THE SOUTHERN AFRICAN INSTITUTE OF MINING AND METALLURGY
OIL AND GAS WORKING GROUP COMMITTEE

Minutes of the meeting held at PETROSA,
151 Frans Conradie Drive, Parow
on 4 July 2013 at 15:00

Present:

Cape Town:	A C Clay (Chairman)	
	W de Meyer (SACOIL))	
	J Scales (SASOL)	
Calling in:	D Elliott (Calgary)	
	J Etherington (Calgary)	
	J Scales (Sasol Coal)	
Apologies:	B Cerff	J Decker
	R Davel	A Dippenaar
	S Davids	K Rayner
	A de Bruyn	J Roux
In Attendance:	Sam Moolla	

1. Welcome

Mr Clay welcomed everyone to the meeting. He stated that if everyone was in alignment with the changes then there was a clear way forward. He added that he had met with Mr John Burke and Annalie de Bruyn of the JSE and hoped to have a draft to circulate to all affected parties soon.

2. Review of Previous Minutes

2.1 Approval of the previous minutes

The minutes of the meeting held on 13 May 2013 were accepted with no alterations or amendments.

2.2 Matters arising from the previous minutes

Page 2, Action Items: The vague reference to Acts in the SAMREC and SAMVAL foreword had not been discussed at the SSC meeting on 23rd May but would be raised at the next SAMREC meeting. **ACTION: ANDY CLAY**

Page 3, Action Items: Mr Etherington had reported that although it was not mentioned in the Code but when talking to Government, the mapping could be referred to. He agreed to do this. **ACTION: JOHN ETHERONGTON**

The letter from the JSE to the Alberta Stock Exchange was still outstanding and Mr Elliott agreed to follow up with Mr Phillip Chan to see if it had been received.
ACTION: DAVID ELLIOTT

3. Review of Oil and Gas Proposed Code Working Draft and subsequent changes

Mr Clay advised that the process that the Code will follow en route to approval was as follows:

- The Oil and Gas Working Group would forward the Code to the SSC for approval. (The SSC had been formed under the auspices of approximately 15 independent bodies which included the SAIMM, GSSA and the JSE)
- All these bodies would need to be in agreement with the Code
- Mr Etherington and Mr Elliot would take the Code to the ASC to see if they were in agreement and to gain credence from them. **ACTION: JOHN ETHERINGTON AND DAVID ELLIOTT**
- It would then be distributed to other interested parties and the industry, and added to the website for feedback.
- Any comments would be brought back to this Working Group for discussion and comment.
- The Code would then go back to the SSC for final approval.

The strikeouts would be taken out of the Code and then sent to Ms de Bruyn for approval.

Part 2:
Question from Mr Scales: Are probable reserves mandatory for disclosure?
Mr Elliott stated that the mandatory inclusion of probable reserves came into being in NI51-101. He added that "possible" was discretionary but rarely seen in Canada.
Mr Scales added that as Sasol was listed on the New York Stock Exchange "probable" was discretionary under their rules. He was unsure of how Sasol's Board would react.
After some discussion Mr Elliott advised that what was important was what the investor needed to know and not what the company wanted to disclose.

Item 2. Net Present Value of *Future Net Revenue*
Mr Scales questioned whether it was necessary to use all three of the discount rates separately, or to pick one?
Mr Elliot advised that under NI51-101 the ten per cent discount factor was required (also at 0,5,15 and 20%)
Mr Etherington added that SEC rules require use of constant case being the 12 month trailing average of actual prices unless there is a fixed contract on forward prices. SEC disclosures use a 0% discount rate but FASB *USA accounting standards) use a 10% discount rate.
Mr Clay advised that the value of minerals should be based on three year values. Also the use of constant prices and spot prices are important. This would need to be addressed when the Code was presented to industry.
Mr Etherington added that forecast/constant price cases are accepted. Forecast was mandatory and constant was optional.

Mr Scales questioned the meaning of "gross". Gross meant a company's working interest and net was a company's working interest less royalty. Mr Clay recommended that he refer to the NI51-101 glossary.

Item 2.3 *Reserves* Disclosure Varies with Accounting
Was this consistent with IFRS? Mr Clay recommended that Mr Riaan Davel be requested to answer this.

PART 4 RECONCILIATION OF CHANGES IN *RESERVES*
Item 2b may change in terms of definitions.

Item 6.1 *Oil* and *Gas Properties* and Wells
Item 1a –Mr Clay advised that if the Committee were in agreement this would remain as it was. The intent is to clearly define the location.

Mr Scales advised that Sasol used internal competent persons who did evaluations. Mr Elliott advised that an external person would need to be used unless an exemption was granted to use an internal evaluator.

Mr Clay suggested that independence be dealt with as a separate issue with the JSE who had “ongoing listing requirements” of which the Oil and Gas Code needed to be compliant.

Mr Elliott advised that the disclosure of non-standard measures (e.g. finding and development costs) was probably going to change.

In reply to Mr Clay’s question regarding what would happen with regard to “unconventionals”, Mr Etherington advised that they were awaiting feedback from the SPEE committee that had been set up to look at changes on COGEH Vol. 2 Section 2.

Mr Etherington advised that there were plans to merge COGEH and PRMS but it could take another 5 years.

The Code would be distributed to all committee members, the SSC and the broader industry once it had been updated.

4. Date of next meeting

If there was a need for another meeting it would be done by teleconference.

5. General.

Mr Clay thanked everyone who attended and dialled in to participate in the meeting.

There being no further matters for discussion the meeting ended at 16:15.