

Committee for Mineral Reserves International Reporting Standards Report to Committee Members March 2008

This Report to Members is intended to inform CRIRSCO members of events and progress since the last report in June 2007. Items broadly follow the format and sequence of previous reports.

1. CRIRSCO membership issues

Membership is unchanged from the previous report. Members comprise Peter Stoker and Ian Goddard (Australia), Niall Weatherstone (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 and Harry Parker (USA). UK, Ireland and Western Europe and Chile currently have no nominated second members for their areas.

2. CRIRSCO restructuring

With a stable membership and now entering our second year of association with the ICMM; the CRIRSCO structure remains supported by its constituent National Reporting Organisations and is becoming embedded. However, the practicalities of handling an increasing work load remain and the ongoing structure of the Committee remains under continuous discussion.

As an action item of the CRIRSCO meetings in London in October 2007, the group agreed to examine options for a CRIRSCO constitution that would deal with issues including current and potential future membership. It will be important to be inclusive in enabling countries that subscribe to the CRIRSCO reporting standards to be represented, while being mindful of the size of the Committee and its ability to function.

Currently a small 'executive' has been formed of Niall Weatherstone (Chairman), Roger Dixon (Deputy Chairman and designated successor to Chairman) and John Clifford (Deputy Chairman) to facilitate the administrative work of the Committee.

The ICMM budgeting process for 2008 has now been completed with CRIRSCO receiving approximately 75% of its funding from ICMM. The balance is nominally split between NRO contributions and 'sponsorship funding' should the additional funds be required.

At the October CRIRSCO meeting, it was agreed that running, or jointly running, professional workshops or conferences could be a meaningful way of generating extra income for CRIRSCO. This would in effect generate payment for services to the industry (training and education etc) rather than seeking hand-outs. This approach was favoured by Members who agreed to examine the details further.

3. International Reporting Template

The International Reporting Template remains a reference point for reporting standard developers as intended, and forms the basis for discussion with the IASB, UNECE and others on international classification systems.

The SAMREC Code was published in July 2007. The Template Sub-Committee reviewed a late stage draft of SAMREC and did not proposed any changes to the Template for now. However, SAMREC introduces a number of new ideas in the content and layout of the reporting standard that could result in changes to the Template in future.

The SME Guide (2007) has now been published in the USA, without a formal prior review by CRIRSCO or its other members. While the document was seen in draft and no major issues arose; the SME Guide moves into uncharted territory in its attempt to address concerns of the Securities and Exchange Commission (SEC see below).

Further dialogue is needed to evaluate the changes proposed in the SME Guide to see if they have international as well as national application.

4. Joint CRIRSCO/UNECE Committee

Dealings with the UNECE continue to occupy a large amount of time for CRIRSCO, with regular teleconferences of the AHGE Bureau, meetings and workshops, all of which have the aim of agreeing an updated UNFC that is consistent with solid minerals systems represented by the Template, and petroleum, represented by the SPE Petroleum Resource Management System (PRMS).

Following a positive set of meetings in Washington in June, where representatives of UNECE, IASB, SPE and CRIRSCO were together, the annual meeting of the AHGE took place in October in Geneva. At this meeting a range of proposals were presented to the AHGE members emanating from the Task Force established to align the minerals and petroleum classification systems with the UNFC. The results of the Task Force work clearly showed that significant changes would be needed for the UNFC to perform its new role as an 'umbrella' document encompassing (and not contradicting) underlying more detailed systems.

Extensive communications took place in the months following the October meetings, with comments invited from all AHGE members on the draft Task Force report and recommendations. Only a small number of countries responded but it still remains an aim of the UNECE to resolve any concerns they may have. A further two day workshop was held in Geneva in February, where Ferdi again represented CRIRSCO. The following comments from Ferdi illustrate some of the issues to be resolved if the Task Force Report is to be finalised (scheduled by end of March):

- Russia has aligned itself with Ukraine in stating that there is no need to change the 2004 UNFC (for metals). They are therefore against any change in the new UNFC that would modify the 2004 UNFC version.

