

**UPDATE ON ACTIVITIES OF CRIRSCO (COMMITTEE FOR MINERAL RESERVES INTERNATIONAL REPORTING STANDARDS)**

**January 2006**

CRIRSCO, which was formed in 1994 under the auspices of the CMMI<sup>1</sup>, has been to date a loosely knit grouping of eight representatives of organisations that are responsible for developing mineral reporting codes and guidelines in Australia (JORC), Chile (National Committee), Canada (CIM), South Africa (SAMREC), the USA (SME), UK (National Committee) and Western Europe (IGI and EFG). JORC's representative is currently Pat Stephenson, who took over from the late Norman Miskelly during 2005. Norman, who sadly passed away in November 2005 was the first convenor and Chairman of CRIRSCO, and was the driving force in international resource / reserve reporting standards for many years.

Pat is currently Co-Chairman of CRIRSCO, together with Niall Weatherstone (UK). Other committee members are Ferdi Camisani (South Africa), Gordon Riddler (UK), John Clifford (Ireland and W Europe), John Postle (Canada), Jean-Michel Rendu (USA) and Edmundo Tulcanaza (Chile).

CRIRSCO was established to promote international best practice in the reporting of Exploration Results, Mineral Resources and Mineral (Ore) Reserves by ensuring international compatibility of national reporting codes without compromising local regulatory requirements. This effort has been particularly successful and the reporting standards of the countries represented by CRIRSCO are 90-95% compatible 'clones' of each other.

The mining industry has become increasingly globalised in recent years and the need for a committed and dedicated international approach to the many issues that arise from the reporting of mineral resources and reserves has never been greater. In the past year the Committee's activities have taken on a broader dimension than was envisaged when it was formed, involving discussions with regulators and other authorities outside the mining industry, such as the United Nations and the International Accounting Standards Board (IASB). As a result its workload has substantially increased and a reorganisation is currently taking place to ensure that CRIRSCO is structured, and has the resources and mandate needed, to meet future challenges.

Some of the Committee's current activities include:

**The International Reporting Template**

The CRIRSCO Template, which is scheduled to be published on CRIRSCO's web site (currently being overhauled) early-mid 2006, is intended to be a guideline for countries newly developing their own reporting standards, and a benchmark for comparison with other international reporting systems, including the United Nations Framework Classification (UNFC) and the Society of Petroleum Engineers (SPE) Guidelines. It is not intended as a replacement for existing well-established national reporting standards.

As each new or updated national reporting standard is developed, it is reviewed by the other members of CRIRSCO in cooperation with the particular national reporting committee, to ensure that it continues to maintain compatibility with other standards. Just as importantly, improvements introduced by the most recent standard can be captured and built into the Template. This rolling process of comparison with previous standards and upgrading by international consensus is

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<sup>1</sup> Council for Mining and Metallurgical Institutions, effectively disbanded in 2002

highly effective and ensures that changes are kept to a sensible minimum and that the most recent standard is generally seen as 'best practice'.

### **Alignment with the United Nations Framework Classification**

The UNFC was developed by the UN Economic Commission for Europe (UNECE) in 1997 with the intention of providing a single global system for harmonising all existing national and international mineral resource and mineral reserve reporting systems across the full spectrum of governmental and commercial requirements and for both the hydrocarbon and solid minerals sectors. In 1999 CRIRSCO reached agreement with the UNECE that CRIRSCO definitions would be incorporated in the UNFC for those categories of resources and reserves used for market-related reporting.

In 2003 an updated UNFC was produced with input from the hydrocarbon industry that unfortunately failed to recognise the differences between the hydrocarbon and solid mineral industries in the way they report resources and reserves. In response to this, CRIRSCO has re-engaged with the UNECE, most recently in Geneva in November, and has committed to lead efforts to produce definitions and guidelines based on the CRIRSCO Template that are compatible with the needs of the users of the UNFC. The main effort of this exercise is scheduled to be concluded by October 2006.

While few individual companies report their resources and reserves using the UNFC, the system is accepted or being examined as a basis for reporting by some governments, including those of Russia, China and India. The relevance of these countries to future mining developments including stock exchange listings is clear and CRIRSCO is working to promote the use of consistent and readily understood definitions and guidelines in these countries.

### **International Financial Reporting Standards for the Extractive Industries**

During 2005, CRIRSCO was involved in discussions with the IASB, which is developing a new Accounting Standard for the Extractive Industries as part of its International Financial Reporting Standards (IFRS). The current phase of the development involves a review by the IASB of existing resource and reserve definitions for hydrocarbons and solid minerals. The hydrocarbon industry has been similarly involved.

CRIRSCO has been asked by the IASB to examine the potential for convergence of definitions with the hydrocarbon industry (see below) and to work with it to provide high level, non technical guidance on resource and reserve definitions for the accounting profession.

The 'rules' whereby the major assets of an exploration or mining company, its mineral resources and reserves, are used, for example, in depreciation and impairment are obviously highly relevant to the companies concerned. With the general global acceptance of IFRS, CRIRSCO believes it is increasingly important to engage with regulators such as the IASB to ensure that the eventual standards do not disadvantage mining companies or render ineffective the various current national reporting standards.

### **Convergence of Definitions between the Hydrocarbon and Solid Minerals Industries**

Arising from discussions with the UNECE and IASB it is clear that there is a perception outside the extractive industries that the hydrocarbon and solid minerals sectors are essentially the same and that resource and reserve definitions should be compatible.

CRIRSCO has participated in discussions with each organisation to demonstrate the similarities, and considerable differences, between reporting systems in the two industries. As a result, contact has been established with the SPE Oil and Gas Reserves Committee with a view to examining the extent to which convergence of definitions might be possible. While no guarantees have been offered, this exercise, which has started with the 'mapping' of the SPE Guidelines to the CRIRSCO Template, is commended by both the UNECE and IASB and is similarly timed to be completed around October 2006 .

CRIRSCO consists of a group of highly experienced and dedicated volunteers that until now has been able to manage its affairs with a limited number of committee members and some financial assistance from its sponsoring organisations, which have primarily been professional bodies. With the necessity for an increasing breadth and intensity of its activities, CRIRSCO is taking steps to establish itself on a firmer footing with respect to human and financial resources, sponsoring organisations and a revised mandate. We are in the process of drawing up proposed terms of reference, a work plan and budget, identifying stakeholder groups and developing appropriate mechanisms for providing funding to Committee members. We will be contacting each of these organisations in the near future to seek their input and assistance and to establish broader consultation groups to inform and advise CRIRSCO.