

**THE SOUTHERN AFRICAN INSTITUTE OF MINING AND METALLURGY
OIL AND GAS WORKING GROUP COMMITTEE**

**Minutes of the meeting held at PETROSA,
151 Frans Conradie Drive, Parow
on 13 May 2013 at 15:00**

Present:

Cape Town: A C Clay (Chairman)
S Davids (Deputy Chairman) A Dippenaar (PETROSA)
B Cerff (SACOIL) S Johnson (SACOIL)
W de Meyer (SACOIL))

Calling in: A de Bruyn (JSE)
J Etherington (Calgary)
J Scales (Sasol Coal)

Apologies: R Davel J Roux
J Decker J Scales
D Elliott H Sternberg
K Rayner

In Attendance: Sam Moolla

1. Welcome

Mr Clay welcomed everyone to the meeting and thanked the Cape Town members for attending. He advised that Ms Sam Moolla was replacing Miss Julie Dixon.

He advised that he preferred to have longer minutes which were a reflection of the meeting as opposed to minutes in a shorter format. Miss Dixon had previously recorded sound bites of the meetings on her iPad.

2. Review of Previous Minutes

2.1 Approval of the previous minutes

Page 1, Present: A Dippenaar (SACOIL) should read A Dippenaar (**PETROSA**)

The committee requested that the minutes be consistent with the use of either **PASA** or **Petroleum SA**.

Mr Clay requested Mr Etherington's assistance in adding any points of value that may be left in terms of PRMS and COGE. He requested committee members to also forward any comments to Ms Moolla in order to adequately reflect all that was important.

2.2 Matters arising from the previous minutes

Page 2, Action Items: Mr Davids had sent the minutes to the SPE earlier. Mr Clay and Mr Cerff advised that they could also assist in contacting the SPE.

Page 2, Action Items: Ms Moolla was requested to follow up with Miss Dixon regarding the copyright of PRMS. Mr Etherington added that there wasn't an issue in this regard. Mr Cerff added that the SPE had documents that could be downloaded related to the PRMS.

He would discuss this further with Mr Etherington to check that we have the necessary contacts to refer to.

Page 2, Action Items: The vague reference to Acts in the SAMREC and SAMVAL foreword would be discussed at the SSC meeting on 23rd May. Ms de Bruyn felt that this should be added to the Working Group agenda and not the SSC. Mr Clay added that problems in respect of ECSA/PLATO/SACNASP with regard to Oil and Gas were very minimal, but that it would be raised at the SSC again.

Mr Etherington reported that at the meeting in Geneva in April comments were specific to PRMS/CRIRSCO. UNFC was a sub-section and there was no regulatory term anywhere else. Mr Clay was under the impression that the Government made reference to UNFC not PRMS. He added that it was important that this set the base standard for all including Government.

Mr Etherington stated that we need only do one for all, and this defers to PRMS and CRIRSCO, and that he saw no conflict. If the Government was using UNFC then *defecto* it was referring to PRMS and CRIRSCO. Ms de Bryn agreed that there was a one-to-one mapping to PRMS and a note to this effect should be added. Mr Davids added that an Agency Chairperson had spearheaded the process and the Agency should still be leading this.

Mr Clay added that it was important this this be done for industry as well as for public reporting and should therefore be a document that could be used and not super ceded.

Ms de Bruyn recommended that this committee should stick to PRMS and not PRMS COGE.

Page 3, Action Items: Mr Etherington reported that although it was not mentioned in the Code but when talking to Government, the mapping could be referred to.

Page 3, Action Items: The question had been raised: *We need to consider whether "Possible Reserves" should be included in the valuation of the reserves.* This would be discussed later.

Page 3, Action Items: Mr Clay had the definition and it would be included.

Page 4, Action Items: Ms de Bruyn agreed that independence would be dealt with by the JSE.

Page 4, Action Items: "Netbacks" had been included.

Page 4, Action Items: Although the minutes reflected that this was pending, Mr Clay had included it in the content for review.

Page 5, Action Items: Ms de Bruyn reported that that the SAMREC Working Group were not dealing with competence for Oil and Gas so SAMOG would need to set up a working group to do this. Mr Clay requested Mr Etherington and Ms de Bruyn to assist in drafting this. He recommended that instead of reinventing the wheel they should consider what was already in other Codes.

Page 5, Action Items: The issue regarding a specific definition for Materiality would be parked for now.

Page 5, Action Items: Mr Clay advised that the *'information of this type'* was covered in Form 1.

