

5 September 2003

**COMBINED RESERVES INTERNATIONAL REPORTING
STANDARDS COMMITTEE
(CRIRSCO)**

STATUS REPORT as at SEPTEMBER 2003.

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BACKGROUND

The Combined Reserves International Reporting Standards Committee (CRIRSCO) was formed in 1994 under the sponsorship of the Council of Mining and Metallurgical Institutions (CMMI), London with the brief of harmonising the definitions for reporting of mineral resources and mineral (ore) reserves of those constituent mining professional organisations that were members of CMMI.

Over the three years following, significant progress was made, resulting in the Denver Accord of October 1997, at which unanimous agreement was reached on the definitions for Mineral Resource, Measured Mineral Resource, Indicated Mineral Resource, Inferred Mineral Resource, Mineral Reserve, Proved Mineral Reserve and Probable Mineral Reserve.

Following that benchmark agreement, the United Nations Economic Commission for Europe (UN-ECE) incorporated the CMMI agreed definitions into its Framework Classification in 1998.

Using the Australasian Joint Ore Reserves Committee (JORC) 1999 Code as a template, other countries developed new Codes/Guidelines or updated their pre-existing Codes. The end result of this process was that by the end of 2001 the new or updated Codes of Australia, South Africa, Canada, USA, Western Europe, UK and Ireland were between 90-95% identical, with any differences, due to recognition of "local" requirements, being not material. For more details of each country's current Code operation refer to Appendix 1.

THE CMMI CAIRNS CONGRESS May 2002

The four - yearly CMMI Congress was held in Cairns, Queensland, 27-28 May 2002, with one of the themes being International Mineral Reserves Reporting Standards. During the Congress the possibility of an International Code

Template for Public Reporting of Exploration Results, Mineral Resources and Mineral Reserves was canvassed, as was the question of the most appropriate organisational structure through which the mining industry could host and manage international codes of this nature.

DECISIONS MADE AT CAIRNS - THE CAIRNS PROTOCOL

At the CMMI Executive/Council meeting of the CMMI representatives, chaired by Leigh Clifford, CEO of Rio Tinto, the following matters were debated and conclusions reached:

- ◆ The structure and processes of CMMI are inappropriate to meet the current and future needs of the professionals in the minerals industry and their representative institutes.
- ◆ Meetings by "virtual" (ie electronic) means are timely, inclusive and more efficient than the traditional meetings every four years, with largely ineffective meetings in between.
- ◆ The current (CRIRSCO) process was seen as a model for the most effective way to address emerging issues on an international basis. That is, a need was identified on a relevant issue, a 'champion' led the group, and the most appropriate experts from the member institutes met primarily by electronic means. For example, the CRIRSCO objective is to establish an international template for Mineral Resources/Reserves reporting which could then be adopted by any national institute to meet the needs of its local regulatory authorities. This pro-active approach could assist with self-regulation protocols and may be successful in influencing such authorities.
- ◆ Where a need was identified and a 'champion' chosen, those institutes which were interested could appoint a representative to an international standing committee which would then meet by electronic communication and meet face to face if necessary only at a relevant international event hosted by one or more of the participating institutes.
- ◆ Possible issues to address could include reciprocal recognition of qualifications for "Competent /Qualified Persons", valuations of mineral property and assets, and mining health and safety protocols.
- ◆ If there are no longer four-yearly Congresses with Standing Committees established to address relevant issues, then there is no need for a Council and Executive with a Chair, Deputy Chair etc.
- ◆ There is also no need for a static membership. Rather, each issue being addressed may have a slightly different constituency. However, there is an

identified need for a clearing house with an institute offering the administration of this for two years in rotation.

- ◆ Funds would be raised as and when required depending on the particular issue being addressed and the interest of each institute.
- ◆ The AusIMM offered the administration of the clearing house for the first two year period June 2002 to June 2004, followed by CIM 2004-2006, SME 2006-2008, IMMM 2008-2010, and SAIMM 2010-2012. *(Note: These dates are subject to amendment by mutual agreement)*

SUGGESTED TRANSITION TIMETABLE FOR CMMI.

