



COMMITTEE FOR MINERAL RESERVES INTERNATIONAL REPORTING STANDARDS

**REPORT ON PUBLIC SESSION OF THE CRIRSCO ANNUAL MEETING HELD ON 22nd OCTOBER, 2012, AT
BRITANNIA INTERNATIONAL HOTEL, CANARY WHARF, LONDON, UNITED KINGDOM.**

Present:

CRIRSCO Member Representatives

D.McCombe (CIM, Canada) Chairperson
R.Dixon (SAMCODE, South Africa) Past Chairperson
E.Tulcanaza (Comision Minera, Chile) Deputy Chairperson
I.Goddard (JORC, Australasia) Secretary
P.Stoker (JORC, Australasia)
P.Bankes (CIM, Canada)
P.Gribble (PERC, Europe)
S.Henley (PERC, Europe)
G.Malukhin (NAEN, Russia)
O.Ilyin (NAEN, Russia)
K. Lomberg (SAMCODE, South Africa)
I.Douglas (SME, USA)
H.Parker (SME, USA)

Apologies: J. P. Gonzalez (Comision Minera, Chile)

Also present: Y. Podturkin (NAEN, Russia)

G. Brady (IASB) (part)

1. Introduction

The Chairperson, Deborah McCombe, welcomed all present to the meeting, acknowledging the presence of Yuri Podturkin. Mr Podturkin made a short address, thanking the Chairperson for the invitation to be present. He spoke about the NAEN Code and its importance to Russia as it seeks to attract international investment. Progress in the international recognition of the NAEN Code and the acceptance of OERN as a Recognised Professional Organisation (RPO) would be welcomed.

Ms McCombe welcomed two new members – Oleg Ilyin from NAEN and Ken Lomberg from SAMCODES and also took the opportunity to acknowledge the service to the Committee of two former members – Dr Ferdi Camisani (SAMCODES South Africa) and Hernan Soza (Comision Minera, Chile). Dr Camisani had been a member since CRIRSCO was formed and been a tireless supporter of



COMMITTEE FOR MINERAL RESERVES INTERNATIONAL REPORTING STANDARDS
its activities. In particular, he had represented CRIRSCO on UNECE committees and had a large input into mapping exercises and the acceptance of the CRIRSCO Template within the UN Framework Classification system. Mr Soza had a shorter association with the Committee, but had been active in its work. The Chairperson would write to both and make a suitable presentation to them to show our appreciation.

2. Update by National Reporting Organisations (NROs)

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

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

A major review of the JORC Code is underway, with parallel processes for the Joint Ore Reserves Committee and the Australian Securities Exchange (ASX). Relations with both ASX and the Australian Securities and Investment Commission (ASIC) have improved during the year. Comments were due on Exposure Drafts by 26 October and finalisation was expected in December, 2012. There will be a twelve month transition period.

Much of the focus has been on the definition and regulation of Exploration and Production Targets, as well as the annual reporting and reconciliation of Resources and Reserves. Some improvements in the guidance for Competent Persons and the forms to be used for statements by Competent Persons in Public Reporting are also planned. The basic foundation on the principles of Transparency, Materiality and Competence has been retained and the concept of reporting on an “if not – why not” basis introduced for better transparency. The CRIRSCO Standard Definitions will be included. Clauses have been added to cover the use of metal equivalents and in situ values. The New Zealand Stock Exchange has not yet been involved.

Some progress has been made to develop CRIRSCO style Codes and RPOs in Indonesia, Philippines, Thailand and China. The VALMIN Committee has been reformed and is working to have the VALMIN Code incorporated in the regulatory framework.

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

The agreement between the Canadian Securities Administrators (CSA) and the CIM (through the CIM Standing Committee on Reserve Definition) was updated in May, 2012. The agreement recognises CIM provides industry guidance and standards, such as Definition Standards and Best Practice Guidelines. The CSA, through the NI 43-101, has incorporated, by reference, certain of the CIM Definition Standards, including those for Mineral Resources and Mineral Reserves and for Prefeasibility and Feasibility Studies. The Definitions have the guidance included in italics, and CSA staff will take note of the guidance in their supervision. It is now possible to have these definitions modified without changing NI 43-101, after they are approved by the CIM Council. This facility does not include the definitions for Public Reports, Qualified persons and Exploration Results, which are embedded in the instrument.

