

**REPUBLIC OF SOUTH AFRICA
DEPARTMENT OF MINERALS AND ENERGY
EXAMINATION FOR THE MINE SURVEYOR'S CERTIFICATE OF COMPETENCY**

DATE: 12 October 2006 (Thursday)
TIME: 12:30 – 15:30 (3 Hours)

TOTAL MARKS: 100
TO PASS: 50

MINING ECONOMICS II

NOTE:

1. Any pocket calculator may be used and intermediate results need not be shown. The make and model number of the calculator used must be noted on the front cover of the answer book.
2. Tables that may be used are attached hereto.
3. Graph, Probability and Log paper will be supplied if required
4. Your examination number must be written on all graph paper and loose sheets that are handed in with your examination script.

Question 1

Explain what is meant by the following terms:

- a) Nugget Effect
- b) Skewness
- c) Anisotropy
- d) Semi-variogram
- e) Regularisation

[9]

Question 2

Make an annotated sketch of the following semi-variogram.

$$\gamma(h) = C_0 + C_1 \left\{ \frac{3h}{2a} + \frac{h^3}{2a^3} \right\} \quad \text{for } h \leq a$$

$$\gamma(h) = C \quad \text{for } h > a$$

$$\gamma(0) = 1.0$$

$$C = 3.7$$

$$a = 35$$

[10]

Question 3

A variogram for a 3m x 3m unit is:

Spherical

Range = 32m

Sill = 20 (% Metal)²

Regularize the range and sill values into 20m x 20m units by making use of the F(L;B) tables attached.

[12]

Question 4

The following two minerals are being mined simultaneously. The assaying of mineral 'B' is time consuming and expensive. You are to investigate the possibility of only assaying the content of mineral 'A' in a sample. The value of mineral 'B' is then to be estimated from the value of mineral 'A' by means of regression.

The following values, in % metal, are available to you for your investigation.

A	14	16	18	20	20	24	25	26	28	29	29
B	28	20	15	24	19	36	20	17	32	24	30
A	30	30	30	31	32	33	34	36	38	41	42
B	27	32	24	32	36	19	30	24	38	27	36

(The value of both minerals are assumed to be normally distributed)

- 4.1 Determine a regression line to estimate the values of mineral 'B' from the value of mineral 'A'. (6)
- 4.2 Test whether the correlation between the two minerals is significant at a 99% level of significance. (6)

[12]

Question 5

The following table shows the breakdown for the costs encountered for a certain mining operation.

Breakdown of Tons versus Costs						
Category	Months					
	1	2	3	4	5	6
Tons Mined	85 000	59 000	91 000	72 000	106 000	89 000
Mining Costs	R31 500	R20 900	R37 480	R26 670	R48 000	R34 350
Engineering Costs	R9 236	R8 100	R12 360	R9 400	R14 120	R10 800
Plant Costs	R12 320	R8 860	R13 800	R9 300	R14 280	R11 940
Other Costs	R10 260	R9 980	R10 060	R9 850	R9 940	R11 100

Note: Costs are in thousands

All of the "Other Costs" can be taken as a constant cost

If the mine intends to increase its tons mined to 200 000 tons, what would the expected breakdown of costs be?

[17]

Question 6

An 18 million ton manganese deposit has been valued as having an average grade of 52% MnO₂ with a standard deviation of 4% MnO₂ based on 2 ton units. Investigate the sensitivity of the reserve to cut-offs varying from 50% MnO₂ to 54% MnO₂, by producing grade tonnage graphs based on 20 ton mining units.

[15]

Question 7

If you borrow R20 000 and the nominal interest rate charged is 20.75% p.a. and the repayment period is 3 years, what is the monthly amount to be repaid by you?

[5]

Question 8

The following borehole values were obtained from a mineral deposit where the additive constant is known to be 850 cm-g/t.

