

## **G3 Exploration Limited – Violation of the ABM rules – Deregistration of bonds from Nordic ABM**

### **1. Introduction**

The matter relates to whether the bonds (the “**Bonds**”) issued by G3 Exploration Limited (the “**Company**”) are no longer suitable for registration on Nordic ABM by failing to respond to enquiries from Oslo Stock Exchange and former violations of the ABM rules.

The reason for the enquiries was investigations by Oslo Stock Exchange with regard to the Company’s obligation to disclose inside information, as well as compliance with other obligations in the ABM rules. This combined with several former violations by the Company of the ABM rules, entail that the Exchange finds it necessary to consider whether the Company’s bonds are not suitable for registration and accordingly shall be deregistered from trading on Nordic ABM, cf. section 6.1 (1) and (2) of the ABM rules.

### **2. The factual circumstances of the case**

The Bonds matured on 20 November 2017 and should have been repaid by the Company on such date at 102% of par, together with any unpaid interest. As of the date of this decision, no such repayment of the Bonds has been made. The Bonds were moved to special observation on 21 November 2017<sup>1</sup> pursuant to section 5.3 of the ABM rules due to the Bonds not having been repaid on the maturity date.

In the fall of 2019, Oslo Stock Exchange became aware of information available on Stamdata<sup>2</sup> about the Bonds which had not been made available on Newsweb. This firstly pertained to an information letter from Nordic Trustee of 11 October 2019<sup>3</sup> which stated that they had been made aware of a guarantee dated 9 July 2018 that was unknown to Nordic Trustee (as the bond trustee for the Bonds) prior to 8 October 2019. Secondly, the Exchange became aware that Nordic Trustee (on behalf of the bondholders) had formally declared the Bonds to be in default under the bond agreement. Furthermore, steps had been taken by Nordic Trustee to enforce security granted in favor of the bondholders with regard to the Bonds. This was documented through written bondholders’ resolutions<sup>4</sup> which had not been made available on Newsweb in accordance with cf. section 3.2.2 (1) no. 10 of the ABM rules.

The Exchange sent a request<sup>5</sup> regarding the above to the Company on 13 November 2019 with the deadline for reply set to 18 November 2019. The Exchange requested the following:

- (1) How the Company had considered the above information and its obligation to publicly disclose inside information pursuant to section 3.2.1.1 of the ABM rules.
- (2) How the Company had considered the information about the additional guarantee pursuant to section 3.2.2 (1) no. 8 of the ABM rules, which states that the borrower immediately must publicly disclose factors of material importance as regards mortgaged or pledged items,

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<sup>1</sup> <https://newsweb.oslobors.no/message/439113>

<sup>2</sup> Nordic Trustee’s portal for bonds

<sup>3</sup> [Appendix 1](#): Information letter from Nordic Trustee of 11 October 2019

<sup>4</sup> [Appendix 2](#) - Documentation from Nordic Trustee of 21 October 2019 and 18 November 2019

<sup>5</sup> [Appendix 3](#) - E-mail correspondence between the Oslo Stock Exchange and the Company from 13 November 2019 to 17 December 2019

- guarantees and other collateral furnished for the loan, including any new valuation of a mortgaged or pledged item, as well as other factors with a material bearing on the collateral.
- (3) How the Company had considered the information about the bondholders meeting pursuant to section 3.2.2 (1) no. 10 of the ABM rules.

The Exchange also requested that the Company published the documentation referred to above on Newsweb immediately.

On 18 November 2019, the Company requested an extension of the deadline to 25 November 2019, which was granted.

On 25 November 2019, the Company sent an e-mail to Oslo Stock Exchange and stated that it considered it best to respond the enquiry from the Oslo Stock Exchange following a court order from the Cayman Court.

On 13 December 2019, the Company published a stock exchange notice<sup>6</sup> where it was informed that the Cayman Court had appointed joint provisional liquidators to work with the Company's Board of Directors and management in developing a restructuring plan.

On 17 December 2019, the Oslo Stock Exchange sent an e-mail to the Company with a reference to the said stock exchange notice and asked for a reply to the Exchange's request of 1 November 2019 within 20 December 2019. As of this date, the reply is still outstanding.

