

**SAMVAL Committee Meeting Minutes
23 February 2023**

Date of Meeting	23 February 2023	Time	08:00															
Chaired by:	Vaughn Duke, Chair	Location	Zoom															
Minutes prepared by:	Camielah Jardine																	
<p>Present:</p> <table> <tr> <td>V Duke (Chair)</td> <td>Dr T Marshall</td> <td>Bernadine Joubert</td> </tr> <tr> <td>H Bornman</td> <td>A McDonald</td> <td>Zacharia Rashid</td> </tr> <tr> <td>A Clay</td> <td>K Redman</td> <td>Andrew Kinghorn</td> </tr> <tr> <td>A de Bruyn</td> <td>N Steenkamp</td> <td></td> </tr> <tr> <td>A Kinghorn</td> <td>M Turnbull</td> <td></td> </tr> </table> <p>SAIMM Secretariat: C Jardine</p> <p>Apologies:</p>				V Duke (Chair)	Dr T Marshall	Bernadine Joubert	H Bornman	A McDonald	Zacharia Rashid	A Clay	K Redman	Andrew Kinghorn	A de Bruyn	N Steenkamp		A Kinghorn	M Turnbull	
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Topic	Discussion																	
1. Welcome	Vaughn welcomed everyone to the meeting.																	
2. Presentation on Water Resources Management System	<p>Mr Clay shared a presentation on the Water Resources Management System that he had been working on. He had started to put together the concept of a water resource management system and, because he worked in the Oil & Gas industry as well, it seemed like a good idea to convert the PRMS into the WRMS, which is what he had done. He had sent his presentation to members and had constituted a committee under the division of the International Geologists under various organisations.</p> <p>The Code would be sent after the meeting and it had been edited, approved, and supported. It served as a method to classify water and had already been used on several projects. Action: Andy Clay</p> <p>If water was managed properly, it was sustainable; which was also important to Oil & Gas. One of the things that was interesting, was the section on project valuation. He would also send some information on dashboards in this connection and went into some detail on what the dashboards did. Action: Andy Clay</p> <p>He proposed to put this under SAMOG and he believed there were some good take-aways for what was being done by SAMCODES around valuations.</p> <p>Regarding brines, the projects he had seen in South America showed that people were trying to estimate the volume and the content based</p>																	

on block models. This did not consider the connectivity between the blocks and the water drive that took place. His recommendation was to use the same techniques for brines which was the same techniques that were used for oil and gas (Monte Carlo simulation).

Mr Duke thanked him for his presentation and the reason why he had requested this from Mr Clay was to try and find a home for brines. He was not sure whether brines should fall under SAMREC at this stage. Mr Clay responded that brines were not unique and the same principles applied on uranium leaching projects. Mr Duke asked whether this should fall under SAMOG. Mr Bornman asked where in South Africa uranium leaching was being done. Mr Clay responded that it was not done in South Africa, but it was being done in other countries (Kazakhstan). Mr Bornman queried why this should be discussed with SAMREC if it did not occur in SA. Mr Clay responded that this was just for information. Ms Redman countered that she believed something like this would be good and that SAMCODES should start look at this. She cited lithium and advised that if SAMCODES should start considering alternative deposits, as these were often found in briny areas. Mr Duke agreed that it was of interest all over the world and Ms Redman was supportive of Mr Clay's suggestion. It was suggested that this might require a separate section. Ms Redman recommended that there should be a sub-committee under one of the Codes to look into this. This could also be a joint sub-committee.

Mr McDonald added that Mr Clay had made a very strong case that anything that was liquid-based be considered under the Water Resource Management System as part of SAMOG, as it had a logical fit into that domain.

Mr Clay advised that SAMOG had struggled along with a limited number of members and Mr Dekker would be standing down shortly. Mr Duke agreed to discuss this with SAMOG, with a possible joint sub-committee made up of a collection of members from the other Codes. It was suggested that lithium, brines and other aspects needed to be looked at.