(Values in cm-g/t)

230 380 420 590 720 950 1 340 1 850 2 470 4 010 8 200

Calculate:

- a) The mean value for the deposit
- b) The 95% confidence limits for the mean value

[20]

Total Marks [100]

TABLE 3

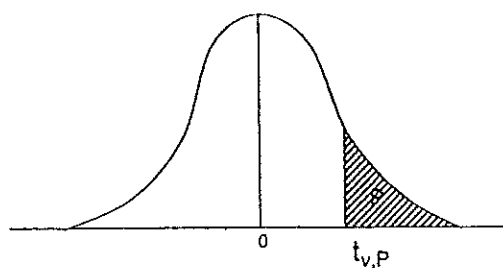
The t-Distribution :

Upper Probability Points

$$P = P(t \geq t_{v,P}) = P(t \leq -t_{v,P})$$

with $t_{v,P} = -t_{v,1-P}$ so that

$$P(|t| \geq t_{v,P}) = 2P, \quad t_{v,P} > 0.$$

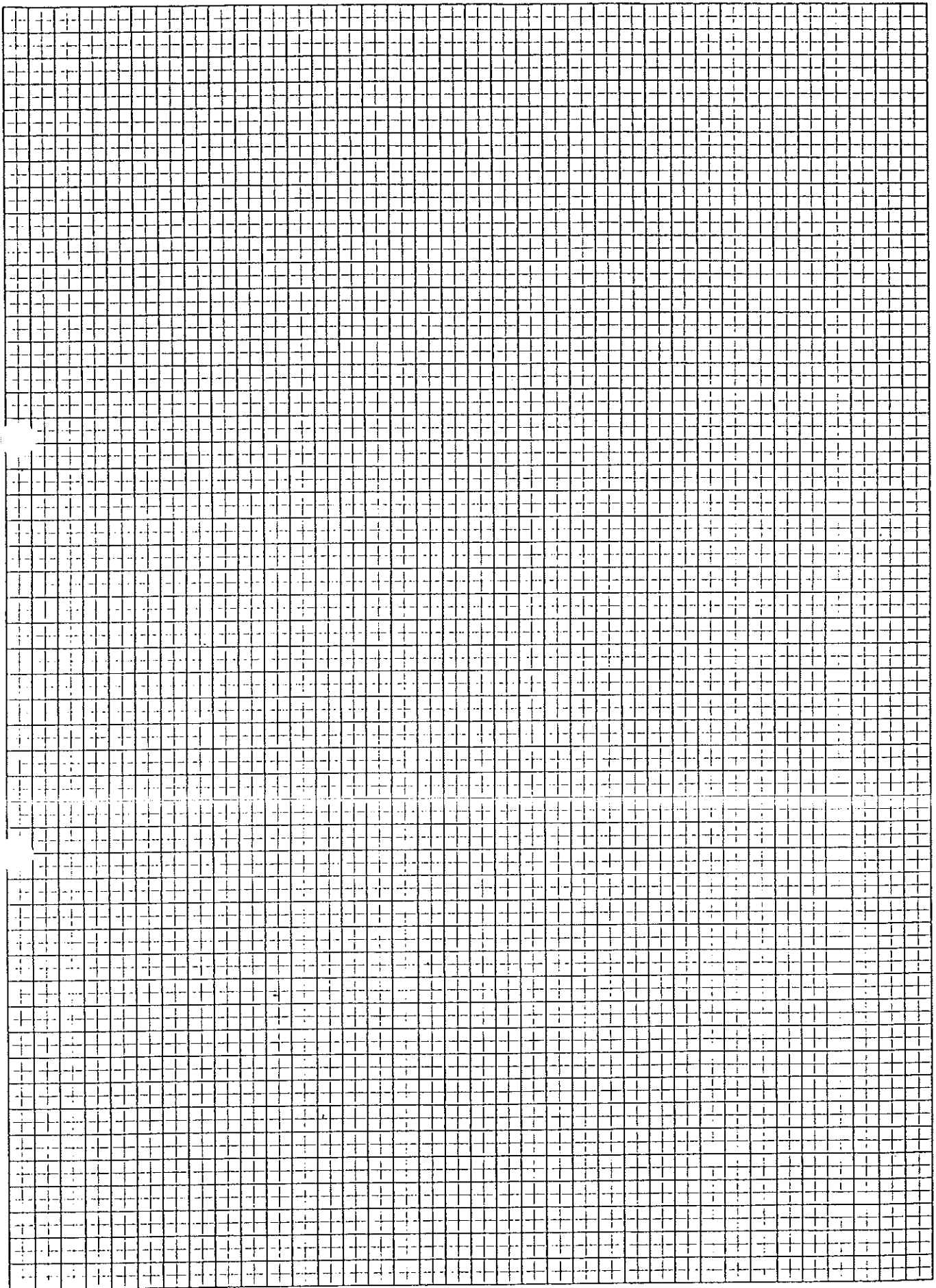


Entries in the table are the values $t_{v,P}$ of the t-distribution for various degrees of freedom v and one tailed probabilities P .

$v \backslash P$	0.25	0.10	0.05	0.025	0.01	0.005
1	1.000	3.078	6.314	12.706	31.821	63.657
2	0.816	1.886	2.920	4.303	6.965	9.925
3	0.765	1.638	2.353	3.182	4.541	5.841
4	0.741	1.533	2.132	2.776	3.747	4.604
5	0.727	1.476	2.015	2.571	3.365	4.032
6	0.718	1.440	1.943	2.447	3.143	3.707
7	0.711	1.415	1.895	2.365	2.998	3.499
8	0.706	1.397	1.860	2.306	2.896	3.355
9	0.703	1.383	1.833	2.262	2.821	3.250
