



COMMITTEE FOR MINERAL RESERVES
INTERNATIONAL REPORTING STANDARDS



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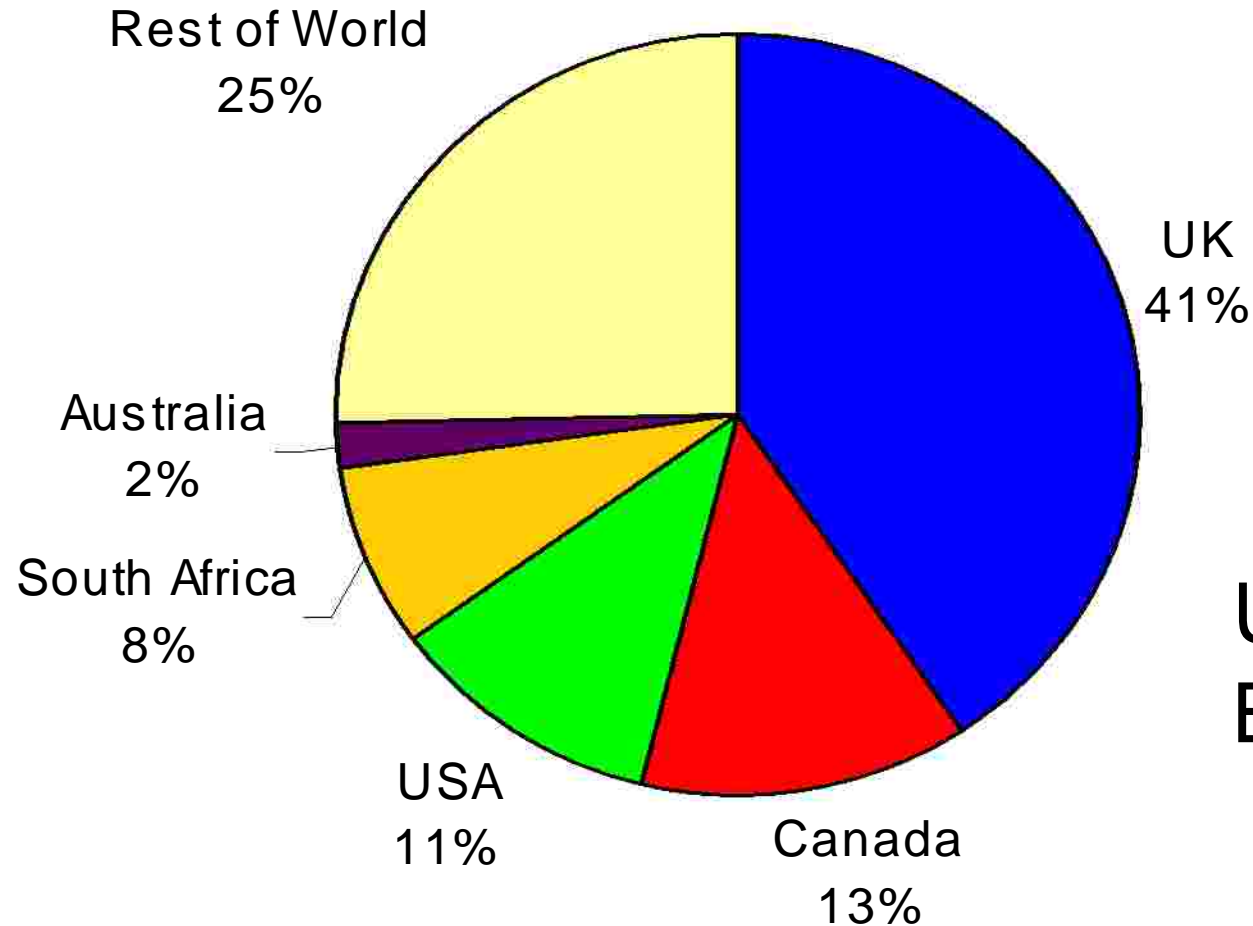
ESMA and CRIRSCO: Reporting standards in Europe - and beyond?

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Does Europe matter?

- “There’s not much mining here”
- Principal capital markets for mining:
 - Australia
 - Canada
 - South Africa
 - USA
 - But also ... UK: LSE and AIM

Relative sizes of mining capital markets



UK is within EU.
Europe matters!

End-2007 – source: CRU database

Europe as a single market ?

