

**SAMVAL Committee Meeting Minutes**  
**25 May 2023**

<b>Date of Meeting</b>	25 May 2023	<b>Time</b>	08:00																			
<b>Chaired by:</b>	Vaughn Duke, Chair	<b>Location</b>	Zoom																			
<b>Minutes prepared by:</b>	Camielah Jardine																					
<p><b>Present:</b></p> <table> <tr> <td>V Duke (Chair)</td> <td>A Kinghorn</td> <td>Bernadine Joubert</td> </tr> <tr> <td>H Bornman</td> <td>Dr T Marshall</td> <td>K Redman</td> </tr> <tr> <td>R Davel</td> <td>M Mashatola</td> <td></td> </tr> <tr> <td>A De Bruyn</td> <td>M Turnbull</td> <td></td> </tr> <tr> <td>H Hooijer</td> <td>A van Zyl</td> <td></td> </tr> </table> <p><b>SAIMM Secretariat:</b> C Jardine</p> <p><b>Apologies:</b></p> <table> <tr> <td>H Hartmann</td> <td>J Odendaal</td> </tr> <tr> <td>A McDonald</td> <td>Z Rashid</td> </tr> </table>				V Duke (Chair)	A Kinghorn	Bernadine Joubert	H Bornman	Dr T Marshall	K Redman	R Davel	M Mashatola		A De Bruyn	M Turnbull		H Hooijer	A van Zyl		H Hartmann	J Odendaal	A McDonald	Z Rashid
V Duke (Chair)	A Kinghorn	Bernadine Joubert																				
H Bornman	Dr T Marshall	K Redman																				
R Davel	M Mashatola																					
A De Bruyn	M Turnbull																					
H Hooijer	A van Zyl																					
H Hartmann	J Odendaal																					
A McDonald	Z Rashid																					
<b>Topic</b>	<b>Discussion</b>																					
<b>1. Welcome</b>	<p>Mr Duke welcomed everyone to the meeting and thanked them for attending, particularly the DRD people who had joined. The DRD members were introduced individually to the team.</p> <p>Members introduced themselves in turn to the DRD team. It was felt that the companies in South Africa should be more informed about the deliberations of the SAMVAL Committee and should be invited to join the odd discussions. Today's discussion would be held around the change to SK-1300.</p> <p>Apologies were noted.</p>																					
<b>2. Presentation on SK-1300</b>	<p>A short presentation was given by Mark Turnbull on the SK-1300.</p> <p>(a) Introduction</p> <ul style="list-style-type: none"> <li>▪ The SEC (Securities and Exchange Commission) was created by the Securities Exchange Act of 1934</li> <li>▪ Industry Guide 7 did not allow for the reporting of either mineral resources or exploration results, which made it difficult to compare with other international codes</li> <li>▪ New SEC regulations were released on 31 October 2018, i.e. a move from industry from Industry Guide 7 Regulations to SK-1300 Regulations</li> <li>▪ Currently, all companies listed on the US Stock Exchange should be adhering to the new SK-1300 Regulations and the deadline was the first fiscal year or after 01 January 2021</li> </ul>																					

(b) Principles included in the SK-1300

- More aligned with CRIRSCO standards
- Emphasis placed on 'reasonable prospects for economic extraction'
- Transparency and guidance/protection of investors
  - Full disclosure
  - More supporting documentation required
- Inclusion of Environmental, Social and Governance (ESG) disclosure
- Declaration of mineral reserve and mineral resource requires a certain level of study with a cash flow:
  - Mineral resource – initial assessment (scoping study)
  - Mineral reserve – pre-feasibility or feasibility study
- Applies to hard rock and brines
- Increased liability placed on QP
  - SK-1300 is written into legislation

(c) Comments/explanations regarding SK-1300

- QPs are subject to liability as experts under Section 11 of the Securities Act
  - Whoever signs the report is exposed to this liability for their area of expertise
  - Allows 3<sup>rd</sup> party consulting companies to act as QP instead of the individuals within that consulting company
  - A company cannot act as QP for their own report – individual within the company can stand as QP in their personal capacity
  - The levels of accuracy and contingencies need to be stated within the study. The accuracy and contingencies need to fall within the set of parameters described in SK-1300 guidance
  - A QP can be held liable for overspend or time overruns
  - No third-party disclaimers are allowed
- Relying on information from registrant and other experts
  - Disclosure of information relied upon, the extent this information was relied upon and why QP relied on this information
  - Reliance on information can be discounted in a limited number of areas where information was compiled by a commissioning entity and falls outside of the expertise of the QP. Examples included:
    - Macroeconomic information
    - Marketing information
    - Local matters outside the expertise of the QP
    - Internal matters outside the expertise of the QP
    - Governmental factors outside the expertise of the QP
- Materiality
  - Unstated as a percentage but comparable with other international codes (~10%)
  - Consideration should be given to what a 'reasonable investor' would find important (e.g. vertical integration)