On 5 June 2020, the Oslo Stock Exchange sent an advance notice of delisting to the Company with deadline for comments set to 22 June 2020. The Company has not provided any comments to the advance notice.

### **3. Previous matters**

The Company has on several previous occasions received violated the ABM rules:

On 3 February 2016<sup>7</sup>, the Exchange sent a letter to the Company with respect to its annual report for 2014 and half-yearly report for 2015 not having been published on Newsweb within the stipulated deadlines, being 30 April 2015 for the annual report and 31 August 2015 for the half-yearly report.

On 14 December 2016<sup>8</sup>, the Exchange sent an e-mail to the Company with respect to the Company's half-yearly report for 2016 not having been published on Newsweb before 1 October 2016, which was a repeated breach of the ABM rules.

On 5 April 2018<sup>9</sup>, the Exchange sent a letter to the Company regarding several violations of the ABM rules, including failure to update contact persons in Newspoint, the duty to make information available on Newsweb, hereunder that the Company had not published its half-yearly report for 2017 on Newsweb within the stipulated deadline. Furthermore, the Company had on several other occasions not published information timely on Newsweb in accordance with the ABM rules, including

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<sup>6</sup> <https://newsweb.oslobors.no/message/491661>

<sup>7</sup> Appendix 4 - Letter from the Oslo Stock Exchange to the Company of 3 February 2016

<sup>8</sup> Appendix 5 – E-mail from the Oslo Stock Exchange to the Company of 14 December 2016

<sup>9</sup> Appendix 6 - Letter from the Oslo Stock Exchange to the Company of 5 April 2018

information about company name change and extension of maturity date for the Bonds. The Exchange also emphasized that it considered it serious that the Company had ignored the requests from the Oslo Stock Exchange until the Exchange stated that a deregistration of the Bonds could be the outcome if the Company did not reply. Following receipt of information from the Company, the Exchange decided not to initiate a deregistration of the Bonds, but highlighted that future violations could entail that the Exchange could reconsider such deregistration.

On 4 December 2018<sup>10</sup>, the Exchange sent an e-mail to the Company with respect to the Company's half-yearly report for 2018 not having been published on Newsweb before 21 September 2018, which was once again a violation of the ABM rules.

#### **4. Legal background**

The Oslo Stock Exchange may decide that bonds issued by a borrower in certain circumstances shall be deregistered from Nordic ABM, cf. section 6.1 of the ABM rules:

- (1) Oslo Børs ASA may decide that bonds issued by a borrower shall be deregistered if they no longer satisfy the exchange's conditions or if called for on other special grounds. However, Oslo Børs ASA cannot deregister a financial instrument if this can be expected to cause material disadvantage for the owners of the instruments or for the market's duties and function.*
- (2) If the borrower has grossly or repeatedly violated the provisions of these Rules, the general provisions of securities legislation or legal regulations issued pursuant to such legislation, this shall in general be regarded as a sufficient reason that may call for deregistration of the company's bonds.*

*(...)*

#### **5. The Oslo Stock Exchange's assessment**

The Oslo Stock Exchange monitors the issuers' compliance with the applicable disclosure obligations on the Exchange's market places. The Oslo Stock Exchange considers this work to be of high importance for maintenance of the integrity of the market place. A well-functioning market is characterized by all market participants having access to the same information from the issuers at the same time so that investment decisions can be made on the same basis. This contributes to a correct pricing of the relevant financial instruments.

The Company is pursuant to section 3.1.5 (5) of the ABM rules obliged to, upon request, provide the Oslo Stock Exchange with any information the Exchange considers necessary to ensure that the registration of bonds on Nordic ABM is carried out in accordance with the ABM rules, the Trading Rules and the general rules that arise through securities legislation and any regulations issued in this respect, except where such information is subject to a duty of confidentiality imposed by law. This obligation is essential for the Oslo Stock Exchange to follow-up issuers where there is a suspicion of an issuer not disclosing information to the market in accordance with applicable rules.

