of the *extraction*⁸ of petroleum or which has been advised by ASX that it is an oil and gas producing entity for the purposes of the Listing Rules.

ASX may exercise its power to advise an entity that it is an oil and gas exploration entity or an oil and gas producing entity for the purposes of the Listing Rules if, in ASX’s opinion, that activity comprises, or over time is likely to comprise, such a significant part of the overall business activities of the entity that it is appropriate for the entity to be subject to the quarterly and annual reporting obligations in Chapter 5.

2.2. What is a “material oil and gas project”?

Listing Rules 5.31, 5.33 and 5.35 require a listed entity when it first announces estimates of petroleum reserves, contingent resources or prospective resources in relation to a material oil and gas project to include certain information in the announcement. These rules apply to all listed entities with material oil and gas projects, regardless of whether they are formally characterised as “oil and gas entities” under the Listing Rules.

An “oil and gas project” is defined in the Listing Rules as a project to explore for or extract petroleum from a petroleum tenement or tenements.⁹

The boundaries that define a project will often be determined by commercial considerations, including development decisions, budget allocations and how particular oil and gas activities are presented in the entity’s public disclosures, including in its annual report and on its website. A project for these purposes may include the development of a single reservoir or field, an incremental development in a producing field, or an integrated development of a group of several fields and associated facilities with common ownership.

A “material oil and gas project” is defined in the Listing Rules as one in which an oil and gas entity or a child entity has an economic interest (whether alone or jointly with others), where that interest is, or is likely to be, material in

² Cf the note to Listing Rule 5.25.2 stating:

“In interpreting and applying SPE-PRMS, entities should have regard to any Application Guide, Examples, Frequently Asked Questions or other official guidance published in relation to SPE-PRMS. However, if there is any inconsistency between such guidance and the Listing Rules, the Listing Rules prevail.”

³ See ‘3.1 The quarterly reports that must be given to ASX by oil and gas entities’ on page 5.

⁴ See ‘9. Requirements applicable to the annual reports of oil and gas entities’ on page 21.

⁵ These terms, and many of the other oil and gas related terms used in this Guidance Note, are defined in Listing Rule 19.12.

⁶ The term “exploration” is defined in Listing Rule 19.12 to include geophysical surveys.

⁷ The term “petroleum” is defined in Listing Rule 19.12 to mean a naturally occurring mixture consisting of hydrocarbons in the gaseous, liquid or solid phase. Petroleum may also contain non-hydrocarbon compounds. Common examples of non-hydrocarbon compounds included in petroleum are carbon dioxide, nitrogen, hydrogen sulphide and sulphur.

⁸ The term “extraction” is defined in Listing Rule 19.12 to include developing the infrastructure needed to extract petroleum.

⁹ Listing Rule 19.12.

the context of the overall business operations or financial results of the entity and its child entities (on a consolidated basis).¹⁰

These definitions are intended to be applied in a sensible and commercial manner. In many cases, it will be readily apparent that a particular oil and gas activity is a material oil and gas project for the purposes of the Listing Rules and therefore the disclosure requirements in Listing Rules 5.31 - 5.36 will apply to estimates of petroleum resources for that project. Judgment however may need to be exercised where an entity has multiple oil and gas projects or where it has a mix of oil and gas projects and other business activities.

The factors which an oil and gas entity should consider in determining whether a particular oil and gas project is a material one for these purposes include:

- its market capitalisation;
- whether it would expect the disclosure of information about the project to have a material effect on the price or value of its securities;¹¹
- whether its actual and projected expenditure on the project is, or is likely to be, material in the context of its expenditure on other oil and gas projects and other (non-oil and gas) business activities;
- whether its actual and projected revenue from the project is, or is likely to be, material in the context of its revenue from other oil and gas projects and other (non-oil and gas) business activities;
- whether it considers the project will be a material asset in the medium to long term;
- whether it has made specific announcements in relation to the project which suggest that the project is a significant or important one for the entity; and
- the prominence given to the project on its website, in its annual report and in other promotional material it has distributed.

Entities should also have regard to the definition of “material” in Australian Accounting Standard AASB 101 *Presentation of Financial Statements* and the guidance in AASB Practice Statement 2 *Making Materiality Judgements* in determining whether or not an oil and gas project is a material one.

ASX would note that an assessment of the materiality of a project has to be made at a point in time, having regard to the entity’s business activities and financial position at that time. That assessment may change over time. A project that is not considered material today may become a material one in the future because of the discovery of new petroleum resources, technological advances, changing economics or other developments. Similarly, a project that is considered material today may not be a material one in the future because it is abandoned or exhausted or because the entity has embarked upon other more significant projects.

2.3. What is a “material change in estimates”?

Listing Rules 5.32, 5.34 and 5.36 require certain information to be disclosed where there has been material change (upwards or downwards) in estimates of petroleum reserves, contingent resources or prospective resources in relation to a material oil and gas project, compared to when they were previously reported. These rules apply to all listed entities with material oil and gas projects, regardless of whether they are formally characterised as “oil and gas entities” under the Listing Rules.

Whether there has been a material change in estimates of petroleum reserves, contingent resources or prospective resources in relation to a material oil and gas project must be tested by reference to the last reported estimates of those items. These may have been the initial estimates first announced by the entity or some subsequent announcement of materially changed estimates.

¹⁰ Listing Rule 19.12

¹¹ Guidance Note 8: *Continuous Disclosure: Listing Rules 3.1 – 3.1B* has further guidance on what is meant by a material effect on the price or value of an entity’s securities.

A material change could be in the form of a material improvement or deterioration in terms of:

- the estimated recoverable quantities for petroleum reserves;
- the estimated potentially recoverable quantities or the chance of commercial development for contingent resources and prospective resources; or
- the chance of discovery of prospective resources.

An entity must determine whether a change in estimates of its petroleum reserves, contingent resources or prospective resources is material or not taking into account all of the surrounding circumstances. The factors outlined in section 2.2 above relevant to determining whether a particular oil and gas project is a material one for the purposes of the Listing Rules are also likely to be relevant to determining whether a change in estimates of petroleum reserves, contingent resources or prospective resources is material. This includes, in particular, whether the entity would expect the disclosure of information about the change in estimates to have a material effect on the price or value of its securities.¹²

3. Quarterly reporting of oil and gas activities

3.1. The quarterly reports that must be given to ASX by oil and gas entities

An oil and gas exploration entity is required to give to ASX a quarterly report giving:

- details of its oil and gas exploration activities and oil and gas production and development activities, and a summary of the expenditure it has incurred on those activities;
- details of:
 - any petroleum tenements it acquired or disposed of during the quarter and their location;
 - the petroleum tenements held by it at the end of the quarter and their location;
 - any farm-in or farm-out agreements it entered into during the quarter; and
 - the beneficial percentage interests it held at the end of the quarter in farm-in or farm-out agreements;
- if the quarter is included in a period covered by a “use of funds” statement or expenditure program in the prospectus, PDS or information memorandum lodged by the entity with ASX under rule 1.1 condition 3, a comparison of the entity’s actual expenditure on the individual items in the use of funds statement or expenditure program since the date of its admission or re-admission to the official list against the estimated expenditure on those items in the use of funds statement or expenditure program in the prospectus, PDS or information memorandum and an explanation of any material variances; and
- a description of, and an explanation for, any payments to, or to an associate of, a related party of the entity or an associate included in its Appendix 5B for the quarter.¹³

An oil and gas producing entity is required to give to ASX a quarterly report giving details of its oil and gas production and development activities, as well as a summary of its oil and gas exploration activities, and a summary of the expenditure it has incurred on both activities.¹⁴

In each case:

- the report must be prepared on a consolidated basis for the entity and all of its child entities;

¹² And therefore require immediate disclosure under Listing Rule 3.1.

¹³ Listing Rule 5.4.

¹⁴ Listing Rule 5.2.

- if there were no oil and gas exploration activities and/or oil and gas production and development activities in the relevant quarter, the report must state that fact; and
- the report must be given to ASX for release to the market no later than one month after the end of the relevant quarter.

An oil and gas exploration entity is also required to give to ASX a quarterly cash flow statement in the form set out in Appendix 5B.¹⁵ Again, this must be prepared on a consolidated basis for the entity and all of its child entities and given to ASX for release to the market no later than one month after the end of the relevant quarter.

