



Public Consultation Paper

No. 1/2015

Proposed Policy for the Admission of Mineral or Oil and Gas Exploration or Extraction Corporations or Assets to the Main Market of Bursa Malaysia Securities Bhd

The Securities Commission Malaysia (SC) invites your written comments on the issues set out in this Consultation Paper by **13 November 2015** which should be sent to:

- E-mail : feedbackmog@seccom.com.my
- Facsimile : +603-62015213
- Mail : Corporate Finance – Equities Department
Securities Commission Malaysia
3 Persiaran Bukit Kiara, Bukit Kiara
50490 Kuala Lumpur
(Attn: Azman Ahmad/Stephanie Yew/Jelisa Tan)

Respondents to this Consultation Paper are requested to use the reply format in the respective appendices.

Kindly contact the following persons if you have any queries in relation to this consultation paper:

Azman Ahmad/Stephanie Yew/Jelisa Tan
Telephone No.: +603-62048778/ 62048542 / 62048546

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1 INTRODUCTION

- 1.1 This consultation paper seeks feedback on the proposals to introduce eligibility and disclosure requirements for the listing of corporations or assets involved in the exploration and/or extraction of mineral, or O&G resources on the Main Market of Bursa Securities.
- 1.2 In recent years, the SC has noted increased interests in the listing of MOG businesses on Bursa Securities, both directly and indirectly through acquisitions by listed corporations. The SC has also received requests from the industry to allow broader access to exploration stage/early production stage MOG Corporations to list on Bursa Securities.
- 1.3 Under the current framework, there are no specific requirements for the listing of MOG Corporations. An IPO Applicant seeking a listing on the Main Market (except infrastructure project corporations¹ and special purpose acquisition companies²) must satisfy either the Profit Test or Market Capitalisation Test, as follows:

Profit Test	Market Capitalisation Test
<ul style="list-style-type: none"> • 3 to 5 full financial years of uninterrupted profit, with an aggregate after tax profit (PAT) of at least RM20 million and a PAT for the most recent financial year of at least RM6 million • Sufficient level of working capital for at least 12 months from the date of the listing prospectus • Positive cash flow from operating activities over the profit track record period • No accumulated losses based on the latest audited balance sheet at the time of submission to the SC 	<ul style="list-style-type: none"> • Ordinary shares must have a total market capitalisation of at least RM500 million upon listing (based on the issue or offer price as stated in the listing prospectus) • Operating revenue for at least one full financial year prior to the submission to the SC • Positive cash flow from operating activities in the most recent financial year

¹ A corporation whose core business is building and operating an infrastructure project which creates basic physical structures or foundations for the delivery of essential public goods and services that are necessary for economic development of the state, territory or country, such as the construction and operation of roads, bridges, tunnels, railways, mass transit systems, seaports, airports, water and sewage systems, sewerage systems, power plants, gas supply systems and telecommunication systems.

² Also known as a SPAC, this refers to a company which has no operations or income generating business at the point of IPO and has yet to complete a qualifying acquisition with the proceeds of such offering.

- 1.4 The SC recognises that MOG businesses have unique characteristics which are highly technical in nature. It is also generally accepted that there are significantly higher risks associated with resource exploration corporations. Mineral, or O&G resources and associated exploration including extraction rights are, by nature, finite, and the risks associated with exploration range from geological to political and economic risks (including, among others, market conditions, legal, contractual, and even environmental and social concerns). These mean that an MOG Corporation's resource portfolio is an important factor in determining its suitability for listing³.
- 1.5 The SC is proposing to introduce additional eligibility requirements for the listing of MOG Corporations ("**Proposed MOG Policy**"), to set out the types of MOG businesses considered suitable for listing. The SC is also proposing additional disclosure requirements to ensure that investors are provided with the material, relevant and reliable information.
- 1.6 These requirements are intended to be applied to MOG businesses seeking to be listed on the Main Market of Bursa Securities either directly via an IPO or indirectly via a RTO/BDL or QA⁴ by a SPAC.
- 1.7 The SC is also proposing to allow the listing of MOG Corporations which are in late stage exploration or early stage production, and unable to meet the financial requirements of the Market Capitalisation Test or Profit Test, provided that certain criteria are met.
- 1.8 At the same time, Bursa Securities is proposing additional post-listing disclosure obligations specifically for listed issuers involved in the exploration or extraction of mineral, or O&G under the proposed amendments to its Main Market Listing Requirements which will be available on Bursa Securities' website.

³ Issuers must be suitable for listing and have minimum standards of quality, size, operations, and management experience and expertise (Paragraph 1.06(a) of the *Equity Guidelines*).

⁴ As defined in the SC's Equity Guidelines.

2 SUMMARY OF THE PROPOSALS

- 2.1 The SC is proposing to adopt the approach where Applicants whose *primary activity* is MOG, be required to comply with additional eligibility and disclosure requirements, whilst Applicants with *significant operations* in MOG businesses are required to comply with additional disclosure requirements.
- 2.2 The SC is also proposing to allow corporations whose *primary activity* is MOG and are in late stage exploration or early stage production to apply for a waiver from the financial requirements of the Market Capitalisation Test or Profit Test, provided that certain criteria are met.
- 2.3 The SC's proposals are broadly categorised as follows:
- (i) Additional Eligibility Requirements for Applicants whose Primary Activity is MOG;
 - (ii) Eligibility of Late Stage Exploration and Early Stage Production Corporations for Listing;
 - (iii) Additional Disclosure Requirements for Applicants with Significant Operations in MOG businesses; and
 - (iv) Technical Reporting Standards.

ADDITIONAL ELIGIBILITY REQUIREMENTS FOR APPLICANTS WHOSE PRIMARY ACTIVITY IS MOG (DETAILS IN SECTION 3)

- 2.4 An IPO Applicant's *primary activity* is considered to be MOG when its MOG activities represent 50% or more of the group total assets, revenue, operating expenses or after tax profit of the Applicant ("**50% Threshold**").
- 2.5 To justify suitability for listing, an IPO Applicant whose *primary activity* is MOG must comply with the requirements set out in Chapter 5 of the SC's *Equity Guidelines*, as well as the following:
- (i) Demonstrate that it has an adequate portfolio of at least Contingent Resources (for O&G) or Indicated Mineral Resources (for minerals), substantiated by an independent Competent Person's report;
 - (ii) Demonstrate that it has obtained the legal rights for exploration or extraction activities in respect of the mineral, or O&G assets (e.g. licences, concessions, production sharing contracts, risk service contracts, etc);

- (iii) Demonstrate that it has control over the majority of its mineral, or O&G assets (in value);
- (iv) Demonstrate that it has sufficient level of working capital (including IPO proceeds) for at least 18 months from the date of the Disclosure Document;
- (v) Appoint an audit firm with the relevant MOG industry expertise; and
- (vi) Of the independent directors appointed, at least one director must have appropriate MOG industry experience and expertise.

Note: items (i) to (vi) above are collectively referred to as **Additional Eligibility Requirements**. To avert any doubt, such IPO Applicants must also comply with the Additional Disclosure Requirements outlined in Paragraph 2.12 below.

- 2.6 The Additional Eligibility Requirements would also be applied where an MOG Corporation's listing is sought indirectly through an RTO/BDL involving a listed corporation. In this case, the 50% threshold would be applied based on the enlarged group of the listed corporation.

ELIGIBILITY OF LATE STAGE EXPLORATION AND EARLY STAGE PRODUCTION CORPORATIONS FOR LISTING (DETAILS IN SECTION 4)

- 2.7 The current requirement for an IPO Applicant to meet the Profit Test or the Market Capitalisation Test (which requires at least one full financial year of operating revenue and positive cash flow from operations) limits the ability of an MOG Corporation which is in the exploration stage or early production stage to list.
- 2.8 The SC may consider allowing an IPO Applicant whose *primary activity* is MOG to apply for a waiver from the requirement under the Market Capitalisation Test for at least one full financial year of operating revenue and positive cash flow from operating activities, IF it is able to demonstrate the following to the SC's satisfaction:
- (i) A clear plan to advance the mineral, or O&G asset(s) to commercial production within two years and that it will have sufficient funds (taking into consideration IPO proceeds) to do so. The plans (with milestones and related expenditures) must be stated in the Disclosure Document and reviewed by an independent Competent Person; and
 - (ii) That its directors and management collectively have sufficient MOG industry experience to effectively implement the planned exploration and/or development programme.

The requirement for a minimum market capitalisation of RM500 million and the Additional Eligibility Requirements still applies.

- 2.9 In the case of an RTO/BDL involving a listed corporation, the enlarged group of the listed corporation or assets being acquired must comply with the Profit Test. The SC may consider allowing RTO/BDL Applicants whose post-completion *primary activity* is MOG to apply for a waiver from the requirements for assets or enlarged group to have after-tax profit, operating cash flow and no accumulated losses, provided the purchase consideration for assets to be acquired is at least RM500 million (supported by an independent Competent Valuer's report) and the criteria in paragraphs 2.8 (i) and (ii) are met.
- 2.10 If a waiver is granted under paragraphs 2.8 or 2.9, the Applicant would also be required to comply with the following:
- (i) Promoters must not undertake an offer for sale of securities; and
 - (ii) Promoters (or the vendors in the case of an RTO/BDL) must not sell, transfer or assign any of their securities held as at the date of listing until such time that the corporation has generated one full financial year of operating revenue and positive cash flow from operating activities.
- 2.11 For a SPAC proposing to make a Qualifying Acquisition involving mineral, or O&G assets, the SC is proposing the following:
- (i) The aggregate fair market value of the assets under the Qualifying Acquisition must be at least RM500 million; and
 - (ii) The Qualifying Acquisition must meet the Additional Eligibility Requirements.