10	0.700	1.372	1.812	2.228	2.764	3.169
11	0.697	1.363	1.796	2.201	2.718	3.106
12	0.695	1.356	1.782	2.179	2.681	3.055
13	0.694	1.350	1.771	2.160	2.650	3.012
14	0.692	1.345	1.761	2.145	2.624	2.977
15	0.691	1.341	1.753	2.131	2.602	2.947
16	0.690	1.337	1.746	2.120	2.583	2.921
17	0.689	1.333	1.740	2.110	2.567	2.898
18	0.688	1.330	1.734	2.101	2.552	2.878
19	0.688	1.328	1.729	2.093	2.539	2.861
20	0.687	1.325	1.725	2.086	2.528	2.845
21	0.686	1.323	1.721	2.080	2.518	2.831
22	0.686	1.321	1.717	2.074	2.508	2.819
23	0.685	1.319	1.714	2.069	2.500	2.807
24	0.685	1.318	1.711	2.064	2.492	2.797
25	0.684	1.316	1.708	2.060	2.485	2.787
26	0.684	1.315	1.706	2.056	2.479	2.779
27	0.684	1.314	1.703	2.052	2.473	2.771
28	0.683	1.313	1.701	2.048	2.467	2.763
29	0.683	1.311	1.699	2.045	2.462	2.756
30	0.683	1.310	1.697	2.042	2.457	2.750
35	0.682	1.306	1.690	2.030	2.438	2.724
40	0.681	1.303	1.684	2.021	2.423	2.704
60	0.679	1.296	1.671	2.000	2.390	2.660
100	0.677	1.290	1.660	1.984	2.364	2.626
∞	0.675	1.282	1.645	1.960	2.326	2.576

