Continuous Disclosure

Listing Rules Guidance Note 01

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PURPOSE OF THE GUIDANCE NOTE	Continuous disclosure is a disclosure framework which seeks to ensure the timely release of material information by issuers. Timely disclosure of material information is essential to maintaining the integrity of the market and: • ensures that the market is informed of relevant information in a timely manner; • promotes a continuous flow of information which promotes liquidity; • promotes equality of access to information so that investors can make informed investment decisions; and • plays a critical role in promoting fair, orderly and transparent markets. PNGX's market operates within a continuous disclosure framework and the listing rules for each of these markets impose continuous disclosure obligations on the issuers listed on these markets. This guidance note provides guidance to issuers listed on the PNGX market who are regulated under the PNGX Listing Rules.
THE MAIN POINTS	1. An issuer must be "aware" of material information in order to have a potential disclosure obligation; 2. The issuer must assess whether information is information that a reasonable person would expect to have a material effect on the price or value of its securities; 3. The issuer must then assess whether any of the exceptions from disclosure apply; 4. If the information is material and does not have the benefit of an exception, then the issuer must release the information promptly and without delay before it is released anywhere else.
RELATED MATERIAL	• Capital Market Act 2015

Guidance

The issue of this guidance note is to assist issuers with understanding their obligations in relation to continuous disclosure to the market.

This Guidance Note may be replaced at any time. Issuers must ensure they have the latest version of the guidance note. This guidance note is only a guide.

The obligation to disclose material information promptly and without delay is a fundamental obligation placed on issuers under the listing rules. PNGX may refer breaches of the continuous disclosure rules to the Securities Commission, which may impose penalties on issuers in respect of such breaches. In addition, the Securities Commission has powers under Capital Market Act to take action against issuers which breach the continuous disclosure rules.

The continuous disclosure rules

The continuous disclosure rules are set out in Section 4 of the listing rules. All issuers must comply with the continuous disclosure rules, except for foreign exempt issuers (which must instead comply with the listing rules of their home exchange).

Issuers are required to comply with the continuous disclosure rules when entering into business with a company or other entity that is not subject to the listing rules. For example, if an issuer enters into an agreement containing confidentiality provisions with an entity that is not subject to the listing rules, the confidentiality provisions in that agreement will not override the issuer's continuous disclosure obligations contained in the listing rules.

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This PNGX guidance note addresses the key elements of the continuous disclosure obligation:

- An issuer must be "aware" of material information in order to have a potential disclosure obligation;
- The issuer must assess whether information is information that a reasonable person would expect to have a material effect on the price or value of its securities;
- The issuer must then assess whether any of the exceptions from disclosure apply;
- If the information is material and does not have the benefit of an exception, then the issuer must release the information promptly and without delay before it is released anywhere else.

Prohibition on Contracting Out of Disclosure Obligations

Issuers are explicitly prohibited from contracting out of their continuous disclosure responsibilities. Compliance with the continuous disclosure obligations under rule 4.1 is mandatory for issuers.

It is considered best practice for issuers to negotiate an explicit exemption in any confidentiality or non-disclosure agreement for disclosing information as required by law or the PNGX listing rules, ensuring there is no conflict with their disclosure duties under rule 4.1. Nevertheless, even in the absence of such an explicit carve-out, it is generally expected that one would be implied by law, on the grounds that a commercial contract cannot legally compel an entity to act contrary to statutory requirements.

When does an issuer become aware of information?

When do directors and Senior Officers become aware of information?

An issuer is required to consider the disclosure of information that it is "aware" of.

An issuer becomes aware of information if, and as soon as, a senior officer of the issuer has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as a senior officer of that issuer.

Who becomes aware?

A senior officer is a director, CEO, company secretary, or a senior manager as defined in section 2 of the Capital Market Act. A senior manager is a person who is not a director but occupies a position that allows that person to exercise significant influence over the management or administration of an entity, for example, a chief executive or a chief financial officer.

Actual awareness

An issuer should have internal processes in place to ensure that material information is escalated to senior officers.

A senior officer of an issuer who becomes aware of information, must consider, promptly and without delay, whether that information is "material information" and must therefore be disclosed. Issuers must implement appropriate systems and procedures to ensure that material information is promptly identified and decisions as to whether disclosure is required are made.

Ought reasonably to be aware

The test of information that an issuer is aware of is extended to information its senior officers "ought reasonably to have come into possession of" in the normal course of their duties.

The practical effect of this is that issuers must have processes in place to ensure that information is appropriately escalated, because any information that is of such significance that a senior officer ought reasonably to have been made aware of it in the normal course of their duties as a senior officer will be information that an issuer is aware of. If that information is material information, the issuer will have a disclosure obligation under Rule 4.1. The issuer should have appropriate policies and procedures in place so that information is provided to a senior officers efficiently in order to meet these disclosure requirements.

This extension to information that a senior officer or director ought reasonably have come into possession of in the normal course of their duties is intended to ensure that issuers have appropriate systems and controls in place to that material information is brought to the attention of senior management efficiently.

What is material information?

The material information test

The most important consideration in relation to continuous disclosure compliance is whether information could have a "material effect on the price or value" and is therefore required to be disclosed promptly and without delay.

"Information" includes:

a) matters of supposition and other matters that are insufficiently definite to warrant disclosure to the market; and

b) matters relating to the intentions, or likely intentions, of a +person.:

"Material effect on the price or value" means:

a reasonable person would be taken to expect information to have a material effect on the price or value of securities if the information would, or would be likely to, influence persons who commonly invest in securities in deciding whether or not to subscribe for, or buy or sell, the first mentioned securities.

"Reasonable person" means:

> an independent, objective and judicious individual whose interests are not aligned with the issuer or the investment community.

Issuers need to consider each of these concepts to determine whether information might have a material effect on the price or value of securities.

When considering whether information might have a material effect on the price or value of securities, issuers should be guided by the principle that if in doubt, they should disclose the information. The obligation to disclose material information promptly and without delay is a fundamental obligation and PNGX may take disciplinary action against issuers for non-compliance. Therefore, PNGX encourages issuers to take a cautious approach when determining whether information is "material information".

While there can be no definitive list of the type of information that is material, as it will depend on the particular circumstances of the Issuer, the following information may be material information under the listing rules:

- a change in the Issuer's financial forecast or expectation;
- the appointment of a receiver, manager, liquidator in respect of any loan, trade credit, trade debt, borrowing or financial products held by the issuer or any of its subsidiaries;
- a transaction for which the consideration payable or receivable is a significant proportion of the written down value of the entity's consolidated assets. Normally, an amount of 5% or more would be significant, but a smaller amount may be significant in a particular case;
- a recommendation or declaration of a dividend or distribution, or a decision to not recommend or declare a dividend or distribution;
- undersubscription or oversubscription to an issue;
- a copy of a document containing market sensitive information that the issuer lodges with an overseas stock exchange or other regulator which is available to the public. The copy must be in English.
- giving or receiving a notice of intention to make a takeover.
- any proposed change in the general nature of the business of an Issuer or its group.
- a disposal or acquisition (including entering into any agreement or option to do so) of quoted securities of another Issuer carrying 5% or more of the votes attaching to any class of securities of that issuer.
- the acquisition or disposition of securities in the Issuer carrying 5% or more of the votes attaching to any class of securities of that issuer.
- acquisition or disposition, by whatever means, of assets of any nature (including entering into any agreement or option to do so) where the gross value of those assets, or the consideration paid or received by the issuer, represents more than 10% of the average market capitalisation of the issuer.
- A regulatory action by an overseas exchange

In deciding whether or not to release information, issuers should have regard to:

- An issuer is the aggregate of a group of entities for disclosure purposes;
- the relevant aspects of the Capital Market Act dealing with insider conduct; and
- the relevant aspects of the Capital Market Act dealing with the supply of information that is or is likely to be misleading or deceptive.

