

MINUTES OF THE SAMVAL WORKING GROUP MEETING
HELD ON 26 FEBRUARY 2015 AT 07:30
IN THE DELVILLE WOOD ROOM, MILITARY MUSEUM

Present

	K Redman (Chairman)	
	J Botha	J Luckmann
	A Clay	J Ruddy
	A M de Bruyn	A MacDonald
	A Kinghorn	D van Niekerk

Apologies:

	R Croll	E Takolia
	S Laubscher	J Upshall
	T Marshall	G Njowa

In Attendance:

	R van der Berg	SAIMM
	Y Ramokgadi	SAIMM
	A Donnelly	Scribe

1. Welcome

The Chairman welcomed everyone to the meeting and a list of apologies was read by Mr van der Berg.

2. Acceptance of previous minutes

The minutes of the meeting held on 29 January 2015 were accepted as a true reflection of proceedings.

3. Matters Arising

Ms Redman took the floor through the updates she had made to the Code (up to **Section 4: Guidance**), as per suggestions made at the previous meeting. There were still a few items that needed checking and addressing and these would be attended to.

Action: K Redman

In terms of alignment and timing, the Chairman advised that SAMREC had updated their Code, showing a comparison between the old and the new. This put pressure on SAMVAL to catch up. However, SAMREC had not yet finalised their Code, so there was still time to get the SAMVAL draft through to the SSC. The purpose of this meeting was for the working group to go through the Code line by line. It was important to avoid going around in circles and to start with the end in mind.

Mr Clay commented that SAMVAL should try to ensure that the working group answered those queries that could arise in public consultation and that SAMREC were moving more towards a prescriptive process.

Ms de Bruyn informed the meeting on the two phases of JSE rule changes; the first phase was scheduled to commence next week and the second phase would start in July. If this SAMVAL 2016 Code was to be issued in 2016, it would have to be ready in July 2015.

4. Finalisation of the draft SAMVAL Code

Members accepted the Chairman's suggestion to work through the draft Code on a point-by-point basis.

The following changes were suggested to the draft Code (version 8):

Section 3: Standards

3.3.3 Cost approach – some debate arose around the term "gross in situ value" and how one would differentiate between best practice and principle. It was suggested that this be put under Section 3.3.2 – Market Approach.

3.7 It had previously been agreed that standards should be "must".

Section 4: Guidance

4.4 The valuation process: It was agreed that this clause be left in under "Guidance".

4.4.1 Principles: It was agreed that the wording was required, but that the heading should be removed.

4.4.2 Values: It was agreed that the wording was required, but that the heading should be removed.

4.5.2 Values: Ms de Bruyn had raised a query on what was meant by "balanced reporting". The Chairman confirmed that a definition for "balanced reporting" would have to be provided. It was agreed to remove this clause.

4.6 Valuation Methods: There was some debate around the column "advanced stage exploration" in Figure 1: Relationship between stages of development and valuation approaches for mineral assets. Mr MacDonald believed that one could not use the income approach on a deposit and noted his objections. It was decided to change "widely used" to "less widely used" under Income.

Ms de Bruyn cautioned against the risks of including the last paragraph under this point, i.e. "Technical and related parameters and modifying factors....." After discussion, it was decided not to remove this paragraph, but rather move the last sentence further up in the paragraph, as it established the principle.

Mr MacDonald raised a query regarding "cost of capital and discount rates" as he believed this was an accounting issue. It was agreed to leave this as is.

4.8 Valuation of Inferred Resources, Exploration Properties and Exploration Targets: As per a comment from Ms Marshall, it was agreed to remove the word "potentially" in the first paragraph. In addition, it was agreed that the word "calculation" be replaced with "estimation".

IFRS reference to be checked under the first bullet point.

It was agreed to remove the paragraph "Technical and related parameters and modifying factors....."

- 4.9 Scoping Study: It was agreed to remove the words "(and may also include Mineral Reserves, where relevant)".

The third paragraph regarding capital cost estimate accuracy would be removed.

The paragraph regarding scoping study evaluations and valuations would be removed.

It was suggested that the sentence regarding "the accuracy of input assumptions..." be tidied up.

