

**MINUTES OF THE SAMREC COMMITTEE MEETING**

**HELD ON 25 FEBRUARY AT 09:45**

**Via ZOOM**

**Present:** Mr K Lomborg (Chairperson)  
Ms T Flitton  
Mr D Grant  
Mr R Ingram  
Dr T Marshall  
Mr R Minnitt  
Mr M Mullins  
Mr J Nel  
Mr G Njowa  
Ms A Opperman  
Mr T Rowland  
Dr S Rupprecht  
Ms K van Deventer

**Apologies:** Mr G Smith  
Mr J Witley

**In Attendance:** Ms T Letlhaku (SAIMM)

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**1. WELCOME**

Mr Lomborg welcomed everyone to the meeting and thanked Ms Flitton for standing in as Chair for the previous meeting.

**2. ACCEPTANCE OF PREVIOUS MINUTES**

The minutes of the meeting held on 26 November 2020 were accepted as being a true reflection of proceedings. This was proposed by Dr Marshall.

**3. MATTERS ARISING**

**26 November 2020**

**Page 2, Agenda Item 4 – SAMCODES APP:** Regarding speaking to Ms Moolla re Francois creating a new address for support for the App, Ms Flitton would report on this under the agenda item.

**Page 2, Agenda Item 4 – SAMCODES APP:** Ms Flitton would report back regarding sponsorship under the agenda item.

**Page 5, Agenda Item 10 – GENERAL:** Regarding the question of suggestions on virtual site visits, Mr Lomborg advised that no formal discussions had been held on this, but it had been discussed informally in June 2020. Dr Marshall reported that at the earlier meeting, Mr Mullins had put together a couple of points on remote site visits for

SAMVAL. These would be circulated to committee members. A couple of points that were highlighted were:

- When a remote site visit was organised, there should be a clear agenda as to what it was hoped to achieve
- The technology should be professionally organised, e.g. if you are going to be using a drone, ensure that this would be operated by a professional drone operator
- There should be clearly defined outcomes
- The recordings should be stored as permanent records
- There should either be a separate, stand-alone report, or a section within the document itself about the remote site visit, i.e. the details of where, how, etc. so that when circumstances improved, there should even be a plan to undertake a physical site visit if and when possible
- It had been suggested by Ms de Bruyn that perhaps it might even be desirable for the company to put these virtual site visits and the stand-alone report on their website for investors to have a look at. Mr Lomborg believed everyone would be grateful if the companies put as much information as possible on their websites.

Mr Lomborg was very reluctant to put out a Guidance Note in terms of virtual site visits because it would open a can of worms which would remain open for a very long time. The question that had to be asked was: when was a virtual site visit allowed or undertaken; or when was it something that should not happen? Dr Marshall would guess that if it was dangerous to the life and limb of the Competent Person, not just because the company thought it was too expensive or it was not necessary; and that it should only be done in dire circumstances.

Mr Rowland advised that with site visits in Australia under the Covid pandemic situation, all the major audit companies had been mobilised to site in the last few weeks, so that had not been an issue. Technically, he had not done remote site visits, although there were fully functional drones on all the sites. Mr Lomborg noted that it would not constitute a safety threat in Australia and South Africa, but possibly international travel would be considered as a dangerous situation. The SAMREC Code stated that a site visit was mandatory, but the current situation made this difficult in some cases.

Mr Rowland outlined some of the actions taken in Ghana, using drones. Mr Lomborg suggested that these situations could also occur if a country became politically unstable. Mr Grant asked why the Competent Person could not nominate somebody in that country to do the site visit on his behalf. Mr Lomborg believed this was a good suggestion and it was up to the Competent Person. In Mr Grant's experience, it was very important that an independent person actually stood on the site with the GPS to take their own measurements, particularly for an exploration project.

Mr Lomborg asked the Committee whether a Guidance Note should be put out. Dr Marshall suggested putting together a collection of thoughts and, once these had been discussed amongst the Committee, a decision could be made as to whether a Guidance Note should be issued or not. SAMVAL had also considered putting something out.

Mr Lomborg agreed to put together a white paper for further discussions.

**Action: Ken Lomborg**

#### **4. SAMCODES APP**

Ms Flitton reported that CM Marketing were very Android-oriented. There were still some glitches with the PWA for the SAMCODES for Apple phones. For example, the text was cutting off when doing a search and they were trying to figure out the best way to sort this out.

