

Mineralisation Beyond Inferred Resources

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CRIRSCO reporting standards are contained in the CRIRSCO International Reporting Template, first published in July 2006, and updated in November 2013, which defines Exploration Results, Mineral Resources, including sub-categories of Measured, Indicated and Inferred Resources, and Mineral Reserves, including sub-categories of Proved and Probable Reserves. The definitions contained in the CRIRSCO Template have been adopted by CRIRSCO members although due to specific local requirements minor differences may exist among member reporting Codes and Standards¹. These differences are not considered to be material. Public reporting is targeted at investors and potential investors in mineral exploration and mineral companies. Such stakeholders rely on informed statements relating to Exploration Results, Mineral Resources or Mineral Reserves prepared by Competent Persons as defined in the Template. CRIRSCO acknowledges that mineralisation may exist beyond those categories contained in the Template and also acknowledges that it is common practice amongst mineral companies to maintain registers or inventories of such material for their own strategic planning purposes. Such purposes include, for example, the prioritisation of exploration targets for future work and maintaining records of mineralised material that currently fails to meet requirements for public reporting but may do so in future (for example if economic conditions change). This paper is intended to expand on CRIRSCO's views on 'Mineralisation beyond Inferred Resources' and to explain the relationship between the CRIRSCO aligned reporting standards and other classification systems that categorise such material.

INTRODUCTION

The Committee for Mineral Reserves International Reporting Standards (CRIRSCO) is made up of National Reporting Organisations (NROs) who develop, update and administer Codes and Standards within their own jurisdiction which are aligned with The CRIRSCO International Reporting Template (the Template). Currently there are eight NROs who are members of CRIRSCO and which represent Australasia, Canada, Chile, Mongolia, Russia, South Africa, United Kingdom and Western Europe and The United States of America.

The principle objective of CRIRSCO is to promote best practice public reporting of Exploration Results, Mineral Resources and Mineral Reserves. As a strategic partner of the International Council on Mining and Metals (ICMM), CRIRSCO endorses the aim of that organisation to promote transparency and clarity in all reporting carried out by the solid minerals industry.

The Template includes a number of Mineral Reserve and Mineral Resource categories, based on the extent to which these have been defined by geological, other technical and economic studies. The main

¹ The term 'Code' is generally used to describe reporting systems where there are formal and legally binding uses defined by regulators. The term 'Standard' is used to describe systems which may be very similar in content to the Codes but which are not the subject of such legal agreements. Henceforward in this paper the generic term standard is used to denote both Codes and Standards.

stakeholders in public resource and reserve reporting are investors and potential investors in mineral companies, including financial institutions.

CRIRSCO recognises that situations exist where reporting of potential mineral assets beyond the categories defined by the Template may be required and that different stakeholders, such as governments and international energy agencies, may require reports on these additional categories.

CRIRSCO has engaged and continues to work with organisations developing classifications of material 'beyond Inferred' with the aim of both assisting in such developments and also ensuring that the resulting classification schemes are consistent with the Template.

CRIRSCO continues to monitor developments in other classification systems but at this stage does not propose to modify the Template to accommodate mineralisation beyond Inferred Resources.

BACKGROUND

In November 2013, CRIRSCO updated the International Reporting Template for the public reporting of Exploration Results, Mineral Resources and Mineral Reserves ('the Template')² which represents a synthesis of the public reporting standards of CRIRSCO members. CRIRSCO members currently comprise the NROs. The Template and individual member standards are for public reporting for the benefit of investors or potential investors in mineral and exploration companies. Definitions of Mineral (or Ore) Reserves and Mineral Resources are very closely aligned amongst the various NRO reporting standards and are well known and understood in the stakeholder groups which they serve, including not only investors but financial institutions and the media.

CRIRSCO engages with other organisations that categorise or may consider categorising, mineralisation that is not defined in the Template to ensure that definitions are not contradictory and that such extended systems are complementary to the Template. The organisations include the United Nations Economic Commission for Europe (UNECE), the Society of Petroleum Engineers (SPE), the International Accounting Standards Board (IASB), The International Atomic Energy Agency (IAEA) and various international agencies and governments. Categories of mineralisation beyond Inferred Resources are generally not of interest to investors and are not reported publicly but may be required to be reported to other institutions for example governments, or may be of use internally by companies developing exploration strategies, prioritising development options or purchase price accounting for exploration prospects. The Template caters to some extent for this by defining Exploration Results, which are points of information, usually derived from drilling and sampling, which may be of interest to investors but which are insufficient to estimate Mineral Resources.