- European Union: 27 countries
- Plus EEA countries: Switzerland, Norway, Iceland,...
- Plus former Soviet republics: Russia, Ukraine, Belarus,... (**Russia now has its own CRIRSCO code**)
- Plus former Yugoslav republics: Croatia, Serbia, Macedonia, Bosnia, Montenegro,...
- Plus Turkey

- Many countries, many regulatory regimes, no easy route to standardisation
- First step: EU harmonisation
- 2010: CESR consultation: reporting for minerals companies prospectuses
- 2011: CESR became ESMA. ESMA regulations published 23 March

- 23 April 2010, for submissions by June 2010
- Proposed replacement of original 3 paragraphs by detailed rules for mineral company prospectuses
- Definition of 'mineral company' includes oil and gas
- For solid minerals, acceptance and support of CRIRSCO-aligned codes
- But some misunderstandings and errors

- CESR proposed to allow companies to select from a menu of different reporting standards:
 - JORC
 - SAMREC
 - CIM
 - SEC IG7
 - SME
 - PERC
 - Chilean code
- A set of other detailed proposals on the content of prospectuses and conventions to be followed

- Submissions could be made both publicly and privately.
- PERC prepared a detailed submission. Supported by submissions from CRIRSCO itself and from other CRIRSCO members.
- Large number of confidential submissions, which we have not seen

Key points of the CRIRSCO case

- Require the use of a CRIRSCO-aligned reporting standard
- Choice of standard: CRIRSCO proposed following other jurisdictions – **identify a single reference standard (PERC)**
- Accept that in practice companies use different standards (e.g. JORC)
- Require reconciliation to PERC in the rare event that detailed provisions are different from those of PERC

CESR became ESMA

- On 1 Jan 2011 CESR became ESMA.
- On 21 March ESMA published its response to the consultation - and the new regulations

- **Accepted first point. A CRIRSCO-aligned reporting standard MUST be used. Practical effect: The USA SEC Industry Guide 7 is not allowed, also the UNFC classification, and also the Russian and Chinese national standards which had been requested in some closed submissions were rejected.**
- Rejected the concept of a single reference standard. Allow selection from a menu of reporting standards.
- No mechanism defined for monitoring or policing of reports compiled using different reporting standards
- Burden on EU member states for enforcing breaches

- CPR (Competent Persons Report) minimum contact **recommended** rather than **compulsory**.
- CP discretion to quote resources either inclusive or exclusive of reserves
- For a prospectus, the CP **must** be independent
- Dropped proposals to require CPRs for:
 - New assets being acquired
 - A material first time declaration of new reserves
 - A significant (100%) change in reserves levels

- The ESMA Regulations are good, as far as they go.
- However, they are incomplete. They specify what may be done, and make recommendations on the content of prospectuses.
- But they do not define how regulations will be implemented and enforced.
- Presumably the idea is that this is to be defined at a national level by relevant stock exchange regulators.
- Some specific problems
- There is more work to be done.

Example: One specific problem ...

- The ESMA rules appear vague in defining the level of aggregation allowed: per accounting unit, country, individual mine ?
- A very important question for large industrial minerals and building materials companies – typically they have many quarrying operations, all relatively simple
- Previously they have not needed separate CPRs for each, or for any aggregation.
- Main component of value is in processing and transport, not the raw minerals

ESMA Competent Person Definition – for prospectuses

- Closely matches the CRIRSCO Competent Person; ESMA accepts CRIRSCO definitions
- Added default condition. If not otherwise specified, requires
 - **“professionally qualified and a member in good standing of an appropriate recognised professional association”** etc AND
 - **“at least five years relevant professional experience”** etc. – wording very similar to the CRIRSCO Template
- **“...independent of the company”** and **“not remunerated by way of a fee that is linked to the admission or value of the issuer”**

- Extend rules (with appropriate modifications) from prospectuses to ALL public reporting
- Pending completion of the regulatory regime at national level, strong CRIRSCO recommendations are:
- Use PERC as the reference standard – explicitly noting any differences in usage from the standard actually used
- This simplifies the chain of responsibility – a little.
- Set up monitoring and enforcement procedures

Where next for PERC?

- **PERC's role itself to be redefined. Brussels base, continent-wide focus (with EFG backing)**
- Gain acceptance of the PERC Standard as the preferred reporting standard in London and other European markets
- Promote excellence through use of appropriate CRIRSCO codes (i.e. not just PERC):
 - **training programmes** for mineral companies, brokers, banks...
 - **briefing and dissemination** activities, e.g. at the European Commission, and national stock exchange regulators, with mineral companies and other stakeholders