The Reasonable person

Central to the evaluation of material information is the reasonable person test. This objective assessment requires issuers to consider whether a hypothetical reasonable person, equipped with the pertinent information, would deem it to have a significant impact on the price of the issuer's quoted financial products. The complexity of this evaluation lies in its inherent objectivity, demanding a departure from any biased or subjective viewpoints.

Distinct from subjective standards that might reflect the vested interests of the issuer or the investment community, the reasonable person test advocates for a perspective akin to that of an independent, fair-minded bystander. This objective stance ensures that the assessment of materiality is grounded in a universal standard of reasonableness, rather than being swayed by insider perspectives or speculative considerations.

For issuers, the application of the reasonable person test necessitates a rigorous analysis of how the information in question would be perceived by an objective observer, considering its potential to influence pricing.

Despite its theoretical clarity, the practical application of the reasonable person test is fraught with challenges. These include difficulties in forecasting how information would be received by the market and the potential for hindsight bias to color the assessment of materiality.

Assessment of Material Impact on Securities Pricing

The determination of whether a specific movement in price represents a "material effect" hinges on the unique attributes of both the security in question and its issuer. Factors such as the liquidity status of the security—whether it is readily tradable or not—and the size of the entity issuing the security play critical roles in this evaluation.

The test for material information operates on the premise of a reasonable person's expectations regarding the outcome following the dissemination of such information. The PNGX advocates for a conservative stance by issuers in deciding if information is likely to materially influence the pricing of their publicly traded securities.

Central to understanding the concept of material information is acknowledging its inherently prospective nature, focusing on anticipations and projections prior to the release of pertinent information, rather than retrospective analyses. The PNGX anticipates that issuers will engage in thoughtful consideration of the potential impact on their security prices upon the release of material information. Documenting the rationale behind these deliberations forms an essential component of the decision-making framework, potentially serving as a reference for future evaluations.

The accuracy of an issuer's materiality judgement may be scrutinized in hindsight. In instances where information disclosure is delayed (beyond the timeframe deemed appropriate for immediate disclosure), the actual market reaction following the eventual release of the information becomes a crucial metric for assessing the issuer's regulatory compliance. Such evaluations may be influenced by any existing documentation detailing the issuer's thought process at the time of the initial decision.

Criteria for Determining Material Information

For information to qualify as material, it must possess specificity, directly pertaining to a particular security or group of securities, or to a specific issuer or issuers. Broad or general information impacting securities or issuers at large does not meet the threshold for materiality. For instance, while an agricultural firm may not be obligated to report broad shifts in the coffee market prices, disclosing the impact of such shifts becomes imperative if they are poised to significantly affect the firm's revenue or profit margins through changes in the quoted securities' value.

Material information need not exclusively stem from the issuer; it can also originate from external sources, such as regulatory bodies like the Independent Competition and Consumer Commission or a credit rating agency. Once an issuer identifies information relevant to its operations or its securities as material, it bears the responsibility to immediately disclose this information to the public, ensuring no undue delays, regardless of the information's source.

In scenarios where the material information originates externally, issuers might find it necessary to request a trading halt. This pause allows issuers the required time to craft a comprehensive announcement addressing the material information, ensuring informed and measured dissemination to the market and stakeholders.

Criteria for Market-Wide Availability of Information

Information is deemed to be broadly accessible to the market if it meets any of the following conditions:

a) The information has been publicized in a way that would, or is likely to, capture the attention of individuals who regularly invest in pertinent securities. Moreover, a sufficient amount of time has elapsed since its dissemination, allowing for its widespread absorption among such investors; or

b) The information is of a nature that allows investors who regularly engage with relevant securities to easily acquire it, whether through observation, application of expertise, direct purchase, or other methods; or

c) The information comprises insights, deductions, or conclusions that are derived from the information types described in points (a) and (b) above.

Information that is exclusively accessible to a select group of investors, or which necessitates extensive gathering or analysis, does not qualify as being generally available.

An individual described as one who “commonly invests in securities” refers to someone who habitually purchases and retains securities over a certain period. Such individuals possess a degree of understanding enabling them to assess the intrinsic value of the securities and base their investment choices on this assessment. It is not required for these individuals to be professional investors or to earn a significant portion of their income from investment activities.

Partial Information and Anticipated Developments

There are instances where an issuer might gradually receive details regarding an upcoming event. Initially, the information may be too fragmented to accurately assess its materiality, thus not immediately obligating disclosure. Nevertheless, should an issuer need more details to evaluate the materiality of the initial insights, it is imperative to actively seek out this additional information promptly. A disclosure duty is activated once the issuer acquires sufficient information to ascertain its material significance.

Awareness of information necessitating disclosure, as outlined in Listing Rule 4.1, is another crucial aspect for issuers to consider.

An issuer is deemed aware of information when a senior officer either directly acquires or should reasonably acquire knowledge of it through their official capacity. If an issuer, based on the initial or incomplete details, determines (or reasonably could determine) the information to be material, it is required to disclose this information to the market immediately, without waiting for a complete picture.

Furthermore, there might be scenarios where an issuer learns of an impending material event before it occurs. In such situations, the issuer must disclose the event as soon as awareness is established, rather than postponing disclosure until after the event's occurrence. For instance, if an issuer anticipates breaching a financial covenant, and such a breach is likely to be considered material by a reasonable person (due to its expected impact on the issuer's quoted securities' pricing), immediate disclosure is mandated, irrespective of whether the breach has yet to transpire. Issuers must evaluate several factors to determine the materiality of a breach or impending breach, including:

a) The nature of the covenant;

b) The specific loan or facility implicated;

c) The consequences of the breach or its anticipation;

d) Communications with the lender; and

e) The issuer's current financial stance.

Certain information may only gain material status following approval by the issuer's board. For example, a proposal by the chief financial officer to adjust the reported value of an asset may require the issuer's board's endorsement to be deemed complete. Disclosure obligations emerge only after such board approval.

The assessment of whether information is materially significant adheres to an objective standard. Therefore, if the issuer possesses information deemed materially significant, the subjective belief of its senior officers that more details are needed before determining materiality does not excuse a violation of rule 4.1. Upon receiving potentially material information, issuers are obligated to conduct further inquiries or seek expert advice to confirm its materiality within a reasonable timeframe.

Exemptions from Continuous Disclosure Obligation Under Rule 4.1

The continuous disclosure requirements encompass several exemptions, often referred to as "safe harbour" provisions. These provisions allow for the postponement of disclosing material information as outlined in rule 4.2, provided specific conditions are satisfied. Rule 4.2 is not applicable under circumstances such as:

a) When any of the following conditions is met:

i. Disclosing the information would contravene the law,

ii. The information pertains to an unfinished proposal or negotiation,

iii. The information is speculative or not sufficiently concrete to merit disclosure,

iv. The information is intended for internal management use, or

v. The information constitutes a trade secret,

b) The information remains confidential, with its secrecy preserved, and

c) A reasonable individual would not anticipate the disclosure of the information.

