

AMERICAN INSTITUTE OF MINERAL APPRAISERS

NEWSLETTER

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IN THIS ISSUE

Candidates For AIMA Offices
Regarding This Year's Ballot
Annual Meeting
Annual Dues
Joint Venture Terms Method
Letter From Robert H. Paschall
Candidates Biographical Data
Bureau of Land Management Pamphlets
Exposure Draft Released - Extractive Industries Valuation Standards

Candidates For AIMA Offices

Editors Note: Ballots were Mailed December 29th

President

Edwin Moritz:

Vice President

Lawrence T Gregg

Donald Warnken

Dr. Wesley Lilley

Treasurer

James Evans

Bob Frahme

Jeff Kern

Alan Stagg

Secretary

John Gustavson

Regarding This Year's Ballot

Dear Members:

Here is the good news and the bad!

First the Good News. Our Nominating Committee did a timely and thorough job at calling around and soliciting interest from our members in serving as candidates for Officers of the AIMA in 2004. As a matter of fact, many members agreed to accept a nomination and to submit a short resume.

Now for the Bad News. The Nominating Committee, in its eagerness, did not distill down the list to our standard one or two nominations for each vacancy and present it to the AIMA President. Our normal procedure then calls for the President upon his being satisfied to direct the Secretary to send out the official ballots.

Instead, the list in its full glory and presenting a substantial part of our membership was shipped to our Editor, who (bless Don's action mindedness) sent out the ballots!

Fortunately, the AIMA's current President and Secretary decided NOT to recall the ballots, but instead herewith ask our members to forgive the unusual procedure and thank the many members who in this unplanned manner figure as candidates.

Interestingly, only four of the many candidates submitted their resume's as requested, namely Ed Moritz, Dr. Wesley Lilley, Alan Stagg and the undersigned. Please look elsewhere in this Newsletter for the resumes and VOTE on the unusual ballot.

Thanks for your understanding.

John Gustavson, Secretary

2004 AIMA Annual Meeting

Sam Pickering, Jr.

Our 2004 Annual Membership Meeting will be held on 24 February 2004, at the Wynkoop Brewpub, 1634 18th St (Wynkoop and 18th St), in lower downtown Denver, Colorado.

The meeting will begin at 5:00 PM. There after, we will have dinner, but food and drinks are the individual's responsibility. Guests are welcome. Sam Pickering, Jr., our President, is still recuperating from his accident, therefore, he will not attend the Annual Meeting. Edwin Moritz, our Vice President, will chair the meeting in his absence. All requests, comments and items you wish to be included on the agenda are to be directed to him at;

Gustavson & Associates, Inc.
5757 Central – Suite D
Boulder, CO 80301

Annual Dues

What comes after Christmas/Santa Claus and credit card bills? Answer: AIMA annual dues. Yes it is that time again. For your convenience, an Invoice has been included in the Newsletter as a loose leaf. The dues are \$60 for Full Member and \$30 for Associate and Emeritus (Retired) Members. Please forward your check to;

Lawrence T. Gregg
11420 Johns Creek Parkway
Duluth, GA 30155

Joint Venture Terms Method

Ross D. Lawrence, Peng, CMA

Introduction

One of the methods used when applying the Market Approach to the valuation of a mineral exploration property is known as the Joint Venture Terms Method. The method is particularly useful for the valuation of early-stage exploration properties. Unfortunately, valuers are sometimes imprecise in distinguishing between joint ventures and other types of transactions.

At VALMIN '94, Bob Appleyard¹ proposed that, if one ignores the time value of money and the probability that the expenditure commitment would be completed, the formula to calculate the value (\$V) of a property owned by Party B at the time of the deal would be:

¹ Appleyard, G. R., 1994. Joint Venture Terms as a Basis for Valuation, Mineral Valuation Methodologies Conference, October 1994, Sydney, Australia, AusIMM Pub Series 5/95, p.167.

$$\$V = \$E \times (100 - I\%) / I\% \quad (\text{Formula 1})$$

Where \$V is the value of the property²
Where \$E is the expenditure commitment by Party A, and
Where I% is the percentage property interest to be earned by party A.