Note: As this report has had some slippage in its preparation since mid -2002, (for which I take full responsibility) the following timetable has been extended for points 3 to 6 inclusive, by approximately 16 months from the original as agreed at Cairns. The revised timetable will need approval from the participating institutes.

1. Unanimous agreement to these principles at CMMI Executive/Council on 26 May 2002 at Cairns, Queensland, with representatives from AusIMM, IMMM, CIM, SME, SAIMM, JORC and CRIRSCO. **Achieved**
2. Agreement to the draft paper by those representatives to take back to their respective institutes. **This paper**
3. Feedback from the institutes and preparation of a final agreement for transmission to and comment by all CMMI participants, subject to agreement. **By end September 2003**
4. Initial provision and rotation cycle of clearing house activity to be agreed - both AusIMM and IMMM originally expressed a willingness to participate. **Decision by end October 2003**
5. Lists of participating and potential institutes to be established and maintained by host institute. **Decision by end November 2003**
6. Dissolution of CMMI on a basis to be agreed by participants. **By end December 2003**

The future of CRIRSCO is dealt with in the following sections.

THE CHALLENGES AHEAD FOR CRIRSCO.

Despite some slippage in the final winding-up of CMMI, CRIRSCO's activities have continued apace since Cairns 2002. An updated status report of each country's activity over the last 15 months is appended to this report.

Five recent CRIRSCO related developments are worthwhile highlighting:

- ◆ Following publication of the SAMREC Code and the Reporting Code (Institute of Materials, Minerals and Mining; European Federation of Geologists; Institute of Geologists of Ireland; Geological Society of London), JORC has been undertaking a revision of its 1999 Code, to be finalised in the second half of calendar 2003.
- ◆ Based on a 2001 initiative by regulators in Canada, the ASX in 2003 acting on advice from JORC and its parent bodies, prepared a list of Recognised Overseas Professional Organisations (ROPOs) which is a major advance in promoting international reciprocity. In Canada the CSA has promulgated a similar list within NI 43-101.
- ◆ SME is organising a conference in Reston, VA near Washington DC, 1-3 October, 2003 to address, inter alia, the issues of relationship and communication with the US investment regulatory authorities, the accounting profession generally and those associated with mineral reserves reporting standards.
- ◆ The IMMM Code will be endorsed by the United Kingdom Listing Authority (UKLA).
- ◆ JORC has been providing assistance to Chile and Peru in developing a Reporting Code based on the JORC template.

Within the new framework for co-operation amongst professional bodies, and given impetus to the reporting developments noted elsewhere, it is proposed that CRIRSCO should establish a strategy to go forward with the International Reporting Code Template. This is planned to be discussed and a strategy formulated by November 2003, following the CRIRSCO meeting at Reston VA, 3 October.

CRIRSCO INTERNAL MATTERS

While there will be some 'internal' matters for CRIRSCO to address, such as sources and disposition of funding, transition provisions, new membership participation and associated accreditation requirements, the principle challenges relate to promulgation of a world recognised International Code Template for Mineral Reserve and Resource Reporting, generally to be modelled on the Reporting Code (of IMMM, EFG, IGI, GSL) and the JORC

Code, the two most recently published Codes (JORC to be finalised later this year).

The International Code Template would include the definition of the Competent/Qualified Person, the setting of Rules for Conduct of the Competent/Qualified Person, the setting of requirements for ROPOs, and the mechanism for updates, additions, deletions and modifications to the International Code when established. The intention is that the International Code would be a template which any country could adopt as its own standard with perhaps any necessary modifications in recognition of its own laws and practices.