For an issuer to take advantage of these exemptions, it must demonstrate the concurrent fulfillment of all three criteria ((a), (b) and (c)). The information must remain confidential, be of a nature that a reasonable person would not expect to be disclosed, and meet at least one of the conditions (i) to (v) listed in (a).

Criteria for Relying on Exceptions

Rule 4.2 is not invoked for companies deferring disclosure when releasing such information would contravene legal requirements. For this exemption aspect, PNGX clarifies that a mere breach of a contractual confidentiality clause does not suffice. This is to prevent entities from attempting to circumvent their duty to promptly and transparently disclose material information. Moreover, rule 4.3.1 prohibits issuers from engaging in agreements that could potentially compromise their capability to adhere to the disclosure requirements of rule 4.1 or rule 4.3, as far as it is practicable without negatively impacting the issuer's operations.

Under rule 4.1.2, companies are permitted to withhold information concerning unfinished proposals or negotiations. PNGX regards a proposal or negotiation as typically finalized once an agreement has been mutually signed to proceed with or realize the transaction. This stance also extends to signed agreements with conditions, which are not viewed as "incomplete proposals" within the context of these exemptions. An agreement established to facilitate transaction negotiations, unless its existence itself constitutes material information, is not expected to be disclosed. This contrasts with agreements that actualize a transaction. It's also noted that a proposal or negotiation may be deemed complete within this context prior to becoming legally enforceable or even if contingent.

Additionally, rule 4.1.2 allows companies to delay disclosure of hypothetical or indeterminate matters not warranting public disclosure, alongside exceptions under subclauses (iv) and (v) for information intended for internal management or regarded as trade secrets. Nonetheless, issuers are advised to assess if internally oriented information has attained a level of importance that a reasonable person would anticipate its disclosure. This is especially relevant for financial data signaling a significant risk of materially diverging from market expectations. For instance, a listed subsidiary involved in business planning with its parent company, necessitating regular financial reporting for internal strategy and management, falls within this scope. PNGX emphasizes that parental involvement in such internal processes does not inherently disqualify the information from this exception, with applicability depending on specific circumstances and the parent's role in the subsidiary's internal management.

Confidentiality

Under the safe harbour provision's clause 3.1.2(a), for an exception to disclosure obligations to be valid, the information in question must be confidential and its confidentiality preserved. Here, "confidential" implies that the information is to be kept secret.

For the clause to be applicable, there must be strict maintenance of confidentiality. The determination of whether information has been kept confidential is factual. Confidential information must not be accessible to the public. Disclosure to PNGX becomes mandatory once the information reaches anyone not obligated to keep it confidential, regardless of any confidentiality agreements in place or the information's origin. PNGX recognizes that information shared by the issuer with:

a) a professional advisor;

b) a representative negotiating on behalf of the issuer;

c) a third party in negotiations with the issuer; or

d) a regulatory body,

retains its confidential status, provided it's shared under a confidentiality obligation and is used strictly for the intended purpose.

In instances of confidential negotiations, the confidentiality of both the negotiations' existence and their content must be upheld by all parties involved for the exception to apply. The exception is invalidated if the information is received by someone not bound by confidentiality, prompting necessary disclosure to PNGX. For instance, the exception does not hold if:

a) there's a violation of a confidentiality agreement;

b) information is shared with individuals not under confidentiality obligations (e.g., a printing service).

Issuers are recommended to document the recipients of confidential material, who are thereby considered "insiders."

Media speculation does not automatically indicate a breach of confidentiality. The decision on whether information has remained confidential should be based on the specific circumstances at hand. For instance, media rumors do not necessitate disclosure if those privy to the confidential information haven't disclosed it and if the speculation is vague, lacks detail, or comes from an unreliable source.

PNGX acknowledges that issuers might share material information with related entities within their corporate family for decision-making and reporting purposes. Disclosing information to related entities does not inherently compromise confidentiality, provided the information remains something a reasonable person wouldn't expect to be disclosed, adhering to the conditions of rule 4.1.2. Furthermore, PNGX accepts that sharing information with a parent company for financial reporting purposes maintains confidentiality, assuming the information is exchanged under a confidentiality commitment and used exclusively for the intended financial reporting and remains confidential.

Reasonable person

Rule 4.1.2 mandates that information should be considered for non-disclosure only if a reasonable person would not anticipate its release. A "reasonable person" would deem non-disclosure appropriate under circumstances where:

a) The information's release could unjustly harm the issuer; or

b) The disclosure would not offer any advantage to typical investors in financial products.

This stipulation necessitates an objective analysis of the situation surrounding the information to ascertain whether a reasonable person would expect the information to remain undisclosed. Should a reasonable person foresee the necessity of disclosing the information, it must be shared with the market promptly and without hesitation, regardless of the applicability of other discussed sub-clauses.

PNGX acknowledges that in practice, the criterion based on what a reasonable person would expect—part of the "safe harbour" provision—often has limited scope. This is because information usually meeting the specified categories in 3.1.2(a) and satisfying the confidentiality criteria in 3.1.2(b) will also fulfill the conditions set by the reasonable person criterion.

Thus, the question of whether a reasonable person would anticipate non-disclosure typically follows the confirmation of the information's confidentiality and its alignment with specific exceptions detailed in sub-paragraph 3.1.2 of the listing rules.

The first aspect of the aforementioned assessment involves evaluating the potential harm the information's disclosure could inflict on the issuer and, indirectly, its investors. This, however, does not imply that issuers are at liberty to withhold negative news from the market.

The reasonable person criterion is specifically designed to be applicable only when particular circumstances justify deviating from the general expectation of disclosure, highlighting its focused application.

The requirement to disclose "promptly and without delay"

What does "promptly and without delay" mean?

When an issuer identifies material information, it is obligated to disseminate this information to the market right away, albeit with a few exceptions in place.

It's understood that there will be a timeframe between when an issuer's senior officer becomes aware of material information and when this information is publicly disclosed. This gap does not automatically imply a failure on the issuer's part to disclose information "promptly and without delay." The swiftness with which an issuer can announce such information hinges on the specific situation and the characteristics of the material information. PNGX takes these elements into account while assessing an issuer's adherence to the immediacy requirement in information release. Factors influencing this determination include:

a) The complexity and volume of the information in question;

b) The source of the information and whether it requires verification or confirmation by a senior officer or director;

c) The time needed for the issuer to prepare a comprehensive, accurate, and clear announcement.

Issuers are expected to establish and maintain efficient systems and protocols to fulfill their ongoing disclosure commitments. This aspect is elaborated upon in the 'Compliance Procedures' section of this guidance note. Additionally, the application of trading halts in relation to disclosure timeliness is discussed in section 6.4.

Board Supervision and Disclosure Timing

Issuers are required to announce material information immediately upon recognition, independent of any forthcoming board meetings. For instance, if an issuer identifies a significant breach of a financial covenant, it is imperative to disclose this discovery instantly, without deferring until the subsequent board meeting for discussion.