CRIRSCO's engagement with other organisations has helped to develop an understanding of mineral definitions across different industry sectors and for different users. This work has included discussions of the categories of mineralisation that exist in other systems that are not primarily intended for public reporting and which are not part of the Template.

THE CRIRSCO TEMPLATE AND OTHER SYSTEMS

The Template was published to provide countries that did not have a minerals classification and reporting standard or that wanted to modify their own standard to become internationally compatible, with a guide to reporting of Exploration Results, Mineral Resources and Mineral Reserves. Changes to the Template are made with members' agreement and in turn, changes to individual member standards

are openly discussed in CRIRSCO² in order to preserve international compatibility. The Template thus represents current international best practice in minerals reporting.

The Template contains standard definitions for Exploration Results, Mineral Resources (including Measured, Indicated and Inferred Resources) and Mineral Reserves (including Proved and Probable Reserves).

The general relationship between these defined terms is illustrated in Figure 1(a) and will be familiar to users of the Template. The highest level of confidence is represented by Proved Reserves and the lowest by Exploration Results.

For the purposes of this paper, the conventional representation has been re-oriented in Figure 1(b) to facilitate comparison with two other systems; the Petroleum Resource Management System (PRMS)³ sponsored by the Society of Petroleum Engineers and others, and the United Nations Framework Classification (UNFC 2009)⁴ which is a product of the United Nations Economic Commission for Europe, both of which contain categories of mineralisation not found in the CRIRSCO Template. In a general sense, confidence decreases from top to bottom in this illustration.

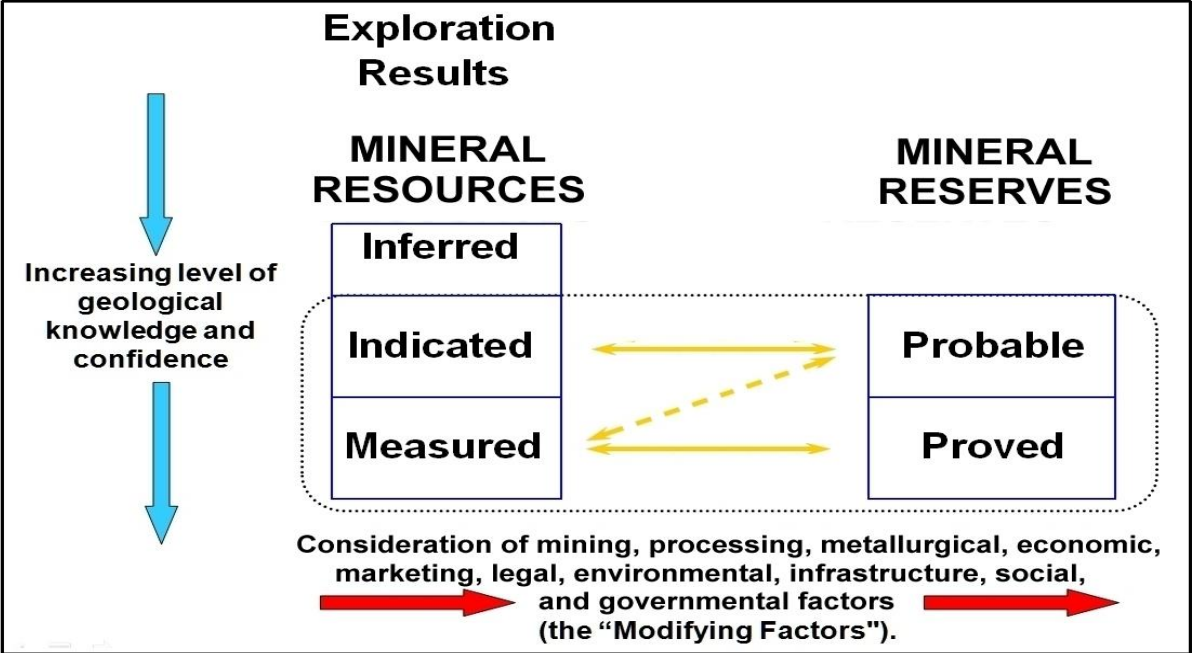
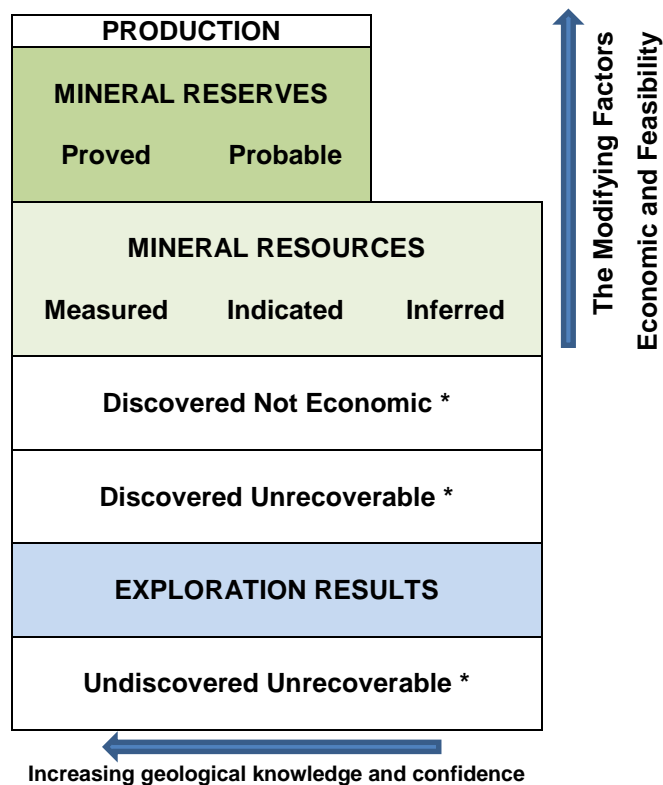