The International or "generic" code would exclude sections that are related to specific national matters and would consolidate the "core" parts of the Code, which are the definitions and guidelines etc that are common to the existing national Codes

CRIRSCO EXTERNAL MATTERS

The most important challenge relating to the 'external' operations of CRIRSCO is the relationship and communications with investment regulatory authorities, including SEC, OSC, JSE, ASX and UKLA.

Because it starts from a lower base, another big challenge will be relationships with the accounting profession and the need to establish an influential input into proposed world accounting standards in particular with the International Accounting Standards Board (IASB), based in London.

These linkages will assume increasing importance since if CRIRSCO and its members do not get involved, there is a risk the mineral resources and reserves reporting standards now well established in many countries could become marginalised.

Co-operation with UN-ECE and its Framework Classification (UNFC) should continue to be pursued. The UNFC is being aggressively promoted internationally to countries with developing and emerging economies. There is therefore a continuing requirement to promote understanding between the two groups (CRISCO and UN-ECE) in view of the fact that the previous constructive contact has resulted in the establishment of critical common ground, for example, the seven principal resource/reserve reporting definitions.

A program of publicity and creating awareness of the International Code Template and related matters needs to be considered and implemented. There are four strands to this:

- ◆ Promotion of the International Code Template for use by others. In light of recent developments this development could be foreshadowed at the SME Conference in Reston VA, near Washington DC, 1-3 October 2003.
- ◆ Co-opting new members to the cause and objectives of CRIRSCO, eg countries such as Chile and Peru.
- ◆ Ensuring the world-at-large is aware of what CRIRSCO is doing. As a first priority this should include the relevant investment regulatory authorities and the accountancy profession. Included in these groups should be the IASB and possibly the International Council of Mining and Metals (ICMM).
- ◆ Re-examination of the composition and modus operandi of CRIRSCO.

CONCLUSIONS

The decisions reached at Cairns, May 2002 have opened up the need for a broader, sustainable role for CRIRSCO.

- ◆ Electronic means of communicating as the preferred mode of operations should make for speedier communication and more effective decision making and approvals.
- ◆ Transparency will be enhanced as accountability will be direct to the participating members. The professional institutes will now "own" CRIRSCO directly rather than through an intermediary, previously CMMI.
- ◆ Implementation and promotion of the International Code Template should be the primary priority (a large amount of basic work has already been done). Widening the scope of CRIRSCO's activities to embrace enhanced communication (hopefully with greater influence) with associated activities eg the international accountancy profession, should be a growing component of CRIRSCO's role.
- ◆ Further down the track, an involvement with mineral reserves good **estimation** practices could be contemplated, although a related but separate CRIRSCO-type committee could possibly better take on this task.
- ◆ The next face-to-face meeting of CRIRSCO planned to be held in Reston VA in October 2003 should set its agenda for the immediate future.

APPENDIX 1

INDIVIDUAL COUNTRY UPDATES.

Australia (JORC)

The years 2002 and 2003 were spent in a comprehensive review of the JORC Code. An exposure draft was released in late 2002 based on submissions received and on modifications made to the Code during its adoption by various countries to form the basis for their reporting standards.

The 2003 JORC Code will be finalised in the second half of 2003. Although the fundamentals of the Code will not change, some of the more significant modifications include: requirement for Competent Persons to be responsible for the documentation upon which Exploration Results are reported; inclusion in the definition of a Competent Person of a reference to ROPOs; inclusion of advice regarding the reporting of exploration targets; and inclusion of a guideline encouraging Competent Persons to discuss the relative accuracy and/or confidence of Mineral Resource and Ore Reserve estimates.

During 2002, JORC, its parent bodies and the Australian Stock Exchange (ASX) agreed to extend the Competent Person provisions of the JORC Code and ASX listing rules by introducing a system which identifies "recognised overseas professional organisations"(ROPOs) to which Competent Persons may belong for the purpose of preparing documentation underpinning reports on Exploration Results, Mineral Resources and Ore Reserves for submission to the ASX under the JORC Code. The system involves the ASX promulgating the list of overseas bodies, acting on advice from JORC working in cooperation with its parent bodies. The development recognises the rapid globalisation of reporting standards in recent years and has its genesis in a similar arrangement introduced in Canada in 2001.