The guide on how to download and use the App had been put on the SAMCODES website. This was about 15 pages long and allowed both Apple and Android users to use it. The team was trying to work out how best to keep users informed.

Dr Marshall added that when she looked at the analytics from the SAMCODES website, she was seeing an increase from about 17% to 21% of people who were accessing the website and codes through their mobile devices; so the App was definitely being used. Ms Flitton advised that hopefully, by the next meeting, she would be able to start sharing the analytics. She encouraged all members to go onto the SAMCODES website and look for the guide under 'News' and download that, as well as the App, and forward any feedback to her.

She advised that a monthly fee for general support was being paid to CM Marketing, as well as another small monthly fee for the PWA. An initial outlay of R20k was made for the development of the App and it was ±R1 200/month for the PWA and the monthly support. Any additional work would have to be scoped out and put together in a Phase II approach going forward. Mr Lomborg added that once Apple was on board properly, a Phase II could be considered.

Ms Flitton brought up the issue of sponsors and advised that there were currently three sponsors. Mr Lomborg suggested that a check be carried out on whether these sponsorships had been renewed. Ms Letlhaku was asked to check whether the sponsorships were up to date.

**Action: Tshepi Letlhaku**

#### **5. CRIRSCO NEWS**

Mr Lomborg advised that the meeting had been held in September 2020 and the next meeting was scheduled for October 2021. Although it was planned for Johannesburg, he was fairly sure it would not happen as international travel between South Africa and First World countries was still problematic. It might well be a hybrid meeting and this would be worked out closer to the time.

There had not been much activity since the last meeting. There were still a number of countries potentially getting into membership, e.g. Philippines and China. That was ongoing and otherwise it was fairly quiet.

#### **6. SAMCODES 2021 CONFERENCE**

This was still on the go for October 2021. There was enough material for two days, although only about 14 of the 21 slots would have actual papers. There was a call for additional papers and he hoped that someone from this group would volunteer to write a paper. Abstracts were being looked at for April. These would be accepted by the end of April and the papers would be due sometime in June. He asked if there was anyone who wanted to contribute, to please do so. Committee members were also asked to market this event via social media to ensure good attendance.

A hybrid meeting was being planned with people at Birchwood in the East Rand and a virtual streaming at the same time. It would be interesting to see how this worked;

particularly with this sort of conference, but that was the current plan. The venue would take 40 people face-to-face.

Mr Rowland queried whether, with the submissions already received for the conference, there were any particular themes coming through. Mr Lomborg responded that one of the things they wanted to put on was ESG issues and to have panel discussions on this. Other than that, there were no particular topics. The one thing experienced last time was that there were quite a lot of resource discussions but not so many about reserves. Valuations were also not as strong as resources.

Mr Rowland advised that a topic he was particularly interested in was the way mine closure costs were handled in the life of mine discounted cashflow models, which was obviously important in benchmarking viability; but the more he looked at it, the more he noticed the different ways in which companies handled mine closure models – some very strongly in his opinion. He advised that he could get a white paper put together, but Mr Lomborg noted that presentations without papers were also being considered. Dr Rupprecht suggested that this could also be made into a discussion point. Mr Lomborg asked Mr Rowland to think about doing a presentation.

**Action: Tim Rowland**

Mr Njowa added that there was a company looking at ESG and suggested there could be elaboration. Mr Lomborg advised that the ESG team was definitely involved and Ms Steele-Schober would ensure that there were ESG aspects to the conference.

## **7. SK-1300 – ISSUES TO CONSIDER**

Mr Lomborg advised that this had been out for a few years and was now being implemented for companies whose year-end was in 2021. Dr Rupprecht presented on the consideration for the SAMREC Committee based on the SEC SK-1300 regulations. He asked whether there were things from the SK-1300 that should be considered when rewrites were done in the SAMREC Code.

Mr Rowland reported that he was working putting a SK-1300 technical report template together and he had them on board to assist him in configuring that. He wanted to avoid as much as possible to generate a CPR which was fully compliant with SAMREC and the JSE Section 12 and then have to do another entirely different technical report to submit to the SEC. He was looking for as much reciprocity as possible going forward and he believed that was what Prof Rupprecht was alluding to. It was suggested that perhaps, in the SAMREC rewrite, where SAMREC could pick up some key elements, that would increase the level of reciprocity between the two requirements when it came to technical reporting.