Oil and gas exploration entities are not required to give to ASX an Appendix 4D (half yearly report)¹⁶ or Appendix 4E (preliminary final report).¹⁷ This recognises that their main business activity is expending funds on oil and gas exploration and that they are unlikely to have material revenues from that or other activities and so their quarterly report and quarterly cash flow statement, along with any other disclosures they may make under Chapters 3 and 4 of the Listing Rules, will usually provide the market with sufficient financial information to value the entity's securities.

Guidance Note 23 *Quarterly Reports* has further guidance on the quarterly reporting obligations of oil and gas entities.

3.2. Quarterly reporting of oil and gas activities by other entities

Some entities that have oil and gas activities but are not formally characterised as “oil and gas entities” under the Listing Rules have a practice of providing quarterly reports on those activities to the market, on the basis that investors will find this information helpful in assessing the value of their securities. ASX has no objection to this practice, provided the reports comply with any applicable requirements in Chapter 5 (see below) and are accurate and not misleading.

4. Requirements applicable to all public reporting of petroleum resources

4.1. General reporting requirements for petroleum resources

Listing Rules 5.25 – 5.28 set out general requirements which apply to all public reports of petroleum resources. These requirements apply to all listed entities reporting petroleum resources and not just to those formally characterised as “oil and gas entities” under the Listing Rules. Unlike some of the other reporting obligations in Chapter 5, they also apply regardless of whether the project being reported on is a material oil and gas project or not.

Under these rules, petroleum resources are required to be classified in accordance with the scheme for classification in SPE-PRMS (that is, as production, reserves, contingent resources, prospective resources and unrecoverable petroleum) and reported in the most appropriate resource category under that scheme.¹⁸

SPE-PRMS Figure 1.1, reproduced in Annexure A of this Guidance Note, diagrammatically summarises the SPE-PRMS petroleum resources classification system.

ASX also recommends, as a matter of best practice, that petroleum reserves and contingent resources (but not prospective resources) are sub-classified based on the project maturity sub-classes set out in SPE-PRMS.¹⁹

SPE-PRMS Figure 2.1, reproduced in Annexure B of this Guidance Note, diagrammatically summarises the optional project maturity sub-classes set out in SPE-PRMS.

¹⁵ Listing Rule 5.5.

¹⁶ Listing Rule 4.2A.3.

¹⁷ Listing Rule 4.3A.

¹⁸ Listing Rule 5.25.2. See also section 1.1 of SPE-PRMS.

¹⁹ See the note to Listing Rule 5.25.2 and section 2.1.3.5 of SPE-PRMS.

To reinforce the requirement that petroleum resources must be classified in accordance with the scheme for classification in SPE-PRMS, the Listing Rules prohibit the disclosure of total petroleum initially-in-place, total resource base, estimated ultimate recovery, remaining recoverable resources or hydrocarbon endowment²⁰ unless all of the following information is included in the report proximate to that disclosure:

- an estimate of petroleum reserves;
- an estimate of contingent resources;
- an estimate of prospective resources; and
- whether and how each of the resource classes in the summation were adjusted for risk.²¹

Similarly, the disclosure of discovered petroleum-initially-in-place²² is prohibited unless all of the following information is included in the report proximate to that disclosure:

- an estimate of petroleum reserves;
- an estimate of contingent resources; and
- whether and how each of the resource classes in the summation were adjusted for risk.²³

Proximate, for this purpose, means on the same page, and in the same paragraph or in the immediately preceding or following paragraph, as the estimate in question. Putting the required information in a footnote or endnote does not meet the requirement for proximity.

Estimates of petroleum resources of necessity will be made as at a particular date and that date must be stated in the public report with those estimates.²⁴

The entity must disclose in the report whether the deterministic or probabilistic method was used to prepare the estimates of petroleum resources in the report.²⁵

Estimates of petroleum resources must be reported in the appropriate units for each individual product type reported. If estimates are also reported in units of equivalency between oil and gas, the entity must disclose in the report the conversion factor used to convert:

- gas to oil, where the estimates are reported in barrels of oil equivalent (BOEs); and
- oil to gas, where the estimates are reported in thousand cubic feet of gas equivalent (McfGEs).²⁶

Estimates of petroleum resources must also be reported:

- according to the entity's economic interest in the petroleum reserves, contingent resources and prospective resources being reported, including its entitlements under production-sharing contracts and risk-service contracts;²⁷ and

²⁰ SPE-PRMS defines "total petroleum initially-in-place" in section 1.1 and Appendix A, "estimated ultimate recovery" in section 1.1 and Appendix A, and "recoverable resources" in section 1.2 and Appendix A.

²¹ Listing Rule 5.25.3.

²² SPE-PRMS defines "discovered petroleum initially-in-place" in section 1.1 and Appendix A.

²³ Listing Rule 5.25.4.

²⁴ Listing Rule 5.25.1. Under SPE-PRMS, this point in time is referred to as the "effective date".

²⁵ Listing Rule 5.25.6. SPE-PRMS defines the "deterministic estimation method" and the "probabilistic estimation method" in section 4.2 and Appendix A.

²⁶ Listing Rule 5.25.7. Additional guidance on hydrocarbon conversion is provided in SPE-PRMS section 3.2.9.

²⁷ Listing Rule 5.25.5(a). SPE-PRMS defines "production-sharing contract" in section 3.3.2.1 and Appendix A and "risk-service contract" in section 3.3.2.3 and Appendix A.

- net of contractual royalty quantities²⁸ (including overriding royalties provided for in farm-out agreements) that the entity is required to pay in-kind or in-cash to the royalty owner and those volumes that the entity is allowed to lift and sell on behalf of the royalty owner.²⁹

They must not be reported in relation to pure service contracts.³⁰

4.2. Reporting petroleum reserves

Petroleum reserves must be categorised and reported in the most specific category that reflects the degree of uncertainty in the estimated quantities of recoverable petroleum, that is, 1P,³¹ 2P,³² or 3P.³³ If an estimate of 3P is reported, estimates of 2P and 1P must also be reported.³⁴

To report petroleum reserves an entity must have a high degree of confidence in the commerciality of the project³⁵ and the economic producibility of the reservoir.³⁶ It may only use the term “reserves” in connection with estimates of commercially recoverable quantities of petroleum and must not use it in connection with estimated quantities of petroleum that are not commercially recoverable.³⁷

Petroleum reserves must be reported as quantities available for sale at the reference point. Quantities of petroleum to be consumed in operations may be included as petroleum reserves provided these quantities are reported separately to, and have equal prominence with, sales quantities.³⁸ The entity must disclose the reference point used for the purpose of measuring and assessing the estimated petroleum reserves.³⁹

The disclosure of a mean estimate of petroleum reserves is prohibited.⁴⁰

²⁸ The reference here to contractual royalties does not include production taxes, even though they may be in the nature of a royalty. Production taxes in the nature of a royalty may either be accounted for and reported as a reduction in the entity’s petroleum resource entitlement or as a tax expense. The entity must disclose which treatment it is applying to such taxes. See the note to Listing Rule 5.25.5(b).

²⁹ Listing Rule 5.25.5(b).

³⁰ Listing Rule 5.25.5(c). SPE-PRMS defines “pure service contract” in section 3.3.2.3 and Appendix A.

³¹ “1P” denotes the low estimate scenario of petroleum reserves and is equivalent to proved reserves (Listing Rule 19.12). “Proved reserves” mean those quantities of petroleum, which by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods and government regulations. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. When probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered equal or exceed the estimate (Listing Rule 19.12).

³² “2P” denotes the best estimate scenario of petroleum reserves and is equivalent to the sum of proved reserves plus probable reserves (Listing Rule 19.12). The definition of “proved reserves” is set out in note 31 above. “Probable reserves” mean those additional petroleum reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than proved reserves but more certain to be recovered than possible reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated proved reserves plus probable reserves (2P). When probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate (Listing Rule 19.12).

³³ “3P” denotes the high estimate scenario of petroleum reserves and is equivalent to the sum of proved reserves plus probable reserves plus possible reserves (Listing Rule 19.12). The definition of “proved reserves” is set out in note 31 above and the definition of “probable reserves” is set out in note 32 above. “Possible reserves” mean those additional petroleum reserves which analysis of geoscience and engineering data indicate are less likely to be recoverable than probable reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of proved reserves plus probable reserves plus possible reserves (3P). When probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate (Listing Rule 19.12).

³⁴ Listing Rule 5.26.3.

³⁵ Listing Rule 5.26.1. SPE-PRMS defines “commerciality” in section 2.1.2.1. For the convenience of readers, ASX has set out the SPE-PRMS criteria for determining commerciality in Annexure C of this Guidance Note.