A ROPO Taskforce developed a list of agreed criteria that ROPOs would need to satisfy to be recognised, the most important of which is an ability to discipline its members. Prospective ROPOs were identified and contacted and initially some eleven responded expressing interest in being recognised. Others have subsequently been included on the list. All satisfied the Taskforce's criteria, and recommendations were duly made to the ASX and accepted by it. In early May 2003, ASX promulgated the ROPO list. It is envisaged that further applications will be received as the system becomes more widely publicised. JORC views the ROPO system as a major advance in the development of genuine international reciprocal recognition of Competent/Qualified Persons, and hence in the establishment of high quality national and international reporting standards for the minerals industry.

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UK (IMMM)

The Reporting Code was published by the former Institution of Mining and Metallurgy (IMM) - now the Institute of Materials, Minerals, and Mining (IMMM) in October 2000, in conjunction with the European Federation of Geologists (EFG), Institute of Geologists of Ireland (IGI) and the Geological Society of London (GSL). Recently the UK Listing Authority (UKLA) has been involved in a wider review of the LSE listing rules, which is likely to be complete by October 2003. The bottom line for Chapter 19 of the LSE listing rules (Yellow Book) dealing with minerals is as follows:

- ◆ The UKLA will accept the changes inherent in the new IMMM Reporting Code and will agree to endorse it.
- ◆ The new reporting definitions will be accepted.
- ◆ The inclusion of Inferred Mineral Resources will be allowed but these must not be aggregated with Measured and Indicated Mineral Resources (as per landmark precedent with the BHP Billiton merger and more recently, Xstrata).

IMMM is now recognised under the Australian ASX ROPO protocol and the Canadian CSA list for reporting under NI 43-101.

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Europe (EFG)

The EFG is now recognised by both CSA and by the ASX ROPO protocols. Contact is being maintained with the UN-ECE. As part of that process an informal meeting was held in June 2003 with the Slovenian UN-ECE members.

Copies of the Reporting Code have been circulated to relevant directorates of the European Commission and it has been promoted to various agencies and authorities as a template.

It is a policy of the EFG to promote the Competent Person concept and not just in respect of reporting within the natural resource sector.

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Ireland (IGI)

In Ireland, both the Department of Communications, Marine and Natural Resources (Republic), and Department of Enterprise, Trade and Investment (Northern Ireland) now require that all reports submitted in respect of State-issued exploration permits and mining leases must be signed off by a Competent Person and conform to the Reporting Code.

The IGI is now recognised as a ROPO by the ASX and is also included on the CSA list (Canada) for reporting under NI 43-101.

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Canada (CIM and OSC)

Since the Cairns CMMI Conference in May 2002, the provisions of National Instrument 43-101 (NI 43-101) as they relate to mineral resource and reserve reporting, have been the subject of discussion and interpretation. NI 43-101 is the Canadian rule (law) that deals with the reporting of information on mineral properties. The Canadian Securities Administrators (CSA) the umbrella group of provincial and territorial securities commissions are the authors of this law and enforce NI 43-101. The Mining Technical Advisory and Monitoring Committee (MTAMC), a committee of industry representatives that advise the CSA, met quarterly to discuss issues that arose from the application of NI 43-101.

In January 2003, the CSA published an updated version of Frequently Asked Questions (FAQs) that deal with issues and interpretations of NI 43-101. These FAQs are available at the various Provincial Securities Commissions web sites; for example the Ontario Securities Commission web site at www.osc.gov.on.ca.

Two committees of the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) dealing with best practice standards completed their work in early 2003. The *Diamond Exploration Best Practices Committee* and the *CIM Special Committee on Valuation of Mineral Properties (CIMVal)* prepared industry standards that were approved by CIM Council in March 2003. These standards are available on the CIM web site at www.cim.org.

