

# VISUAL INSPECTIONS OF MINERALISATION: TO REPORT OR NOT TO REPORT

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Legal Briefings - By **Simon Reed, Michelle Palethorpe**

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On 29 October 2015 the Australian Institute of Geoscientists introduced new best practice guidance for its members on "Exploration Results: Reporting Sulphide Mineral Observations in Drilling Intersections".

## IN BRIEF

- New guidance has been released by the Australian Institute of Geoscientists (**AIG**) which suggests that reporting a mineralisation on a mere visual inspection of a drill core may be appropriate in certain circumstances.
- This appears to be inconsistent with the Australian Securities Exchange's (**ASX**) guidance on continuous disclosure.
- Inconsistency could lead to uncertainty for exploration entities in determining when disclosure should be made.

On 29 October 2015 (and updated on 30 October 2015), the AIG introduced new best practice guidance for its members on "*Exploration Results: Reporting Sulphide Mineral Observations in Drilling Intersections*".

## AIG'S BEST PRACTICE GUIDANCE

AIG notes in its guidance that it has received correspondence from members regarding the description and reporting of sulphide mineralisation in drilling samples. This correspondence relates to sulphide intersections being reported, prior to an assay being prepared, without any attempt to describe the nature of sulphide mineral occurrence, identify the minerals observed, or estimate the abundances of any sulphide minerals observed.

The AIG go on to state that estimation of the proportions of mineral species present in a sample, where individual grains or crystals are visible in hand specimen, is considered to be a skill in which geologists may be readily and meaningfully trained and work that may be guided by published resource materials.

They note that estimates by experienced, competent geoscientists are considered to be reliable and reproducible semi-quantitative estimates of the abundance of minerals present in a sample.

The AIG guidance does warn that visual estimates of sulphide mineral abundance should, however, never be considered a proxy or substitute for laboratory analyses where metal concentrations or grades are the factor of principal economic interest. In addition, visual estimates also potentially provide no information regarding potential impurities or deleterious physical properties relevant to valuations of some mineral commodities such as graphite and many industrial minerals.

The guidance states that reporting of visual estimates should be accompanied by an indication of when more substantive and reliable data in the form of laboratory analyses will be available.

The AIG guidance notes that any disclosure must comply with the underlying transparency and materiality principles of the Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves 2012 Edition (**JORC Code**).

## **ASX CONTINUOUS DISCLOSURE GUIDANCE**

The ASX has published guidance on continuous disclosure which specifically deals with reporting mineralisation on a mere visual inspection (**Guidance Note 8**).

In worked example D in Guidance Note 8, the ASX states that, in many cases, information derived solely from a visual inspection of a core sample and before an assay has been undertaken, would be a matter of supposition and insufficiently definite to warrant disclosure. In those circumstances, ASX's guidance states that disclosure of the drilling results would not normally be expected until the drill core had been assayed and analysed and a report that complies with the requirements for disclosure of exploration results in Chapter 5 of the ASX Listing Rules and the JORC Code had been prepared.

Guidance Note 8 does note that there may be cases, depending on the style of mineralisation and what is apparent from the visual inspection, where an announcement would be appropriate (making clear that the announcement is based solely on a visual inspection of the core sample and that the sample is yet to be assayed and analysed). However, it goes on to state that it would generally be inappropriate to make any comments about the grade or quality of the mineralisation in an announcement in the absence of an assay.

There appears, therefore, to be an inconsistency between the AIG guidance and the published ASX guidance.

## HOW WILL THIS IMPACT EXPLORATION ENTITIES?

It is open to exploration entities to report to the market on drilling results on a mere visual inspection (provided the required information as to the timing of full assays and the preliminary nature of the inspection is provided). In fact, in circumstances where confidentiality has been (or appears to be) lost evidenced by, for example, a sudden spike in share price or media speculation of the exploration results, the ASX Listing Rules mandate that either appropriate disclosure of those drilling results is made, or a trading halt is sought.

Our view, consistent with ASX's guidance, is that reporting drilling results prior to assays should be the exception rather than the rule. Recent examples of exploration entities that have disclosed drilling results to the market on a mere visual inspection, which have subsequently resulted (after full laboratory analysis) in no anomalous results, experienced significant falls in share price. In addition, it would be open to the ASX and/or ASIC to investigate whether the entity has made misleading statements to the market.

**This article was written by [Simon Reed](#), Partner, Perth and [Michelle Paethorpe](#), Executive Counsel, Perth.**

## KEY CONTACTS

If you have any questions, or would like to know how this might affect your business, phone, or email these key contacts.



**SIMON REED**  
PARTNER, PERTH

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