



SUBMISSION

TO

EUROPEAN COMMISSION

By

EUROPEAN FEDERATION OF GEOLOGISTS

On

FINANCIAL SERVICES ACTION PLAN

Brussels

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1. INTRODUCTION

The European Commission has presented a proposal for a Directive that would introduce a new "single passport for issuers" so that once a prospectus had been approved by the home country authority of the issuer it would have to be accepted throughout the EU for public offer and/or admission to trading on regulated markets. The proposed Directive seeks to ensure that adequate and equivalent disclosure standards are in place in all Member States when securities are made available for all European investors either through a public offer procedure or because they are admitted to trading. In addition, the Commission intends to adopt technical guidance and implementing measures in several specific areas after consulting Member States' representatives in a Securities Committee.

The European Federation of Geologists wishes to bring certain issues to the attention of the Commission to assist them to achieve their objective.

The EFG recommends that these issues, as detailed below, be considered by the Commissions in preparing the Directive.

2. EUROPEAN FEDERATION OF GEOLOGISTS

The European Federation of Geologists ("EFG") was first established in 1980 by the representatives of the national associations of geologists from Belgium, France, Italy, Portugal, Spain and the United Kingdom.

The nations at present represented in the Federation as Full Members are; Belgium, Czech Republic, Finland, France, Germany, Hungary, Ireland, Italy, Luxembourg, The Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, Switzerland and the United Kingdom. The combined geological membership of these associations is approximately 75,000. In addition to these Full Members, Bulgaria, Iceland, Norway, Romania, Turkey and Canada are present as Observer Members, while the American association is an Associate Member.

Throughout Europe the members of the EFG represent the profession of geology to national governments, and through the EFG and its subcommittee - the Committee of Geologists of the European Union ("CGEU") - to the European Union. It works to promote geological advice to guide the development of policy with regard to the responsible use of the Earth's natural resources, in particular energy resources, mineral and construction material resources, water resources and avoidance of environmental pollution, land-use planning and environmental protection.

3. ISSUES CONSIDERED RELEVANT TO PROPOSED DIRECTIVE

The EFG considers that there are a number of technical issues relevant to the proposed Directive on which it is competent to provide advice. In particular these center on disclosure standards in respect of the reporting of mineral exploration results, mineral resources and mineral reserves; and the competency requirements for professionals

involved in the preparation and reporting of technical matters in respect of natural resource issuers.

3.1. RESOURCES AND RESERVES CODE

Significant developments have taken place over the past number of years towards producing consistent standard reporting definitions for Mineral Resources and Mineral Reserves. In Australia, Canada New Zealand, and South Africa similar codes for the reporting of mineral exploration results, mineral resources and mineral reserves are incorporated into stock exchange listing rules. The standard currently incorporated by the United Kingdom and Ireland stock exchanges is under review.

As part of the process to bring reporting standards into line with their international counterparts the Institute of Mining and Metallurgy (IMM), the European Federation of Geologists (EFG) and the Institute of Geologists of Ireland (IGI) have adopted a Reporting Code that reflects international developments. In order to understand why the updating of the 1991 IMM Reporting Code generally used by these participating institutions (and included in the London Stock Exchange Rules) was undertaken, it is appropriate to consider what has been going on internationally.

The international initiative to standardise reporting definitions for Mineral Reserves and Mineral Resources gained momentum in 1994, at the 15th CMMI Congress in Sun City, South Africa. The Council of Mining and Metallurgical Institutes (CMMI) Mineral Resources/Reserves International Reporting Standards Committee (CMMI - CRIRSCO) was formed after a meeting at that Congress, and is made up of representatives from Australia (Australasian Institute of Mining and Metallurgy (AusIMM)), Canada (Canadian Institute of Mining, Metallurgy and Petroleum (CIM)), South Africa (South African Institute of Mining and Metallurgy (SAIMM)), the UK (Institution of Mining and Metallurgy (IMM)) and the United States (Society for Mining, Metallurgy and Exploration (SME)). The primary objective of CMMI - CRIRSCO was to develop a set of international definitions for reporting mineral resources, mineral reserves and exploration results.

In March 1997, the need for an international reporting standard took on a greater urgency following the Bre-X and other misrepresentations. A major breakthrough for CMMI - CRIRSCO came in October 1997 when five CMMI participants (Australia, South Africa, UK, Canada and USA) met in Denver, Colorado and reached provisional agreement for the definitions of the two major categories, mineral resources and mineral reserves, and for their respective sub-categories, measured, indicated and inferred mineral resources, and proved and probable mineral reserves (the Denver Accord).

Concurrently, and since 1992, the United Nations Commission for Europe (UN-ECE) had been developing an International Framework Classification for Mineral Reserves and Resources (Solid Fuels and Mineral Commodities) - the UNFC. Through a series of workshops and task force meetings, a final version of the UNFC was agreed and prepared (UN-ECE Energy/WP.1/R.70, Geneva, 1997), with the provisionally agreed CMMI - CRIRSCO definitions appended, translated into six languages and distributed worldwide

for comment and trial application. By 1998, out of the 43 countries and international organisations that replied, 37 had or were in the process of applying the UNFC and some countries were adopting it for national mineral reserves and resource inventories.

In Geneva in October 1998 agreement was reached between the CMMI - CRIRSCO and the UN-ECE Task Force for the adoption of the CMMI - CRIRSCO standard reporting definitions for mineral resources and reserves, with minor modifications, into the UNFC for those categories that were common to both systems. The UN-ECE Task Force suggested, and it was agreed, that for ease of comprehension and to facilitate translation into non-English languages, the then provisional CMMI - CRIRSCO definitions be reduced into shorter sentences. This agreement gave true international status to the CMMI - CRIRSCO definitions.

