

In achieving the objectives for which it was established, the Bank has broadened and developed its facilities and techniques to meet the needs of both investors and borrowers. The growing number of smaller investors lodging deposits with the Bank is a significant trend of considerable future importance to the Bank. The development of consortium lending, backed by the substantial loan funds provided by the Resources Bank, has enabled the banking system to accommodate the largest borrowers and assisted them to become partners in some of Australia's major projects. At the same time, the needs of medium-size and smaller ventures have not been ignored and the Bank has assisted a considerable number of these, both in the development of minerals and other types of natural resources.

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NOTES ON THE FULFILMENT OF A.A.S.E.
OFFICIAL LIST REQUIREMENTS BY MINING COMPANIES

By N.H. Cole and G. Comanos

(Mr. Neil Cole and Mr. George Comanos are mining analysts whose introduction to security analysis in the mining area has been from a background of previous employment as professional technical staff in major mining companies. Mr. Cole is Manager - Mining Division, with Jackson, Graham, Moore & Partners. Mr. Comanos is Mining Consultant to International Pacific Corporation Limited.)

The principal source of information about mining companies available to security analysts is that information which is provided in conformity with the A.A.S.E. Official List Requirements. This data comprises the annual reports, preliminary profit and interim report announcements, the quarterly exploration reports and occasional news releases.

Section 3 of the A.A.S.E. Listing Manual "Requirements for Retention of Membership of the Official List and Official Quotation of Securities" provides for mandatory reporting by mining companies of certain information, including the following:

- (i) half yearly reports, on a financial basis,
- (ii) preliminary final statements, also from a financial viewpoint,
- (iii) quarterly production and development reports, and
- (iv) quarterly exploration reports.

Under Section 3.F.(1) and (2) mining and oil companies or other listed companies engaged in any phases of exploration, development or production, are obliged to provide in quarterly reports details of:

- (i) production activities,
- (ii) production expenditure,
- (iii) development activities,
- (iv) development expenditure,
- (v) exploration activities and
- (vi) exploration expenditure.

In interim reports, companies are obliged to provide details of:

- (i) the percentage move in profitability,
- (ii) the percentage move in volume of sales or revenue, and
- (iii) comment on unusual events influencing trading results, earnings, and revenue.

Prior to 1960, there were different circumstances, but all listed companies are now compulsorily requested to provide the above information.

Most minor, newly formed exploration companies are providing full disclosure, in terms of the A.A.S.E. standards. It is this group generally, which has been subjected to the specific requests for additional information from the stock exchanges. The threatened penalty, for those companies who do not comply, is suspension from the official list, even though such suspension in some circumstances may work in favour of the power groups withholding such information as requested.

Local stock exchanges appear to have adopted a flexible attitude in policing the information from more well established companies, although this is not provided for in the requirements. By contrast, foreign listing requirements often include "strongly recommended" guidelines for disclosure, and also provide for companies to be excused in exceptional circumstances. Such an official attitude of flexibility would appear appropriate as an interim measure for Australian requirements, since this is the current practice pertaining to otherwise mandatory standards.

Following recent trends, many security analysts are of the opinion that Australia's mining investment climate rests much more with senior companies such as C.R.A., than it does with the pure exploration companies of minor status who are coming under stock exchange pressure for full disclosure. With this view in mind, an examination of the information available from a sample of nine of the major mining companies has been undertaken. The most recent changes require companies such as B.H.P. and C.S.R. to provide similar information.

TABLE 1

COMPLIANCE WITH A.A.S.E. OFFICIAL LIST REQUIREMENTS

	<u>C.R.A.</u>	<u>M.I.M.</u> <u>HOLDINGS</u>	<u>B.H.</u> <u>SOUTH</u>	<u>NEW</u> <u>B.H.C.</u>	<u>NORTH</u> <u>B.H.</u>	<u>HAMERSLEY</u> <u>HOLDINGS</u>	<u>C.G.F.A.</u>	<u>PEKO-</u> <u>WALLSEND</u>	<u>W.M.C.</u>
<u>QUARTERLY REPORTS</u>	No	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes
Production activities	No	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes
Production expenditure	No	No	No	No	Yes	No	No	No	No
Development activities	No	No	Yes	No	Yes	No	No	No	Yes
Development expenditure	No	No	No	No	Yes	No	No	No	No
Exploration activities	No	No	Yes	No	No	No	No	No	Yes
Exploration expenditure	No	No	Yes	No	Yes	No	No	No	No
<u>INTERIM REPORTS</u>									
Percentage move in profits	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes
Percentage move in sales	Yes	Yes	No	Yes	Yes	No	No	No	No

- NOTES:
1. The above companies are taken to be a representative cross-section of major Australian mining companies.
 2. All of the above companies provide interim report comment on unusual events influencing trading results, earnings and revenue.
 3. Although certain of these companies do not provide quarterly production or exploration reports, they are engaged, directly or through subsidiaries, in activities on which reporting is required.

Results of this survey are presented in Table 1. The inference to be drawn perhaps, does not centre so much on the A.A.S.E. role of ensuring that its compulsory standards are met, but rather on the need for a closer examination of the efficacy of the current requirements in relation to mining company information.

Such a cursory survey only serves to highlight gross omissions, and in itself does not provide for a better flow of information for mining-oriented security analysts. It is in annual reports that other discrepancies arise. These can be illustrated best by example.

- (i) Performance data, i.e. metallurgical recovery, of a major base metals company, is now excluded, whereas it was previously present. To the analyst, does this represent a decline in performance, an increasing need for information to be hidden from shareholders, or both?
- (ii) Essential cost data was readily provided in the accounts of a mining company when engaged in gold mining, but is withheld now that transition to nickel operations has been made. Is there a strategic reason to keep such information secretive, that was not present before?

For the information requirements of security analysts, it is disappointing that shareholders are not more vocal in pressing for further information. It is probable that the past disappointments with Tasminex, Mineral Securities, Vam, Leopold Minerals, and Queensland Mines would have been averted if certain conditions had been satisfied:

- (i) Proper requirements for mining company disclosure, and adequate supervision and policing of any up-graded standards.
- (ii) A higher level of technical practice by certain consultants.
- (iii) The appointment of mining experts for stock exchange interpretation of the adequacy of mining reports, as already done in Perth.

Many companies do report their affairs in a correct and desirable fashion. It is most unfortunate, however, that the major mining companies are not induced to follow the A.A.S.E. listing requirements.

Such a better disclosure by the major mining companies would serve as a fitting example of standards to be followed by all listed mining and exploration companies.

Stock Exchange sanctions against non-compliant major mining companies would serve notice to all mining and exploration companies, and the public at large, that the listing requirements are the minimum acceptable standards to be followed.

The views above are those of the writers and not necessarily those of their employers.