- The basic Mapping Task Force report is accepted with minor cosmetic changes. Editing is in progress and the edited version will be circulated to the AHGE Bureau for approval before the April meeting.
- Differences between the meaning of 'in place' as applied in petroleum and 'in situ' as used in minerals, and what is meant by 'recoverable' have emerged. While this has resulted in extensive discussions among the petroleum representatives, the situation is still unclear on how to accommodate different sub-categories of material in the UNFC. CRIRSCO's view is that this is an unnecessary complication of what is supposed to be a high level simple document and that the definitions as originally mapped (SPE-CRIRSCO-UNFC) are adequate in their current form for minerals.
- The project development status route for mapping and for the new UNFC was not supported.
- Insertion of the Russian Federation mapping into the main text of the Task Force Report is problematic without further work as although there is a comparison between the RF system and UNFC (2004) the mapping between CRIRSCO and the RF system still requires considerable work.
- The Bureau Chairman asked for 'commodity-specific specifications' (guidelines) to be added to the new version of the UNFC. In CRIRSCO's view detailed guidelines on solid minerals would reside in the Template and be referred to in the UNFC. Any other higher level guidance will take some time to develop and would best be done when the final form of the 'new' UNFC is clearer.

As can be seen from the list of issues above, while there is a significant amount of mutual agreement on the report, several issues remain as sticking points. The next round of AHGE meetings in Geneva has been brought forward to 15th-16th April. Ferdi, Niall and Roger will attend.

5. IASB Matters

Interaction with the IASB has continued since the last report, with a number of informal contacts with the Extractive Activities Research Project team.

Of particular note is a submission made by CRIRSCO in response to an IASB request for comments on the issue of asset recognition in minerals and petroleum (available in the Members area of www.crirSCO.com). The comments were the result of a large amount of work, mainly by Harry, and his contribution has been acknowledged and appreciated by the IASB.

As the IASB moves slowly through its deliberations, the relevance of resources and reserves to defining, recognising and measuring mining company assets is very clear. It is not yet clear how the IASB will respond to this although we currently have a clear acknowledgement that the CRIRSCO system has strong support for application in accounting.

An IASB meeting will be held in London in the week of March 10th, with a session on the SPE-CRIRSCO convergence exercise scheduled for Friday 14th March. Niall will participate in this meeting by videoconference from Perth.

6. CRIRSCO-SPE Convergence Team

CRIRSCO's relationship with SPE continues to be very strong despite a change in the leadership of the SPE Oil and Gas Reserves Committee, where Dolores Hinkle has replaced John Ritter. John continues to work in the background and will represent the SPE at the IASB meeting noted above. CRIRSCO and SPE continue to liaise closely on matters where it is considered by both that a united front is beneficial.

With CRIRSCO and SPE having successfully 'mapped' their respective systems to each other, the thrust is now to map them to the UNFC as noted above. This is not as straightforward as hoped, largely because the petroleum people involved, particularly on the UNECE side, appear to need to classify to a much greater level of detail than CRIRSCO. There is also a debate between SPE and UNECE on the basis of the classification systems (resources and reserves or project status) which is providing a distraction.

The SPE-CRIRSCO Mapping documents developed last October and being used in discussions with the IASB and UNECE are lodged in the Members Only area of the CRIRSCO web site and available publicly via the IASB site (www.iasb.org).

7. SEC developments

As noted above, what was to be SME Guide 2008, became SME Guide 2007 when SME management agreed to publish the document despite the continued lack of any response from the SEC to its contents.

In a separate development in December, the SEC issued a Concept Release with a call for comments on a proposal to review and possibly update its oil and gas disclosure regulations. The Concept Release recognised the fact that many changes had taken place in the industry since the regulations were last updated around 1980. For example, current regulations do not allow the reporting of oil sands, despite the significant growth in this industry.

As with minerals, the oil and gas regulations are still a product of the Securities and Securities Exchange Acts of 1933 and 1934, and an examination of the Concept Release showed many similarities with the situation in minerals. For that reason it was decided that a response from CRIRSCO would be warranted, in parallel with but independent of a submission by the SME. This response was circulated to members in draft and submitted to the SEC on 12th February. It is publicly available on the SEC web site ([SEC Concept Releases](#)).

