



COMMITTEE FOR MINERAL RESERVES  
INTERNATIONAL REPORTING STANDARDS



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# Legal and Governmental Modifying Factors

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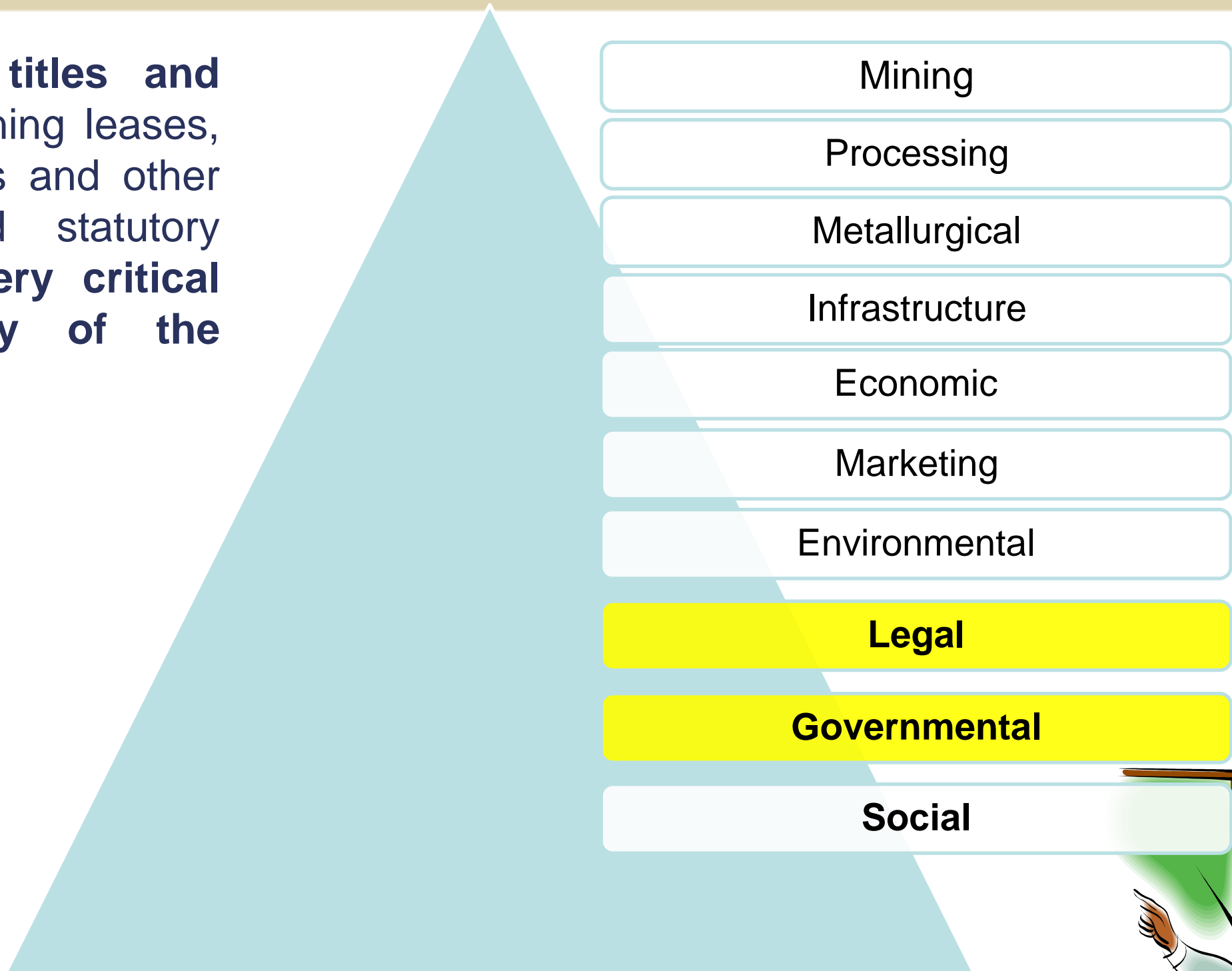
Mongolia, October 2014

- Modifying Factors are considerations used to convert Mineral Resources to Mineral Reserves.
- A Mineral Reserve is the economically and **legally** mineable part of a Mineral Resource.
- Modifying factors are used to define viability of mining project.