In instances where a resolution or recommendation remains provisional until ratified or endorsed by the issuer's board, it is advisable for the issuer to draft an announcement beforehand. This ensures its swift release following board approval. PNGX deems that issuers fulfill the obligation for timely information release by making the disclosure immediately after the pertinent board meeting concludes.

While board oversight is crucial in overseeing continuous disclosure, issuers must navigate the need for rapid disclosure against the logistical realities of board operations. This necessitates arrangements that support prompt disclosure, recognizing that it may not always be feasible for the entire board to participate in disclosure-related decisions, especially when material information is unexpectedly discovered. For more detailed guidance on board management of continuous disclosure responsibilities, see the upcoming section titled 'Compliance Procedures'.

Disclosure of Periodic Financial Statements and Dividend Details

Regarding the publication of routine financial statements (like earnings updates and annual reports), PNGX anticipates that these documents should be made available to the market by or on the designated reporting date, irrespective of the board's formal approval of the reports before this date. Nonetheless, there might be a necessity for an issuer to disclose specific details from an upcoming report, or the entire report itself, ahead of the scheduled release if such details qualify as significant information on their own. For instance, should an issuer recognize that it will fall short of its annual earnings projection by a substantial margin, this information must be communicated to the market immediately, without waiting for the planned reporting date.

Similarly, details regarding dividend distributions can be announced alongside the periodic financial report. However, if the dividend data constitutes material information, it must be disclosed immediately following board approval, without any delay.

Disclosure of Information Outside PNGX Operating Hours

Issuers are required to disclose material information promptly and without delay, even if the need for disclosure arises outside of PNGX's operational hours.

When an issuer needs to make a public announcement outside PNGX hours, whether to other stakeholders (such as employees) or on another stock exchange, it must simultaneously provide the announcement to PNGX or, if simultaneous provision is not feasible, as soon as reasonably practicable thereafter. However, it is mandatory that the information be prepared for release before the next market opening.

Although announcements submitted after business hours are retained by PNGX and released on the following trading day, issuers may have to respond swiftly to evolving circumstances. Since the market does not operate after hours, there is no immediate risk of creating information asymmetry. Thus, while Rule 4.2 mandates that issuers submit market announcements to PNGX before making them public elsewhere, under these specific conditions, the announcement must be submitted by 10:00 am on the subsequent trading day.

An exception applies when an issuer is also listed on another exchange. In situations where material information becomes available while only one of the markets where the issuer is listed is open, the issuer should ignore the potential for investors in one jurisdiction to trade based on this information ahead of those in another. In such cases:

a) Issuers must first fulfill their duty to release material information immediately to their Home Exchange; and

b) Subsequently, disclose the information to the other listing venue as stipulated by its regulations.

Managing Disclosures by Third Parties

It is not uncommon for third parties, such as regulatory authorities, to publicly disclose material information concerning an issuer. In cases where such information is already generally available, issuers are not obligated to reissue it through PNGX, as it no longer constitutes material information.

Nonetheless, issuers might be required to make an announcement if:

a) The third party's release method renders the material information not generally accessible (for example, if it is restricted behind a paywall);

b) Upon reviewing the third party's disclosure, the issuer identifies additional material information (such as details concerning the financial consequences of the disclosed issue); or

c) The information originates from a credible source and is inaccurate or misleading.

Issuers may have specific relationships or affiliations with certain third parties, including regulatory entities, where information (like the results of a significant application) will be made public by the third party.

Occasionally, a third party may share with an issuer an advanced copy of their intended public statement under embargo, allowing the issuer time to prepare its response for when the announcement becomes public. PNGX aims to establish protocols with various regulatory bodies to encourage the release of information to issuers outside of trading hours, facilitating adequate preparation time for issuers to respond.

However, if an issuer receives a draft or final public statement during trading hours, the issuer must:

a) Urgently consult with PNGX to determine if a trading halt is necessary while the issuer evaluates the received information;

b) Quickly assess whether the embargoed statement contains material information, given that it has not yet been made public and is therefore not generally available; and

c) If material information is identified, promptly decide if it falls under any exceptions in the Listing Rules and, if not, inform the third party that the issuer must release this material information immediately without delay.

Issuers should note that material information cannot be subject to an embargo, and they cannot circumvent their continuous disclosure obligations through confidentiality agreements. However, if the information is confidential and disclosing it would breach legal requirements, it might be justifiable to withhold it under that specific exception in the Listing Rules.

Requesting Trading Halts

Issuers might find it necessary to request a trading halt to fulfill their continuous disclosure obligations under specific circumstances. While the listing rules mandate that issuers disclose material information immediately upon awareness, barring a few exceptions, certain situations may warrant a trading halt until an announcement is suitably prepared and disseminated.

A trading halt could also be imperative when an issuer needs to address information already circulating in the public domain. This may involve confirming, denying, or clarifying material information released by another entity, or explaining how such information impacts the issuer. Particularly when responding to sudden or unforeseen events, issuers may require time to assess the potential impacts before issuing a response. In these instances, a trading halt is crucial to prevent a false or disorderly market before the issuer can make a substantive announcement.

However, it is important that issuers do not use trading halts as a strategy to simply delay the release of information. Therefore, PNGX evaluates all requests for trading halts on an individual basis and encourages issuers to engage with them early regarding such requests.

Preventing False Markets

Issuers have specific responsibilities to prevent the formation of false markets for their financial products. A false market refers to one that is influenced by incorrect or misleading rumors circulating in the media. Under rule 4.3, issuers are obligated to disclose material information as necessary to prevent or correct a market that is significantly affected by false or misleading information.

In applying rule 4.3, PNGX particularly focuses on information that originates from:

a) The issuer or any associated person of the issuer; or

b) Other individuals under circumstances where such information would carry considerable credibility, regardless of whether rule 4.3 is directly invoked. The information in question should be of a reasonably specific nature to warrant action under this rule.

If an issuer finds itself without material information to counteract a rumor, it may simply confirm that it is adhering to its continuous disclosure requirements. Some issuers may choose to proactively address false or misleading statements even if they do not have specific material information to disclose, by informing the market that the statement is considered inaccurate by the issuer. However, this proactive clarification is not mandated by the rules.

Material Influence on the Market

For the application of rule 4.3, it is essential that rumors have a material impact on the market, specifically affecting the market price or trading volumes of an issuer's quoted securities. In this context, 'material' pertains to situations where rumors could reasonably be expected to influence market actions concerning the trading of the securities.

When determining whether the market has been materially influenced by false or misleading information, it can be useful to examine any corresponding changes in the price of the issuer's securities. This assessment helps to establish whether the rumors in question have had a significant effect on market behavior, thereby necessitating intervention under rule 4.3.

Sources Lending Credibility to Information

For the activation of rule 4.3, the questionable information must originate from either the issuer, its associates, or other entities whose involvement lends the information significant credibility. This often includes members of the media, especially those in the financial sector, depending on their sources.

The application of this rule hinges on the credibility of the source cited by the media. The determination of whether an individual or entity disseminating the information provides it with substantial credibility is assessed based on the specific circumstances of each case. PNGX emphasizes that mere speculation circulated by the media, which lacks endorsement by a credible source, does not meet the threshold of substantial credibility required under rule 4.3.

