

SAMREC
MINUTES OF THE
SAMREC WORKING GROUP MEETING
Held on 26 July 2012 at 11am at the Military Museum, Delville Wood Room

PRESENT:

	K Lomberg	
A Thompson		S Foya
F Harper		T Marshall
P-J Grabe		K Kenyon
M McWha		C Dohm
G Chunnett		K Redman
A Macfarlane		A Clay
A de Bruyn		

APOLOGIES:

V Deonarin	J Witley
S Joubert	M Harley
G Njowa	G Smith
K Johnstone	S Rupprecht
D Minnitt	R Davel
T van Zyl	B Mills
K van der Merwe	

In Attendance: **J Dixon (Manager, SAIMM)**

Note to these minutes: *These minutes are compiled from the recording made of proceedings.*

1. WELCOME

The chairman welcomed all to the meeting and everyone introduced themselves.

2. MINUTES OF THE PREVIOUS MEETING

The minutes of the previous meeting were accepted as a true reflection of proceedings. A Clay offered to send though a proof copy of the minutes to accurately capture where some words need to be recorded with upper case letters.

3. MATTERS ARISING FROM THE MINUTES

None noted but on the agenda there is a paper to be discussed on Independence composed by the JSE and that together with the Competent Persons and Competent Valuers, the feeling is that a lot of the issues for these two are common to both working groups and the proposal is that we table the both papers at the next WG meeting but make it a meeting for both groups starting at 09:00 – 12:00, leaving out all other issues for the meeting.

4. DEFINITIONS PAPER

F Harper composed the paper and presented it at the last meeting. It was then sent to C Dohm, G Chunnett and K Lomberg for verification. Only suggested amendment was from C Dohm who suggested changing a sentence on exploration results – when compiling a report on exploration results, you must have *some* information on the property of interest, you must have evidence. C Dohm suggested “there must be relevant information on the site, relating to the property that is being discussed”. C Dohm will email the sentence to F Harper. **Action C Dohm**

A second comment was on the section that started “we shall include all relevant information” but then later on it says “if data is excluded” – they are in different paragraphs but they are contradictory. The section “If data has been excluded” allows the opportunity to not put everything in there, which is what the problem is. These changes will be discussed and settled outside of the meeting and then the paper will be tabled at the SSC meeting.

5. CLARIFICATION OF THE DEFINITION AND USE OF THE TERM TERMS ‘EXPLORATION RESULTS AND DEPOSIT IN THE SAMREC CODE. (THIS TASK WAS UNDERTAKEN BY THE EXPLORATION WG – EWG)

Picking up from the last meeting, clauses 18 through to 20 were discussed and parts of sections 21. The feedback from the last meeting was taken into account as well as matters that are occurring elsewhere, specifically the JORC review issues that were raised. They also show similar problems with exploration results and targets. The pre-resource area is not a major concern to big mining companies, but it is a very relevant for those working with junior explorations companies, black empowerment groups and smaller operators because this is where things can and do go wrong. The aim therefore is to try and achieve clarity on how to deal with these issues.

C Dohm suggested for pre-resource exploration results, the following words should be included “reporting of exploration results, pre-resource” because if one looks at Figure 1 exploration results is above, it should be amended to include the words ‘pre-resource’. T Marshall emphasised that all of the discussed matters deal with pre-resource issues. K Lomborg concurred that by saying pre-resource exploration results, it enables it to become a category on its own. The aim of using the term ‘pre-resource’ is to indicate the reporting of ‘stuff’ before you get to inferred resource, the intention being for people to realise this is all the stuff that goes before getting to the inferred resource.

Debate around pre-resource:

C Dohm: The reasoning therefore to make the exploration results lower case vs upper case is because it includes everything, it was not a category but more general. Therefore it was not clause 18 originally ...*exploration results specifically referring to....* This is important because it is specifically referring to what you have in Table 1. In table 1 every A in every item has got an exploration result in it and what is being referred to in ‘pre-resource’ is not what is in table 1.

T Marshall: Ideally exploration results would deal with any sort of exploration results anywhere during the whole programme (from pre-resource to defining resources).