Page 6, Action Items: Mr Clay stated that in using PRMS or COGE the primary issue was related to accounting standards and whether or not it would apply to an asset. Ms de Bruyn advised that auditors would not be able to audit resources and reserves and it had been agreed in the previous meeting to remove the word "audit"

3. Review of Oil and Gas Proposed Code Working Draft and subsequent changes

Mr Clay's letter to the Alberta Securities Commission (ASC) was attached to the minutes. He explained that it had been prepared on a Venmyn Deloitte letterhead but had been prepared in his capacity as Chairman of this Committee. He requested Ms Moolla to attach his report back to the minutes.

Action: Sam Moolla

Part 2 COMPETENCE AND RESPONSIBILITY

For the purpose of the Oil and Gas activities 'Competent Person' is a person who is duly registered as defined in the main SAMREC Code but in the case of Oil and Gas is a Member or Fellow of the SPE, AAPG, WPC, SPEE and Canadian Institute of Mining, Metallurgy & Petroleum (CIM), or a Recognised Overseas Professional Organisation (ROPO). A complete list of recognised organisations will be promulgated by the SSC from time to time. The Competent Person must comply with the provisions of any promulgated Acts that may regulate or legislate the preparation of a public report.

Ms de Bruyn stated that the SSC split ROPOs into commodities, and questioned who will take responsibility for ROPOs in Oil and Gas as the SAIMM did not have the competence to deal with this. She stated that they would say that their expertise was in mining and metallurgy and the GSSA would react in the same manner when contentious issues came up. The SSC would say that SAMOG had the expertise and linkages to do this, and as such she felt that the working group should set up a body of competencies. Mr Clay reported that this had been discussed at two meetings and Mr Ed Swindell had agreed that it be done under the SSC mandate. He had also discussed it with the Presidents of the SAIMM and the GSSA and Dr Smith had agreed to raise it at Council.

Ms de Bruyn stated that if the expertise could not be found the JSE would set up a Readers Panel from this working group for future reports. She added that she did not see this as a stumbling block because if there wasn't a "cosy place" within the SSC, it could be done as part of the JSE.

She recommended that the words "or a Recognised Overseas Professional Organisation (ROPO)" be removed until further notice. This would be added to the list of agenda items to deal with.

Mr Etherington stated that the ASC had a list of organisations that they saw as qualified. He requested that the CIM be taken out as they were no longer involved.

Ms de Bruyn advised that the list of organisations needed to be checked to ensure that they had a disciplinary process in place. It was confirmed that the SPE did not but that the SPEE had one. She advised that specific organisations should be included in order to refer members to a professional body for a disciplinary process. She added that there was a linkage between the JSE and the ASC. Mr Etherington stated that a person did not need to be a member of any of these organisations. Mr de Meyer advised that a person could be a member of one of these organisations but not qualified to do reports.

After due deliberation Ms de Bruyn recommended that a sub-working group is established to deal with competence. Mr Clay would prepare a brief for circulation to all.

Action:
Andy Clay

Page 5 (paragraph before 5.3)

(e) where *possible reserves* are reported together with other reserves the reporting format should show the quantities and qualities “inclusive” of *possible reserves* and separately the quantities and qualities “exclusive” of possible reserves.

This paragraph was included to assist the JSE as ‘proven and possible’ in mining and oil and gas was the same. However, mining and metals did not have a “possible” reserve whilst oil and gas did. Mr Etherington added that proven and probable should not be added together. The committee debated this and after due deliberation it was agreed that it should be reported separately but with a qualifying statement saying that the total was shown. Ms de Bruyn suggested that the paragraph be started with “Under normal circumstances and if it is reported together then...”

All committee members agreed that either PRMS or COGE could be used, but that the report had to state which Code was used.

5.9 Disclosure of Resources

(A) in the case of *undiscovered resources* or a subcategory of *undiscovered resources*:

Ms de Bruyn stated that the meeting had agreed that “undiscovered” resources not be included Mr de Meyer stated that this was done every day on all markets, and was based on geological expertise. After further debate Ms Moolla was requested to circulate Tanya Marshall’s paper for information. Mr de Meyer stated that if it was excluded from the Code how did we prevent companies from including it in their presentations to investors? Ms de Bruyn replied that if it was not in the Code it could not be used in public documents. Mr Clay would address this issue after the meeting and it was possible that a paradigm shift was needed from the conventional way if the norm in global standards included it. Mr de Meyer added that if the Code was made too difficult than companies would list elsewhere.

Action:
Sam
Moolla

Mr Clay would incorporate the recommended changes and distribute the updated document for comment. All committee members were requested to come back with their feedback as soon as possible.

Action:
Andy Clay
All

Mr Scales stated that as this was his first meeting, he would prefer to logoff and have a one-on-one meeting with Mr Clay in Johannesburg to get up to speed. This was agreed to and Mr Scales left the meeting.