	<ul style="list-style-type: none"> <li>▪ Full disclosure, stricter requirements, additional supporting documents and clear statements from the QP             <ul style="list-style-type: none"> <li>- Full disclosure applies to both mining and royalty companies (vertical integration)</li> <li>- Multi-element properties (e.g. PGMs) require each element's grade to be reported in mineral resources and mineral reserves</li> <li>- Certain elements/sections of the Technical Report Summary require a more comprehensive explanation/disclosure/supporting information when compared to other industrial codes, e.g.                 <ul style="list-style-type: none"> <li>• Geology – just as full disclosure for resources is required; full disclosure for rock engineering and hydro-geo aspects is required</li> <li>• Environmental – finalised closure plan to be included in feasibility level of study. This is typically not completed until the slowing down of the mining operations</li> <li>• Market studies – the QP needs to state the reasoning behind using a particular price</li> <li>• Modifying Factors – all Modifying Factors and their appropriateness need to be disclosed clearly</li> <li>• Recommendations section – not only requires details of corrective actions, but also an associated budget to carry this out (e.g. exploration programme and budget)</li> </ul> </li> <li>- Declarations of either mineral resources or mineral reserves require a cashflow to prove economic viability                 <ul style="list-style-type: none"> <li>• Does not need to be a valuation</li> </ul> </li> <li>- Does not require require a site visit, although most likely to be requested by QP</li> <li>- Infers that the report must stay current</li> <li>- SK-1300 is rigid in nature                 <ul style="list-style-type: none"> <li>• Expectation to disclose all aspects, even if they are not relevant</li> <li>• Requirement of specific numbers instead of talking about trends or presenting graphs</li> <li>• Can be precarious when discussing something 'not normal' according to SK-1300</li> </ul> </li> </ul> </li> </ul> <p>(d) Summary</p> <ul style="list-style-type: none"> <li>▪ QPs are more susceptible to litigation</li> <li>▪ SK-1300 is a more comprehensive, onerous document when compared to other international codes</li> <li>▪ SK-1300 is rigid in nature</li> </ul> <p>Mr Turnbull invited comments from the floor.</p>
<p><b>3. Discussions on SK-1300</b></p>	<p>Ms de Bruyn asked whether this document was required every year with submission of the annual report. Mr Turnbull responded that, to his knowledge, once a technical report summary had been developed, they wanted this to stay current. This required regular updates and he understood that this TRS needed to be developed and, unless there were material changes, it was not necessary to resubmit the entire document; only the updates needed to be added. He believed this could be done via company announcements.</p>

Regarding materiality, he thought it depended very much on the scale of the parameter that one was looking at. He believed that materiality should not just be looked at in terms of a single parameter; but that it should be looked at with other parameters. Ms Redman agreed.

Mr Duke added that it was about looking at the investor's decision, because that was the reason for the codes being out there.

Mr Bornman asked a question on dual listing; where SAMREC was insistent that the CP signs the report; whereas in SK-1300, the company could sign it off. He asked whether there were now two reports being produced – one for the JSE and one for the Exchange in other listing country. Bernadine advised that she was not as close to this as Ms de Bruyn and believed it would be more appropriate for her to respond to that question. Mr Turnbull advised that, from everything he had read and from other peoples' comments, it seemed to be at the discretion of the consultants. For SAMREC or the JSE, one had to sign off as the individual, but it was up to the company to decide whether they wanted to redo the entire report under the company name, or their personal name, and how much they wanted to edit it and how comfortable one was to release that information. He believed it was completely up to the individual's discretion. He would double-check that with Ms de Bruyn.

**Action:** Mark Turnbull

Mr Bornman believed that the SAMREC and JSE Rules had not changed. One currently had the position where the company had to decide whether to issue two reports; one signed off by the CP and one signed off as a company. He assumed that was how it was resolved, but he was not sure.

Mr van Zyl advised that they had had permission from the JSE to submit the report to them without the names of the CPs; on the proviso that a letter had been provided to the JSE separately, saying who was involved. This information was not put in the public domain.