³⁶ Listing Rule 5.26.1. SPE-PRMS defines “economically producible” in section 3.1.2.

³⁷ Listing Rule 5.26.2.

³⁸ Listing Rule 5.26.4. SPE-PRMS defines “reference point” in section 3.2.1.1 and “consumed in operations” in section 3.2.2.1.

³⁹ Listing Rule 5.26.5.

⁴⁰ Listing Rule 5.26.6.

Where reported petroleum reserves represent aggregated estimates of petroleum reserves, the method of aggregation must be disclosed and must be either:

- arithmetic summation by category (that is, 1P, 2P or 3P); or
- statistical aggregation of uncertainty distributions up to the field, property or project level.⁴¹

If petroleum reserves are reported beyond the field, property or project level, estimates of petroleum reserves must be aggregated by arithmetic summation by category beyond that level of reporting. In this case, the entity must include a note in the report cautioning that the aggregate 1P may be a very conservative estimate and the aggregate 3P may be a very optimistic estimate due to the portfolio effects of arithmetic summation.⁴²

If a petroleum reserves replacement ratio is reported, the entity must include an explanation of how the petroleum reserves replacement ratio was calculated in that report.⁴³

4.3. Reporting contingent resources

Contingent resources must be categorised and reported in the most specific category that reflects the degree of uncertainty in the estimated quantities of potentially recoverable petroleum, that is, 1C,⁴⁴ 2C,⁴⁵ or 3C.⁴⁶ If an estimate of 3C is reported, estimates of 2C and 1C must also be reported.⁴⁷

The disclosure of a mean estimate of contingent resources is prohibited.⁴⁸

Where reported contingent resources represent aggregated estimates of contingent resources, the method of aggregation must be disclosed and must be either:

- arithmetic summation by category (that is, 1C, 2C or 3C); or
- statistical aggregation of uncertainty distributions up to the field, property or project level.⁴⁹

If contingent resources are reported beyond the field, property or project level, estimates of contingent resources must be aggregated by arithmetic summation by category beyond that level of reporting. In this case, the entity must include a note in the report cautioning that the aggregate 1C may be a very conservative estimate and the aggregate 3C may be a very optimistic estimate due to the portfolio effects of arithmetic summation.⁵⁰

4.4. Reporting prospective resources

Prospective resources must be categorised and reported in the most specific category that reflects the degree of uncertainty in the estimated quantities of potentially recoverable petroleum, that is, as a low estimate,⁵¹ best

⁴¹ Listing Rule 5.26.7. SPE-PRMS defines “aggregation” in section 4.2.5 and Appendix A.

⁴² Listing Rule 5.26.8.

⁴³ Listing Rule 5.26.9.

⁴⁴ “1C” denotes the low estimate scenario of contingent resources (Listing Rule 19.12).

⁴⁵ “2C” denotes the best estimate scenario of contingent resources (Listing Rule 19.12).

⁴⁶ “3C” denotes the high estimate scenario of contingent resources (Listing Rule 19.12).

⁴⁷ Listing Rule 5.27.1

⁴⁸ Listing Rule 5.27.2.

⁴⁹ Listing Rule 5.27.3.

⁵⁰ Listing Rule 5.27.4.

⁵¹ “Low estimate” is a conservative estimate of the quantity that will actually be recovered from an accumulation by an oil and gas project. When probabilistic methods are used, there should be at least a 90% probability (P90) that the quantities actually recovered will equal or exceed the low estimate (Listing Rule 19.12).

estimate⁵² or high estimate.⁵³ If a high estimate of prospective resources is reported, the best estimate and low estimate of prospective resources must also be reported.⁵⁴

The disclosure of a mean estimate of prospective resources is prohibited unless it is accompanied by the low estimate, best estimate and high estimate.⁵⁵

Where an entity reports an estimate of prospective resources, the report must include a cautionary statement that:

“The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially recoverable hydrocarbons.”

This statement must be proximate to, and have equal prominence as, the reported estimate of prospective resources.⁵⁶

Proximate, for this purpose, again means on the same page, and in the same paragraph or in the immediately preceding or following paragraph, as the estimate in question. Except as set out below, putting the cautionary statement in a footnote or endnote, or in a general disclaimer elsewhere in the report, does not meet the requirement for proximity.

Equal prominence, for this purpose, means being in the same font type, size and colour as the estimate of prospective resources. Hence, if an estimate of prospective resources is included in a heading, the cautionary statement must be in the same font type, size and colour as the heading. Similarly, if an estimate of prospective resources is highlighted or emphasised in any way (for example, by being printed in bold, italics or a different colour to the surrounding text), the cautionary statement must be similarly highlighted or emphasised.

In ASX’s view, where a public report includes multiple references to an estimate of prospective resources, the required cautionary statement need only appear once with the prescribed proximity and prominence. This should be wherever the estimate of prospective resources first appears in the report.⁵⁷ After the first mention in the report, it is sufficient for any subsequent reference to the estimate of prospective resources to include a footnote or endnote that cross-refers clearly to the cautionary statement and gives the page number where the cautionary statement appears.⁵⁸

In this case, the required additional information must appear wherever there is any reference to an otherwise prohibited disclosure.

⁵² “Best estimate” is the best estimate of the quantity that will actually be recovered from an accumulation by an oil and gas project. It is the most realistic assessment of recoverable quantities if only a single result were reported. When probabilistic methods are used, there should be at least a 50% probability (P50) that the quantities actually recovered will equal or exceed the best estimate (Listing Rule 19.12).

⁵³ “High estimate” is an optimistic estimate of the quantity that will actually be recovered from an accumulation by an oil and gas project. When probabilistic methods are used, there should be at least a 10% probability (P10) that the quantities actually recovered will equal or exceed the high estimate (Listing Rule 19.12).

⁵⁴ Listing Rule 5.28.1.

⁵⁵ Listing Rule 5.28.3.

⁵⁶ Listing Rule 5.28.2.

⁵⁷ If an entity uses a smaller or less legible font when it first refers to an estimate of prospective resources than in subsequent references, so that its cautionary statement is correspondingly smaller or less legible than those subsequent references, it will be regarded by ASX as not complying with the spirit and intent of Listing Rule 5.28.2 and therefore in breach of Listing Rule 19.2. Similarly, if an entity first refers to an estimate of prospective resources in plain font so that its cautionary statement is also in plain font but then uses text with highlight or emphasis for subsequent references to the estimate of prospective resources, it will be regarded by ASX as not complying with the spirit and intent of Listing Rule 5.28.2 and therefore in breach of Listing Rule 19.2.

⁵⁸ A suitable cross-reference would be:

“This estimate of prospective petroleum resources must be read in conjunction with the cautionary statement on page [insert page number] that the estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.”

Where reported prospective resources represent aggregated estimates of prospective resources, the method of aggregation must be disclosed and must be either:

- arithmetic summation by category (that is, low estimate, best estimate or high estimate); or
- statistical aggregation of uncertainty distributions up to the field, property or project level.⁵⁹

If prospective resources are reported beyond the field, property or project level, estimates of prospective resources must be aggregated by arithmetic summation by category beyond that level of reporting. In this case, the entity must include a note in the report cautioning that the aggregate low estimate may be a very conservative estimate and the aggregate high estimate may be a very optimistic estimate due to the portfolio effects of arithmetic summation.⁶⁰

4.5. Reporting unconventional resources

Estimated quantities of petroleum sourced from unconventional resources (for example, coal seam gas, coal bed methane, shale gas, oil shale, tight gas formations, or bitumen) must be reported to ASX in accordance with SPE-PRMS.⁶¹ This is despite the fact that under some State and Territory legislation, entities may be required to report to regulatory agencies in accordance with the JORC Code.⁶²

4.6. Reporting forecast financial information based on estimates of petroleum resources

As a forward-looking statement, any forecast financial information derived from an estimate of petroleum resources must be based on reasonable grounds or else it will be deemed to be misleading,⁶³ with all the significant legal consequences that entails.⁶⁴ This applies regardless of the class or sub-class of petroleum resource underpinning it.

Having said that, the higher the degree of certainty associated with an estimate of petroleum resources, the higher the likelihood that it will form a reasonable basis for forecasting financial information derived from that estimate. Hence petroleum reserves will generally form a stronger basis for forecast financial information than contingent resources, and contingent resources will generally form a stronger basis for forecast financial information than prospective resources.

Under the Listing Rules, an entity is prohibited from reporting forecast financial information derived from an estimate of prospective resources.⁶⁵ This is because prospective resources have risk and uncertainty both as to their discovery and their commercial development and they therefore are unlikely to provide a reasonable basis for forecasting financial information.

