

**SAMVAL**

**MINUTES OF THE SAMVAL RE-WRITE MEETING**

**HELD ON 08 May 2012 AT 10H00**

**AT THE MILITARY MUSEUM, DELLVILLE WOOD MEETING ROOM**

**Present:**

A Macfarlane (Chairman)

<u>T van Zyl</u>	<u>P Janisch</u>
<u>J Upshall</u>	<u>J Luckmann</u>
<u>H Bornman</u>	<u>M Martinson</u>
<u>M Mokitimi</u>	<u>A Clay</u>
<u>R Davel</u>	<u>L Zindi</u>
<u>P Motsoeneng</u>	<u>D J van Niekerk</u>
<u>C Barnes</u>	<u>V Bansi</u>
<u>A Kinghorn</u>	

**Apologies:**

<u>A McDonald</u>	<u>B Swanepoel</u>
<u>G Quaye</u>	<u>G Butler</u>
<u>H Hartman</u>	<u>I Wermuth</u>
<u>J Jacobs</u>	<u>J McGill</u>
<u>A de Bruyn</u>	<u>J Porter</u>
<u>J Visser</u>	<u>L Moodley</u>
<u>M Mattera</u>	<u>V Duke</u>
<u>G Njowa</u>	<u>S Mathuray</u>
<u>R Croll</u>	<u>K Redman</u>
<u>J Odendaal</u>	<u>R Becker</u>

**In Attendance:**

J Dixon (Manager, SAIMM)  
J Carpenter (Recordist and minute-taker)

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Deleted: A Macfarlane (Chairman) - ... [1]

**1. Welcome**

The chair welcomed all to the meeting.

**2. Minutes of the previous meeting**

The minutes were approved with the following changes to wording:

Page 2 – Unresolved issues – first bullet include “the need to maintain flexibility in terms of the way in which this is done”.

The word “comfortable” must be removed and replaced with “competency”.

“Discussion and debate centred on...” the word “influenced” must be removed and replaced with “considered with respect to...”

**3. Matters arising from the previous minutes**

Nothing specific noted.

#### 4. Feedback from working sub groups:

Documentation tabled: Note on Scope of SAMVAL, IVSC Discussion Paper and Scope Discussion Paper.

- International liaison

The chair reported on the positions/comments received at the "Brisbane Accord" held in Australia and attended by Alastair Macfarlane as Chairman of SAMVAL, Andy Clay and Godknows Njowa as preparers and presenters of key papers included in the Valmin proceedings for April 2012.:

- IVSC – CIMVAL, AIMA and Valmin are all comfortable to engage with the IVSC as the "titular" head of valuation codes for the time being. Both Hong Kong and China have indicated that they are keen to engage with all parties. China is invited to a meeting due to be held in July. Deloitte, a member of which chairs the IVSC, has made it very clear that there must be full consultation with all valuation organisations.

It is noted that dealing with Hong Kong has its own dynamics – its currency is different from that of mainland China and it has extremely strict regulations governing investments, somewhat unlike mainland China.

- Valmin – the Valmin review deals predominantly with the regulatory environment in which it operates, strongly governed by the Corporations Act (amongst others) which puts emphasis on financial regulations. The ASX and ASIC do not formally recognise the Valmin Code as do the other securities exchanges such as the JSE recognising the SAMVAL Code. Therefore the inclusion of a "mineral asset valuation" in the public reports for mineral companies in Australia is not compulsory.
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- During the Valmin event held in Australia there was a lot of discussion on the issue of ethics, the enforceability of discipline, independence and the extent of disclosure (production forecasts etc.) Alastair Macfarlane, on behalf of SAMVAL gave the event an update on its progress. It is encouraging that Valmin gives a lot of credence to the status of SAMVAL and has indicated that it would like to consider SAMVAL's model of enforceability.

AC reported that Mike Lawrence, who is a strong supporter of SAMVAL's position, tabled a paper at the event which was well received on the valuation of Inferred Resources and there is interest in the Preliminary Economic Assessment (PEA) methodology of the Canadians.

The event showed that South Africa's input is greatly appreciated in Australia with requests for advice coming from other countries/code developers to deal with their local issues.

The Royal Institute of Chartered Surveyors (RICS) has indicated its willingness to participate in the harmonisation of the various codes as a key Valmin committee member Darren Herdman was a member of the RICS committee and was very favourably disposed to the discussions with the RSA representatives. He appreciates the issues relating to the differences in Real Property and Mineral Assets.

- Scope – the sub-committee feels strongly that SAMVAL should not be valuing companies as an Enterprise Value although it is competent to do so and can contribute to company valuations. The committee's view is that SAMVAL should value mineral assets and their direct infrastructure (mining headgear etc.) but this elicited strong debate and there was an additional view that company valuations was required since the JSE Section 12 rules state that the value per share needs to be calculated by the CV.

AC recommended, and it was agreed to, that the committee rewrite the scope definition (whilst consulting Guide note 14). Working Group members were asked to please send their comments to the sub-committee before the June 2012 meeting. The manager of the SAIMM will stipulate a target date on the correspondence.

- Definitions – nothing noted – the sub-group was not represented at this meeting.
- Principles – nothing noted – the sub-group was not represented at this meeting.

#### **5. Competent Valuator**

Nothing noted. A document containing different definitions of CVs was tabled.

#### **6. Incorporation of the above into Code review**

#### **7. Next set of issues.**

There was significant and constructive debate concerning the role that South Africa and the SSC has now been called upon to play with respect to the IVSC initiative. It was felt that the Chairman of the SAMVAL WG shouldn't hold the position of Chairman of the IVSC Extractive Industries expert group as well.

The debate talked about the importance of Leadership from the South African SAMVAL WG and recommended that a Strategic Team should be formed as elected from the WG to serve with Alistair who also needed an effective vice-Chairman to ensure continuity in the work. Since the global visibility of this initiative could be a very tricky arena it was noted that strategising BEFORE the process went into full swing was crucial. The meeting agreed that: -

A sub-group (strategic) within SAMVAL will be constituted as the mandating core of southern Africa into the international arena of valuation codes. This subcommittee must decide on South Africa's position with regard to international initiatives and relate this back to the SAMVAL WG for approval. The sub-group will be elected at the next meeting and should then be approved by the SSC

It was recommended that an organisational structure be prepared to show the key role players and allow for a road map to be prepared. AC cautioned that a fully consultative process was absolutely crucial so that the deliberations could never be regarded as individual agendas. In this respect, this echoes the IVSC Chairman's warnings.

#### **Next steps:**

Membership of the strategic committee will be finalised.

The terms of reference for the strategic sub-committee must be finalised before the next meeting in consultation with the IVSC to make sure the process is in keeping with their thoughts. It will also be important to reflect these issues back to the Valmin committee since they have been key supporters.

The meeting concluded at 12h00.

#### **SUMMARY OF KEY ACTION ITEMS**

##### **The Chairman:**

**Determine the membership of the strategic sub-committee.**

**Follow-up with the chairpersons of the definitions and principles sub-groups. Determine what work has been done and ensure that submissions from the groups will be made at the next meeting.**

**The Manager:**

**Circulate GN14 to all WG members.**