At PACRIM '99, Mike Lawrence and Graham Dewar³ referred to this method and suggested that there was an ambiguity in the formula proposed by Appleyard in 1994. Mike Lawrence referred to this problem again at VALMIN '01⁴.

Lawrence & Dewar suggested that the formula should be:

$$\$V_{100\%} = (\$E / I\%) \times 100 \quad (\text{Formula 2})$$

Where \$V_{100%} is the value of the entire property,
Where \$E is the expenditure commitment by Party B, and
Where I% is the percentage property interest to be earned by Party B.

Subsequently, there has been considerable discussion in the AusIMM Bulletin⁵. In my view, this discussion has touched on a number of useful points, but generally has overlooked one essential element needed for an understanding of the correct application of the JV Terms method. That essential *Continued on page 3*

² This is my interpretation of the penultimate paragraph on page 167 of Appleyard's paper

³ Lawrence, M. J. and Dewar, G.J.A., 1999. Mineral Property Valuation or "What Number Did You Have In Mind?" PACRIM '99, Bali, Indonesia, October 1999, p.16.

⁴ Lawrence, M.J., 2001. An Outline of Market-Based Approaches for Mineral Asset Valuation Best Practise, Mineral Asset Valuation Issues for the Next Millennium 2001, Sydney, Australia, AusIMM Pub Series 5/01, p.115.

⁵ Appleyard, G. R. , 2002: Letter to AusIMM Bulletin No.1, January/February 2002, pages 86/87.

Sorentino, Carlos, 2002: Response from Mineral Industry Consultants Association Board, AusIMM Bulletin No.3, May/June 2002, pages 77/79.

Lawrence, M. J., 2002: Letter to AusIMM Bulletin No.3, May/June 2002, pages 79/81.

Butler, Ron, 2002: Letter to AusIMM Bulletin No.3, May/June 2002, pages 81/82.

Onley, P. G., 2002: Letter to AusIMM, posted on www.ausimm.com.au 8 April 2002

Stoker, Peter, 2002: Letter to AusIMM, posted on www.ausimm.com.au 15 May 2002.

Ryan, Rob, 2002: Letter to AusIMM Bulletin No.5, September/October 2002, page 90.

Joint Venture Terms Method, Continued from Page 2

element is to understand that there is a material difference between (1) entering into a joint venture arrangement and (2) the purchase of an interest in a property.

Analysis

The root of the problem, in my view, is the failure by various authors to be precise about whether they are analyzing: (1) a commitment to invest cash to earn an interest in a joint venture that holds a mineral property or (2) the simple purchase of a direct interest in a mineral property. There are important differences that must be recognized when choosing how to carry out an analysis of these two types of transactions.

Consider two scenarios:

In Scenario One, Party A owns a mineral property with a value of \$5 million. Party B wishes to buy a 20% interest in the property, and offers to pay \$1 million. Party A accepts the offer and a deal is done. At that point, there is no joint venture. There is simply a property that now has two owners, and there is no cash available for further exploration.

We could examine the balance sheet of Party A, which before the deal would show an asset with a value of \$5 million (the property). Immediately after the deal, it would show cash of \$1 million plus an 80% property interest with a value of \$4 million. Party B's balance sheet before the deal would show cash of \$1 million, whereas immediately after the deal it would show a net asset of \$1 million, being the 20% property interest.

In Scenario Two, Party A owns the same property with a value of \$5 million. This time Party B wants his money to go into the ground, and proposes a joint venture. Party B would contribute \$1 million cash to the JV while Party A would contribute her property. Initially, the JV has a value of \$6 million. Party B now has an interest of 16.67%, but **not in the property. His interest is in the JV.** The property is still worth \$5 million, because no further work has been done and nothing else has changed.⁶

In this scenario, Party A's balance sheet before the deal (as above) shows an asset with a value of \$5 million (the property). Immediately after the deal, her balance sheet would show an 83.34% interest in a joint venture and that interest has a value of \$5 million. Party B's balance sheet before the deal would show cash of \$1 million. Immediately after the deal, his balance sheet would show an asset worth \$1 million, being a 16.67% interest in the joint venture (since the JV has a total value of \$6 million).

