

**NOTES OF THE SAMVAL COMMITTEE MEETING**

**HELD ON 05 MARCH 2020 AT 08:00**

**CSIR MININGTEK, CARLOW/RUSTENBURG ROADS, AUCKLAND PARK  
JOHANNESBURG**

**Present:**                **Mr A van Zyl                (Chairperson)**  
                              **Mr H Bornman**  
                              **Mr V Duke**  
                              **Dr T Marshall**  
                              **Mr G Njowa**  
                              **Ms K Redman**  
                              **Dr S Rupprecht**

**Apologies:**            **Mr R Croll**  
                              **Mr A Kinghorn**  
                              **Ms A Du Bruyn**  
                              **Ms T Steele-Schober**  
                              **Mr JG Taylor**

**In Attendance:**      **Ms C Jardine (SAIMM)**

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**1.        WELCOME**

The Chairperson welcomed everyone to the meeting and apologies were noted.

**2.        ACCEPTANCE OF PREVIOUS MINUTES AND MATTERS ARISING**

The minutes of the meeting held on 28 November 2019 were taken as a true recording of the proceedings, subject to the following amendment:

Page 5, under Key Action Items – correction of spelling of the names of Messrs Bornman and Njowa.

**3.        KEY ACTION ITEMS**

In terms of the key action items, Dr Marshall noted that she was supposed to get together with Mr Njowa to discuss ECSA involvement with SAMVAL. This had not taken place as yet. Mr Njowa suggested making time during the following week to take this offline. Agreed.

Ms Redman advised that she still had to discuss the IMVAL position paper for presentation at the SAMCODES Conference with Mr van Zyl.

#### 4. IMVAL

The Chairperson advised that there had been one IMVAL meeting since the previous SAMVAL meeting and that this had not been eventful. Mr Duke added that there was the introduction of the new Chairperson and discussion on the roles and jurisdiction of the new committee; and there was a request for two members to take charge of two new portfolios. The Chairperson agreed to circulate these minutes.

**ACTION: VAUGHN DUKE**

There was also a discussion about the template and membership; and how people could become members of IMVAL. Mr van Zyl believed that as there had not been any applications to become members, it was a bit premature to create procedures to become members when there was no case study to work on. He suggested it was pointless to do it at this stage and that that should be a discussion for a later stage.

There was also a discussion on the template and a sub-committee had been put together to work on this. This sub-committee had not met as yet.

On the website, there was a new sub-committee and funding was available. SAMVAL had also contributed towards this and a few people would be designing and populating the website.

Mr van Zyl was not sure if people present were aware of the new SEC Guideline and the SK1300. There had been a lot of discussion in SLK and he advised that he was not really in a position to give formal feedback; other than their US office had spent quite a lot of time understanding whether one could do feasibility studies safely at all for anyone who was going to have anything to do with a US listing. The way the guidelines appeared to have been set up was that you would actually commit to a level of accuracy and may be held liable should you fall outside of that range to which you have committed. Ms Redman asked if that included everything, i.e. capital, etc. Mr van Zyl responded that there had been discussions on whether one could do the feasibility studies for any company. The risk was that it was not just for US companies; it was for any company that could end up being listed in the US. For example, if you did a project in the DRC and that company ended up being bought by a US listed firm, and you had signed off on an accuracy level that this was a feasibility study that was within 10% and it was not, you would still be exposed. Clearly the only people who would not really be affected were Canadian companies who were under NI43.101; then you would essentially not be held liable under the US system, but rather under the Canadian. Mr van Zyl suggested at looking at a way to do a formal presentation, as it was a huge risk for valuers. Some discussion followed on the implications of this. Mr van Zyl's concern was that there was no way to manage those risks; the time and the cost to defend this also had implications. He added that the issue with the SK1300 was that if you were actually committing to a certain level of accuracy in that kind of legal environment, it was a risk. There was also the issue with dual-listed companies. Ms Redman asked whether companies could not then just call it a 'pre-feasibility study' instead of a feasibility study, in order to get around it. Mr van Zyl just wanted people to be aware. The feasibility study was where more of the risk lay.

