

MINUTES OF THE SAMVAL COMMITTEE MEETING

HELD ON 28 MAY 2020 AT 08:00

VIA ZOOM

Present: Mr H Bornman
Mr A Macdonald
Dr T Marshall
Ms B Mather
Mr M Mullins
Mr G Njowa
Dr S Rupprecht

Apologies: Ms A de Bruyn
Mr P O'Connell
Mr B Scott
Ms T Steele-Schober

In Attendance: Ms C Jardine (SAIMM)
Ms G Charlie

1. WELCOME

In the absence of Mr van Zyl, Mr Bornman agreed to chair the meeting. Mr Bornman welcomed everyone and apologies were noted.

2. ACCEPTANCE OF PREVIOUS MINUTES AND MATTERS ARISING

The minutes of the meeting held on 28 March 2020 were taken as a true recording of the proceedings.

3. KEY ACTION ITEMS

Regarding circulation of the IMVAL minutes to all participants, Mr Duke was not present to confirm whether this had been done.

It was confirmed that most of the guidance notes had been accepted. Only Ms Redman had wanted to review the real nominal and cost items and there was no feedback from her as yet. Mr Bornman had done some research on that and was thinking of doing a paper on this himself, especially on how nominal was being used in financial instances, because there were instances of people escalating the commodity prices. Many people escalated commodity prices with inflation, which was incorrect. They should actually use market sentiment, etc. The correct way of doing it was to keep it real, but escalating the Rand price with the exchange rate. That was the real increase, otherwise the gross margin would just shrink if one used a nominal model and used real commodity prices. There should be two forecasts: one on the commodity price itself and the other on what you thought the Rand/Dollar exchange rate was going to be. That would give you the nominal growth in commodity prices in a nominal financial model.

Dr Rupprecht suggested that SAMVAL should also look at what the other Codes were recommending, because he could not remember which one had put out a recent guideline on valuation and they were indicating sticking to real issues. He suggested that the proposals should be in line with what the other Codes were recommending.

Mr Bornman responded that his default code was the real model, which was what had always been used; he did not go near nominal models because of the different inflations. The only thing about the real model was that it under-estimated the tax, so that was why he said if one wanted to use a nominal model, one should not inflate the commodity prices with inflation. That was what he had seen in a number of bank models.

Mr Mullins agreed with Mr Bornman. Mr Bornman cautioned that, when doing a due diligence on a project, care should be taken if the principals had built a nominal model. This was a guidance note.

Mr Njowa suggested that care had to be taken that, if people used a profit assumption, a nominal model and a real model should not be any different. If there was a difference, there was a fundamental issue with the assumptions which had been used, either in the discount rate or in the escalation. He reiterated that SAMVAL needed to be careful about that, as there were certain cases where one could not use a real model because of other issues, e.g. if you were doing a financial report it might be difficult to do that. He would be cautious about recommending one way and SAMVAL needed to give guidance so that people could at least know and understand the concepts.

Mr Borman asked Mr Njowa to drop a note in that regard, because this was not financial reporting, it was project valuation, which was different. Mr Njowa suggested leaving the debate out of this meeting but that there should not be a blanket statement over this, because there were overlaps. Mr Bornman responded that these were guidance notes and not 'thou shalt' rules. They were there for people to understand. He asked Mr Njowa to prepare a short note in this regard.

ACTION: Godknows Njowa

Ms Jardine asked if the Guidance Notes had been circulated. Mr Bornman had looked at the Guidance notes and would like Ms Jardine to circulate these, as he did not have the full address list for participants. Mr Bornman asked that comments be returned by the end of June. If no comments were received, the notes would be accepted as correct and it could be presented to the SSC and sent out for wider acceptance. Dr Rupprecht suggested that with the SAMCodes Conference scheduled for October, someone should be presenting on this. Mr Bornman agreed to discuss this with Mr Lomborg.

ACTION: Hannes Bornman

With regard to identifying key decision makers at mining houses to arrange the venue for the next meeting, Mr Bornman advised that this was not possible given the current Covid-19 situation. He recommended that this be kept on the key action list. Some of the companies mentioned were: Sibanye, Impala Platinum, etc. Dr Rupprecht believed SAMVAL should still be letting the mining houses know in order to get them more involved. They should be drawn in via Zoom. It would be good to go to the mining houses, but an invitation should also be extended to them to join in for the SAMVAL meetings. Mr Mullins agreed and suggested that the mining houses could be asked to give some fresh ideas. Mr Bornman agreed to contact his people and, once the date of the next meeting was finalised, he would send this to them via e-mail. He asked all participants to send e-mail addresses to Ms Jardine to include in the next Zoom meeting. Dr Rupprecht proposed that it might be better to have someone from the committee invite them personally. The people submitting the names could still make that personal connection with the person they were putting forward.

ACTION: All Participants

Neither Mr van Zyl nor Ms Redman were present to advise whether Ms Redman's 2016 presentation had been sent in support of his presentation on IMVAL at the SAMCODES Conference.

Ms Jardine advised that she had not received anything with regard to Mr Steve Gemmell as keynote speaker. She agreed to pick this up with Mr van Zyl.

