

U.S. and International Valuation Trends — The Future

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1990s — National Standards and Qualifications Initiatives

- U.S.
 - USPAP implemented in all states
 - State level licensure
- Australia
 - The VALMIN Code
 - National competent person
- Canada
 - MSTF leads to CIMVal Committee
 - Provincial level Qualified Person

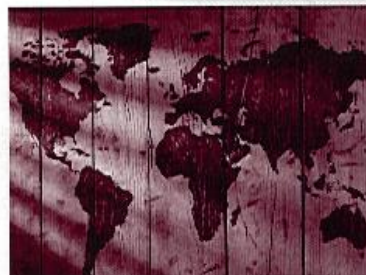
This Decade — International Initiatives

- International Valuation Standards
 - Extractive Industry Guidelines
- International Accounting Standards
 - Extractive Industry Standards
- International Trade in Services Agreements

International Valuation Standards

- First published 1985
- In 1999 received major funding
 - Intense development through 2003
- 2000 Edition is 376 pages
 - Published in many languages
 - Very similar valuation philosophy to USPAP
- Adopted by many international bodies

International Valuation Standards 2000



International
Valuation Standards
Committee

International Valuation Standards Committee

- Based in London
- NGO member of United Nations
- Liaison with OECD, World Bank, IMF, IBS, EU Committee, IFA, IOSCO, etc.
- The little sister of the International Accounting Standards Committee (IASC)

International Accounting Standards

- IASC formed 1973
- Core set of standards completed 1998, based on agreement with International Organisation of Securities Commissions (IOSCO)
- High acceptance throughout world, except U.S.
 - European Commission has specified that all European listed companies adopt IAS by 2005
- Pressure on U.S. to merge US GAAP with IAS

International Accounting Standards

- Founded on Current Cost/Current Value accounting
 - US GAAP founded on historic cost accounting
 - Extremely high precision, horrible accuracy
- Actively promotes valuation by IVS
- Allows frequent revaluation of assets
 - Lots of work for appraisers/valuators!

IAS Extractive Industries Standards Development

- Mining and Petroleum
- Issues Paper published November 2000
- Input requested by 30 June 2001
- Exposure Draft Q1 of 2002
- Standards publication Q4 of 2002
- Will be adopted by IOSCO

ISSUES PAPER

NOVEMBER 2000

EXTRACTIVE INDUSTRIES

**An Issues Paper issued for comment by the
IASC Steering Committee on Extractive Industries**



**International
Accounting Standards
Committee®**

IAS Extractive Industries Standards Development

- Steering Committee's Views:
 - Historical cost basis only for primary reports
 - Reserve estimation criteria to be reviewed
 - Reserve changes and reserve current value in supplementary information only
 - No reporting of resources and exploration information quantitatively or value
- Issues Paper available at www.iasc.org.uk

IAS Extractive Industries Standards Development

- The Steering Committee considers that our industry does not have standards for valuation of our natural resource assets.
- Result
 - historic cost basis for us
 - current value basis for other industries
- Disadvantage the extractive industries
- Submit responses as individuals and groups

IVSC Response

- Requested Ellis to assist in putting together an international team of expert mineral valuers
 - Trevor Ellis, U.S.
 - Michael Lawrence, Australasia
 - William Roscoe, Canada (alternate Ross Lawrence)
 - Roger Sawyers, U.K.
- To assist IVSC in developing its response to IASC
- Our input to IVSC by mid-April

IVSC Response

- IVSC will meet in April
- Will decide whether to request this team to develop an IVS extractive industry set of supplementary standards
 - Not an insignificant task!
- IASC could then adopt those by reference
- Timeliness?

Present Value Issues

- IASC Present Value Issues Paper to be released imminently
- Will impact the mining industry
- We should review and respond

International Free Trade in Services Agreements

- 1994 General Agreement on Trade in Services (GATS)
 - Enforcement for developed countries 2010
 - Lesser developed 2020
 - Designed to break down internal and external barriers to trade in services
 - U.S. excluded states rights
- 1992 NAFTA similar goals for services

Mining Industry Actions

- Developing international qualifications for professionals responsible for reserve-resource reports
 - Minimum qualifications
 - Competency
 - Enforcement of standards and codes of ethics
- National Institutes could be accredited by an international council
- Major professions developing similar systems

Conclusions

- Important actions in valuation standards development and international trade in professional services taking place outside the U.S.
- U.S. becoming a relative backwater
- International cooperation on standards development must continue
- The IASC development of extractive industry standards must be slowed to allow valuation standards development