Mr Duke recalled that at some stage, in discussions with Andy McDonald if the cash flow was not in line with the regional declaration, one might get caught later when the project was done and dusted. He asked for thoughts on that.

Mr van Zyl advised that it was difficult around feasibility studies, where the accuracy limits were very tight. One would have to prove that it was not your fault that the project went over budget and that the original statement was reasonable. The biggest concern was around how much time and experience it took to defend oneself. This was a significant business risk.

Mr Duke's question to the committee members was, having listened to the presentation, what should be done with the SAMVAL Code and whether there were areas that required change, etc. to align more and bridge differences between the way the SAMVAL approached things and the more rigid approach from SK-1300. Mr van Zyl believed thought should be given to how much disclosure was required from conglomerates or multi-national companies; and whether some sort of 'executive summary' type of disclosure would be adequate, particularly where operations had been running for

	<p>some time. Often a CPR was as good a record as there was of the history of an operation/company. There were real merits, despite how onerous it was and how it could be simplified – it remained a great record of the asset.</p> <p>Mr Mullins believed that, with SAMREC, he would resist the urge to turn it into something that it was not; or to try and include too much in it. He noted the global move towards converting these reporting codes to ESG reporting codes, which he believed there should be a push-back on. He also saw a fair amount of global push-back against the pendulum swinging too far on the ESG side. It was very difficult for a CP to sign off on material that was outside his/her experience level and start relying more and more on the experts in areas where they felt uncomfortable; but they had no choice. So the guidance to the SAMREC Code would be to question any attempt to put more into the Code just for the sake of having it there. Mr Duke agreed 100%.</p> <p>Mr Davel believed it was very useful to be part of this discussion. He asked whether public announcements would be put out and this would have to be considered together with the JSE. Mr Duke advised that Mr Davel was welcome to have someone from his organisation to join this Committee; either on a part-time basis or permanently, to get involved and keep abreast of deliberations and pending changes.</p> <p>Regarding Brines, Mr Davel advised that the SEC, as a regulator, was definitely looking at the technical report summary. This was being done indirectly by their auditor.</p> <p>Ms Mashatola advised that they had to submit the draft technical report summaries to the JSE. They were advised to refer to the published TRS's in the integrated report, i.e. mineral resource and mineral reserve reports that were compiled using the JSE listing requirements.</p> <p>Mr Duke reported that the next SAMVAL meeting would again involve a mining company and suggested that there could be good cross-pollination between companies on a variety of subjects and that Ms Mashatola was welcome to attend in order to be kept abreast.</p>
<p><b>4. Special Projects</b></p>	<p>Regarding Special Projects, Ms Redman was not present to give feedback. Mr Duke had to give feedback on ESG at the SSC meeting and Ms Jardine was asked to request a note from Ms Redman for the record.</p> <p><b>Action:</b> Camielah Jardine</p>
<p><b>5. WACC Understanding</b></p>	<p>Mr Duke believed this might be a topic for the next SAMVAL meeting. Mr van Zyl advised that he had received an e-mail reminder to send something out; but he had struggled to find the presentation that he had done previously. He agreed to present what he had done before. It remained something that he was very sceptical about. There were several reasons for that and he would discuss this in more detail. One of the issues was that many of the reporting betas did not have</p>

any audit trail attached to them and the indices were not referenced; nor the time periods, etc.

Several years back, he was doing something for Harmony and the Yahoo was different to Reuters, i.e. 1.4 vs 0.7 for Beta; but neither said which currency, which index, time period, etc. So, unless one had specifically commissioned reports that could be audited and proof where the numbers came from; for him it was questionable. It could have a big impact. He also cited the equity risk premium. There were a lot of issues with all of the aspects of this. His preference would be to use a fixed rate with a sensitivity rather than creating something out of a WACC.

Mr Duke suggested that the work needed to be tailored. Mr van Zyl cited an example around two different valuations for the same project; with a 40% difference between the two. It was a great reminder of how open to abuse this was. Some discussion followed and Mr van Zyl believed it created a of potential for abuse and added very little value.

Mr Bornman supported Mr van Zyl in this case and cited an example that had occurred in Sierra Leone. Mr van Zyl also highlighted the currency risk issue, i.e. local currencies.

Mr Mullins' understanding regarding country risk was that it was based on the country's credit rating and its ability to repay its loans. Those country lists were published and he did not think anyone expected a CP to come up with a country risk premium on their own. The numbers could be obtained from published numbers that were put out by organised global agencies.