Managing Release of Information

When rule 4.3 is applicable, the issuer must disseminate material information to PNGX as required to prevent or mitigate a market influenced by false or misleading information. The obligation to correct misinformation is deliberately constrained to prevent external parties from compelling an issuer to disclose information by merely generating false rumors. This obligation is specifically intended to address false rumors that are reasonably specific and originate from sources that lend them substantial credibility.

To comply with rule 4.3, issuers may consider the following suggested responses:

a. Standard Compliance Statement: The issuer may issue a standard statement asserting that "[The issuer] is in full compliance with its continuous disclosure obligations."

b. Seek Guidance from PNGX: If further clarification is necessary, the issuer should present additional information to PNGX for review. Upon request, PNGX may issue a statement regarding whether the issuer has met the listing rules based on the provided information.

c. Direct Market Clarification: The issuer may directly release necessary clarifications to the market.

d. Request for Trading Halt: If required, the issuer can request a trading halt to prevent the formation of a false market.

These approaches are designed to help issuers fulfill their obligations under rule 4.3 effectively while addressing the concerns mentioned above.

In cases where rumors turn out to be true, issuers must assess whether the disclosure of material information is necessitated by a breach of confidentiality.

Should PNGX detect rumors circulating in the media, we may reach out to the involved issuer for clarification. In situations where it is deemed appropriate, PNGX may also consider imposing a trading halt to prevent the development of a false market.

Priority of Disclosure to PNGX

This section outlines the protocol for issuing announcements via PNGX. For guidance on announcements that must be released to the public, other stakeholders, or another stock exchange outside PNGX operating hours, please see section 6.2.

Rule 4.2(b) mandates that issuers must not disclose any material information to the public, other recognized stock exchanges (except as specified under the listing rules), or other parties prior to disclosing it to PNGX. If an issuer is obliged to disclose information under the listing rules, such information must not be shared with any other parties until it has been provided to PNGX. If an issuer intends to distribute information to the media on an embargoed basis, this should only occur after PNGX has released the information. Since material information cannot be subject to embargo due to the requirement for its immediate release, PNGX will distribute it promptly.

Issuers are advised to assign specific individuals the responsibility for making announcements to PNGX. No public statements about the subject of the announcement should be made until after PNGX has released the information.

To prevent violations of this rule, directors and senior officers should exercise caution when speaking publicly (including at analyst or institutional investor briefings) about the issuer. It is considered best practice for issuers to disclose any information to PNGX that will be discussed at an analyst or investor presentation no later than at the start of that presentation. Discussion should only pertain to information that has already been released or that is non-material.

For Exempt Foreign Issuers, all announcements released by PNGX must be issued simultaneously or as soon as possible after being released to the issuer's Home Exchange to ensure compliance and maintain transparency.

Managing Market Expectations

Issuers are advised to actively manage and shape the market's expectations concerning their financial outcomes throughout the year. This includes addressing anticipations formed based on results from similar past periods to prevent unexpected revelations during financial announcements. One approach to managing expectations might involve educating stakeholders and investors about the issuer's specific business model and its implications for financial performance, earnings, and cash flow, as part of their regular investor relations activities.

Additionally, issuers may evaluate the benefits of sharing forecasts for critical performance indicators with the market. According to PNGX, this strategy can significantly aid issuers in aligning market expectations more closely with reality, potentially diminishing the risk of unexpected earnings disclosures. However, PNGX recognizes that this approach might not be feasible for all issuers.

Issuers might also discern the need for releasing additional information to offer more context regarding their operations or financial standing, or to elucidate prior disclosures made to the market. Issuers could consider disseminating financial details to the market consistently and frequently as a measure to avert unforeseen earnings revelations.

Providing Earnings Forecasts

Earnings guidance involves an issuer's projection, often delineated as a range, regarding specific financial metrics for a forthcoming financial reporting period, distinguishing it from a qualitative outlook. Issuers may opt to periodically share earnings forecasts with the market or issue singular guidance in relation to transactions or other significant disclosure moments. Furthermore, issuers asserting their alignment with or deviation from consensus analyst expectations can also constitute earnings guidance, as can comparisons with past performance metrics.

There is no mandate compelling issuers to release earnings forecasts to the public.

Issuers typically monitor their financial outcomes against internal budgets or forecasts, which are intended for internal use and remain confidential. As long as an issuer meets other stipulations outlined in Rule 4.1, these internal financial plans are shielded by a disclosure exemption, negating any obligation to publish earnings guidance.

PNGX recognizes that when issuers do provide earnings forecasts, such disclosures form a vital foundation for gauging market anticipations concerning the issuer's financial health and future prospects, as well as influencing the pricing of its financial instruments. Thus, issuing earnings guidance can serve as a strategic tool for issuers in navigating their disclosure responsibilities effectively.

Correcting market expectations

Expectations from the market regarding an issuer's short-term earnings play a significant role in determining the value of its financial offerings. It is essential for an issuer to evaluate if a reasonable observer would anticipate that a disparity between its actual or estimated earnings and the market's projections could significantly impact the pricing of its publicly traded securities. Such disparities ought to be identified and communicated as essential information under the guidelines of rule 4.1. Additionally, issuers should contemplate the suitability of revising their earnings forecasts when announcing any departures from previous forecasts.

To arrive at this judgment, issuers must carefully weigh both the character of market anticipations and the nature, scale, and certainty of the deviation, adhering to the instructions outlined in sections 3.5.1 to 3.5.4. If an issuer deems the deviation's nature and/or magnitude to be of material significance and the deviation is determined to be sufficiently reliable, then a disclosure obligation ensues.

Furthermore, if an issuer observes a significant price movement in its shares following the disclosure of financial outcomes, this may suggest that the actual performance diverged from market expectations.

Assessing market expectations

Issuers are tasked with evaluating shifts in their financial outcomes against market projections to ascertain if there is a need for disclosure. In understanding what the market expects, issuers should take into account:

a) Their own provided earnings forecasts for the current fiscal period, as this most accurately mirrors market anticipations;

b) Any statements regarding future outlooks or additional disclosures made to the market for the pertinent reporting period;

c) Projections made by analysts monitoring the issuer;

d) Financial achievements of the issuer in the previous similar period; and

e) The repercussions on the issuer of any external occurrences already known to the market.

When an issuer has issued earnings predictions for the present fiscal period, these projections serve as the prime indicator of what the market anticipates regarding the issuer's financial performance. In scenarios where an issuer either hasn't shared earnings guidance or has retracted such guidance, it should derive market expectations by reviewing analysts' projections and its financial results from a comparable prior period, within the context of any forecast statements or disclosures made during the relevant period.

The issuer's own guidance acts as the most reliable basis for gauging market expectations. This is because analysts, being external observers, might not fully grasp the issuer's strategic directions or business models, potentially leading to inaccuracies or a lack of depth in their analyses. Furthermore, an analyst's research might not be broadly accessible, or there could be significant variance in opinions among analysts following the issuer. It's sensible for issuers to assign less weight to less credible analyst perspectives or those that deviate significantly from the consensus when determining market expectations.