Under the Listing Rules, an entity also must only report forecast financial information derived solely from an estimate of economically not viable contingent resources⁶⁶ if all of the following information is included in the report proximate to that disclosure:

⁵⁹ Listing Rule 5.28.4.

⁶⁰ Listing Rule 5.28.5.

⁶¹ Listing Rule 5.25.2.

⁶² The Australian Code for Reporting of Mineral Resources and Ore Reserves (JORC Code), a copy of which is included in Appendix 5A of the Listing Rules.

⁶³ See section 769C of the Corporations Act and section 12BB(1) of the ASIC Act. Under the ASIC Act, a person making a representation as to the future is taken not to have had reasonable grounds for making the representation unless they adduce evidence to the contrary: section 12BB(2) of the ASIC Act.

See also ASIC Regulatory Guide 170 *Prospective financial information* and *ASC v MacLeod* [2000] WASCA 101 (reversed on jurisdictional grounds in *MacLeod v ASIC* [2002] HCA 37).

⁶⁴ Those consequences are summarised in Annexure B of Guidance Note 8: *Continuous Disclosure: Listing Rules 3.1 – 3.1B* under the heading 'The statutory prohibitions against false or misleading disclosures'.

⁶⁵ Listing Rule 5.28.6.

⁶⁶ SPE-PRMS defines "economically not viable contingent resources" in section 2.1.3.7.1 and Appendix A.

- an explanation of the reasons why the entity is forecasting financial information for contingent resources that have been assessed to be economically not viable; and
- a statement of the factors that lead the entity to believe that it has a reasonable basis for reporting the forecast financial information.

Similarly, an entity must only report forecast financial information derived partly from an estimate of economically not viable contingent resources and partly from an estimate of other petroleum resources if all of the following information is included in the report proximate to that disclosure:

- an explanation of the reasons why the entity is forecasting financial information derived in part from contingent resources that have been assessed to be economically not viable;
- a statement of the factors that lead the entity to believe that it has a reasonable basis for reporting that part of the forecast financial information derived from the estimate of economically not viable contingent resources; and
- the implications for the overall forecast financial information of including, and not including, the forecast financial information derived from the estimate of economically not viable contingent resources.⁶⁷

The reference in these Listing Rules to “forecast financial information” is intended to be broadly interpreted and applied. It includes statements of forecast revenue or cash flows for select periods, as well as calculations of the economic value of a project, such as its net present value or its internal rate of return.

For completeness, ASX would note that an entity disclosing forecast financial information for an oil and gas project should generally disclose any material assumptions or qualifications that underpin the forecast financial information.⁶⁸

5. Reporting of geophysical survey information

A public report with information about a geophysical survey for petroleum must include the name, nature and status of the survey, and the permit under which the survey has been conducted.⁶⁹

This applies to all listed entities reporting geophysical survey information and not just to those formally characterised as “oil and gas entities” under the Listing Rules. Unlike some of the other reporting obligations in Chapter 5, it also applies regardless of whether the project being reported on is a material oil and gas project or not.

6. Reporting of material exploration and drilling results

An entity publicly reporting material exploration and drilling results in relation to petroleum resources must include all of the following information in that report and give the report to ASX for release to the market:

- the name and type of well;
- the location of the well and the details of the permit or lease in which the well is located;
- the entity’s working interest in the well;

⁶⁷ Listing Rule 5.27.5.

⁶⁸ See ASIC Information Release IR 01/05 dated 7 February 2001, which refers to ASIC’s guidance on prospective financial information, now set out in ASIC Regulatory Guide 170 *Prospective financial information*. From an entity’s standpoint, the inclusion of material assumptions and qualifications in an announcement under Listing Rule 3.1 may also help to avoid future legal liability (eg, for misleading or deceptive conduct) if the assumptions prove to be incorrect or the qualifications are triggered.

Note also that Chapter 5 of the Listing Rules requires an entity when it first publicly reports estimates of petroleum reserves in relation to a material oil and gas project, to disclose all material economic assumptions used to calculate the estimates of petroleum reserves (Listing Rule 5.31.1). If those economic assumptions are commercially sensitive to the entity, an explanation of the methodology used to determine the assumptions rather than the actual figure can be reported.

⁶⁹ Listing Rule 5.29.

- if the gross pay thickness is reported for an interval of conventional resources, the net pay thickness;
- the geological rock type of the formation drilled;
- the depth of the zones tested;
- the types of test(s) undertaken and the duration of the test(s);
- the hydrocarbon phases recovered in the test(s);
- any other recovery, such as, formation water and water, associated with the test(s) and their respective proportions;
- the choke size used, the flow rates and, if measured, the volumes of the hydrocarbon phases measured;
- if flow rates were tested, information about the pressures associated with the flow and the duration of the test;
- if applicable, the number of fracture stimulation stages and the size and nature of fracture stimulation applied;
- any material volumes of non-hydrocarbon gases, such as, carbon dioxide, nitrogen, hydrogen sulphide and sulphur; and
- any other information that is material to understanding the reported results.⁷⁰

This applies to all listed entities reporting material exploration and drilling results related to petroleum resources and not just to those formally characterised as “oil and gas entities” under the Listing Rules. Unlike some of the other reporting obligations in Chapter 5, it also applies regardless of whether the project being reported on is a material oil and gas project or not.

Generally speaking, a public report with information about an exploration and drilling program for petroleum should be presented in a factual and balanced manner and contain sufficient information to allow investors and their advisers to make an informed judgement of its significance. Care should be taken to ensure that it does not suggest, without reasonable grounds, that commercially recoverable or potentially recoverable quantities of petroleum have been discovered, in the absence of determining and reporting estimates of petroleum reserves or contingent resources in accordance with the disclosure requirements in Chapter 5 of the Listing Rules.

7. Reporting of petroleum resources for material oil and gas projects

Listing Rules 5.31 – 5.36 require an entity publicly reporting estimates of petroleum reserves, contingent resources or prospective resources in relation to a material oil and gas project – either for the first time, or for the first time after they have materially changed from when they were last reported – to do so in the form of a market announcement that includes certain information. These requirements apply to all listed entities reporting estimates of petroleum reserves, contingent resources or prospective resources in relation to a material oil and gas project and not just to those formally characterised as “oil and gas entities” under the Listing Rules.

ASX believes that the reporting requirements in Listing Rules 5.31 – 5.36 are largely self-explanatory and, since any public report of estimates of petroleum reserves, contingent resources or prospective resources in relation to a material oil and gas project has to be prepared and signed off by a qualified petroleum reserves and resources evaluator (see section 7.4 below), it is not necessary for ASX to set out those requirements at length in this Guidance Note.

ASX would however make the following observations about the reporting requirements in Listing Rules 5.31 – 5.36.

⁷⁰ Listing Rule 5.30.

7.1. Reports of petroleum reserves

The first time an entity publicly reports an estimate of petroleum reserves for a material oil and gas project, among other things, it is required to include in its market announcement a brief description of:

- the basis for confirming commerciality⁷¹ and economic producibility⁷² and booking petroleum reserves;
- the analytical procedures used to estimate the petroleum reserves;
- the proposed extraction method; and
- if applicable, any specialised processing required following extraction.⁷³

If the reported estimates relate to undeveloped petroleum reserves, the market announcement must also include a brief statement regarding:

- the status of the project;
- the existence of a technically mature, feasible development plan;
- the financial appropriations that are in place or have a high likelihood of being secured for development;
- the reasonable time-frame for development;
- confirmation that the oil and gas project has positive economics and meets the entity's investment and operating criteria;
- the marketing arrangements that justify development;
- the access to production and/or transportation infrastructure which is available or can be made available;
- any key legal, contractual, environmental, regulatory and other government approvals needed for development which are not yet in place; and
- any key social or economic concerns that need to be resolved for development.

The type of information ASX would expect an entity to disclose for these purposes is a concise summary of the matters listed above that has sufficient detail for investors to understand the basis on which the entity has determined that the resources in question meet the requirements in SPE-PRMS to be characterised as petroleum reserves.

The first time an entity publicly reports an estimate of petroleum reserves for a material oil and gas project, it is also required to disclose all of the material economic assumptions used to calculate those estimates.⁷⁴ ASX would not expect an entity to have to disclose commercially sensitive information (for example, pricing or volumes under long term contractual commitments) to meet this particular requirement (although an entity should carefully consider whether this information needs to be disclosed to meet other disclosure requirements⁷⁵). However, in such cases, the entity:

⁷¹ SPE-PRMS defines "commerciality" in section 2.1.2.1. For the convenience of readers, ASX has set out the SPE-PRMS criteria for determining commerciality in Annexure C of this Guidance Note.