It was also mentioned that one of the things was not to specify an accuracy level, but rather state how the estimates were derived and then the reader could determine what the level of confidence could be placed on the estimate. Ms Redman added that mostly, when people did a feasibility study and you had the DCE, that was only where you could actually talk about those levels of accuracy. A lot of those came after a feasibility study, so it would be impossible, in a feasibility study, to come anywhere within those ranges. Mr Duke commented that the accuracy of a feasibility study was normally around the costs and budgets and that the accuracy on engineering came afterwards, so the design detail would have to be increased in the pre-feasibility work and one would have to be

more conservative. Ms Redman commented that even if you overstated; if you were out by 10% you were out. The biggest issue was that your study was always more sensitive to your review. You could engineer something to the nth degree and get down to 1% accuracy, but if you had a 20% level of inaccuracy, you would be hugely out and your review or NPV was governed by your metal price forecast. If you got that wrong, that would be the biggest problem.

Mr van Zyl advised that his company's perspective was that there was a way to do this, but the estimate was that it would be at two or three times the cost. The cost of doing this and managing the risk was that you were looking at multiples of the previous cost. Dr Marshall asked whether this would prevent people from listing in the United States to rather go somewhere else. Mr Duke advised that the only thing that came out of the discussions was that there would be further discussions.

Mr Bornman raised a scenario. If one did a valuation on a company based in the DRC and, after the valuation and DFS had been done, that company was subsequently purchased by a US company, the feasibility study would still have been done outside of the ambit of the American Stock Exchange. He wanted to know how it would work if they wanted to retroactively take it to court. Mr van Zyl responded that he had not studied the matter in such detail, but the impression he got was that there was enough room within this new rule that it was likely that the lawyers would back themselves to make something stick. In the event that some shareholder suffered loss, or the price doubled and people were out of pocket, there could be potential damages claim and that was where the risks were. His impression was that once somebody suffered loss and there was potential for either a class action suit or something, there was enough scope in the new rules to give lawyers a feeling to make something stick against someone. Mr Duke added that you needed to defend the fact that your valuation was done at a certain point in time. What they were trying to discourage was based on people not understating those budgets. The idea was fine, but the exposure was too much. Some discussion followed on stating the accuracy.

Mr Duke added that there were different guidelines and legislation on feasibility for different industries and one of those really aligned completely. The issue was on the table and was under discussion. Mr van Zyl suggested that if anyone was in any way involved in a US-listed company, they should take the time to understand their risks.

Mr Duke continued that the last thing that came out of IMVAL was that while IMVAL/SAMVAL work together, they did not believe they were going to be SAMVAL's CRIRSCO. They did not want that level of engagement and it should be a lot more relaxed and informal. That was the theme that came out from John Kristoffersen in summarising the arrangement. IMVAL was still seen as an apolitical body, so hopefully it could be a non-partisan body and not trying to publish a particular valuation code. The only way that this could go forward was if it was actively funded; and companies would have to come on board and create some permanent positions. Currently it was a volunteer organisation and people gave of their time at their own cost, so there were limits to what could be achieved. They did not even have any administration staff. It was noted that CRIRSCO was also made up of volunteers. John Kristoffersen stressed that they did not want to become like CRIRSCO. The main precept was that it was a co-ordinating body to ensure that valuation principles adopted anywhere in the world were consistent. From that perspective, it was recommended best practice. It was very valuable for an industry to have a non-partisan group advocating for a set of standards that was reasonably aligned around the world on all mineral projects. Mr Bornman advised that countries like Mongolia and China also wanted to have their codes into CRIRSCO to be recognised internationally, because all the financial institutions only wanted JORC, SAMREC or NI43.101 and they also wanted to have their codes so that they could be recognised by the international financial institutions. Mr van Zyl noted

that IMVAL was engaging with the SEC and there was also involvement with the US to try and explain where the flaws were.

## **5. PARKED ISSUES**

Mr Bornman advised that under Agenda Item 2 – Matters Arising, he had not yet circulated the guidance notes. This would be attended to at the earliest opportunity.

**ACTION: Hannes Bornman**

Regarding preparation of presentations to the SAMCODES Conference, Mr Bornman reported that the SAMCODES Conference had been postponed, as only ten responses had been received. The Conference was now scheduled to take place in August. Ms Jardine advised that a survey would be carried out to determine the level of interest. It seemed to Mr van Zyl that senior mining people in South Africa benefitted from the fact that there were reputable Codes, but there did not seem to be any active support and appreciation for the fact that somebody was putting this all together. Ms Redman asked whether someone had presented at the Mining Indaba last year. Dr Marshall responded that there had not been a presentation, but that she had made contact with Mr Bernard Swanepoel to offer assistance this year but had received a lukewarm response. It was suggested that maybe there should be some meetings between SAIMM, SAMREC, SAMVAL.