ADDITIONAL DISCLOSURE REQUIREMENTS (DETAILS IN SECTION 5)

- 2.12 The SC proposes that an Applicant with *significant operations* in MOG businesses (i.e. when the MOG activities represent 25% or more of the group total assets, revenue or operating expenses of the Applicant),—
- (i) a technical report on the Applicant's mineral, or O&G resources, prepared by an independent Competent Person and submitted by a Competent Person's firm, be included in its Disclosure Document; and
 - (ii) in the case of an RTO/BDL or Qualifying Acquisition by a SPAC, a valuation report on resources to be acquired will need to be prepared. The valuation report must be prepared by an independent Competent Valuer, submitted by

a Competent Valuer's firm and be included in the relevant Disclosure Documents. For IPOs, whether or not a valuation is required would be determined by the MOG Corporation and the relevant independent expert.

- 2.13 This proposal states the requirement for the minimum content of the Competent Person's report and the Competent Valuer's report in the SC's guidelines to ensure that there is a certain minimum standard for reports provided to investors and the SC.
- 2.14 The SC also proposes a requirement that relevant data on resources and/or reserves by an MOG Corporation in a Disclosure Document, a Competent Person's report, or a Competent Valuer's report to be presented in tables in a manner readily understandable to a non-technical person. All assumptions must be clearly disclosed and statements must include an estimate of volumes, tonnage and grades.
- 2.15 In terms of valuations,–
- (i) for O&G resources, production targets may only be based on Proved Reserves and Probable Reserves. It cannot be based on Possible Reserves, Contingent Resources or Prospective Resources; and
 - (ii) for mineral resources, production targets cannot be based on Inferred Resources. Production targets based on Indicated Resources and Measured Resources may only be included in economic analyses if sufficient work has been done on the Modifying Factors, the basis on which they are considered to be economically extractable as explained, and they are appropriately discounted for probabilities of their conversion to Mineral Reserves. Appropriate prominently disclosed cautionary statements must also be included.
- 2.16 A Competent Person must have at least five years of relevant professional experience in the estimation, assessment and evaluation of the mineral, or O&G that is under consideration, and in the activity which the MOG Corporation is undertaking. A Competent Person must be professionally qualified and a member of good standing with Recognised Professional Organisation which admits members based on professional qualifications and experience, upholds professional standards and ethics, and has disciplinary powers to suspend or expel its members.
- 2.17 A Competent Valuer must meet requirements of a Competent Person AND must have at least 10 years of relevant professional mineral, or O&G experience, at least five years of relevant and recent experience in the assessment or valuation of mineral or O&G assets, and must hold all relevant licences.

- 2.18 The Competent Person and Competent Valuer must work for a firm that has sufficient internal controls to ensure that the assessment process is robust, as well as a good governance record with the SC, Bursa Securities and other relevant authorities or professional bodies.
- 2.19 Recognised Professional Organisations would include professional organisations which adopt the Acceptable Reporting Standards. For O&G, this would include Society of Petroleum Engineers (SPE), Society of Petroleum Evaluation Engineers (SPEE) and American Association of Petroleum Geologists (AAPG). For mineral resources, this would include professional organisations recognised by Joint Ore Reserves Committee (JORC), the Canadian Securities Administrators, the SAMREC/SAMVAL Committee (SSC) and the Pan-European Reserves and Resources Reporting Committee (PERC). An Applicant may request that the SC consider a professional organisation other than those stated here. In considering whether or not to accept the professional organisation, the SC will take into consideration the factors outlined in paragraph 2.16 and require that the professional organisation be located in an Acceptable Jurisdiction, i.e. a jurisdiction which is a signatory to the IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (IOSCO MMOU) or a jurisdiction with which the SC has adequate bilateral relationships.
- 2.20 The date of the Competent Person's report and Competent Valuer's report should not be more than six months from the date of the Disclosure Document and must be signed by the expert responsible in the preparation. There must also be a statement in the Disclosure Document that no material changes have occurred since the effective date of the reports. Where there are material changes, the relevant reports must be updated.

TECHNICAL REPORTING STANDARDS (DETAILS IN SECTION 5)

- 2.21 All disclosures on mineral or O&G resources must comply with acceptable technical reporting standards.
- 2.22 For **O&G** resources, the SC proposes to adopt the following standards:
- (i) **SPE-PRMS** – the Petroleum Resources Management System sponsored by SPE, AAPG, World Petroleum Council (WPC) and SPEE; and
 - (ii) **NI51-101** – Canada's National Instrument 51-101: Standards of Disclosure for Oil and Gas Activities.

2.23 For **mineral** resources, the SC proposes to adopt the following codes generally referred to as JORC-type codes or CRIRSCO⁵-family codes:

- (i) **JORC Code** – The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves;
- (ii) **SAMREC Code** – The South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves;
- (iii) **NI 43-101** – The Canadian Standards of Disclosure for Mineral Projects, including Form 43-101F1 which incorporates, by reference, the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Definition Standards on Mineral Resources and Mineral Reserves; and
- (iv) **PERC Code** – The Pan-European Standard for Reporting of Exploration Results, Mineral Resources and Reserves;

2.24 In terms of valuation standards, the SC proposes to adopt the following:

- (i) **VALMIN Code** – Australasian Institute of Mining and Metallurgy's Code for the Technical Assessment and Valuation of Mineral, or Petroleum Assets and Securities for Independent Expert Reports (VALMIN Code);
- (ii) **SAMVAL Code** – South African Code for the Reporting of Mineral Asset Valuation; and
- (iii) **CIMVAL** – Standards and Guidelines for Valuation of Mineral Properties issued by the Special Committee of the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) on Valuation of Mineral Assets.

⁵ CRIRSCO refers to the Committee for Mineral Reserves International Reporting which was formed in 1994 under the auspices of the Council of Mining and Metallurgical Institutes. It is a grouping of representatives of organisations that are responsible for developing mineral reporting codes and guidelines in Australasia (JORC), Canada (CIM), Chile (National Committee), Europe (National Committee PERC), Mongolia (Mongolian Professional Institute of Geosciences and Mining), Russia (NAEN), South Africa (SAMREC) and the USA (SME). The combined value of mining companies listed on the stock exchanges of these countries accounts for more than 80% of the listed capital of the mining industry (Source: About CRIRSCO. Retrieved 26 August 2015, from CRIRSCO web site: <http://www.crirSCO.com/background.asp>)

3 ADDITIONAL ELIGIBILITY REQUIREMENTS FOR APPLICANTS WHOSE PRIMARY ACTIVITY IS MOG

PROPOSAL 1 – DEFINITION OF PRIMARY ACTIVITY

- 3.1 The SC is proposing to define an IPO Applicant whose “primary activity” is MOG, as an Applicant whose MOG activities represent 50% or more of the group’s total assets, revenue, operating expenses or after tax profit.
- 3.2 The SC is proposing to define an RTO/BDL Applicant whose “primary activity” is MOG, as an Applicant whose MOG activities represent 50% or more of the Applicant’s enlarged group total assets, revenue, operating expenses or after tax profit post-completion of the RTO/BDL exercise.

Rationale for the SC’s proposal

- 3.3 The use of “assets, revenue, operating expenses or after tax profit” as a measure is consistent with the current definition of “core business” in the SC’s *Equity Guidelines* which is “the business which provides the principal source of operating revenue or after-tax profit to a corporation and which comprises principal activities of the corporation and its subsidiary companies”. The proposed requirement recognises that MOG activities can also be important to a group if such activities form a significant portion of the group’s assets (given the importance of having a portfolio of resources), or its operating expenses (given the capital intensive nature of these activities).
- 3.4 The proposed threshold of 50% or more based on the total assets, revenue, operating expenses or after tax profit of the group is captured after considering the following:
- (i) A quantitative definition is preferred over qualitative as SC believes the former provides greater certainty and transparency to the market; and
 - (ii) The 50% threshold takes into consideration that a corporation may have diversified operations and would only be required to comply with additional eligibility requirements where the majority of the group’s assets, revenue, operating expenses or after tax profit are in MOG activities.

Issue for Consultation (Proposal 1)

Question (1a): Do you agree with the SC's proposed definition of an IPO Applicant whose *primary activity* is MOG, i.e. a corporation whose MOG activities represent 50% or more of the group total assets, revenue, operating expenses or after tax profit of the IPO Applicant? Please provide specific reasons for your views.

Question (1b): Do you agree that for an RTO/BDL Applicant, the criteria for determining whether its *primary activity* is/would be MOG should be on an "enlarged group" basis? Please provide specific reasons for your views.

PROPOSAL 2 – ADEQUATE PORTFOLIO OF RESOURCES SUBSTANTIATED BY A COMPETENT PERSON'S REPORT

3.5 The SC is proposing for an MOG Applicant to demonstrate that it has an adequate portfolio of at least Contingent Resources (for O&G) or Indicated Resources (for minerals) to justify suitability for listing. Such portfolio must be substantiated by an independent Competent Person's report.

Rationale for the SC's proposal

3.6 Mineral, or O&G resources and associated exploration and extraction rights are, by nature, finite. If an MOG Applicant fulfils the Profit Test but has low level of resources at the point of listing and is not able to replenish them, investors would have insufficient time to earn a return from their investment in such corporation. It is important that an MOG Corporation seeking listing or assets to be acquired by a listed corporation to have adequate mineral, or O&G resources for sustainable business operations. Hence, in determining this, the SC would take into consideration the MOG Applicant's ability to continue to meet the requirements under the Profit Test and Market Capitalisation Test outlined in Chapter 5 of the SC's *Equity Guidelines*.

3.7 The requirement to have at least Contingent Resources or Indicated Resources is to safeguard investors from being exposed to high risks of failure during the early stage of exploration corporations. This is because these corporations are subject to significant geological and development risks.

3.8 A Competent Person's report would validate the presence of the mineral, or O&G resources based on the acceptable technical reporting standards. This would enhance the reliability of the information being provided in the Disclosure Document.

Thus, investors will be able to make an informed decision on resource-based corporation which includes its prospects and associated risks.

Issue for Consultation (Proposal 2)

Question (2a): Do you agree that an MOG Applicant must have adequate portfolio of resources to justify suitability for listing? Please provide specific reasons for your views.