TABLE 5

TABLE FOR THE COMPUTATION OF TONNAGE AND GRADE CUT-OFF FOR THE NORMAL DISTRIBUTION				
Cut-off below the mean		Reduced cut-off = Z $PV = MV + \omega\sigma$	Cut-off above the mean	
Tonnage proportion	ω - factor		ω - factor	Tonnage proportion
50.00	0.798	0.00	0.798	50.00
51.99	0.766	0.05	0.830	48.01
53.98	0.735	0.10	0.863	46.02
55.96	0.705	0.15	0.896	44.04
57.93	0.675	0.20	0.929	42.07
59.87	0.645	0.25	0.964	40.13
61.79	0.617	0.30	0.998	38.21
63.68	0.589	0.35	1.034	36.32
65.54	0.562	0.40	1.069	34.45
67.36	0.535	0.45	1.106	32.64
69.15	0.509	0.50	1.142	30.85
70.88	0.484	0.55	1.180	29.12
72.57	0.459	0.60	1.217	27.43
74.22	0.435	0.65	1.256	25.78
75.80	0.411	0.70	1.295	24.20
77.34	0.389	0.75	1.334	22.66
78.81	0.367	0.80	1.375	21.19
80.23	0.346	0.85	1.415	19.77
81.59	0.326	0.90	1.457	18.41
82.89	0.306	0.95	1.499	17.11
84.13	0.287	1.00	1.542	15.87
85.31	0.269	1.05	1.586	14.69
86.43	0.251	1.10	1.631	13.57
87.49	0.235	1.15	1.677	12.51
88.49	0.219	1.20	1.724	11.51
89.44	0.204	1.25	1.772	10.56
90.32	0.189	1.30	1.821	9.63
91.15	0.175	1.35	1.872	8.35
91.92	0.162	1.40	1.923	8.08
92.65	0.150	1.45	1.977	7.35
93.32	0.133	1.50	2.033	6.68
93.94	0.127	1.55	2.098	6.06
94.52	0.117	1.60	2.147	5.48
95.05	0.107	1.65	2.208	4.95
95.34	0.098	1.70	2.270	4.46
95.99	0.090	1.75	2.335	4.01
96.41	0.082	1.80	2.403	3.59
96.78	0.074	1.85	2.473	3.22
97.13	0.067	1.90	2.546	2.87
97.44	0.061	1.95	2.622	2.56
97.72	0.055	2.00	2.701	2.28
97.98	0.050	2.05	2.784	2.02
98.21	0.045	2.10	2.870	1.79
98.42	0.040	2.15	2.961	1.58
98.61	0.036	2.20	3.055	1.39
98.78	0.032	2.25	3.155	1.22



Sichel's Table for the estimation of the Mean Value of a lognormal distribution
 FACTOR $I_{(v)}$ FOR ESTIMATION OF LOGNORMAL POPULATION i.e. $MV = e^{\bar{x}} \times v - \beta$