Figure 1(a). General relationship between exploration results, Mineral Resources and Mineral Reserves as represented in the CRIRSCO Template.

² Available at <http://www.crirSCO.com/template.asp>

³ Available at <http://www.spe.org/industry/reserves/prms.php>

⁴ Available at <http://www.unece.org/energy/se/reserves.html>



*Not part of the Template but may be used for internal project management

Figure 1(b). Re-oriented figure showing the CRIRSCO categories (shaded) and additional categories in other systems.

Further details of the mapping exercise conducted between the CRIRSCO system and the PRMS on behalf of the International Accounting Standards Board in 2007 can be found at <http://www.ifrs.org/NR/rdonlyres/OE012C2E-EE3E-4E8E-8321-85286B16FEA/0/Extract0803b10bobs.pdf>

A report entitled Mapping of the United Nations Framework Classification for Fossil Energy and Mineral Resources, which compares the CRIRSCO and PRMS systems to the UNFC, can be obtained from <http://www.unece.org/energy/welcome/pub/ense.html#map>

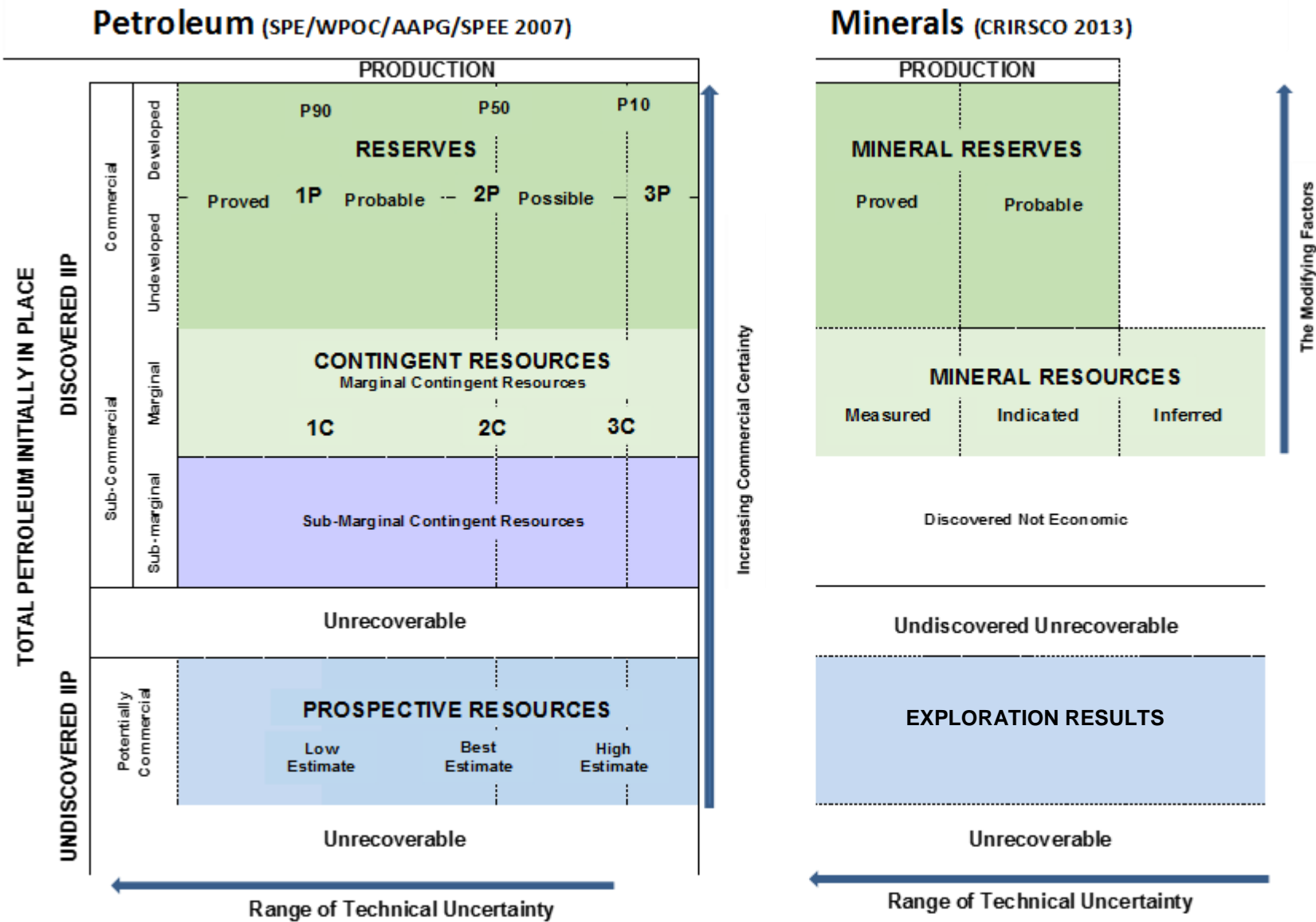
EXPANDED CLASSIFICATION SYSTEMS

The most obvious differences between the two versions of the classification scheme in Figure 1 are the additional 'boxes' labelled Production, Discovered Not Economic, Discovered Unrecoverable and Undiscovered⁵. Essentially, the conventional CRIRSCO system includes only classes that are publicly reported, while the expanded version includes material that may be part of non-public reports to other agencies, such as governments, or simply of use to companies for internal planning purposes.

⁵ Terms such as 'Discovered Not Economic' are not used in the Template. They are incorporated as a means of simplifying comparison with PRMS.

