

Committee for Mineral Reserves International Reporting Standards Summary Report on Activities September 2006

This Report to Members is intended to inform CRIRSCO members of events and progress since the last report in June 2006. Items broadly follow the format and sequence of previous reports.

1. CRIRSCO membership issues

Current membership is Pat Stephenson and Peter Stoker (Australia), Niall Weatherstone and Gordon Riddler (UK), John Clifford (Ireland and W Europe), Ferdi Camisani and Roger Dixon (South Africa), Edmundo Tulcanaza (Chile), John Postle and Debbie McCombe (Canada) and Jean Michel Rendu (USA). Since the last report, Roger Dixon's nomination has been received and accepted, while Pat Stephenson and Gordon Riddler have indicated that they will be retiring at the end of November. A replacement for Pat has been identified. PERC will be requested to provide a replacement for Gordon and also confirm the representation (on PERC and CRIRSCO) of members from UK, Ireland and Western Europe. Chile and USA have still to nominate a second member. With the support of the Committee, Niall will continue in the position of Chair after Pat's retirement.

2. CRIRSCO restructuring

As flagged in the June report, a meeting with Paul Mitchell, Secretary General of the ICMM, took place in London on 19th July. Members were circulated with feedback on the meeting which was again constructive and positive. The discussion revolved around possible models for an alliance between CRIRSCO and ICMM.

While the favoured model appears to be promising, it is subject to the agreement of CRIRSCO members and acceptance, in the first instance, by the Executive Working Group (EWG) of the ICMM. The next ICMM meetings are in London in October and Pat and Niall have been invited to present a case for the proposed alliance at a meeting of the EWG on the 9th. Members have been circulated with a draft of the position paper to be presented to the EWG and this will be finalised by mid September.

As part of the discussions with the ICMM, the future funding of CRIRSCO remains a high priority. The currently proposed model would involve a split of funding amongst a range of parties with an interest in CRIRSCO. Precise details of the funding split remain to be resolved.

If established, the alliance would run for a suggested two years after which it would be reviewed.

3. International Reporting Template

As flagged in June, the CRIRSCO International Reporting Template was formally launched at Darwin on 23rd August. At the same time the revamped CRIRSCO web site (www.crirSCO.com) went live with the help of Tatiana Feldman of The AusIMM.

The launch was accompanied by a press release that was sent to a large number of publications around the world. Members are encouraged to take every opportunity they can to publicise CRIRSCO and to point people towards the press release, the web site and the Template.

Responsibility for the Template now rests with the Template Sub-Committee headed by Edmundo Tulcanaza. It is intended that international developments should be monitored and where appropriate improvements will be incorporated, by agreement of the full Committee, into the Template. The first documents for comparison will be the final versions of the recently circulated SAMREC 2006, and any revisions to the JORC Code arising from JORC's proposals for upgrading the definition and guidelines on Inferred Resources.

Individuals wishing to comment on the Template or propose changes to it should make their views known in the first instance to the National Reporting Organisation in their geographical location. NRO comments may be forwarded to Edmundo but should reflect changes that have already been incorporated in one of the CRIRSCO family of Codes. This is to ensure that CRIRSCO does not make unilateral changes to the Template that may contradict or go beyond what is contained in the National Codes.

4. Joint CRIRSCO/UNECE committee

Since the May meetings in Johannesburg, on which members received a report back from Ferdi Camisani, the level of activity on UNECE matters has reduced. However, the two significant proposals made by CRIRSCO at the Jo'burg meetings; that the Template should form Part A of a re-drafted UNFC, and that there is misalignment between the current UNFC numerical codes and industry practice, remain to be fully resolved.

While acceptance of the Template as Part A appears to be agreed, there remains some confusion as to the form of the final UNFC document and who can edit what. Our agreement in establishing the Joint CRIRSCO-UNECE Committee was that the Committee would agree and approve any document produced as a revised UNFC for solid minerals, and that the Ad Hoc Group of Experts (AHGE) of the UNECE has a final say on whether to accept or reject it, wholly or in part, but can not edit it.

CRIRSCO is quite clear in its view that the Template, forming Part A of the proposed UNFC, is wholly the responsibility of CRIRSCO and edits will be made only through the Template Sub-Committee, with UNECE input as appropriate.

As noted in June, an additional Bureau meeting of the AHGE was organised by the UNECE in early July which fortunately Ferdi was able to attend. His report was circulated to members on 20th July. On the issues raised in Jo'burg, the discussions confirmed the conclusions noted above. It is unlikely that the UNFC could be finalised until the SPE/CRIRSCO Convergence exercise concludes with the IASB (see below).

The next meeting of the AHGE will be held in Geneva on 11-13 October. Ferdi, Niall and Pat are confirmed attendees and John C is still to confirm his availability. This is once again a strong CRIRSCO representation at meetings made particularly important by the attendance of three IASB representatives and also the SPE (see below).

5. IASB Matters

The latest issue directed by the IASB project team to the Advisory Panel is a discussion on the definition of the cash generating unit (CGU) appropriate to the fair value measurement of reserves and resources. Essentially this means defining the assets to be valued; for example a single mining project with its associated reserves, infrastructure and equipment. This is not an issue for CRIRSCO input.

In July, Pat and Niall met with Glenn Brady and Joanna Spencer of the IASB Extractive Industries Project Team in Melbourne. Ian Lambert and Bill McKay of Geoscience Australia also attended as they were in Melbourne at the time and both have been involved with representing Australia at a government level in discussions with the UN-ECE regarding the UNFC. Ian has also been involved with UNFC uranium discussions.

