

NOTES OF THE SAMVAL COMMITTEE MEETING

HELD ON 26 NOVEMBER 2020 AT 08:00

VIA ZOOM

Present: Mr A van Zyl (Chairman)
Ms A De Bruyn
Mr V Duke
Mr A Kinghorn
Mr A MacDonald
Dr T Marshall
Mr M Mullins

Apologies: Ms A du Toit
Mr J Odendaal
Ms T Steele-Schober

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

1. WELCOME

Mr van Zyl welcomed everyone to the meeting.

2. APOLOGIES

It was noted that apologies had been received from Ms du Toit, Mr Odendaal and Teresa Steele-Schober.

3. ACCEPTANCE OF PREVIOUS MINUTES AND MATTERS ARISING

The minutes of the meeting held on 27 August 2020 were taken as a true recording of the discussions. This was proposed by Mr Mullins and seconded by Mr MacDonald. Mr van Zyl commented that it was a comprehensive set of minutes.

4. KEY ACTION ITEMS

4.1 It was not confirmed whether the IMVAL minutes from the previous two meetings had been circulated to all members. Mr van Zyl agreed to send these to Ms Jardine after the meeting for circulation.

Action: Andrew van Zyl

4.2 It was not discussed whether Mr Njowa had prepared a note for Mr Bornman with regard to nominal and real models in assumptions.

Action: Godknows Njowa

- 4.3 Regarding comments on the Guidance Notes, Mr MacDonald advised that he and Mr Bornman had held brief discussions on this but nothing had been done in the last couple of months due to pressure of work. There were one or two comments received and these needed to be considered and completed.

Action: Hannes Bornman and Andrew MacDonald

- 4.4 The possibility of having someone present the Guidance Notes at the SAMCODES Conference in October 2021 was discussed.
- 4.5 Mr van Zyl was not sure whether people from outside companies had been invited to join in SAMVAL meetings in the future, but noted that none were present at the meeting. It was up to all members to work on this.

Action: All Members

- 4.6 Mr van Zyl advised that there had been some discussion with Dr Rupprecht regarding a keynote speaker and Ms Charlie advised that she had confirmed with Dr Rupprecht to be on the programme.

- 4.7 Regarding Ms Letlhaku providing more information to committee members on the Mineral Project Valuation Colloquium and the requests for abstracts/support, Mr van Zyl advised that he could do this as well, as he sat in on those meetings. He provided some information on what was required. The request was out for abstracts and comments. This was a Colloquium, so there was no requirement for a specific paper to be published. Some of it was educational and some was skills transfer for academic papers were very welcome and anything that could be published in the journal; but also topics that were pertinent to valuation, either the more general skills or some of the challenges. A discussion had also been held on going through the Guidance Notes, which would also be one of the talks. He encouraged all individual members to submit thoughts and abstracts for presentation; or skills that they believed to be important to the Colloquium.

Mr Mullins asked whether it would be appropriate to put through a paper on flow through investment and how that encouraged exploration in a valuation colloquium like this. Mr van Zyl's suggestion was to put a paragraph together on what it was that he wanted to present and send this through to the committee. As it was not a formal presentation of academic research, it was almost a 'valuation school', something relatively informal could be put forward for consideration at this stage. Mr Duke mentioned Mr Noah Greenhill, who had been involved with the Royal Bafokeng and who might be a good contact to find out how far the discussions had gone with Government. Ms de Bruyn advised Mr Mullins that she could put him in touch with Mr Greenhill.

Action: All Members

- 4.8 The subject of Non-Solid Minerals had been put on the agenda for this meeting.

5. IMVAL

Mr van Zyl reported that there had been some discussion around the website. The website was under development and it was being reserved. Work was still being done on template harmonisation and a fourth draft had been issued. There were still discussions around membership and bringing in new members, but no-one had applied yet. There was a committee for liaison and also a new CIMVAL Code out, dated November and cognisance should be taken of this. At the request from Dr Marshall, Mr van Zyl undertook to send the notes from the previous two meetings and the CIMVAL draft to committee members.

Action: Andrew van Zyl

A short discussion had been held on weighting of valuation approaches, which SAMVAL discouraged. There was an IMVAL Conference planned for March 2021 and details would be sent in due course. A VALMIN course was planned for February, with four 90-minute modules.

