

# **International Standards for Valuation of Mineral Deposits and Mines**

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Extractive Industries  
Task Force Leader  
(Mining & Petroleum)

International Valuation Standards  
Committee

# Task Force Mission

## 2001-2003

1. Respond to International Accounting Standards Board's (IASB) Issues Paper for Extractive Industries International Accounting Standard
2. Input to writing of IASB Standard
3. Develop Extractive Industries addition to the International Valuation Standards

# International Accounting Standards

## Goal

- Uniform financial accounting system worldwide
- Result:
  - Financial reports of similar companies comparable across international borders
  - Companies file identical financial statements with securities commission in many countries

# International Accounting Standards

- International Accounting Standards Committee formed 1973
- Core set of standards completed 1998
  - International Organisation of Securities Commissions (IOSCO) agreement
- High acceptance throughout world
  - Europe (EEC) fully convert to IAS by 2005

# International Accounting Standards

- 2000
  - U.S. and Canada jump in
    - provide major funding
  - IASC replaced by International Accounting Standards Board
  - U.S. now the heavyweight
- 2001
  - Leading countries form IAS merger committee

# International Accounting Standards

- Founded on Current Cost/Current Value accounting
  - US GAAP founded on historic cost accounting
    - Extremely high precision, horrible accuracy
- Allows frequent revaluation of assets
  - Typically re-appraise about every 3 years
  - Lots of work for appraisers/valuators!
    - Good accuracy, poor precision for asset value

# International Valuation Standards

- First published 1985
- Largely designed to support IAS
- In 1999 received major funding
  - Intense development through 2003
- 2000 Edition is 376 pages
  - Published in many languages
  - Valuation philosophy similar to U.S. standard
- 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)

# IAS Extractive Industries Standards Development

- Mining and Petroleum
- Required by IOSCO 1998 – will adopt
- Issues Paper published November 2000
- Responses by 30 June 2001
- Exposure Draft Q2 of 2003
- Standard published ~ Q1 of 2004

ISSUES PAPER

NOVEMBER 2000

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## EXTRACTIVE INDUSTRIES

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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
  - Pseudo-value of reserves in supplementary information only
  - No disclosure of resources and exploration information – quantitatively or value
- Issues Paper available at [www.iasb.org.uk](http://www.iasb.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
- Will disadvantage the extractive industries

**EXPLORATION  
INFORMATION**

**MINERAL  
RESOURCES**

"Reported as  
potentially  
mineable  
mineralisation "

**MINERAL  
RESERVES**

"Reported as  
mineable  
production  
estimates"