Mr Lomborg confirmed that that was the situation. The important thing was to maintain the alliance to CRIRSCO and the CRIRSCO principles, so there would be some cross-reference from that perspective. At some stage, SAMREC would probably be looking at a rewrite, which was quite a big undertaking.

Dr Rupprecht advised that he had highlighted some of the key things to consider. It did not cover all of the issues around the SK-1300, but more about rewrites and things that SAMREC should consider.

### ***3<sup>rd</sup> Party sign-off***

This was very important in that there should be expert sign-off without naming the employee or affiliate who prepared the summary. This had been done to deal with the expert liability under Section 11 of the Securities Act.

One of the key things that came out of that was that the registrant/company must also have some ownership to this and must ensure that the company doing the work definitely had competent or qualified persons doing the work; instead, there was some onus on the company. Prof Rupprecht was uncomfortable about losing the transparency. The key was that if there was a complaint, the CP or QP would never be totally removed from liability or being questioned about their work. It was an issue that did cause some concern.

Mr Lomborg suggested discussing this on a point-by-point basis.

Mr Rowland commented that this was interesting and he was of the strong opinion that if one had a third-party sign-off, one lost the value chain and the direct accountability and responsibility that the company's CP should have. It was almost a dereliction of duty to let a mining consultancy sign off on the company's behalf. He was not a big supporter of letting the sign-off go to third parties at all; it did not support the intent of what SAMREC was driving. Mr Mullins agreed. Dr Rupprecht also agreed that it also allowed companies to bring in juniors who did not understand the work, etc., but it should be remembered that the regulation did state that the registrant must ensure that the third party was using the appropriate people. Mr Lomborg added that the other aspect was that personal liability was one of the cornerstones of the CRIRSCO family; so, if this was changed, it would change a large part of the CRIRSCO approach. Mr Njowa agreed with the previous comments from Mr Rowland and this concern had been raised previously.

SK1300 stated that the CP must 'have both sufficient knowledge and experience in the application of [the modifying factors] to the mineral deposits under consideration, as well as experience with geology, geostatistics, mining, extraction and processing that is applicable to the type of mineral and mining under consideration' SEC, 2018.

Prof Rupprecht advised that technical reports required CPs with sufficient knowledge and experience, alluding to the use of technical specialists to ensure that the full mining process or value chain is adequately reported. Guidance for the formal use of technical experts should be provided in the updated SAMREC Code.

Dr Marshall asked whether there was not already something in the Codes about technical specialists. Prof Rupprecht advised that it was already in the Code, but he believed it should be highlighted to make things clearer. Mr Lomborg agreed that it might require more emphasis and perhaps find a way that the other technical specialists also have some sort of professional affiliation under which they acted. Another suggestion was to have these technical specialists sign the back of the report to say which sections of the report they were responsible for.

Ms Flitton advised that in Clause 10 it stated that where there were clear responsibilities within a team, each person should accept responsibility for his or her particular contribution. This was mentioned more in the Guidance and she believed it was worth bringing it more to the fore. Mr Mullins queried ESG and Prof Rupprecht believed that was included, as well as marketing. This could perhaps be highlighted.

### ***Resources Reported Exclusive of Reserves***

The SK-1300 requirements will require many companies that have traditionally reported Mineral Resources on an inclusive basis to now report on an exclusive basis. It is proposed that the SAMREC Codes consider preparing guidelines for the estimating of the Minerals Resources exclusive to Mineral Reserves, as there were several nuances the Competent Person must consider for this declaration and not simply a subtraction of the mineral resources used in the estimation of the Mineral Reserve.

Prof Rupprecht advised that a discussion would now have to be held about people reporting exclusive of the Reserve. The SEC required this and his concern was that he still had doubts around whether everyone knew how to do this. This had been a parked issue for years, with no consensus being reached. Guidance should be given on this aspect for those who were not used to reporting exclusively.

Mr Njowa agreed that Prof Dohm should be given the opportunity to answer this question. There were also implications when doing a valuation about over-estimating items.

Mr Rowland advised that they had put together a Goldfields Group guideline on reporting exclusively and this had been circulated to two or three of the big mining companies for their input and peer review. A white paper was being put together on exclusive reporting and he believed it would be good to have some industry guidelines in place on this. Mr Lomborg suggested that this would be a good topic for the SAMCODES Conference.