The Oslo Stock Exchange considers it serious when a company over time fails to comply with the obligation to provide the Exchange with requested information. This prevents the Exchange's work in following up the disclosure obligations of the issuers. This combined with the Company's repeated

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<sup>10</sup> [Appendix 7](#) - E-mail from the Oslo Stock Exchange to the Company of 4 December 2018

violations of the ABM rules regarding publication of financial reports on Newsweb, entail that the Oslo Stock Exchange considers it necessary to assess whether the Company's bonds are suitable for listing on Nordic ABM.

The Oslo Stock Exchange considers the Company's repeated violations of the ABM rules as gross. The Company's duty to provide information to the Exchange relates to important matters regarding the Bonds, being bondholder meetings, extension of the maturity and declaration of default of the Bonds. The Exchange considers that these matters are of particular importance with regard to the Company's duty to disclose information on Nordic ABM. This combined with the Company's repeated violations of the obligation to publish financial reports on Newsweb, implies that the Exchange concludes that the condition for deregistration of the Bonds pursuant to section 6.1 (1) first sentence is fulfilled.

Pursuant to section 6.1 (1) second sentence of the ABM rules, the Exchange cannot deregister a financial instrument if this can be expected to cause material disadvantage for the owners of the instruments or for the market's duties and function. This implies that a wide discretion has to be made as to the reasons for and against deregistration when making the assessment of deregistering a bond loan. The interest of the Exchange and the market in being able to delist issuers which repeatedly and gross violate the ABM rules must be weighed against the bondholders' interest in a continued registration of the Bonds on Nordic ABM.

An important aspect of a registration on Nordic ABM is the flow of information from the Company to its investors, in this case the creditors. The flow of information from a company with bonds on Nordic ABM shall be predictable and in accordance with the ABM rules. When an issuer repeatedly fails to comply with these rules, it reduces the value of the registration on Nordic ABM for its bondholders. In this case, the Company has repeatedly violated its obligation to provide the Exchange with requested information for the Exchange to consider whether the Company has complied with its obligations as an issuer with bonds registered on Nordic ABM. Furthermore, the Company has not made several of its financial reports available on Newsweb within the stipulated deadlines of the ABM rules and also violated other disclosure obligations. This contributes to a reduced value of the listing for the Company's bondholders.

The Exchange has also taken into consideration that the Bonds matured on 20 November 2017 without being paid by the Company. The Exchange also notes that there has been very limited trade volume in the Company's Bonds. Furthermore, the Company has not provided any reply or comments to the Exchange's advance notice of delisting.

Based on the above, the Oslo Stock Exchange considers that a deregistration of the Bonds will not cause any material disadvantage for the bondholders or for the market's duties and function, cf. section 6.1 (1) second sentence of the ABM rules.

Following an overall assessment of the above, the Oslo Stock Exchange considers that the Bonds are no longer suitable for listing on Nordic ABM. As stated above, the Exchange also considers that a deregistration of the Bonds will not cause any material disadvantage for the bondholders or for the market's duties and function.

The Exchange also refers to the decision by the Exchange of 1 June 2017 to deregister the bonds of Island Offshore Shipholding L.P. following repeated and gross violations of the duty to provide information to the Exchange upon request. The Exchange also took into consideration that the

Company had been given public criticism from the Exchange for not having published financial reports within the deadlines set out in the ABM rules.

The Exchange has limited means of reacting to violations of the ABM rules. Given the repeated violations of the ABM rules made by the Company, the Exchange finds that no other available forms of reaction in the ABM rules are considered appropriate in this case.

The Oslo Stock Exchange has accordingly reached the conclusion that the Bonds are not suitable for listing on Nordic ABM. The Oslo Stock Exchange has on 25 June 2020 therefore made the following decision:

*“The Oslo Stock Exchange considers that the bonds issued by G3 Exploration Limited with ISIN NO0010838857 are not suitable for registration on Nordic ABM due to repeated and ongoing violations of the ABM rules on financial reporting and obligation to provide the Oslo Stock Exchange with requested information. The Oslo Stock Exchange has decided to deregister the bonds from Nordic ABM pursuant to section 6.1 (1) of the ABM rules with effect from 3 August 2020. The last listing date will be 31 July 2020.”*