



Review of JORC Code Disclosure Compliance for the Six Months to 31 March 2009

14 May 2009

EXECUTIVE SUMMARY

What this report is about

The Australian Securities Exchange (ASX) and the Joint Ore Reserves Committee (JORC) are working together to ensure a practical and effective set of minimum reporting standards and guidelines for the mining industry. These standards and guidelines are embodied in the JORC Code which has become a blueprint for similar initiatives around the world.

The JORC Code has contributed to Australia's reputation for offering a well-regulated marketplace and enhanced the Australian market's attractiveness to global capital.

The framework created by ASX listing rule 5.6 requires mining entities or entities (including entities controlled by them or subsidiaries) that have an interest in a mining tenement to report in accordance with the JORC Code if they are announcing or reporting on Exploration Results, Mineral Resources or Ore Reserves.

Reports by such entities that are required to be lodged with the ASX either:

- Pursuant to the entity's continuous disclosure obligations under listing rule 3.1 or
- Under the structured disclosure regime imposed by the Listing Rules and Corporations Act, are reported to ASX through the lodgement of announcements or reports via the Company Announcements Platform (CAP), and are monitored by ASX Markets Supervision Pty Limited (ASXMS) as a matter of course.

ASXMS regularly conducts reviews of these announcements and reports, and when instances of material non-compliance are detected ASXMS will instigate immediate corrective action.

The corrective action may include:

- Requiring a replacement announcement that was compliant with the JORC Code to be released to the market;
- Requiring a clarifying announcement or addendum to be released to the market;
- Providing an educative warning to an entity; or
- Writing a 'please explain' letter to an entity with a significant breach and releasing that letter to the market.

Key points

- Approximately **800 mining entities** are listed on ASX.
- An estimated **5,200 Public Reports (announcements)** were reviewed by ASXMS for compliance with the JORC Code during the six-month period of the review ending 31 March 2009.
- **312 (6.0%) of those announcements were found by ASXMS to contain a total of 333 instances of material non-compliant reporting.**
- The 333 breaches were made by **246 entities**.
- The most common breach was a **deficient or missing Competent Person Statement** - 176 instances or 52.9% of total breaches.
- **ASXMS took immediate action** to correct the material breaches once identified, in most cases **requiring replacement or clarifying announcements to be made to the market.**
- This report provides additional guidance on a number of common incorrect reporting issues identified by ASXMS in its review.
- This is the first publicly-released review that ASXMS has conducted of disclosure compliance with the JORC Code.

The following table summarises the relevant section of the JORC Code and instances of non-compliance.

JORC Code Clause	Issue	Instances of non-compliance
8	Competent Person Statement - deficient or missing	176
17	Insufficient information on results - lack of drill hole information	12
18	Exploration target statements reported incorrectly	41
25	Combined or unspecified categories of Resources	80
33	Combined or unspecified categories of Reserves	11
In-ground and in-situ values	Use of in-ground values or insufficient information to explain equivalent calculations	5
Non-JORC reporting – historical and foreign	Reporting historic /foreign Resources and Reserves	5
Various	Miscellaneous	3
	Total	333

GUIDANCE ON JORC CODE CLAUSES

Clause 8 (in conjunction with clause 5)

Clause 5 provides that:

Reference in the Code to a Public Report or Public Reporting is to a report or reporting on Exploration Results, Mineral Resources or Ore Reserves, prepared for the purpose of informing investors or potential investors and their advisers. This includes a report or reporting to satisfy regulatory requirements.

The JORC Code goes on to provide guidance as to the type of reports that could be considered to be "Public Reports". They include, but are not limited to, company annual reports, quarterly reports and other reports to ASX, and also other publicly released company information in the form of website postings and briefings for shareholders, stockbrokers and investment analysts.

Entities reporting Exploration Results, Mineral Resources or Ore Reserves are reminded that while a Public Report is the responsibility of the entity acting through its Board of Directors, clause 8 of the JORC Code requires that any such report "must be based on, and fairly reflect the information and supporting documentation prepared by, a Competent Person or Persons".

