

**SAMREC**  
**MINUTES OF THE**  
**SAMREC WORKING GROUP MEETING**  
Held on 28 June 2012 at 11am at the Military Museum, Delville Wood Room

**PRESENT:**

**K Lomborg**

<b>S Rupprecht</b>	<b>S Mathuray</b>
<b>F Harper</b>	<b>T Marshall</b>
<b>P-J Graber</b>	<b>K Kenyon</b>
<b>M McWha</b>	<b>C Dohm</b>
<b>G Chunnett</b>	<b>B Mills</b>
<b>A Macfarlane</b>	<b>T van Zyl</b>
<b>B Siebrits</b>	

**APOLOGIES:**

<b>V Deonarain</b>	<b>F Camisani</b>
<b>A de Bruyn</b>	<b>J Witley</b>
<b>R Davel</b>	<b>S Joubert</b>
<b>G Njowa</b>	<b>G Smith</b>
<b>K Johnstone</b>	<b>S Foya</b>
<b>R Croll</b>	<b>D Dingemans</b>
<b>J Odendaal</b>	<b>A Clay</b>
<b>D Minnitt</b>	<b>K Redman</b>

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

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

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**1. WELCOME**

The chairman welcomed all to the meeting.

**2. MINUTES OF THE PREVIOUS MEETING**

The minutes of the previous meeting were accepted as a true reflection of proceedings.

**3. MATTERS ARISING FROM THE MINUTES**

None noted.

**4. DEFINITION**

F Harper started with the definitions paper and there were 13 definitions that needed to be discussed. Each matter will be discussed and decided on. Any matters that can't be resolved will be referred back to the sub-group working in it so that the final matters and paper can be signed off at the July meeting.

Started with the Denver Accord, back in 1988 – a set of standard definitions was developed to be used in the public reporting of mineral assets. Subsequent to that in 2006, CRIRSCO published a template of definitions for public reporting – it was to form the basis of all the national reporting codes. In 2010 CRIRSCO revised the definitions to be adopted by all the Codes. The main purpose of this was to try and harmonize the various national codes and particularly to tie in with the Accounting Standard Board's global code by feeding in proper standard definitions from the CRISCO template into the global code.

The CRIRSCO definitions were revised, adopted and sent out for comments to all the national reporting codes.

Subsequent to that, CRIRSCO became aware of several litigation cases occurring, especially in Canada due to a difference in the definitions between the CRIRSCO codes and the other reporting codes. It was then suggested that the 2011 definitions be amended to resolve this.

The mandate of the SAMREC SAMVAL Definitions Working Group (SSDWG) is therefore to examine the November 2011 definitions from CRIRSCO and report any objections to them before they produce the new CRIRSCO template. The aim is to unify the codes so the SSDWG restricted their deliberations to the sections highlighted by CRIRSCO. They restricted their scope.

Both PERC and JORC have brought out revised editions of their code and both have accepted most of the changes in the definitions.

The definitions were stated as follows (to be read in conjunction with discussion paper of SSDWG):

- 1) Public reports – there is no previous definition in the CRIRSCO template at all. The SSDWG accepted the definition. SAMREC WG accepted the definition as it stands.
- 2) Competent person - was previously “and” now it is “or” – the WG stated that it was mandatory to have “and” in the definition.
- 3) Modifying factors – The SSDWG and SAMREC WG accepted this
- 4) Exploration Results – SSDWG preferred an alternative definition as derived by the Exploration Result (see discussion paper) working group (ERWG). The SSDWG decided to adopt the definition of the ERWG. SAMREC WG agreed subject to the outcome of the upcoming discussion.
- 5) Mineral resource – no changes in this, it was picked up that it is just sampling; it should be sampling and assay. PERC decided not to decide on quality alone. SSDWG suggested SAMREC accepts definition if they can add “grade and/or quality” – agreed.
- 6) Inferred Mineral resource. – CRIRSCO added the word ‘must’ and the last sentence ‘It is reasonably expected...’ The WG accepted the word ‘must’ but objects to the last sentence. The reasoning for not including it was to specifically avoid the caveat – the SSDWG felt that people are calling it inferred maliciously before their reasonable expectation had not been met. Inferred is very uncertain. There will be a lot of resistance from the word “must”. SAMREC WG agreed with the SSDWG’s recommendations. Accept the must but not the rest of the sentence.
- 7) Indicated Mineral Resource - no changes. This is not identical to our code but no material difference. The SSDWG suggested the addition of “grade and/or quality” – SAMREC WG accepted.
- 8) Measured Mineral Resource – SSDWG accepts the words “between points of observation” but notes the inconsistency in the use of terms “quality” and “grade” – the SAMREC WG accepts but sends back the question, what is meant “between points of observation” – they ask that it be narrowed down to avoid misinterpretation and possibly elaborate by means of guidelines.
- 9) Mineral Reserves – added “mined or extracted” and “application”, SSDWG accepted without objection – accepted by PERC and JORC. SAMREC WG accepted.
- 10) Probable Mineral Reserve - Probable mineral reserve – The SSDWG accepted the inclusion of the phrases “mined or extracted” and “application” definition without objection. Recommended “may” be used instead of “is” lower.
- 11) Proved Mineral Reserve – no change to this. SSDWG and SAMREC WG agreed.
- 12) Pre-feasibility study – added “at the time of reporting” – SSDWG and SAMREC WG accepted
- 13) Feasibility Study – addition of “applicable” – SSDWG and SAMREC WG accepted

