

NOTES OF THE SAMVAL COMMITTEE MEETING
HELD ON 30 August 2018 AT 08:00
MIDSHAFT BOARDROOM, MINING PRECINCT, CARLOW ROAD

Present:

K Redman (Chairperson)
A MacDonald
A van Zyl
M Mullins
A Kinghorn
T Marshall
GE Dohm
J Luckmann
J Ruddy
H Bornman
V Duke

Apologies: R Croll

In Attendance: K Shumba (SAIMM)

1. WELCOME

The chairperson welcomed everyone to the meeting.

2. APOLOGIES

The chairperson noted that Mr R Croll has sent his apologies.

3. ACCEPTANCE OF PREVIOUS MINUTES

The minutes of the meeting held on 30 August 2018 were accepted as being a true reflection of proceedings.

4. MATTERS ARISING

Ms Marshall raised the funding issue and Mr Mullins advised that there was progress especially with the GSSA. They have started to put together an overall funding mechanism for blanket funding for a lot of activities and have asked the SSC to submit a business plan with all the expenditure that the SSC is likely to have. Mr Mullins has also approached the SAIMM and they have asked for a similar business plan.

Mr Mullins advised that in terms of funding by committee members, he has spoken to Mr Alex Bells who is very keen. Mr Bells is also asking for the business plan for the SAMREC app. Ad hoc funding is currently from Gematics, but at this stage there have not been any networks in place to say they are co-funding the SSC. Mr Mullins added that the

committee must be very careful before a decision is made because that would mean bringing in a third sponsor.

ACTION: Matt Mullins

5. IMVAL

Nothing was discussed under this item.

6. PARKED ISSUES

Mr Mullins stated that at the last meeting – Mr Mullins, Mr Duke, Mr Croll and Mr Bornman discussed the guidance notes and their construction thereof – one was to state the nature of the problem (What is SAMVAL CODE?) and then what is the interpretation and application of the SAMVAL CODE?.

Mr Duke discussed that the topic that was selected was the need to differentiate between commodities and must be clear on how the interpretation of that contract is treated, and how certain costs were collated to the revenue that associated with those costs – so essentially when an evaluation is done, there is a need to be clear and transparent.

Mr Duke further stated that SAMVAL says one cannot report a metal equivalent unless it shows the individual components with their individual grades and often the equivalent is used as a more simple reporting mechanism.

Mr Duke advises that SAMVAL says one cannot report a metal equivalent unless you show the individual components with their individual grades. Mr Mullins agreed that it is specified in the code.

Mr Mullins advises that it is noticed on the latest PHP annual report presentation they are giving a new formula for the calculation of the metal equivalent. It looks like it is compliant with SAMREC.

Mr Mullins refers back to EMG as the comment, but the asset itself is the copper asset with gold by-product. At a company level you probably make the argument that it would still be a gold equivalent for that group level. Mr Mullins states it is just still primarily a gold company with copper production potential but the asset itself is clearly a copper asset with gold as a by-product.

Mr MacDonald suggests a cautionary statement in terms of the regularity to see how the whole thing flows through to get to the final result. It could be useful.

Mr Bornman was requested to draft an appropriate quarterly statement.

Ms Redman requested the committee to send additional questions like these to Mr Duke for review and circulate to the committee for comment.

ACTION: Hannes Bornman/Kelly Redman/Vaughn Duke

6.1. Internal Valuation Report

Mr MacDonald raised the Internal Valuation Report as the next point of discussion.

We are again following the same concept to say what are the issues that we have encountered? What is the code saying about it? And what is our recommendation. So what is the statement of the problem or the concern? What does the current say? What is the recommendation going forward? The issue here regarding Internal Evaluation

Reports, you come across from time to time a report would state this is for internal consumption. Those kinds of reports do not comply with SAMVAL CODE. They are all the same and it appears in the public domain while those groups are going out to get fundraising from the bank or something similar. So what we are advocating is that any valuation report should, as far as possible, comply with the SAMVAL.

Mr Duke raised that there is a bigger problem because for private reporting there are all sorts of funny things happening and creating all sorts of false misconceptions.

Ms Redman advised only if he says that the report is written in compliance with SAMREC or SAMVAL. The reality is, is that outside of the JSE we have very limited scope for doing something except to potentially report someone if they have written, say a report is done SAMREC/SAMVAL, we can then report them.

Mr Mullins reiterated that all we are trying to do is get a common set of rules in the game so that when someone takes your piece of work they can say it is within this framework. And if you have gone through the principles of transparency and whatever is necessary to align yourself as closely as possible, where you are not compliant state it.

Ms Redman suggested that perhaps there is a need to read the SAMREC code? Because we do not call it mining inventory. We have got exploration target and mobilisation which cover all of those issues. And there is a lot of detail on it.

Ms Redman reiterated that fundamentally we do not have jurisdiction over internal reporting.

Ms Redman said that in the code we actually have a section in the code that basically says what the client actually has to comply with. If you are doing a valuation for a client you need to go to that and you need to actually make the client sign the document that says that they have given you all the relevant information; they have done this, they have done that, they have done that. So actually if you read the code you say the data responsibility that you actually have to get all of that and part of that. Part of that could be that you need to actually get sign off if it is not going to be compliant.

Mr Mullins reiterates that the focus should be on stating the terms of reference and making sure the client understands his obligations as well.

Ms Redman suggests that the committee reference that section in the code about the responsibilities of the commissioning entity. There is quite a lot. Ms Redman suggests more thought should be put into it.

