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Rapid Globalisation of Resources Sector Prompts ASX Review

The Australian Securities Exchange (**ASX**) recently released its latest Listing Rules Review Issues Paper entitled, 'Reserves and Resources Disclosure Rules for Mining and Oil & Gas Companies' (**Paper**). A copy of the Paper is available on the ASX's website and can be accessed via this [link](#).

The release of the Paper reflects the increasing significance of the mining and oil and gas sectors and the need to enhance disclosure standards for these sectors to facilitate improved access to capital investment.

Based on its industry research, the ASX believes the quality and extent of the disclosure in relation to resources and reserves to be the most important factor in determining company valuations in the mining and oil and gas sectors and in assessing capital investment opportunities.

Disclosure in the Mining Sector

The Paper is divided into two parts: Part A, which addresses mineral resources and ore reserves reporting; and Part B, which addresses petroleum resources and reserves reporting.

We will focus on the key issues identified by the ASX in relation to mineral resources and ore reserves reporting.

In the context of the mining industry, the ASX notes that its review *'aims to ensure that listed mining company Mineral Resources and Ore Reserves reporting continues to represent international best reporting practice and that the disclosure facilitated by the Listing Rules contributes to the ability of mining companies listed on ASX to compete for and gain access to capital in the Australian and global capital markets.'*

Key Issues and ASX Recommendations

The ASX identifies six principal concerns (listed below) regarding listed companies' disclosure within the minerals industry. The Paper seeks comment on specific options recommended by the ASX to resolve each of those concerns. These are summarised below.

Issue 1 – Disclosure of Exploration Results

Issue:

The ASX has identified a lack of 'guidance and clarity' regarding the information related to drill-hole and intercept results that should be disclosed when exploration results are released to the market.

Recommended Option:

- Requiring disclosure of specific information when disclosing drilling results, including the easting, the northing, the elevation, the dip, the azimuth, the down hole width and depth and the end of hole.

Issue 2 – Disclosure of Exploration Targets

Issue:

The ASX has noticed a trend whereby companies utilise clause 18 of the JORC Code to report preliminary low confidence resource estimates based on initial drilling results or historical wide-spaced drilling conducted for other purposes.

Recommended Options:

- Introducing disclosure requirements wherever companies wish to publicly report exploration targets, including clear cautionary statements to be disclosed with the same degree of prominence as the targets themselves.
- Introducing prohibitions against preliminary and low-confidence estimates of mineralisation based on initial drilling or pre-existing historical drilling.

Issue 3 – Disclosure of Key Assumptions Underpinning an Initial or Materially Upgraded Mineral Resource or Ore Reserve Estimate

Issue:

The ASX is concerned that the discretion of Competent Persons to determine the key assumptions that underpin public reports on Mineral Resources and Ore Reserve estimates is too broad. Of particular concern is the ability of Competent Persons to exclude certain information considered 'not material' to the reported estimates.

Recommended Options:

- Establishing certain 'minimum requirements' for the information disclosed when reporting Mineral Estimates or Ore Reserves, including the geology, sampling techniques, drilling techniques, metallurgical factors and assumptions.
- Alternatively, introducing an 'if not, why not' approach to these minimum requirements.
- Requiring a full technical report before each announcement (although, due to the obvious compliance burden, this is noted as a non-preferred option).

Issue 4 – Minimum Level of Study for an Initial Ore Reserve Estimate

Issue:

The ASX has identified a need for a clearer and more definitive standard of exploration results before reporting Mineral Resources and Ore Reserves.

Recommended Option:

- Requiring a pre-feasibility study before a declaration of an initial Ore Reserve estimate.

Issue 5 – Disclosure of Production Targets

Issue:

The ASX is concerned with companies announcing production targets, or forecast financial information derived from targets (**Production Targets**), where mining has not commenced, or where the company has not declared any Ore Reserves.

Recommended Options:

- Introducing specific disclosure requirements wherever Production Targets are made public, addressing specified factors, including financial assumptions underpinning, and key risks associated with, the Production Target, and the proportion of the target based on Inferred Mineral Resources.
- Introducing an outright prohibition against disclosure of Production Targets that include estimates of the potential grade and quantity of the Production Target, and/or Production Targets that are derived solely from Inferred Mineral Resources.

Issue 6 – Annual Reporting and Reconciliation of Mineral Resources and Ore Reserves

Issue:

The ASX has queried whether mining companies should be required to report on the results of their annual review of their Mineral Resources and Ore Reserves.

Recommended Options:

- Requiring companies to report on the results of their annual review in their annual report (or in a document accompanying their annual report).
- Requiring companies to report estimates of their Mineral Resources and Ore Reserves in a table setting out factors such as tonnage, grade, commodity and other additional classifications as necessary.

Questions to Consider

The ASX sets out a number of concise consultation questions in relation to each of the issues identified above. Companies are encouraged to review the Paper and to provide relevant feedback in response to the ASX's recommended options by answering the questions posed.

What action should you take?

By responding to the ASX's invitation for comment, companies can ensure that the ASX is made aware of the potential impact of its suggested changes. This may prevent impractical compliance burdens being imposed, restricting mining companies in the future.

We encourage you to read the Paper and to consider the extent to which the ASX's recommended options address your own reporting needs and concerns. The ASX has indicated that minimising the level of compliance burden, including costs, and ensuring the protection of commercially sensitive information are important principles against which it will assess any proposals for the amendment of the Listing Rules. Accordingly, to the extent that the above recommendations raise concerns of this nature, you should take the opportunity to voice those concerns.

Comments should be provided to the ASX by **27 January 2012**.

How Can Squire Sanders Help?

If you would like some assistance in preparing a response to the Paper, or simply have queries in relation to the Paper, please feel free to contact **Amber Stanton**, **Neil Fearis** or **Robert Eastwood** to discuss.

Further Information

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