Action: Vaughn Duke

Mr Clay believed that dashboards were important, because reports were getting longer and longer. In the Oil and Gas industry, when the output was presented, it was on a standardised form. The dashboard showed the capital; the oil/gas price; discount rates, etc. The point was that instead of it being focussed on QA/QC issues, there were reports on procedures used to general the oil and gas, etc. Focus was on the project's commercial input and he believed that there was a leadership component that SAMVAL could take to get people to be more focussed on disclosing detailed Modifying Factors rather than spending too much time on QA/QC in minerals. In response to a question from Mr Duke around who did the valuation for Oil and Gas, Mr Clay responded that it was the QRE (Qualified Reserves Evaluator). The professional body had a very good section with all the categories of experience. This included valuation. He outlined what the SPEEE did. A QRA was an auditor who received his qualifications after ten years.

Some discussion followed on the importance of QA/QC reports.

	<p>Mr Bornman noted that as far as minerals were concerned, there was no way that one could skimp on that; because if that was wrong, everything following it would also be wrong. He believed that QA/QC was extremely important and that this should be remembered. Some discussion followed.</p>
<p>2. Confirmation of previous minutes</p>	<p>The minutes of the meeting held on 24 November 2022 were taken as a true record. The minutes were proposed by Mr van Zyl and seconded by Dr Marshall.</p>
<p>3. Action items</p>	<p>It was confirmed that the issue of brines and non-solid minerals had been picked up at IMVAL by Mr Duke.</p> <p>A discussion had been held with IMVAL regarding Real Options and they were taking this up was one of the topics of valuation that would be discussing in upcoming meetings. They were aware of the level of subjectivity. It was agreed to see what action IMVAL took in this regard.</p> <p>Mr Duke reported that he had not discussed with Ms Moolla contacting mining houses regarding specific meetings with each. Mr Bornman noted that it seemed like most people preferred to have virtual meetings rather than physical meetings. He asked whether invitations should be sent out to the mining houses for their valuers or financial people to join this as a Zoom meeting in order to get more attention/participation from mining houses. Mr Duke suggested starting with those mining houses who had partnered with SAIMM, e.g. Sibanya. This item would be left on the action list. Action: Vaughn Duke</p> <p>Sharing the work scope lifecycle on information gathered at the ESG Inquisition (ToR) was ongoing and would be raised on the agenda but taken off the action items. Action: Camielah Jardine</p> <p>Mr McDonald suggested that there was some confusion. Most of last year there had been the SAMCODES Committee which had been looking at ESG matters; specifically regarding resource and reserve reporting and the valuation of mineral deposits. During the last year, it was working with the SAMESG Committee which was responsible for the SAMESG Guidelines. Ms Wrigley was on both committees and they were quite far advanced in terms of a document (cutting block). It was a very comprehensive document, part of which would end up as recommendations to go into the SAMREC Code and the bulk of it would end up as Guidance in the SAMESG Guidelines. This was in the process of being worked through as to what should go where. This process was mirrored into the SAMVAL Code on a similar basis. Work was ongoing and once the information was at a point where it could be distributed, it would need to have a good, solid involvement from SAMVAL and SAMREC in conjunction with the SAMCODES ESG Working Group, to get this over the line. He added that it would probably take a few months to get something workable for the Committee to start looking at having active discussions. Ms Redman agreed and was willing to be included for the next monthly meeting. Action: Andy McDonald</p>

