



COMMITTEE FOR MINERAL RESERVES INTERNATIONAL REPORTING STANDARDS

**REPORT ON PUBLIC SESSION OF THE CRIRSCO ANNUAL MEETING HELD ON 1ST NOVEMBER, 2011,
AT IOM3 OFFICES, 1 CARLTON HOUSE, LONDON, UNITED KINGDOM.**

Present:

CRIRSCO Member Representatives

D.McCombe (CIM, Canada) Chairperson
R.Dixon (SAMCODES, South Africa) Past Chairperson
E.Tulcanaza (Comision Minera, Chile) Deputy Chairperson
I.Goddard (JORC, Australasia) Secretary
P.Stoker (JORC, Australasia)
P.Bankes (CIM, Canada)
H.Soza (Comision Minera, Chile)
P.Gribble (PERC, Europe)
S.Henley (PERC, Europe)
G.Malukhin (PERC, Europe)
F.Camisani (SAMCODES, South Africa)
I.Douglas (SME, USA)
H.Parker (SME, USA)

Other

R.Allington (Minsouth)
I.Jones (Snowdens)
Oyunbaatar Ulzii, Altankhuyag Dorj-Yunden, Bat-Erdene Dash and two other members of a Mongolian delegation

1. Introduction

The Chairperson, Deborah McCombe, welcomed all present to the meeting, acknowledging the presence of the Mongolian delegation and their adviser, Ivor Jones.

2. Update by National Reporting Organisations (NROs)

Representatives of NROs delivered reports on major issues facing their organisations.



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- **Australasia (JORC) (P.Stoker)**

It has been an eventful year for JORC. The ASX has not released any more data on compliance since 2009. There appears to be differences between states in the ASX interpretation and monitoring of compliance with the JORC Code. An article on complaints made and the action taken against AusIMM Members has been published in the AusIMM Bulletin. The AIG has also reported on the subject for its Members.

The JORC Code is being reviewed and submissions will be sought through the JORC web site until December 16. The Australian Securities Exchange, ASX, is conducting a Review in parallel (closing January 27, 2012) and submissions to JORC will be forwarded to the ASX. Similar issues have been presented for consultation in the two reviews, but the ASX has declared preferred options, generally requiring more prescription. Some issues are exploration and production targets, the provision of more guidance for “reasonable prospects for eventual economic extraction”, the adoption of the standard CRIRSCO definitions and the accountability of Competent Persons. The ASX review deals with both minerals and petroleum. There is a suggestion that the Australian Securities and Investment Commission, ASIC, is considering the registration of Competent Persons.

Plans are underway for getting Comision Minera added to the ROPO list. The VALMIN Committee has been rejuvenated, with the Chair being a past Deputy Chair of JORC. Close cooperation between JORC and the VALMIN Committee exists. The Consultants’ organisation, MICA, has been reorganised and it is now the Consultants Society of The AusIMM and no longer a separate parent of VALMIN. It is hoped that the VALMIN Code will be incorporated into the ASX Listing Rules, but ASX is not currently supportive.

- **Canada (CIM) (P.Bankes)**

On June 30, the revised version of NI 43-101 became part of Canadian Securities law. There were small changes to technical guidelines, but no material changes. Foreign membership was moved to the companion policy, so that the list of Registered Foreign Associations can be updated without changing the National Instrument. Most of the core definitions are maintained by the CIM Standing Committee on Mineral Resource and Mineral Reserve Definitions and are incorporated by reference into NI 43-101. The issue regarding Qualified Persons could not be easily resolved and has been deferred to a future NI 43-101 update.

The CIM Standing Committee on Mineral Resource and Mineral Reserve Definitions is incorporating the CRIRSCO standard definitions, including those for Feasibility and Pre-feasibility Studies. The CIM definitions will include additional guidance specific to the Canadian mining industry. A period of full industry consultation will follow as the proposed changes are viewed as material change. The aim is for this work to be completed in September, 2012, with the results presented to the CSA. CIM Executive approval would be sought in late November, 2012.

Regarding NI 41-101, there has been a great deal of discussion in Canada. During the consultation period, the CIM provided comments to the CSA. The requirement to appoint an agent probably may not be necessary. The proposed legislation was intended to ensure all overseas Directors have a Canadian address and Qualified Persons got caught in the net. This still has to be resolved.