The CIM Committee has adopted the CRIRSCO Standard Definitions and it expected they will be endorsed by the CIM Council in 2013. They have introduced into the definition of Feasibility Study the term “proponent” to cater for non-traditional financing. Best Practice Guidelines will be expanded to cover lithium brines, and those for potash will be reviewed. The CSA has asked for guidance on Prefeasibility and Feasibility studies. A Preliminary Economic Assessment (PEA) has



COMMITTEE FOR MINERAL RESERVES INTERNATIONAL REPORTING STANDARDS

been defined in NI 43 – 101 as neither of the above and can be used to demonstrate the potential economic viability of mineral resources. The use of a PEA triggers a Technical Report for a material project. If by-product credits are relied upon, the Mineral Resources and Mineral Reserves of the by-product must be disclosed. The CIM has recognized CEngs from Engineers Australia as Qualified Persons (even though it is unlikely they would be for the purposes of the JORC Code.)

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

A new person, Juan Pablo Gonzalez, has been elected as President of the Comision Minera after Edmundo Tulcanaza served the maximum term permissible and is now Vice President. The Chilean Code has been recognised in Canada, Russia, USA and Europe, while that from Australia is expected soon. Application will be made to South Africa. There now almost 200 registered members (Competent Qualified Persons), including some from Peru, Mexico, Brazil and Venezuela.

The role and responsibility of the Comision has been expanded to cover mine closures and in the use of investment funds. The evaluation of lithium deposits will also be included. Bonds for closure of are based on reserves, but small and medium mines often rely on resources only, so work is being done on clarifying requirements. The Chilean Regulator is supporting the Comision in regard to Public Reports for new prospects and developments. A major effort has been put into education, and four seminars were held, with 90 to 100 attending. This is a source of funding for the Comision.

There is significant interest in other Latin American countries in establishing a similar Comision. Approaches have been received from Argentina, Mexico and Colombia for help in establishing NROs. Progress in Brazil has not been so successful because of a lack of cohesion with the professional bodies. Formal courses are being planned for Competent Persons in professional development.

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

PERC has made large strides in formalising the organisation for a sustainable future. A Constitution has been agreed and the Committee is now PERC asbl, a not-for-profit organisation based in Belgium, with statutes in English and French. It has an office with EFG in a building of the Belgian Geological Survey in Brussels. There are four founding members - European Federation of Geologists, Institute of Materials Minerals & Mining, The Geological Society and Institute of Geologists of Ireland. There are also co-opted members. A number of European based organisations will be invited to join. There are a total of 20 members, including four special advisers.

A big challenge for PERC is securing funding, and a number of options are being considered, including securing sponsorship, providing training courses and consulting for projects. A number of presentations were made at meetings, and some training on reporting of resources and reserves provided in conjunction with other courses.

A consultation draft of a revised PERC 2012 Code was issued, with the closure for comment in August. The CRIRSCO Standard Definitions have been included. Other changes include: tighter requirement to disclose any relationship between Competent Person and the company; a simplified definition of a Competent Person; RPOs listed in a new appendix; clarification of rules for reporting stockpiles (for construction raw materials in particular) to avoid double-counting; modifications for alignment with ESMA rules (materiality etc.); inclusion of oil shales and tar sands and solution mining. Guidelines are included for personal verification and site visits statement.

The first meeting of the new PERC will take place in Brussels in the first quarter of 2013. The election of office holders, including CRIRSCO representatives, will be held. The Committee will press



COMMITTEE FOR MINERAL RESERVES INTERNATIONAL REPORTING STANDARDS for tighter regulation with ESMA, regulators and individual securities exchanges and also for the adoption of PERC as the preferred Code. Bids will be made for European Union project work in raw materials. Discussion has taken place on the need for peer review of documentation prepared for public reporting.

