



FINANCIAL
SERVICES
INSTITUTE
of Australasia

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Ms Diane Lewis
Regulatory and Public Policy
ASX Limited
20 Bridge Street
Sydney NSW 2000

Dear Ms Lewis

Listing Rules Review Issues Paper: Reserves and Resources Disclosure Rules for Mining and Oil & Gas Companies

The Financial Services Institute of Australasia (Finsia) welcomes the ASX review of reserves and resources disclosure rules for mining and oil and gas companies. Australia's mining sector attracts substantial and growing capital investment — as such, adequate and transparent communication to investors is vital to ensure the sector's ongoing access to capital markets.

The Code established by the Joint Ore Reserves Committee (JORC) and adopted by the ASX Listing Rules has successfully served investors and market participants in the Australian metals and mining industry. The current review of this Code to improve standards of reporting to investors is an important and worthy undertaking.

As stated in the ASX issues paper, review of the disclosure rules has been guided by the principle that greater international rule harmonisation should be pursued where it is feasible. The main comparative instruments are Canada's National Instrument NI 43-101 and the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (SAMREC Code). Harmonisation is a desirable regulatory goal. However, Finsia notes generally that the level of prescription in the NI 43-101 reporting requirements may be counterproductive if followed too closely in the Australian market.

Finsia wishes to comment on two aspects of the ASX Listing Rules review and the canvassed options for amending the regulation of mining company mineral resources and ore reserves reporting — item 3 and item 5. Finally, it makes a general comment about the role of the competent person.

Item 3: Disclosure of key assumptions underpinning an initial, or a materially upgraded, Mineral Resource and Ore Reserve estimate

Finsia believes that there is scope to improve the quality of disclosure by competent persons underpinning an initial, or materially upgraded, mineral resource and ore reserve estimate. As identified in the issues paper, the current regime is underpinned by a flexible approach to the reporting of matters listed in Table 1. The concern that minimal information is provided to investors and consequently that there is inconsistency in reporting among issuers is one that the ASX seeks to address.

Finsia agrees that greater confidence would be delivered to investors if the issue of whether the competent person's materiality judgment had been properly exercised was referable to clearer standards.

Option 3A proposes to resolve the inconsistency of reporting among issuers by requiring a summary of information on an enumerated list from Table 1 that comprises 11 criteria. Finsia recognises that this option is attractive to the regulator as it clearly sets out a minimum reporting standard. It is also attractive to analysts as it

would facilitate due diligence assessments. This option may, however, dispose issuers to report only on the standards required by the minimum mandatory report without regard to other material information relevant to a project — that is, information outside the scope of the minimum enumerated criteria.

Mindful of this concern, Finsia supports the development of a Guidance Note to address the query raised by ASX in [105.5] of the issues paper. The Guidance Note should educate companies about the requirement to report all information that is relevant and material to understanding the reported Exploration Results and estimates of Mineral Resources and Ore Reserves. The Guidance Note should provide examples of clear and transparent reporting and threshold questions to be considered.

Item 5: Disclosure of production targets

Finsia agrees that the Listing Rules and JORC Code should be revised to address directly the reporting of production targets and forecast financial information derived from production targets. These revisions are necessary to ensure that investors receive full and transparent information about the basis for disclosed production targets and/or forecast financial information.

Option 5A, which stipulates higher reporting thresholds for production targets and/or financial information based on inferred mineral resources, is to be preferred. The disclosure requirements identified by ASX, particularly the inclusion of a cautionary statement where production targets include inferred mineral resources or some exploration potential are welcomed by Finsia. This measure will improve both the transparency and meaningfulness of information provided to the market.

Undesirable practices in relation to the use of exploration targets as a basis for reporting of production targets have provided important impetus for ASX's review of this area. Finsia notes that under option 5A the use of exploration targets would remain permissible where it is not the sole basis for a production target. Finsia submits, in response to question 19 of the issues paper, that the use of exploration targets should be subject to ongoing monitoring by ASX given concerns relating to their conceptual nature and very low levels of geological confidence.

Competent persons

In its submission to ASX dated 1 December 2011, ASIC states that the 'issue of independence of the Competent Person where a production target or other statement about future matters implying economic viability is made' is one that should be considered by the ASX and JORC. Finsia agrees that this issue should be considered in the review of the Listing Rules.

A related question that Finsia thinks the ASX should consider is whether the board of directors, in addition to the competent person, should be responsible for production targets.

Yours sincerely

Russell Thomas F Fin
CEO and Managing Director