# Mining Terms and Definitions

## The following terms and definitions are a useful reference tool for the investor in mining stocks or for those following mining companies.

### Mineral Resource Categories

P & P- Proven and probable reserves. These can be mined economically at particular prices.

M & I – Measured and indicated. A higher level of confidence in the resource. Measured is better than indicated.

Inferred – Estimated with low confidence. This is an initial estimate, or a rough draft. With more drilling, inferred ounces become M & I. Infill drilling is converting ounces to a higher category.

Au-eq = Gold equivalent. All metals converted to a gold valuation.

## Economic Studies

Feasibility Study – Usually bankable, meaning based on the study, the project can get funded. Highest standards of quality, defines what the mine *will* be.

Pre-Feasibility Study – Closer to a feasibility study than a PEA but not bankable. More stringent than a PEA. What the mine *should* be.

Preliminary Economic Assessment (PEA) – Initial economic study of a potential mine. Like a rough draft. Subject to change. In Australia this is known as a *scoping study*. What the mine *could* be.

IRR – Internal Rate of Return. Need to see at least 20% at lower metals prices.

NPV – Net Present Value. Current value of project based on the discounted analysis of future cash flow & expenses.

Cash costs / AISC (all-in sustaining costs) – Cash costs = operating costs. Includes all the costs associated with producing an ounce of metal.
Some investors add $250 per ounce to cash costs to get a all-in sustaining cost figure, in preference to using the AISC figure quoted by a company.

## Drill Results

– Measured in grams per ton (g/t) over meters.

– Multiply the grams by meters to get an idea of the quality of drill hole (i.e. 3 g/t over 10 meters = 30).

– Width / Thickness is important. We need to see a minimum 4-5 meters. Less than that can be difficult to mine. This is why many high grade hits under 1 meter are ignored by the market.

– For underground mining (below 300 meters), width and grade is very important. Might need to see 5-7 g/t Au over 4-5 meters as a minimum.

– For open-pit bulk tonnage mining, the resource generally needs to be +1 g/t and ~100 g/t Ag for Silver. This needs to be born in mind when evaluating drill results.

– For oxide heap leach projects, +0.30 g/t can be mined profitably. 0.60 g/t and higher can be considered high grade. Good drill results are these grades over long distances (i.e. over 30 – 100 meters).

– Recovery is most important thing for oxide deposits.

– A step-out is a drill hole that is a considerable distance (~50 -100 meters) outside the  boundary of existing resource or mineralization.

– *A great drill hole that is 100 meters outside of a resource is more significant than a hit that is in an area already known to be mineralised.*

– Strike length is the longest horizontal distance for mineralisation.

# Valuations

– *High grade and high margin assets get stronger valuations.*

– For a producer, the reserve life of an asset plays a huge role in its valuation. Think of the reserve life as a

potential price to cash flow valuation.
– If an asset only has 6-7 years of reserve life, it wouldn't be valued at more than 7x cash flow in a normal market.
– *Silver production gets a better valuation*. If a junior gold producer trades at 8x cash flow, the same company as a silver producer could trade at 10x cash flow.
– Exploration and Development assets can be valued as a percentage of the NPV of a project (or NAV of a company).
– Pre-financing, a project can trade at 0.20x to 0.30x NPV
– Optionality deposits are valued at 0.10x or less

**To join the Circle:**

**Please use the subscribe box on the homepage, or email andrew@city-investors-circle.com**

=======

**City Investors Circle is based in the financial district in the City of London**

We present interesting and exciting junior mining companies listed on the ASX and TSX stock exchanges to a group of city professionals, and private investors, all of whom are active investors with a mandate to invest in junior mining companies.

Our audience is selected and invited individually to ensure interest and relevance for the presenting company.

Meetings are non deal, small group, highly focused and engaged, with a lively Q and A to follow the main presentation.

We create awareness, and maintain interest in presenting companies by disseminating their future news to our entire investor group via email, social media, and our Monthly Review newsletter.

If you wish to present to our select group of active mining investors, please email andrew@city-investors-circle.com

=======

## This website is not sponsored, we are truly independent, and will always remain so.

Companies featured here have either presented to the Circle in London, or have been selected because they are considered to have interesting projects, in good jurisdictions, run by an experienced management team.

All information used in the preparation of this communication has been compiled from publicly available sources that we believe to be accurate and reliable, however, we cannot, and do not, guarantee the accuracy or completeness of this.

***These articles are for awareness and informational purposes only, and are not recommendations in any form.  Always consult an investment professional.***

**[To read our full terms and conditions, please click HERE]**