**INFERRED**

**INDICATED**

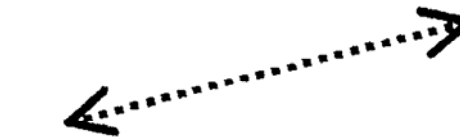
**PROBABLE**

**MEASURED**

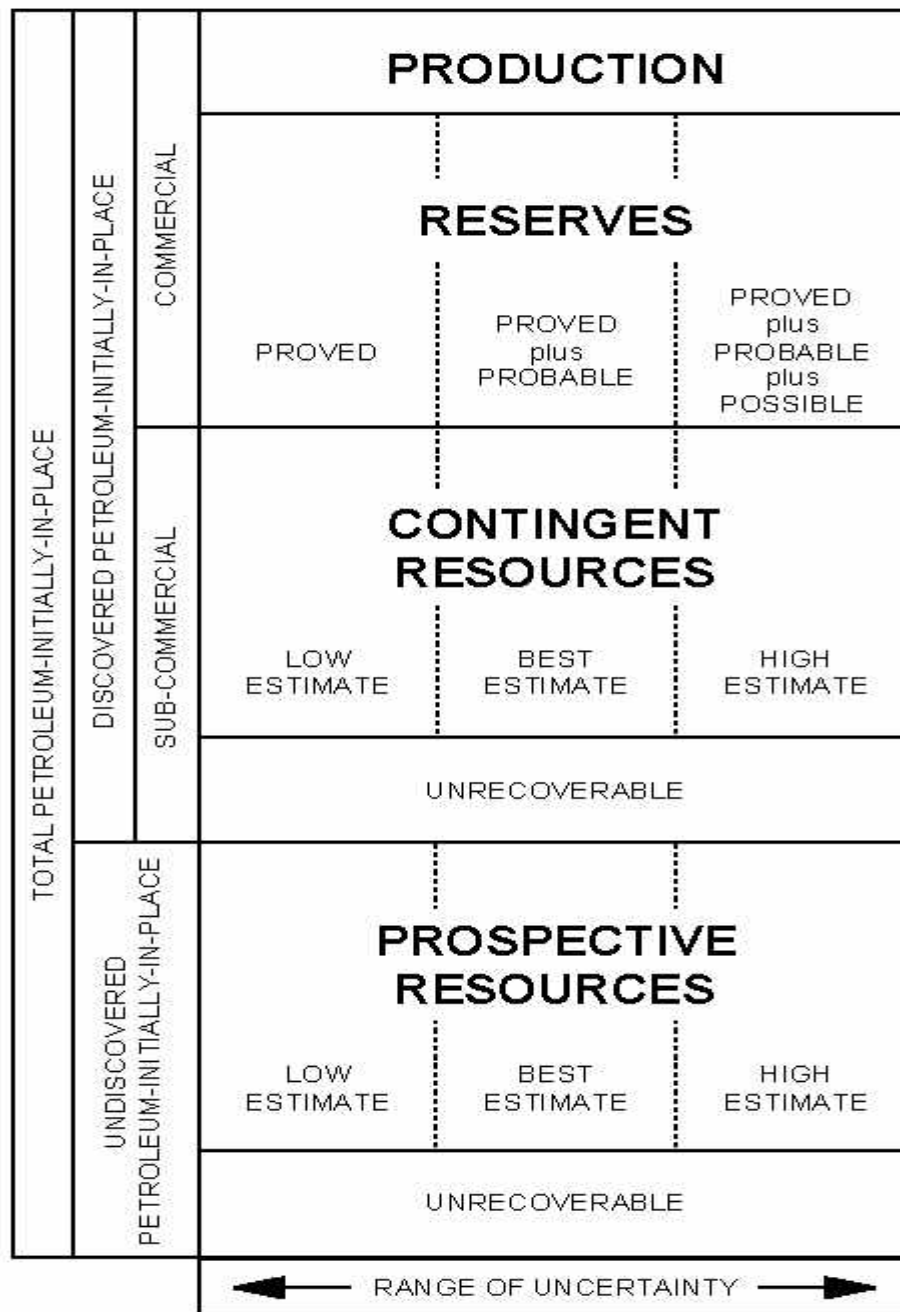
**PROVED**

Increasing  
level of  
geological  
knowledge  
and  
confidence

Consideration of mining, metallurgical,  
economic, marketing, legal, environmental,  
social and governmental factors  
(the "modifying factors")



**FIGURE 1 - RESOURCE CLASSIFICATION SYSTEM**





# Petroleum versus Mining Definitions

Proved Developed Reserve = Proved Mineral Reserve

Proved Undeveloped Reserve = Probable Mineral Reserve

Probable Reserve = Indicated+Inferred Mineral Resource

Possible Reserve = Inferred Mineral Resource

# Petroleum versus Mining Definitions

- Petroleum (SPE/WPC)
  - Guidelines Only
  - No Competent Person Specification
- Mining (CMMI-JORC)
  - Standards/Code
  - Competent Person Defined
  - Enforcement by Sanctions

# IVSC Response

- Requested Ellis to assist in putting together an international team of expert mineral valuers
- Extractive Industries Task Force
  - Trevor Ellis, U.S. – Task Force Leader
  - Michael Lawrence, Australasia
  - William Roscoe, Canada
    - Alternate – Ross Lawrence, Canada
  - Roger Sawyers, U.K.

# IVSC Response

- Submit IASB Issues paper response, June 30
- Support development of IASB Standard
- Develop Extractive Industries addition to IVS
  - Not an insignificant task!
- IASC could then adopt those by reference
- Timeliness?

# Industry Reaction

- Australia – AusIMM strong reaction
- Canada – CIM moderate reaction
- U.S. – Silent
- Petroleum Industry Worldwide – asleep

# Present Value Issues

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

# Conclusions

## IASB Extractive Industries Standard

- IASB Extractive Industries Standard
  - It is coming!
  - Presently Very Negative Attitude for Mining
    - Will hurt reporting and financing
- To Reverse it, we need:
  - Great increase in mining industry support
  - Massive increase in petroleum industry support
  - Moral, Information, and FINANCIAL Support

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