⁷² SPE-PRMS defines "economically producible" in section 3.1.2.

⁷³ Listing Rule 5.31.4.

⁷⁴ Listing Rule 5.31.1.

⁷⁵ For example, if the entity is issuing a prospectus, the requirement in section 710 of the Corporations Act for the prospectus to include all information that investors and their professional advisers would reasonably require to make an informed investment decision and would reasonably expect to find in the prospectus, or the requirement in Listing Rule 3.1 to disclose information that a reasonable person would expect it to have a material effect on the price or value of the entity's securities, where the information does not fall within the exceptions to immediate disclosure in Listing Rule 3.1A.

- should explain why the information is considered a trade secret or commercially sensitive; and
- must disclose sufficient information (perhaps in narrative rather than numerical form, where the numbers are commercially sensitive) for investors to understand the basis on which it is estimating its petroleum resources.

Entities should be careful not to claim that information is commercially sensitive when that is not so. For example, if an entity is not a producing entity and it has not yet entered into any commercially sensitive contracts that underpin its price, capital expenditure or operational expenditure assumptions, it is difficult to see how information about those assumptions could be commercially sensitive.

ASX also notes that to the extent an estimate of petroleum reserves involves a representation about future matters, it must be based on reasonable grounds – meaning that the economic assumptions used to calculate the estimates must also be objectively reasonable – or else the representation could be deemed to be misleading and the entity could face serious legal consequences as a result.⁷⁶

7.2. Reports of contingent resources

The first time an entity publicly reports an estimate of contingent resources for a material oil and gas project, it is required to include in its market announcement a brief description of:

- the analytical procedures used to estimate the contingent resources;
- the key contingencies that currently prevent the contingent resources from being classified as petroleum reserves;
- any further appraisal drilling and evaluation work to be undertaken to assess the potential for commercial recovery of the contingent resources; and
- any other work the entity is proposing to undertake to assess or improve the chance of development of the contingent resources.⁷⁷

Examples of key contingencies requiring petroleum resources to be classified as contingent resources include:

- where there is no viable market at the time of the disclosure;
- where commercial recovery is dependent on technology under development;
- where evaluation of the accumulation is insufficient to clearly assess commerciality;
- where current and forecast economic conditions do not support a commercially viable oil and gas project; or
- where there is not sufficient certainty relating to legal, contractual, environmental, regulatory, governmental or social factors.

7.3. Reports of prospective resources

The first time an entity publicly reports an estimate of prospective resources for a material oil and gas project, it is required to include in its market announcement a brief description of the basis on which the prospective resources are estimated.⁷⁸

The type of information ASX would generally expect an entity to disclose to comply with this requirement includes the supporting data (including analogous information and any analysis of seismic surveys and non-seismic

⁷⁶ See note 63 above.

⁷⁷ Listing Rule 5.33.3.

⁷⁸ Listing Rule 5.35.2.

surveys), analytical processes and assumptions (such as recovery efficiency) that have been used to evaluate the prospective resources.

7.4. Qualified petroleum reserves and resources evaluator requirements

An entity publicly reporting estimates of petroleum reserves, contingent resources or prospective resources for the first time must ensure that the estimates are prepared by a qualified petroleum reserves and resources evaluator.⁷⁹ The report must state:

- that it is based on, and fairly represents, information and supporting documentation prepared by a named qualified petroleum reserves and resources evaluator or evaluators;
- whether the qualified petroleum reserves and resources evaluator is an employee of the entity or a related entity and, if not, the name of the qualified petroleum reserves and resources evaluator's employer; and
- the name of the professional organisation of which the qualified petroleum reserves and resources evaluator is a member,

and it must only be issued with the prior written consent of the qualified petroleum reserves and resources evaluator or evaluators as to the form and context in which the estimated petroleum reserves, contingent resources and prospective resources and supporting information are presented in the report.⁸⁰

Subsequent public reports of the same petroleum reserves, contingent resources and prospective resources are not be required to include the above statements or consent provided the following conditions are met:⁸¹

- the subsequent report cross-references the relevant market announcement given to ASX for release to the market containing the estimates and the required statements and consent referred to above; and
- the entity confirms in the subsequent report that it is not aware of any new information or data that materially affects the information included in the relevant market announcement and that all the material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

If an entity is not able to meet these conditions then the subsequent report must include the statements by, and consent from, the qualified petroleum reserves and resources evaluator or evaluators referred to above.⁸²

A person is a qualified petroleum reserves and resources evaluator if they:

- have obtained a bachelors or advanced degree in petroleum engineering, geology, geophysics or other discipline of engineering or physical science;
- have a minimum of 5 years practical experience in petroleum engineering, petroleum production geology or petroleum geology, with at least three years of such experience being in the evaluation and estimation of petroleum reserves, contingent resources and prospective resources; and
- are a member of good standing of a professional organisation of engineers, geologists or other geoscientists whose professional practice includes petroleum reserves, contingent resources and prospective resources evaluations and/or audits. The professional organisation must have disciplinary powers, including the power to suspend or expel a member.⁸³

⁷⁹ Listing Rule 5.41.

⁸⁰ Listing Rule 5.42.

⁸¹ Listing Rule 5.43.

⁸² Listing Rule 5.42.

⁸³ Listing Rule 19.12.

The following organisations are acceptable professional organisations for the purposes of the last bullet point above:⁸⁴

American Association of Petroleum Geologists (AAPG)
European Association of Geoscientists & Engineers (EAGE)
Petroleum Exploration Society of Australia (PESA)
Society of Exploration Geophysicists (SEG)
Society of Petroleum Engineers (SPE)
Society of Petroleum Evaluation Engineers (SPEE)
Society of Petrophysicists and Well Log Analysts (SPWLA)

ASX expects any qualified petroleum reserves and resources evaluator who signs off on a public report of petroleum resources to be thoroughly familiar with the SPE-PRMS and Chapter 5 of the Listing Rules.

8. The interaction between Chapter 5 and other reporting obligations

8.1. The interaction between Chapters 3, 4 and 5 of the Listing Rules

The reporting requirements for oil and gas activities in Chapter 5 are an adjunct to, and operate in tandem with, the reporting and disclosure requirements in Chapter 3 (continuous disclosure) and Chapter 4 (periodic disclosure) of the Listing Rules.

For example, where an entity is required to disclose market sensitive information⁸⁵ involving oil and gas activities to ASX under Listing Rule 3.1, the information disclosed must comply not only with that rule but also with any applicable requirements in Chapter 5.

It should be noted that information required to be disclosed under Listing Rule 3.1 must be disclosed immediately. ASX has given guidance in Guidance Note 8: *Continuous Disclosure: Listing Rules 3.1 – 3.1B* that:

- “immediately” does not mean “instantaneously”, but rather “promptly and without delay”;
- ASX recognises that the speed with which an entity can disclose information under Listing Rule 3.1 will vary, depending on factors such as where and when the information originated, the forewarning (if any) the entity had of the information, the amount and complexity of the information concerned, the need in some cases to verify the accuracy or bona fides of the information, and (importantly in this context):

“the need in some cases to comply with specific legal and Listing Rule requirements, such as the requirement for an announcement that relates to mining or oil and gas activities to comply with Chapter 5 of the Listing Rules.”

- ASX will take these factors into account, as well as whether or not the entity has promptly requested a trading halt to minimise the period that the market is trading on an uninformed basis, in assessing whether an entity has complied with its obligation to disclose information in a timely manner under Listing Rule 3.1.

All other things being equal, ASX considers that the requirement for an entity to disclose market sensitive information about an oil and gas activity under Listing Rule 3.1, which is also subject to the reporting requirements in Chapter 5, will generally only be triggered when the entity is in possession of all of the information that it is required to be included in a market announcement about that activity under Chapter 5. Prior to it having all of that information, ASX considers that whatever market sensitive information it may have about the activity will generally be insufficiently definite to warrant disclosure. Therefore, provided the market sensitive information is and remains confidential, ASX has not formed the view that it has ceased to be confidential, and a reasonable person would not

⁸⁴ This list is not intended to be exhaustive.

⁸⁵ “Market sensitive information” is a short-hand expression referring to information of the type required to be disclosed under Listing Rule 3.1 (namely, information that a reasonable person would expect it to have a material effect on the price or value of an entity’s securities). For further guidance on the meaning of the term, see Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

otherwise expect it to be disclosed, it will generally fall within the carve-out to immediate disclosure in Listing Rule 3.1A.

Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B* has more detailed guidance on when information is confidential, when ASX may form the view that information has ceased to be confidential, and when a reasonable person would expect information to be disclosed for the purposes of Listing Rule 3.1A.

As mentioned in that Guidance Note, ASX may form the view that information about an oil and gas activity has lost confidentiality if there is:

- a reasonably specific and reasonably accurate media or analyst report about the matter;
- a reasonably specific and reasonably accurate rumour known to be circulating the market about the matter; or
- a sudden and significant movement in the market price or traded volumes of the entity's securities that cannot be explained by other events or circumstances.

Each of these is an indication that the matter is no longer confidential and therefore Listing Rule 3.1A no longer applies.

An entity which has potentially market sensitive information about an oil and gas activity and which is in the process of compiling the information that it is required to include in a market announcement about that activity under Chapter 5 should therefore as a matter of course be monitoring:

- the market price of its securities;
- major national and local newspapers;
- if it or its advisers have access to them, major news wire services such as Reuters and Bloomberg;
- any investor blogs, chat-sites or other social media it is aware of that regularly post comments about the entity; and
- enquiries from analysts or journalists.

If the entity detects signs that the information may no longer be confidential, it may need to request a trading halt to stop trading in its securities while it completes an announcement about the matter that meets the requirements of both Listing Rule 3.1 and Chapter 5.

8.2. Pre SPE-PRMS 2018 estimates

Estimates that were prepared in accordance with the 2007 edition of the SPE-PRMS prior to 1 July 2022 (the transition date for the amendments to the Listing Rules requiring petroleum estimates to be reported in accordance with the 2018 edition of the SPE-PRMS) can continue to be referred to in public reports without being updated to comply with the new disclosure rules in the 2018 edition of the SPE-PRMS, provided there has been no material change in those results or estimates since they were last reported. However, if there is a material change in those results or estimates on or after 1 July 2022 and they relate to a material oil and gas project, the estimates will need to be updated and reported in accordance with the 2018 edition of the SPE-PRMS.⁸⁶

An entity that reports estimates for a material oil and gas project that were originally prepared and reported under the 2007 edition of the SPE-PRMS and have not been updated since to comply with the 2018 edition of the SPE-PRMS should make it clear that the information has been prepared in accordance with the 2007 edition of the SPE-PRMS rather than the 2018 edition. A statement along the following lines should suffice:

⁸⁶ This is the combined effect of Listing Rules 5.25.2 and 5.32.

“This information was prepared and first disclosed under the SPE-PRMS 2007. It has not been updated since to comply with the SPE-PRMS 2018 on the basis that the information has not materially changed since it was last reported.”

8.3. Material acquisitions

Where an entity acquires a material oil and gas project, ASX recognises the potential conflict between the detailed reporting requirements in Chapter 5 and the acquirer’s obligation under Listing Rule 3.1 to disclose immediately information about the acquisition that a reasonable person would expect to have a material effect on the price or value of its securities. To address this potential conflict ASX has prepared the following examples to assist listed entities meet their disclosure obligations in this scenario.

- A. A listed entity (the “acquirer”) enters into an agreement to acquire a material oil and gas project from another entity, or to acquire another entity with a material oil and gas project. The other entity (the “former owner”) has publicly reported estimates of petroleum resources for the project under the 2007 edition of the SPE-PRMS. The acquirer is obliged to announce the agreement immediately under Listing Rule 3.1 because a reasonable person would expect information about the agreement to have a material effect on the price or value of its securities.**

Can the acquirer disclose the former owner’s estimates of its petroleum resources in its announcement under Listing Rule 3.1?

Yes, but only if the entity reasonably considers that the former owner’s estimates are required to be disclosed under Listing Rule 3.1 (ie the information is “market-sensitive”) and its announcement clearly and prominently discloses:

- that the estimates have been reported by the former owner rather than the acquirer;
- that the estimates were reported under the 2007 edition of the SPE-PRMS and therefore may not conform to the requirements in Chapter 5 of the Listing Rules and the 2018 edition of the SPE-PRMS;
- the source and date of the estimates;
- where the former owner’s estimates are publicly available, a copy of the original report of the estimates by the former owner or the location where the report can be viewed by interested readers;
- the acquirer’s view on the reliability of the estimates including, in the case of reserves, the acquirer’s view on the reliability of the assumptions underpinning the basis for confirming commerciality and economic producibility and booking petroleum reserves;
- to the extent known, a summary of the work programs on which the estimates were based;
- any more recent estimates or data relevant to understanding the estimates;
- the evaluation and/or exploration work that in the opinion of the acquirer needs to be completed to report the estimates in accordance with Chapter 5 of the Listing Rules and the 2018 edition of the SPE-PRMS;
- the proposed timing of any evaluation work that the acquirer intends to undertake in this regard and a comment on how the acquirer intends to fund that work;
- a statement by a named qualified petroleum reserves and resources evaluator or evaluators that the information in the market announcement is an accurate representation of the available data and studies for the material oil and gas project; and
- a cautionary statement proximate to, and with equal prominence as, the reported estimate stating that:
 - the estimates were reported by the former owner under the 2007 edition of the SPE-PRMS;

- the acquirer has not independently validated the former owner's estimates and therefore is not to be regarded as reporting, adopting or endorsing those estimates;
- the acquirer has not done sufficient work to be able to disclose the estimates in accordance with Chapter 5 of the Listing Rules and the 2018 edition of the SPE-PRMS;
- it is possible that following further evaluation work by the acquirer that the confidence in, or classification of, the reported estimates may be reduced when reported under Chapter 5 of the Listing Rules and the 2018 edition of the SPE-PRMS; and
- that nothing has come to the attention of the acquirer that causes it to question the accuracy or reliability of the former owner's estimates,

and the announcement is not otherwise misleading

If all of the conditions above are met, ASX will not regard the acquirer as reporting the former owner's estimates for the first time. This concession only applies to the acquirer's initial announcement of the acquisition agreement under Listing Rule 3.1 and in any related communications (such as in an initial investor presentation about the acquisition) which are made in close proximity to the initial announcement. Thereafter, if the acquirer makes any reference to the former owner's estimates in an announcement, ASX will regard it as reporting those results for the first time and it will have to do so in accordance with Chapter 5 of the Listing Rules and the 2018 edition of the SPE-PRMS.

Of course, if something has come to the attention of the acquirer that causes it to question the accuracy or reliability of the former owner's estimates, then it should not be referencing those estimates in its announcement under Listing Rule 3.1 without expressly disclaiming them and providing a detailed explanation of why it is disclaiming them. Otherwise its inclusion of those estimates in its announcement could be misleading.

Further, if the acquirer does say anything in its announcement under Listing Rule 3.1 that could be taken to be an adoption or endorsement of the former estimates, ASX will regard it as reporting those results for the first time and will require the announcement to comply with Chapter 5 of the Listing Rules and the 2018 edition of the SPE-PRMS.

- B. A listed entity (the "acquirer") enters into an agreement to acquire a material oil and gas project from another entity, or to acquire another entity with a material oil and gas project. The other entity (the "former owner") has publicly reported forecast financial information for the project. The acquirer is obliged to announce the agreement immediately under Listing Rule 3.1 because a reasonable person would expect information about the agreement to have a material effect on the price or value of its securities.**

Can the acquirer disclose the former owner's forecast financial information in its announcement under Listing Rule 3.1?

Yes, provided the forecasts do not infringe Listing Rule 5.27.5⁸⁷ or 5.28.3⁸⁸ and the acquirer publically confirms the reliability of the assumptions underpinning the forecast and that nothing has come to the attention of the acquirer that causes it to question the accuracy or reliability of the former owner's forecast and the underpinning assumptions at the date the acquirer reports the forecast financial information.

It is not appropriate for the acquirer to re-publish the former owner's forecast financial information without first validating the accuracy and reliability of those data and assumptions and assessing its own capabilities at that time. ASX expects listed entities to have undertaken appropriate due diligence on the assets being acquired and to be able to affirm the reliability and accuracy of the former owner's forecast.

⁸⁷ See note 55 above and the accompanying text.

⁸⁸ See note 67 above and the accompanying text.

- C. A listed entity announces its intention to make a takeover offer for all the securities in a target entity. The target entity has previously publicly reported estimates for the project under the 2007 edition of the SPE-PRMS.**

Can the listed entity's announcement of the bid, its bidder's statement, and other communications by it concerning the bid, refer to the target's estimates?

