NOTES OF THE SAMOG COMMITTEE MEETING

HELD ON 1 FEBRUARY 2018 AT 13H00

TELECONFERENCE

Present: **Mr P Dekker (Chairman)**
Ms A de Bruyn
Mr S Davids
Mr J Etherington
Mr M Mullins
Ms R Buongwe (joint later)

In Attendance: **Ms C Jardine (SAIMM)**

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1. WELCOME

The Chairman welcomed everyone to the telecon and advised that Mr Mullins and one other participant had advised they would be late. He outlined the proposed agenda as follows:

- New PRMS draft
- SAMOG presentation
- Update and alignment of SAMOG Code
- Election of Vice-Chairman for SAMOG Committee
- SAMOG's proposal for selection of Readers' Panel members
- Discussion on which public reporting should align with SAMOG Code
- SAMOG representation on IMVAL Committee
- Recognised potential professional organisations (SPE and AAPG were not mentioned)

2. PRMS DRAFT

Mr Dekker advised that the draft had been circulated, together with comments from himself, Andy Clay and others.

The draft had been reviewed and PRMS was moving more towards valuation, including more definitions. Mr Dekker asked Mr Etherington to update members and provide some background. Mr Etherington advised that 45 different organisations had sent comments in to the SPE and these were currently under review. He added that there may be some minor adjustments to the PRMS, based on these comments. It appeared that it would be some time before a final document was approved by SPE and its partners, possibly six months. Mr Etherington advised that the final would be implemented by July 2018.

Mr Dekker asked whether the auditors (who audit the document according to PRMS) would then audit the new document instead of the old document. In line with that, Mr Dekker also queried whether the COGE handbook was also under review. Mr Etherington responded that he did not see any difference; as in both cases it was more about clarification than major changes. He did not believe there would be any change in the relationship between COGE and the revised PRMS code.

There were no other comments or questions from the meeting.

3. SAMOG PRESENTATION

Mr Dekker advised that he had circulated a copy of his draft SAMOG presentation and was pleased to receive quite a lot of feedback. The idea was that this presentation would be used at various workshops and conferences.

The first opportunity to use this would be on 15 February 2018. The South African sector of the SPE was having an executive breakfast in Cape Town and Mr Dekker would be delivering the SAMOG presentation at that event. It was essentially about presenting what the PRMS and COGE was about, and how SAMOG fitted in with that. A lot of delegates from the engineering environment in Cape Town were expected to attend this event, as well as the Oil and Gas business managers. Mr Matt Mullins, the current Chairman of the SSC was also expected to attend the breakfast.

Thereafter, there would be SAMCODES workshops in July, in Johannesburg, and the presentation would be delivered there as well, mainly for students and new analysts in the investment fraternity.

At the end of the year (November), the AAPG International Conference would be held in Cape Town and Mr Dekker had been requested to give a one-day short course on PRMS, the UNFC, and SAMOG Codes. This would compare the SAMOG Code with the UNFC. When the course documentation and presentation was complete, this would also be sent out to members for comment.

Action: Peter Dekker

Mr Davids requested that an invitation be sent to him for the executive breakfast on 15 February, so that he could diarise the event. Mr Dekker responded that he would request Mr Sibusiso Siwela, who was Chairman of the SPE in the Cape, to send the invitation.

Action: Peter Dekker

Mr Dekker asked whether Ms de Bruyn had been aware that this would also be presented at the AAPG. Ms de Bruyn agreed that this was a very good idea. She added that she had had a discussion with Mr Mullins, who had some very exciting ideas about marketing the Codes. The first of these was to hand out a few copies of the actual Code at the upcoming Indaba in Cape Town.

Another project was about having an App created for the SAMCODES. To this end, she had managed to get a quote that was more favourable than the figure mentioned by Mr Lomberg. This would be discussed at the next SSC meeting. If the go-ahead was received, this would not only be a first for South Africa; South Africa would be the first country in the world to have an App like that for the Codes. Mr Dekker supported this and advised that the Codes should all be in a format that the SSC was happy with and that there would be limited changes to the Code thereafter. Ms de Bruyn responded that, over time, there would have to be changes made and the App would need to be updated.

Ms de Bruyn added that she did not believe that the SAMCODES website had been updated with the new SAMOG Code. She agreed to send Mr Dekker a copy of the updated Code for follow up.

