

SAMVAL PUBLIC PARTICIPATION QUERIES

- Q. *In the new version of SAMREC we have the concept of a Target. In terms of SAMVAL, would it be possible to value this target and if so, should we allow it? If it isn't possible, is SAMVAL clear enough about it.*
- A. We have a definition of an exploration target in the definitions of SAMVAL: The definition is consistent with that of SAMREC and I have included the definition of early stage exploration as well. From a valuation viewpoint we include in Figure 1 the recommendations for the valuation approach (income, cost, market) for early stage exploration and I believe that in terms of the definition of exploration target this would be classified as early stage exploration and therefore the cost and market approaches may be acceptable valuation approaches.

Early stage exploration property	Early stage means tenure holdings where mineralization may or may not have been identified, and where Mineral Resources have not been defined.
Exploration Target	<p>An Exploration Target is a statement or estimate of the exploration potential of a mineral deposit in a defined geological setting where the statement or estimate, quoted as a range of tons and a range of grade or quality, relates to mineralisation for which there has been insufficient exploration to estimate Mineral Resources.</p> <p>An 'Exploration Target' is a concept of mineralization with respect to type, quantity and quality, which would be of interest to an exploration or mining company. There shall be a likelihood that this exploration target occurs in an area of geological prospectivity for that commodity and mineralization type. An Exploration Target need not represent any discovered mineralization, nor does it imply reasonable and realistic prospects for possible economic extraction. Any such information relating to an Exploration Target shall, however, be expressed so that it cannot be misrepresented or misconstrued as an estimate of a Mineral Resource or Mineral Reserve.</p>

- A. Early Stage projects are being valued all the time using the cost and market approaches. Part of the problem with this emerged when looking at market comparisons and we do not want "Undiscovered" in situ estimates to be valued using "Market Comparisons". A value per Ha or per Km² is often used together with multiples of Historical Cost. I think the code is clear. However, if someone does attempt to value using a number unit (ie USD/oz or tonne) we should not allow it.
- Q. *Currently it stated only that requirements of SAMREC Code must be relied on, but working for a company that have international operations, and although the head office is in SA, reporting against JORC. I think the SAMVAL Code should make mentioned about this and how to go about it.*
- A. The code actually does allow for this – in fact having worked in many different jurisdictions I have encountered the same issue of using resource/reserve based on JORC or other codes. Maybe it is not clear enough so I will look into this.
- Q. *A Commission Entity has been mentioned. It is unclear what is the power / authority and obligations of the Commission, and whom are they?*
- A. The commissioning entity refers to the company or person who engages the CV to undertake valuation work. Again we will try an look at further clarifying their power/authority etc.

- Q. *For an operation with limited information, can historical operations that occur in the deposit be considered? It only saying around historical estimation but not about past operations*
- A. I think like all things this must be viewed in context – eg when last were operations carried out, etc. I think Figure 1 provides broad guidelines in terms of valuation approaches for this as well, but these are broad guidelines. This is where judgement of the CV needs to be exercised and the experience and knowledge of the CV becomes important. When in doubt it may be worth seeking further advice/assistance. I know I have worked on projects where we have used mining information from previous mining, but the information was been ratified through a rather rigorous process including QAQC with newer information etc, taking into account mining and processing efficiencies in order for the information to be included with more recent data. I guess it's a bit more tricky when no new data is available to undertake such a process, so then caution needs to be the catchphrase.
- Q. *The section on History is a little long winded and not really needed in the Code;*
- A. I could revert to the working group on this to reduce.
- Q. *The SAMVAL Code is directly linked to the SAMREC Code but not to SAMOG. The references to SAMOG in the Code are therefore not necessary especially in light of the fact that Valuation of oil and gas properties is covered extensively In the SAMOG.*
- A. Even though there is no direct link we have more specifically excluded oil and gas assets from SAMVAL, so the reference is there for those seeking guidance for oil and gas.
- Q. *The repetition of Definitions from the SAMREC Code is in my view unnecessary they can be referenced.*
- A. Agree that it is a repeat but the view was that this document should be able to be read as a stand-alone document and hence the repeat of key definitions that are in SAMREC
- Q. *There should be some consistency in the use of words like “shall”, “must” “Should” and “may”. In the draft, it still mentions “it is recommended” or “CVs are encouraged”.*
- A. The decision was taken that sections that are mandatory use must (section 2 and 3) and should in the guidance section – section 4. One section I struggled with in section 4 was the one on resources and reserves – it is possible that this section should actually fall under the mandatory standards section.
- Q. *The valuation of material (Exploration Target, mineralisation) which cannot be defined as a Mineral Resource is not clear. It leaves CVs with an extremely wide licence, which as we all know can be dangerous.*
- A. This is true but these assets are still valued and many transactions take place in this space, so we can't bury our heads in the sand and pretend it does not. To some extent we have closed the loophole by the wording on the use of in-situ values. I think key is better education and also the guidance notes/papers which will be part of the next exercise for the SAMVAL working group.