

PROVISION ON THE VERIFICATION OF REPORTS PREPARED BY COMPETENT PERSONS ACCORDING TO THE KAZRC STANDARD FOR COMPLIANCE WITH THE KAZRC CODE

The provision was approved by the minutes of the meeting of the Executive Committee of the PONEN №6 dated 02.07.2022, with clarifications according to Protocol №7 dated 16.07.2022, Protocol №2 dated 20.02.2023, Protocol №4 dated 26.04.2023, Protocol №8 dated 26.06.2024

PRELIMINARY STATEMENT.

This Provision was developed on the basis of Minutes of Meeting No. 4 dated 13.11.2021 of the meeting of the Executive Committee of the PONEN, considering the recommendations of the consultants of the Ministry of Industry and Infrastructure Development under the EBRD - Phoenix Mining Consultants Ltd. grant, set out in the CRIRSCO Roadmap for the transition from the State Reserve Commission system to the CRIRSCO-based system developed by John Warwick in July 2017.

The initial version of the "Provision..." was approved by the decision of the EC PONEN (Minutes of Meeting No. 6 dated 02.07.2022) and sent to all PONEN members and to the Geology Committee of the MEGNR. The decision of the EC PONEN (Minutes of Meeting No. 7 dated 16.07.2022) took into account proposals for finalizing this document from the Geology Committee and members of the Executive Committee of PONEN. The decision of the EC PONEN (Minutes of Meeting No. 2 dated 20.02.2022) clarified the procedure for checking KAZRC reports. By the decision of the EC PONEN (Minutes of Meeting No. 4 dated 26.04.2022), the list of persons who can conclude an agreement with the reader to verify the KAZRC report has been expanded.

Reports on the results of geological exploration, assessment of Mineral Resources and Reserves of deposits of solid minerals according to the KAZRC Code are compiled by Competent Persons (CP), PONEN members (or RPO members). Professional and ethical requirements for CP are set out in the relevant sections of the KAZRC Code, the Charter, the Code of Ethics and other PONEN documents. The KAZRC Code defines the requirements for reporting in accordance with the stage of development of a mining project:

«3. *The main principles governing the operation and application of the KAZRC Code are the transparency of the information provided, its significance for the consumer and the competence of the compilers of reports.*

The Transparency principal implies that Users of Public Reports (investors, their professional consultants, etc.) are provided with a sufficient amount of clear and unambiguously understood information that does not allow for its multivariate interpretation. The significance of the information provided requires that the Public Report contains all the essential information that the User can reasonably demand and reasonably expect in the Public Report, in order to form on its basis, reasonable and balanced judgments regarding the results of exploration work presented in the Public Report, estimated Mineral Resources or Mineral Reserves.

The Competence principle assumes that specialists with appropriate qualifications and experience are involved in the preparation of the Public Report, and who are subject to the provisions and obligations of professional Codes of Ethics and Rules of Conduct. »

According to the KAZRC code, a competent person is a professional in the mining industry who is a professional member of a recognized professional organization, which provides for disciplinary procedures, including the possibility of suspension of membership or exclusion.

A competent person must have at least five years of experience working at the facilities of the same geological and industrial types of deposits /types of mineralization and on the same profile of work that they have to perform.

KAZRC reports are public reports prepared to inform government agencies, stock exchanges, banks, private investors or potential investors and their advisors about:

- The results of geological exploration,
- Mineral Resources (MR),
- Mineral Reserves (MR), for a specific site (or facility).

The main task of the CP, when compiling a report according to the KAZRC Code standard, is to study and disclose information on the object using the relevant sections of KAZRC Table 1 in the report. This approach requires a discussion of each item listed in the table and if any item is not disclosed in the report, then the CP should explain its absence, adhering to the "if not, then why" approach. Such a requirement of the Code increases the transparency of the conclusions of the CP and ensures that the public report will be unambiguously understandable to the user and that all issues have been considered and taken into account. The user must be sure that the information provided is up-to-date, factually correct, ensures full disclosure of information and allows forming an adequate opinion about the viability of the project and its further development.

At the moment, the number of specialists in Kazakhstan who have sufficient experience in compiling public reports and have demonstrated their competence in using CRIRSCO/KAZRC standards is very limited. In this regard, government agencies, subsoil user companies, stock exchanges, banks, investors need a tool to confirm the quality and reliability of public reports.

The report will be accepted for review if the Competent Person who signed it has a sufficient level of membership and accreditation required by the RPO in which he is a member. For the members of the PONEN, the accreditation requirements are determined by the QMR accreditation regulations. For members of other RpoS, PONEN recognizes RpoS and their accreditations in accordance with Appendix 1 to this Regulation.

THE PURPOSE OF THIS PROVISION is to ensure the proper practice of reporting in accordance with the KAZRC Code and to improve the quality and reliability of reports of Competent Persons, including for inclusion in the state accounting of solid mineral reserves of information on the quantity and quality of the main and jointly with them underlying minerals contained in their components. The verification is carried out before the report is submitted to the Authorized Body. **In addition, subsurface users, investors, banks, other financial institutions and other interested persons may submit the CP's report of a PONEN member for verification, at their discretion.**

WHO CHECKS THE REPORTS.