The thrust of the response is a request to the SEC to simultaneously address the issues raised by the Industry Working Group and the SME Guide and to update Industry Guide 7. After several years of non-engagement with the minerals industry, this move by the SEC, albeit in oil and gas, may provide the breakthrough SME and CRIRSCO have been seeking to bring US reporting standards into line internationally. CRIRSCO will continue to offer SME any help it can provide to advance this process.

8. CRIRSCO communications

We are working on using the facilities of ICMM to promote CRIRSCO activities through the ICMM web site (and vice versa), but no significant progress has been made to date. A draft CRIRSCO 'page' has been provided to ICMM.

The ICMM may also be able to offer the facility to upgrade the presentation of the Template to give it a more professional appearance. This is under discussion.

A number of 'Action Items' listed following the October meetings in London relate to compiling a basic set of data sheets that describe current practices in each member country or area. These would include information on the relationship between the reporting standards (and NROs) and the national regulatory bodies, what each NRO currently does in terms of promotion and education of its standard, and what each area has in terms of a ROPO or similar agreement for reciprocal recognition of Competent Persons. Roger is taking a lead in compiling this information and members who have not already done so are requested to provide him with relevant materials as soon as possible.

9. Invitations to Comment on Code Revisions

The following text is reproduced from the previous report as no responses were received:

It is current CRIRSCO policy not to provide a single response to calls for comment on National Code revisions, although members are encouraged to do so as individuals or through their professional and National bodies. The reason for this is that the CRIRSCO Template is seen as reactive to National changes and not proactive in introducing these changes.

We have received comments from various quarters that CRIRSCO should take a more obvious lead in promoting international reporting changes as part of best practice development. While we do not propose to act on this in the short term, members views would be welcomed on the extent to which CRIRSCO should promote discussion on reporting issues in the international arena with a view to eventually incorporating these (with member NRO agreement) into the International Reporting Template.

Web Site management

We still have no 'official' Web master at the moment. Can members please pass any items of interest to Niall in the interim for posting on the CRIRSCO web (www.crirSCO.com)?

The web site continues to be run by Tatiana Feldman of the AusIMM. There are not many regular updates needed, but where these are needed, Niall is acting as temporary link between CRIRSCO and Tatiana. In order to keep the Web pages fresh and interesting, it would be appreciated if other Committee members could contribute discussion topics, papers etc as well as ideas for the future direction of the site.

10. Russian and Chinese Sub-Committees

CRIRSCO provided feedback to Steve Henley, Chairman of the Russian Sub-Committee, following receipt of the sub-committee's report on progress during 2007. While this has been good, there are some key issues to resolved during continued work with the Russian members of the sub-committee. Niall met briefly with senior members of the GKZ in Geneva in October and they indicated that a face to face meeting of the sub-committee in Moscow would be a good way of moving discussions forward. They also indicated their concerns that the Russian system might be significantly altered by 'merging' in some way with CRIRSCO, but Niall reassured them that this was not the intention.

In other developments, Russian members of the sub-committee have indicated that they are keen to see future Russian membership of CRIRSCO and are in the process of aligning the Russian system with the West by taking membership of the European Federation of Geologists. As previously noted steps are also being taken to set up a professional body in Russia (Russian Society of Subsoil Use Experts) that could qualify as a ROPO for the provision and recognition of Competent Persons in future.

Progress with the formation of a Chinese sub-committee has progressed more slowly, with the main difficulty being trying to establish which of the many government departments involved in resource and reserve matters are responsible for setting reporting standards.

Peter visited China in November and took the opportunity to make contact with a number of interested Chinese officials. It is hoped that this will consolidate into Chinese representation on the sub-committee in the near future so that discussions can begin in earnest about mapping the CRIRSCO and Chinese systems.

SAMREC met with a Chinese delegation in Johannesburg in early December 2007. The revised SAMREC code was discussed and the relationship with CRIRSCO. South African Members of the IASB research project also gave a brief update of their activities. A copy of the current Chinese reporting Code was received

11. Other News

John C will participate and present on CRIRSCO's behalf at a Workshop in CESCO Week in Santiago, Chile in early April.

Niall has been invited to present a keynote address at the World Mining Congress and Expo in Krakow, Poland in September.