There is ongoing debate on whether Lithium brine should be covered by NI 43- 101. Current CIM definitions do not cover it and CIM and CSA have been given 12 months to resolve and develop best practice guidelines. Some companies are filing NI 43-101 technical reports in Ontario but British Columbia is not accepting them. Feedback from other NROs is sought. PERC is considering covering



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solution mining. If CRIRSCO developed a policy, Canada would probably accept it. Definition of the Resource is acceptable but the recovery factors for declaring a Reserve present a difficulty, especially when they are not always based on adequate test work.

- **Chile (Comision Minera) (E.Tulcanaza)**

The entities (Assoc Geologists, Assoc Engineers, The Institute of Mining Engineers, SONAMI, and the Mining Council) that set up the “Comision Minera” in 2008 have to confirm or revoke their representatives in the Comision’s Board in July 2012. Chilean Law 20.235 mandates a period of three years for the Board to remain in its function. The European Securities and Markets Authority has recognised the Chilean Code and the Comision as an RPO. Recognition has been given to 140 Competent Persons (CPs), some of whom are foreigners (Peru, Brazil and Germany). The university qualifications must be recognised by the Foreign Ministry or the University of Chile. They do not have to be residents.

Every CP has status monitored by the Admissions Committee and their report is given to the Board who decide. The CPs must have a certificate for each report they make, whether it is for a deposit in Chile or outside. It takes one to two weeks to obtain the certificate. Training Seminars and Workshops have been run for estimating Resources and Reserves and also for financing.

Chile is recognised as a leader in Latin America (e.g. Argentina, Peru, Ecuador, Brazil and Peru) and the Comision is working with these countries to establish a similar system.

Mine Closure is a challenge. The Mine Closure Law requires that there is a plan prepared by a CP. This is audited every 5 years, if there is a change in the project or if requested by the Government. The CP must have at least 10 years experience. For a project to access Government Mining Investment Funds, rather than have an IPO, they need to have a report prepared by a CP. This is mainly for exploration funds. Chile, Colombia and Peru have integrated their Stock Exchanges and will have to have an integrated approach to CPs. Mexico has approached to join the integrated Stock Exchange. Comision Minera has collaborated with the Chilean IFRS group on the IASB proposals.

- **Europe (PERC) (S.Henley)**

A partial victory was achieved through the submissions made to CESR/ESMA regarding the European Stock Exchanges made by PERC, CRIRSCO and NROs. A large number of confidential submissions were made, whose contents are not known. Only CRIRSCO family of Codes were accepted and Chinese, Russian (old Code) and SEC were not. The desired outcome of having the PERC Code as the preferred or reference Code was not achieved. Approaches will be made now to include the NAEN Code (new Russian Code) to the approved list. This requirement applies only to documents used for raising finance, but lobbying will be done to extend to other Public Reporting. There is an onerous requirement for industrial minerals/ building materials, where a separate Report is required for each quarry.

The Russian Code was completed 12 months ahead of schedule, with PERC assistance. Some work is still needed on the English translation. PERC and NAEN have cooperated in training courses and also in continental Europe.

The PERC Code is undergoing revision. It will be called a Standard not a Code and will incorporate the standard CRIRSCO definitions. The Competent Person definition will be changed and additional sections will deal with oil shales, tar sands and energy minerals extracted by mining and solution



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Particularly through the EGRC there are misunderstandings about relationships between UNFC, PRMS and CRIRSCO. FAQs are being prepared for a proposed new web site. A draft paper has been distributed to CRIRSCO members for comment.

PERC itself is being reconstituted. It needs a constitution (office holders, elections etc), an office in Brussels (in the EFG office), and funding. It will be a NFP organisation under Belgian Law. Sponsorship from mining companies and service companies will be sought. This body will maintain the PERC Standard and promote its acceptance in Europe and elsewhere. It will also promote excellence in reporting and will hold training sessions and briefings to this end. It will also liaise with UNFC.

- **South Africa (SAMCODE) (R.Dixon)**

There has not been a lot of activity from SAMCODES or on the JSE. A new Chair (Ed Swindells of BHP Billiton) has taken over from Roger Dixon and the new Vice Chair is Gordon Smith from Anglo Plats. Time has been spent on marketing the Codes and education in their use. The challenges include the managing of expectations of the Working Groups and maintaining interest in light of governance and tenure issues.