Question (2b): Do you agree with the SC's proposed approach where adequacy would be benchmarked against the corporation's ability to continue to meet the Profit Test and Market Capitalisation Test? What would you consider to be "adequate"? Please provide specific reasons for your views.

Question (2c): Do you agree that the resource portfolio must comprise at least Contingent Resources (for O&G) or Indicated Resources (for minerals)? Please provide specific reasons for your views.

Question (2d): Do you agree that an MOG Applicant's portfolio of resources must be substantiated by a Competent Person's report? Please provide specific reasons for your views.

PROPOSAL 3 – LEGAL RIGHTS AND CONTROL

- 3.9 The SC proposes to require that an MOG Applicant demonstrate that, for the majority of its assets (in value), it has–
- (i) obtained the legal rights for exploration/extraction activities in respect of the mineral, or O&G assets; and
 - (ii) control over its mineral, or O&G assets.

Rationale for the SC's proposal

- 3.10 Having such legal rights in place at the time of listing would help to ensure business certainty, thereby reducing risks exposure to investors. The SC recognises that legal rights could come through various forms (e.g. through licences, concessions, production sharing contracts, risk service contracts, joint ventures, etc) and will look at each case based on its own merits to determine if legal rights have been obtained.
- 3.11 The SC is of the view that control over the mineral, or O&G assets is important and this view is shared across the jurisdictions reviewed. Furthermore, this policy is to facilitate the listing of genuine participants in the natural resources industry and it is not the intention of the SC to allow the listing of natural resource investment funds through the introduction of these requirements.

- 3.12 Generally, control is demonstrated through the holding of a majority interest, i.e. more than 50%. It is important that MOG Applicants and their advisers consider the particular arrangement(s) between the interested parties to ensure that the rights of the MOG Applicant reflect the majority interest held/to be acquired.
- 3.13 However, the SC could consider, on a case-by-case basis, an interest of between 33% and 50%, if the MOG Applicant is able to demonstrate that it has *sufficient influence over activities that significantly affect the returns on investment in the MOG asset*. This is to be contrasted with decisions over administrative matters. Activities that significantly affect returns to investors include the following:
- (i) Establishing operating and capital decisions for the assets, including budgets and technology to be applied; and
 - (ii) Appointing and remunerating key management personnel or service providers, and terminating their services or employment.

The SC will consider that an MOG Applicant has “sufficient influence” when a decision cannot be made without the MOG Applicant’s support.

- 3.14 The test of “sufficient influence over activities that significantly affect the return on investment in the mineral, or O&G assets” is consistent with the determination of joint control under IFRS 11 – Joint Arrangements. This test would mean that the MOG Applicant may or may not be the operator for the majority of its mineral, or O&G assets as operatorship in itself would not be sufficient to establish control. Conversely, the lack of operatorship does not necessarily mean that control is absent.
- 3.15 Notwithstanding the above, SPACs will be specifically required to, as part of its QA of an MOG asset/business, acquire a controlling interest in the operator of the assets. The SPAC model is unique, where a shell company raises funds from the public on the strength of its management team. It has no business at the time of IPO and investors choosing to participate are essentially investing on the promises made by the management team to acquire and build a business based on the management team’s past experience and track record. In return for sweat equity, the management team gets a stake in the SPAC at steep discounts compared to the investment cost of IPO investors. There is significant incentive for the management team to complete a QA as the management team is not able to monetise any of the carried interest from their discounted stakes in the SPAC unless, at the very least, a QA is completed. Given the nature of and unique risks associated with SPACs, it is our view that SPACs proposing a QA involving MOG assets/businesses must be required to acquire a controlling interest in the operator of the assets.

- 3.16 The SC would like to highlight that there are many permutations possible to establish control and each case would need to be examined on its own merit, keeping in mind the principles above.
- 3.17 In addition, control will need to be demonstrated for the “majority of the MOG Applicant’s mineral, or O&G assets (in value)”. For RTO/BDL and Qualifying Acquisition by SPACs, this value would be supported by an independent Competent Valuer’s report. Applicants would have to ensure that they are able to demonstrate compliance with this requirement. This may include providing the SC with a Competent Valuer’s report, notwithstanding that one is not required to be disclosed in the listing prospectus.

Issue for Consultation (Proposal 3)

Question (3a): Do you agree that an MOG Applicant must demonstrate that, for the majority of its assets (in value), it has obtained legal rights for exploration/extraction activities in respect of the mineral, or O&G assets? Please provide specific reasons for your views.

Question (3b): Do you agree that an MOG Applicant must demonstrate that, for the majority of its assets (in value), it has control over such assets, which must be based on an interest of more than 50%? Please provide specific reasons for your views.

Question (3c): Do you agree that an interest of between 33% and 50% can be considered, IF the MOG Applicant is able to demonstrate that it has sufficient influence over activities that significantly affect the returns on investment in the mineral, or O&G assets? Please provide specific reasons for your views.

Question (3d): Do you agree that a specific requirement be imposed for a SPAC QA Applicant acquiring MOG assets/businesses to obtain a controlling interest in the operator of the majority of the acquired assets (in value)? Please provide specific reasons for your views.

Question (3e): Do you think that the SC should extend the operatorship requirement to IPO Applicants and RTO/BDL Applicants whose *primary activity* is MOG? Please provide specific reasons for your views.

PROPOSAL 4 – WORKING CAPITAL REQUIREMENTS AND DISCLOSURE

- 3.18 The SC is proposing to require an MOG Applicant to demonstrate that it has sufficient level of working capital for at least 18 months from the date of the Disclosure Document. For avoidance of doubt, property holding costs and any proposed

exploration and/or development costs are considered to be part of the working capital requirements.

Rationale for the SC's proposal

- 3.19 The SC notes that requirements for working capital and funding vary from country to country. The Hong Kong Stock Exchange requires an MOG Corporation to demonstrate that it has available working capital for *125% of the group's present requirements for at least the next 12 months*. Meanwhile, the Singapore Stock Exchange and Canada's Toronto Stock Exchange require an MOG Corporation to have sufficient working capital for at least 18 months after listing.
- 3.20 Currently, applicants seeking a listing on the Main Market of Bursa Securities are required to have sufficient level of working capital for at least 12 months from the date of the listing prospectus. The SC is of the view that extending the working capital requirement from 12 months to 18 months would address the capital intensive nature of MOG activities and the time taken to advance an MOG property to commercial production.

Issue for Consultation (Proposal 4)

Question (4a): Do you agree that an MOG Applicant should demonstrate that it has sufficient levels of working capital for at least 18 months from the date of the Disclosure Document? Please provide specific reasons for your views.

Question (4b): Do you believe the SC should define working capital and if so, are there specific items you believe must be included in the "working capital" definition? Please provide specific reasons for your views.

PROPOSAL 5 – APPOINTMENT OF AUDIT FIRM WITH EXPERTISE AUDITING MOG FIRMS

- 3.21 The SC proposes to require MOG Corporations to appoint an audit firm which has the relevant MOG industry expertise. In demonstrating this, the audit firm may rely on the experience of its network firms, provided the relevant audit partner-in-charge from such foreign counterparts is involved in the engagement.

Rationale for the SC's proposal

- 3.22 The SC is of the view that the external auditors must have specific MOG industry expertise given the highly specialised nature of the industry.

- 3.23 Such expertise is necessary for auditors to understand the operations of an MOG Corporation in order to estimate mineral, or O&G reserves and resources, as well as recognise tax, royalty, leasing issues and problems. This will ensure that audits are effectively performed and financial statements have been prepared according to the applicable approved accounting standards.
- 3.24 This requirement may limit MOG Corporations to the larger audit firms that have the benefit of a network of professionals with subject-matter knowledge, expertise and experience on the wide variety of accounting and regulatory issues which corporations in the MOG industry face. The SC does not believe this limitation should be a reason not to impose such requirements given the highly specialised nature of the industry.

Issue for Consultation (Proposal 5)

Question (5a): Do you agree that an MOG Corporation should appoint an audit firm with relevant MOG industry expertise? Please provide specific reasons for your views.

PROPOSAL 6 – APPOINTMENT OF INDEPENDENT DIRECTOR WITH APPROPRIATE MOG INDUSTRY EXPERIENCE AND EXPERTISE

- 3.25 The SC proposes to require MOG Corporations to appoint at least one (1) independent director (out of the requisite number of independent directors) with appropriate MOG industry experience and expertise.

Rationale for the SC's proposal

- 3.26 The presence of at least one independent director with appropriate MOG industry experience and expertise would improve the effectiveness of the board as such experience would allow the director to recognise issues and constructively challenge the board for more robust deliberations.

Issue for Consultation (Proposal 6)

Question (6a): Do you agree that an MOG Corporation should appoint at least one independent director (out of the requisite number of independent directors) with appropriate MOG industry experience and expertise? Please provide specific reasons for your views.

4 ELIGIBILITY OF EXPLORATION STAGE AND EARLY PRODUCTION CORPORATIONS FOR LISTING

- 4.1 Generally, exploration stage and early production MOG Corporations would not be able to list on the Main Market of Bursa Securities as the Profit Test and Market Capitalisation Test require some financial track record (see paragraph 1.3 for details).
- 4.2 The SC proposes to allow MOG Corporations who are in late stage exploration or early stage production to apply for a waiver from certain financial requirements, provided that certain criteria are met.
- 4.3 The SC notes that regional markets such as the Hong Kong Stock Exchange and Singapore Stock Exchange, employ similar approach of applying additional eligibility and disclosure requirements for applicants engaged in MOG businesses whilst providing alternative eligibility requirements for issuers that cannot meet their main market financial track record requirements.
- 4.4 For an MOG Applicant to be considered for a waiver from the financial requirements, it must demonstrate that its *primary activity* is/will be MOG, i.e. when MOG activities represent 50% or more of the group total assets, revenue, operating expenses or after tax profit of the MOG Applicant.
- 4.5 In submitting the waiver application, the MOG Applicant must demonstrate, to the satisfaction of the SC, that the criteria discussed in Proposals 7 to 8 are met.
- 4.6 In the case of a SPAC, its Qualifying Acquisition is not required to meet the Profit Test or the Market Capitalisation Test. The SC is proposing that some minimum standards be applied when SPACs propose to make a Qualifying Acquisition involving mineral, or O&G assets. This will ensure that MOG Corporations seeking a listing on the Main Market are held to the same standard, regardless of whether the listing is sought directly or indirectly through an RTO/BDL or Qualifying Acquisition by a SPAC.