Mr Mullins commented on the remote site visits. He had undertaken one recently for a project in California and he provided some details of this. The virtual site visit had exceeded his expectations. Mr van Zyl believed that restrictions would be lifted in the next year, but there were certainly aspects of the virtual site visit that could be retained. He did not believe virtual visits would be the only visits undertaken; but it was perhaps something to be considered where a site visit was conducted both in person and virtually across the team. Mr Mullins believed that there could be a condition placed that site visits should be undertaken as soon as this was possible.

Mr Duke believed it was a great step forward, but added that some of the 'nuances' that one picked up on physical visits would still be required. He saw a point where this would have to be included in the Code. Mr van Zyl advised that some aspects of geotechnical work were already being done virtually, which made it that much easier to see the face by flying close to it with a high-definition camera. This would also be useful for underground areas and believed that a combination of the two would lead to a better site visit.

Mr Mullins discovered another benefit in that he now had a permanent video recording of everything that was done. He could revisit this for greater clarification. Mr van Zyl noted that, from a legal perspective, there was also a clear record of what was not shown, i.e. a record of deliberate omissions.

Ms de Bruyn asked whether there were any major shortcomings on this virtual visit. Mr Mullins responded that this was an exploration property and there were some areas that he could not go into. It was almost like virtually being there, but he could focus on the core and the copper minerals. It was not quite the same as a physical visit, but it was good. Mr van Zyl imagined that, at some point, reports would have a bigger visual component and it seemed likely that this would form part of the report.

6. PARKED ISSUES

There were no parked issues to be discussed.

7. DISCUSSION ON INDEPENDENCE

Ms de Bruyn advised that some further research would need to be carried out on what the other exchanges were doing with regard to independence. She had not done anything on this since the previous meeting and had nothing to report back to the committee. She suggested keeping this as an item on the agenda for her to report back once she had done the international research and it could then be picked up again. It was not currently high on the priority list. The JSE was trying to make it easier for companies to report, not more difficult. It was suggested that this be placed under Parked Issues.

Action: Camielah Jardine

8. NON-SOLID MINERALS

Mr Mullins had raised this at the last meeting. SAMREC did not currently cater for non-solid minerals such as brines at all. The Canadians and Australians had put in a guideline under JORC and their code, but he asked whether this really needed to be considered under SAMVAL. Mr Duke advised that if anyone was asked to do a valuation, it would be good to have guidance that was aligned with the thinking of the JSE and peers. Mr Mullins believed there was no reason why there should not be a potassium brine industry in South

Africa. The Codes were very poorly set up for dealing with those and this had caused consternation in Australia. Mr Duke believed this committee should think about this and he suggested that this be debated further at the next meeting.

Ms de Bruyn asked whether this would be materially different to solid minerals. Mr Mullins responded that there were some interesting aspects. One of these was that the ore reserve was generally bigger than the resource or the mineral reserve. A number of other issues made it different to solid minerals. Mr van Zyl was interested to note that reclamation of tailings dams was not done under any kind of mining licence. It was confirmed that SAMVAL still applied.

It was suggested that some thoughts be circulated offline and Mr Mullins agreed to put a one-page discussion paper together and a decision would be made on whether to put this on the agenda for the next meeting.

Action: Matt Mullins

9. GENERAL

9.1. Ethics

Regarding ethics, Ms Moolla had agreed to put a team of staff members together to field calls from people who needed advice, i.e. 'an ear from a peer'. Ms Moolla would be marketing and was in the process of setting up the structure.

Mr Duke would arrange a meeting of the Ethics Committee early in 2021 to close out on the work that had been done.

Mr van Zyl was sure that some volunteers could be found to be on the other end of the phone for questions. Mr Duke agreed that there were many people who were willing to do this. The management team would field calls.

9.2 Post Closure Liabilities

Mr MacDonald advised that it was amazing how the post closure liabilities were often ignored or grossly underquoted. In a number of closure scenarios, having a net present value for an infinite series of negative cash flow post any revenues certainly felt wrong to him. One could create an indefinite liability to provide for that. Mr MacDonald suggested that maybe thought should be given to some sort of guidance for 20/30/40 years of post-closure cash flows and how these should be reported in terms of the value input. Ms de Bruyn asked whether this liability was recorded on the balance sheet. Mr Duke believed that it should be, although very often it was under-reported. Sometimes the assessment was uncertain. There would be occasions when it was estimated and other occasions where it was not; and this was very often due to the flow of water. Companies did have a provision for that in their balance sheet.

