

## **Metallurgical considerations important in valuing assets**

### **By Deborah Spicer**

Recent mineral valuations have reinforced the importance of metallurgical considerations when valuing mineral assets, particularly for projects that are based on unproven orebodies.

In these valuations, Venmyn has been commissioned to ascribe values to projects based on unproven orebodies, where inconclusive metallurgical testwork has been performed.

In such instances, it cannot be proven that the projects have “realistic and reasonable prospects for eventual economic extraction”, as is required by the South African Code for the Reporting of Mineral Resources and Reserves (SAMREC Code).

“In one case, the laboratory undertaking the tests recommended that further testwork needed to be undertaken to evaluate whether the deposit was amenable to eventual processing,” says Venmyn Mineral Industry Analyst Munyar Chirisa.

This resulted in Venmyn classifying the mineral asset as an “exploration target” rather than classifying it in terms of the various mineral resource and reserve categories. It also resulted in Venmyn giving a low value to the mineral asset, since a potential value curve for the project was contingent upon successful metallurgical testwork and a defined processing route.

Chirisa notes that metallurgical considerations are just as important for any Discounted Cash Flow as the commodity price, since they provide mineral asset buyers with the quantity of saleable product that the processing plant will produce.

Metallurgical testwork is also invaluable in assessing commodities with associated minerals that are difficult to process, store or handle, such as rare earth deposits with significant quantities of thorium, he says.

To find out more about how metallurgical considerations can influence the valuation of a mineral asset, contact Munyar Chirisa.

### **SAMRAD update**

A company involved in the diamond, gold, gold and base metals sectors in South Africa believes that the Department of Mineral Resources' (DMR's) electronic data system is one of the biggest risk factors for its business.

This is because, rather than facilitating the online application for mineral rights, it has prevented the company from obtaining these rights due to the system frequently being offline and unable to process applications.

The company reports that after two hours at the Polokwane regional office of the DMR, it was unable to access the South African Mineral Resources Administration System (SAMRAD), despite bringing a flash disk with the application on, a computer and a mobile Internet connection to facilitate the loading of the company's application on to the electronic data system.