5.7 Consent of *Qualified Reserves Evaluator or Auditor*

~~With reference to Part 5.7 the South African position of the SSC is that independence is not a compulsory requirement but may need to be demonstrated by the commissioning entity of a~~

~~report. Therefore it is not necessary to comply with Part 5.7 in South Africa~~ A statement must be included that the Competent Person has ensured that the information disclosed in the report is in compliance with the code and that the report may be published in its current form and context by the issuer.

The word auditor needed to be removed. The changes were reflected.

Ms de Bruyn advised that the Code needed to refer to a competent person not a qualified reserves evaluator. Mr Clay felt that this needed to remain for Oil and Gas. It was agreed that it should be stated in the Code that a qualified reserves evaluator was the same as a competent person.

Action:
Andy Clay

Mr Clay reported that Form 1 was corrected and tabled. He advised that it was exactly the same as NI51-F1 but that SAMOG terminology had been introduced.

Item 3.1 Constant Prices Used in Supplemental Estimates

If supplemental disclosure under Item 2.2 is made, then disclose, for each *product type*, the benchmark reference prices for the countries or regions in which the *reporting entity* operates, as at the last day of the *reporting entity's* most recent financial year, reflected in the *reserves data* disclosed in response to Item 2.2.

Mr Etherington advised that supplemental estimates should not at the last day of the entity's most recent financial year, and he would check on this.

Action:
John
Etherington

Mr Cerff said that the statement of reserves data does not quantify resources. Most oil and gas reports have both and could have resources without reserves.

Item 6.2 Properties With No Attributed Reserves

Mr Etherington advised that where a company did not have any discovered resources the ASC allowed them to report on it. Mr Cerff stated that the Code should also have prospective contingent reserves.

At this point the committee agreed that the clause regarding undiscovered resources would remain in the Code.

Ms de Bruyn raised the following points for discussion:

The SOUTH AFRICAN CODE FOR THE REPORTING OF EXPLORATION RESULTS, MINERAL RESOURCES AND MINERAL RESERVES (the SAMREC Code or the Code) sets out minimum standards, recommendations and guidelines for Public Reporting of Exploration Results, Mineral Resources and Mineral Reserves in South Africa.

She questioned whether this paragraph was necessary. Mr Clay would change the wording

Action:
Andy Clay

She also questioned the second paragraph, and Mr Clay advised that he had used it verbatim from NI51-101 and was reluctant to start making changes to headings etc. Mr Etherington agreed with Mr Clay,

Part 3 REPORTING TERMINOLOGY

Mr Clay agreed to look at this Clause as Ms de Bruyn felt that it was the same as first paragraph. She requested that the last sentence of the first paragraph be deleted.

Action:
Andy Clay

She questioned why there were two diagrams and Mr Clay agreed to remove Figure1 and rename Figure 2 as Figure 1.

All committee members agreed that a checklist was not necessary and that references to it should be removed.

Part 2 COMPETENCE AND RESPONSIBILITY

Public Reports are all reports prepared for the purpose of informing investors or potential investors and their advisers and include but are not limited to: company annual reports, quarterly reports and other reports included in JSE circulars, or as required by the Companies Act. The Code also applies to the following reports if they have been prepared for the purposes described in Clause 3: environmental statements; information memoranda; expert reports; technical papers; website postings; and public presentations, and the recommended reporting forms are those defined under NI51-101.

This paragraph would be deleted as it was a duplication of 5.1

Mr Clay would review 5.2 as Ms de Bruyn felt that it did not fit together.

Action:
Andy Clay

5.11 Net Asset Value and Net Asset Value per Share - Written disclosure of net asset value or net asset value per share must include a description of the methods used to value assets and liabilities and the number of shares used in the calculation .

Mr Etherington would check with the ASC why this was included in NI51-101. Mr de Meyer advised that this was done by analysts. Mr de Bruyn stated that as long as investors know that it is assets valued and not the company.

Action:
John
Etherington

Ms Moolla was requested to obtain the two definitions from Mr Njowa and include the key action items for distribution.

Action:
Sam
Moolla

4. Date of next meeting

The next meeting would be held within six weeks and a meeting request would be sent out shortly.

5. General

Mr Cerff stated that he was not comfortable with Form 1, and required more information.

Mr Clay stated that all committee members needed to know the definitions of the Code, and it was therefore necessary that if anything did not make sense, it needed to be clarified.

Mr Clay thanked everyone who attended and dialled in to participate in the meeting.

There being no further matters for discussion the meeting ended at 16:59.