

## SAMOG Committee Meeting Minutes

<b>Date of Meeting</b>	10 May 2022	<b>Time</b>				
<b>Chaired by:</b>	Peter Dekker	<b>Location</b>	Zoom			
<b>Minutes prepared by:</b>	Ann Donnelly					
<p><b>Present:</b></p> <table> <tr> <td>Peter Dekker Chair</td> <td>Andy Clay Annalie de Bruyn Sean Davids Siobhan Joubert</td> <td>Shane Hattingh Jeff Aldrich</td> </tr> </table> <p><b>SAIMM Secretariat:</b></p> <p><b>Apologies:</b> Mike Tosdevin Revelation Bulongwe Tarryn Orford</p>				Peter Dekker Chair	Andy Clay Annalie de Bruyn Sean Davids Siobhan Joubert	Shane Hattingh Jeff Aldrich
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<b>Topic</b>	<b>Discussion</b>					
<b>1. Welcome</b>	Mr Dekker welcomed everybody to the meeting.					
<b>2. Minutes of previous meeting</b>	The minutes of 27 May 2021 as previously circulated were accepted as a correct record.					
<b>3. Action items from previous meeting</b>	Mr Dekker noted that there had been a significant time lapse between meetings, so many of the action items had been taken care of. The outstanding action items will be part of this meeting					
<b>4. Reporting requirements for Stock Exchanges</b>	<p>The committee discussed how prescriptive the reporting requirements for the Stock Exchange should be. The COGEH is prescriptive and onerous for listed companies while the PRSM is more a guidance and leaves some leeway. Both systems have their advantages and disadvantages. If the requirements are left broader it is easier for companies who are listed on multiple exchanges. COGEH seems to be onerous and sometimes defeats the purpose and sometimes looks like ticking boxes instead of adding value. The PRMS allows for some judgement of the evaluator. If PRMS is used responsibly it probably is the preferred way.</p> <p>Since there is a drive from the JSE perspective to make things simpler it is recommended for SAMOG to continue reviewing the Code with PRMS in mind. To date the JSE has not received any complaints regarding the SAMOG code. If the Committee reviews the Code it is</p>					

	important to keep in mind that it should be workable and meaningful and not a matter of ticking boxes.
<b>5. SAMOG CODE UPDATE</b>	<p>Mr Tosdevin had done extensive work two years ago in making comments on the SAMOG Code and these had been circulated, after which Mr Clay summarised the changes. No further action was taken. With two new members on the SAMOG Committee, which adds a lot of experience, it was proposed that the Committee members would familiarise themselves with the proposed changes in the code and add other changes if required. The Committee would set up a 2-hour meeting at the end of July/beginning of August to discuss the changes and finalise the Code. It is important to focus on what has changed, but also on what has not been described or what has to be added.</p> <p><b>Action:</b> Gugu Charlie</p>
<b>6. ONGOING OBLIGATIONS</b>	<p>Currently, the SAMOG Code was mainly for companies which listed on the JSE and for press statements made according to the SAMOG Code. There was no obligation for following the SAMOG Code when preparing annual reports. Mr Dekker asked whether it would be possible to set out the new requirements for the JSE regarding ongoing obligations to the annual reporting of resources and reserves.</p> <p>Currently there are solid minerals ongoing reporting requirements which can serve as a guideline to oil and gas. Section 12 of the JSE listing requirements deals with this. It is clear that only volumes, value is not sufficient. It is essential that the major assumptions should be reported as well.</p> <p>It is important to consider requirements in other jurisdictions so not to be out of line. ASX seems to be less onerous on reporting requirements compared to JSE.</p> <p>Ms de Bruyn agreed to review this for the next meeting and would send an e-mail prior to the meeting to the committee with a proposal</p> <p><b>Action:</b> Annalie de Bruyn</p> <p>Mr Clay suggested that the Code could say that an annual update was required only if there was a significant change, greater than 10% of the reservoir value, for example. This would be as a short-term and was one alternative. He did not believe that Oil and Gas should be following mining.</p> <p>Mr Dekker added that, in the big companies where he had worked internationally, there was a requirement within the company to do an annual reserve estimate review, just for their own planning going forward. If there was a material update, that change would be required to be done even if it was done on a quarterly basis. They were looking for that materiality.</p>
<b>7. AUDITS &amp; REVIEWS</b>	<p>The question raised was how to qualify reserve auditors / evaluators, since the reserves are based both on volume and value. How much experience or knowledge should a reserve auditor / evaluator have in technical and/or economic evaluations? There are SPE guidelines which do put emphasis on the commercial aspect of the evaluation such as</p>

