

A meeting of the JSE Readers Panel was held at the JSE on 28th August 2019 to identify some of the ongoing issues for and concerns identified by members of the Panel with respect to compliance with SAMREC and SAMVAL Code compliance. The summary that follows highlights some of the more pertinent issues:

SAMREC Compliance

- Resources and Reserves not consistent throughout Integrated Annual Report;
- Resource and Reserves not always SAMREC compliant in parts of the document;
- Coal quality data not always included in parts of the document;
- Coal Reserves not reported as ROM and saleable estimates;
- In many cases there is partial compliance with S13.12 – some information provided but was incomplete, or information omitted;
- Confidence levels often omitted;
- Basis of classification of Ore reserves omitted;
- Use of Resource and Reserves estimates undertaken previously and included in a current R&R statement. Question of responsibility and accountability for previous work undertaken for a different company and by a different consultant;
- Capitalisation of Mineral Resources and Mineral Reserves
- Free and incorrect use of the terms; ‘ore’, ‘resources’ and ‘reserves’.
- Coal tonnes without coal qualities.
- CP only relies on information in public domain.
- Editing errors (formulae and wrong tables).
- Substantive vs Transparency vs Process
- The Consulting Company was described as the Competent Person throughout the CPR.
- Checklist cross-referencing was poorly done.
- Certification of Competent Persons: on the signature page Competent Persons were described by their job titles with no reference to who was actually responsible for what in the CPR.
- The Competent Persons placed reliance on the work carried out by third parties, it was not clear if the supporting data had been properly verified.
- The CPR was described as a high-level review of the project.

The Readers felt that there were numerous issues related to meeting the principles of Transparency, Materiality and independent review, as the CPR leaned very heavily on third-party work and opinions.

- The full titles of the SAMREC and SAMVAL Codes frequently misquoted.
- Failure to capitalise Mineral Resources and Mineral Reserves and omitting ‘Mineral’, ‘Coal’, and ‘Diamond’ and referring only to ‘Resources’ and ‘Reserves’.
- Evident lack of compliance with one or more of the principles of the SAMREC and SAMVAL Codes; Materiality, Transparency, Competence and Reasonableness.
- Executive Summaries versus Main Body of CPR
- Internal Audits and Peer Reviews by CPs
- Diagram Qualities – Need attention (Photocopies of photocopies)
- Resource Classifications and basis for level of confidence
- Exploration programmes, Results, Tech Studies and Costs for Going Concerns
- Glossary, Abbreviations and Terms (Due attention required)

TRANSPARENCY

- Validity of Mineral Licences
- Permits / mineral / social and Environmental licences. CPs making risky comments of being sure they will be issued or downplay risk.
- Executive Summary excludes potential impediments – (but concealed in main body of CPR e.g. sections dealing with environmental/social issues, permitting/legal issues or the chapter on Risks).

MATERIALITY

- MRR Estimates incorporated in valuations when licence validity /mineral commodity is in question. (CP to disclose scenarios based on potential risks)
- CP giving 'gut feel' credence to unverified Historical exploration assay data, QAC based on the credibility of previous ownership
- SIB exploration by established companies downplayed. No separate costs or indicative studies to justify adding these to MRR.

COMPETENCE

- Purpose of CPR unclear or confused with SAMCODE compliancy
- Junior 'Authors' writing CPR and Directors signing as CPs without adequate Due Diligence Checks – Peer Reviews or internal audits would reduce Reader's amount of corrections
- Quality of Diagrams, sections, maps and sketches needs improving – often illegible, unnecessary and undiscussed in report especially MRR diagrams.

