

Potential Missing Link in the Minerals Industry Reporting Codes

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Companies in the extractive industry are required by the current reporting codes, to have conducted a minimum of a pre-feasibility study to report mineral (ore) reserves. The SAMREC code states that *“appropriate assessment to a minimum of a pre-feasibility study for a project and a life of mine plan for the operation must have been completed, including consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors (modifying factors)”*. This to a certain extent links the SAMREC and the SAMVAL Codes, yet there is no code or standard or even an agreed guideline of what constitutes an acceptable minimum standard for a pre-feasibility or feasibility study and even bankable feasibility study. *(note the latter term is no longer defined in the SAMVAL Code)*.

The introduction of the SAMREC Code and SAMVAL Code in the industry as a required minimum standard for the public reporting of exploration results, mineral resources and mineral reserves and the valuation of these mineral assets in South African, has significantly improved the quality of information disseminated to mining investors and their professional advisors. The mineral commodities boom post-2005 coupled with BEE legislation has witnessed a growth in the junior mining sector. Consequently, pre-feasibility, feasibility and bankable feasibility reports have been prepared in different styles and standards to raise finance to fund new, expansion projects and to enable reporting of mineral reserves. The lack of proper guiding principles in the preparation of these studies has led to irregularities and ambiguities.

There appears to be no specific code definition of what a pre-feasibility, feasibility study or a bankable feasibility study should include. It should be noted that mineral resource estimates are inputs to these studies. Depending on the outcomes, mineral reserve estimates result from feasibility studies. This fact is noted in the SAMREC Code that Mineral Resources can be converted into Mineral Reserves if a minimum of a pre-feasibility study for a project and a life of mine plan for an operating mine has been completed.

Venmyn has prepared a specific process and content template for these studies to ensure clarity. The details of the process and content will be discussed in the newsletter to be distributed next week.