Ms Flitton noted the difference of reporting in the high-level disclosures. Prof Rupprecht believed the bigger companies would do better with this, but he was concerned about the juniors. He liked the idea of a white paper. Mr Mullins asked whether this required any change to the SAMREC Code and Prof Rupprecht responded that he did not believe SAMREC needed to change. Ms Flitton confirmed that SAMREC was quite clear that companies could report either; as long as they stated which they were reporting.

### ***Technical Report Summaries***

Prof Rupprecht believed this was being done, but he was not sure whether SAMREC should not also consider the requirements of Points 1 and 2. He asked whether anything should be modified, or whether the SAMREC Code covered this adequately already.

Mr Mullins commented that with exploration results, there was a requirement to fill in Table 1, but to add a technical report to that was perhaps too much. Prof Rupprecht advised that this was voluntary with the Americans right now, but he just wanted to highlight it. Mr Lomborg's concern about exploration results was not so much what was reported, but the fact that it was abused. The disclosure of exploration results would require some careful thought. Regarding Point 2, the comment was made on whether the RPEEE should be applied to the resources exclusive of reserves, but it was believed that there should only be one RPEEE assessment and it did not have to be applied to the resources exclusive of reserves, because it became illogical that the rationale was not right. On the RPEEE screening for resources, perhaps there should be more clarity on whether it had to be on the current ownership of the company; or whether it would be reasonable prospects under a different company in the future, should it be acquired by someone else. Mr Njowa believed there should also be clarity on applying modifying factors to resources. Mr Lomborg agreed.

### ***Plain English Principle***

Prof Rupprecht recommended that the plain English principle, i.e. technical reports being submitted needed to be 'dumbed down' for the investor. That was something that SAMREC should be considering.

### ***Factors to be considered in a pre-feasibility study***

Prof Rupprecht quite often saw pre-feasibility studies being stated when they were conceptual studies. The SK-1300 had now brought out pre-feasibility whereas these had not been allowed before. People were abusing exploration results and he believed that they were also abusing scoping studies and putting them into CPRs as pre-feasibility studies to justify the statement of a reserve. He would like SAMREC to look at how this could be tightened up, whereby the CP could sign off a little bit more that it was confident that it was actually to a pre-feasibility level. How to handle marketing also came into that, as well as ESG.

Prof Rupprecht suggested that this might not mean changing of the Code, but rather changing of the guidance to be a little firmer about this.

Mr Rowland advised that in his experience, typically a pre-feasibility study underpinning a reserve might be 80-90% indicated resources that may have a 15-20% variant on the contained metal. If the metal was dropped in the pre-feasibility study schedule by 15%, he asked whether it was still viable to make money. The CP needed to be aware of those sensitivities and how much headroom a pre-feasibility study might have, particularly if it was based on an indicated resource to secure its viability. Prof Rupprecht added that closure costs could be quite scary at times when one saw how much liability was at the end, which would also influence the pre-feasibility and the marketing. This also affected marketing. He suggested that more guidance might be required. Something really needed to be done with the CPs who were really stretching the scoping and pre-feasibility studies.

### ***Reconciliation of Mineral Resources and Mineral Reserve***

Prof Rupprecht highlighted that SK-1300 did talk about applying percentages. It was something that needed to be addressed going forward as guidance; not just the percentage, but many of the reconciliations that are seen in the public domain are not properly addressed. He believed this should be covered in more detail and also asked whether SAMREC wanted to follow the Americans in asking for net changes in percentage.

Mr Njowa believed this was already being requested and he was not sure what SK-1300 was looking for. Prof Rupprecht explained that it was in the SAMREC Code, but if SAMREC continually saw that repeatedly CPs were not applying their mind properly to what was in the Code, he was saying that this needed to be addressed in the re-write in order to ensure compliance. Mr Lomborg added that the big debate was about what was material and what was significant. Mr Mullin's experience was that people tended to confuse reconciliation between different successive variations of the resource or reserve model estimate and reconciliation due to depletion and tended to put them together when they could be quite different.

### ***Cut-off Grade***

Prof Rupprecht asked whether further guidance should be offered on cut-off grade. He did not believe the Code needed to be changed, but asked whether there should be more guidance. This was often overlooked by the CPs.