Taken as a whole, the system in Figure 1(b) is intended to include all mineralisation that has been mined, discovered or is yet to be discovered within a given area, be this a single deposit, a mineralised province or a global aggregation of many mineralised areas.

Figure 2 illustrates the alignment between the Template and the PRMS developed jointly by the SPE and CRIRSCO.



Not to Scale

Figure 2 Comparison of the Petroleum Resource Management System (PRMS) and the CRIRSCO Template.

In Petroleum, the whole of the box is termed Total Petroleum Initially in Place. Ignoring production (which is generally reported separately to resources and reserves by minerals companies), those boxes shaded on the right have direct or near direct equivalents in the PRMS.

A high level comparison of UNFC (2009) and the Template, developed as a result of a joint exercise to map the two systems, is shown in Figure 3, with text modified to highlight the Mineral Reserves, Mineral Resources and Exploration Results areas represented in the Template. As example in the UNFC's numerical codification system a Proved Reserve would be 1,1,1, an Inferred Resource 2,2,3 and Exploration Results 3,3,4.⁶⁻⁷

Total commodity initially in place	Production	Sales Production			
		Non – Sales Production			
		Class	Categories		
			E	F	G
	Future recovery by commercial development projects of mining operations	Mineral Reserves	1	1	1,2
	Potential future recovery by contingent development projects or mining operations	Mineral Resources	2	2	1,2,3
		Discovered Not Economic	3	2	1,2,3
	Discovered Unrecoverable		3	4	1,2,3
	Potential future recovery by successful exploration activities	Exploration Results	3	3	4
	Undiscovered Unrecoverable		3	4	4

Figure 3. High level comparison between UNFC (2009) and the CRIRSCO Template.

