

SME Participates in International Project for Mineral Valuation Standards

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In August 2011, the Southern African Institute of Mining and Metallurgy (SAIMM) contacted mining institutes and related societies internationally to assess their interest in participating in coordination of the review of the South African Code for Mineral Valuation (SAMVAL) with reviews of other mineral valuation standards. The main mineral valuation standards are the CIMVal Standard of The Canadian Institute of Mining, Metallurgy and Petroleum (CIM), the VALMIN Code of The Australasian Institute of Mining and Metallurgy (AusIMM), the SAMVAL Code, and the extractive industries guidance note of the International Valuation Standards Council (IVSC), *Valuation of Properties in the Extractive Industries, GN 14*, designed for application within the full set of *International Valuation Standards (IVSs)*.

By January 2012, SAIMM had concluded that the level of respondent interest was adequate to organize a meeting. A meeting was scheduled for 18 April 2012 in Brisbane in conjunction with a VALMIN mineral valuation conference organized by the AusIMM. The stated purpose of the meeting was to develop an accord on terms of reference for pursuing harmonization of mineral asset valuation standards adopted by the participating mineral institutes. SME decided that, although it has not developed its own mineral valuation standard, it should participate in the Brisbane meeting and the harmonization process, as also did the American Institute of Minerals Appraisers (AIMA).

The SME Guide for Reporting Exploration Results, Mineral Resources, and Mineral Reserves (2007), provides a set of standards and guidelines for classification and reporting of exploration information and resource estimates. The Canadian *CIM Definition Standards* (2010), the Australasian *JORC Code* (2004), and the South African *SAMREC Code* (2007) have similar content and purpose to the SME Guide, due to coordination of the development of the four standards from the same roots. These standards do not provide instructions for development and reporting of estimates of market value, fair value, or investment value of mineral industry assets through application of appropriate valuation approaches, methods, and data inputs. A mineral resource estimate, if one exists, will be an important input in developing a valuation estimate for a mineral property, together with extensive other information such as geographical, environmental, regulatory and permitting, political and social, transport, products and product markets, cost estimates, and details from transactions of mineral properties with similar characteristics. The Canadian *NI 43-101 Standards of Disclosure for Mineral Projects* (2011) regulates the content of minerals industry technical reports, such as technical assessments and preliminary feasibility studies, to the Canadian securities markets. NI 43-101 is silent regarding valuation standards and the content for a valuation report. Mineral valuation reports are used extensively for purposes other than reporting to securities markets, such as promotion, financing, and litigation.

To manage SME's participation in the Brisbane meeting and the harmonization process, I agreed to Chair what became the new SME Valuation Standards Committee, with Fredric (Fred) Pirkle, John Manes, and Gerald (Jerry) Clark also joining the committee prior to the Brisbane meeting. Extremely sadly, Jerry, a knowledgeable and energetic participant, passed away on June 4th. John Gustavson, William (Bill) Crowl, Harry Parker, and David Abbott joined the committee subsequent to the Brisbane meeting, providing the desired total of seven, all SME members.

Prior to the Brisbane meeting, it was agreed in a discussion with SME decision-makers that a mineral valuation standard for SME (if one is to be adopted) should be based on the International Valuation Standards (IVSs) as its foundation, and that this would be the position taken in the Brisbane meeting. Neither CIMVal, VALMIN, nor SAMVAL has such a foundation which can be drawn upon to provide a framework of the international generally accepted valuation principles and a broad range of current valuation standards and definitions. Committee members also felt that alignment of the harmonization project schedule with that for the IVSC's project for rewriting its extractive industries standard would be necessary. The IVSC did not publish an extractive industries standard in its IVS 2011 Edition due to the extent of rewriting and reformatting of GN 14 necessary to match the substantially changed structure of that edition.

For the Brisbane meeting, Fred Pirkle represented SME by attending physically, while I participated through teleconference. Pirkle, as AIMA President, had already agreed to represent AIMA at the Brisbane meeting, with his employer, Gannett Fleming, covering his travel expenses. (I had also previously agreed to assist AIMA with its participation in the harmonization process). SME covered Pirkle's VALMIN conference registration expenses.

The Brisbane meeting had participants from SAIMM, AusIMM, CIM, SME, AIMA, and the Royal Institute of Chartered Surveyors (RICS). AusIMM and SAIMM had a number of participants. The IVSC's representation was as an observer, which status it has also requested for future accord meetings. A number of participants are members of more than one of the participating institutes, as are many of our committee members.

Pirkle and I both participated actively in the lively Brisbane meeting. We argued for serious consideration of basing harmonized institute mineral valuation standards and guidelines on a foundation of IVSs being incorporated in the institute standards by reference. I recommended that for development of supplemental institute standards, consideration be given to the contents of the pre-existing IVS GN 14 extractive industries standard and the Best Practice Guidelines that were developed by Ellis, *et al*, and adopted in 2011 by AIMA.

Eight resolutions were adopted at the Brisbane meeting. These were formalized into a Terms of Reference document for the harmonization project. The Terms of Reference document was adopted in the subsequent July 5th teleconference meeting in which Pirkle and I participated (representing AIMA and SME respectively).

During the July 5th meeting it was agreed that the harmonization project would be run under what would now be known as the *International Mineral Valuation Committee (IMVAL)*, on which representatives of the SME committee and AIMA are participants. This meeting was also productive

in approving structural arrangements and tasks required for advancement of the harmonization project.

One of the purposes stated for IMVAL in its Terms of Reference document is: “To provide input to the IVSC’s Extractive Industries Project with a view to harmonising Mineral Asset valuation with the International Valuation Standards (IVSs), particularly related to property valuation.” The minutes of the July 5th meeting further state: “It was agreed that the IVSC’s current International Valuation Standards (2011) would provide broad guidance and the framework of generally accepted valuation principles, which could form the foundation for national Codes, these being the level at which national enforceability is actioned and defined.”

The SME Valuation Standards Committee is now working on developing a number of inputs requested by IMVAL pertaining to our views on detailed issues of valuation standards matters. We are also developing a direct critique response to the IVSC on its recently released Discussion Paper, *Valuations in the Extractive Industries*. Responses to the Discussion Paper will provide important input to the IVSC Working Group for drafting the rewrite of its extractive industries valuation standard.

Update: Since my writing of this article, the SME Valuation Standards Committee has submitted on time the documents mentioned in the last paragraph. I have now received a conceptual draft for the harmonized standard from the IMVAL South African members tasked with the authorship assignment, for first review by a limited number of IMVAL committee members.