v^2	$n=2$	$n=3$	$n=4$	$n=5$	$n=6$	$n=7$	$n=8$	$n=9$	$n=10$	$n=11$	$n=12$	$n=13$	$n=14$	$n=15$	$n=16$	$n=17$	$n=18$	$n=19$	$n=20$	$n=50$	$n=100$	$n=1000$
0.01	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
0.02	1.010	1.010	1.010	1.010	1.010	1.010	1.010	1.010	1.010	1.010	1.010	1.010	1.010	1.010	1.010	1.010	1.010	1.010	1.010	1.010	1.010	1.010
0.04	1.020	1.020	1.020	1.020	1.020	1.020	1.020	1.020	1.020	1.020	1.020	1.020	1.020	1.020	1.020	1.020	1.020	1.020	1.020	1.020	1.020	1.020
0.06	1.030	1.030	1.030	1.030	1.030	1.030	1.030	1.030	1.030	1.030	1.030	1.030	1.030	1.030	1.030	1.030	1.030	1.030	1.030	1.030	1.030	1.030
0.08	1.040	1.040	1.040	1.040	1.040	1.040	1.040	1.040	1.040	1.040	1.040	1.040	1.040	1.040	1.040	1.040	1.040	1.040	1.040	1.040	1.040	1.040
0.10	1.050	1.051	1.051	1.051	1.051	1.051	1.051	1.051	1.051	1.051	1.051	1.051	1.051	1.051	1.051	1.051	1.051	1.051	1.051	1.051	1.051	1.051
0.12	1.061	1.061	1.061	1.061	1.061	1.061	1.061	1.061	1.061	1.061	1.061	1.061	1.061	1.061	1.061	1.061	1.061	1.061	1.061	1.061	1.061	1.061
0.14	1.071	1.071	1.071	1.071	1.071	1.071	1.071	1.071	1.071	1.071	1.071	1.071	1.071	1.071	1.071	1.071	1.071	1.071	1.071	1.071	1.071	1.071
0.16	1.081	1.082	1.082	1.082	1.082	1.082	1.082	1.082	1.082	1.082	1.082	1.082	1.082	1.082	1.082	1.082	1.082	1.082	1.082	1.082	1.082	1.082
0.18	1.091	1.092	1.092	1.092	1.092	1.092	1.092	1.092	1.092	1.092	1.092	1.092	1.092	1.092	1.092	1.092	1.092	1.092	1.092	1.092	1.092	1.092
0.20	1.102	1.102	1.103	1.103	1.104	1.104	1.104	1.104	1.104	1.104	1.104	1.104	1.104	1.104	1.104	1.104	1.104	1.104	1.104	1.104	1.104	1.104
0.3	1.154	1.156	1.157	1.158	1.158	1.159	1.159	1.159	1.160	1.160	1.160	1.160	1.160	1.160	1.160	1.160	1.160	1.160	1.160	1.161	1.161	1.162
0.4	1.207	1.210	1.212	1.214	1.215	1.216	1.217	1.217	1.217	1.217	1.218	1.218	1.218	1.218	1.219	1.219	1.219	1.219	1.219	1.220	1.221	1.221
0.5	1.260	1.266	1.269	1.272	1.273	1.275	1.276	1.276	1.277	1.278	1.278	1.278	1.279	1.279	1.279	1.280	1.280	1.280	1.280	1.282	1.283	1.284
0.6	1.315	1.323	1.328	1.332	1.334	1.336	1.337	1.338	1.339	1.340	1.341	1.342	1.342	1.343	1.343	1.344	1.344	1.344	1.344	1.348	1.349	1.350
0.7	1.371	1.382	1.389	1.393	1.397	1.399	1.401	1.403	1.404	1.406	1.406	1.407	1.408	1.409	1.409	1.410	1.410	1.411	1.411	1.416	1.417	1.419