THE BOUNDARIES OF CRIRSCO MINERAL RESOURCES

The CRIRSCO Template and NRO standards require that Mineral Resources should have 'reasonable prospects for eventual economic extraction. While the precise meaning of words such as 'reasonable', 'eventual' and 'economic' can be and are continuously debated, the phrase is generally taken to mean that given a set of reasonable assumptions on inputs such as prices, costs, production rates and mineral

⁶ Terminology has been changed from UNFC (2009) to align with that used Figure 2. For example 'Discovered Unrecoverable' is described in UNFC (2009) as 'Additional quantities in place associated with known deposits'.

⁷ As defined in UNFC (2009), E = Social and economic viability; F= Field project status and feasibility; G=Geological knowledge. Numerical values range 1-4 with 1 being the highest confidence.

recoveries, and a positive economic evaluation, it can be assumed that an eventual mining operation is realistically both technically and economically viable.

Guidance provided in the Template notes that a decision on whether the test of reasonable prospects has been met requires judgment by a Competent Person or Persons and goes on to say: 'a Mineral Resource is not an inventory of mineralisation drilled or sampled, regardless of cut-off grade, likely mining dimensions, location or continuity. It is a realistic inventory of mineralisation which, under assumed and justifiable technical and economic conditions, may, in whole or in part, become economically extractable'.

This clearly sets a 'lower' boundary to Mineral Resources which must meet the test of 'reasonable prospects for eventual economic extraction', that is to say, all classes of Mineral Resource are implicitly economic and technically feasible that may be developed in the future, but without guarantees that such development will eventuate.

The following sections discuss each of the boxes 'beyond Inferred' and the CRIRSCO interpretation. Exploration Results will be included as a special case where, despite the fact that they form part of the Template, they are treated differently to their equivalents in PRMS or UNFC.

None of the categories currently meet the test of reasonable prospects for eventual economic extraction for any of a number of reasons. However, the use of the word currently is deliberate as it is to be expected that this 'mineralised inventory'⁸ would be dynamic over time and that material would move through the categories, or be removed altogether, depending on the results of continued exploration and technical studies.

Figure 4 illustrates the relationship between categories of mineralisation that are 'beyond Inferred' and the standard CRIRSCO categories shown in Figure 1(a).

Categories that occur 'upwards' from Inferred Resources (including Exploration Results) have a very low level of confidence due to the lack of geological information. Categories that are to the left of Mineral Resources are located on the basis of uncertainties or negative impacts arising from the modifying factors. In simple terms they are not economic and not currently of interest for development.

⁸ The term mineralised inventory is used here to describe material that does not currently qualify as a resource; some companies internally use the term 'potential resources' with essentially the same meaning.