ACTION: Camielah Jardine

Regarding the possible duplication of abstracts, Ms Jardine reported that this was a discuss on abstracts to be submitted for the SAMCODES Conference. If there were any duplications from the SAMVAL Committee, Mr Bornman would discuss this with Mr Lomberg. Mr Bornman asked whether the abstracts were not being reviewed by the Chairman of the Conference. Ms Jardine responded that if there were any abstracts being put forward by the SAMVAL Committee and there were any duplications, these were to be discussed with Mr Lomberg. There had been no duplications thus far and the Conference had been postponed to October.

On the question of Ethics, Mr Vaughn Duke had discussed the progress of the Ethics Committee and it was suggested that he have a standing item on the agenda to discuss any progress. Dr Marshall advised that there was nothing to add. Mr Mullins advised that he had been added to the AusIMM Ethics Committee.

Regarding the website, Dr Marshall advised that the Guidance Notes were informal notes that the SAMVAL Committee wanted people to think about and talk about. As such, it was not necessary for these to go to IMVAL; they simply went to Dr Marshall and were put on the website under a section called 'Guidance Notes'. In that way, people knew that the notes were not part of the SAMVAL Code and they were not compulsory. They were there for discussion, but information was being made available for people to talk about and think about. If any of these things became more formal, that would be a different process. Currently, she asked that these simply be sent to her. The next major update of the website would be early in July, so any notes should be submitted by the third week of June so that they could be included on the website. Mr Bornman asked Ms Jardine to send this through to everyone for final comment and any feedback could be put on the website for discussion. All agreed.

ACTION: Camielah Jardine / All members

Mr Macdonald advised that the discussion on those guidance notes was such that the SAMVAL Committee believed it was best practice. He was not sure if 'Guidance Note' was the right terminology without enforcing it. Dr Marshall suggested that, in the appropriate section of the website there could be an introductory paragraph to see that these were guidance notes that had been considered best practice by the SAMVAL Committee and leave it to the people to apply or not apply. Mr Bornman commented that he had seen that there were guidance notes in the SAMREC Code. Dr Marshall responded that those were different – they were actually part of the Code and SAMVAL also had them in the SAMVAL Code. These particular guidance notes were different; they were more 'best practice' than part of the Code itself. Mr Mullins suggested that it should be very clear as to what the notes actually were. Dr Rupprecht added that the Canadians also had a best practice guideline, so it was not in the Code, but it did give things to think about. Mr Njowa believed that in terms of the additional guidelines which were outside the Code, there should be a clear note pointing out the difference between the guidelines in the Code and those outside the Code. If a report was being sent to the Readers' Panel and, for whatever reason, the writer had not adhered to the guidelines outside the Code but had adhered to those in the Code, the question needed to be clarified on how those issues would be dealt with. People could be confused about the overlaps with different areas. Dr Marshall responded that there should be no confusion: it was very simple. The Readers' Panel marked on the SAMREC and SAMVAL Codes. The material that was in the guidance notes was 'best practice', and 'best practice' was not

the Code. Dr Rupprecht agreed. Mr Njowa queried whether people outside of this meeting would understand that. Dr Marshall responded that that was why, when the guidelines were put on the website, it would be put in under a section called 'Guidance Notes' and a paragraph would be put in that which make it very clear. The aim was to make it clear to whoever was going to use it, in whatever capacity.

4. GENERAL

Dr Rupprecht asked if a request could be put out for feedback on IMVAL. If the person was not there to provide verbal feedback at meetings, this should be done via a written report circulated to all members. There seemed to be a vacuum on the IMVAL issues. Dr Marshall advised that Mr van Zyl would be at the SSC meeting later in the afternoon and he would be giving some feedback on IMVAL. As not all participants of this meeting attended the SSC meeting, it was suggested that he be asked to write a short note.

ACTION: Tania Marshall/Andrew van Zyl

In response to a question from Mr Macdonald, Ms Jardine advised that all events had been moved to 2021. The Mineral Project Valuation was scheduled for 20 July 2021; no fixed date had been set for the Advanced Course and the SAMCODES Conference would be held in October 2021.

5. CLOSING

The Chairperson thanked all participants for their input and closed the meeting. The next meeting was scheduled to take place on 27 August 2020 and members were reminded to notify their key contacts in the mining houses of the impending invitation from Mr Bornman. Once this had been done, those contact details should be forwarded to Mr Bornman.

ACTION: All participants

KEY ACTION ITEMS	
1. VAUGHN DUKE	Circulate IMVAL minutes to all participants.
2. GODKNOWS NJOWA	Prepare a note for Mr Borman with regard to nominal and real models in assumptions.
3. CAMIELAH JARDINE/ALL MEMBERS	Ms Jardine to circulate guidance notes. Members to return comments by third week in June.
4. HANNES BORNMAN	Discuss the possibility of having someone present the Guidance Notes at the SAMCODES Conference in October 2021.
5. ALL MEMBERS/HANNES BORNMAN	Members to identify key contacts in mining houses and let them know that SAMVAL would be inviting them to join in SAMVAL meetings in the future. Contact details to be sent to Mr Bornman, who would issue the necessary invitations.
6. CAMIELAH JARDINE	Follow up with Mr van Zyl regarding Mr Steve Gemmell as a keynote speaker.

7. TANIA MARSHALL/ANDREW VAN ZYL

Dr Marshall to request Mr van Zyl to prepare a short written update on IMVAL for circulation to SAMVAL members.