

Appendix 1

To the Protocol No. 8 of the EC meeting dated 26.06.2024.

QMR Commission

The Commission for the preparation of reports of Competent Persons

## **MEMORANDUM ON THE PREPARATION OF KAZRC REPORTS**

This memorandum has been developed by the QMR Commission in collaboration with the Commission on the Preparation of Competent Person Reports. It will be useful for specialists and Competent Persons who have not undergone QMR accreditation and who plan to undergo the verification procedure for reports on Exploration Results, Mineral Resources, and Mineral Reserves.

The memorandum clarifies certain situations and contains recommendations in connection with the conclusion of the acceptance period for KAZRC reports (until July 1, 2024) for the verification procedure by Competent Persons and specialists who have not undergone QMR accreditation. The memorandum also provides explanations regarding changes to the QMR Accreditation Regulations and the regulations on the verification of Competent Person reports.

The memorandum does not apply to reports in the form 1.1-TPI, as well as to specific types of OPI reports in accordance with clause 2.2. of the QMR Accreditation Regulations (new subparagraphs come into effect on July 1, in accordance with Protocol No. 8 of the PONEN IC dated June 26, 2024).

PONEN will carefully monitor compliance with the recommendations if KAZRC reports are prepared for submission to the Authorized Body of the Republic of Kazakhstan or the stock exchange.

## **SUMMARY RESULTS OF CHECKING THE REPORTS OF COMPETENT PERSONS**

Over an extended period from July 2022, the Commission on Report Preparation has accepted and reviewed more than 150 KAZRC reports signed by Competent Persons who have not undergone QMR accreditation. The report verification regulations provide for the review of the report for compliance with the KAZRC code by a group of readers, who must carry out the verification within a period not exceeding two weeks.

In several cases, the Competent Persons who prepared the report demonstrated:

1. Lack of understanding of KAZRC terminology.
2. Misunderstanding of the term "Mineral Resources" and a tendency to use condition parameters out of inertia.
3. Lack of understanding of the principles of Mineral Resource and Mineral Reserve classification.
4. A tendency to directly substitute the term "reserves," as used in the practice of the GKZ and the traditional GKZ classification, with the classification and terms of KAZRC.
5. Lack of experience in applying quality control procedures and interpreting their results, including their impact on the categorization of Mineral Resources.

6. A tendency to complete the work as quickly as possible, without delving into the details and without adhering to the principles of Transparency, Materiality, and Competence.
7. Insufficient geological analysis of the deposit and intentional simplification of the geology.
8. Ignoring poor results or the absence of critical data and studies such as core recovery, downhole survey, QA/QC results, verification drilling and sampling, bulk density, phase analyses, metallurgical tests, geomechanical studies, hydrogeological data, and much more.
9. Lack of understanding of the necessary detail of studies of Modifying Factors for the conversion of a portion of Mineral Resources into Mineral Reserves.
10. Misunderstanding of the code of ethics and deliberate ignorance of the risks associated with the absence of certain studies.

In some cases, the above led to the need to remodel the object, significantly change the categorization and quantity of Mineral Resources and Mineral Reserves.

In some instances, the Competent Persons who prepared the report demonstrated bad faith, which manifested as follows:

1. Lack of sufficient experience and cutting costs on experts, overestimating their capabilities and knowledge, which ultimately led to extremely low-quality reports that had to be redone together with the reader.
2. Despite clear deficiencies and/or gaps in the research, an eagerness to register Mineral Resources and Mineral Reserves with the State to obtain a mining license, yielding to the demands of the subsoil user, which constitutes a violation of the code of ethics, sometimes committed unintentionally due to ignorance of the code itself.

The above situations force the reader to work with the report for several months instead of the two weeks, get involved in conflict situations, face pressure, wait for missing studies to be conducted, and review the report multiple times until it reaches an acceptable state. Such situations can lead to readers refusing to review reports due to the significant variance in their quality and the unpredictability of review times.

