U.S. and International Valuation Trends — The Future

Trevor R. Ellis, CPG, CMA, FAusIMM
Mineral Property Appraiser
Ellis International Services, Inc.
Denver, Colorado
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 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
EX extractive industries

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