Mr Duke added that what he presented at the Office Bearers meeting was that he was looking for somebody to set up meetings with some of these executives in this regard. Mr Duke would accompany and support this person, as the Institute needed more interest and support for its conferences. Even the MMA had pulled back to some extent. It was hoped to revitalise that. Mr Duke would give feedback at the next meeting. Mr van Zyl believed there should be an acknowledgement from industry. Mr Bornman commented that when the industry issued the resource and reserve statement, they just got a consultant to come in and verify it. Their perception is that they did not have to have a good, in-house knowledge and that the consultant would do this for them. It was for that reason that they were stepping back and saying it had to be checked by consultants in any case, so why should they be involved. Mr van Zyl added that you then got people in the company coming up with ideas that were not in the Code. Mr Duke believed that those executives were just busy and were not applying their minds and they might just need to be revived. The drive had to come from the top. An attempt had been made to get through the Chamber (Mr Roger Baxter) about a year ago and there was talk about this and promises of support, but it did not happen.

A suggestion was to have the SAMVAL/SAMREC meetings at different mining houses to try to get them to support it that way. This was considered a good idea. Ms Redman suggested talking to identified people in the company. It was also acknowledged that the industry was changing and smaller entities were now mining.

Some discussion followed on the awareness of the MRE's but Mr van Zyl believed it would be more beneficial to speak to the top people. Dr Marshall suggested that the net should be spread as widely as possible and also to speak to the individuals identified. If the decision was made to go from one company to another; care should just be taken to spend the same amount of time with each company. It was agreed to speak to Mr Ken Lomborg about doing the same thing for SAMREC.

**ATTENTION: Hannes Bornman / Vaughn Duke**

## **6. DISCUSSION OF INDEPENDENCE - JSE**

The JSE would like to have further discussions on independence and on how SAMVAL encouraged, discouraged or promoted it. As Dr de Bruyn was not present, it was agreed that this would stand over until the next meeting. Dr de Bruyn had acknowledged that there was a reason why it was not in the Code; but, despite that, the JSE would like to continue the discussion. Ms Redman suggested that Dr de Bruyn should then present what she saw as independence.

## **7. ABSTRACTS AND SUPPORT FOR THE MINERAL PROJECT VALUATION COLLOQUIUM JULY 2020**

Mr van Zyl advised that there had been a few meetings and abstracts were coming in. Dr Marshall asked if someone from the SAMVAL Committee was going to speak about SAMVAL at the Colloquium. A discussion had been held on SAMVAL and Mr van Zyl would be presenting. Ms Redman would get a Dropbox together and post all the relevant documentation there.

**ACTION: Andrew van Zyl/Kelly Redman**

She added that her presentation would require some updating and maybe talk about reasons why this was important, rather than going on about the Code. The focus of the presentations should also change. A Colloquium meeting would be held next week and it was agreed that Ms Redman and Mr van Zyl would talk about this further. There seemed to be support for Steve Gemmell's proposal to speak at the Colloquium and he asked for reasonable accommodation and transport. Mr van Zyl's impression was that this would be in SAMVAL's interest to have him as a key-note speaker. He agreed to send out the details once this was confirmed.

**ACTION: Andrew van Zyl**

Ms Redman suggested that if there were some papers from the SAMCODES Conference, it might be possible to look at these. There was a concern about duplication and it was believed that the Colloquium discussed values rather than skills, although some of the papers were pertinent to what was being presented. It was discussed at the last Colloquium meeting that somebody should sit on both committees to see that there was no duplication of abstracts. Hannes Bornman agreed to discuss this with Mr Lomborg.

Dr Marshall advised that when the SAMCODES Conference was postponed, Norman Lock had been asked to present at the Diamond Conference as a presentation only and that the paper would be submitted only to one Conference and published in one place; but the presentation would come with the disclaimer that it had been presented elsewhere. It was about best practice and did not have to comply with specific guidelines, it could be a paper that had been presented at another conference.