# Main groups of Modifying Factors

The status of titles and approvals of mining leases, discharge permits and other government and statutory approvals are very critical to the viability of the project.



## The following, but not limited to, legal factors should be considered

- **Possession of the exploration and/or mining rights** (license for subsoil use), and this factor includes **period** within which these rights, are valid
- **Rights to use land area**, justification of the status of the subsoil area as a “**mining lease**”, evidence of state registration, permits for tailings disposal and etc.
- **Fulfillment of obligations prescribed by licenses** or contracts including time frames for developing a mining plant, time frames for mining of a deposit, prescriptions for certain amounts in tons of ore and metal that should be mined per year and other prescriptions
- **Availability and legitimacy of a mining project and other documentation**
- **Availability licenses and permits for different activities** relating to mining production and development
- **Statutory payments**, royalties, different compensations and fines for damages and unjustified losses of minerals
- **The principal terms and conditions of all existing agreements, and details** such as, but not limited to, concessions, partnerships, joint ventures, access rights, leases, environmental settings, consents, permission, permits or authorizations



## The following, but not limited to, governmental factors should be considered

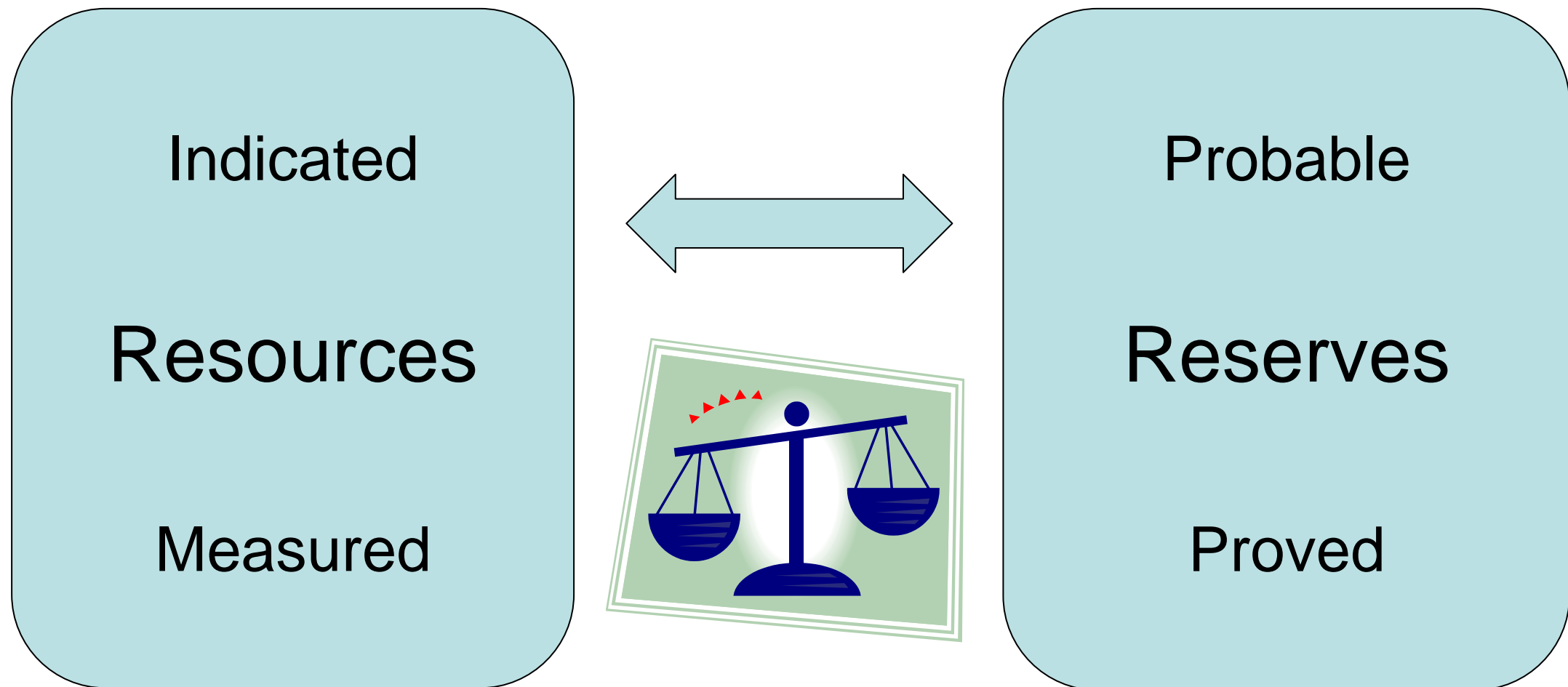
- **Availability of the legislation on subsoil use** in accordance with principals of the market economy and free enterprise
- **Specifics of existing governmental limitations**
- **Internal and external politics** that influence on possibility of mining and free production selling