The final amendments will be sent to C Dohm, K Lomberg and G Chunnet to check.

##### **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)**

The EWG’s mandate originally arose as a result of a letter received from the JSE requesting clarification on several points with reference to exploration results and mineral deposit. The second

part of the mandate of the EWG was to discuss the term mineral deposit, comment on its use, consider if it should be removed from clause 21. Thirdly, clarify the use/misuse of “tonnes” when reporting exploration results.

Lastly, they were asked whether the committee might opine on the term “reasonable and realistic prospects. It was requested that the EWG try to avoid the introduction of new terms.

The JSE's letter referred to clause 18 of the code and the question was: One interpretation of clause 18 is that results arise from primary exploration data (albeit of preliminary nature) from within a prospecting area and the other interpretation is that information from adjacent properties can be used as the process of generating geoscience confidence using all available information is at the core of the code and it is professional practice.

The EWG concluded that information from within and outside the boundaries of the property could be included, as well as historical data, as long as the Competent Person could show justification. SAMREC WG agreed.

Clause 19 requires any mineralisation not classified as a Mineral Resource to be described as a deposit under the heading “Exploration Results” The word “deposit” tends to lead to confusion, because it is a common geological term which is different from the intended meaning of the code.

What the EWG found in terms of current terminology is that the terms exploration results, exploration targets and deposits have all been used in public reports with little or no understanding of the meanings, applied or real. Definitions in the code are vague and insufficient, which leads to confusion and abuse, particularly by junior and unlisted companies. The Code is not written specifically for pre-resource situation.

The EWG aims to audit the terms, reword and redefine where necessary, while monitoring what is happening in the other codes around the world. The problem of abuse of these terms is not unique to South Africa and the SAMREC Code. In Canada they have had similar problems with the conversions to a mineral resource. To attempt to remedy this, they brought about or defined what a preliminary economic assessment is, which could be done on inferred resources. They used this to define reasonable and realistic prospects when converting something into a mineral resource.

Clause 18 covers the current definition for Exploration Results. Across the various codes, different terms were used to describe basically the same thing, some using exploration results, some exploration data, others exploration information. The EWG concluded that exploration results should not be a category on its own. It should not refer to a pre-resource category but to information obtained through exploration. There should not be one exploration result, but rather drilling data, geophysical data, the chemistry data, all of this making up exploration results.

The current definition is therefore limited and should be expanded significantly. Exploration results are not a restricted category. It should not be Exploration Results but rather downgraded it to exploration results, data or information. It is relevant at all levels because you can have exploration information or results prior to forming a resource. You also have exploration results in your exploration programme, where you can upgrade from an inferred resource. The EWG suggested that this section be taken out of clause 18 and put it onto clause 20.

*Clause 20: It is common practice for a company to comment on and discuss its Exploration Results in terms of size and type. Any such information relating to exploration targets must not be expressed or misrepresented as an estimate of Mineral Resources or Mineral Reserves....*

This particular section of the code causes a level of confusion because in clause 19, there is reference to this very thing but refer to it as a mineral deposit, hence three different ways of referring to the same thing. The idea of exploration target is a concept/term that is present in SAMREC, JORC and CIM. The practice has always been to allow companies to comment on public reports, prior to physical exploration plans being commenced. It was considered conceptual in nature with the exploration results confirming or denying the existence of mineralisation.

It is suggested that the term, exploration target remain with conceptual qualities and quantities and rename it Exploration Target (elevated). It would not be misconstrued as a resource or reserve. It is conceptual and may never result in a resource. Resource/reserve may not be used.

The target quantity and quality to be expressed so as to convey the conceptual nature of the target in an unambiguous, realistic and transparent manner with detailed explanation of the basis of the target.