The meeting was held largely to enable all parties to update and be updated on progress in their areas. Topics covered included: status of IASB Extractive Industries Accounting Standard; CRIRSCO/SPE convergence exercise; outcomes from CRIRSCO/UN Johannesburg meeting; Australian view on Uranium Group's interaction with UN-ECE; Australia's national resource classification scheme and how it relates to JORC and the UNFC; progress on discussions between CRIRSCO and ICMM; and the forthcoming UN Ad Hoc Group of Experts meeting in Geneva.

6. CRIRSCO-SPE 'Convergence Team'

In June, members received the final comparison document generated by SPE and CRIRSCO members of the Convergence Team. That document was subsequently sent to the IASB Project Team who responded in great detail (two papers totalling 65 pages) mostly setting out its views on what constituted relevant targets for convergence. In all, eleven topics were identified by the IASB Project Team, of which four were given a priority for convergence, including issues to do with aligning terminology, the use of Possible Reserves /Inferred Resources and confidence levels in estimates. Four issues were listed for further research (cost and price forecasts, discount rates, future technological or regulatory changes and definitions of control of an asset). The remaining issues were considered non-material to the IASB with no convergence required. Interestingly this group includes the Competent Person.

The Convergence Team responded in turn and following a further meeting between Niall and John Etherington of the SPE in London on 10th July, the issues have been synthesised into a discussion list that will be the basis of the next meeting with the IASB Project Team. This is now scheduled as a working session in Geneva on Thursday 12th October, attended by CRIRSCO, SPE and one observer each from UNECE and IOSCO.

In general the convergence exercise is going well and there is a very good relationship between SPE and CRIRSCO. We are each agreed that the IASB is our primary client on this work and the summarised list of issues is beginning to come down to a manageable size. It is hoped that the Geneva meeting will resolve these further.

7. Communication and relationship with SEC

J-M continues to have difficulties in eliciting any sort of formal response from the SEC to the proposals of the Industry Working Group backed by CRIRSCO. Responses from the SEC to date have indicated that while they are not ignoring the proposals of the 2004 Industry Working Group, they feel unable to act on its recommendations.

We continue to explore other avenues of getting the SEC to the table, and it is possible that agreement with the IASB would provide such an opportunity. The IASB and its US equivalent FASB have an agreement in place to use their best efforts to produce International Financial Reporting Standards with the full agreement of the two organisations.

8. CRIRSCO communications

With the Web site now up and running, this should be the first port of call for interested people sourcing information about CRIRSCO.

We would also like to remind members that one of their key functions in representing their NROs is to ensure that their 'owners' are kept reasonably informed on CRIRSCO activities. This includes attending NRO meetings, being able to pass on documents for discussion if necessary and if time allows, directly discussing issues with representatives of the NRO owners and in general ensuring that when they speak on CRIRSCO, their views are representative of the NROs.

It would be impractical to circulate every constituent organisation of every NRO with all correspondence. Members should synthesise the information and communicate it to the key people in the NROs so that when significant decisions are needed, there is a level of knowledge and understanding in the NROs.

9. Invitations to Comment on Code Revisions

Members will have received, through various channels, invitations to comment on the updated 2006 version of the SAMREC Code and more recently JORC's proposed amendments to the code and guidelines referring to Inferred Resources.

Given the many different levels that can give rise to comments, from individuals through to CRIRSCO, we would like to advise members on how to proceed, purely from the CRIRSCO perspective.

Firstly members are entitled to respond to such invitation at any time as individuals. We would only ask that where their advice contradicts current CRIRSCO policy or could give rise to a significant change in CRIRSCO views, that this be flagged to the Committee so that its impact can be discussed.

Members reporting through NRO channels should similarly note any contradiction of CRIRSCO policy that might emerge and make it known to the Committee.

In general we feel that formal responses by CRIRSCO to detailed issues in national codes would be counter-productive and can adequately be covered by NROs and individuals. Where CRIRSCO can add value to the process is by incorporating improvements, once national documents have been finalised, into the Template. However, we should reserve the option to comment from an international perspective if we think that this viewpoint has not been adequately covered in the NRO submissions.

10. Web Site management

As noted above, www.crirSCO.com is now up and running. Suggestions for modifications to the site design or content should be sent to our Web Master who is currently Pat, but for whom a replacement needs to be identified soon. There is no absolute requirement for the web manager to be a member of CRIRSCO, so an interested individual well known to a member could be co-opted. Volunteers please contact Pat or Niall.

We want to keep the web site fresh and interesting, so we intend to post all recent papers by CRIRSCO members and place news items on the site as they arise. An edited version of this document will also appear every three months.

11. Other news

Pan European Reserves Committee (PERC)

The next PERC meeting is scheduled for 4th October in London. One of the tasks of the Committee in the next three months will be to replace Gordon as Chairman.

Russian membership of CRIRSCO

Steve Henley, Secretary of PERC, is in the process of setting up the joint Russia-CRIRSCO Committee to advance discussions on alignment of Russian and Western reporting systems. A strong Committee is being assembled to act for CRIRSCO, including consultants with experience of working in Russia and including a Russian speaker. The Russian GKZ is strongly positive about the initiative and has nominated Kirill Kavun, Vladimir Kotkin and Oleg Gus'kov as their representatives.