

Claim 7 Meet Legal and Regulatory requirements

I have been working as a sole consultant for seven years and have worked with over 50 companies. Often, I am brought in to assess or determine the resource and/or reserve size as part of an independent expert's report. Independent expert reports are used in Initial Public Offerings, Merges & Acquisition's and asset purchases. My role is predominantly valuing oil and gas assets.

Independent Experts reports are governed under the Corporations Law which is enforced by the Australian Securities and Investment Commission ASIC and are a requirement for certain activities under the ASX listing rules.

ASIC guidelines specify that geological reports, including resource assessments, must be in accordance with the Valmin Code [Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for independent Expert reports]. The Valmin code specifies that all material petroleum occurrences, resources and reserves within the boundaries of the tenements under consideration must be reviewed and reported on in accordance with the Reserve and Resource Classifications published by the Society of Petroleum Engineers (SPE). The current SPE resource definitions are found in the Petroleum Resource Management System [SPE-PRMS] published in March 2007.

The SPE-PRMS is a guideline with respect to resource classification. The wording is often in broad terms and is open to interpretation. There is often strong disagreement amongst the reserve estimators. The SPE-PRMS permits two methodologies to determine resource estimates, deterministic and probabilistic methods which have no requirement for reconciliation and is often referred to as the "Discontinuity" issue. As a result, there can be wide discrepancy between the independent expert and asset owner.

When I evaluate an asset, I rely extensively on my 25 years experience and listen carefully to the asset owner's technical staff whose work experience of the asset is longer than mine.

Upon writing an IER, I am particularly careful in the wording and go to extreme lengths in documenting assumptions and calculations. The reports often contain extensive appendices which document calculations in determining resource estimates. In my experience, this transparency is very powerful. Production forecasting is often the point of contention. Full disclosure of methodology and forecast plots silences the critics. Often vendors' forecasts have elements of outcomes which show the impact of new technology, for example, better drilling techniques etc. These outcomes may be valid but are undiscovered and therefore the incremental benefit classification may be downgraded.

As an Independent expert you must be strong and transparent.