## Social factors that can be considered as governmental:

- **Social obligations** that can include requirements forced by government to build dwellings, schools, and other social constructions
- **Social and government significance** of mining plant products. This mining production can only exist with a government support

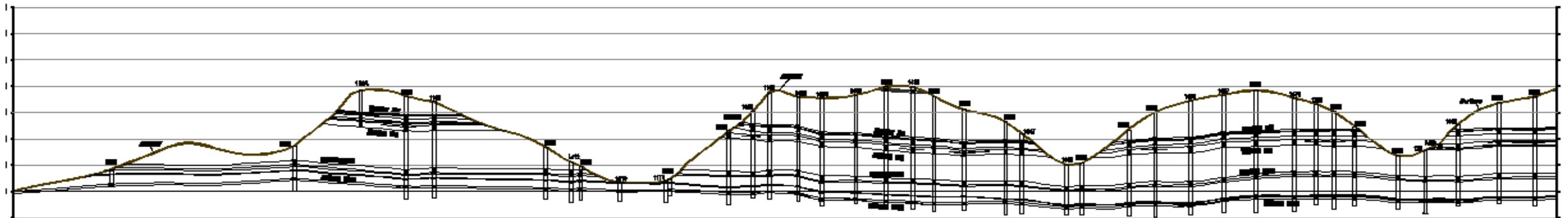
# Impact on mineral reserves

- Legal and government modifying factors can effect mineral reserve in a way that it reduces or increases



# The term of license for subsoil use

- The term of license for subsoil use can affect a quantity of reserves the most significantly
- The term defines a legal period for mining within a general long-range mining plan
- The term defines integrated amount of mining for the duration of the time of a license life
- A CP should decide how to apply the factor term of license.





# Impact of license extension term on a reserve estimation (JORC)

Company/Mine	Product	Units	January 1, 2011 Reserves			J1,2010
			Within Subsoil License Term	Outside Subsoil License Term	Total Reserves	Total Reserves
<b>HC Yakutugol OAO (Yakutugol)</b>						
Nerungrinsky Open Pit (Total)	Coal	Mt	38.9	108.8	147.8	52.6
Kangalassky Open Pit (Total)	Coal	Mt	0.6	11.6	12.2	0.8
Elgaugol Property Open Pit (Total)	Coal	Mt	101.3	414.2	515.5	110.2
					675.5	163.6
<b>Southern Kuzbass Coal Company OAO (SKCC)</b>						
Krasnogorsky (Total)	Coal	Mt	16.6	190.1	206.7	103.8
Tomusinsky (Total)	Coal	Mt	4.0	13.2	17.2	6.0
Olzherassky (Total)	Coal	Mt	25.7	13.6	39.3	27.8
Olzheraskaya-New (Total)	Coal	Mt	21.6	19.8	41.4	23.4
Sibirginsky (Total)	Coal	Mt	10.9	89.9	100.7	16.8
Sibirginskaya (Total)	Coal	Mt	32.0	14.5	46.5	35.7
Lenin (Total)	Coal	Mt	5.9	24.0	29.9	6.8
					481.7	220.3
<b>Korshunov Mining Plant OAO (KMP)</b>						
Korshunovskoe	Iron Ore	Wet Mt	21.0	19.2	40.2	32.0
Rudnogorskoe	Iron Ore	Wet Mt	20.5	62.0	82.5	30.1
Tatianinskoe	Iron Ore	Wet Mt	0.8	2.8	3.5	2.0

Legal and governmental modifying factors play a very important role in conversion resources into reserves.

A Competent Person should describe the nature of all these modifying factors and their impact on legitimacy of exploration and/or mining work and risks, which might affect **legally** mineable quantities of minerals.