PROPOSAL 7 – MINIMUM SIZE, ABILITY TO RAISE SUFFICIENT FUNDS TO ADVANCE TO COMMERCIAL PRODUCTION IN TWO YEARS, MANAGEMENT EXPERIENCE, NO OFFER FOR SALE AND MORATORIUM

- 4.7 The SC is proposing to allow an IPO Applicant whose *primary activity* is MOG to apply for a waiver from the requirement under the Market Capitalisation Test for at least one full financial year of operating revenue and positive cash flow from operating activities, provided it is able to demonstrate the following to the SC's satisfaction:

- (i) It has a clear plan to advance its mineral, or O&G assets to commercial production within two years and that it will have sufficient funds (taking into consideration IPO proceeds) to do so. The plans (with milestones and related expenditures) must be stated in the Disclosure Document and reviewed by an independent Competent Person; and
- (ii) Its directors and management collectively have sufficient MOG industry experience to effectively implement the planned exploration and/or development programme.

For avoidance of doubt, the IPO Applicant must also meet Additional Eligibility Requirements and the other requirements outlined in Chapter 5 of the SC's *Equity Guidelines*, including the requirement for a minimum market capitalisation of RM500 million.

4.8 In the case of an RTO/BDL involving a listed corporation, the enlarged group or the assets being acquired must comply with the Profit Test. The SC may consider allowing RTO/BDL Applicants whose post-completion *primary activity* is MOG to apply for a waiver from the requirement that the assets or enlarged group have after-tax profit, operating cash flow and no accumulated losses, provided the purchase consideration for the assets to be acquired is at least RM500 million which is supported by an independent Competent Valuer's report, and the criteria in paragraphs 4.7(i) and (ii) are met.

4.9 If a waiver is granted under paragraphs 4.7 or 4.8, the SC proposes that–

- (i) no offer for sale of securities by the promoters would be allowed; and
- (ii) a moratorium on sale of securities applies as follows:
 - (a) in the case of an IPO, the promoters of an MOG Corporation should not be allowed to sell, transfer or assign any of their securities held as at the date of the listing until such time that the MOG Corporation has generated one full financial year of operating revenue and positive cash flow from operating activities. The moratorium may be lifted thereafter.
 - (b) in the case of an RTO/BDL, the vendors of the assets should not be allowed to sell, transfer or assign any of their considerations securities from the date of the listing (or date of issue if the securities are not listed) until such time that the MOG Corporation has generated one full financial year of operating revenue and positive cash flow from operating activities. The moratorium may be lifted thereafter.

Rationale for the SC's proposal

- 4.10 The SC has noted increased interest in the listing of MOG businesses on Bursa Securities, both directly and indirectly through acquisitions by listed corporations. The SC has also received requests from the industry to allow broader access to exploration stage/early production stage MOG Corporations to list on Bursa Securities.
- 4.11 The SC is of the view that allowing late stage exploration and early stage production MOG Corporations to apply for a waiver from the financial requirements would provide an avenue for such corporations to raise developmental capital through a listing on the Main Market whilst ensuring investors are not exposed to early stage geological risks.
- 4.12 The SC is also of the view that there should be a clear plan to advance the mineral, or O&G asset to commercial production within two years, where plan is being reviewed by an independent Competent Person and for which sufficient funds are raised at IPO. This will further mitigate the risk investors are exposed to and provide them with cash flow visibility within a reasonable timeframe.
- 4.13 Meanwhile, the experience requirement is expected to provide additional protection to investors by providing them with assurance that the management team would have the necessary ability and experience to implement the corporations' business plan.
- 4.14 The offer for sale restriction would ensure that the fundraising exercise is to fund the planned exploration and/or development programme, and not as a means for promoters to monetise their assets before realising their potential. It is also in line with the SC's policy on greenfield Infrastructure Project Corporations.
- 4.15 The moratorium requirement is to ensure the commitment of the MOG Corporation's promoters/vendors and management team in realising the business plans put forth in the Disclosure Document and ensuring that promoters/vendors do not sell any of the securities owned before the corporation is able to meet minimum financial requirements to list on the Main Market.

Issue for Consultation (Proposal 7)

Question (7a): Do you agree that late stage exploration and early stage production MOG Corporations should be allowed to list on the Main Market of Bursa Securities? Please provide specific reasons for your views.

Question (7b): Do you agree that the SC should consider waiving the requirement (under the Market Capitalisation Test) for at least one full financial year of operating revenue and positive cash flow from operating activities if the IPO Applicant can demonstrate it has the following:

- (i) Clear plans to and is able to raise sufficient funds to advance the mineral, or O&G assets to commercial production within two years? Please provide specific reasons for your views.
- (ii) Its directors and management collectively have sufficient MOG industry experience to effectively implement the planned exploration and/or development programme? Please provide specific reasons for your views.

Question (7c): Do you agree that MOG IPO Applicants seeking a waiver from the financial requirements under the Market Capitalisation Test must still meet the minimum market capitalisation requirement of RM500 million? Please provide specific reasons for your views.

Question (7d): Do you agree that the SC should consider waiving the requirement (under the Profit Test) for the assets or enlarged group to have after-tax profit, operating cash flow and no accumulated losses, if the RTO/BDL Applicant can demonstrate it has the following:

- (i) The purchase consideration for the assets to be acquired is at least RM500 million which is supported by an independent Competent Valuer's report. Please provide specific reasons for your views.
- (ii) Clear plans and is able to raise sufficient funds to advance the mineral, or O&G assets to commercial production within two years? Please provide specific reasons for your views.
- (iii) Its directors and management collectively have sufficient MOG industry experience to effectively implement the planned exploration and/or development programme? Please provide specific reasons for your views.

Question (7e): Do you agree that the plans to advance the mineral, or O&G assets to commercial production must be reviewed by an independent Competent Person and stated in the Disclosure Document? Please provide specific reasons for your views.

Question (7f): Do you agree that an MOG Applicant who does not meet the Profit Test or Market Capitalisation Test should not be allowed to undertake an offer for sale of securities by the promoters? Please provide specific reasons for your views.

Question (7g): Do you agree that in the case of an IPO, the promoters of an MOG Corporation should not be allowed to sell, transfer or assign any of their securities held as at the date of the listing until such time that the MOG Corporation has generated one full financial year of operating revenue and positive cash flow from operating activities? Please provide specific reasons for your views.

Question (7h): Do you agree that in the case of an RTO/BDL, the vendors of the assets should not be allowed to sell, transfer or assign any of their considerations securities from the date of the listing (or date of issue if the securities are not listed) until such time that the MOG Corporation has generated one full financial year of operating revenue and positive cash flow from operating activities? Please provide specific reasons for your views.

PROPOSAL 8 – MINIMUM STANDARDS FOR QUALIFYING ACQUISITION INVOLVING MINERAL, OR O&G ASSETS BY A SPAC

4.16 For a SPAC intending to make a Qualifying Acquisition involving mineral, or O&G assets, the SC is proposing the following requirements:

- (i) The aggregate fair market value of the Qualifying Acquisition must be at least RM500 million;
- (ii) The Qualifying Acquisition must meet Additional Eligibility Requirements; and
- (iii) Where the qualifying acquisition does not meet the Profit Test or Market Capitalisation Test, there must be a clear plan to advance the mineral, or O&G asset to commercial production within two years and there must be sufficient funds (taking into consideration IPO proceeds) to do so. The plans (with milestones and related expenditures) must be stated in the Disclosure Document and reviewed by an independent Competent Person.

Rationale for the SC's proposal

- 4.17 To ensure that MOG Corporations seeking a listing on the Main Market are held to the same standard, regardless of whether the listing is sought directly or indirectly through an RTO/BDL or Qualifying Acquisition by a SPAC.

Issue for Consultation (Proposal 8)

Question (8a): Do you agree that a SPAC proposing to make a Qualifying Acquisition involving mineral, or O&G assets are required to comply with the following:

- (i) The aggregate fair market value of the qualifying acquisition must be at least RM500 million;
- (ii) The qualifying acquisition must meet Additional Eligibility Requirements; and
- (iii) Where the qualifying acquisition does not meet the Profit Test or Market Capitalisation Test, there must be a clear plan to advance the mineral, or O&G assets to commercial production within two years and there must be sufficient funds (taking into consideration IPO proceeds) to do so. The plans (with milestones and related expenditures) must be stated in the Disclosure Document and reviewed by an independent Competent Person.

Please provide specific reasons for your views.

5 DISCLOSURE REQUIREMENTS AND TECHNICAL REPORTING STANDARDS

PROPOSAL 9 – TECHNICAL REPORTING AND VALUATION STANDARDS

5.1 In view of the technical nature of mineral, or O&G industry, the SC proposes to require that all technical reports and valuation reports on mineral, O&G resources and reserves must be prepared in accordance with a reporting standard as follows:

O&G reserves and resources	Mineral reserves and resources	Valuation of mineral or O&G assets
(i) SPE-PRMS (ii) NI 51-101 (collectively referred to as " O&G Reporting Standards ")	(i) JORC Code (ii) SAMREC Code (iii) NI 43-101 (iv) PERC Code (collectively referred to as " Mineral Reporting Standards ")	(i) VALMIN Code (ii) SAMVAL Code (iii) CIMVAL (collectively referred to as " Valuation Standards ")

Rationale for the SC's proposal

5.2 The disclosure of the relevant information based on the acceptable technical reporting and valuation standards by the Competent Person and Competent Valuer will ensure certain minimum standards for technical reports on mineral, or O&G assets. This allows for greater consistency and comparability of such technical reports.

