

What happens if Inferred Resources cannot be defined – ‘Deposit’ to the Rescue?

By Michael Tyndall

Most of us involved in the minerals industry are well aware of the definition of an Inferred Mineral Resource as described in the South African Code for Reporting of Mineral Resources and Mineral Reserves (SAMREC Code). The crux of the definition is that tonnage, grade and mineral content can be estimated with a low level of confidence. In addition, there also has to be some form of exploration activity or outcrop which intersects or exposes the Mineral Resource.

What if these criteria cannot be met? Do we then have nothing? The current SAMREC Code does define or make allowance for a category with a lower confidence than an Inferred Resource, but the new 2007 edition, which is currently in final format but has not been promulgated, does quote a definition for a lower confidence resource, called a “deposit”. This “category”, interestingly, does not form part of the Mineral Resource Framework (Figure 1 of the SAMREC Code), but is reported as a definition (bold text) on page 10, thus forming a component of the new proposed code. The term “deposit” only appears as a guideline under “Reporting of Mineral Resources” in the current SAMREC Code. So this is really confusing.

“Deposit”, is defined in the proposed 2007 edition, *“as a concentration [or occurrence] of material of possible economic interest in or on the earth’s crust, that may include mineralised material that cannot be estimated with sufficient confidence to be classified in the Inferred category. Portions of a deposit that do not have reasonable and realistic prospects for eventual economic extraction are not included in a Mineral Resource”*.

The obvious question then arises as to how a Competent Person reports a “deposit” in a Mineral Resource Statement. Well, between the current SAMREC Code and the proposed version, certain suggestions can be made. Currently, a “deposit” cannot be included in the Mineral Resource Statement, purely because there is no definition of a deposit. The suggestion is that a separate table to that of the Mineral Resource Statement can be inserted for a deposit level mineral resource where tonnage, grade and mineral content can be stated, but only as a range. It must be made clear that the confidence levels are lower than that of an Inferred Resource and that it is not an official declaration, but a low level estimate. The SAMREC Code also states that, *“that portion of a mineral deposit that does not have reasonable and realistic prospects for eventual economic extraction must not be included in a Mineral Resource”*.

I believe that due to the confidence levels of a “deposit”, it is difficult to determine whether there will be “reasonable and realistic prospects for eventual economic extraction”. The fact still remains that once the new SAMREC Code is promulgated, which is expected to be before the end of 2007, a deposit level category can be reported into the public domain.

In the copy of the draft 2007 edition of the SAMREC Code, there are certain confusing issues and irregularities which I suggest need to be clarified before promulgation. They are as follows:-

- exploration results, mineral deposit, mineral resource and mineral reserve definitions are not listed in the Glossary of Terms on page 2;
- the “deposit” category is not shown in the framework diagram (Figure 1). I believe it should appear between Exploration Results and Mineral resources;
- the first lines of Sections 12 and 13 do not include “mineral deposits” between exploration results and Mineral Resources; and
- on page 10 where the “deposit” is defined, it should have the word “mineral” in front of deposit. Deposit is potentially a proper noun and should be quoted inside exclamation marks.

The fact still remains that under the proposed 2007 edition, irregularities and ambiguity occur with regards to the mineral deposit level category and how they can be reported. Nonetheless, it seems that for those Competent Persons who wish to report a mineral deposit which does not meet the criteria for an Inferred Resource due to insufficient confidence, as per the definition, will soon be able to do so. All of this has significant consequences for valuation of mineral assets and should be considered weighty matters.

The question is, has this really been thought through sufficiently.

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