In releasing Public Reports entities must do the following:

- Disclose the name(s) of the Competent Person or Persons, state whether the Competent Person is a full-time employee of the company, and, if not, name the Competent Person's employer;
- Ensure that the Competent Person has a minimum of five years' experience which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity which that person is undertaking; and
- Ensure that the Public Report is issued with the prior written consent of the Competent Person or Persons as to the form and context in which it appears.

Of the 176 instances of non-compliance with this clause, ASX noted that most of the breaches fell within the following three categories:

- Failure to include a Competent Person Statement in the periodic reports, such as annual reports, quarterly activities statements, and half-yearly reports;
- Failure to include a Competent Person Statement on company presentation slides; or
- Failure to include a Competent Person Statement in announcements that reiterate previously announced information.

ASXMS considers that structured periodic reports such as annual reports, quarterly activities statements, and half-yearly reports are Public Reports for the purposes of clause 5 of the JORC Code and consequently must comply with clause 8 of the JORC Code.

ASXMS also considers that a presentation slide lodged with the ASX is also a Public Report for the purposes of clause 5 of the JORC Code and consequently must comply with clause 8 of the JORC Code.

Where ASXMS has detected material non-compliance with clause 8 of the JORC Code, the entity has been required to either issue a clarifying announcement incorporating the appropriate Competent Person Statement or retract the non-compliant announcement or report and re-release a compliant announcement or report on CAP.

The ASX Companies Update dated 3 May 2007 outlined ASXMS's view that it regards the completion of a consent form to be good practice and will accept the completed form (in a format proposed by ASX or another equivalent format) as evidence that the required written consent has been obtained. ASXMS may request the entity to release to the market evidence that it has obtained the consent of the Competent Person to the inclusion, in the form and context in which it appears in the Public Report, of the information prepared by the Competent Person. ASXMS may in certain instances also write to the boards of listed entities requesting further information pursuant to listing rule 18.7 to determine if the entity is in compliance with the rules. In these circumstances the request and response will be released to the market. There were five such instances during this reporting period.

Clause 17

Clause 17 of the JORC Code requires that a Public Report of Exploration Results must "contain sufficient information to allow a considered and balanced judgement of their significance." It further specifies that the Public Report must not be presented so as to unreasonably imply that potentially economic mineralisation has been discovered.

The main instances of non-compliance with this clause involve either:

- Selected reporting of drill holes so that only the highest grades are reported which may give rise to a misleading impression of the results; or
- Results that do not contain adequate information required by Table 1 of the JORC Code if material to the assessment of those results, in particular cut-off grades and sampling techniques.

Entities are reminded to provide sufficient information to enable a balanced judgement to be made of the exploration results which will often require a full table of the exploration results to be included in the Public Report.

Clause 17 provides that where assay and analytical results are reported they must be reported using one of the following methods:

- Either by listing all results, along with the sample intervals; or
- Reporting weighted average grades of mineralised zones, indicating clearly how the grades were calculated.

The ASX Companies Update dated 18 March 2008 provided specific guidance on reporting sufficient drill hole information.

Clause 18

The misreporting of exploration target statements was one of the other main areas of non-compliance. Instances of non-compliance included:

- The failure to include the potential quantity and grade of the target;
- The failure to express the potential quantity and grade of the target as a range;
- Expressing the target as a contained metal;
- Not including or only partially including the statement that the potential quantity and grade is conceptual in nature and that there has been insufficient exploration to define a Mineral Resource, and that it is uncertain if further exploration will result in the determination of a Mineral Resource; and
- Not including the above statement in close proximity to the target statement.