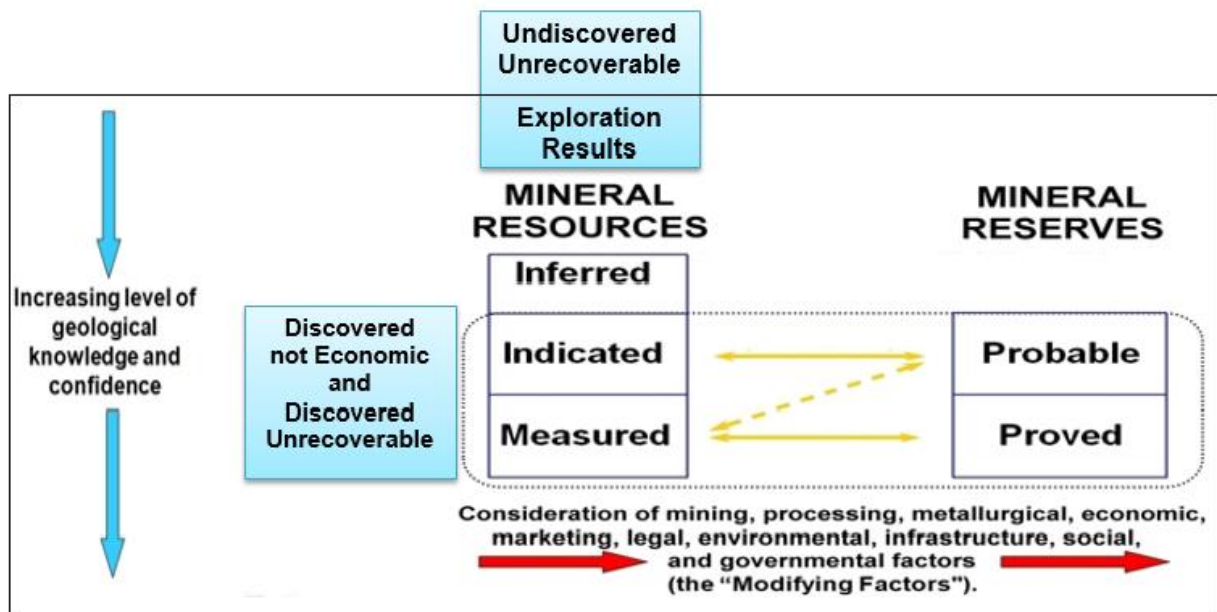


Figure 4. Categories of mineralisation 'beyond Inferred'.

DISCOVERED NOT ECONOMIC

This term provides a direct equivalent to the class of Sub-marginal Contingent⁹. Resources in the PRMS.

In terms of geological confidence, there is no difference between categories under Discovered Not Economic and Mineral Resources. The extent to which geological and grade continuity is demonstrated means that Discovered Not Economic categories can be geologically the equivalent of Measured, Indicated or Inferred, as demonstrated in the UNFC 2009 codification in Figure 3 where they occupy 'boxes' 3.2.1, 3.2.2 and 3.2.3.

The extent to which such mineralisation has been studied to determine its technical and economic viability is also likely to be the same as for Mineral Resources. The key difference is that, at the time of estimation, Discovered Not Economic fails the test of reasonable prospects for eventual economic extraction and can therefore not be publicly reported.

Typical reasons for failing the test can include too low a commodity price, or a recovery process that either fails to deliver adequate quantities or quality of product or requires the application of untested or unproven technologies.

As conditions can change with time, companies commonly maintain an inventory of mineralisation where there is a belief that, for example, commodity prices will improve in future or new technologies will be developed to economically recover the minerals, leading to reclassification as a Mineral Resource and potentially a Mineral Reserve.

In larger mineral companies that may adopt a long term view, often looking several decades ahead, it is quite reasonable to suppose that material that could potentially become resources and reserves in the

⁹ The term 'contingent' used in the definition of petroleum resources refers to a number of factors, or contingencies, that must be met before the resources can convert to reserves. Contingencies are directly equivalent to the 'modifying factors' in the Template.

future should be retained 'on file' and incorporated, with appropriate caveats, in long term strategic planning.

For junior companies, often with only a single significant exploration project, the decision on how to handle discovered not economic mineralisation is more difficult. Retaining property and continuing to explore comes at a cost that must be met by the company owners, investors or financiers. In most cases, the decision will be based on a continuous assessment of whether or not the deposit has 'reasonable prospects for eventual economic extraction'.

The presence of mineralisation, even if currently uneconomic, can provide a junior company with leverage in discussions with potential investors and there is no reason why the results of exploration cannot be discussed for this purpose (see Exploration Results below). However, when reporting under CRIRSCO aligned reporting standards, it should always be made clear that the mineralisation does not qualify as a Mineral Resource.

DISCOVERED UNRECOVERABLE

Most mining and exploration practitioners will be familiar with the concept that mineralisation can be discovered but that it may be unrecoverable for a number of reasons. Examples where recovery may never be possible include locations where mining is not allowed, such as in sites of cultural or environmental significance, such as national parks, or where parts of the Mineral Reserve have to be left unmined for safety reasons.

There are many other examples where the mineralisation may be currently unrecoverable but it is not out of the question that recovery might be possible in future, for example where alternative access can be developed, infrastructure moved or new technologies become available, for example in very deep or very high temperature environments.