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

Efforts are being made to have OERN recognised internationally as an RPO, so that OERN Members may act as Competent Persons. So far this has been done by PERC and the Comision Minera, and letters have been sent to the other NROs. As well, the recognition of the NAEN Code by international stock exchanges is being sought. Discussions have been held with the London Stock Exchange (LSE), the European Securities and Markets Authority (ESMA) and the Canadian Securities Administrators (CSA). Russia does not have a separate exchange floor for mining companies, and NAEN is working with the Moscow Stock Exchange with regard to the Code.

The formal regulation of Competent Persons has been upgraded. There is provision for regulating the performance of OERN members as Competent Persons; the basic requirements of OERN members have been established; their rights and responsibilities have been determined; and disciplinary processes established. A Commission for the accreditation of Competent Persons has been formed and procedures for accreditation determined.

The NAEN Code was revised to incorporate the CRIRSCO Standard Definitions, and the opportunity was taken to improve the translation from English to Russian and improve stylistics and clarity. OERN has a central office in Moscow and six regional offices. NAEN and OERN have jointly held 18 different seminars and conferences to educate people about the Code, reporting to international standards and the Competent Person requirements. As well, a round table was held to discuss the application of block modelling to estimate Mineral Resources and Reserves. OERN participated in a number of other local and international conferences, and there was significant coverage of Russian and international reporting systems in mining journals in Russia. In 2013, activities will continue in the areas mentioned above.

- **South Africa (SAMCODES) (K. Lomborg)**

There are 16 member bodies of the SAMREC/SAMVAL Committee and three working committees, dealing with SAMREC, SAMVAL and Oil and Gas, which have monthly meetings. If issues are raised regarding the Codes, they are dealt with by an Issues Committee and recommendations circulate through the working committees and the main Committee. Member bodies are also consulted before a changed Code is proposed. Considerable effort has been made in marketing and education about the Codes, particularly to Government departments. Challenges include managing the perceptions of working groups and maintaining interest in light of governance and tenure issues.

Issue Papers have been released for the Reporting of Inferred Mineral Resources; Reporting standards and format of Mineral Resources; Competent Persons and registration; Independence of the Competent Person (for which there has been no resolution); Exploration Results and CRIRSCO's revised Definitions. The registration of Competent Person is required by the Johannesburg Stock Exchange, and the SAIMM have to agree that the person is Competent. There were also a number of issues regarding valuation and oil and gas. There is some support for an international body similar to CRIRSCO.



COMMITTEE FOR MINERAL RESERVES INTERNATIONAL REPORTING STANDARDS

The latest SAMREC Code is dated 2007 and there is an aim of releasing a 2013 update. The critical path is the satisfactory completion of the matters in the Issue Papers

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

Representatives of the SME and the Securities Exchange Commission (SEC) met in December 2011 to hold discussions, with the Agenda being a comparison of the SME Guide 2007 and Industry Guide 7 (IG7), the CRIRSCO family of Codes and other current issues. This meeting had been long awaited by the SME as an opportunity to promote the adoption by the SEC of international reporting standards. However, the SEC declined to add an IG7 update to its short term agenda in January-February 2012

The SME decided that the best approach to get a change of IG7 onto the SEC's work agenda was to file a Petition for Rule Change of IG7. External counsel was selected in May 2012, and an Outline developed by SME Reserve Committee was used as basis to draft the petition. The first Draft was issued on May 30, with the final draft on September 29, 2012. Petition was drafted with input from SME Reserve Committee, CRIRSCO, and Industry Representatives and was filed with SEC October 1, 2012. Congressional support is being sought to progress the petition.

The SME Reserve Committee met at the SME Annual Meeting in February 2012 and discussed the need to re-align the SME Guide with the CRIRSCO Template. A working group was formed to begin the process, with a target of 2013 for an SME Guide update.

The U.S. Geological Survey (USGS) invited SME CRIRSCO representatives to a workshop and presentation to update USGS personnel on international standards for resource and reserve reporting. Harry Parker attended the workshop on October 19th, sponsored by the Minerals Information Center. The Center publishes annual reports on commodities and countries throughout the world. Because they rely on reports of resources and reserves, they were very interested in developments in international reporting and possibly would support an update of IG7 to ensure that data were consistent. They provide data to the Federal Reserve for industrial production models and would welcome the inclusion of recovery factors so that saleable product was shown.