5.3 Public disclosure standards for mineral exploration/extraction corporations in Australia, Hong Kong, Singapore, UK, Canada and South Africa refer to professional reporting standards. The mineral resource and reserve classification system which is generally accepted by the international mining industry includes the JORC Code, SAMREC Code, NI 43-101 and PERC Code. These are generally referred to as "JORC-type" codes or CRIRSCO-family codes.

5.4 Meanwhile, the commonly accepted standard for O&G resources classification is the Petroleum Resources Management System (commonly referred to as the SPE-PRMS) which is published by the Society of Petroleum Engineers/ World Petroleum Council/ American Association of Petroleum Geologists/ Society of Petroleum Evaluation Engineers.

5.5 The SC has noted that JORC Code, PERC Code, SAMREC Code and NI 43-101 prescribe almost equivalent standards for reporting on mineral resources. Similarly,

SPE-PRMS and NI 51-101 prescribe almost equivalent standards for reporting on O&G resources whilst CIMVAL, SAMVAL Code and VALMIN Code prescribe almost equivalent standards for valuation of mineral, or O&G resources.

- 5.6 Given the highly technical nature of the industry, the SC proposes to request for an external consultant to review the Disclosure Documents to establish that a report has been properly prepared under the relevant guidelines and codes by an independent Competent Person/ Competent Valuer. This is similar to the approach taken by UK and Hong Kong.

Issue for Consultation (Proposal 9)

Question (9a): Do you agree with the proposal to accept the SPE-PRMS and NI 51-101 as the reporting standards for O&G resources? Please provide specific reasons for your views.

Question (9b): Do you agree with the proposal to accept the JORC Code, PERC Code, SAMREC Code and NI 43-101 as the reporting standards for mineral resources? Please provide specific reasons for your views.

Question (9c): Do you agree with the proposal to accept CIMVAL, SAMVAL Code and VALMIN Code as the valuation standards for mineral, or O&G resources? Please provide specific reasons for your views.

PROPOSAL 10 – REQUIREMENT FOR COMPETENT PERSON’S REPORT AND COMPETENT VALUER’S REPORT

- 5.7 The SC proposes to require that where an Applicant has *significant operations* in MOG businesses (i.e. when its MOG activities represent 25% or more of the group total assets, revenue or operating expenses of the Applicant or assets to be acquired),–

- (i) a technical report on the Applicant’s mineral, or O&G resources prepared by an independent Competent Person and submitted by a Competent Person’s firm be included in its Disclosure Document; and
- (ii) in the case of an RTO/BDL or Qualifying Acquisition by a SPAC, a valuation report on the Applicant’s resources will have to be prepared. The valuation report must be prepared by an independent Competent Valuer, submitted by a Competent Valuer’s firm and be included in the relevant Disclosure Documents. For IPOs, whether or not a valuation is required would be determined by the MOG Corporation and the relevant independent expert.

Rationale for the SC's proposal

- 5.8 The core assets of an MOG Corporation are its portfolio of reserves and resources. A Competent Person's report would validate the presence of MOG resources based on the acceptable technical reporting standards. This would enhance the reliability of the information provided in the Disclosure Document. It would also provide investors with relevant information to make an informed decision on a resource-based corporation, including both prospects and associated risks.
- 5.9 The SC is cognisant that the requirement for a Competent Person's report would add to the listing costs of the Applicant. However, given that an MOG Corporation's value is generally tied to its resources, the SC is of the view that the benefits of requiring such report would outweigh the costs.
- 5.10 Based on the SC's discussion with market practitioners, valuations of resource portfolios for IPOs are generally viewed as information used to promote/ market the IPO. Also, there are concerns that valuations may be misleading, especially in volatile commodity markets. Therefore, the determination of whether or not a valuation is required for the purposes of an IPO would be left to the MOG Corporation and relevant independent expert.
- 5.11 The SC is proposing that a valuation report be required for RTOs/BDLs and qualifying acquisitions by SPACs, in order to assist directors and shareholders of the MOG Corporation in forming a view as to whether the terms of the transaction are fair and reasonable.
- 5.12 The proposed threshold for "significant operations" of 25% or more based on the total assets, revenue or operating expenses of the group is arrived at after considering the following:
- (i) A quantitative definition of "significant operations" is preferred over a qualitative as the SC believes the former provides greater certainty and transparency to the market;
 - (ii) The requirement for shareholders' approval under Bursa Securities' Main Market Listing Requirements for the following:
 - Any diversification in a listed issuer's operations which is defined as a diversion of 25% or more of the net assets of the listed issuer to an operation which differs widely from its previous operations; and

- Transactions where the percentage ratio⁶ is 25% or more.
- (iii) The 25% threshold is the more conservative threshold noted from jurisdictional studies and should provide better investor protection.

Issue for Consultation (Proposal 10)

Question (10a): Do you agree with the proposed definition of *significant operations* in MOG businesses, i.e. its MOG activities represent 25% or more of the group total assets, revenue or operating expenses of the Applicant or assets to be acquired? Please provide specific reasons for your views.

Question (10b): Do you agree that an Applicant with *significant operations* in MOG businesses must prepare a technical report on the Applicant's mineral, or O&G resources to be included in its Disclosure Document? Please provide specific reasons for your views.

Question (10c): Do you agree that a valuation report on the MOG Corporation's resources must be prepared for inclusion in the Disclosure Document for RTOs/BDLs and Qualifying Acquisitions by a SPAC? Please provide specific reasons for your views.

Question (10d): Do you agree that the determination of whether or not a valuation is included in the prospectus for the purposes of an IPO should be left to the MOG Corporation and the relevant independent expert? Please provide specific reasons for your views.

PROPOSAL 11 – COMPETENT PERSON, COMPETENT VALUER AND FIRM QUALIFICATIONS

5.13 The SC proposes to require that a Competent Person to be a mineral, or O&G industry professional who must–

- (i) have the appropriate experience in the type of mineral, or O&G activity undertaken or to be undertaken by the Applicant;
- (ii) have at least five years' relevant professional experience in the estimation, assessment and evaluation of the mineral, or O&G which is under consideration or the activity which the Applicant is undertaking;

⁶ As defined in Bursa Securities' Main Market Listing Requirements

- (iii) be professionally qualified and a member of good standing with a Recognised Professional Organisation (as defined in paragraph 5.17 and 5.18);
- (iv) not be in breach of any relevant rule or law; and
- (v) not be denied or disqualified from the membership of the Recognised Professional Organisation or subject to any sanction, disciplinary proceedings or investigations which might lead to disciplinary action by any relevant regulatory authority or Recognised Professional Organisation (as defined in paragraph 5.17 and 5.18 below).

The Competent Person must be an individual who has overall responsibility for the reported reserve evaluation.

5.14 The SC also proposes that the Competent Person must work for/practise in a firm (Competent Person's firm) that satisfies the following requirements:

- (i) Has a good governance record with the SC, Bursa Securities, and other relevant authorities or professional bodies; and
- (ii) Has sufficient internal controls and procedures to ensure that the requirements of the standards are complied with and the technical assessment conducted has gone through the necessary peer review and a robust assessment process.

5.15 Where a Competent Valuer's report is included in the Disclosure Document, the SC proposes to require that a Competent Valuer be a mineral, or O&G industry professional who must–

- (i) meet the requirements for a Competent Person;
- (ii) have at least 10 years of relevant and recent general mining or O&G experience (as appropriate);
- (iii) have at least five years of relevant and recent experience in the assessment and/or valuation of mineral or O&G assets; and
- (iv) hold all the necessary licences.

5.16 The SC also proposes that the Competent Valuer must work for/practice in a firm (Competent Valuer's firm) that satisfies the following requirements:

- (i) Has a good governance record with the SC, Bursa Securities, and other relevant authorities or professional bodies; and

- (ii) Has sufficient internal controls and procedures to ensure that requirements of the standards are complied with and valuations conducted have gone through peer review and a robust valuation process.
- 5.17 The SC proposes that in order for a body to be a Recognised Professional Organisation, it must be a self-regulatory organisation of professionals in the mineral, or O&G industries which, admits members on the basis of their qualifications and experience, requires compliance with standards of competence and ethics established by the organisation, and has disciplinary powers to suspend or expel its members.
- 5.18 Recognised Professional Organisations would include professional organisations which adopt the Acceptable Reporting Standards. For O&G, this would include SPE, SPEE and AAPG. For mineral resources, this would include professional organisations recognised by JORC, the Canadian Securities Administrators, the SSC, and PERC, as amended from time to time. For ease of reference, the professional organisations currently recognised are as follows:
- (i) Australian Institute of Mining and Metallurgy (AusIMM)
 - (ii) Australian Institute of Geoscientists (AIG)
 - (iii) Institute of Materials, Minerals and Mining (IOM3)
 - (iv) European Federation of Geologists (EFG)
 - (v) The Geological Society of London
 - (vi) Institute of Geologists of Ireland (IGI)
 - (vii) Mining and Metallurgical Society of America (MMSA)
 - (viii) American Institute of Professional Geologists
 - (ix) Society for Mining Metallurgy and Exploration (SME)
 - (x) Engineering Council of South Africa (ECSA)
 - (xi) South African Council for Natural Scientific Professions (SACNASP)
 - (xii) Geological Society of South Africa (GSSA)
 - (xiii) South African Institute of Mining and Metallurgy (SAIMM)
 - (xiv) South African Council for Professional and Technical Surveyors (PLATO)
 - (xv) Canadian Council of Professional Geoscientists (CCPG)

- (xvi) Professional Engineers Ontario
- (xvii) Association of Professional Engineers and Geoscientists of British Columbia
- (xviii) Association of Professional Engineers and Geoscientists of Manitoba
- (xix) Association of Professional Geoscientists of Ontario
- (xx) Association of Professional Engineers and Geoscientists of Newfoundland and Labrador
- (xxi) Association of Professional Engineers, Geologists and Geophysicists of the Northwest Territories
- (xxii) Association of Professional Geoscientists of Nova Scotia
- (xxiii) Association of Professional Engineers and Geoscientists of New Brunswick
- (xxiv) Association of Professional Engineers, Geologists and Geophysicists of Alberta
- (xxv) Association of Professional Engineers and Geoscientists of Saskatchewan
- (xxvi) Ordre des Geologues du Québec
- (xxvii) Ordre des Ingénieurs du Québec
- (xxviii) Russian Society of Subsoil Use Experts (OERN)

5.19 An Applicant may request for the SC to consider a professional organisation other than those stated. In considering whether or not to accept the professional organisation, the SC will require that the professional organisation meets the criteria in paragraph 5.17 and to be located in an Acceptable Jurisdiction, i.e. a jurisdiction which is a signatory to the IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Co-operation and the Exchange of Information (IOSCO MMOU) or a jurisdiction with which the SC has adequate bi-lateral relationships.

