



27 January 2012

Secretariat
Joint Ore Reserves Committee
PO Box 660
CARLTON SOUTH VIC 3053

Via email: jorc@ausimm.com.au

Dear Sir/Madam

RE: Review of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves – The JORC Code 2004 Edition (the JORC Code)

Thank you for the opportunity to provide comment on the Review of the *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves – The JORC Code 2004 Edition* (the JORC Code).

The Association of Mining and Exploration Companies (AMEC) is the peak national industry body for mineral exploration and mining companies within Australia. The membership of AMEC comprises over 330 explorers, emerging miners and the companies servicing them.

AMEC's strategic objective is to secure an environment that provides certainty and clarity for mineral exploration and mining in Australia in a commercially, politically, socially and environmentally responsible manner. It is therefore in this context that the attached submission is made.

Further to attached submission, AMEC adds the following comment with respect to the process undertaken for updating the JORC Code and ASX Listing Rules and the coordination between the two institutions.

In AMEC's view a hierarchy exists between the ASX Listing Rules and the JORC Code. Because the ASX Listing Rules references the JORC Code it would seem appropriate an update of the JORC Code should come before an update of the Listing Rules. In this way, the Listing Rules can include issues beyond the scope or strengthen the requirements outlined in the JORC code.

The parallel reviews have made the process of writing submissions more difficult in that there is not a clear delineation on which institution has coverage of which issue and to what degree, noting that past relationships provide no indication of how the two documents will work together in the future. Thus AMEC's submission may cover issues that should have been raised with ASX and not the JORC. Furthermore, to complicate the matter, AMEC has been made aware that the Australian Securities and Investments Commission (ASIC) may also undertake its own review.

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Finally, AMEC would appreciate JORC's consideration of admitting AMEC as a member of JORC. AMEC's and its members are direct stakeholders of the JORC Code. Therefore in AMEC's view it is entirely appropriate that AMEC is afforded a seat on the JORC.

I would be pleased to meet with JORC representatives at any time to further discuss any issues raised in AMEC's submission.

Yours sincerely

A handwritten signature in red ink, appearing to read 'Simon Bennison', with a long horizontal flourish extending to the right.

Simon Bennison
Chief Executive Officer



Submission to

**Review of the Australasian Code for
Reporting of Exploration Results, Mineral
Resources and Ore Reserves – The JORC
Code 2004 Edition**

January 2012

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Introduction

1. Thank you for the opportunity to provide this submission to the Joint Ore Resources Committee's (JORC) Review of the *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves – The JORC Code 2004 Edition* (the JORC Code).
2. The Association of Mining and Exploration Companies (AMEC) is the peak national industry body for mineral exploration and mining companies within Australia. The membership of AMEC comprises over 350 explorers, emerging miners and the companies servicing them.
3. AMEC's strategic objective is to secure an environment that provides certainty and clarity for mineral exploration and mining in Australia in a commercially, politically, socially and environmentally responsible manner.

Executive Summary

4. AMEC welcomes the review being undertaken by the Joint Ore Resources Committee (JORC) on the *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves – The JORC Code 2004 Edition* (the JORC Code).
5. AMEC notes that the JORC Code Consultation Paper "review aims to ensure that the JORC Code provides clarity regarding the requirements for Public Reporting and remains at the forefront of international public reporting best practice with respect to companies' exploration and development activities".
6. AMEC notes that the Australian Securities Exchange (ASX) is undertaking a review of the 'Reserves and Resources Disclosure Rules for Mining and Oil & Gas Companies' in parallel to this review. In combination, the outcomes will undoubtedly strengthen the integrity of Australian listed exploration and mining companies reporting practices.
7. AMEC has consulted its members in preparation of this submission and will continue to do so if further input is required.
8. In summary AMEC supports the overall direction the JORC is taking with respect to standardising the reporting of reserves and resources. However, AMEC strongly advises the JORC to not take an overly prescriptive route and maintain the core of the principles-based system currently in place.
9. As a strategically focused organisation, AMEC makes the following strategic, rather than operational, comments in relation to the Issues Paper.