Mr Kinghorn commented on the Squirrel Awards. Looking at some of the large mining companies, they had a figure in their field financials and, on the environmental side, where this should be the same number; they were both out by 50%. That was what was happening currently with the big companies. There should be a fund created to cover that liability forever and there should be methodologies to cater for this under the balance sheet. The most interesting aspect was the water, because this had been an infinite liability which could now become an infinite profit based on the latest technologies that were evolving. It looked like people could now reclaim acid water and make R2/kl profit from mining water. This would not only result in making profit, but would also result in potable, recycled water. The solid salts could be shipped back to the sea. It was incredible

to have something that was a liability now being a solution. Mr van Zyl added that Mining Weekly had published an article on trail-blazing technologies and that he would be very excited if this was approved technology. A lot of closure requirements specified that things had to be put back in the same state as they were found and quote a lot of those mines were required to put the rock back underground. There were quite a few strange requirements that had still not been addressed and it depended on the EMPR.

9.3 Competent Valuers

Mr Duke mentioned that some time back there were discussions on where the qualifications of the Competent Valuator should reside. This had never been resolved and he suggested that it be taken up again. He also asked about the status of having Competent Mineral Valuers and whether there was a pipeline of young people coming up who were learning and being prepared; and whether they were associated to a particular body. He believed the mining industry should be looking at the next generation to ensure there was a pipeline. He suggested this be put back under 'Parked Issues' and addressed again.

Mr van Zyl responded that there was a lot that any discipline could gain by having valuation exposure, particularly in terms of the number of people who looked at opportunities – whether they be geo-technologists or project managers – without any of the context of how the resource would be turned to a reserve and how value was created and recognised. It was a general awareness and it was suggested that maybe a pipeline could be created from different disciplines. He was not sure whether this should be a formal process. Mr Duke responded that it could be anyone from any dimension, but there were nuances to do with the valuation of minerals and his idea was if a person claimed to be competent, they should be housed with a professional body of some description. This home had not been found as yet. Some discussion had been held with the Geological Society at some stage, but nothing had been tied up.

The second thing was that that body would be taking to the types of insights required to be able to satisfy that enough thought had been applied to the various requirements tied to mineral valuation. He asked whether those people were in the pipeline or not.

Mr van Zyl responded that discussions had also been held about the requisite five years of relevant experience, meaning that one had to have a day job while gaining that experience. It would take five years to go from a mining engineer to valuation and a person had to do both for five years so that they could be gainfully employed while gaining the experience to be a valuator. Mr Duke asked whether the five years' experience was correct. He suggested that this required more discussion and his concern was that there was a generation moving out and there was no description. That was a discussion from some time back which had been parked and not addressed. He felt that this should be discussed at the next meeting.

Mr van Zyl suggested that perhaps the Committee should start discussing the 'what'. It may be that there was not a natural home but the team could still describe what it was and have a membership. Ms de Bruyn reminded the meeting that the property profession wanted to bring the mining valuers into that fold. Mr Duke stressed that the Committee should explore some home, as every specialist had a body to reflect on and engage with. The Code brought out nuances but he believed that SAMVAL, as an entity, should look for a home for those people who wanted to do valuations and claimed to be professionals. Ms de Bruyn added that what was important was to pinpoint exactly what it was that distinguished a mining valuator from a property or other type of valuator; and then look at that

competence and find the natural fit for that competence. That was an expertise required by that person over and above the actual regulations. It was the understanding of what made that unique. Mr Duke advised that the discussions with the Geological Society were never closed off.

Dr Marshall added that most of the acts of these various Councils specified certain educational requirements; like the SACNASP Council required that anybody registered with them had to have a signed degree. Likewise, ECSA required an engineering degree. The property valuers required a property valuation degree/diploma and not everyone doing valuation had that specific degree. That was the primary problem with registering in any one of these professional bodies and that was why Ms Redman's main concern was to try and get a group going within each of the different Councils, where those with a financial degree could register with SACNASP; those with an engineering degree could register with ECSA, etc. There was not one specific Council that would allow people with different academic backgrounds to join them.