SAMVAL Compliance

- Terms of reference, scope of work, valuation methods and approaches generally incomplete;
- VALUATION DATE!!!
- Reference to previous valuations and outcomes often not included or incomplete;
- Poor compliance to issues such as:
 - Information relied on from CPR, other disciplines
 - Modifying factors and material issues with each excluded, incomplete and very poorly documented;
 - Very little reference to SAMESG on ESG issues;
- Insufficient information provided for market and cost approaches particularly – transparency is key to assess the valuation and compliance;
- Range of values excluded;
- Risks assessments generally incomplete and not necessarily well thought through;
- Price forecasts – particularly precious stones not well understood;
- Risks associated with price forecasts poorly understood;
- Identification of sources and/or references – either omitted or incomplete;
- Issues with real, nominal and constant money terms;
- Where an asset is not fully owned it should be clear if the valuation is on 100% basis or on an attributable basis;
- Inclusion in the valuation of metals for which the company did not have rights.
- There is, at times, misalignment between the "Effective Date of the CPR" and the "Date of the CPR"
- There is, at times, a lack of continuity throughout the CPR of the "Effective Date of the Mineral Resources and Mineral Reserves" versus the "Effective Date of the Valuation Model" versus the Effective Date of the CPR.

- Valuations that exceed the mining license tenure – this may need further guidelines from SAMVAL;
- Use of metal equivalents needs full disclosure;
- Sensitivity analysis does not equal a risk assessment.
- Numerous editorial mistakes make for confusing reading.
- Valuation method; the averaging of cash flows over two different periods of time was questionable.
- Numerous editorial changes required to clarify content in regard to the Valuation.
- There should be a full explanation in the text of the CPR as to costs etc included in the Valuation Model.
- For transactions to be comparable, they must relate to projects that are the same size, similar deposit types, similar grade, similar state of development, similar mining and processing methods, in a similar locality and are recent. Where this is not possible, the limitations of the method and the metrics derived from the transactions should be disclosed.
- Further, there needs to be adjustments made for the different time period of the transactions. E.g.; a transaction in Year X needs to be adjusted in order to be used for a transaction in Year Y.
- Table 1 of the SAMVAL Code is very specific and succinct. Most CPRs reviewed did not comply with some of the requirements of this Table. For example:
 - CV Certificates are not always fully compliant: e.g.; CP's or CV's compensation, employment, or contractual relationship with the Commissioning Entity is not contingent on any aspect of the Report.
- Incorrect references to sources of information – in one CPR reference was made to the source of information as being the Consulting Firm authoring the CPR, whereas, the Consulting Firm was relying on work done by another Consulting Firm.

Section 12.13

5 instances

12.13 (i) (7)	description of the methods and the key assumptions and parameters by which the Mineral Resources and Mineral Reserves [refer to T 7] were calculated and classified;
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3 instances

12.13 (i) (4)	Mineral Companies' disclosure in accordance with these paragraphs must be compliant with the SAMREC Code and parts of Table 1 and this Section 12. The applicable relevant SAMREC Code Table 1 (Checklist and guidelines of reporting and assessment criteria) paragraphs are referred to throughout this requirement as follows: -[refer to Tx.x (x)]. Where the disclosure is not in accordance with a Section 12 or Table 1 paragraph, or incorporates a number of such paragraphs, it will be referred to as follows – [standalone]
12.13 (i) (6)	Mineral Companies must include a statement that they have written confirmation from the Lead Competent Person that the information disclosed in terms of these paragraphs is compliant with the SAMREC Code and where applicable, the relevant Section 12 and Table 1 requirements, and that it may

	be published in the form and context in which it was intended [standalone].
12.13 (iii) (1)	a brief description of any exploration activities, exploration expenditures, exploration results and feasibility studies undertaken; [standalone but refer to T4 and T5 for guidance.];
12.13 (iii) (4)	production figures, including a comparison with the previous financial year/period [standalone];
12.13 (iii) (5)	a statement that the company has the legal entitlement to the minerals being reported upon [refer to T 1.7 and T 5.1] together with any known impediments [standalone];
12.13 (iii) (6)	the estimated Mineral Resources and Mineral Reserves (“Mineral Resource and Reserve Statement”) [refer to T 8];
12.13 (iii) (10)	any material risk factors that could impact on the Mineral Resource and Reserve Statement [refer to T 6 and T 9];
12.13 (iii) (11)	a statement by the directors on any legal proceedings or other material conditions that may impact on the company’s ability to continue mining or exploration activities, or an appropriate negative statement [refer to T 1.7];
12.13 (iii) (12)	appropriate locality maps and plans [refer to T 1.5]; and