Recommendations

10. **AMEC recommends JORC:**
 - **Tighten the wording of Clause 18 to specifically address the issue of 'conceptual exploration targets'.**
 - **Add no further guidance beyond what is currently in Clause 19 on 'reasonable prospects for eventual economic extraction' and cut-off grade for the purpose of estimating Mineral Resources.**

- **And the ASX consider whether further guidance on Production targets should be addressed in the JORC Code or in the ASX Listing Rules.**
- **Retain the current Clause 14 reporting provisions.**
- **Consider introducing the term Annual Resource Balance report which reconciles a company’s resource assets against the previous report.**

11. AMEC supports JORC’s:

- **Inclusion in the JORC Code of definitions of Pre-Feasibility study and Feasibility study for their use in converting a mineral resource to an ore reserve.**
- **‘Housekeeping’ amendments.**
- **Inclusion of the Committee for Mineral Reserves International Reporting Standards (CRIRSCO) standard definitions.**

Response to Issues

Issue 1: Disclosure of Exploration Results

12. AMEC understands that the disclosure of exploration results has been raised because the ASX has identified an unacceptably wide variety and quality of company reporting. This in turn is deemed to cause and create confusion amongst investors and their advisors. Therefore to mitigate this confusion the ASX wishes to ‘standardise’ this reporting requirement to allow ‘apples with apples’ comparisons to be made. AMEC understands that there is currently a significant amount of variation in the way resource companies release exploration results, and therefore some clarification is welcomed.
13. In its ASX submission AMEC has supported Option 1A – ‘Introduction of a requirement for the disclosure of key drill hole and intercept information’. AMEC notes the specific drill hole details listed in the ASX Issues Paper are generally released with exploration assays now, but the level of detail varies significantly – some reports publish details of all holes, some publish selected holes and some rely on the use of a map showing only collar locations. AMEC views ASX’s Option 1A as a valid improvement to the Listing Rules.
14. The ASX has proposed to define the requirements of reporting the exploration results in the listing rules. However, it is not clear where they should be defined, as they could be legitimately included in both the JORC Code and the Listing Rules. As the JORC Code Consultation Paper identifies, *“the level of geological confidence associated with Exploration Results is generally not sufficient for the estimation of Mineral Resources or in providing an economic value. However, the disclosure of certain data and information related to mineralisation widths and drill hole intercepts generated by exploration programmes is important for investors seeking to understand the significance of the Exploration Results and assess the likelihood that a Mineral Resource may be identified following further exploration drilling and geological interpretation”*. Thus the need for the inclusion of specific exploration data in the JORC code is questionable.

Issue 2: Disclosure of Exploration Targets

15. AMEC considers that the removal of Clause 18 would be a retrograde step. The practice of reporting exploration targets is now well established in the industry and its removal would only add to confusion and misreporting of exploration results.
16. The breaches of the code appear to stem from the inclusion of exploration targets, which tend to be aspirational and/or conceptual in nature, and may not reflect all the mineral resource, which could in some circumstances mislead investors and their advisors.
17. Because exploration companies are often valued mainly on their potential for discoveries, the creation of realistic exploration targets is an essential tool for value creation. Therefore a possible solution to the issue may be the introduction of a term such as 'conceptual exploration targets'. This term may be more appropriate in that it conveys that there is some uncertainty in the reported value. This may be a better solution than simply prohibiting the use of term 'exploration targets'. Taking this further, if a 'conceptual exploration target' is suitably qualified there should be no prohibition on its use in a headline statement.
18. Therefore AMEC recommends that the wording of the clause be tightened to specifically address this issue. AMEC supports the inclusion of the cautionary statements in the proposed revisions to include a note that exploration targets are conceptual in nature and may not reflect the actual mineral resource.

Recommendation

19. **AMEC recommends that JORC tighten the wording of Clause 18 to specifically address the issue of 'conceptual exploration targets'**

Issue 3: Guidance on 'reasonable prospects for eventual economic extraction' and cut-off grade for the purpose of estimating Mineral Resources

20. This issue is difficult to resolve. On the one hand, the need for better information for investors and their advisors is critically important and yet the plethora of factors which a company will use to assess whether there is 'reasonable prospects for eventual economic extraction' will vary greatly. Furthermore, the factors will be different for individual companies. How an investor and their advisor weigh the individual factors is a matter for them.
21. Therefore, AMEC supports the current requirements of Clause 19 as sufficient in that if a judgement in relation to 'eventual economic extraction' relies on untested practices or assumptions, it must be disclosed in public reports.

Recommendation

22. **AMEC recommends that JORC add no further guidance beyond what is currently in Clause 19 on 'reasonable prospects for eventual economic extraction' and cut-off grade for the purpose of estimating Mineral Resources.**

Issue 4: Disclosure of greater technical and modifying factor information particularly when reporting an initial, or an materially changed Mineral Resource and Ore Reserve estimate

Issue 5: Minimum level of study required to support and initial Ore Reserve estimate and reporting

23. These issues would be substantially mitigated by the proposed inclusion of the definitions of Pre-Feasibility study and Feasibility study into the JORC Code. AMEC therefore supports the inclusion in the JORC Code of definitions of Pre-Feasibility study and Feasibility study.