Discovered Unrecoverable mineralisation is contained in the 'boxes' 3.4.1, 3.4.2 and 3.4.3 in the UNFC 2009 classification.

EXPLORATION RESULTS

Exploration Results represent a special case where, although there are broad similarities with the equivalent Prospective Resources in the PRMS there are a number of concepts that differ between petroleum and minerals.

All petroleum resources, whether discovered or not and recoverable or not, are attributed an estimated recoverable volume. This may be done statistically based on fairly limited data compared to minerals where confidence in a volume estimate commonly relies on far more drill holes and samples. In effect, Exploration Results represent an intermediate point on the development curve from an initially identified Exploration Target to a formal discovery when Mineral Resources can be estimated and published.

They typically include points of data, such as outcrop sampling or drill hole intercepts, without any attempt to link or interpolate these to create volumes.

Exploration Results may be publicly reported but not as estimates of tonnes and grade due to the inadequate available data. The nearest equivalent to Exploration Results in UNFC 2009, although expressed in tonnage and grade terms, is 3.3.4.

EXPLORATION TARGET

The term Exploration Target, has been defined in the Template of 2013. Exploration Target allows minerals companies to discuss mineral potential that may arise from future exploration. Reporting of exploration targets, which are conceptual in nature, is strictly constrained so that report users will not confuse exploration targets and Mineral Resources.

UNDISCOVERED UNRECOVERABLE

While the concept of mineralisation that is both undiscovered and unrecoverable might be alien to practitioners in the minerals industry, it is easier to understand in the context of the probabilistic approach taken in the petroleum sector. At any point in time there will be a statistical probability that extensions may exist to known resources or that regions known to host oil or gas will yield new discoveries.

In the minerals industry it is possible to estimate the probability of making a resource discovery as a guide to developing exploration programmes, and there is likelihood that a proportion of any such discoveries would be unrecoverable. However, recoverability is not likely to be a significant consideration during early stage exploration.

While CRIRSCO recognises such statistical probabilities, the category is clearly of little interest to investors and would most likely cause considerable confusion if publicly reported. In UNFC 2009, Undiscovered Unrecoverable mineralisation is equivalent to 3.4.4.

USES FOR A MINERALISED INVENTORY

Most companies that report Exploration Results, Mineral Resources or Mineral Reserves are also likely to maintain some form of additional mineralised inventory, even though this will not be publicly reported. Most commonly such an inventory will simply be a complete record of mineralisation beyond what is publicly reported contained within property over which the company has exploration and/or development rights.

In some countries it may be necessary to submit information on a mineralised inventory to government agencies for the purposes of long term strategic mineral planning, but in most cases the inventory will be used by the company for its own purposes. Typical examples would be where mineralisation has been discovered and quantities estimated but studies have shown it to be below a break-even cut-off grade or minimum mining thickness and therefore not technically or economically viable.

Where there is a possibility that this situation could change in future; with an increase in commodity price for example, it would be retained 'on file' for further consideration at an appropriate time.

There are no formal rules for what is recorded in a Mineralised Inventory. Early stage conceptual estimates of potential mineralisation may co-exist with areas where mineralisation is known to exist as shown by detailed drilling and sampling. Similarly, there is no formal classification of types of mineralisation within an inventory. As these do not refer to Mineral Resources, this is generally left to the discretion and business needs of individual companies, although as noted above, there may be instances where governments and international agencies may require information on certain categories of mineralised inventory. An example of this is 'Inventory Coal' a term used in Australia to define all in situ coal before modifying factors have been applied.

High level strategic studies by governments or international agencies may attempt to consolidate all reserve, resource and additional inventory mineralisation into a form where an assessment of future

mineral potential for a country or region can be made. In CRIRSCO's view a simple aggregation of numbers in this way can be misleading in that it adds together material of different confidence level, for example resources and reserves, or attempts to quantify mineralisation at a stage of development that is too early for such estimates to be meaningful. For that reason, reporting using the Template requires that all mineral categories are stated separately and, if aggregated, then this is done only on a like for like basis, for example Mineral Reserves may be added to Mineral Reserves, but not to Mineral Resources.

CRIRSCO encourages discussion on this topic and continues to engage with other classification systems that categorise mineralisation that is not defined in the Template to ensure that definitions are not contradictory and that such systems are complementary to the Template.

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