- 4.10 Independence: Ms de Bruyn queried whether this was a duplication of Clause 4.3 and it was suggested that the contents of 4.10 be put in as 4.3.

The paragraph regarding Relationship to Accounting Standards to be removed.

- 4.11 Highest and Best Use (HABU): It was agreed to leave this clause in as guidance. It was also agreed to replace the words "Highest and Best Use" with the acronym "HABU" in the body of the paragraph.

- 4.12 Dealing with Risk in Valuations: It was agreed to accept the wording from H Borman, with the following proposed change –

The words "CV should disclose" to be replaced with "CV should highlight the uncertainties associated with the resources and modifying factors in such a way that an informed layman can have a clear understanding of the risks involved in the valuation. The CV should conduct a risk assessment of the valuation using appropriate techniques."

It was agreed to place this item on the "parked" list and discuss it further.

Action: K Redman

All definitions would be moved to the Definitions Section.

Action: K Redman

- 4.13 The Behaviour of the CV: all references to "he/she" should be replaced by "they".

Section 5: Appendices

Appendix A - Table 1:

Numbering under "criteria" column to be corrected, i.e. T1 instead of T2.

- T1.0 Illustrations: it was agreed to leave this paragraph in the document, but to reposition it under "Identity".

- T1.1 Executive Summary to be changed to Synopsis

- T1.8 Sampling and Assaying: this paragraph had previously been removed and it was agreed that it should remain.

- T1.13 Valuation Results: A query was raised as to the use of "must" and "should". It was agreed to leave it as "must" but that companies could apply to the JSE for special dispensation as per their rules. It was believed that the checklist for the Readers' Panel would show if dispensations had been granted.

Some members believed that there should be distinction between principles ("must") and guidelines ("should"). A suggestion was made to follow the SAMREC "if not/why not" pattern and it was agreed to include this where necessary.

Action: K Redman

It was agreed to leave it as prescriptive and change "should" to "must".

Action: K Redman

Appendix B – Specific Competencies: The Competent Mineral Asset Valuator (CV)

Debate again arose regarding the inconsistent use of "must" and "should". It was agreed that the document be reworded as follows:

"The CV must be able to demonstrate the following specific competencies:

- To apply the Principles, Standards and Requirements of Mineral Asset Valuation (i.e. Materiality, Competence, Transparency and Reasonableness) as described in the SAMVAL Code);
- To identify the Mineral Assets being valued in terms of the valuation scope and purpose, in order to generate a Value;

Etc."

Appendix B should be referred in Section 2 (2.1.3 Competency) of the Standards; e.g. "...and who is able to display the competencies as detailed in Appendix B".

Mr van Niekerk suggested using a uniform publishing format throughout the Codes in terms of tables and diagrams.

The document should be referred to correctly in Clause 1.5 of the Standards, i.e. "Additionally, a table is included (Appendix A, Table 1) that defines the recommended Mineral Asset Valuation Reporting and Assessment criteria".

In Appendix B, it was suggested that the third bullet point be amended to read as follows: "To determine the Market Value of the Mineral Asset in terms of the IFRS definition in Glossary of Terms – Appendix C"

The IFRS Hierarchy of Fair Value to be described in Glossary of Terms – Appendix C.

The relevance of the bullet point concerning the CV being able to practice across international boundaries was questioned and it was agreed that this was irrelevant.

Some debate followed on the correct wording in terms of competence, i.e. appropriate experience. It was agreed to expand the introductory sentence of the final bullet point to include the experience component.

Appendix C – Glossary of Terms

- Mr van Niekerk requested full details for the various abbreviations, e.g. VALMIN, IFRS.
- Ms de Bruyn requested that the glossary of terms be ordered alphabetically for ease of reference.
- There was a suggestion that the title "Glossary of Terms" be changed to "Glossary of Terms and Abbreviations"

Ms Redman undertook to make the necessary changes to the Code and then send this to members as the Final Draft.

5. Next meeting

The next meeting would be held on 26 March 2015.

The meeting concluded at 11:00.

SUMMARY OF KEY ACTION ITEMS

Kelly Redman:

Update all suggested changes to the Code
Check for inconsistencies re definitions