- Section 12.13(i)4: Mineral Companies’ disclosure in accordance with 8.63(l) must be compliant with the SAMREC Code and parts of Table 1 and Section 12. **non-compliant terminology (“resource”, “reserve”, “proven”, etc.)**
- Section 12.13(i)4: Mineral Companies’ disclosure in accordance with 8.63(l) must be compliant with the SAMREC Code and parts of Table 1 and Section 12: **no clear statement of compliance, incomplete, incorrect reference to previous code**
- Section 12.13(i)5: Mineral Companies must disclose the full name, address, professional qualifications and relevant experience (including the name and address of the body recognised by SAMREC of which the Competent Person is a member) of the Lead Competent Person authorising publication of the information disclosed in terms of these paragraphs: **incomplete or no disclosure**
- Section 12.13(i)6: Mineral Companies must include a statement that they have written confirmation from the Lead Competent Person that the information disclosed in terms of these paragraphs are compliant with the SAMREC Code and, where applicable, the relevant Section 12 and Table 1 requirements and that it may be published in the form and context in which it was intended [stand-alone]. **Incomplete disclosure or confusing statements of compliance to JORC / CIM**
- Section 12.13(iii)4: production figures, including a comparison with the previous financial year/period [stand-alone]; **no disclosure / poor or no reference to where details can be found**
- Section 12.13(iii)5: a statement that the company has the legal entitlement to the minerals being reported upon [refer to T1.5] together with any known impediments [stand-alone]: **no clear statement**

- Section 12.13(iii)7: a description of the methods and the key assumptions and parameters by which the Mineral Resources and Mineral Reserves [refer to T4] were calculated and classified; **inconsistent or partial disclosure**
- Section 12.13(iii)9: whether the Inferred Mineral Resource category has been included in feasibility studies and, if so, the impact of such inclusion [refer to T6.3(vi)]; **incomplete disclosure**
- Section 12.13(iii)12: appropriate locality maps and plans [refer to T 1]; **incomplete or non-compliant disclosure, not clear / poor quality**
- Section 12.13(iii)13: a summary of environmental management and funding [refer to T5.5]; **incomplete disclosure or poor referencing to source details**
- Errors, technical errors, typo's, incorrect referencing to Section 12
- Unclear / confusing effective date of estimates
- **Detailed compliance to section 12.13 is often lacking.**

Additional Issues noted

- Resources and Reserves not consistent throughout Integrated Annual Report;
- Resource and Reserves not always SAMREC compliant in parts of the document;
- Coal quality data not always included in parts of the document;
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- In many cases there is partial compliance with S12.13 – some information provided but was incomplete, or information omitted;
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Grey Areas

- Section 12.13(iii)11: a statement by the directors on any legal proceedings or other material conditions that may impact on the company's ability to continue mining or exploration activities, or an appropriate negative statement [refer to T1.5]; - why "director" as the board of a company remain ultimately responsible for the complete report, a statement in the report will suffice?
- Perceived requirement for clear cross referencing if compliant disclosure details are in the IAR and not the MRR statement (e.g. risk, production stats, environmental)
- Practice to report "ancient" estimates (e.g. 10 years+) without updates or referencing to detailed verification or RPEEE. Even if no new data was added, other modifying factors (economic / price, social, governmental, legal etc.) would have changed. Noted example where non-compliance to SAMREC (2016) was reported given the age of the estimate
- Can Mineral Resource estimates be reported for Mineral Assets held under a Retention Permit / application? RPEEE?
- Application of SAMVAL 1.4 in annual reports: "For companies issuing annual reports or other summary reports, the inclusion of all material information relating to Mineral Asset Valuation shall be included (Refer Table 1 in Appendix A). Where a summary is presented, it should be clearly stated that it is a summary, with a reference attached giving the location of the Code-compliant Public Reports or Public Reporting on which the summary is based. Companies and other entities should provide information, which is as comprehensive as possible, in their Public Reports".