To implement this Provision, a Group of readers is being created at the EC PONEN, which involves specialists with experience in working according to international standards who are members of the PONEN or RPO. A group of readers works under the leadership of the Commission of the EC PONEN for the preparation of KAZRC reports. The result of the reader's work is a written Statement of compliance (or non-compliance) of the report to the requirements of KAZRC.

THE PROCEDURE FOR CHECKING REPORTS FOR COMPLIANCE WITH THE KAZRC CODE.

In order to comply with the principle of independence of the CP, as well as compliance with the conditions of confidentiality, the verification takes place in the following order:

1. The CP that signed the report sends to info@ponen.kz notification of the prepared report.
2. The KAZRC Report Preparation Committee shall check the level of membership of the Competent Person and his accreditation with the RPO and determine whether the level of membership and accreditation is sufficient for him to sign the report. For PONEN members, the commission is guided by the QMR accreditation regulation, and for non-PONEN members, it is guided by Appendix 1 to this Regulation. In case of non-compliance with the level of membership and accreditation or lack of required accreditation, the commission rejects the report from readership.

3. The Commission of the EC PONEN for the preparation of KAZRC reports determines the reader depending on the type of mineral and the type of report, which is notified by an e-mail sent from info@ponen.kz.
4. The subsurface user or the Competent Person or company that prepared the report enters into an agreement with the reader to conduct a check, which, among other things, also prescribes confidentiality conditions.
5. After the signing the contract, the CP (or the subsurface user) transmits the report to the reader.
6. The reader, within a period of no more than two weeks, checks the quality of the report, draws up a working version of a written Statement of compliance (or non-compliance) of the report to the KAZRC requirements with a list of recommended fixes.
7. The detailed consideration of the report is determined by the reader based on the working version of the reader's Statement on the report.
8. The reader sends a working version of a written Statement to the CP, who either corrects the report or disputes the proposed comments in a discussion with the reader.
9. The reader makes a final written Statement on the extent to which the report submitted by this CP is compiled in accordance with the KAZRC Code and if there are controversial issues, a list of them is attached to the Statement.
10. The final Statement and the list of disputed issues with the signature of the reader are sent by the reader to the CP, and a copy is sent by email to info@ponen.kz to the Commission for the Preparation of KAZRC Reports under the EC PONEN.

If the reader may be required to have knowledge in the field of associated minerals, geotechnical engineering, mining construction, ventilation, metallurgical processes, environmental, infrastructure, marketing, government and social aspects, as well as evaluation of mining projects, it is advisable to involve more than one reader to review the report, thereby improving the overall process consideration.

If the Competent Person does not agree with the conclusions and recommendations of the reader, the issue may be considered at a meeting of the commission for the preparation of public reports. At the same time, the Customer of the report and the CP must conclude a confidentiality agreement with the persons involved in resolving the issue. At the same time, the deadline for submitting the final Conclusion is changed by a reasonable time required for the work of the commission.

If unresolved controversial issues relate to the basic ones (Transparency, Significance and Competence) and are critical for the evaluation results, the reader, as well as the CP, has the right to take the initiative to consider controversial issues at a meeting of the Commission of the EC PONEN for the preparation of CP reports.

In case of detection of gross violations of the KAZRC Code, the Commission of the EC PONEN for the preparation of KAZRC reports submits the issue of the competence of the CP to the EC PONEN for consideration.

If signs of a violation of the requirements of the Code of Ethics are found, these facts are referred to the Ethics and Complaints Committee for consideration.

If there is a conflict of interest between the reader and the PONEN CP, who is part of any of the above-mentioned commissions of the EC PONEN, the issues are considered at a meeting of the EC PONEN.

- The conclusions of the readers should be reviewed by the KAZRC Commission for the Preparation of Reports under the EC PONEN, regardless of whether they are negative or positive, in order to exclude conditions for threatened abuse.
- After making changes and additions to the report on the reader's comments, the updated report is again submitted for re-consideration by the reader.
- The final conclusion of the reader shall be sent to the CP or the Customer of the check by the EC PONEN.

- If the Customer of the KAZRC report refuses to accept the report, if there is a positive conclusion of the reader and there are no comments from the EC PONEN, this CP and the reader are not responsible to the PONEN for such a decision. In the event of litigation regarding the completeness and quality of such a KAZRC report, the EC PONEN will act as a witness on the side of CP and the reader. EC PONEN will have nothing to do with all other controversial issues.
- If the reader has made a poor-quality conclusion, then they will be suspended from their activity for 1 year (or more) by the decision of the EC PONEN. The quality of the reader's conclusion is assessed by the KAZRC Report Preparation Commission.

Appendix 1

To the Regulation on the verification of KAZRC reports

A list of PRO and their accreditations recognized by the PONEN for the purpose of verifying KAZAK reports sent to the Authorized Body of the Republic of Kazakhstan or to the exchange.

No. p/p	The name of the RPO	Name of the required accreditation	Web-сайт	Note
1	Australasian Institute of Mining and Metallurgy (AusIMM)	Chartered Professional	www.ausimm.com	
2	Australian Institute of Geoscientists (AIG)	RPGeo (Mineral Resource Estimation)	www.aig.org.au	It is recognized only for the evaluation of Mineral Resources
3	Institute of Materials, Minerals & Mining (IoM3)	QMR	www.iom3.org	
4	Geological Society of London	Chartered Geologist	www.geolsoc.org.uk	It is recognized only for the evaluation of Mineral Resources