## **8. GENERAL**

Mr Duke congratulated Dr Marshall on her excellent work on the Ethics Committee. Essentially, the flavour of the discussions around behaviour in the Institute had been changed. It was the view of the Ethics Committee that the Institute should try and create a pro-active approach. People should talk to one another directly about behavioural issues. If they were fearful of doing so, they could talk to a body of Fellows/elders who had been in the industry for a long time and were experienced. There were many ways to make it easier for people to address behaviour.

The other objective was to create a better awareness of the fact that one's behaviour was more about beliefs and knowing the difference between right and wrong, and knowing what to do in the circumstances. That was taught by guidance and how other people were behaving. That approach would be marketed and there would be more

ethics in the journal. Members should know that there were avenues they could approach if they saw something untoward. Compliance should be part of one's value system but this needed to be brought out.

Mr Bornman suggested having this highlighted at the start of every meeting, i.e. opening with a short session on ethics.

Mr Duke advised that this would be put to Council for approval and work would be done in the next six months to capture and work out how to do this effectively. Dr Marshall reported that one of the things that would be done for the YPC Conference at the end of the month was to talk about ethics. Mr Duke responded that he was talking about practical measures. Dr Bornman liked the idea of the body of elders.

It was suggested adding Ethics to the agenda as a permanent item, at the beginning of every meeting.

**ACTION: Camielah Jardine**

Dr Marshall raised the issue of the website. At the last meeting it was suggested that everybody have a look at the website, specifically the section on SAMVAL, to check if there was anything that the Committee would like to add. The next website update was due in April, so if there was anything to be added, this should be sent to Dr Marshall. It was suggested that the guidance notes that were prepared some years ago be added. It was confirmed that these guidance notes did not have to go through the SSC; if the SAMVAL Committee was satisfied, the note could go on the website. It was agreed that this would be done.

**ACTION: All members/Tania Marshall**

Some discussion followed on the use of 'current' and 'constant'. Mr Duke suggested that Ms Redman have a look at this to get more clarity. Dr Marshall added that this could even be put on the website as 'Guidance Notes for discussion purposes'. Once the notes had been discussed, they could be called 'final discussion notes'.

Dr Marshall advised that for most of the history of the SSC, it had always been financed from the SAIMM and GSSA and have steered away from looking for sponsorship outside of that. This was around ethics. With the decrease in money coming into the various professional bodies, there was an issue with money availability for SAMCODE activities. In the last Oversight Committee meeting, both patrons agreed to the fact that the SSC could go outside to ask for sponsorship.

The proposal was to do this in the same way as how PERC did it. PERC had a page on their website called 'sponsorship', where they asked for the sponsorship and anyone who sponsored got their name on the page, as well as a link to their website, their logo, and various other activities. The money would come into the SSC and could be used for additional activities. So far, money had mainly been used on sending delegates to CRIRSCO. This money would assist with being able to send representatives from SAMVAL to other meetings; recordings of conference to send to outlying universities; and promoting quality information on codes and ethics. A list of sponsors would also be shown on any training manuals, etc.

The letter that the SSC wrote would go on the website as well as to everyone on the SAMVAL and SAMREC Committees. Dr Marshall asked members to please take the letter and encourage interested people to sponsor. This additional finance would enable the SSC to grow the activities of all the committees. It would be done through the SAIMM via a ring-fenced account. She asked members to have a look at the PERC website.

**CLOSING**

The Chairperson thanked all participants for their input and closed the meeting. The next meeting was scheduled to take place on 28 May 2020 and Mr Bornman would identify a suitable venue.

**KEY ACTION ITEMS**

**1. VAUGHN DUKE**

Circulate IMVAL minutes to all participants.

**2. HANNES BORNMAN**

Circulate guidance notes to all participants.

**3. HANNES BORNMAN/VAUGHN DUKE**

Identify key decision makers at mining houses and arrange venue for next meeting.

**4. ANDREW VAN ZYL/KELLY REDMAN**

Ms Redman to send Mr van Zyl her 2016 presentation in support of his presentation on IMVAL at SAMCODES Conference.

**5. ANDREW VAN ZYL**

Send out details regarding Steve Gemmell as keynote speaker.

**6. HANNES BORNMAN**

Discuss possible duplication of abstracts with Mr Ken Lomberg.

**7. CAMIELAH JARDINE**

Add the topic of Ethics as a standing item at beginning of agenda

**8. ALL PARTICIPANTS/TANIA MARSHALL**

Send through any website additions or changes to Dr Marshall