Mr Turnbull believed that a presentation on this would be very useful. One could not really quantify all the financial risks and financial analysts were applying their professional opinions on a risk that they found. The risk was what one deemed it to be and then this had to be supported, as far as possible.

Mr Duke suggested that perhaps the risk was in the eye of investors and this should be kept in mind.

It was suggested that this was an area where the accounting profession could contribute, to share the measure they had been dealing with in their reporting standards for quite a while; not to say that that was perfect.

Mr Duke noted that the intention of these key items that were discussed in this meeting was to tease out what came up and decide whether to make a change or not. The change could be either in the Code itself or as a guidance note available to professionals trying to weave their way through to a good solution. He asked Mr Davel to share his insights at the next SAMVAL meeting. Mr Mullins supported that and, in particular, to have a discussion on country risks and country risk premiums, as there were still differing opinions on this.

**Action:** Mr Davel

<p><b>6. Action items</b></p>	<p>The copy of the Water Resource Management System written by Mr Clay had been sent to members.</p> <p>Information on the dashboard had been sent to all members by Mr Clay.</p> <p>Regarding the issue of brines and non-solid minerals, Mr Duke reported that he had not followed up on this. A discussion had been held with Mr Clay on what they were busy with on the Oil and Gas area, but he brought back brines from IMVAL, where it was discussed. He promised to revert to SAMVAL but there had not been an IMVAL meeting since. This action item would be put on hold. Mr Mullins had followed the proposal that brines get included in either Oil &amp; Gas or Hydrology and he believed that it belonged in Solid Minerals with SAMREC. It was an interesting debate and he looked forward to having this next time. Mr Duke agreed to give Mr Mullins feedback and then he could contact Mr Clay around his thoughts. In a couple of months there could then be a discussion around brines.  <b>Action:</b> Vaughn Duke / Matt Mullins / Andy Clay</p> <p>Mr Duke advised that progress had been made with the mining houses and this would continue.  <b>Action:</b> Vaughn Duke</p> <p>The WACC material had been circulated to members and this would continue to be discussed.</p> <p>The consultation paper from the Canadian Security authorities had not been sent to all members and this would be done by Mr van Zyl.  <b>Action:</b> Andrew van Zyl</p> <p>Regarding SK-1300, Mr Duke would put through a note on what had come out of the deliberations today and whether this should be taken forward or not. He did not believe that any changes were necessary at this stage, but he would put out a note on his thoughts for circulation to all members.  <b>Action:</b> Vaughn Duke / Camielah Jardine</p>
<p><b>7. Acceptance of previous minutes and actions</b></p>	<p>The minutes of the meeting held on 23 February 2023 were accepted as correct.</p> <p>Proposed by Hannes Bornman and seconded by M Turnbull</p>
<p><b>8. General</b></p>	<p>No matters were raised for discussion under 'General'.</p>
<p><b>Next meeting</b></p>	<p>The next meeting was scheduled to take place at 08h00 on 24 August 2023.</p>
<p><b>Meeting closure</b></p>	<p>Mr Duke thanked everyone for their attendance and input, particularly the visitors from DRD. The DRD visitors would be welcome to attend further deliberations/presentations.</p>



	The meeting ended at 09:15.
--	-----------------------------

**Matters arising/Action Items**

<b>Meeting Date</b>	<b>Action</b>	<b>Responsible</b>	<b>Due</b>	<b>Status</b>	<b>Comments</b>
25/05/23	Double-check dual listing requirements with Ms de Bruyn	Mark Turnbull	24/08/23		
25/05/23	Request note from Ms Redman re feedback on Special Projects by Mr Duke at SSC	Camielah Jardine	25/05/23		
25/05/23	Mr Davel to be requested to share insights at next SAMVAL meeting	Vaughn Duke/Mark Turnbull	24/08/23		
25/05/23	Discuss SAMOG Committee and proposed joint sub-committee to look at brines, lithium, etc.	Vaughn Duke/Matt Mullins/Andy Clay	24/08/23		
23/02/23	Keep as list of relevant issues regarding items to be included in SAMESG update and include in the minutes. Ms Redman to form part of this.	Kelly Redman	Ongoing		
25/05/23	Send consultation paper from Canadian Security authorities to all members to go through questions & advise Mr Duke	Andrew van Zyl All Members	24/08/23		
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	24/08/23		