Stakeholders were surveyed to gauge their interest in the use of the UNFC Guidelines. Overall it was negative, with some large companies using UNFC for inventory management of material below Inferred Resources. There is an initiative to review the SAMVAL Code and a meeting with VALMIN of Australia has been held. An umbrella body for valuation code committees (in the style of CRIRSCO) is still an issue, but consensus would have to be achieved at least with South Africa and Australia.

Four Discussion Groups were established. One is to deal with the registration and accreditation of Competent Persons and Competent Valuers. This was proposed four years ago, but companies rejected it. The Johannesburg Stock Exchange (JSE) is pushing hard for better self-regulation. The second Group is addressing Independence as a Principle; the third the issue of whether Resources include or exclude Reserves; and the fourth the evaluation of Inferred Resources and Inventory.

SAMREC was last updated in 2007 and it is planned to republish in 2012, with the new CRIRSCO definitions and a number of other issues being addressed. Efforts are being made to establish better relations with JSE.

- **USA (SME) (I.Douglas)**

No progress has been made with the Securities Exchange Commission (SEC) to recognise SME Guide. However, after 8 years of silence, the SEC has agreed to meet with representatives of the SME in December, including both the USA CRIRSCO representatives. President Obama has ordered that all regulations must be reviewed and the SME has responded to the SEC's request for comment, advising that Industry Guide 7 should be reviewed. Registered Members of SME have been recognized as an "Accepted Foreign Association" under the new Canadian NI 43-101, effective June 30, 2011.



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The SME Guide will need to be updated for the new CRIRSCO standard definitions, but this will wait at least until after the meeting(s) with SEC has been held. The use of a Prefeasibility Study for Reserves declaration, as contained in the CRIRSCO standard definitions, might be an issue for the SEC. There have been no complaints against Registered Members of SME in the last twelve months.

The Denver Gold Group has a meeting on December 8 focussed on reporting issues with the SEC. Ian Douglas will speak about global developments in Resource and Reserve reporting on behalf of CRIRSCO. The SEC has been invited to the meeting.

The SME's RPO list will be updated at the end of November and will include Chile. Some States have begun to monitor filings on EDGAR to see if the Competent Person is registered in that State.

- **Russia (NAEN) (G.Malukhin)**

There has been increased involvement of international companies and investors interested in Russia and from Russian companies looking outside Russia. Russia needs mutual recognition and therefore standards like CRIRSCO. It is accepted that the existing Government standard is acceptable for use in state mineral endowment accounting and for strategic planning, but because of differences in definitions and the potential for misunderstandings, its use elsewhere (e.g. public reporting) is not recommended.

Consequently, NAEN, the National Association for Subsoil Use Auditing, has developed the NAEN Code and seeks acceptance into the CRIRSCO family. Its Chairman is Yuri Podturkin. The Professional Society, OERN, the Russian Society of Subsoil Use Experts, is a member of EFG and its members can use the title of EurGeol. It is the Competent Person institution for the purposes of the Code and would be seeking to become a ROPO for the various other CRIRSCO Codes and Standards. The international acceptance of the NAEN Code and OERN will lead to better understanding of Russian deposits by foreign firms and hence to the raising of capital for their development. The efforts of the joint CRIRSCO-GKZ Working Group in the development of the NAEN Code was gratefully acknowledged.

Historical estimates of resources and reserves will no longer be accepted and a new Feasibility Study will have to be done.

3. Update on the United Nations Framework Classification (UNFC). (F.Camisani)

Under the Committee on Sustainable Energy of the UN, the Expert Group on Resource Classification (EGRC), on which CRIRSCO has members, meets to decide on generic specifications and promote the use of the UNFC.

Specifications Task Forces 1 and 2 sought feedback through questionnaires from a wide range of interested parties. 51 issues were identified by stakeholders for further consideration and seven of those were for possible inclusion into the CRIRSCO Template: Number 5 – the subjective nature of the E Axis categories; Number 11- the requirement for aggregation at the national level; Number 14 – Comprehensive, consistent and coherent reporting; Number 18 – Clarity in reporting; Number 40 - Specifications and guidelines for “unconventional” resources for Petroleum; Number 41 – distinction



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between Conventional and Unconventional resources for Petroleum; and Number 49 – the need to clarify timing issues.