M McWha: But then why have pre -resource in the heading?

It was agreed to remove the term ‘pre-resource’.

The Working Group proceeded to work through T Marshall’s paper. Only debate around certain issues has been recorded:

Moving of the word must: Initially the word must was removed from the first sentence. It was agreed that it would be placed back again because you want to avoid a situation where a person leaves out or uses selective data.

*Exploration results **must** include available and relevant data/information relating to mineral property....*

MMcWha - the escape clause would be in the word relevant.

K Lomborg: If we speak about negative results are we opening ourselves up to people actually considering it in a different light because it now sounds negative?

T Marshall: One of the comments of the JORC issues paper made was that there might be certain minimum requirements, such as drill hole location etc. Do we feel that it would be relevant to add something like that to table 1 – a list of minimum requirements. It would however be important to ensure that the wording of the Code and any checklist included must not be prescriptive.

In response, Ken Lomborg said that it would now make it prescriptive about what would go into table 1 – it could result in 2 consequences – 1) it would make it onerous on us to do because if we put a list there and you make a mistake with a single one, it would make you liable and 2ndly, from a promoters or investors perspective, if you put enough information out in the public domain they lose their competitive advantage because someone else can take the results, re-crunch the numbers and take over the project without having to have purchased it from the person who came forward

Table one is the minimum that one should have in their report in order to be compliant but none of it is prescriptive.

It was agreed that the EWG's opinion has merit but it would not be advantageous to make Table 1 prescriptive or have a prescriptive checklist.

A Clay: Raised the point before to the committee about the inconsistency of Table 1 with the main part of the Code because the establishment of a mineral resource is not an inventory of all mineralisation drills but rather one for which there are realistic prospects for eventual economic extraction, and you must have taken a preliminary judgment on mining factors. In the table however, the mining factor or on mineral resources, it says if you have not estimated it, then leave it out. An example would be quoting of UG2 over a mining width, they quote over 60cm but nobody buys over 60cms. Table 1 needs to be fixed to close the loop holes. Table 1 should also be consistent with NI43-101, items 1-27.

A Clay: At what point do we formally define the term Exploration Results?

C Dohm: Clause 18 covered exploration results and information generated by exploration programs. The Code says it is the Code for reporting exploration results, mineral resources and ore reserves. Exploration Results is therefore a category and should be Exploration Results, as contained in figure 1. What we think is exploration results is drilling information, while in the figure, it includes all relevant information, which is covered in table 1, starting with mineral resources.

A Clay: The categorisation we are looking for is formal terms when there is a specific quantity and quality – ie Exploration Results. At present it is not a definition that requires 'E' and 'R'.

C Dohm: At present there is no clear definition and this is needed.

Final agreement of WG: Then make it E and R and put the whole paragraph in bold as a definition. Bold is the legal definition and the non-bold bit is the explanation of what it means.

Exploration targets:

A de Bruyn: Why do we want to report this?

T Marshall: Because they are reporting it anyway and it is better to have a set definition of what falls into the category. We can't prevent them from reporting any targets because then all junior exploration is basically marginalised.

F Harper: many of these companies are going to the market for funding and they need say that they have information that could indicate what is there.

A de Bruyn: Should they be asking for funding if they don't actually know if there is anything there to be mined?

K Lomborg. But that is what they are doing anyway because they are taking the risk on themselves. They are happy to take the risk but the reporting has got to be understood by the investor.

C Dohm: This therefore makes the definition even more important in order to protect the investor because you are telling them, this is just my target, and they don't have it yet.

A de Bruyn: Is the concern that if we don't put this in, then the Junior Exploration companies will report it as a deposit?

T Marshall: Yes. Even more so as a proven reserve.

Mike McWha: Made a suggestion for exploration target – 1st paragraph, 2nd sentence, change *there must be a likelihood* to *there is a likelihood*.

C Dohm: You can't hold a target where there is no likelihood, there is a likelihood, you have to have it as a prerequisite. It is a vague reference (fluffy cloud) to something but and exploration is vague, but it needs to be included otherwise Juniors use it as if they have a mineral resource – that is the problem that needs to be prevented.

