MINUTES OF THE SAMVAL WORKING GROUP MEETING

HELD ON 31 JULY 2014 AT 08:00

IN THE DELVILLE WOOD ROOM, MILITARY MUSEUM

Present:	**A Macfarlane (Chairman)**	
	J J Bornman	**J Luckmann**
	J Botha	**Dr T Marshall**
	A M de Bruyn	**G Njowa**
	R Croll	**N J Odendaal**
	A Kinghorn	**J Ruddy**
	S Laubscher	**A van Zyl**
Apologies:	**M Austin**	**Prof C Musingwini**
	Dr R Becker	**K Redman**
	A Clay	**N Steenkamp**
	R Davel	**E Takolia**
	V G Duke	**M Tlala**
	A McDonald	**D J van Niekerk**
	M Mokitimi	**I Wermuth**
In Attendance:	**S Moolla, Manager, SAIMM**	
	J Carpenter, Minute taker	

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1. Welcome

The Chairman welcomed all to the meeting.

2. Acceptance of previous minutes with reference to actions noted

The minutes of the meeting held on 26 June 2014 were accepted as a true reflection of proceedings.

3. Matters Arising

Raising of the issue of registration and competence at the SSC: The workshop was scheduled for 26 August and will deal with the issue of CPs

The Chairman also reported on that ECSA's identification of engineering work and in the list of work reserved for professional engineers was mineral asset valuation. SACNASP, PLATO, the SAIMM, the GSSA and the SSC all responded to the Competition Board, essentially objecting to this. Clarification from ECSA was being sought as the professional bodies involved in mineral asset valuation do not believe that such work should be reserved exclusively for engineers. A point raised during the meeting was that ECSA had originally stated that it would be willing to provide a category of registration for CVs if this was deemed necessary but was now reneging on that statement and wanting to reserve mineral asset valuation specifically for engineers.

Additional comment under Scoping Study: the draft Code had been amended accordingly.

Meeting with the JSE, Annelie de Bruyn: the meeting was held at which all discussion points raised by the JSE were dealt with and incorporated into the draft Code.

SACPVP: no response had been received despite several attempts on the part of the SAIMM to obtain a reply. The Chairman noted that it was imperative that the position of the SACPVP is clarified, particularly in terms of the Bill that is being prepared for the Property Valuation Act. It was further reported that the Act does not specifically exclude mineral properties from its scope of valuation.

4. SSC process and registration

This had already been discussed.

5. Oil and Gas

The Chairman noted that SAMVAL had made the decision that its Code would include oil and gas. However, there is already a SAMOG code in place which deals with valuation of oil and gas reserves. It was questioned whether SAMVAL should be referring to oil and gas in its Code as it is already covered in SAMOG? SAMOG is not subordinate to SAMREC and is in fact the third component of the series of codes (SAMREC, SAMVAL and SAMOG).

Mr Croll pointed out that the principle of SAMREC and SAMVAL is that SAMREC deals with mineral resource issues and SAMVAL with valuations. SAMREC makes specific reference to coal and diamonds because of their specific characteristics. SAMOG deals with resource issues specific to oil and gas but in his opinion and in order to be consistent valuation related to oil and gas should form part of SAMVAL similarly as do coal and diamonds. Ms de Bruyn agreed with Mr Croll but pointed out that it was too late to incorporate oil and gas. Mr Croll was adamant that reference to oil and gas must be kept in SAMVAL whilst Ms de Bruyn disagreed stating that the Code has already been tabled before the public. She further pointed out that SAMOG is not in conflict with SAMVAL although it is more specific but that both codes can exist side-by-side. JSE listing requirements in respect of oil and gas require a report in terms of SAMOG, not SAMVAL.

After further discussion it was agreed that the cover page in the book containing the three codes would specify that SAMREC covers solid mineral resources, SAMVAL covers the valuation of solid resources and SAMOG covers that valuation of oil and gas reserves. I necessary a proviso can be put into the SAMVAL and SAMREC Codes referring readers to SAMOG where relevant. The Chairman will remove references to oil and gas in the SAMVAL Code. **Action: Alastair Macfarlane**

6. Basis of value

Value in the Standards and Guidelines refers primarily to "market value". Ms de Bruyn had raised the concern that where a listing was being sought, then intrinsic value and not market value applies. It was agreed at the time that market value would remain the basis of value (as is accepted globally) but that a caveat would be included detailing that an intrinsic value would be used. Ms de Bruyn did not agree. She stated that a valuation is not required for listing purposes; it is for a listed company which is doing a related-party transaction wherein a property is being bought. At this point a valuation of the asset would be done. The price could be based on market value but shareholders would have to be informed of the "real" value of the property which is the intrinsic value. Essentially SAMVAL wants to establish the actual value of the asset, not necessarily the market value; market value is one type of value. The Chairman pointed out that the IVS definition of value is "fair value" which includes investment value, synergistic value and whatever other values are considered.