0.8	1.427	1.442	1.451	1.457	1.462	1.465	1.468	1.470	1.472	1.473	1.475	1.476	1.477	1.478	1.478	1.479	1.480	1.480	1.481	1.487	1.490	1.492
0.9	1.485	1.503	1.515	1.523	1.529	1.533	1.537	1.540	1.542	1.544	1.546	1.547	1.549	1.550	1.551	1.552	1.552	1.553	1.554	1.562	1.565	1.568
1.0	1.543	1.566	1.580	1.591	1.598	1.604	1.608	1.612	1.615	1.618	1.620	1.622	1.623	1.625	1.626	1.627	1.628	1.629	1.630	1.641	1.645	1.649
1.1	1.602	1.630	1.648	1.661	1.670	1.677	1.682	1.687	1.691	1.694	1.697	1.699	1.701	1.703	1.705	1.706	1.708	1.709	1.710	1.723	1.728	1.733
1.2	1.662	1.696	1.718	1.733	1.744	1.752	1.759	1.765	1.770	1.774	1.777	1.780	1.782	1.785	1.787	1.789	1.790	1.792	1.793	1.810	1.816	1.822
1.3	1.724	1.764	1.789	1.807	1.820	1.831	1.839	1.846	1.851	1.856	1.860	1.864	1.867	1.870	1.872	1.874	1.876	1.878	1.880	1.900	1.908	1.916
1.4	1.786	1.832	1.862	1.884	1.900	1.912	1.922	1.930	1.936	1.942	1.947	1.951	1.955	1.958	1.961	1.964	1.966	1.969	1.971	1.995	2.004	2.014
1.5	1.848	1.903	1.938	1.963	1.981	1.996	2.007	2.017	2.025	2.032	2.037	2.042	2.047	2.051	2.054	2.058	2.060	2.063	2.065	2.095	2.106	2.117
1.6	1.912	1.975	2.015	2.044	2.066	2.082	2.096	2.107	2.116	2.124	2.131	2.137	2.142	2.147	2.151	2.155	2.158	2.161	2.164	2.199	2.212	2.226
1.7	1.977	2.049	2.095	2.128	2.153	2.172	2.188	2.201	2.212	2.221	2.229	2.236	2.242	2.247	2.252	2.256	2.260	2.264	2.267	2.308	2.323	2.340
1.8	2.043	2.124	2.177	2.214	2.243	2.265	2.283	2.298	2.310	2.321	2.330	2.338	2.345	2.352	2.357	2.362	2.367	2.371	2.375	2.422	2.440	2.460
1.9	2.110	2.201	2.260	2.303	2.336	2.361	2.382	2.399	2.413	2.425	2.436	2.445	2.453	2.460	2.467	2.473	2.478	2.483	2.487	2.542	2.563	2.586
2.0	2.178	2.280	2.347	2.395	2.431	2.460	2.484	2.503	2.519	2.533	2.545	2.556	2.565	2.574	2.581	2.588	2.594	2.599	2.604	2.668	2.692	2.718
2.1	2.247	2.360	2.435	2.489	2.530	2.563	2.589	2.611	2.630	2.645	2.659	2.671	2.682	2.691	2.700	2.707	2.714	2.721	2.727	2.800	2.827	2.858
2.2	2.317	2.442	2.526	2.586	2.632	2.669	2.698	2.723	2.744	2.762	2.778	2.791	2.803	2.814	2.824	2.832	2.840	2.847	2.854	2.937	2.969	3.004
2.3	2.388	2.526	2.618	2.686	2.737	2.778	2.811	2.839	2.863	2.883	2.900	2.916	2.929	2.942	2.952	2.962	2.971	2.979	2.987	3.082	3.118	3.158
2.4	2.460	2.612	2.718	2.788	2.846	2.891	2.928	2.959	2.986	3.008	3.028	3.045	3.060	3.074	3.086	3.098	3.108	3.117	3.125	3.233	3.274	3.320