	<p>cash flow modelling. The problem is how many auditors / evaluators have sufficient expertise in both disciplines?</p> <p>At the moment it is unclear what qualifies a resource/reserve evaluator/auditor? The SPE had reasonable definitions of what qualifications and experience an evaluator should have. Different stock exchanges had different requirements. In London, it was very much self-regulatory and by reputation; whereas the Toronto Stock Exchange had specific qualifications and requirements that were required. Currently there is no hard and fast rule on this.</p> <p>The SPE and AAPG are currently working with a committee called 'the Joint Committee on Reserve Evaluator Training' (JCRET) to try and standardise the reserve evaluator training programme in order to set the standards of what a reserve evaluator really should be. In the past, when this idea had first been put forward, there was a large pushback from the big companies like Shell and Chevron, that they did not want this because that would mean they had to train their internal audit teams. Now that they had gone through some pressure from Wall Street on their 'unconventionals', they recognise the need for this. It is unsure when this will review will be completed.</p> <p>There is quite a difference between writing a reserves report and doing a valuation. For reserves you do need your production forecast, CAPEX, OPEX and a view on commodity pricing going forward. In addition, the contracts need to be understood in order to know your net entitlement. Calculating an NPV from the economic limit tests is relatively easy.</p> <p>Valuation is different and some Stock Exchanges require that a valuation be done for a listing company, whereas the London Stock Exchange does not require that to be done. Valuations take a lot more economic parameters into account, e.g., tax status, discount rate future commodity price, etc. Regarding the Competent Persons Report for the London Stock Exchange tends to be very useful for investors, as they contained a lot of the necessary information.</p> <p>Mr Clay believed that if anyone was going to be a QRA, they would have to have experience in both value auditing and reserve updating. It was agreed that there should be equal weight to both. This would have to be treated very carefully and transparently. Mr Hattingh advised that there was quite a distinction between writing a reserve report and doing a valuation. Most companies that needed to report reserves needed to have the production forecast, CAPEX, OPEX and a view of the commodity prices going forward.</p> <p>It is open for the Committee to decide what would be required by the JSE.</p>
<p><b>8. MEMBERSHIP OF SAMOG</b></p>	<p>Two members had left the Committee and it was proposed that Siobhan Joubert become a member. Ms de Bruyn advised that the SAMOG Committee did not have to go through the JSE; it was the Readers Panel that had to do so. It was agreed that Ms Joubert would become a member of the Committee.</p>
<p><b>9. CHAIRMAN</b></p>	<p>Mr Dekker advised that he had been Chairperson for some time. It was agreed to maintain Mr Dekker as Chairman to ensure continuity.</p>

<p><b>10. SUSTAINABILITY GUIDELINE</b></p>	<p>Since the beginning of 2021, investors were asking the JSE to mandate companies to discuss sustainability and climate related information. The JSE had first wanted to look at what was happening internationally around standard requirements, as well as the national agenda in South Africa on this. Towards the end of last year, the International Sustainability Standards Board (ISSB) was created under the International Financial Reporting Standards (IFRS) Trustees. They drafted standards for comment on sustainability and on climate. At the same time, the SAMESG Committee started on whether to update that guideline. Australia's JORC also considered their own guidelines on ESG disclosure, and CRIRSCO were also looking at this. South Africa had issued a guidance for climate-related specific disclosure based on Task Force on Climate-related Financial Disclosures (TCFD). She had indicated to the SAMESG Committee to check and see what the ISSB was doing in this regard. The JSE would probably end up mandating the ISSB standards.</p> <p>The ISSB standard would be applicable to all industries and each industry would have its own metrics. The proposed update to the PRMS which is circulating now there will be a new chapter on ESG. If it is approved, the chapter will basically pull from all the sections of the PRMS indicating that you must comply with local legislation on ESG. The ESG would reaffirm whatever the policies of the local governments are. The PRMS will not be making a climate change statement, but would stipulate following whatever the local Government requirements are for whichever area one is working in. The PRMS guideline is not yet in the public space.</p> <p>The updated PRMS Code should refer to the ESG and related guidelines. Possibly referencing the PRMS updated sections would suffice if the sections do not contradict the local legislation. A representative of the SAMOG committee should be involved with SAMESG. If the SAMESG Code covered Oil and Gas, there would not be a need for a separate guidance. It is essential that the committee ensures that there is no conflict between what PRMS and SAMESG.</p> <p>Mr Aldrich agreed to send the draft to the SAMOG Committee for review in due course.  <b>Action:</b> Jeff Aldrich</p> <p>Mr Dekker would get in touch with SAMESG to see how they could get invited to the meetings to keep au fait with what was happening.</p>
<p><b>11. GENERAL</b></p>	<p>Mr Clay advised that he had been working on a water resources management system for some time and it was close to being approved. He believed it would be useful that SAMOG be made aware of this and pass it through to the SSC. Mr Aldrich agreed that if this Committee wanted to be aware of what was going forward with the water management document, he had no problem with that. Mr Davies asked if 'water resource' referred to surface or ground water. Mr Clay responded that it was any water. Mr Aldrich clarified that it was any water that could be commercialised.</p> <p>Ms de Bruyn suggested that once the meeting had been set up for July, that meetings be held monthly for the next couple of months. This was agreed.</p>

<b>12. MEETING CLOSURE</b>	Mr Dekker thanked everyone for their attendance and contribution. The meeting ended at 15:15.
<b>13. NEXT MEETING</b>	The next meeting date was not decided.

### Matters arising/Action Items

Meeting Date	Action	Responsible	Due	Status	Comments
	Set up meeting for last week in July (2 hrs duration)	G Charlie			
	Look at current Section 12 and see what minimum requirement is	A de Bruyn			
	Send draft to SAMOG Committee for review	J Aldrich			