Yes, provided the reference to those estimates is not misleading and the takeover is regulated under the Corporations Act or the entity can satisfy ASX that the takeover or merger is subject to an acceptable regulatory regime equivalent to the Corporations Act.

This concession recognises the robust regulatory framework and the high level of regulatory and curial oversight applied to takeovers and schemes in Australia.

ASX does not consider a bidder referring to a target's estimates to be "reporting" those results or estimates for the purposes of the Listing Rules. They are the estimates of the target not the bidder. Accordingly, the requirements in the Listing Rules that apply where an entity reports estimates are not triggered.

9. Requirements applicable to the annual reports of oil and gas entities

9.1. List of tenements

An oil and gas exploration entity is required to include in its annual report:

- the petroleum tenements held by it and its child entities and their location; and
- the percentage interest it or they hold in each petroleum tenement.⁸⁹

9.2. Annual reserves statement

Subject to the exception in the next paragraph, an oil and gas entity that has any petroleum reserves is required to include a reserves statement in its annual report.⁹⁰

This does not apply if the oil and gas entity reports to the SEC and files an SEC Form 10-K or 20-F Report with a US oil and gas reserves statement.⁹¹ Instead, immediately after filing any such form or report with the SEC, the oil and gas entity is required to give a copy of the form or report to ASX for release to the market.⁹²

The reserves statement in an oil and gas entity's annual report must include:

- the entity level total 1P⁹³ petroleum reserves and 2P⁹⁴ petroleum reserves (split between developed and undeveloped petroleum reserves and by product); and
- the total aggregated 1P petroleum reserves and 2P petroleum reserves by product and by geographical area (split between developed and undeveloped petroleum reserves⁹⁵ by geographical area).⁹⁶

⁸⁹ Listing Rule 5.37.

⁹⁰ Listing Rule 5.39.

⁹¹ "US oil and gas reserves statement" is defined in Listing Rule 19.12.

⁹² Listing Rule 5.38. This accommodation has been granted to oil and gas entities that are required to file a Form 10-K or 20-F Report with the US SEC to avoid the application of inconsistent reporting requirements for petroleum reserves.

⁹³ See note 31 above.

⁹⁴ See note 32 above.

⁹⁵ SPE-PRMS defines "developed reserves" and "undeveloped reserves" in section 2.1 and Appendix A.

⁹⁶ Listing Rule 5.39.1.

If the oil and gas entity has material unconventional petroleum resources,⁹⁷ it must separately identify the portion of the total 1P petroleum reserves and 2P petroleum reserves reported under the first bullet point above that are based on unconventional petroleum resources.⁹⁸

The geographical areas by which an oil and gas entity chooses to report its aggregated petroleum reserves is a matter for it to determine, having regard to its individual circumstances and the materiality of the petroleum reserves in question. For example, some entities may choose to report by continent, by country, by state/territory or by other regions. Others may choose to report petroleum reserve estimates for a particular basin, if that is material, with a mix of other geographical areas.

The reserves statement in the oil and gas entity's annual report must include a reconciliation of the entity's reported petroleum reserves holdings for the current year against the corresponding petroleum reserves holdings for the previous year, along with an explanation of any material changes between the two.⁹⁹ The reconciliation against the previous year's petroleum reserves holdings, at a minimum, should identify changes that have resulted from revisions to previous estimates, extensions and discoveries, acquisitions and divestments, and production. Whether any further explanation is required will depend on the materiality of the information in question. For example, if there has been a significant reduction in the total portfolio of petroleum reserves from one year to the next because net acquisitions and divestments are materially negative, the entity should generally explain the reason for this (for example, this was the result of the sale of a particular asset or assets or the sell down of a significant interest in a particular oil and gas project or projects).¹⁰⁰

If any material concentrations of undeveloped petroleum reserves¹⁰¹ in material oil and gas projects have remained undeveloped after 5 years from the date they were initially reported, the oil and gas entity's reserves statement in its annual report for that year and every subsequent year must include:

- an explanation of why the undeveloped petroleum reserves have not been developed;
- a statement of the oil and gas entity's intention with regard to the future development of the undeveloped petroleum reserves; and
- any work the entity is proposing to undertake towards development of the undeveloped petroleum reserves.¹⁰²

An oil and gas entity's annual petroleum reserves statement must also include a summary of the governance arrangements and internal controls that the entity has put in place, including the frequency and scope of any reviews or audits undertaken, with respect to its estimates of petroleum reserves and the estimation process.¹⁰³

If an oil and gas entity chooses to include contingent resources in its reserves statement in its annual report, it must include:

- the entity level total 2C¹⁰⁴ contingent resources by product; and
- aggregated 2C contingent resources by product and geographical area¹⁰⁵

If the oil and gas entity has material unconventional petroleum resources, it must separately identify the portion of

⁹⁷ SPE-PRMS defines "unconventional resources" in section 2.4 and Appendix A.

⁹⁸ Listing Rule 5.39.2.

⁹⁹ Listing Rule 5.39.3.

¹⁰⁰ This could be done as a note to a table showing the comparison of the two years.

¹⁰¹ SPE-PRMS defines "undeveloped reserves" in section 2.1 and Appendix A.

¹⁰² Listing Rule 5.39.4.

¹⁰³ Listing Rule 5.39.5.

¹⁰⁴ See note 45 above.

¹⁰⁵ Listing Rules 5.40(a) and 5.40.1.

the total 2C contingent resources reported under the first bullet point above that are based on unconventional petroleum resources.¹⁰⁶

The reserves statement in the oil and gas entity's annual report must also include a reconciliation of its reported contingent resources holdings for the current year against the corresponding contingent resources holdings for the previous year, along with an explanation of any material changes between the two.¹⁰⁷ The reconciliation against the previous year's contingent resources holdings, at a minimum, should identify changes that resulted from conversion of contingent resources to petroleum reserves, revisions to previous estimates, extensions and discoveries, and acquisitions and divestments. Whether any further explanation is required will again depend on the materiality of the information in question.

An entity that:

- reports to the SEC and files an SEC Form 10-K or 20-F Report with a US oil and gas reserves statement and is therefore otherwise exempt from the requirement to include a reserves statement in its annual report;¹⁰⁸ but
- nonetheless wishes to report on oil and gas entity level or other aggregated estimates of contingent resources (which it currently is not able to do under US law),

must include in its annual report or in a statement to be provided to ASX for release to the market with its annual report, a statement that meets the requirements applicable to contingent resources in the three preceding paragraphs.¹⁰⁹ The reserves statement in an oil and gas entity's annual report finally must also include:

- a statement that it is based on, and fairly represents, information and supporting documentation prepared by a qualified petroleum reserves and resources evaluator or evaluators;¹¹⁰ and
- a statement that the reserves statement as a whole has been approved by a named qualified petroleum reserves and resources evaluator or evaluators (who may be different qualified petroleum reserves and resources evaluators to the ones referred to in the previous bullet point), as well as information about their employer and the professional organisation of which they are a member.¹¹¹

The reserves statement must only be issued with the prior written consent of the named qualified reserves and resources evaluator or evaluators who have approved the reserves statement as a whole as to the form and context in which it appears in the annual report.

¹⁰⁶ Listing Rules 5.40(a) and 5.40.3.

¹⁰⁷ Listing Rules 5.40(a) and 5.40.2.

¹⁰⁸ See notes 91 and 92 above and the accompanying text.