Market expectations can also be shaped or adjusted by the issuer's disclosures throughout the reporting period and by known external factors influencing the issuer. Nonetheless, PNGX advises issuers to exercise caution in assuming that the market has accurately and completely understood the impact of specific external events on the issuer without explicit disclosure from the issuer outlining those impacts. Simply having information available about a known external event does not relieve an issuer of the responsibility to disclose how that event materially affects it.

Nature of the deviation

Issuers are advised to consistently evaluate their financial outcomes in comparison to market anticipations. The key factor for an issuer in deciding on the necessity of disclosing any discrepancies is determining if a reasonable observer would foresee that a variance from expected market earnings, whether actual or forecasted, would significantly influence the pricing of its publicly traded securities, thereby necessitating its revelation as critical information under the auspices of rule 4.1.

For such an evaluation, PNGX suggests issuers to ponder whether a sensible person would anticipate the specific nature of the discrepancy to substantially affect the valuation of the issuer's financial instruments. This contemplation may involve analyzing several aspects:

a) The impact of near-term earnings as a significant determinant of the issuer's financial instrument pricing;

b) Whether the variance influences cash flows as opposed to arising from non-cash factors like accounting adjustments or impairment losses;

c) The potential impact of the variance on the issuer's future financial outlook, excluding instances attributed to timing differences in revenue recognition or offset by compensatory factors such as tax credits;

d) The customary stability or volatility of the issuer's performance metrics.

These considerations are not exhaustive, and issuers must independently examine the context of the discrepancy and its implications for their business outlook and earnings profile when determining its materiality in line with Rule 4.1. Additionally, the magnitude and certainty of the discrepancy are crucial elements to evaluate.

Issuers are cautioned that simply determining a discrepancy to be immaterial against one of these aspects does not absolve the need for disclosure. It's important to note that the listed aspects are not comprehensive, and both the extent and certainty of the discrepancy play integral roles in assessing materiality. For instance, a discrepancy resulting from accounting changes or impairment charges does not automatically render it non-material.

Beyond these outlined aspects, issuers must also delve into the wider implications and characteristics of the discrepancy to accurately ascertain whether it triggers a disclosure requirement.

Extent of the deviation

In addition to evaluating the nature of the discrepancy, issuers must also assess its magnitude. PNGX posits that a substantial divergence in performance from market forecasts, especially those based on an issuer's provided guidance, typically necessitates disclosure. Conversely, performance deviations stemming from external benchmarks, such as analyst predictions or historical comparative period outcomes, must exhibit a greater degree of significance to qualify as 'material information' and thus activate a disclosure requirement according to rule 4.1.

Variances from an Issuer's Earnings Projections

The financial market regards an issuer's own earnings projections as a more credible and reliable indicator than forecasts generated from other sources, such as analyst reports. As a result, any departure from an issuer's publicly shared earnings forecast is more likely to significantly impact the value of its publicly traded financial instruments than deviations based on external expectations.

When an issuer has communicated its earnings expectations for the current fiscal period, PNGX advises the issuer to alert the market if it foresees a substantial mismatch between its actual or expected earnings and the forecasts it has previously provided.

PNGX's stance on deviations from an issuer's own forecasts is as follows:

a) Deviations of 10% or more are generally considered material;

b) Deviations ranging from 5% to 10% could be material; and

c) Deviations less than 5% are typically not deemed material.

In determining the magnitude of the deviation, issuers should use the lowest figure in their forecast range as the benchmark for negative deviations, and the highest figure as the benchmark for positive deviations.

Variances Relative to External Market Forecasts

Issuers lacking published earnings forecasts are encouraged to evaluate if a performance discrepancy from externally derived market anticipations could qualify as 'material information' warranting disclosure in accordance with rule 4.1.

PNGX advises against setting fixed percentage thresholds for identifying when a difference in an issuer's actual or anticipated earnings compared to market forecasts becomes material information. This is because market expectations based on sources outside an issuer's direct guidance inherently carry greater uncertainty (as detailed in section 3.5.1).

Nonetheless, in deciding on the necessity for disclosure, issuers should acknowledge that market predictions formed from analyst reports and alternative sources tend to offer a broader and less definitive perspective of market expectations. Consequently, a deviation would generally need to be more pronounced than one measured against an issuer's own earnings predictions before a duty to disclose emerges.

Deviations from an issuer's prior comparable period

In the absence of guidance provided by the issuer has not provided guidance and analysts have not provided guidance, market expectations will be strongly influenced by the results of prior comparable periods (for example, the prior financial year). Therefore, a deviation from the prior comparable period is more likely to have a material effect on the price of the issuer's quoted financial products.

Variances from Previous Financial Performance

In scenarios where neither the issuer has issued forecasts nor analysts have made projections, market expectations tend to lean heavily on the outcomes of similar past periods (such as the previous financial year). As a result, any significant shift from the results of these prior comparable periods is more likely to substantially influence the pricing of the issuer's publicly traded financial instruments.

When neither guidance from the issuer nor projections from analysts are available, PNGX advises the issuer to notify the market if it anticipates a significant disparity between its actual or expected earnings for the current period and the results from the previous financial year.

Under these conditions, PNGX categorizes deviations from the previous financial year's results as follows:

a) Variations of 10% or more are generally regarded as material;

b) Differences ranging from 5% to 10% could be considered material; and

c) Shifts less than 5% are typically not seen as material.

These guidelines aim to assist issuers in determining whether a performance difference is significant enough to warrant public disclosure. However, these benchmarks are not the sole criteria for establishing whether a known or anticipated discrepancy constitutes material information under Rule 4.1.

Assessing the Certainty of Performance Discrepancies

For an issuer to be obligated to disclose under rule 4.1 due to a divergence in its actual or forecasted earnings from market expectations, there must be a sufficient level of certainty that such a discrepancy will indeed manifest. Not all variances between internal projections and market expectations necessarily compel disclosure, except when the issuer has a reasonable assurance that the discrepancy is imminent.

Identifying a potential discrepancy early within a reporting cycle may not demand immediate disclosure if there's still a chance for the variance to diminish, either through changes in actual outcomes or market forecasts. However, disclosures might still be required for discrepancies within a semi-annual reporting frame.

Occasionally, an issuer's real or anticipated earnings might shift gradually due to several incidents that individually might not trigger a disclosure need. Nonetheless, if the cumulative impact of these incidents indicates a pattern or trend that a reasonable observer would conclude has a significant effect on the value of the issuer's financial products, then disclosure becomes mandatory. For instance, examining an issuer's monthly management reports over a half-year period might uncover trends or shifts, like a steady decline in revenue or profit margins. While month-to-month variances may not be deemed material, the aggregate impact over six months could necessitate disclosure.

Issuers that regularly and frequently share financial or operational data with the market may observe less pronounced market reactions compared to situations where, say, a loss is disclosed after a lengthy period without updates. To mitigate this, some issuers opt to routinely release key financial or operational metrics. PNGX encourages issuers to contemplate if such a strategy suits their specific scenario.

Once an issuer confidently anticipates a notable variance from market projections and deems this difference material (as outlined in Rule 4.1), it is imperative to promptly and unequivocally inform the market about the expected discrepancy in performance for the reporting period, including an estimation of the variance's scale. Should a divergence in an issuer's earnings from market forecasts be recognized as material information, none of the disclosure exemptions outlined in Rule 4.1 would apply. Issuers are directed to consult section 5.1 of this Guidance Note for more details on the relevance of these exemptions.

