

14 December 2012

PERC comments on
Specifications for the application of the United Nations Framework Classification for Fossil
Energy and Mineral Reserves and Resources 2009 (UNFC-2009)

1. Introduction

PERC is one of the national reporting organisations (NROs) which together form CRIRSCO. Whilst its contents have been discussed with other members of CRIRSCO, this submission is prepared by PERC and should not be seen as representing the views of CRIRSCO as a whole.

Within the context of solid minerals in Europe, although in general we see no problems in the specifications, there are some specific issues which in our opinion require to be addressed by appropriate editing. The area of concern is paragraphs 15 - 16 of the main text, and corresponding elements of the CRIRSCO bridging document included as Annex III.

2. Main text

(1) Paragraph 15

This currently reads:

15. UNFC-2009 offers greater granularity than is available in the CRIRSCO Template or SPE-PRMS, and the application of commodity-specific specifications of mapped systems shall not limit in any way the use of the additional granularity of UNFC-2009 (refer to the Bridging Documents in Annexes III and IV).

Proposed replacement (amendments highlighted):

*15. UNFC-2009 offers greater granularity than is available in the CRIRSCO Template or SPE-PRMS **and, when UNFC-2009 is used,** the application of commodity-specific specifications of mapped systems shall not limit in any way the use of the additional granularity of UNFC-2009 (refer to the Bridging Documents in Annexes III and IV). **However, this additional granularity must not be used in situations where it would conflict with public reporting requirements and constraints of CRIRSCO-aligned reporting standards or SPE-PRMS.***

The reason for this change is to make it explicit that when the CRIRSCO standards are used for public reporting for investors, they do not allow the use of this greater granularity. In other words, the two classifications must not be 'mixed' to produce hybrid reports where these would put the report in breach of relevant disclosure rules.

(2) Paragraph 16

This currently reads:

16. The CRIRSCO Template (and the codes/standards based on it) and SPE-PRMS are independent from UNFC-2009 and may be mandatory for reporting purposes in some jurisdictions or in particular circumstances. This UNFC-2009 specifications document has no bearing whatsoever on such mandatory reporting requirements or on the independent application of these other systems/codes/standards.

Proposed replacement:

16. The CRIRSCO Template (and the codes/standards based on it) and SPE-PRMS are independent from UNFC-2009 and are designed for public reporting by companies and for financial processes. It is recognised that CRIRSCO and SPE-PRMS are, in general, the appropriate reporting systems to use for these purposes, not only in jurisdictions and circumstances where their use is already mandatory. This UNFC-2009 specifications document has no bearing whatsoever on reporting requirements for these purposes or on the independent development and application of these other systems/codes/standards.

This makes it completely clear that UNFC-2009 is inappropriate for public reporting by companies and that the appropriate standards for this purpose are those defined by CRIRSCO and SPE-PRMS. This is true even in jurisdictions or circumstances where it may not yet be mandatory to use CRIRSCO or SPE-PRMS reporting standards.

(3) Additional paragraph

We consider that there is a need for an additional paragraph to be inserted either after paragraph 16 or (more appropriately perhaps) in the Disclosure section after paragraph 19.

There is a significant potential problem which is not addressed by the Specifications document. We cannot comment on the SPE-PRMS requirements, but if a company's public reporting is done using any of the CRIRSCO codes, then under the terms of these codes, and in particular jurisdictions the financial market regulations, it is forbidden for them to produce public reports using any other reporting system or terminology.

The purpose of this prohibition is to protect the investor from publishing misleading or confusing disclosures. It does not mean that a company cannot, in confidence, supply UNFC-classified data to government agencies, of course - just that these data must not be attributable to the company in any publicly accessible reporting that may be based on the data received.

From the CRIRSCO template:

11 Public Reports dealing with Exploration Results, Mineral Resources and/or Mineral Reserves must only use the terms set out in Figure 1. [this is Figure III.1 of the EGRC document]

This does not include the extra UNFC categories, or indeed any other classification that might be invented in the development of the UNFC. If a company is required to issue public reports under a CRIRSCO standard, then they may use ONLY the CRIRSCO standard terms in ANY public reports.

Proposed wording for an additional paragraph would be:

If a company is required to disclose its exploration results, mineral resources, and mineral reserves using any of the CRIRSCO codes, then under the terms of these codes, and for the protection of investors and potential investors, it is forbidden to produce public reports using any other reporting system or terminology including UNFC-2009. This does not prevent the company from supplying UNFC-2009 classified data to government or other agencies under conditions of utmost confidentiality that would need to ensure that the public authority concerned would not deliberately or inadvertently make that data or its derivatives attributable to the company or its assets.

Such strength of wording is essential, in our opinion, to emphasise the need to avoid deliberate or inadvertent breaches of financial reporting regulations and possible confusion for investors.

3. Bridging Document (Annex III)

While we are more than happy with the text of the bridging document in general, there are two amendments which would probably be necessary, consequential upon the changes we propose in the main text:

Paragraph 3 should be amended to match paragraph 16 of the main text.

Paragraph 4 should be amended to match paragraph 15 of the main text.



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