Rationale for the SC's proposal

- 5.20 Requiring technical and valuation reports to be prepared by suitably qualified and experienced persons who are members to organisations with good standing and professional code of ethics as well as disciplinary powers, are expected to enhance the quality and reliability of the reports.
- 5.21 The proposed Competent Person and Competent Valuer requirements are in line with international requirements, in particular, those of the Hong Kong Stock Exchange, Singapore Stock Exchange, Australian Stock Exchange, Toronto Stock Exchange, and UK's Financial Conduct Authority.

Issue for Consultation (Proposal 11)

Question (11a): Do you agree with the proposed requirements for a Competent Person? Please provide specific reasons for your views.

Question (11b): Do you agree with the proposed requirements for a Competent Person's Firm? Please provide specific reasons for your views.

Question (11c): Do you agree with the proposed requirements for a Competent Valuer? Please provide specific reasons for your views.

Question (11d): Do you agree with the proposed requirements for a Competent Valuer's Firm? Please provide specific reasons for your views.

Question (11e): Do you agree with the proposed definition of Recognised Professional Organisations? Please provide specific reasons for your views.

PROPOSAL 12 – INDEPENDENCE OF COMPETENT PERSON AND COMPETENT VALUER

5.22 The SC proposes to require that a Competent Person and a Competent Valuer be independent of the Applicant, its directors, senior management and advisers. In order to be regarded as independent, the appointed Competent Person/Competent Valuer must–

- (i) have no economic or beneficial interest (present or contingent) in any of Reserves or Resources being reported on;
- (ii) not be remunerated with a fee dependent on the findings of the Competent Person's/Competent Valuer's report;
- (iii) in the case of an individual, not be an officer, employee or proposed officer of the Applicant or any other corporation in the group, holding or associated corporation of the Applicant; and
- (iv) in the case of a firm, not be a holding or associated corporation of the Applicant, or any other corporation in the group. Any of the firm's partners or officers must not be officers or proposed officers of the holding or associated corporation of the Applicant, or any other corporation in the group.

Rationale for the SC's proposal

- 5.23 There are generally two approaches with regard to the independence of a Competent Person and Competent Valuer noted from the SC's jurisdictional study, i.e. independence as a (i) requirement; OR (ii) matter to be disclosed.
- 5.24 The SC believes that having an independent party act as the Competent Person and Competent Valuer would be better for investor protection and the benefits to be derived by investors outweigh the costs of securing an independent expert.

Issue for Consultation (Proposal 12)

Question (12a): Do you agree that the Competent Person and Competent Valuer must be independent? Please provide specific reasons for your views.

Question (12b): Do you agree with the criteria set out for determining the independence of the Competent Person and Competent Valuer? Please provide specific reasons for your views.

PROPOSAL 13 – CONTENT OF COMPETENT PERSON'S REPORT AND COMPETENT VALUER'S REPORT

- 5.25 The SC proposes to prescribe the minimum content of the Competent Person's report and Competent Valuer's report in the SC's guidelines. Such minimum standards are as outlined in **Appendices II** and **III**.
- 5.26 The report must be signed by the expert(s) responsible in the preparation of the report and include the name(s), address(es), qualifications and professional memberships of the expert(s) and his/their organisation.

Rationale for the SC's proposal

- 5.27 Prescribing the minimum content of these reports would ensure that there is a certain minimum standard for reports provided to investors as well as the SC.

Issue for Consultation (Proposal 13)

Question (13a): Do you agree with the minimum content to be prescribed for the Competent Person's report? Please provide specific reasons for your views.

Question (13b): Do you agree with the minimum content to be prescribed for the Competent Valuer's report? Please provide specific reasons for your views.

PROPOSAL 14 – DATE OF COMPETENT PERSON’S REPORT AND COMPETENT VALUER’S REPORT

5.28 The SC proposes to require the Competent Person’s report and Competent Valuer’s report should not be more than six months from date of the Disclosure Document and it must be signed by the expert responsible in the preparation. There must also be a statement in the Disclosure Document that no material changes have occurred since the effective date of the Competent Person’s report and the Competent Valuer’s report. Where there are material changes, the relevant reports must be updated.

Rationale for the SC’s proposal

5.29 This proposal is in line with international practice.

Issue for Consultation (Proposal 14)

Question (14a): Do you agree that the effective date of the Competent Person’s report and Competent Valuer’s report should not be more than six months from date of the Disclosure Document? Please provide specific reasons for your views.

Question (14b): Do you agree that there must be a statement in the Disclosure Document that no material changes have occurred since the effective date of the Competent Person’s report and the Competent Valuer’s report? Please provide specific reasons for your views.

Question (14c): Do you agree that where there are material changes, the Competent Person’s report and the Competent Valuer’s report must be updated? Please provide specific reasons for your views.

PROPOSAL 15 – RESERVES AND RESOURCES DISCLOSURE

5.30 The SC proposes to require that any data presented on resources and/or reserves by an MOG Corporation in a Disclosure Document, Competent Person’s report, or Competent Valuer’s report be presented in tables in a manner readily understandable to a non-technical person. All assumptions must be clearly disclosed and statements should include an estimate of volumes, tonnage and grades.

Rationale for the SC's proposal

- 5.31 This proposal is in line with the SC's efforts to improve the readability of Disclosure Documents, particularly prospectuses.
- 5.32 The SC does not think that it is necessary for us to prescribe the format of the table, as it is already industry practice to report the results in such manner. The principle-based approach the SC proposes to adopt will address the need for information to be presented in a manner to improve the readability of Disclosure Documents.

Issue for Consultation (Proposal 15)

Question (15a): In your view, are there other matters which should be prescribed in addition to estimates of volumes, tonnage and grades? Please provide specific reasons for your views.

PROPOSAL 16 – VALUATION OF RESOURCES

- 5.33 The SC proposes that in addition to requiring valuation reports on mineral, or O&G resources and reserves to be prepared in accordance with Valuation Standards as outlined in Proposal 9, the following additional requirements would apply:
- (i) For O&G resources, production targets may only be based on Proved Reserves and Probable Reserves. It cannot be based on Possible Reserves, Contingent Resources or Prospective Resources.
 - (ii) For mineral resources, production targets cannot be based on Inferred Resources. Production targets based on Indicated Resources and Measured Resources may only be included in economic analyses if sufficient work has been done on the Modifying Factors, the basis on which they are considered to be economically extractable is explained and they are appropriately discounted for probabilities of their conversion to Mineral Reserves. Appropriate and prominently disclosed cautionary statements must also be included.

Rationale for the SC's proposal

- 5.34 The SC notes that there are concerns about using mineral, or O&G resources with lower levels of confidence in a discounted cash flow (DCF) valuation. Production targets are required for DCF valuations and where there is no reasonable basis for or high levels of uncertainty in production targets, the potential for abuse is higher and

may be misleading as to the certainty of the production target when in fact it is still highly uncertain.

- 5.35 This proposal does not preclude corporations from using other generally accepted approaches to valuation which are not income-based, i.e. market-based and cost-based approaches.

Issue for Consultation (Proposal 16)

Question (16a): Do you agree that for O&G resources, production targets may only be based on Proved Reserves and Probable Reserves? Please provide specific reasons for your views.

Question (16b): Do you agree that for mineral resources, production targets cannot be based on Inferred Resources? Please provide specific reasons for your views.

Question (16c): Do you agree that for mineral resources, production targets based on Indicated Resources and Measured Resources may only be included in economic analyses if sufficient work has been done on the Modifying Factors, the basis on which they are considered to be economically extractable is explained, they are appropriately discounted for the probabilities of their conversion to Mineral Reserves, and appropriate, prominently disclosed cautionary statements are included? Please provide specific reasons for your views.