He added that SAMVAL has aligned itself with IVS. This was a principle that was agreed upon from the beginning of the rewrite and it is enshrined in IMVAL as well. Market value is based upon an assumption of what would happen in an open market where there are many willing buyers and willing sellers. Fair value talks about two parties and is a fair value based on consensus between the parties. Ms de Bruyn stated that under any circumstances the starting point of a valuation must be its intrinsic value and thereafter adding any other factors to reach an agreed value. It is therefore necessary for the Code to start with the basic value (intrinsic value) and then depending on the purpose of the valuation other components can be added. Mr Croll concurred stating that market value depends on the amount of information available to work with and gives a benchmark analysis. All valuators can do is arrive at an intrinsic value; market value depends on other factors to which a valuator is not privy. The final transaction is based on willing buyer-willing seller.

It was agreed that the basis of the definition of value would be "intrinsic value" but in order to maintain alignment with IVS, reference to "market value" would be retained.

Mr Croll pointed out that the Codes have been around for a long time and have stood the test of time; thus they should not be tampered with. The Chairman replied that despite this, the definitions are not correct and thus debate was required to reach consensus on what would be correct.

7. Discounted Cash Flow (DCF) use in Scoping Studies

Mr Bornman stated that there is a gap: the definition of exploration property (still being explored) and the definition of development property (it has been shown to be viable through a feasibility study) are not aligned. The definition of development property does not cater for a scoping study. He further pointed out that scoping studies have been done without any DCF having been completed. He suggested including the use of a scoping study in the definition of development properties. The Chairman pointed out that the definitions in SAMVAL are almost the same as those in SAMREC and the final intention is to adopt one set of definitions which will apply to all Codes thus changing any definition in SAMVAL will impact on SAMREC.

The Chairman stated that he would consider the input of the various members of the working group and determine how the definitions of exploration property and development property could be amended. **Action: Alastair Macfarlane**

8. Referencing

This issue was not dealt with at the meeting.

9. Common definitions

The Chairman stated that ultimately there will be three codes in one document as the SAMCODE. Consideration will have to be given to common definitions; possibly one set of definitions that refer to everything that is common and only those definitions unique to individual codes will be listed separately.

No changes to definitions will be done in the draft Code which will be distributed. However, in the near future those definitions which are common will be drawn out during the final editing process. It was felt that the common definitions must be the same in the draft SAMVAL and SAMREC Codes.

9. Competency (Appendix B)

SAMVAL currently talks of a Competent valuator (CV) being registered with SACNASP, ECSA or PLATO or a member of the SAIMM or GSSA. However, debate has been on-going as to which statutory body would be most suitable for the registration of CVs and this issue is not yet concluded; work in the area of the registration of CVs will probably take at least another year. It was further pointed out that registration of CVs with SACNASP or PLATO would require amendments to the Acts governing those bodies, which was a lengthy process. Currently the Code can only contain that which is applicable at this point in time.

Changes have been made have been made in the area of the by-laws of the SAIMM and GSSA and these changes state that a peer-review process is required should a CV be only a member of either of these two professional bodies and not of SACNASP etc. as well.

The relevance of leaving Appendix B in the draft which will be sent out for circulation will decided upon. All members of the working group are requested to provide their opinion on this prior to the Chairman taking any final decision. **Action: All Members**

11. Timelines

The revised timelines will be circulated.

The meeting concluded at 09:37.

Next meeting: 28 August 2014.

SUMMARY OF KEY ACTION ITEMS
Chairman:
Include all discussed changes into the draft Code and circulate to all members of the working group.
All members of the WG:
Decide on the relevance of leaving Appendix B in the draft.
Secretariat:
Circulate the revised timelines for final publication of the Codes.
Circulate the presentation which has been compiled for tabling before all branches of the SAIMM.