Action: Annalie de Bruyn / Peter Dekker

Mr Dekker informed the meeting that the new SSC Chairman, Mr Matt Mullins, had some experience in the Oil & Gas field, as well as in Minerals. Mr Mullins had gone through the SAMCODES and had some comments for discussion. Mr Dekker believed it would be beneficial to get a list of these ideas and comments for discussion at a future SAMOG Committee meeting in relation to what needed to be changed and why.

One of the ideas was to streamline the SAMOG Code with the new PRMS and the definition of projects. This should also include what type of discount rates SAMOG wanted to use for the financial and value side of things. Mr Dekker had held discussions over the last couple of months with Mr Mullins, Mr Clay and others on the difference between the PRMS and SAMOG Codes. For him, the big difference was that the PRMS was really made for Oil & Gas businesses to make internal business/strategy decisions and looking at what the volumes were going forward. For the SAMOG Code, the main issue was not so much around the quantities, but more about the value at the end. Investors were much more interested in the values rather than the quantities; whereas businesses were often more interested in quantities rather than values.

Mr Etherington added that, as far as the value side went, PRMS was built not just for public disclosure, but also for internal project management. The actual valuation PRMS used was the cash flow analysis and it went into a lot of detail in the PRMS document itself. The application guidelines published in 2011 made more reference to the valuations. In terms of PRMS, they do set some guidelines around valuation but perhaps not at the depth Mr Dekker had mentioned.

Mr Dekker advised that SAMCODES were requesting much more valuations with different discount rates while the PRMS recommended using only one discount rate. It was very clearly stated that this was not a replacement for a local Stock Exchange requirement and the SAMOG Code was what the local Stock Exchange would require.

Ms de Bruyn commented that care should be taken about making such a statement. The Code stated that the documents had to be completed in compliance with the Code; and the Code stated that it had to comply with PRMS. The National Instrument 51-101 was used as a guideline to the SAMOG Code and it was important to ensure that this was not in contradiction.

Mr Dekker did not believe it was in contradiction, as the PRMS really focussed on the quantities of hydrocarbons found and, with the quantities, some of the valuations were based on certain parameters such as discount rates and forward pricing; but it was not stipulated and did not replace the legal or Stock Exchange requirements. The SAMOG Code stated that the quantities were used to identify hydrocarbon and what were reserves and resources. The SAMOG Code further stipulated how to convert that hydrocarbon into a value number. It should be in line with PRMS, but issuers were able to stipulate in greater detail how they would want the valuation done and, when looking at updating the SAMOG Code, it had to be ensured that enough was requested from the issuers to give sufficient information, but not in the way that it was done in the National Instrument, because SAMOG did not get all the reports. In South Africa, everything used for evaluation had to be public. Mr Mullins was asked to comment.

Mr Mullins believed it would be welcomed by the IMVAL Committee that PRMS should comply with Mineral requirements and align with what IMVAL had put forward. He did not believe that it was too much of an issue to satisfy what was being proposed and for Ms de Bruyn to put a little bit more in on the valuation side as well. Mr Dekker asked Ms de Bruyn for guidance on how to go forward on this, i.e. whether to get the whole SAMOG Committee involved, or to get a smaller group together. Ms de Bruyn suggested that, with the SAMOG Committee being so diverse and so spread out internationally, it might be easier with a smaller group. Each person would do their individual work and then report back to the Committee. Mr Mullins added that, with his SAMVAL background, he would be happy to work with a small group as well.

Mr Dekker proposed that the initial Committee could consist of Ms de Bruyn, Mr Mullins and himself to put this forward to the rest of the Committee. All agreed.

Mr Etherington advised that one of the issues that kept cropping up on PMRS was how to handle the decommissioning costs and this was a big issue in places like the DRC. What happened was that each jurisdiction's accounting rules was not necessarily the same. He was not sure how this was addressed in the SAMCODES.

Mr Mullins responded that it was becoming a bigger issue on the mining side and people were applying their minds around this. It was covered in the SAMVAL Code, but this was very much from a South African jurisdictional stance. Mr Dekker asked that this be added as an action point for the new sub-Committee; to talk about decommissioning. It was included in the SAMOG Code, but he was not sure whether it had been covered sufficiently. There was a paragraph to say that decommissioning had to be included in the valuation. Mr Etherington added that all the PMRS Code said was that the issuer had to discuss how it was going to be done, but did not really say how to do this. It deferred back to the local governments.

