

Status of Compliance With The Geothermal Reporting Code

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Abstract

The Australian Geothermal Reporting Code has now been in operation since late 2008. The Code currently operates on a voluntary basis and as yet has no legal status or sanctions. However, in late 2008 AGEA members agreed that its use in Public Reports would be mandatory for them and a Compliance Subcommittee (currently comprising the above authors) was established. The Subcommittee has since reviewed all Public Reports that we have become aware of to check for compliance. This paper presents an analysis of instances of non-compliance broken into several categories but without identification of the companies concerned. In each case the company concerned was informally notified about the issue. In general there has been a high level of willingness to comply with the Code and companies have responded positively to any issues raised. Most instances of non-compliance have been of a procedural nature such as omitting to include Competent Person statements in public presentations which include resource estimates. The experience gained has been valuable and has been taken into account in drawing up the Second Edition of the Code and its accompanying Lexicon. Other jurisdictions have been studying the Australian Code which has led to an almost identical Code being established in Canada. It is currently understood that consideration is also being given to equivalent Codes in the USA and Europe. The benefits of the Australian Code are being appreciated even in countries where it has no formal standing and Code compliant reports have recently been produced on resources in Chile and Indonesia.

Keywords: Geothermal, resources, reserves, compliance, Australia

Introduction

The Australian Geothermal Reporting Code has now been in operation since late 2008. The Code currently operates on a voluntary basis and as yet has no legal status. However, in late 2008 AGEA members agreed that its use in Public Reports would be mandatory for them and a Compliance Subcommittee (currently comprising the above authors) was established under the Joint Australian Geothermal Reporting Code Committee (JAGRCC). The Subcommittee has since reviewed all Public Reports that we have become aware of to check for compliance. This

paper presents an analysis of instances of non-compliance, broken into several categories, but without identification of the companies concerned.

Analysis

Most instances of non-compliance have been of a procedural nature such as omitting to include Competent Person (CP) statements in public presentations which include resource estimates. It is safe to say that there has been no case of an apparent intention to issue misleading information, though a few statements have verged on the over-enthusiastic at times.

Figure 1 shows the number of reports reviewed and number of companies concerned against time. As is to be expected, the number has increased with time but has fluctuated depending on the quarterly and annual reporting cycle as well as the frequency of reviews. The latest review has shown a drop in the number of reports and several companies which have previously reported have not done so, which perhaps reflects the generally static state of the industry at this time.

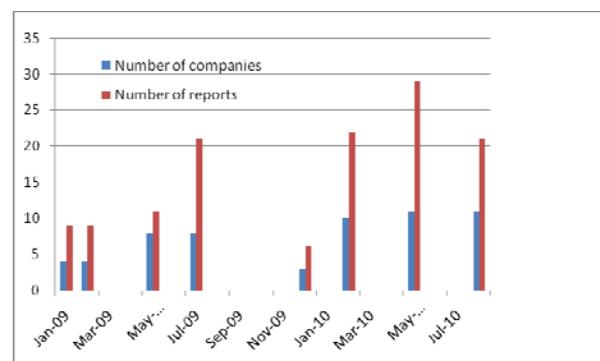


Figure 1: Reports reviewed and number of companies with time

Figure 2 shows the percentage of reports which have been considered fully compliant. Although there is still significant room for improvement, it is pleasing to see this increasing with time. Furthermore, a simple percentage does not reflect that the initial instances of non-compliance were generally more significant and those recently have generally been of a less serious nature. The companies have clearly embraced the reporting process and learned from it. It would also be fair

to say that the Compliance Sub-committee has also refined their understanding and criteria over time.



Figure 2: Percentage of fully compliant reports with time

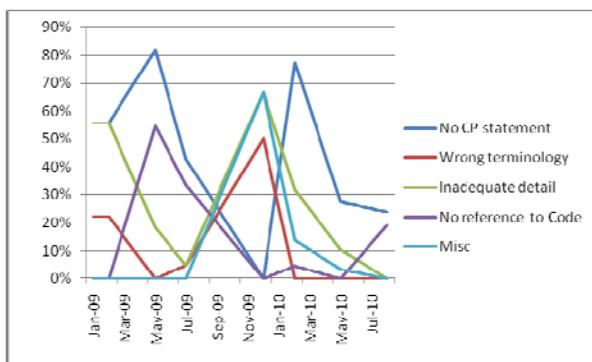


Figure 3: Break down of non-compliance by type

In Figure 3, the instances of non-compliance are broken down by category. Discussing each of these in turn:

No (or incorrect) Competent Person statement. This has generally speaking been the most common issue and one that has proven somewhat intractable with time in that instances are still occurring. The usual situation is that a compliant resource estimate has been prepared which includes a CP statement, but then that is summarised down to a brief ASX announcement, conference or shareholder presentation in which the CP statement is omitted.

It is noteworthy that in the Canadian geothermal reporting Code, which in most instances is based on and identical to the Australian Code, strict compliance in terms of including a CP statement in every Public Report is not required. However, this issue has been debated by the JAGRCC, and it is considered that every public announcement which refers to reserves or resources, and which could be deemed to provide information to

investors, is a Public Report under the Code, so the fundamental principle of requiring a CP statement has been adhered to. In reaching this conclusion the JAGRCC has adhered to a standing practice of consistency with the Joint Ore Reserve Committee (JORC) Code for minerals resource statements on which the Geothermal Code was originally modelled.

Wrong terminology. This has largely been a matter of companies coming to terms with the resource and reserve categories, and there are now few problems with the latest reports.

Inadequate detail. This has been a much-debated issue, as there is a tension between providing so much information as to make reports too complex for the average investor while at the same time fulfilling the requirements for materiality. The issue has been dealt with in part by allowing relatively brief Public Reports, but with more detailed back up being available. A number of example reports have also been produced to provide guidance.

No reference to Code. This is an issue that has decreased with time, although there has been a steady stream of new companies coming on to the market who have had to be informed about the Code. Responses have been positive.

Miscellaneous issues include items such as inappropriate aggregation of resources and conversion of heat-in-place to barrels of oil equivalent, delivered electricity or numbers of households that could potentially be supplied, without stating the assumptions involved. There has sometimes been a degree of over-enthusiasm in making such claims. The Code is not prescriptive as to methodology in such instances but they remain matters of concern.

Reaction

In each case on perceived non-compliance the company concerned has been informally notified about the issue. In general there has been a high level of willingness to comply with the Code and companies have responded positively to any issues raised.

The Way Forward

The experience gained in reviewing reports has been valuable and has been taken into account in drawing up the Second Edition of the Code and Lexicon which, at the time of writing, have been finalised and which should be released at this conference. Other jurisdictions have been studying the Australian Code which has led to an

almost identical Code being established in Canada, and it is understood that consideration is also being given to Codes in the USA and Europe. The benefits of the Australian Code are being appreciated even in countries where it has no formal standing and Code compliant reports have recently been produced on resources in Chile and Indonesia, as is described in a companion paper.