APPENDICES

APPENDIX I: GLOSSARY OF TERMS

AAPG	:	American Association of Petroleum Geologists
Acceptable Reporting Standards	:	Reporting standards specified in paragraph 5.1 of this paper
Applicant	:	IPO Applicants, RTO/BDL Applicants and SPAC QA Applicants
BDL	:	Back-door listing, which is referred to in the <i>SC's Equity Guidelines</i> as "acquisition resulting in a significant change in the business direction or policy of a listed corporation"
Bursa Securities	:	Bursa Malaysia Securities Bhd
CIM	:	Canadian Institute of Mining, Metallurgy and Petroleum
CIMVAL	:	Special Committee of the CIM on Valuation of Mineral Assets
CRIRSCO	:	Committee for Mineral Reserves International Reporting Standard
Disclosure Document	:	Prospectus, introductory document or circular to shareholders (as the case may be)
E&P	:	Exploration and production
IPO	:	Initial public offering
IPO Applicant	:	A corporation applying to be listed on the Main Market of Bursa Securities
JORC	:	Joint Ore Reserves Committee
JORC Code	:	Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
listed corporation	:	A corporation which is listed on the Main Market of Bursa Securities
MOG	:	Mineral, or O&G exploration or extraction
MOG Corporations	:	Corporations engaged in in MOG activities
MOG Applicant	:	Applicant whose <i>primary activity</i> is MOG, i.e. when its MOG activities represent 50% or more of the group total assets, revenue, operating expenses or after tax profit of the Applicant
NI 43-101	:	Canada's National Instrument 43-101: Standards of Disclosure for Mineral Projects

NI 51-101	:	Canada's National Instrument 51-101: Standards of Disclosure for Oil and Gas Activities
O&G	:	Oil and Gas
PERC	:	Pan-European Reserves and Resources Reporting Committee
PERC Code	:	Pan-European Standard for Reporting of Exploration Results, Mineral Resources and Reserves
promoter	:	As defined in the SC's <i>Equity Guidelines</i>
QA or Qualifying Acquisition	:	Qualifying acquisition by a SPAC as defined in the SC's <i>Equity Guidelines</i>
RTO/BDL	:	Reverse take-over or backdoor listing as defined under Chapter 7 of the SC's <i>Equity Guidelines</i>
RTO/BDL Applicant	:	A corporation applying for approval of proposals which would result in a significant change in business direction of a listed corporation as defined under Chapter 7 of the SC's <i>Equity Guidelines</i>
SAMREC Code	:	South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves
SAMVAL Code	:	South African Code for the Reporting of Mineral Asset Valuation
SC	:	Securities Commission Malaysia
SME Guide	:	Guide for Reporting Exploration Results, Mineral Resources and Mineral Reserves issued by the US's Society of Mining, Metallurgy and Exploration
SPAC	:	Special purpose acquisition company
SPAC QA Applicant	:	A SPAC applying for approval of its proposed QA
SPE	:	Society of Petroleum Engineers
SPEE	:	Society of Petroleum Evaluation Engineers
SPE-PRMS	:	Petroleum Resources Management System sponsored by SPE, AAPG, WPC and SPEE
SSC	:	SAMREC/SAMVAL Committee
VALMIN Code	:	Australasian Institute of Mining and Metallurgy's Code for the Technical Assessment and Valuation of Mineral, or Petroleum Assets and Securities for Independent Expert Reports

- vendor : The vendor of assets acquired by the listed corporation in the case of an RTO/BDL
- WPC : World Petroleum Council

Mineral terms (Source: CRIRSCO International Reporting Template, 2013)

- Mineral Reserve : Economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at Pre-Feasibility or Feasibility level as appropriate that include application of Modifying Factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified. The reference point at which Reserves are defined, usually the point where the ore is delivered to the processing plant, must be stated. It is important that, in all situations where the reference point is different, such as for a saleable product, a clarifying statement is included to ensure that the reader is fully informed as to what is being reported.
- Modifying Factors : Considerations used to convert Mineral Resources to Mineral Reserves. These include, but are not restricted to, mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and governmental factors.
- Probable Mineral Reserve : Economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. The confidence in the Modifying Factors applying to a Probable Mineral Reserve is lower than that applying to a Proved Mineral Reserve.
- Proved Mineral Reserve : Economically mineable part of a Measured Mineral Resource. A Proved Mineral Reserve implies a high degree of confidence in the Modifying Factors.
- Mineral Resource : Concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade or quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade or quality, continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling.
- Inferred Mineral Resource : Part of a Mineral Resource for which quantity and grade or quality are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade or quality continuity. An Inferred Resource has

a lower level of confidence than that applying to an Indicated Mineral Resource and must not be converted to a Mineral Reserve. It is reasonably expected that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration.

Indicated Mineral Resource : Part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing and is sufficient to assume geological and grade or quality continuity between points of observation. An Indicated Mineral Resource has a lower level of confidence than that applying to a Measured Mineral Resource and may only be converted to a Probable Mineral Reserve.

Measured Mineral Resource : Part of a Mineral Resource for which quantity, grade or quality, densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing and is sufficient to confirm geological and grade or quality continuity between points of observation. A Measured Mineral Resource has a higher level of confidence than that applying to either an Indicated Mineral Resource or an Inferred Mineral Resource. It may be converted to a Proved Mineral Reserve or to a Probable Mineral Reserve.

Oil and Gas terms (Source: SPE-PRMS)

Petroleum : A naturally occurring mixture consisting of hydrocarbons in the gaseous, liquid, or solid phase, as further defined in the SPE-PRMS.

Reserves : Quantities of petroleum expected to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial and remaining (as of the evaluation date) based on the development project(s) applied. Reserves are further categorised in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or categorised by development and production status.

- Proved Reserves** : 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. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate.
- Probable Reserves** : Those additional 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 plus Probable Reserves (2P). In this context, 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.
- Possible Reserves** : Those additional reserves which analysis of geoscience and engineering data suggest 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 plus Probable plus Possible (3P) Reserves, which is equivalent to the high estimate scenario. In this context, 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.
- Contingent Resources** : Quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies. Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorised in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their economic status.
- Prospective Resources** : Quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by

application of future development projects. Prospective Resources have both an associated chance of discovery and a chance of development. Prospective Resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development, and may be sub-classified based on project maturity.

APPENDIX II: PROPOSED CONTENT OF COMPETENT PERSON'S REPORT

The Report must contain, but is not limited to, the following–

- (a) Name and address of the client;
- (b) An executive summary;
- (c) Details of instructions;
- (d) Purpose of the report;
- (e) The effective date of the estimates;
- (f) Reporting standards adopted and statement to affirm reference and compliance to the standards;
- (g) Identification and description of the Mineral, or O&G assets including description of–
 - the legal nature and extent of the corporation's rights of exploration and extraction and a description of the properties to which the rights attach, with details of the duration and other principal terms and conditions of these rights including environmental obligations, and any necessary licences and consents including planning permission;
 - any other material terms and conditions of exploration and extraction including host government rights and arrangements with partner corporations;
 - historic production/expenditures;
 - infrastructure;
 - environmental, social and facilities;
- (h) A description of the Mineral, or O&G assets including the geological overview;
- (i) Explanation on the methodology adopted in the assessment of reserves and resources;
- (j) Explanation on the analyses of data;
- (k) The estimates on the reserves and resources based on the classification provided by the reporting standard in a tabular format;
- (l) Explanation on the results of the reserves and resources reported and interpretation on the assessment of reserves and resources;

- (m) Information regarding the sources of the data used;
- (n) Maps, plans, tables and diagrams showing material details featured in the text;
- (o) Name(s), address(es), qualifications and professional membership of the expert or joint experts where applicable;
- (p) Information on legal opinion, with regard to ownership, joint venture interest, title restrictions, encumbrances etc., where relevant.

APPENDIX III: PROPOSED CONTENT OF COMPETENT VALUER'S REPORT

The Valuation Report must contain, but is not limited to, the following:

- (a) Name and address of the client;
- (b) Details of instructions;
- (c) Purpose of valuation including brief description of the proposal;
- (d) Basis of valuation;
- (e) Statement to affirm reference and compliance with relevant and applicable valuation standards/guidelines;
- (f) Identification of the Mineral, or O&G assets including details on the ownership;
- (g) A description of the Mineral, or O&G assets;
- (h) The assessment of the reserve or resources adopted and its source of information in a tabular format;
- (i) Method(s) of valuation adopted together with explanation;
- (j) Sufficient information that will allow the reader to understand how the valuation was carried out;
- (k) Information regarding the sources of the data used;
- (l) Market value;
- (m) Name(s), address(es), qualifications and professional membership of the expert or joint experts where applicable;
- (n) A summary of the report on the estimation of the reserve and resources relied adopted in the valuation; and
- (o) Information on legal opinion, with regard to ownership, joint venture interest, title restrictions, encumbrances etc., where relevant; and
- (p) Sensitivity analysis.

APPENDIX IV: RESPONSES TO CONSULTATION QUESTIONS

Corporate Finance – Equities Department
 Securities Commission Malaysia
 3 Persiaran Bukit Kiara, Bukit Kiara
 50490 Kuala Lumpur
 (Attn: Azman Ahmad/Stephanie Yew/Jelisa Tan)

E-mail : feedbackmog@seccom.com.my

Facsimile : +603-62015213

Name of Respondent :

Contact Person :

Contact Number :

E-mail :

Proposal	Issue	Consultation Question	Remarks
1	Definition of Primary Activity	(a) Do you agree with the SC's proposed definition of an IPO Applicant whose <i>primary activity</i> is MOG, i.e. a corporation whose MOG activities represent <u>50% or more of the group's total assets, revenue, operating expenses or after tax profit of the IPO Applicant?</u> Please provide specific reasons for your views.	
		(b) Do you agree that for an RTO/BDL Applicant, the criteria for determining whether its <i>primary activity</i> is/would be MOG should be on an "enlarged group" basis? Please provide specific reasons for your views.	
Additional Eligibility Criteria for Applicants whose Primary Activity is MOG			
2	Portfolio of resources	(a) Do you agree that an MOG Applicant must have adequate portfolio of resources to justify suitability for listing? Please provide specific reasons for your views.	