Recommendation

24. **AMEC supports the inclusion in the JORC Code of definitions of Pre-Feasibility study and Feasibility study for their use in converting a mineral resource to an ore reserve.**

Issue 6: Disclosure of Production Targets

25. Production targets are an important means by which companies communicate their longer-term strategic ambitions to the market. AMEC notes that the ASX is concerned that publication of production targets without reasonable validation supporting them, in the form of resources or at least valid exploration targets, is confusing and potentially misleading. The Australian Securities and Investment Commission (ASIC) has also outlined their concerns about this issue in their submission to the ASX Issues Paper.

26. Production target statements tend to be in two varieties: those which have some scientific/economic basis such as resources, reserves and production schedules, and those which are purely aspirational. Both types of targets are useful in communicating strategy and ambition, but investors need to be able to clearly understand which type of target they are looking at. AMEC supported the ASX's Option 5A – 'Introduction of disclosure requirements applicable to the reporting of production targets and forecast financial information derived from production targets', especially if the JORC Code includes definitions of Pre-Feasibility study and Feasibility study.

27. On the balance AMEC considers that rules pertaining to production targets may be best suited to the ASX listing rules and not the JORC Code, as the JORC Code's predominant role is to set standards for defining mineral and ore resources, not standards for reporting to the market.

Recommendation

28. **AMEC recommends that JORC and ASX consider whether further guidance on production targets should be addressed in the JORC Code or in the ASX Listing Rules.**

Issue 7: Annual reporting of Mineral Resources and Ore Reserves

29. AMEC considers there is little difference in reporting resources and reserves in the annual report or on an annual cycle as determined by the company. This proposal stated in Question 7A would result in no more useful information to investors than the current practice, although it would give investors a firm timeline for the release of resource and reserve data.

30. A brief summary of changes against the estimates from the previous year would give investors a useful summary of growth or depletion. Use of the word “reconciliation” is possibly misleading here. Reconciliation is the act of providing a resource balance, and therefore perhaps a more appropriate term for the report is an ‘Annual Resource Balance’ report or similar.
31. An Annual Resource Balance report would include such things as additions or depletions due to sales and acquisitions, additions resulting from exploration success, depletions resulting from additional information (e.g. conversion of inferred to indicated resources) and depletions due to mining. In AMEC’s view a report such as this would deliver better information and be more digestible to investors.

Recommendation

32. **AMEC recommends JORC retain the current Clause 14 reporting provisions.**
33. **AMEC recommends that JORC consider introducing the term Annual Resource Balance report which reconciles a company’s resource assets against the previous report.**

Issue 8: Accountability of Competent Persons

34. The JORC Code Consultation Paper asks whether there is currently sufficient separation between the duties of the competent person and the interests of the competent person in the company. In a similar vein AMEC raised in its ASX submission whether the link between the ASX and the Australasian Institute of Mining and Metallurgy (The AusIMM) and the Australian Institute of Geoscientists (AIG) was sufficient enough to be able to investigate complaints pertaining to the conduct of the competent person and quality and integrity of company reporting.
35. AMEC notes that the JORC Code has scope for disclosing in greater detail the relationship between the competent person and the company under Clause 8. If interpreted to the letter, then the disclosure of the competent person’s interests in the company should already be being made. However, this is clearly not the case. Therefore, in the interests of full disclosure, and since there does not seem to be any major barriers for the disclosure of this information, AMEC supports the inclusion of disclosure of a competent person’s interest.
36. In relation to AMEC’s own concerns, it is not AMEC’s intention to question individual competent persons, however there is currently no mechanism for the ASX to investigate a company’s reporting practices should The AusIMM or AIG be investigating the competent person of that company. Furthermore, there does not seem to be a mechanism for the ASX to refer a complaint made about a report signed off by a competent person to The AusIMM or AIG.
37. It was raised in a meeting with AMEC and the ASX that this could be due to the legal vulnerability of the two ‘volunteer’ professional bodies that prevents this from occurring. A couple of solutions were raised to overcome the issue. The first is to make it legally binding on The AusIMM and AIG to report to ASX when a competent person is being investigated and the second was for the ASX’s to create a compliance unit to monitor reports and refer breaches to the professional bodies for action. AMEC does not have a particular view on the solution, other than it needs resolution, but raises it for consideration by the JORC.

Issue 9: Inclusion of relevant material from the ASX Companies Updates issued in collaboration with JORC since the release of the 2004 JORC Code

38. AMEC considers the inclusion of the ASX Companies updates in the JORC Code to be relevant and sensible inclusions.

Recommendation

39. AMEC supports the 'housekeeping' amendments.

Issue 10: Adoption of proposed CRIRSCO core standard definitions

Recommendation

40. AMEC supports the inclusion of the Committee for Mineral Reserves International Reporting Standards (CRIRSCO) standard definitions.