ESMA
103 Rue de Grenelle
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France

By email

20 December 2012

Dear Sirs

Further amendments to ESMA's Recommendations for the consistent implementation of the Prospectus Regulation regarding mineral companies (ESMA 2012/607).

The International Valuation Standards Council (IVSC) welcomes the opportunity to comment on ESMA's Consultation Paper issued on 24 September 2012 which contains proposals for updating the recommendations on the consistent implementation of the Prospectus Directive in relation to information that should be disclosed by mineral companies in prospectuses.

About the IVSC

The IVSC is an independent, not-for-profit, private sector organisation formed with the objective of strengthening the worldwide valuation profession in the public interest. It achieves this objective by:

- Developing high quality international standards and supporting their adoption and use;
- Facilitating collaboration and cooperation among its member organisations;
- Collaborating and cooperating with other international organisations; and
- Serving as the international voice for the valuation profession

The membership of IVSC comprises nearly sixty professional valuation bodies from fifty countries. The IVSC also receives financial support from a number of the global valuation firms. Members of our member bodies and supporting firms undertake valuations of all types of assets and liabilities for many purposes, including for inclusion in listing particulars and prospectuses.

Responses

IVSC supports the principle that disclosures in prospectuses should be both adequate to inform prospective investors and in accordance with established international norms in order to enable comparison. However, the IVSC otherwise has no specific comment to make on the most of the proposed amendments as these do not have any relevance to either the valuation or reporting of mineral reserves and resources. The exceptions are Questions 1 and 9.

Question 1: Should the NAEN Code be added to the list in Appendix I of the Recommendations of mining reporting codes suitable for use in prospectuses?

Response: Yes. The IVSC agrees with ESMA that the proliferation of many different national mineral reporting codes is generally undesirable and that investors are better served by international convergence of codes. It also agrees that the CRIRSCO and PRMS codes are the most credible codes internationally for classifying and reporting mineral resources and reserves. Ultimately it would be preferable if the various national reporting codes were retired and international codes adopted without modification or variation. However, we appreciate that this will take time to achieve and given that CRIRSCO has found the NAEN Code to be aligned with its current reporting code template, the inclusion of another major country's code within the global framework recognised by ESMA will be a step towards full convergence.

Question 9 – Do you agree with the proposed clarification for on-site inspections?

Response: Yes. The IVSC agrees with ESMA that this is a matter for the professional judgment of the competent person. It has parallels with valuation practice. The International Valuation Standards recognise that it is not always necessary to make an onsite inspection of a tangible asset in order to provide a reliable valuation, but IVS 103 *Reporting* does require the extent of the investigations and enquiries undertaken in the preparation of the valuation to be disclosed, which will include whether and when an inspection was made.

Other Comments

While the implementation rules under the Prospectus Directive properly require mineral companies to disclose information on reserves and resources prepared by a "Competent Person", that information is of limited use to investors unless information on the current value of those reserves and resources is included. Many prospectuses do include such information.

Some regulatory authorities have approached the IVSC expressing concern at valuations of mineral reserves and resources in listing particulars and prospectuses provided by companies under their jurisdiction. The IVSC has also received reports of significant diversity in valuation methods and practices being adopted in relation to similar reserves and resources for impairment testing and business combination accounting under the IFRSs.

This has prompted the IVSC to undertake a project to review and improve valuation practice in relation to reserves and resources in the extractive industries. The first stage of this was a Discussion Paper that was issued for public comment in July 2012. The comment period has now closed and the responses are being analysed. Copies of the comment letters and information on the project generally can be viewed at www.ivsc.org on the Projects page.

It is anticipated that the project may result in a new International Valuation Standard for valuations in the extractive industries that will address specific investigations and disclosures that are appropriate when reporting valuations in the sector, and will address the use of exploration results, mineral resources or mineral reserves provided in a “Competent Persons” report.   There also appears to be a need for guidance on appropriate methods of valuation in different situations. Exposure Drafts are likely to be published during the course of 2013.

The IVSC is engaging with the bodies that issue the CIMVAL, SAMVAL and VALMIN codes in this project and they support the need for a global valuation standard in this sector and are supporting the IVSC initiative.

The IVSC believes that its project will be of benefit to investors in the sector and therefore to regulators such as ESMA. We will therefore keep ESMA informed of material developments and provide a copy of future consultation documents.

Yours sincerely

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