ACTION: Kelly Redman/All Committee Members

6.2. Risk Reporting in the Valuation Report

Mr Bornman asked for clarity on that if there is a paper pool can you have a value for a project? This means if you do not have a license or a tender can you write the report?

Mr Duke advised that in terms of licensing and how it is managed it is an issue. If a license expires, they submit documentation to DEMAR. DEMAR acknowledges receipt of their application and that becomes your mitigation strategy so you downgrade from red to orange and therefore you can carry on so that needs to be looked at.

Mr Duke spoke about the value of rights as a topic that Mr Croll was going to write about.

Mr Mullins said in any risk assessment to make the other part of the equitation is the mitigation and the residual risk rating. So your final statement will say that the fact clause identified and it cannot be valued. Mr Mullins also stated that he does not agree with that. Instead the mitigation is not going to be in the company's assessment or the projects assessment going to be successful the residual risk rating is still high then under that circumstance perhaps. One can still bank it as long as you quite clearly specify what the risk are but your plan mitigation is what the residual risk can be. Where the problem comes in is that there are different systems for measuring probability and there are some common ones but companies often will use very different ones.

Ms Redman advised that if you go to the ISO definition of risk it actually does say incorporate upside and downside. So any risk note should actually go to that ISO definition. After some deliberation, committee members are in agreement.

Mr Duke refers back to whether the industry understands or does not understand risk. It is not our job to educate them. Our job is to put together a standard that says under these circumstances with correct wording this is how you should value your product. Going back to this wording, Hannes, that you have got in here that a standard risk matrix represents those risks that both are high probability and seen with a negative. It should be broader than that. Have a high risk rating, which is a combination of those two and a high residual risk rating. That is the circumstance that needs to be looked at carefully in the valuation side. Those risks are the ones that need to take place that needs to be – Mr Mullins supported this.

Ms Redman asked if anyone who has the book on the Australian guidance notes to please circulate it. Dr Dohm said she will try and find the book and will circulate it.

Mr Mullins added that there is a similar thing with Hong Kong where they have a specific guidance note 7, which talks about how to report risk in a competent report. Ms Redman asked Mr Mullins to please also circulate this.

ACTION: Robert Croll/Christina Dohm/Matt Mullins

6.3. Risk Identifying

Mr Duke noted that there is tendency that has crept into reporting of value of the TPR's that refer to the final evaluation and the second evaluation they do. Another reference is that people's evaluation table that says that is why we, yes why we, and that is now case now the qualification of primary secondary it is belonging to the case. Then we gained the whole idea of valuation methodology.

Ms Redman advised that the people evaluation table itself is just a guidance in terms of which method you would likely use in this situation and the 2016 is the only version that can be used. Ms Redman will also go through the evaluation table and read a bit more on it.

6.4 Guidance Notes 4.4 (Weighting)

Mr MacDonald advised that this was to do with the weighting of applying of arbitrary weights to your valuation methods to get to a final figure. It related originally to clause 26 of the 2008 SAMVAL CODE. During the discussion someone said they have never seen that guidance notes. So that has been redone to now relate to guidance note with reference to clause 4.4 in the code cover and there is a misprint in there, by the way, in terms of what was originally the definition of 4.4.

Mr MacDonald further stated that the statement that is made is incorrect. It is not weighted. The first line; "The result in the valuation approach to the methods employed

should be weighted.” The weighted should be weighed, and that is where the footnote comes in.

Ms Redman advised that idea is for Mr McDonald to put all the guidance notes on the website. Ms Redman also asked Mr McDonald to have a list of things that were addressed in the code and a reference to the code where it is addressed. That list should be published.

Mr MacDonald to put all the guidance notes on the website and also published a list of all outstanding issues.

Ms Redman added that the idea would then be to circulate the final version to the SAMVAL committee and to the SSC before the meeting.

Mr Duke asked if the committee can get feedback on this within two weeks and Ms Redman was agreement.

ACTION: Andrew McDonald

7. REGISTRATION ISSUES

Ms Redman noted that nothing much has happened around the registration issue

8. GENERAL

Mr Duke reminded the committee members about what was spoken about the last time that he wants to give a presentation but it was not ready. But we have had some discussions about it. Mr Duke wants to seriously raise an issue about how effective we are and how we are going about things and we can possibly improve by putting up case studies and go through what has happened out there in the public domain - in our public domain. Ms Redman cautioned on confidentiality and that the presentation should not give names.

Another important item that committee members agreed to add on the next meeting agenda is how to increase committee participation and get people from industry involved.

9. DATE OF NEXT MEETING

Ms Redman thanked all members for their participation and advised that the next meeting would be held on 29 November 2018.

SUMMARY OF KEY ACTION ITEMS

1. Matt Mullins

Matt Mullins to put together the business plans/proposals for the GSSA and SAIMM.

2. Hannes Bornman

Hannes Bornman has been requested to draft an appropriate quarterly statement.

3. Kelly Redman/Vaugh Duke/All Committee Members

Kelly Redman requested committee members to send additional questions to Vaughn Duke for review and for Vaughn Duke to send to committee members for comment.

4. Christina Dohm/Matt Mullins

Christina Dohm will try and find the book on the Australian guideline notes and circulate it.

Matt Mullins will circulate the Hong Kong guidance notes.

5. Robert Croll

Robert Croll to write about the value of rights.

6. Andy MacDonald

Andy MacDonald to put all the guidance notes on the website and also publish a list of all outstanding issues.