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RISC ADVISORY TO ASSIST ASX WITH NATIONWIDE EDUCATION ON NEW OIL AND GAS DISCLOSURE REQUIREMENTS

Perth-based RISC Advisory has been commissioned by the ASX to assist with a nationwide education program for the petroleum community to explain new rules relating to reporting obligations on reserves and resources.

RISC's research has shown that for the approximately 150 ASX listed oil and gas companies, reserves and resources are currently reported in 33 different ways. The new rules will bring increased consistency and rigour to the reporting of reserves and resources by these companies, and aid the ability of the investment community to value the assets reported under the new rules.

The new ASX reporting requirements have been developed following extensive consultation for more than two years with listed resources companies, representatives of the Society of Petroleum Engineers (SPE), industry groups, investor groups, professional bodies and ASIC.

The new requirements provide a more robust and transparent regime for reserves and resources reporting for both the minerals and petroleum industries.

ASX has provided a 12 month transition period for companies to comply with the new reporting requirements, with reporting under the new regime becoming mandatory on 1 December 2013.

RISC Advisory Partner, Geoff Barker and Principal Advisor Bruce Gunn, will accompany ASX officials in the nationwide series of seminars and talks to explain the new system. Geoff was a member of the Society of Petroleum Engineers (SPE) Reserve Committee when the current regime was developed and was co-author of a chapter of the SPE's Guidelines for Application of the Petroleum Resources Management System, a comprehensive user guide for SPE-PRMS.

The changes will have significant implications for disclosure and compliance that is of interest to the CEO's, Boards, CFO's and resource evaluators of all ASX listed oil and gas companies. The highlights of these changes are:

- An annual reserves and resources statement and reconciliation compliant with the Petroleum Resources Management System (SPE-PRMS) standards is required at entity and aggregated levels, which must be signed off by a qualified evaluator with new qualification requirements
- Additional disclosure requirements for material projects and changes to material projects
- Additional disclosure requirements for unconventional resources
- Disclosure of governance, internal controls and audit arrangements that are in place
- Revised disclosures for exploration and drilling activities

RISC can assist your organisation in transitioning to the new disclosure rules. We have in place processes to ensure independent advice on best practice to comply with the revised rules including but not limited to:

- Governance processes in relation to resource assessment and disclosure which can be tailored for your specific requirements
- Peer review and reserve/resource audit services
- Independent reserve/resource assessment

Further for further information please contact:

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ASX REVISED RULES FOR OIL AND GAS COMPANY RESOURCE DISCLOSURE

Highlights

- Significant implications for disclosure and compliance that will be of interest to Boards, CEO's and CFO's as well as evaluators.
- Annual reserves and resources statement and reconciliation required at entity and aggregated level, which must be signed off by a qualified evaluator
 - Reserves and resources, by product in accordance with PRMS standards, net of in-kind and volume based royalties and lease fuel. Changes reconciled with previous years statement and an explanation provided for material changes;
 - Economic interest only to be reported (PSC and risked service contracts);
 - 1P and 2P developed and undeveloped reserves disclosure required, grouped by product and geographical area. Separate reporting of unconventional reserves if these are material;
 - Material quantities of reserves undeveloped after 5 years identified with explanation and statement of intention;
 - 1C and/or 2C Contingent Resources to be reported. 1C and 2C estimates must be reported if 3C estimates are reported;
 - Low and/or Best Estimate Prospective Resources to be reported. Low and Best estimates must be reported if High estimates are reported;
 - Reporting of in-place quantities prohibited unless accompanied by recovery estimates;
 - Probabilistic aggregation not permitted beyond field, property or project level;
 - Tenement interests and location must be identified;
 - Governance, internal controls and audit arrangements that are in place must be summarized.
- PRMS is a project based system, so compliance will require a project to be defined for all oil and gas resource estimates
- Additional disclosure requirements for material projects and material changes to projects
- Land area and number of wells for unconventional reserves and contingent resources.
- Qualified evaluator must have degree in engineering, geoscience or physical sciences, 5 years practical experience of which at least 3 is in reserves/resource estimation and must be a member of an appropriate professional organisation with an enforceable code of ethics.
- Quarterly activity and financial reports.
- Reporting of geophysical survey information.
- Revised disclosures for exploration and drilling activities.

Material Projects

Additional resource disclosure requirements for material projects as follows whenever there is an initial booking or a material change:

Initial Booking - Material Oil and Gas Projects Key Points			
	Reserves	Contingent Resource	Prospective Resource
Permit data	<ul style="list-style-type: none"> ▪ Type of permits or licences ▪ Interest held ▪ If interest is operated or non-operated ▪ Name of operator 	<ul style="list-style-type: none"> ▪ Type of permits or licences ▪ Interest held 	<ul style="list-style-type: none"> ▪ Type of permits or licences ▪ Interest held
Resource reported	<ul style="list-style-type: none"> ▪ 1P and 2P developed and undeveloped, 3P optional 	<ul style="list-style-type: none"> ▪ 2C (or 1C and 2C if 3C reported) 	<ul style="list-style-type: none"> ▪ Best estimate (or Low and Best if High reported)
Basis for estimate	<ul style="list-style-type: none"> ▪ Basis for determining commerciality ▪ Extraction methods ▪ Project status ▪ Economic assumptions ▪ Marketing, infrastructure, development timing assumptions used to justify development ▪ Environmental approvals required ▪ Explanation of changes 	<ul style="list-style-type: none"> ▪ Basis for confirming discovery ▪ Description of analytical procedures used ▪ Further drilling /evaluation required to assess commercial potential ▪ Explanation of new data and information ▪ Explanation of changes 	<ul style="list-style-type: none"> ▪ Basis on which the estimates were made ▪ Further drilling /evaluation to be undertaken with timing of activities ▪ Explanation of new data and information ▪ Explanation of changes
Risks		<ul style="list-style-type: none"> ▪ Explanation if the resources are contingent on technology under development 	<ul style="list-style-type: none"> ▪ Assessment of the chance of discover and chance of development ▪ Where risked, an explanation of how the risk adjustments were made ▪ Risk cautionary statement
Unconventional resources	<ul style="list-style-type: none"> ▪ Land area and number of wells 	<ul style="list-style-type: none"> ▪ Land area and number of wells 	