Mr Duke advised that it would require that SAMVAL engage with each of those bodies and that there was a requirement to register with them to practice in that area. The important thing was that each person should be answerable to some professional body for their actions. Regarding people in the pipeline, Mr MacDonald asked whether there should be some form of guideline or training programme that people could embark on to get the requisite experience, exposure, nuances, etc. over a period of five years to become competent. Mr Duke responded that this would require mentors and other professionals to endorse people so that they became known as valuers.

Mr MacDonald noted that, from a valuation perspective, those criteria and processes were not available and these would have to be set up. Mr Duke reiterated that that was why he was suggesting the pipeline and it was incumbent upon the Committee to look for future solutions. Mr van Zyl believed that whatever requirements were in terms of training, etc., these should happen regardless of where the home was. He was not sure where the accountants would fit in.

Dr Marshall suggested setting up a certificate course like the VALMIN course that was spoken about earlier. This could be recommended as a requirement for those who wanted to become valuers.

Mr Duke requested that this should go onto the agenda as an action item to work through on the Committee. Mr van Zyl agreed that even, in the short term, all that established was a good practice guideline in the absence of a specific body, this was still good practice. Over time it could become something more formal. Mr Duke undertook to pull out some of the notes to bring to the next meeting.

Action: Vaughn Duke

9.4 Virtual Site Visits

Regarding the virtual site visits, Ms de Bruyn asked whether that was not something that should be discussed and put as a guidance note in the meantime. Dr Marshall agreed that some guidance was necessary. Mr van Zyl asked how many of these there were likely to be and whether it could be done on a case-by-case basis. This would be easier than trying to rewrite the Code. Ms de Bruyn agreed and, from her perspective, she would like some guidance on what to look out for, i.e. what were the key criteria in the proposal.

Mr Duke believed that Mr Mullins raised this and advised that there were some things that one could pick up on a physical site visit and in the interaction with people around efficiencies and competence. One could also see what the camera could not see. Having done that, it was not necessary to keep going back to a place and sometimes the overhead view was better. The two were not mutually exclusive. A scheduled site visit actually meant that the Competent Person needed to be satisfied that the assumptions and the criteria going into the valuation had some substance behind them. It was all about context and there could be a guidance note on what one would typically satisfy oneself on. It would be slightly different from resources to reserves. Ms de Bruyn suggested that this would be more important from a SAMREC perspective. SAMREC covered both resources and reserves. Mr Mullins advised that it was a combination of things. He did not believe it was binary and there were benefits to both and suggested that maybe there could be some guidelines on minimum requirements if a site visit could not be undertaken. All of the reasons for not doing a physical site visit needed to be noted, with an explanation on why a virtual visit had been done. Mr Duke added that the guidance note would list the key notes to the valuation.

Mr King advised that there were some economic instances with Covid-19 and perhaps some notes should be made that a site visit would need to be carried out within a 12-month period, for example, which would then give the opportunity to agree whether the contents of the report were correct or the opportunity to review the report.

Mr Mullins suggested that there should not be a loophole open so that people thought they only had to send through a few photographs to satisfy the requirement.

Further discussions would be held on this at the next meeting.

10. CLOSING

There being no further business to discuss, Mr van Zyl thanked all participants for their input and closed the meeting at 09:28.

The next meeting was scheduled to take place at 08:00 on 25 February 2021.

KEY ACTION ITEMS

1. ANDREW VAN ZYL

Send IMVAL minutes to Ms Jardine for circulation to committee members.

2. GODKNOWS NJOWA

Prepare a note for Mr Borman with regard to nominal and real models in assumptions.

3. HANNES BORNMAN AND ANDREW MACDONALD

Finalise minor comments on Guidance Notes.

4. ALL MEMBERS

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. Dr Marshall to examine ways to broaden the audience for SAMVAL.

5. ALL MEMBERS

Submit thoughts and abstracts for presentation at the Mineral Value Colloquium.

6. ANDREW VAN ZYL

Send notes from previous two IMVAL meetings, as well as the CIMVAL draft, to all members.

7. CAMIELAH JARDINE

Put the subject of Independence on the agenda under 'Parked Issues'.

8. MATT MULLINS

Put together one-page discussion paper on non-solid minerals.

9. VAUGHN DUKE

Pull out some of the previous discussions around Competent Valuers.