S Foya – If you take a coal target for example, already the geology is prospective for that. It must be sitting in the right setting for it to be a target.

K Lomborg: You have to have something that gives definition, for purposes of investing, to provide some background for the investor to use and know the limitations thereof.

C Dohm: Should we not say that the eventual economic extraction, because of the definition of resource, it is not yet a deposit with a possible economic extraction. Remove 'eventual' and put in 'possible' economic. In Deposit we use the reference possible economic extraction and with Resource we use the term eventual economic extraction.

M McWha: Why not take out reasonable and realistic?

Andy Clay: Because then it is a negative affirmation that the exploration target isn't anything other than an indication of what you are looking for.

C Dohm: Should a Competent Person sign off on an exploration target?

Generally agreed that a Competent Person should sign it off otherwise people would do whatever they want.

Andy Clay: Suggested that Mineral Deposit be used with capital M and D- with the definition being reworded so that it started with Mineral Deposit.

Ken Lomborg: We must be clear that exploration results are just information. Mineral Deposit is some sort of indication of geological hold, both qualitative and quantitative.

Why are we looking for another term? Because we had three others – ie exploration target, exploration information and exploration results. All basically the same thing depending on which jurisdiction you are reporting.

What in our minds is the difference between a mineral deposit and a mineral resource? A mineral deposit has possible economic extraction and is in the phase before mining methods are discussed; whereas a mineral resource has reasonable expectations will include conceptual mining methods.

In the paper, there is a distinct difference between 'deposit' as used in the dictionary versus 'mineral deposit' as used in the code. This is to avoid the misuse that comes with the ordinary word 'deposit'.

Tania Marshall: In clause 19, under exploration results, you have the exploration targets and the mineral deposit. They all exploration results, they are not resources or an independent term. A mineral deposit is a way of describing exploration results.

Mike McWha: In terms of the whole process, why are you excluding the mineral resource and mineral reserve out of the deposit?

Tania Marshall: What it is trying to say is that the exploration entity that you have, if you cannot classify it as a resource or a reserve, you can classify it as a deposit because it does not have enough information to be classified as a resource or reserve.

C Dohm: There are two perspectives on this, in coal they have an early stage category based on recognisance. The issue is that Deposit has a definition – eg if you have a gold deposit and you are mining it, you can use the word gold deposit. There is nothing wrong with that. The other argument is we don't want that use of the word deposit to be confused with something that, as in this mineral deposit, has got 'possible'- it does not say you are mining it. Deposit is a common word and they are using it under the definition of a new term.

Ken Lomborg: What we are wanting to say is that we want a term called Mineral Deposit so someone can say I am reporting this mineral deposit in terms of this – specific thing.

Mike McWha: It does not matter what you call it, you are trying to slip in another category between target and what is inferred.

Ken Lomborg: That category already exists in other codes but this would be formalizing it for us.

Tania Marshall: What will happen if you don't have this particular unit, the juniors will come along and they will say this thing I have is not a conceptual mineralization, therefore it is an inferred resource.

Annalie de Bruyn: So what then is the difference between the wording now and an actual inferred resource?

The use of the words eventual and possible.

Mike McWha: Another important point is that Inferred Resource is a category for exploration models.

Tania Marshall: Too many people push too many things into referred resources. This gives you a place to put something that does not have sufficient information to be classified as an inferred resource. If you look at JORC, they have exactly the same problem. It is a low confidence category. What we are saying is that we are not using inferred resource as a set term for low, medium and high inferred resources, but we are giving you a classification to put it in pre-resource exploration results. All of this stuff, mineral deposit, exploration target, everything is all pre-resource. You don't have enough information to call it an inferred resource. But if you are an exploration junior, you are going to want to call it something. It is not a conceptual target; therefore it must be an inferred resource. If you have nothing upfront they shove it into referred resource.

Mike McWha: you have three categories of reserves and resources in mining. One is used for the annual cash flow, the other one is for designing a mine and the other one is for doing exploration within. That is where the three categories come from. Now we are trying to put another one in there.