	<p>Regarding WACC, Ms Redman advised that a quick synopsis had been sent to Dr Marshall, but she had not followed up on this. It was suggested that a paper would be useful for the website. In addition, Ms Redman would be doing a presentation at a course in the middle of March. Dr Marshall would send a reminder in this regard. Action: Tania Marshall</p> <p>In connection with the consultation paper from the Canadian Securities authorities, this would be left on the action list and Mr Duke would send a letter through to them. Mr McDonald asked what this paper was in connection with and Mr Duke responded that it was the latest submissions that were being considered. Ms Jardine would send this document to all Committee members. Action: Camielah Jardine</p> <p>Regarding the position of Vice-Chair/Chair Elect, Ms Redman had volunteered and this was supported by the Committee.</p> <p>SK-1300 was on the agenda for discussion and would be taken off the action list.</p> <p>Ms Redman asked whether there had been any progress on providing the seminars that Mr McDonald had done on SK-1300 as online learning, as she would still like to do that. Mr McDonald advised that a forum site had been put up and was being tested. This would be made available shortly. He outlined who was included in the forum and this would be opened to the wider audience in due course.</p>
<p>5. SK-1300 in comparison to CPR</p>	<p>Mr McDonald provided some new background on SK-1300. The super user group was made up of people who were predominantly with key mining companies (dual listed) and who were also part of the discussion panels at the SK-1300 forum last year. Six or seven of these people would be identified to do the initial testing, just to ensure that it was functional and then it would be opened to the wider audience.</p> <p>It had been suggested that Ernst & Young put a presentation together and Mr Clay was willing to chair it within the next 48 hours.</p> <p>Mr Bornman had spoken to Prof Rupprecht, who had a few working sessions with the author of the SK-1300 in America at the end of last year. He would be able to give some valuable input as well and it was suggested that he be asked to give some input.</p> <p>Mr Clay noted that SAMOG did not necessarily get included in a lot of the conversations going around and it was almost as though SK-1300 was exclusive to minerals, but it was not. Regarding reporting, he was talking to the CEO, who had advised that they had received 30 queries regarding their QRE report from an SK-1300 perspective. When there was a standard that scooped up oil and gas and minerals in the same bucket, it created huge problems. He counselled SAMREC and SAMVAL to liaise with SAMOG when having these conversations. Mr Vaughn believed the more involvement and insight, the better. Some discussion followed and it was agreed that this would be taken off line.</p>

	<p>Mr Bornman noted that one of the things that came into play was a CP had to be able to show how they got to a certain number. There was sometimes difficulty on the risks in the country, i.e. Sierra Leona.</p> <p>Mr Duke added that the discount rate was also in the eye of the person doing the investing. It helped to use the tools. The main thing would be to be transparent in what was being done. It was agreed that the point of competence was not to be prescriptive.</p>
<p>6. Working Group/Sub-Committee/Special Projects</p>	<p>Mr Duke went through the list that had come up at IMVAL. The intention was to have a session at the coming meetings on each one of these and to make a deeper check on whether anything needed to be done. He asked if the Committee was happy to make a similar approach and whether there was anything else to add to the list.</p> <p>Mr Clay advised that, a while ago, there had been four unsolved issues that transitioned between SAMREC and SAMVAL. The inclusive/exclusive reporting issue was still a major problem and it would be something that SAMVAL should be trying to resolve. It did not apply in Oil and Gas. From a valuation perspective, he could get no traction to ban exclusive reporting. Mr McDonald noted that SK-1300 required that reports be done on an exclusive basis. He put together a paper and would circulate that, but he wanted to demonstrate how exclusive reporting was mathematically incorrect. The problem was trying to do comparative valuations on a value share unit and to use exclusive resources, you could end up with a ludicrous situation where your exclusive resources had more value than reserves. It was something where he seemed to be a 'lone soldier', but he still believed it was a problem.</p> <p>Mr Duke asked the Committee whether they would like to discuss this, otherwise it would be an offline topic. The point was to set aside a meeting to discuss these matters and then decide on whether guidance should be given or not.</p> <p>Mr Bornman advised that this issue had been resolved at SAMREC level (as advised by Mr Lomberg). They had decided that it should stay and the question was whether SAMVAL should go its own route or whether it should consult with SAMREC. Mr Duke understood Mr Clay's views and believed it would be a good thing to raise this in conferences and forums. He was happy to work with Mr Clay on this discussion and believed it would be useful for mining people to join in as well. Mr Clay's question to the SK-1300 was why they did not ask the oil and gas industry to quote exclusive and why the mineral industry should be treated separately.</p> <p>Mr Duke's approach would be not to rock the boat, but that a discussion could be held at IMVAL and to look at it from a global view.</p> <p>It was agreed to reduce the agenda to one topic to discuss. All agreed.</p>
<p>7. ESG</p>	<p>Mr McDonald reported that the ESG valuation was a valuation of Governance of ESG, which was the area which needed some</p>