In January 1999, in Canada, the final report of the Mining Standards Task Force “Setting New Standards, Recommendations for Public Exploration and Mining Companies” was published. This report has a strong set of standards and recommends, *inter alia*, that the CIM work with other international mining institutions to continue to develop international standards. The CIM Reserves Committee published in August 2000 a revised code based on the CMMI - CRIRSCO international definitions and corresponding closely to the JORC Code. As a reporting standard this is recognised by Canadian Securities Administrators (CSA). Because of the need to comply with CSA requirements, the CIM standards vary to some extent from those of Australia, South Africa, UK and USA as a group, but they are nevertheless closely compatible.

As a consequence of the CMMI initiative through CMMI - CRIRSCO significant developments have taken place towards producing consistent standard reporting definitions for Mineral Resources and Mineral Reserves. It was also clear as the initiative proceeded that the accompanying Guidelines to the definitions could also be standardised to a great extent, so that in effect the reporting codes for individual countries could be developed along similar lines. This resulted in the release of updated versions of the JORC Code in Australia in 1996 and 1999, followed by publication of similar Codes and Guidelines by professional bodies in South Africa (SAMREC Code), the USA, Canada, and now with this Reporting Code, Europe, the UK and Ireland. The JORC Code (JORC - Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia) has played a critical role in initiating the development of international standard definitions for these Codes and Guidelines.

The similarity of reporting codes and guidelines in those countries represented by the CMMI - CRIRSCO is now at a point where the development of a single International Reporting Code is being actively pursued.

Against this background, work started on the revision and updating of the IMM 1991 Definitions in April 1999. This revised version of the Reporting Code therefore replaces the 1991 Definitions of Reserves and Resources that have been in general use in UK and

Ireland. This Reporting Code is consistent with the international developments previously outlined and will be reviewed from time to time as necessary.

The Reporting Code is constructed so that Clauses are followed by Guidelines, which do not form part of the Code, but are intended to provide assistance and guidance to readers in interpreting the Code. This Reporting Code has built on earlier versions by other CMMI - CRIRSCO participants and is more explicit in dealing with diamonds, other gemstones, coal, industrial minerals, stone and aggregates. Generic terms used in this code, their equivalents and intended meaning are also listed for clarity. There are three additional mineral resource categories in the UNFC that are not used in this Reporting Code. These are of particular interest for government planning purposes, which would include future land use or strategic mineral inventories. It is not intended that these categories be used for non-governmental investment and financing decisions. As the latest version within the CMMI - CRIRSCO group, this Reporting Code will probably be taken forward as the basis for the International Reporting Code.

The Consultation Draft of this Reporting Code was posted on the IMM, EFG and IGI websites in late October 2000 along with an invitation to comment. The Geological Society of London also subscribed to the process as a direct participant at this time. Well over 100 constructive comments were received from all over the world, from industry, government, from CMMI - CRIRSCO participants and other professional institutions. Consultations were held with major and small-to medium size companies and with the regulators, UKLA, AIM and the Stock Exchanges of London and Dublin. All comments were subsequently compiled and many of them have been recognised in this version of the Reporting Code.

The Reporting Code was approved by the Council of the Institution of Mining and Metallurgy on 24 May 2001, by the Board of the Institute of Geologists of Ireland on 13 June 2001, and by the Council of the European Federation of Geologists on 17 June 2001 and is binding on their individual members. The approval of the Council of the Geological Society of London is expected in December 2001.

3.2. COMPETENCY AND RESPONSIBILITY

The international trend to ensure that reporting and disclosure standards are maintained at the highest level is to require that all reports must be signed off by a “competent person”.

In accordance with Directive 89/48/EEC (OJ L 9.24.1.1989, p.16) and Directive 92/51/EEC (OJ L 209.24.7.1992, p.25), the EFG has adopted a system of multi-lateral recognition between the affiliated geological associations. All of these associations have agreed to accept each other's accredited degree courses, and have agreed a formula, which defines a professional geologist. This formula embraces education, training and experience. Candidates who meet the requirements are awarded the professional title of European Geologist (EurGeol) and are entered on the EFG Register. This title is recognised by member countries as a quality mark of education, expertise and high ethical standards. To guarantee wider international links the EFG has entered into

reciprocity agreements with North American professional geological associations including the American Institute of Professional Geologists (“AIPG”) and the Canadian Council of Professional Geoscientists (“CCPG”).

By written reply to question P-0505/01 placed by Mr. Gerard Collins MEP the Commission confirmed that it “fully supports this move by the EFG, since it is likely to facilitate free movement of geologists within the Community”.

In Canada public disclosure of scientific and technical information about mineral projects held by Canadian-registered companies is governed by NI 43-101. Disclosure, which includes oral statements as well as written documents and websites, must be based on information provided by a "qualified person" (as defined in NI 43-101). NI 43-101 requires a company to file a technical report at certain times, prepared in a prescribed format. In some circumstances, the qualified person is to be independent of the company and the property. A Company is required to use specified terminology when disclosing resources and reserves. One of the conditions to be a qualified person is membership in a "professional association" as defined in section 1.2 of NI 43-101. The Canadian Securities Administrators (CSA) have now announced that for the purpose of being a "member of a professional association" CSA staff will accept a person who holds the title European Geologist from the European Federation of Geologists (EFG).

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