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. Such a meeting was held in Geneva in May, 2012, and CRIRSCO was represented by Messrs Camisani, Dixon and Bankes. The objective was to finalise generic specifications, however there was limited discussion on the matter. A new Chair, David McDonald of BP, was appointed, with Yuri Podturkin being the Vice Chair. The alliance between CRIRSCO and the SPE and SPEE was continued. It was noted that there is increasing influence coming to the committee from the Norwegian and Canadian oil and gas representatives.

The principle differences between parties regarding the generic specifications was that there is duplication of specifications already in PRMS and the Template (e.g. Effective Date, Reference Point) and inclusion of classification by project maturity. This is already in PRMS, but is little used in Solid Minerals. There have been regular conference calls since the meeting, and the objective is to



COMMITTEE FOR MINERAL RESERVES INTERNATIONAL REPORTING STANDARDS have a document on generic specifications for approval at the April 2013 Meeting. A public consultation period will start in October 2012, with a covering letter on items not resolved.

Some issues for consideration are: The expansion of the mandate of EGRC to renewables, Uranium and Thorium; a review on Effective Date and Reference Point; a review of inclusive and exclusive reporting of Mineral Reserves; and a review of the classification of mineralised inventory.

Yuri Podturkin made a short comment on EGRC and the UNFC and their role as it affects CRIRSCO.

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

The International Financial Reporting Standards (IFRS) are developed by the International Accounting Standards Board (IASB). They constitute a world financial reporting language that has been adopted by 140 countries, with the USA, Japan, China and India being notable exceptions.

Harry Parker introduced Mr. Glenn Brady of the IASB, who has had close contact with CRIRSCO over the last few years regarding a research project, The Extractive Activities Project, which dealt with the recognition of mineral assets in the accounts of a company. Because Mineral Resources and Mineral Reserves are important assets of a company, consideration was given to whether and how they could be shown in the accounts. Following activity in previous years, there has not been much progress of late.

The issues are what to recognize, how to define it, how to measure it and at what stage to report it. Definitions should have broad scope, be comprehensive and be widely accepted and used. The Project team aimed for a single set of definitions, which could be used for oil and gas and mining. They found there was sufficient compatibility between the CRIRSCO definitions and those of the Petroleum Reserves Management System (PRMS).

The 2010 Extractive Activities Discussion Paper had many responses. The Extractive Activities Project was supported, but not all of its recommendations were supported. A key issue was whether IASB could delegate standard setting to CRIRSCO/PRMS. Another issue was whether extractive industries needed a separate set of accounting standards. If R+D intensive industries like pharmaceuticals need similar standards, should the focus be expanded to include oil and gas and minerals? Some users were apprehensive about new standards

In 2011, the last of the original board members, who had a five year term, retired. The new members pursued consultation on agenda. In May 2012 there was a board meeting, and it was recognized that there was much work left over from the Global Financial Crisis. This work was first priority and needed to be completed before taking on new projects. The SEC did not plan to adopt IFRSs in the short and medium term, but maybe later. Top priority should be given to updating the Framework for IFRSs. More disclosure and consistency were needed. Asset recognition and measurement remain key items. Projects which would help the SEC make its decision were favoured.

The second priority would be examination of commonalities between oil and gas, mining companies and Research and Development intensive companies in the areas of intangible assets. General



COMMITTEE FOR MINERAL RESERVES INTERNATIONAL REPORTING STANDARDS

principles would be sought and specific guidance might be developed for each industry. This could be a long process, but there is a three year deadline for a conceptual framework. Third priority would be disclosure. This is important to the SEC. Glenn noted that foreign issuers no longer must reconcile to US GAAP; however some mandatory oil and gas disclosures were kept.

The Board is aiming to release a discussion paper on the conceptual framework in October 2013, which will be very general. The focus will be on asset recognition issues. Glenn is returning to Australia at the end of 2012. Two persons remain in London and they will maintain relationships with Dick Graff's Mining Working Group. Glenn noted there is no Federal Accounting Standards Board (FASB) involvement in mining.