	<p>attention. This was discussed briefly last year but, from his point, the Social and Environment components in South Africa were relatively easy to attach a value to; but it was the Governance component that was the issue and some thought needed to be given as to how to give guidance to the ESG Working Group as to how ESG matters could be incorporated into the SAMVAL Code.</p> <p>Mr McDonald advised that the CRIRSCO definition of Governance narrowed it down to specifically within the resource and reserve reporting for a mineral project, so it was trying to exclude Governance at a corporate level as far as possible. Everything that was being looked at, from an ESG perspective, was the impact that it had on the estimation and disclosure of exploration targets, mineral resources and mineral reserves.</p> <p>Mr Duke would add this to the agenda as regular feedback, but the issue of putting value to the Governance component would be added as a special project.</p>
<p>8. WACC Understanding</p>	<p>Mr Clay reported that after the IMVAL call last week, Mr John Gustavson had circulated the SPEE survey which had been sent on to everybody. This was insightful. There was ongoing discussion on what discount rates should be used and the efficacy of the regulation discount rates, particularly with high inflation and high interest rates. In some discussions that he had, people did not know the difference between real and nominal rates. Part of the reason for that was because there had been low inflation and low interest rates. That had all changed. This was a big topic and, when it came to regulating the income approach, it was pretty critical.</p> <p>Mr Duke added that the whole issue of discount rates came up at IMVAL as well. The options discussed were: critical minerals, brines, real options and weighted average cost of capital. A lot of information was built around that and he thought that this deserved some special time. He suggested fleshing out each item as a topic for discussion at future meetings. This was agreed. Ms Jardine would circulate the material that Mr van Zyl had mentioned to all participants.</p> <p>Action: Camielah Jardine</p>
<p>8. General</p>	<p>No matters were raised for discussion under 'General'.</p> <p>Mr Duke noticed that there was a long list of SAMVAL members who did not attend meetings. If the Committee was agreeable, he would like to reduce the list of 30 members. He would like to encourage some new blood.</p> <p>Ms Redman believed that if people did not attend meetings, they might still want to know what was happening and she was quite happy to keep a broad list. Where those e-mail addresses were returning as 'no longer at this address', they should not be kept on the list.</p> <p>Action: Camielah Jardine</p>

Next meeting	The next meeting was scheduled to take place at 08h00 on 25 May 2023
Meeting closure	Mr Duke thanked everyone for their attendance and input. The meeting ended at 09:15.

Matters arising/Action Items

Meeting Date	Action	Responsible	Due	Status	Comments
23/02/23	Send copy of Water Resource Management System written by A Clay	Andy Clay	28/02/23	Done	
23/02/23	Send out information on dashboard to all members	Andy Clay	28/02/23	Done	
23/02/23	Discuss SAMOG Committee and proposed joint sub-committee to look at brines, lithium, etc.	Vaughn Duke			
23/02/23	Mr Duke to discuss with C Jardine contacting mining houses regarding specific meetings with each	Vaughn Duke			
23/02/23	Regarding WACC, circulate all material that Mr van Zyl had mentioned to all members	Andrew van Zyl /Camielah Jardine			
23/02/23	Send consultation paper from Canadian Security authorities to all members to go through questions & advise Mr Duke	All Members			
24/11/22	Keep issue of SK-1300 in comparison to CPR on agenda against Mr McDonald's name. Mr Turnbull to liaise with Mr McDonald in this regard.	Mark Turnbull and Andy McDonald	23/02/23		