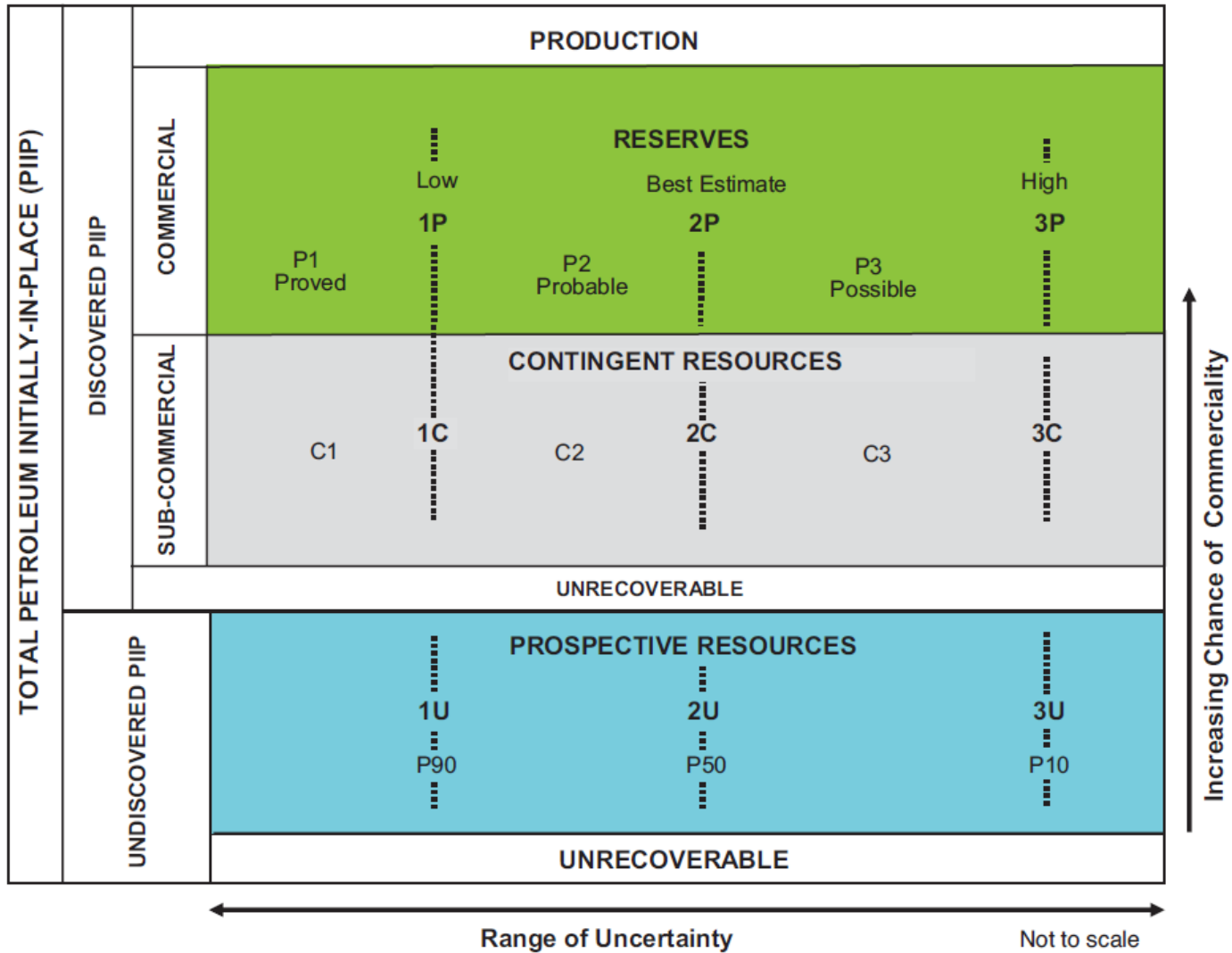
¹⁰⁹ Listing Rules 5.40(b), 5.40.1, 5.40.2 and 5.40.3.

¹¹⁰ See '7.4 Qualified petroleum reserves and resources evaluator requirements' on page 16.

¹¹¹ Being the information referred to in Listing Rule 5.42(b) and (c).

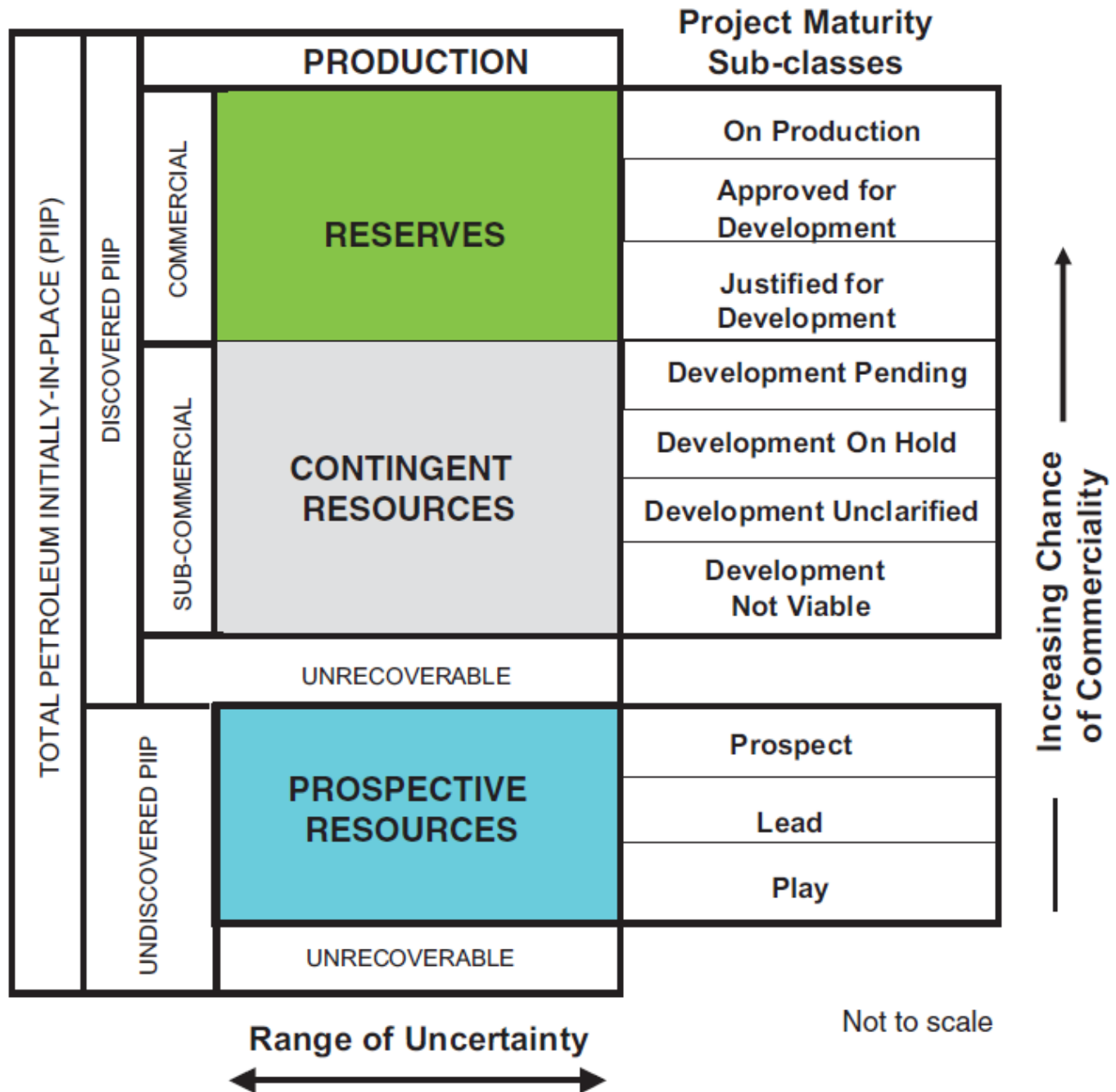
Annexure A: SPE PRMS Petroleum Resources Classification Framework

[Reproduced from SPE-PRMS Figure 1.1]



Annexure B: SPE PRMS Optional Project Maturity Sub-classes

[Reproduced from SPE-PRMS Figure 2.1]



Annexure C: SPE PRMS Criteria for Determining Commerciality

[Reproduced from SPE-PRMS Section 2.1.2.1]

Discovered recoverable quantities (Contingent Resources) may be considered commercially mature, and thus attain Reserves classification, if the entity claiming commerciality has demonstrated a firm intention to proceed with development. This means the entity has satisfied the internal decision criteria (typically rate of return at or above the weighted average cost-of-capital or the hurdle rate). Commerciality is achieved with the entity's commitment to the project and all of the following criteria:

- A. Evidence of a technically mature, feasible development plan.
- B. Evidence of financial appropriations either being in place or having a high likelihood of being secured to implement the project.
- C. Evidence to support a reasonable time-frame for development.
- D. A reasonable assessment that the development projects will have positive economics and meet defined investment and operating criteria. This assessment is performed on the estimated entitlement forecast quantities and associated cash flow on which the investment decision is made (see Section 3.1.1, Net Cash-Flow Evaluation).
- E. A reasonable expectation that there will be a market for forecast sales quantities of the production required to justify development. There should also be similar confidence that all produced streams (e.g., oil, gas, water, CO₂) can be sold, stored, re-injected, or otherwise appropriately disposed.
- F. Evidence that the necessary production and transportation facilities are available or can be made available.
- G. Evidence that legal, contractual, environmental, regulatory, and government approvals are in place or will be forthcoming, together with resolving any social and economic concerns.