

# Miners need to up their game in mineral resource and ore reserve governance

With the renewed interest shown in the mining sector by investors and stakeholders, miners and explorers must ensure that their mineral resource and ore reserve estimates are reliable.



Mark Noppe, SRK Consulting Australia chairman

There are still surprisingly large gaps in the assurance systems that companies use to protect against inaccuracy of reporting exploration results, mineral resources and ore reserves, says Mark Noppe, corporate consultant and SRK Consulting Australia chairman.

## Risk of errors

"Compared to assurance frameworks for financial, legal and environmental governance, there is still too little attention paid to systems related to mineral resources and ore reserves. This should not be the case, as resources and reserves represent the key assets of a mining company; senior management, boards and external stakeholders need firm assurance on the accuracy of estimated and reported technical information."

He noted that despite the guidance available in the industry – and even with many companies requiring peer reviews or audits of the generation and reporting of this data – these processes were often still carried out infrequently or ineffectively.

"At this stage in the commodity cycle, when companies are still running lean or relying on teams with limited technical and management oversight experience, the risk of errors is particularly high. There is often also a lack of mentoring in today's working environment, and not enough time allowed for technical oversight and good peer reviews," he says.

## Better assurance processes

Only about 2% of financial investment globally finds its way into the mining sector – a warning sign to the industry that it needed to preserve and improve its risk perception in the eyes of investors. In addition, mining regulators were increasingly interested in how mining and exploration companies managed this risk through internal regulatory systems.

"Better assurance processes are vital for the sector to address the crisis of confidence that exists in certain quarters. It goes beyond only verifying the technical data; rather, it extends to having enough of the right expertise, and putting in place appropriate structures and processes," Noppe explains.

To be effective, the assurance of reliable mineral resource and ore reserve reporting must be included in a company's risk management and control framework. "The assurance process really requires three layers of defence. Firstly, there should be a layer of self-validation and peer review when the work is performed; secondly, a layer of internal peer review and oversight is required; and thirdly, a level of independent review or audit is needed – one that is administered and monitored by appropriately mandated levels of management or board oversight," he says.

## **Peer review**

He describes peer reviews as ideally carried out at the same time that the data is prepared, where estimation procedures are selected and estimates are validated – before the sharing of results between disciplines or the final reporting of results.

"Audits, on the other hand, are generally retrospective reviews by independent or external reviewers. They rate the risks inherent to an already completed process, identifying opportunities for improvements in the future."

He emphasises that companies need at least a system of internal peer review to verify or validate the results generated prior to reporting.

"Assurance tries to build a chain of information and decisions, but our total confidence in mineral resource and ore reserve estimations is only as strong as the weakest link in the chain. Lack of internal control is indeed a weak link that needs to be strengthened urgently – not only to reduce risk in an individual company's reporting but to improve the credibility of the sector as a whole."

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