The data and information, along with justification for an exploration target (in the conceptual context), can be taken from within the property, surrounding areas, historical and geological or theoretical models, and because it is a concept, it cannot be included in any economic financial model.

Currently there is an Exploration Target; it is conceptual and pre-identification of mineralisation on the property (basically the company's vision). Then there is also the inferred mineral resource. It is tangible and it has reasonable and realistic prospects for extraction.

There is a gap in between where in reality a lot of the junior companies are doing their work. They are making value in this area. Without a description, they will take everything that is post-conceptual and shove it in an inferred resource which will eventually become a set term that is completely valueless.

In reality, the junior companies are going to argue that it is no longer conceptual; they have made up their own 'deposit' and defined it so as to suit them. They declare mineralisation on their property and declare it, making it no longer conceptual and therefore an inferred resource.

*Clause 19 .....mineralisation not classified as a Mineral Resource or Mineral Reserve must be described as a deposit .....Description must not imply the discovery of potentially economic mineralisation.*

The description here of a deposit in Clause 19 effectively fills the gap. It is everything from above a concept to below an inferred resource. However, the word deposit is a common term. Even if it is elevated to Deposit, you will have the same problem. It was suggested that the term be upgraded to Mineral Deposit and making it a defined term with all sorts of caveats that go with it.

With Clause 19 re-defined (also effective for Clause 21), mineralisation not classified as a Mineral Resource or Mineral Reserve must be described as a Mineral Deposit. The estimate of potential quantity and quality based on initial exploration results from the property. So when we get to Mineral Deposit, it is only on the property, all historical data will have already been considered. All information relating to a Mineral Deposit is preliminary in nature and higher than an Exploration Target (conceptual estimate) and there is not sufficient confidence for a Mineral Resource.

The current diagram has at the top, Exploration results, and then underneath it is mineral resources and mineral reserves. What is being suggested is that prior to resources, where previously you only had exploration results, (which is not a set category) and in place of exploration results it is suggested there are two terms, namely Exploration Target as the conceptual model and Mineral Deposit. It cannot be called a Mineral Resource as there is not enough information and it does not necessarily have realistic and reasonable prospects for eventual economic extraction. Preliminary – not to be included in any economic/financial model.

It was argued that targets should not be described as within ranges as it implies a level of confidence that does not exist. This would mean exploration targets would be removed altogether. Juniors would then have to report to their investors. This has been debated at length. In any given range, only the high extreme was ever used – open to misrepresentation/abuse. Couldn't quote ranges as there was insufficient data on which to base statistics. Range was not meant to be a statistical term. Ranges imply lower confidence levels – the wider the range, the lower the implied confidence

There is no real consensus with the intention being to convey lack of confidence in the figures. Some guidelines were supplied to aid clarity.

Only something with reasonable and realistic prospects of eventual economic extraction could be considered as a Mineral Resource (Clause 21). "Eventual" already covered in Clause 21 notes.

Preliminary Economic Assessment - such a (low level) study would include the technical and economic factors, including an economic analysis of the potential viability which, in the opinion of the Competent Person, are likely to influence the prospect of economic extraction, including the potential mining parameters. Effectively defines "realistic and reasonable prospects"

Inserted into Clause 21 notes - Reasonable and realistic' prospectivity must be determined through a preliminary economic assessment (which is defined as a study, other than a pre-feasibility or feasibility study, that includes an economic analysis of the potential viability of mineral resources). Such a study must include the technical and economic factors which, in the opinion of the Competent Person, are likely to influence the prospect of economic extraction, including the approximate mining parameters. Competent Person should decide, define and justify the parameters and assumptions used/ignored in the PEA

Inserted into Glossary - A study of the viability of a range of options for a Mineral Deposit. It includes a technical assessment and preliminary economic analysis to evaluate the possible mining options under which the Mineral Deposit could be successfully exploited and the evaluation of any other relevant factors that are sufficient for a Competent Person, acting reasonably, to determine if all or part of a Mineral Deposit may be classified as a Mineral Resource

Mineralisation is not defined in any of the codes. The dictionary defines it as – Mineralisation refers to the hydrothermal deposition of economically important metals in the formation of ore bodies. The common use is a little broader. In the Code the "Glossary of Terms" defines it but does evidence of mineralisation constitute a Mineral Deposit (cf. Clause 19) or is it still "Exploration Target?"

## 6. GENERAL

Keith Kenyon tabled a document on Geochemistry Issues. It will be discussed at length at a later date.

The next meeting is on the 26<sup>th</sup> of July.

SUMMARY OF KEY ACTION ITEMS
<b>The manager:</b>
<b>Determine if the Competent Person and Independence paper will be ready for presentation. .</b>