### **CHECKING REPORTS AFTER JULY 1, 2024**

Starting from July 1, 2024, as provided in section 3.6 of the QMR accreditation regulations, the Competent Person Report Preparation Commission (hereinafter referred to as the CP) will cease reviewing reports submitted by Competent Persons who have not obtained QMR accreditation. All reports submitted by Competent Persons without QMR accreditation before July 1, 2024, will be accepted by the report preparation commission and reviewed by readers.

According to section 3.6 of the QMR regulations, a Competent Person submitting a report for reader review must have QMR accreditation from PONEN, except in cases described in section 2.2 of the QMR accreditation regulations. For the purpose of report verification, PONEN also recognizes equivalent accreditations from other Professional Organizations (POs). If a PO does not provide accreditation for its members involved in preparing reports on geological exploration results, Mineral Resources, and Mineral Reserves similar to QMR accreditation, PONEN will not accept reports from Competent Persons who lack such accreditation. A list of POs and the required accreditations is provided in Appendix 1 of the Report Review Regulations (effective from July 1, as per Protocol No. 8 of the PONEN IC dated June 26, 2024). Competent Persons who are not PONEN members are recommended to attach all documents confirming their proper level of membership and accreditation to their report.

Competent Persons not planning to undergo QMR accreditation will still be recognized as such if they belong to any PO approved by CRIRSCO and can prepare KAZRC reports for any purpose. However, since PONEN cannot ascertain their level of competence, familiarity with KAZRC terminology, understanding of the code of ethics, and adequacy of experience to act as a Competent Person, it will not accept their reports for review.

## **RECOMMENDATIONS FOR SPECIALISTS WHO HAVE NOT PASSED QMR ACCREDITATION**

1. The accreditation preparation program is published on the PONEN website: [<https://ponen.kz/become-member/accreditation/get-certified>](<https://ponen.kz/become-member/accreditation/get-certified>). Specialists without experience working with KAZRC, JORC, or other reports within the CRIRSCO family are encouraged to follow it and critically assess their level of competence.
2. Peer review, the practice of involving independent Competent Persons to review the report and discuss controversial, ambiguous, and critical points, is widespread globally. These Competent Persons can play various roles in report preparation: as co-authors (performing a portion of the work), reviewers (checking and discussing the report), or as the Competent Persons responsible for signing the report (usually conducting a more detailed review), or any combination of these roles. This independent Competent Person, authorized to sign reports according to the rules of their Professional Organization (PO), should and must sign the report.
3. PONEN recognizes that many specialists have recently started preparing Mineral Resource and Mineral Reserve reports. Over the seven-year transitional period, which began in 2017 with the adoption of the new Subsoil and Subsoil Use Code, it has been established that there is no alternative to practical experience in preparing KAZRC reports (or CRIRSCO template reports) combined with continuous professional development. This development should not only include attending courses and seminars but also applying KAZRC principles in practice. Therefore, the QMR accreditation regulations require co-authorship in at least two KAZRC, JORC, or other CRIRSCO family reports. One should realistically assess their contribution to the report's development. Sometimes two reports may not be sufficient, depending on the specialist's overall experience and degree of participation. The main criterion is the Competent Person's confidence in discussing their work and demonstrating competence in all relevant areas, including the issues described at the beginning of this memorandum.
4. Situations may arise where a Competent Person's experience and knowledge fully meet the minimum QMR accreditation requirements, but they are preparing a KAZRC report for the first time. For example, a specialist may have field experience, including working with QA/QC procedures, experience writing reports according to the GKZ standard, and experience in modeling and resource evaluation (using the term "reserves" in the GKZ terminology). However, they may have gained their understanding of the KAZRC code and the principles of preparing reports according to CRIRSCO international standards mainly through working with JORC and KAZRC reports in senior positions as an auditor or client of such reports for many years. Such situations are also considered by the QMR commission, and it is recommended to describe them in detail in a free-form statement.