Factor $b_{0.95}(v, n)$ for estimation of one sided lower 95% confidence limits of the mean of a lognormal population

v	Factor $b_{0.95}(v, n)$ for estimation of one sided lower 95% confidence limits of the mean of a lognormal population					Factor $b_{0.95}(v, n)$ for estimation of one sided upper 95% confidence limits of the mean of a lognormal population				
	5	10	15	20	30	1000	100	1000	1000	1000
0.00	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.000	1.000	1.000
0.02	0.8978	0.9333	0.9458	0.9540	0.9607	0.9782	0.9827	1.084	1.067	1.007
0.04	0.8589	0.9071	0.9246	0.9344	0.9533	0.9692	0.9895	1.122	1.099	1.011
0.06	0.8302	0.8874	0.9079	0.9200	0.9473	0.9622	0.9872	1.154	1.124	1.046
0.08	0.8070	0.8708	0.8943	0.9077	0.9398	0.9564	0.9852	1.181	1.146	1.053
0.10	0.7870	0.8563	0.8821	0.8972	0.9328	0.9512	0.9833	1.207	1.166	1.060
0.12	0.7693	0.8439	0.8716	0.8878	0.9234	0.9464	0.9817	1.230	1.184	1.066
0.14	0.7535	0.8323	0.8617	0.8790	0.9204	0.9420	0.9801	1.253	1.202	1.072
0.16	0.7389	0.8216	0.8527	0.8709	0.9149	0.9380	0.9787	1.274	1.219	1.078
0.18	0.7255	0.8116	0.8442	0.8632	0.9097	0.9341	0.9773	1.295	1.236	1.084
0.20	0.7129	0.8023	0.8360	0.8558	0.9018	0.9304	0.9760	1.316	1.252	1.089
0.30	0.6605	0.7618	0.8008	0.8243	0.8828	0.9139	0.9701	1.415	1.328	1.113
0.40	0.6187	0.7284	0.7717	0.7981	0.8639	0.8996	0.9648	1.509	1.399	1.037
0.50	0.5838	0.6995	0.7462	0.7744	0.8470	0.8867	0.9600	1.603	1.470	1.042
0.60	0.5538	0.6739	0.7270	0.7534	0.8313	0.8741	0.9554	1.682	1.541	1.047
0.70	0.5277	0.6508	0.7020	0.7338	0.8158	0.8632	0.9511	1.798	1.614	1.052
0.80	0.5044	0.6297	0.6825	0.7156	0.8030	0.8525	0.9470	1.901	1.688	1.057
0.90	0.4836	0.6103	0.6646	0.6987	0.7899	0.8421	0.9429	2.006	1.763	1.062
1.00	0.4650	0.5923	0.6476	0.6826	0.7774	0.8322	0.9389	2.117	1.842	1.067
1.10	0.4481	0.5756	0.6317	0.6674	0.7654	0.8226	0.9351	2.233	1.924	1.071
1.20	0.4328	0.5599	0.6165	0.6530	0.7538	0.8133	0.9313	2.355	2.008	1.076
1.30	0.4189	0.5452	0.6023	0.6393	0.7426	0.8042	0.9276	2.483	2.096	1.080
1.40	0.4062	0.5315	0.5888	0.6262	0.7318	0.7954	0.9240	2.617	2.187	1.085
1.50	0.3945	0.5186	0.5760	0.6137	0.7214	0.7868	0.9203	2.758	2.282	1.089
1.60	0.3840	0.5065	0.5637	0.6018	0.7112	0.7784	0.9168	2.907	2.380	1.094
1.70	0.3743	0.4950	0.5521	0.5904	0.7014	0.7702	0.9133	3.064	2.484	1.098
1.80	0.3655	0.4842	0.5410	0.5794	0.6918	0.7622	0.9098	3.229	2.592	1.103
1.90	0.3574	0.4740	0.5305	0.5688	0.6825	0.7544	0.9064	3.403	2.704	1.107
2.00	0.3501	0.4644	0.5203	0.5587	0.6734	0.7466	0.9030	3.588	2.822	1.112
2.10	0.3433	0.4552	0.5106	0.5489	0.6646	0.7391	0.8996	3.783	2.945	1.116
2.20	0.3372	0.4466	0.5014	0.5395	0.6560	0.7317	0.8962	3.989	3.074	1.121
2.30	0.3316	0.4385	0.4925	0.5304	0.6476	0.7245	0.8929	4.208	3.209	1.125
2.40	0.3266	0.4308	0.4840	0.5217	0.6394	0.7173	0.8896	4.438	3.351	1.130
2.50	0.3220	0.4234	0.4759	0.5133	0.6314	0.7104	0.8864	4.683	3.498	1.134
2.60	0.3179	0.4166	0.4681	0.5044	0.6236	0.7035	0.8831	4.941	3.670	1.139
2.70	0.3142	0.4100	0.4606	0.4974	0.6160	0.6967	0.8799	5.214	3.816	1.144
2.80	0.3110	0.4039	0.4535	0.4899	0.6085	0.6901	0.8767	5.504	3.986	1.148
2.90	0.3081	0.3981	0.4467	0.4826	0.6012	0.6836	0.8736	5.811	4.164	1.153
3.00	0.3055	0.3926	0.4401	0.4756	0.5941	0.6772	0.8704	6.137	4.351	1.158