Proposal	Issue	Consultation Question	Remarks
		<p>(b) Do you agree with the SC's proposed approach where adequacy would be benchmarked against the corporation's ability to continue to meet the Profit Test and Market Capitalisation Test? What would you consider to be "adequate"? Please provide specific reasons for your views.</p>	
		<p>(c) Do you agree that the resource portfolio must comprise of at least Contingent Resources (for O&G) or Indicated Resources (for minerals)? Please provide specific reasons for your views.</p>	
		<p>(d) Do you agree that an MOG Applicant's portfolio of resources must be substantiated by a Competent Person's report? Please provide specific reasons for your views.</p>	
3	Legal Rights and Control	<p>(a) Do you agree that an MOG Applicant must demonstrate that, for the majority of its assets (in value), it has obtained legal rights for exploration/extraction activities in respect of the mineral, or O&G assets/properties? Please provide specific reasons for your views.</p>	
		<p>(b) Do you agree that an MOG Applicant must demonstrate that, for the majority of its assets (in value), it has control over such assets, which must be based on an interest of more than 50%? Please provide specific reasons for your views.</p>	

Proposal	Issue	Consultation Question	Remarks
		(c) Do you agree that an interest of between 33% and 50% can be considered, IF the MOG Applicant is able to demonstrate that it has sufficient influence over activities that significantly affect the returns on investment in the mineral, or O&G assets? Please provide specific reasons for your views.	
		(d) Do you agree that a specific requirement be imposed for a SPAC QA Applicant acquiring MOG assets/businesses to obtain a controlling interest in the operator of the majority of the acquired assets (in value)? Please provide specific reasons for your views.	
		(e) Do you think that the SC should extend the operatorship requirement to IPO Applicants and RTO/BDL Applicants whose <i>primary activity</i> is MOG? Please provide specific reasons for your views.	
4	Working Capital	(a) Do you agree that an MOG Applicant should demonstrate that it has sufficient levels of working capital for at least 18 months from the date of the Disclosure Document? Please provide specific reasons for your views.	
		(b) Do you believe the SC should define working capital and if so, are there specific items you believe must be included in the "working capital" definition? Please provide specific reasons for your views.	

Proposal	Issue	Consultation Question	Remarks
5	Auditors	(a) Do you agree that an MOG Corporation should appoint an audit firm with relevant MOG industry expertise? Please provide specific reasons for your views.	
6	Independent Directors	(a) Do you agree that an MOG Corporation should appoint at least one (1) independent director (out of the requisite number of independent directors) with appropriate MOG industry experience and expertise? Please provide specific reasons for your views.	
Eligibility of Exploration Stage and Early Production Corporations for Listing			
7	Minimum Size, Ability to Raise Sufficient Funds to Advance to Commercial Production in two years, Management Experience	(a) Do you agree that late stage exploration and early stage production MOG Corporations should be allowed to list on the Main Market of Bursa Securities? Please provide specific reasons for your views.	
		(b) Do you agree that the SC should consider waiving the requirement (under the Market Capitalisation Test) for at least one full financial year of operating revenue and positive cash flow from operating activities if the IPO Applicant can demonstrate it has the following: (i) Clear plans to and is able to raise sufficient funds to advance the mineral, or O&G assets to commercial production within two years? Please provide specific reasons for your views. (ii) Its directors and management collectively have sufficient MOG industry experience to effectively implement the planned exploration and/or development programme? Please provide specific reasons for your views.	

Proposal	Issue	Consultation Question	Remarks
		<p>(c) Do you agree that MOG IPO Applicants seeking a waiver from the financial requirements under the Market Capitalisation Test must still meet the minimum market capitalisation requirement of RM500 million? Please provide specific reasons for your views.</p>	
		<p>(d) Do you agree that the SC should consider waiving the requirement (under the Profit Test) for the assets or enlarged group to have after-tax profit, operating cash flow and no accumulated losses, if the RTO/BDL Applicant can demonstrate it has the following:</p> <ul style="list-style-type: none"> (i) The purchase consideration for the assets to be acquired is at least RM500 million which is supported by an independent Competent Valuer’s report. Please provide specific reasons for your views. (ii) Clear plans and is able to raise sufficient funds to advance the mineral, or O&G assets to commercial production within two years? Please provide specific reasons for your views. (iii) Its directors and management collectively have sufficient MOG industry experience to effectively implement the planned exploration and/or development programme? Please provide specific reasons for your views. 	
		<p>(e) Do you agree that the plans to advance the mineral or O&G assets to commercial production must be reviewed by an independent Competent Person and stated in the Disclosure Document? Please provide specific reasons for your views.</p>	

Proposal	Issue	Consultation Question	Remarks
	No Offer for Sale	(f) Do you agree that an MOG Applicant who does not meet the Profit Test or Market Capitalisation Test should not be allowed to undertake an offer for sale of securities by the promoters? Please provide specific reasons for your views.	
	Moratorium	(g) Do you agree that in the case of an IPO, the promoters of an MOG Corporation should not be allowed to sell, transfer or assign any of their securities held as at the date of the listing until such time that the MOG Corporation has generated one full financial year of operating revenue and positive cash flow from operating activities? Please provide specific reasons for your views.	
(h) Do you agree that in the case of an RTO/BDL, the vendors of the assets should not be allowed to sell, transfer or assign any of their considerations securities from the date of the listing (or date of issue if the securities are not listed) until such time that the MOG Corporation has generated one full financial year of operating revenue and positive cash flow from operating activities? Please provide specific reasons for your views.			

Proposal	Issue	Consultation Question	Remarks
8	Minimum Standards for Qualifying Acquisition involving Mineral, or O&G assets by a SPAC	<p>(a) Do you agree that a SPAC proposing to make a Qualifying Acquisition involving mineral, or O&G assets are required to comply with the following:</p> <ul style="list-style-type: none"> (i) The aggregate fair market value of the qualifying acquisition must be at least RM500 million; (ii) The qualifying acquisition must meet Additional Eligibility Requirements; and (iii) Where the qualifying acquisition does not meet the Profit Test or Market Capitalisation Test, there must be a clear plan to advance the mineral, or O&G assets to commercial production within two years and there must be sufficient funds (taking into consideration IPO proceeds) to do so. The plans (with milestones and related expenditures) must be stated in the Disclosure Document and reviewed by an independent Competent Person. <p>Please provide specific reasons for your views.</p>	
Disclosure Requirements and Technical Reporting Standards			
9	Technical Reporting and Valuation Standards	<p>(a) Do you agree with the proposal to accept the SPE-PRMS and NI 51-101 as the reporting standards for O&G resources? Please provide specific reasons for your views.</p>	
		<p>(b) Do you agree with the proposal to accept the JORC Code, PERC Code, SAMREC Code and NI 43-101 as the reporting standards for mineral resources? Please provide specific reasons for your views.</p>	

Proposal	Issue	Consultation Question	Remarks
		(c) Do you agree with the proposal to accept CIMVAL, SAMVAL Code and VALMIN Code as the valuation standards for mineral, or O&G resources? Please provide specific reasons for your views.	
10	Definition of "significant operations" in MOG businesses	(a) Do you agree with the proposed definition of <i>significant operations</i> in MOG businesses, i.e. its MOG activities represent 25% or more of the group's total assets, revenue or operating expenses of the Applicant or assets to be acquired? Please provide specific reasons for your views.	
	Inclusion of Competent Person's report	(b) Do you agree that an Applicant with <i>significant operations</i> in MOG businesses must prepare a technical report on the Applicant's mineral, or O&G resources to be included in its Disclosure Document? Please provide specific reasons for your views.	
	Inclusion of Competent Valuer's report	(c) Do you agree that a valuation report on the MOG Corporation's resources must be prepared for inclusion in the Disclosure Document for RTOs/BDLs and Qualifying Acquisitions by a SPAC? Please provide specific reasons for your views.	
		(d) Do you agree that the determination of whether or not a valuation is included in the prospectus for the purposes of an IPO should be left to the MOG Corporation and the relevant independent expert? Please provide specific reasons for your views.	

Proposal	Issue	Consultation Question	Remarks
11	Competent Person Qualification	(a) Do you agree with the proposed requirements for a Competent Person? Please provide specific reasons for your views.	
	Competent Person's Firm Qualification	(b) Do you agree with the proposed requirements for a Competent Person's firm? Please provide specific reasons for your views.	
	Competent Valuer Qualification	(c) Do you agree with the proposed requirements for a Competent Valuer? Please provide specific reasons for your views.	
	Competent Valuer's Firm Qualification	(d) Do you agree with the proposed requirements for a Competent Valuer's firm? Please provide specific reasons for your views.	
	Recognised Professional Organisations	(e) Do you agree with the proposed definition of Recognised Professional Organisations? Please provide specific reasons for your views.	
12	Competent Person's Independence	(a) Do you agree that the Competent Person and Competent Valuer must be independent? Please provide specific reasons for your views.	
	Competent Valuer's Independence	(b) Do you agree with the criteria set out for determining the independence of the Competent Person and Competent Valuer? Please provide specific reasons for your views.	
13	Minimum Content of Reports	(a) Do you agree with the minimum content to be prescribed for the Competent Person's report? Please provide specific reasons for your views.	

Proposal	Issue	Consultation Question	Remarks
		(b) Do you agree with the minimum content to be prescribed for the Competent Valuer's report? Please provide specific reasons for your views.	
14	Date of Reports	(a) Do you agree that the effective date of the Competent Person's report and Competent Valuer's report should not be more than six months from the date of the Disclosure Document? Please provide specific reasons for your views.	
		(b) Do you agree that there must be a statement in the Disclosure Document that no material changes have occurred since the effective date of the Competent Person's report and the Competent Valuer's report? Please provide specific reasons for your views.	
		(c) Do you agree that where there are material changes, the Competent Person's report and the Competent Valuer's report must be updated? Please provide specific reasons for your views.	
15	Reserves and Resources Information Disclosure	(a) In your view, are there other matters which should be prescribed in addition to estimates of volumes, tonnage and grades? Please provide specific reasons for your views.	
16	Valuation of Resources	(a) Do you agree that for O&G resources, production targets may only be based on Proved Reserves and Probable Reserves? Please provide specific reasons for your views.	

Proposal	Issue	Consultation Question	Remarks
		<p>(b) Do you agree that for mineral resources, production targets cannot be based on Inferred Resources? Please provide specific reasons for your views.</p>	
		<p>(c) Do you agree that for mineral resources, production targets based on Indicated Resources and Measured Resources may only be included in economic analyses if sufficient work has been done on the Modifying Factors, the basis on which they are considered to be economically extractable is explained, they are appropriately discounted for the probabilities of their conversion to Mineral Reserves, and appropriate, prominently disclosed cautionary statements are included? Please provide specific reasons for your views.</p>	