Interaction with Financial Analysts

PNGX recommends that issuers keep a close watch on analyst reports concerning them and, where deemed necessary, proactively address any inaccuracies or misunderstandings within those analyses. There are several valid reasons why an analyst's conclusions might not align with an issuer's expectations, including analytical errors or a lack of insight into the issuer's strategic directions or operational plans. Moreover, issuers might incorporate confidential information or assumptions into their forecasts, which are not obligated for disclosure and hence, might not be accessible to analysts. Given that analysts track multiple issuers, their attention to any single issuer's details will not be as concentrated as that of the issuer's board and senior management.

Interacting with analysts can reveal to an issuer that the market lacks comprehensive information to accurately gauge the issuer's performance, or that the market has misconstrued significant information previously disseminated. Under such circumstances, issuers should evaluate if they can disclose additional details to refine market expectations.

Should issuers engage with analysts, it is crucial to remember the importance of not violating disclosure rules set by the listing regulations through the selective sharing of significant information not yet public.

Before endorsing or acknowledging external forecasts or estimates, issuers must meticulously consider their disclosure responsibilities. PNGX views issuer statements that appear to endorse third-party projections as implicit guidance from the issuer. This perception heightens the responsibility on issuers to rectify any emerging differences between such implied guidance and actual outcomes.

Addressing Analyst-Generated Forecasts**

Analysts and other external entities often analyze an issuer and release earnings predictions that can influence or mirror the market's expectations for the issuer's financial outcomes. Continuous internal assessments of financial progress enable issuers to consistently compare their actual or forecasted earnings with those predicted by external analysts.

PNGX clarifies that under the Listing Rules, issuers are not universally required to:

a) Amend any analyst-generated earnings predictions or consensus views that diverge from the issuer's own financial forecasts; or

b) Disclose their internal financial forecasts simply because they vary from the expectations set by analysts.

Yet, as highlighted above, in instances where an issuer hasn't provided its own earnings guidance, the most reliable indicators of market expectations are the amalgamation of analysts' forecasts and the issuer's financial results from a similar previous period. Thus, should there be a substantial discrepancy between an analyst's projections and the issuer's actual or expected earnings, issuers must judiciously assess whether such a divergence necessitates disclosure.

Compliance procedures

As outlined previously, issuers are advised to implement effective systems and procedures that facilitate the prompt and timely release of material information upon its identification. Such measures are crucial for managing continuous disclosure obligations efficiently. These systems and processes should address the following aspects:

a) Board Oversight: Ensuring the board has adequate oversight over the issuer's adherence to continuous disclosure obligations.

b) Identification of Price Sensitive Information: Establishing mechanisms within different business sectors to recognize price-sensitive data, including escalation policies.

c) Timing of Releases: Aiming to release material information prior to market opening, acknowledging that the timing of information release can depend on its source (direct from the issuer or in response to third-party information) but does not alleviate the obligation to disclose promptly.

d) Routine Information Review: Regularly assessing routinely generated data, such as monthly trading metrics, to decide if a market update is necessary.

e) Response to Unexpected Events: Ensuring a swift response to sudden or unforeseen developments.

f) Escalation Procedures: Creating pathways for rapid escalation of issues to directors and senior officers for immediate consideration of disclosure requirements.

g) Authority for Urgent Announcements: Designating individuals authorized to approve and release urgent market announcements.

h) PNGX Communication: Identifying personnel responsible for liaising with PNGX about disclosure matters, ensuring these individuals possess adequate business knowledge and authority.

i) Preparation for Announcements: Drafting potential announcements ahead of board meetings or anticipated significant events like signing agreements.

The complexity of these systems and processes will vary based on the issuer's size and resources, but they must be sufficient to meet disclosure obligations. For instance, while some issuers might establish a disclosure committee to handle these responsibilities, this may not be feasible for all. It is essential for issuers to design internal policies that support rapid convening of decision-making bodies like disclosure committees and document board decisions and rationale meticulously where necessary.

Additionally, issuers can facilitate compliance by planning board meetings or the execution of legal agreements strategically. For instance, a material agreement is typically considered finalized once signed, necessitating immediate disclosure. Issuers are encouraged to prepare announcements in advance to enable quick release post-signing.

In cases where issuers need to respond to information due to be released by a third party, obtaining an embargoed copy beforehand allows preparation for an immediate response upon public release. However, the issuer must confirm that conditions justify delaying disclosure in the interim. Examples of specific processes that issuers may implement to address these issues are detailed in the Appendix of this guidance note.

Crafting Effective Market Announcements

Market announcements by issuers are not governed by a strict checklist of content requirements. The necessary detail within an announcement varies based on its purpose and content. Issuers must ensure that each announcement contains ample information to enable investors to fully understand and evaluate its significance, as well as to determine its potential effect on the value or price of the issuer's financial products. It is crucial, however, that key details are prominently presented and not obscured within extensive descriptions.

In instances where an issuer reports a transaction deemed material, rule 4.2 typically mandates the disclosure of all critical elements of the transaction, such as:

a) A detailed description of the assets or financial products involved in the acquisition or disposal;

b) The total consideration, its composition, and the payment method used;

c) For transactions involving financial products, the proportion of total issued financial products of each class involved and the resultant ownership percentage of each class after the transaction;

d) The specifics of any significant conditions that could prevent the transaction's completion, along with the dates when:

    i. The transaction is expected to become unconditional; and/or

    ii. The settlement is to be completed through payment.

These guidelines aim to ensure that all disclosures provide a clear, comprehensive view of the transaction's scope and implications, fostering transparent communication with the market and safeguarding investor interests.

Developing Issuer Policies for Escalation

It is essential for an issuer's board to establish a written policy on continuous disclosure, which can be reinforced by additional policies and procedures addressing specific disclosure-related issues, such as delegated authority policies and detailed disclosure procedures. Implementing these policies serves dual purposes:

a) They provide a structured protocol for managing disclosure events, facilitating a coordinated and swift response when timely disclosure is critical.

b) They ensure transparency, offering investors clear insight into how the issuer meets its continuous disclosure obligations. Ideally, the continuous disclosure policy should be readily accessible on the issuer's website.

While the specifics of the policy will vary depending on the issuer's particular needs, at a minimum, the policy should be crafted to ensure that:

a) Any information that could potentially be material and necessitate disclosure under rule 4.1 is promptly brought to the attention of the issuer's directors and senior officers;

b) Such information is thoroughly evaluated to determine if it indeed requires disclosure according to Listing Rule 4.1; and

c) If disclosure is necessary, the information is released to PNGX without delay.

Should there be a breach of Rule 4.2, PNGX will consider the existence of such a policy and evaluate its effectiveness in the given situation—specifically examining why it was or was not successful in preventing the breach. This assessment helps in understanding the issuer's compliance framework and its operational efficacy during incidents requiring prompt disclosure.

PNGX's Regulatory Actions

Through its monitoring and oversight roles, PNGX may detect instances where market-circulating information, not officially disseminated by an issuer, seems to be significantly impacting the issuer's securities pricing. In such scenarios, PNGX will reach out to the issuer to ascertain its perspective on whether the market possesses comprehensive information.