Action: Sub-Committee

4. ELECTION OF VICE-CHAIRMAN – SAMOG COMMITTEE

Mr Dekker suggested that there should be a Vice-Chairman for the SAMOG Committee and asked if there were any proposals. The members of the SAMOG Committee were:

Peter Dekker (Chairman)
Andy Clay
Matt Mullins
Annalie de Bruyn
Sean Davids
John Etherington
Mike Jones
Mike Tosdevin
Revelation Bulongwe
Mavace Tembe
Tarryn Orford

It was pointed out that Mavace was quite new on the Committee and that Sean Davids had shown interest in being the Deputy Chairman. Mr Dekker asked if there were any further proposals.

Ms de Bruyn cautioned that knowledge and experience was very important, as the idea would be for the Deputy to take over the Chair at some point. She believed it would require a strong technical person to be elected Deputy. Mr Mullins supported that, but suggested that there should be a call for volunteers. Mr Dekker stressed that the person had to be dedicated in terms of dialling in to meetings, etc. For the record, he advised that Revelation Bulongwe had recently joined PetroSA. Mr Dekker was aware that Mr Davids had volunteered, but agreed to send out an e-mail to see if there were any further volunteers.

Action: Peter Dekker

5. SELECTION OF READERS' PANEL MEMBERS AND SAMOG PROPOSAL

Mr Dekker advised that the SAMOG Readers' Panel initially consisted of himself, Andy Clay (Chair), Sean Davids, Dave Elliott, Mike Jones and Mevace Tembe. Mr Elliott had indicated in e-mails to Mr Dekker in the last few months that he would be out of the industry for a while and would therefore not be in a position to support the Readers' Panel. The second thing was that Mike Jones had not been very active, as he was a Facilities Engineer and was quietly in the background. He had indicated that he was ready to give advice, but not active work. Mevace Tembe had been added to the Readers' Panel because of her experience.

This effectively meant that the SAMOG Readers' Panel had been reduced to Peter Dekker, Andy Clay, Sean Davids and Mevace Tembe. Mr Dekker suggested that this was a small Readers' Panel and asked whether this would be big enough for the JSE, or whether there should be more people. Ms de Bruyn responded that this was a bit thin on the ground, because the problem was that if one of these people was involved in a document, it did not leave many other people to get involved. She asked whether anybody else would be interested. Mr Dekker advised that Mr Tosdevin was an Engineer from SASOL and had wide experience, but was based in London. Mr Etherington confirmed that he would not be available, due to health issues. Revelation Bulongwe had experience, but not yet as much as the rules and regulations stipulated.

Ms de Bruyn recommended that Mr Tosdevin be approached to see if he was willing and, if so, he could submit his CV for consideration. She was not too concerned about this, as there was not a huge number of documents to be approved. She believed that adding one person this year should be sufficient, and that Ms Bulongwe could be borne in mind for the next cycle. It was agreed to approach Mr Tosdevin.

Action: Peter Dekker

6. DISCUSSION ON WHICH PUBLIC REPORTING SHOULD ALIGN WITH SAMOG CODE

Mr Dekker commented that currently the SAMOG Code was only for new listings on the JSE and not for annual reporting. When looking at the National Instrument and other jurisdictions, they had Codes for annual reporting for the Stock Exchanges. He asked for Ms de Bruyn's views on this and whether the SAMOG Code could convert or start being used for annual reporting.

Ms de Bruyn responded that a couple of questions had already been raised as to why the Code was only for new listings and her response was that the JSE would get the annual disclosure. At the same time as looking at PRMS and the Code, she asked whether consideration should be given to annual disclosure. Ms de Bruyn had looked at the National Instrument recently and it seemed like the NI51.101 was used for annual reporting, which might be an easy way to do it. Mr Dekker agreed that that was exactly what he had had in mind. If the SAMOG Code was going to be reviewed and if anything was going to be reviewed based on PRMS, it could be used for new listings or annual reporting, i.e. just made into one document. This would make it easier for all concerned. If the NI51.101 was already used for that, then there was nothing to stop SAMOG from having the SAMOG Code being applicable to both. Ms de Bruyn and Mr Etherington agreed. Mr Dekker asked Mr Mullins whether the SAMVAL and other Codes were used for both, or only for new listings. Mr Mullins responded that they were used for new listings, but used for comments on the annual reporting as well. There was very specific disclosure for an annual basis, but the SAMREC and SAMVAL Codes were less prescriptive than that of SAMOG. SAMOG had more structure, but SAMVAL and SAMREC were more principle-based. That was why it had been necessary to include a separate section for annual disclosure. Mr Dekker advised that if the SAMOG Code was used for annual reporting, it may be in conflict with Section 12 if it was only for Oil & Gas that the same Code was used for new listings as well as for annual disclosure. Ms de Bruyn did not believe there would be conflict, but this would have to be looked at in terms of the various implications of using this on an annual basis. The major difference would be that a valuation would then be done every year, whereas on the solid minerals side this was not asked for on an annual basis. Mr Dekker asked whether Mr Etherington believed that the UK, USA and Canada had to give a valuation for annual disclosures. Mr Etherington confirmed this. Mr Dekker advised that in the Oil & Gas industry, the standard for annual disclosures was that an evaluation had to be given. Ms de Bruyn understood that there had been a request from the investors' side to rather than a valuation in the annual report, instead of the detailed resources and reserves. That was something that should be considered for the solid minerals side.