A comment was raised that often cut-off grades were spoken about in quite a generic manner and sometimes, when a deep dive was done as to the rationale and how it was calculated, certain sites could be introducing marginal tons or incremental costs and other things that actually started to make it a hybrid cut-off. The CP had to have clear sight as to exactly how that cut-off was being calculated. Mr Lomborg advised that there was a paper scheduled for the SAMCODES Conference that would be presented on this.

### ***Geotechnical and Hydrogeology***

Prof Rupprecht reported that this had been brought in specifically by the SK-1300 and he suggested that SAMREC should determine whether it should follow suit on the reporting of geotechnical and hydrogeology. Mr Lomborg was of the opinion that it should.

### ***Reclamation Properties***

Prof Rupprecht advised that this one should be captured in the SAMREC Code to remind CPs of the importance of mine closure and its materiality to mining operations.

### ***Continuing Professional Development***

The need for continuing professional development was more for SAIMM. SAIMM still needed to address this issue. It did not currently have CPD points and this could be a problem if somebody was signing off as a Member or Fellow of the Institute.

## **8. TRAINING**

Mr Lomborg reported that no training had been planned as yet for this year. There had been talk about possibly doing Advanced Training at the end of the year (October), but this would be discussed further between Dr Marshall and himself.

## **9. FUTURE ACTIVITIES FOR THE YEAR**

Mr Lomborg asked for any ideas for future activities that should be addressed this year. A suggestion was made to also train senior CPs and not only the juniors and new people. Mr Lomborg added that it had previously been planned to have a Basic Course one year and an Advanced Course the next. Covid had affected this, as the Advanced Course had been very interactive. It would have to be seen how to do this via a virtual platform.

Mr Lomborg suggested that some of these SK-1300 points could be addressed as well as new advances in the industry and how and if that affected reporting, e.g. implicit modelling, the use of different forms of geophysics. He believed those needed to be put onto the list of things to be considered.

Ms Flitton asked if JORC was in the process of re-writing their Code. Mr Lomborg confirmed this and Ms Flitton suggested that the process of looking at a SAMREC re-write should be considered towards the end of this year. Mr Lomborg recommended waiting for JORC's Code to be completed and that a re-write was not a critical aspect at this stage.

Regarding new developments, there was a new non-destructive technical process known as the 'photon hammeriser' which was actually used by some ASX-listed companies already for accessing their gold. Test work was fairly advanced in South Africa and this might be introduced at the end of this year. This was an interesting new development and was much cheaper than traditional methods. He believed a close eye should also be kept on machine learning and artificial intelligence.



## 10. GENERAL

Regarding SK1300, Ms Flitton noticed that it did not allow one to sum up measure and indicated with inferred. She wondered where SAMREC or any of the CRIRSCO Codes were going, or whether they would continue allowing it as it was. Mr Lomborg responded that there was no talk of changing what the CRIRSCO Codes were doing, but he believed that the SK-1300 was aligned to the Canadian way of doing it. This should be put onto the list.

Mr Rowland highlighted that the SAMREC and SAMVAL Codes served a very important function.

Dr Marshall advised that one of the issues that came up in the earlier SAMVAL meeting and one that she was asked to raise at SAMREC was the issue of Brines. She noted that Mr Mullins would be making a formal application for SAMREC to consider something regarding brines.

The second issue related to the one on CPD and it was noted that on 15 March the GSSA had a course on CPD should anyone want to know more about that.

Mr Ingram mentioned that, regarding site visits, he knew that the JSE had granted a dispensation in the case of site visits that were not feasible during the beginning of the Covid outbreak last year and that there may be many more of these in future.

The other thing he mentioned was that the Readers Panel was getting to the end of a very arduous reporting process for a batch of eight CPRs and, during the review process, the readers had identified matters of estimation and interpretation that they might wish to bring before the SAMREC Committee in the near future. At the end of this reporting process, he would be inviting the readers to aggregate their comments in such a way so that they could be put before the SAMREC and SAMVAL Committees for their consideration.

## 11. CLOSING

Mr Lomborg thanked all participants for their input and closed the meeting. The next meeting was scheduled to take place on 27 May 2021.

### KEY ACTION ITEMS

#### 1. KEN LOMBERG

Put together white paper on virtual site visits for further discussions.

#### 2. TSHEPI LETLHAKU

Check status of current App sponsorship.

#### 3. TIM ROWLAND

Consider doing a presentation at SAMCODES 2021 Conference.