The CIM Standing Committee on Reserves Definitions has been dealing with various industry groups trying to establish the usage of a common set of definitions, the CIM Standards, for all mineral commodities. In addition, the work of the *CIM Estimation Best Practices Committee* is continuing. To date general guidelines are written and some industry specific sections are complete. Drafts of the completed sections are available on the CIM web site.

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USA (SME)

In the USA, the main issue remains that of developing industry codes and guidelines that are meaningful, ie compatible with international guidelines

while remaining in agreement with the requirements of the Securities and Exchange Commission (SEC).

Compatibility with international guidelines requires, among other things, development of the professional and legal structures needed to make the concept of the Competent Person workable and meaningful in the US environment. Compatibility with the SEC requires mutual understanding of the SEC requirements by the professional societies and of the international requirements by the SEC.

To reach these objectives, SME organised two meetings. First a small group of SME members met with the SEC in April 2003 to explain their position and to listen to the SEC position. This meeting was constructive as it helped to clarify misunderstandings and define where differences still remain. More importantly, it resulted in a mutual agreement that such meetings were useful and should be facilitated on a regular basis.

Following on this initial agreement, SME decided to organise a meeting of one and a half days duration in Reston, Virginia, to take place October 1-3 2003. This meeting will include participation from the SEC, regulatory agencies from Australia, Canada, and the UK, accountants, lawyers, bankers, analysts and other professionals in the mining industry. It will cover accounting, managerial, technical and other aspects of mineral reserves reporting.

The objective is to develop a much more inclusive concept of what makes a reserve, to show the similarities as well as differences in points of view between regulators and mining industry representatives, between US and other countries, and more importantly to define what needs to be done to effectively reach international agreements which are meaningful in the US as well as in other countries whose stock exchanges are of significance to the mining industry. For further details see the SME website http://www.smenet.org/meetings/RMRR_Fall_conf/index.cfm

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South Africa (SAMREC)

South Africa published the South African Mineral Resource Committee (SAMREC) Code in 2000, effective from March of that year.

Late in 2000 the Johannesburg Stock Exchange (JSE) adopted the SAMREC Code in its Section 12 (Listing Rules) and made the Code's "check-list" mandatory.

Section 12 also made provision for the permanent establishment of a Panel of Readers, constituted mainly of members of the SAMREC committee, to advise

the JSE on adherence of Competent Person Reports (CPRs) to the SAMREC Code and Section 12. The same section makes provision for the handling of any complaints arising from CPRs. Such complaints will be referred by the JSE for action/assessment/prosecution to the relevant statutory body to which the Competent Person belongs. Since 2000, Competent Person Reports of companies submitting transactions to the JSE have been processed via the Panel of Readers.

Currently SAMREC is formulating guidelines for the ongoing obligations of mining and exploration companies for their annual/six-monthly submissions. Such guidelines will be submitted to the JSE by SAMREC during 2003 for incorporation into the official on-going requirements (Section 3).

SAMREC is studying the possibility of creating and maintaining/updating a register of Competent Persons in order to facilitate utilisation of, and the checking on, "recognised" Competent Persons by interested parties. However, in line with the spirit and letter of the SAMREC Code, the registration will not be mandatory and Competent Persons who do not register can still sign off Competent Person Reports, as they used to do before the publication of the register, and they will be in no way prejudiced. As mentioned above, it is mainly a facilitating tool, aimed both at speeding up the process of choosing a Competent Person and at ensuring reliability. The register will cater for all disciplines including those that are envisaged will be involved in the valuation process under the South African Mineral Valuation (SAMVAL) Code.

At the same time, SAMREC in cooperation with all the relevant parties is formulating a list of ROPOs with relevant standards and requirements that should be finalised by the end of 2003. It will be inviting all interested institutes and organisations to apply for admission.

Finally the compilation of the SAMVAL Code is proceeding apace with SAMREC members participating in the committee.

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