It was agreed that this would be looked at by the sub-Committee as well.

Action: Sub-Committee

7. SAMOG REPRESENTION AT THE IMVAL COMMITTEE

Mr Mullins believed that SAMOG should be represented on IMVAL. IMVAL had reverted with questions on what SAMOG had on the valuation side and had offered a really good compromise, which was to have SAMOG as observers on IMVAL. This would give SAMOG the opportunity to take a look at the sub-Committee on the valuation side. He personally felt that although SAMOG had SAMVAL representation on IMVAL, that for SAMOG, equal representation would be important. Peter Dekker fully supported this and believed that the offer to be on the Committee as observers was a very good compromise as a first step. As observers, SAMOG could still make comments.

Mr Dekker asked for comments from any of the other Committee members. Mr Mullins added that IMVAL had been around for some time and it was an opportunity to put SAMOG's views on the table. In response to a question from Mr Dekker as to whether Mr Etherington had been involved with IMVAL, he responded that he had not. Mr Dekker suggested that SAMOG should accept the observer status and see how things progressed. All agreed.

8. RECOGNISED PROFESSIONAL ORGANISATIONS

Mr Dekker advised that the list of RPOs on the SSC website had excluded at least two of the major organisations of which Oil & Gas were members, i.e. SPE and AAPG. He believed that a letter should be sent to SSC, requesting that these organisations be recognised and included on the website, as they satisfied all the requirements to be RPOs. A draft letter had been prepared in this regard.

Action: Peter Dekker

As an additional point, it was mentioned that most of the European engineers were also members of an organisation called EI (Engineering International). It was suggested that a letter be sent to this organisation, asking if they wished to be recognised. This would require further research.

Action: Peter Dekker

Mr Dekker advised thanked Messrs Elliott and Etherington for their assistance on providing background for his short course on the UNFC. Mr Etherington believed it was important to be aware of the UNFC. This was widely used around the world and South Africa had been a major player in the early days. He believed that it was important to have somebody involved in that, as there was a Pan-African initiative to adopt this for national reporting. Mr Dekker understood from one of his colleagues that he was quite involved in the beginning. It should be understood that the stakeholders and the clients of the UNFC were different to those of the PRMS.

Mr Davids advised that he had been the person representing PASA at one or two of the meetings in the past and the general feeling was that the UNFC was not to replace PRMS, but was more of a methodology of reporting. He provided some background information in this regard.

9. GENERAL

There were no items to discuss under General.

10. CLOSING

Mr Dekker thanked all participants for their input and closed the meeting.

KEY ACTION ITEMS

1. PETER DEKKER
Send out course documentation and presentation for short course to be presented at AAPG International Conference.

2. PETER DEKKER
Request Mr Siwela to send Sean Davids an invitation to executive breakfast.

3. ANNELIE DE BRUYN / PETER DEKKER
Send Mr Dekker a copy of updated Code for follow up.

4. SUB-COMMITTEE
Discuss the topic of decommissioning as per PRMS Code.

5. PETER DEKKER
Send out e-mail requesting volunteers for Vice-Chairperson of SAMOG Committee.

6. PETER DEKKER
Approach Mr Mike Tosdevin re volunteering to join the SAMOG Readers' Panel.

7. SUB-COMMITTEE
Discuss which public reporting should align with SAMOG Code

8. PETER DEKKER
Send letter to SSC re omission of RPOs on SSC website