It is recognised in the JORC Code that it is common practice for an entity to comment on and discuss its exploration in terms of target size and type. Any target statements must comply with the following requirements of clause 18:

- The report must include the potential quantity and grade of the target expressed as a range;
- The report must include a detailed explanation of the basis for the statement;
- The report must include a proximate statement that the potential quantity and grade is conceptual in nature and that there has been insufficient exploration to define a Mineral Resource, and that it is uncertain if further exploration will result in the determination of a Mineral Resource; and
- The terms "Resource" or "Reserve" must not be used in this context.

Clause 25

Another area where there were a large number of non-compliant statements was in relation to reporting of combined categories of Resources. Clause 25 of the JORC Code stipulates that any Resource statement must state whether the Resource is "Inferred", "Indicated" or "Measured."

Instances of non-compliance included:

- Referring to the Resource without specifying the category of Resource;
- Referring to a combined Resource without providing the details for the individual categories that make up the combined Resource; and
- Reporting a contained metal without including the corresponding tonnage and grade.

ASXMS has also noted that some entities that do not have a reported Resource have stated that their tenements are located near the exploration tenements of entities with reported Resources. Entities sometimes report the Resource of the adjacent or proximate tenement without stating the category of that Resource and explaining the relevance of the adjacent or proximate Resource to the entities' tenements. In these circumstances the failure to include the Resource category and relevance of the adjacent or proximate tenement may be misleading.

Clause 33

Clause 33 of the JORC Code contains provisions similar to clause 25 with respect to combined reporting of Ore Reserves. An Ore Reserve must be categorised as "Proved" or "Probable" and must not be reported in combined format unless the relevant figures for each of the individual categories are also provided.

In-ground and in-situ values

Entities are cautioned against reporting these values when reporting exploration results or evaluation of deposits that include a large proportion of Inferred Resources. The use of 'in-ground values' has little or no relationship to economic viability, value or potential returns to investors and may therefore be misleading. The term implies economic viability without considering the application of the Modifying Factors. Their use may breach clause 27 of the JORC code and the principles of transparency and materiality as set out in clause 4 of the Code.

The ASX Companies Update dated 18 March 2008 provided specific guidance on reporting in-situ values.

Historical and foreign Resources and Reserves

Entities are reminded that if the entity intends to report historical and foreign Resources and Reserves either in a prospectus or in a Public Report in a manner which is not permitted by the JORC Code, it must apply to ASX for a waiver from listing rule 5.6 in order for it to do so. ASX will consider each waiver application on its merits and make a determination as to whether or not to grant the entity a waiver. At a minimum, in order for ASX to grant a waiver, an entity must comply with the 10 points set out in the Companies Update dated 5 December 2007.

Entities seeking to list on ASX that include in their prospectus such information will need to apply to ASX for a waiver prior to lodging their prospectus. Similarly, entities wishing to include information in a Public Report which is not reported in accordance with the JORC Code will also need to apply to ASX for a waiver prior to releasing the Public Report.

The ASX Companies Update dated 5 December 2007 provided specific guidance on reporting historical estimates and foreign Resource and Reserve estimates, currently not reported in accordance with the JORC Code.

BACKGROUND

The framework created by listing rule 5.6 was introduced by ASX in 1989 and requires reports prepared by a mining entity, or an entity which has or whose child entity has an interest in a mining tenement, to be prepared in accordance with Appendix 5A of the ASX Listing Rules if the report includes a statement relating to either:

- Exploration Results; or
- Mineral Resources or Ore Reserves.

Appendix 5A incorporates the JORC Code 2004 into the Listing Rules.

Since the introduction of listing rule 5.6, ASX has monitored entities' announcements to ensure compliance with reporting in accordance with the JORC Code.

ASXMS conducts ongoing analysis of disclosure to help identify strategies to improve compliance. This includes education initiatives through:

- Companies Updates including:
 - 05/04 (25 March 2004);
 - 03/07 (3 May 2007);
 - 11/07 (5 December 2007);
 - 03/08 (18 March 2008); and
- Education and Research Program seminars, including the annual Joint ASX, ASIC and JORC Seminar, and a more recent series of courses designed to enhance company secretaries' understanding of the JORC Code.