

The Mercenary Geologist's Guide to Investing in Junior Resource Stocks

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Resources and Reserves:

A Primer for the Lay Investor

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What is an “Ore Deposit”?

Ore Deposits, Park and McDiarmid, 1975

“Ores are rocks and minerals that can be recovered at a profit.”

Ore = “At a Profit.”

The Geology of Ore Deposits: Park and Gilbert, 1986.

“Ore Deposit: A mass of rock or mineral that can be developed, mined, processed, and delivered to the marketplace or technology at a profit.”

What is the Difference?

Mineral Resources vs Mineral Reserves

“At a Profit.”

Toronto Stock Exchange TSX and Venture

- Canadian Institute of Mining, Metallurgy, and Petroleum (CIM)
- National Instrument 43-101 Regulations:
Standards of Disclosure for Mineral Projects

Other Countries

- United States:

United States Geological Survey Circular 831

- United Kingdom:

Institute of Mining and Metallurgy IMM code

- Australia:

Australasian Institute of Mining & Metallurgy
JORC code

CIM Standards on Mineral Resources and Reserves (2000)

Mineral Resource :

- Concentration of Material
- Quantity and Quality
- Reasonable Prospect for Economic Extraction
- Geological Characteristics and Continuity
- Specific Evidence and Knowledge

Mineral Resources

Geological Confidence in the Resource Estimate

- Inferred
- Indicated
- Measured

Note: Confidence level of Inferred Resources are insufficient to assess technically or economically.

Mineral Reserves

- Economically Mineable Part of Resources
- Measured and/or Indicated Resources Only
- Preliminary Feasibility Study
- Economic Extraction at Time of Report
- Includes Dilution and Loss Allowances

Mineral Reserve

Geological Confidence in the Reserve Estimate

- Probable
- Proven

- Economically Viable Project

- Mining, Processing, Metallurgical, Economic, Marketing, Legal, Socio-Economic, Environmental, and Government Factors

**EXPLORATION
INFORMATION**

**MINERAL
RESOURCES**

**MINERAL
RESERVES**

INFERRED

Increasing
level of
geological
knowledge
and
confidence

INDICATED

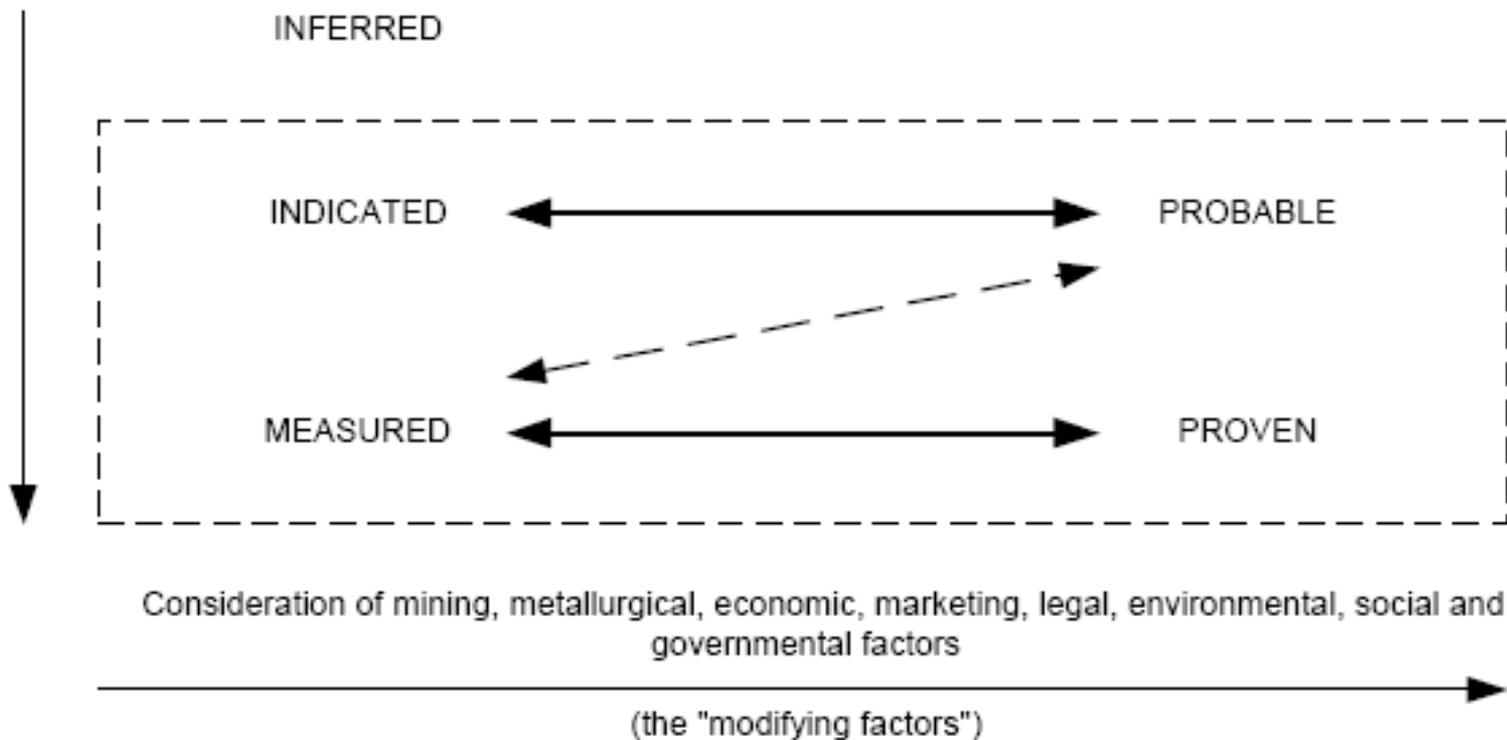
PROBABLE

MEASURED

PROVEN

Consideration of mining, metallurgical, economic, marketing, legal, environmental, social and
governmental factors

(the "modifying factors")



Mineral Reserve or “Ore” Reserve

- A quantified mass of rock or mineral that can be developed, mined, processed, and delivered to the marketplace or technology at a profit

Evaluating a Company for Investment

Mineral Resource:

- Mineralized mass of rock
- Highly elevated content
- Particular mineral commodity
- Compared to Background Abundances
- Often Little or No Economic Input

Historic vs 43-101 Resources

- Historic Resource: Pre-2001 Exploration and Development Work
- Requires New Work to Upgrade to a 43-101 Resource
- Qualified Person (P.Geo., P.Eng., CPG, AIMM, etc.)

Historic Resources

- Historic Resource previously could be Mineral Reserve
- Requires Pre-Feasibility on 43-101 Qualified Resource to become Reserve
- Historic Resource is Global Mineral Inventory
- Requires Exploration to become 43-101 Resource

Mineral Resources vs Mineral Reserves

- Resources: Three Dimensions
- Reserves: Four Dimensions

The Fourth Dimension: Time

What was Ore yesterday is not always Ore today and may or may not be Ore tomorrow.

Junior Resource Companies

- Most Inferred Resources not Upgraded
- Measured and Indicated Resources
- Pre-Feasibility Study
- Proven and Probable Reserves
- Feasibility Study for Financing
- Development and Mining

Junior Resource Companies

- Few juniors achieve the goal of mining a deposit
- Fewer succeed at a profit
- Mining is seldom a viable exit strategy

Mining the Stock Market

Mark Twain: Comstock Lode 1865
Virginia City, Nevada

“A mine is a hole in the ground
with a liar standing beside it.”

Monday Morning Musings from Mickey the Mercenary Geologist



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