



COMMITTEE FOR MINERAL RESERVES  
INTERNATIONAL REPORTING STANDARDS





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# USA Reserves and Resources - Challenges Reporting with the SEC

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- Background
- Early Evolution of Classification
- SME and SEC
- Current Status
- Track Record

- US was at one time in the forefront of Reserve/Resource reporting
  - USGS Circular 831, “Principles of a Resource/Reserve Classification for Minerals”, issued in 1980
    - First clear definition for Measured, Indicated, and Inferred
    - Beginning the separation of “Resources” and “Reserves”

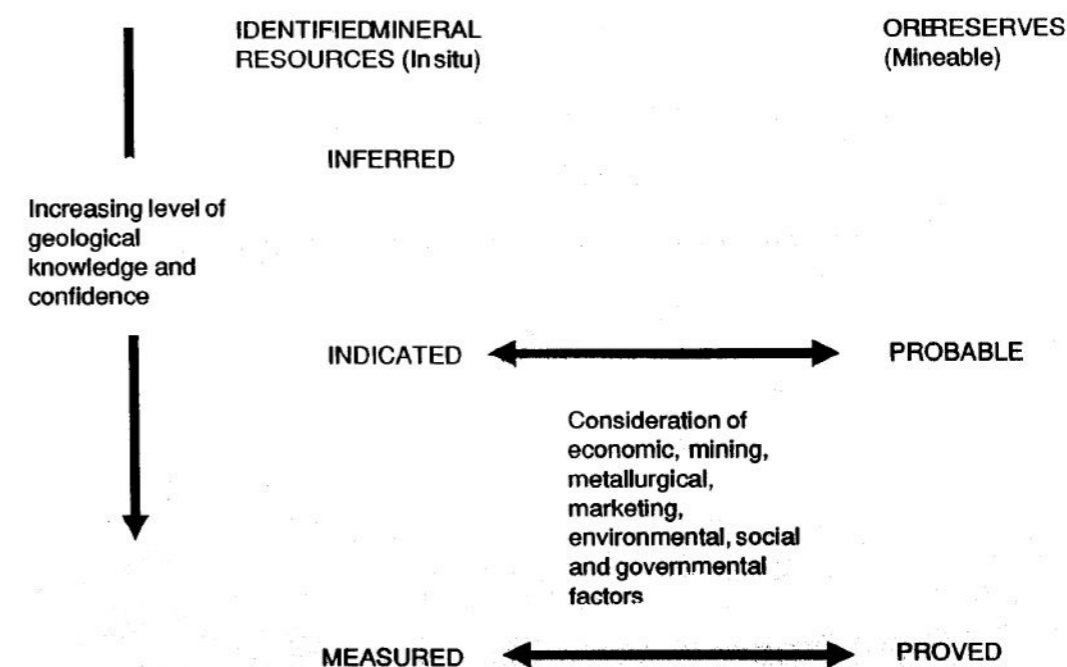
- Shortly after Circular 831, SEC issued “Industry Guides” in 1982 (nearly 30 years ago!)
  - Industry Guide 7 (IG7): “Description of property by issuers engaged or to be engaged in significant mining activities”
  - 2 Pages, including instructions for north arrows and scales on maps
  - Concept of CP/QP not part of IG7, however responsible party should be identified.

## McKelvey, 1980

Cumulative Production	IDENTIFIED RESOURCES		
	Demonstrated		Inferred
	Measured	Indicated	
ECONOMIC	Reserves		Inferred Reserves
MARGINALLY ECONOMIC	Marginal Reserves		Inferred Marginal Reserves
SUB-ECONOMIC	Demonstrated Subeconomic Resources		Inferred Subeconomic Resources

## JORC, 1989

Figure 1. - REPORTING TERMINOLOGY



- The SME organized a conference in 2003 in Reston Virginia and met directly with SEC staff
- SEC made presentation and 5 questions of interest to SEC were identified:
  - Commodity Prices
  - Publication of Mineral Resources
  - Technical and Economic Study Requirements
  - Permitting and Legal Requirements
  - Role of the Competent Person

- The SME updated the SME Guide in 2005 and submitted a draft to the SEC.
- No official response ever received from SEC
- The SME Guide was published in 2007, with the 5 areas of interest to the SEC addressed in the updated guide

- Mining now in the US is very small % of GDP, mostly service economy, thus difficult to get the attention of regulators to the importance of updating guidance
- SEC mining section has small staff of 2 engineers
  - Top-Down rule making, 5 levels below CorpFin
  - Engineers understand CRIRSCO, are Registered SME Members

- IG7 addresses only Reserves
  - Updates come via individual “Comment Letters”, which are posted to EDGAR, but difficult to find reserve-related information
  - Can be economically and legally extracted at time of reserve determination
    - Economic = full feasibility for greenfield mine plan for operating mine
    - Legally = all permits in hand or reasonable expectation
    - At time of = price NTE 3 year trailing price average
  - No disclosure of resources unless required by foreign law
  - IG7 applies to formal filings with SEC, not other publications

- The SEC's position that Resources are poorly understood and would be confused with Reserves remains the official position
- U.S. Companies listed in the US continue to declare only Reserves in official filings with the SEC
- Basis for Reserves continues to be Feasibility study – SEC remains skeptical that pre-Feasibility is high enough quality
- US Companies are at a disadvantage in not being able to officially report Resources
- Re-alignment of CRIRSCO definitions underway – SME Guide and others have drifted, some SME drift is attributable to SEC

- SEC may be required to reconsider reporting guides for Mineral Sector
  - July 11, 2011, an executive order was signed to “seek public comment on a plan to conduct retrospective reviews of its existing regulations”
  - “should consider how best to promote retrospective analysis of rules that may be outmoded, ineffective, insufficient, or excessively burdensome...”
    - Viewed as an opportunity to request revision of IG7
    - SME provided comment letter early October
    - SME has offered to support to the SEC to adopt/write a new reporting code
- The SME Supports establishment of CRIRSCO Template as a basis for public reporting of resources and reserves in new IFRS’s. This also represents an opportunity to advance change with the SEC

- The track record to get the SEC to discuss an update of IG7 or to adopt guidelines developed by the SME under the CRIRSCO umbrella is poor with no material progress to show from the efforts over the last 10 years
- Repeated requests (as recently as last week) to meet and discuss issues and potential solutions have been systematically delayed, stalled, or have not occurred, but the SME continues to try to open a dialogue
- SME has and will consider other approaches to enable change, such as petitioning for rule change

Thanks to CRIRSCO and SME for opportunity to present this information,

and

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