Tania Marshall: No, this does not go into the resource at all. This is all pre-resource. It is all part of exploration results. We are subdividing exploration results into 2 categories.

Pieter Jan-Grabe?: Then what do you then put into deposit?

C Dohm: What we put in deposit in Anglo American, for it to be a resource or for a resource definition, you require reasonable expectation of eventual economic extraction. One of those criteria is you have to have a market for the product because otherwise what are you going to do with it. They don't have an idea of a market. They can have it at a confident measure resource level, but they don't have a market, therefore it is not a resource, and they will put it in deposit. They can have all the confidence but without the economic criteria being met, it is put in the deposit category.

Should we have this category at all? There is a need for a pre-resource category, because if the economics change, different technologies, it will take it out of deposit.

Question: Do we want some sub-category of exploration results that can be used to report something that is not inferred? Yes, we do need it, but what we call it and how it is defined, is what we are doing here.

Arthur Thompson: From an investment point of view, one has to put the junior miners in the position that you can believe what they have without them having to fluff it up. They have a category then to put these things in. This will then help investors.

Annalie de Bruyn: In my mind, this category always used to be exploration results. If you can't declare a resource as yet, then you show it as a result.

Andy Clay: we have just changed the name, tidied it up.

Debate ensued over the words mineralisation and deposit. Outcome included in the paper but essentially was agreed terms are needed that prevents juniors exploration companies from declaring all things, at various levels, as a resource.

Debate over Exploration Results and exploration targets.

C Dohm: Under exploration results definition which should say exploration information should include data information etc. Thereafter, it should be stated what exploration target includes, what exploration results include and state specifically what exploration results entail.

Ken Lomberg: All the stuff that we are doing will be put forward to other people to argue and they will most likely argue the same points. We have to present it to them in such a way that they understand where we are coming from.

Going forward, Tania suggested that as everyone has a digital copy, the WG should read through the document and send Tania comments. She would then compile and redistribute. It was agreed though that general discussion is needed.

C Dohm: raised the question: with the changes that the WG is now suggesting, what will happen to the work completed under the current version of the Code? At people reporting and as investors, people must be mindful that there are or were definitions that were not or are now present.

Annalie de Bruyn: you should mention in the new version when something was repealed.

The remaining section of this paper will be discussed again in the September meeting.

6. GENERAL

Clause in the Constitution:

The GSSA and SAIMM are inserting a clause in the new version of the constitution relating to CPs and CVs. KL felt the clause was premature and binding us to decision where we talk about competence and registration.

Annalie – I don't think it is premature. The GSSA and SAIMM have picked up that some of the members are signing off on reports which they believe are not good enough to be a CP report. They want to protect themselves from this.

KLL agreed that it must be in the Constitution.

JD: Both institutions have included an enabling clause in main body of the constitution but the content in the bylaws which can be changed at a later stage without the need of a special general meeting.

It was agreed that the wording needs to be corrected. Currently, people can sign off reports without being a member SACNASP, the statutory body, as long as they are a member of the SAIMM or GSSA. That is what the problem is.

C Dohm: The other codes accept SACNASP, PLATO and ECSA and they also accept SAIMM and GSSA. SAIMM and GGSA have a problem, if the clause only refers to SAMCODES; GSSA/SAIMM members can sign off under JORC or under CIM/PERC because they are recognised. So how will this clause change or allow the GSSA /SAIMM to not allow them to sign off?

We should then suggest that they then include JORC and not just SAMCODE.

M McWha: What is the specific objection to the clause?

K Lomborg: This relates specifically to reports emanating the GSSA and SAIMM and submitted to the JSE. Every time you submit a report, you have to subject yourself to peer review to be accredited to sign off a CP report. This is impractical.

In principle it was agreed it should be in the Constitution ie the WG accepts the principle but the content and process needs to be considered in more in-depth, pre-AGM if possible.

The next meeting is on the 30th of August 2012 at 09:00 – joint meeting with SAMVAL.

SUMMARY OF KEY ACTION ITEMS

C Dohm:

Email correct sentence for definition on exploration results to F Harper for the definitions paper.