A meeting of EGRC will take place in April in Geneva, aimed at finalizing the generic specifications for UNFC 2009 and the bridging documents between UNFC and the CRIRSCO Template and a glossary of terms. There is official recognition of the CRIRSCO Template and the Society of Petroleum Engineers (SPE) PRMS classifications as being the commodity specific Codes under UNFC 2009.

A presentation was also made explaining the resource and reserve classifications for uranium, which rely on cost bands.

4. International Accounting Standards Board (IASB) (H.Parker)

The presentation dealt mainly with a summary of the responses received by the staff of the IASB, who had sent out a Discussion Paper seeking comment from a wide range of interested parties. They received 141 responses, of which 25% came from NGOs, which were particularly interested in the issue of “Publish what you Pay.” 54% of the responses came from Europe and there were more responses relating to oil and gas than minerals. There were few responses from users of financial statements and smaller companies. There was a low rate of response on asset recognition and impairment. It was felt there should be a formal Extractives Project, but there was a mixed view on confining to extractives or also including intangibles. Industry based definitions should be used. Information obtained from exploration and development activities should not be viewed as an enhancement of the property asset, and Minerals and Oil and Gas properties should be measured at cost rather than fair value. The disclosure objectives outlined in the paper were acceptable, with some reservations.

The Publish what you pay issue drew polarized responses. The NGOs wanted it, but there is debate over whether this is a financial or a social responsibility reporting matter. Companies said they did provide the information now and queried whether more information would meet a cost/benefit test.

For reporting of mineral resources and reserves, the CRIRSCO Template meets regulatory requirements (except for the USA). PRMS is used for internal Oil and Gas management and corresponds closely to market regulator disclosure requirements in most jurisdictions (including Canada and USA). Both are widely accepted. How the definitions in these systems can be incorporated into IFRS is subject to more discussion as there are problems with ambulatory and static references and also with incorporating them in appendices. Letting entities decide or using UNFC were not favoured. The Competent Person concept was accepted.

The objectives of disclosure were to enable users of financial reports to evaluate the value of minerals or oil and gas properties, the contribution of assets to the current period financial performance and the risks and uncertainties of the entity’s operations. Some of the concerns related to the cost of preparing the information, the possibility that wants rather than needs were being addressed, and duplication or inconsistency with other reporting requirements. Other questions related to the need for audits and whether IASB could provide a best-practice guide.



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Whether to use market or historical prices to value was an issue. Fair market value was not favoured and there was debate about how much detail to provide for commercial sensitivity reasons.

The IASB has a three year consultation process which commenced in July 2011 to set the next Agenda. It faces a more diverse IFRS community and more complex market environments, particularly because of the GFC. IFRS is converging with GAAP. IASB needs to demonstrate the quality and relevance of its standards and needs to be able to cope with the divergence of practices related to implementation and adoption. With financial reporting, it has to develop and update the presentation and disclosure framework, explore interaction between IFRS and integrated reporting and fill gaps in IFRS. It has to maintain existing IFRSs with reviews and identifying operational issues and improve the consistency and quality of its standards.

5. Mongolian Cooperation

At the end of the public session of the Annual Meeting, the opportunity was taken to sign a Memorandum of Understanding with the delegation representing the State Professional Committee on Mineral Resources (SPCMR) from Mongolia. The purpose of the Protocol is to collaborate in development and implementation of a national reporting standard for Exploration Results, Mineral Resources and Mineral Reserves in Mongolia that is compliant with the CRIRSCO Template. Under this agreement, SPCMR and CRIRSCO will form a joint working group develop a Mongolian Standard by July 2012. SPCMR and CRIRSCO will develop and use a set of **"Guidelines for Alignment of Mongolian Minerals Reporting Standards and the CRIRSCO Template"** as a handbook for Competent Persons, similar to that done for Russia. Mr Ivor Jones has been advising the SPCMR in this matter and will play a role on behalf of CRIRSCO in the development work ahead. Other CRIRSCO representatives will also be involved.