In situations deemed severe, where there's an indication of a distorted market condition, PNGX possesses the authority to temporarily suspend trading of the issuer's securities. This action allows the issuer to undertake necessary measures to issue a clarification or update to the market. During this process, PNGX aims to gauge:

a) The issuer's level of awareness concerning the information about it that has become publicly available;

b) The issuer's understanding of how this information has influenced its securities' pricing; and

c) Whether the issuer has evaluated its obligation to disclose under rule 4.3.1.

PNGX review procedures

When examining the materiality of information disclosed by issuers, PNGX considers evidence of post-disclosure price movements of an issuer's securities. However, such evidence serves primarily as a secondary validation rather than the main criterion for materiality assessments. This underscores the importance of a forward-looking approach at the time of information release.

Issuers are therefore urged to meticulously anticipate the market's reaction to disclosed information. It's crucial to recognize that the absence of immediate price fluctuations post-disclosure does not necessarily negate the materiality of the information at the assessment stage by the issuer. Material information requiring disclosure may exist even without observable market movements upon its availability to investors.

In its oversight of market responses to disclosures and the resultant impact on securities pricing, PNGX employs certain benchmarks:

a) A price movement of 10% or more in a quoted security is typically regarded by PNGX as indicative of the information having a significant effect on pricing, prompting a likely review of the disclosure and its release process.

b) Price movements ranging from 5% to 10% in quoted securities are often considered by PNGX to signify a material impact on pricing, meriting a probable review.

This framework, however, is broad by necessity, as the relevance of price movements between 5% and 10% is contingent upon specific facts and circumstances. For instance, a 5% price shift may not denote a "material effect" for an illiquid security, whereas for entities with substantial market capitalization and high liquidity, such movements could be deemed significant. PNGX's analysis of any given price movement will take into account a spectrum of evidence, including general market trends or those within a specific index or sector, alongside any other issuer-specific information that might influence pricing.

Typically, PNGX anticipates any price reaction linked to the disclosure of information to manifest within one trading day post-announcement. The timing between the information release and the price movement, along with any preceding price changes possibly triggered by leaks or rumors, will also be evaluated to determine the connection between the information disclosed and the observed market reaction.

It's critical to note that the above guidance does not modify the established definition of materiality within the listing rules or its application to specific scenarios. Thus, the provided price movement guidelines are intended as an illustrative tool for gauging the likelihood of PNGX considering such movements as evidence of material impact on securities pricing. They do not limit PNGX (or any regulatory authority) from adopting a different stance in particular instances. In cases of minimal price movement, PNGX may escalate the matter to the Securities Commission for further review.

Provision of Additional Information

Rule 4.1 is complemented by rule 27.11, which stipulates that an issuer is required to provide PNGX with any information, document, or explanation that PNGX requests. This requirement ensures that PNGX can verify the issuer's ongoing compliance with the Listing Rules. The issuer is obligated to submit the requested materials within the timeframe designated by PNGX.

Periodic Price Enquiries by PNGX

PNGX conducts periodic formal price enquiries of issuers when unusual trading patterns in prices or volumes are observed and cannot be explained by information that is publicly available. The analysis of such market anomalies involves a comprehensive review of activities related to specific securities, participants, or clients. The issuance of a price enquiry is based on a holistic consideration of various factors deemed relevant by PNGX under the given circumstances, rather than a single trigger. This approach is not rigidly formal; PNGX assesses changes in price and volume in the context of the liquidity of the stock.

When PNGX initiates a price enquiry, it specifies a deadline for response, generally requiring that the issuer respond before 10:00 AM on the following trading day. The response from the issuer must be thorough and address all aspects of the enquiry. After reviewing the issuer's response and conducting any necessary follow-up enquiries, PNGX will release the findings to the market alongside the issuer's detailed response.

The typical questions posed in a price enquiry may include, but are not limited to:

a. Is the company aware of any information concerning it that has not been announced to the market which, if known, could be a reasonable explanation for the recent trading in the company's securities?

b. If the answer to the above question is "yes," can you provide an explanation that accounts for the recent trading? If not, please confirm your compliance with the listing rules.

c. Has there been any recent development involving your company's financial situation, the threat of significant litigation, or negotiation that might have gone public or is in the stage of being made public that could have affected the security price?

d. Can you confirm that your company is complying with the listing rules and its obligations under the continuous disclosure rules?

If PNGX has ongoing concerns it may request further information regarding when the issuer and its senior officers became aware of material information. The typical questions posed in an awareness enquiry may include, but are not limited to:

a. When did the senior officers of the issuer become aware (as that term is defined in the listing rules) of the information?

b. Who was aware of the information and when?

c. Was the information conveyed, either formally or informally, to any other person within or external to the issuer prior to its release to the market? If so, who and when?

This structured approach ensures that all stakeholders have a clear understanding of the circumstances surrounding unusual market activities and maintains the integrity of the market.

Appendix – Guidelines for disclosure of material information

Guidelines for Continuous Disclosure Compliance

These guidelines are designed to help issuers navigate their continuous disclosure obligations effectively, ensuring transparency and compliance with PNGX listing rules.

a) Training on Listing Rules: Ensure all Directors and employees are familiar with the listing rules and understand the importance of consulting the designated communications point person if they possess potentially material information.

b) Board Meeting Agenda: Include a fixed agenda item during board meetings to evaluate whether any issues require disclosure according to the listing rules.

c) Board Recommendations: Staff should include recommendations in board papers regarding information that may need to be disclosed under the listing rules.

d) Recording Board Decisions: Ensure that minutes of board meetings accurately document the rationale for disclosing or withholding specific information.

e) Development of Review Processes: Issuers should establish procedures to regularly assess whether:

    a. They are aware of material information as defined by the listing rules, which includes identifying senior officers of the company.

    b. Any exceptions specified in rule 4.1 are applicable.

f) Designation of a Communications Point Person: Assign a specific individual to serve as the central point through whom all disclosures must be coordinated.

g) Communication Policy: Implement a policy restricting unauthorized individuals from speaking on behalf of the issuer unless they receive explicit authorization.

h) Monthly Review of Accounts: Regularly analyze monthly financial statements to identify any material changes that warrant market disclosure.

i) Confidentiality in Negotiations: Secure appropriate confidentiality agreements during significant negotiations to protect sensitive information.

j) Timing of Releases: Aim to release material announcements prior to market opening when possible. However, note that the timing of such releases might depend on whether the material information originates internally or in response to external developments and does not exempt the issuer from the obligation to disclose all material information promptly and without delay.

k) Record-Keeping of Disclosures: Maintain detailed records of all material information disclosed to third parties.

Guidelines – Priority of Disclosure to PNGX

a) Assignment of Responsibilities: Designate a specific individual responsible for communicating all announcements to PNGX.

b) Confirmation of Receipt: Ensure that confirmation is received from PNGX regarding the acceptance of the information before engaging with the press or analysts.

Guidelines – Preventing a False Market

a) Review of Communications: Continuously monitor and assess all media comments and company announcements for accuracy and potential market impact.

b) Trading Oversight: Regularly review the trading activities of the issuer's financial products to detect irregularities or unusual patterns.

c) Reporting Mechanisms: Ensure that any indications of a potential false market are promptly reported to the designated authority within the company for immediate evaluation and action.