⁶ There is an argument to be made that there is an additional synergy value, but this is irrelevant to the discussion, and only serves to cloud the issue, and so is not brought into this discussion.

These two scenarios describe two different deals for which we know the value of the property. A valuator subsequently analyzing these two deals, and not knowing the value of the property, must employ different tools to reach a conclusion regarding the value of the underlying property in each case.

Valuation Example No. 1

Subsequent to the closing of the deal described in Scenario 1, a mineral valuator might examine the transaction to determine the value of the property.

Using *Formula 1* the property value would be \$1 million x $(100\% - 20\%)/20\%$ equals \$4 million, which is *not correct*.

Using *Formula 2*, the value of the property would be $(\$1 \text{ million}/20\%) \times 100$ equals \$5 million, which is *correct*.

For Scenario 2, and using *Formula 1*, the property value would be \$1 million x $(100\% - 16.67\%)/16.67\%$ equals \$5 million, which is *correct*.

Using *Formula 2*, we would calculate a value of $(\$1 \text{ million}/16.67\%) \times 100$ equals \$6 million, which is *not correct*.

Valuation Example No. 2

In his letter to the editor of the AusIMM Bulletin⁷, Mike Lawrence refers to a transaction in which "Blue Sky Mines NL recently bought a 15% interest in a prospect (or a JV having only this project in it, to keep it simple) for \$30,000". The cash would end up in the pocket of the owner of the prospect (call her Party A). Note that Lawrence equates the value of a prospect with the value of a JV.

What is the value of the prospect?

If we agree that the transaction was a simple purchase of an interest in a prospect (as in Scenario 1, above), then one should use *Formula 2*. This would give a value of $(\$30,000/15\%) \times 100$ or \$200,000 for the property, which is *correct*. Blue Sky now owns a 15% direct interest in the prospect, while Party A's interest has declined to 85%, but she has \$30,000 cash in her pocket. Intuitively, this analysis is correct.

On the other hand, if Blue Sky wished its \$30,000 to be spent in the ground, it might negotiate a joint venture with Party A. The joint venture would have Blue Sky's contribution of \$30,000 in cash plus Party A's property (still worth \$200,000). The total value of the JV is \$230,000. Blue Sky would not be able to negotiate the same 15% interest in the JV. Blue Sky's interest would be $\$30,000/\$230,000$ or 13.04% of the JV. Party A would have an interest of 86.96% in the JV.

Continued on Page 4

⁷ Lawrence, M. J., 2002: Letter to AusIMM Bulletin No.3, May/June 2002, pages 79/81.

Joint Venture Terms Method, *Continued from Page 3*

To scrutinize this JV, our valuator must use *Formula 1*, and would calculate a property value of $\$30,000 \times (100\% - 13.04\%) / 13.04\%$ equals $\$200,000$, which is *correct*.

Using *Formula 2*, the property value would be $(\$30,000 / 13.04\%) \times 100$ equals $\$230,000$, which is *not correct*.

Thus, we can see clearly where confusion can arise. Lawrence (above) equates an interest in a prospect with an interest in a JV. This is incorrect. Neither Appleyard nor Lawrence differentiate carefully in their discussion as to whether they are referring to a direct interest in a property or the amount of cash contributed to earn an interest in the JV. The analysis provided by the board of the Mineral Industry Consultants Association⁸ is equally imprecise and, in my view, the MICA Board's conclusions are wrong. Most of the other contributors to the AusIMM Bulletin fall into the same trap by being equally imprecise.

Where does this leave the mineral valuator?

Conclusions:

If the transaction that the valuator has to analyze is a simple **purchase** by a new party of an **interest** in a **property**, the formula to use is:

$$\$V_p = (\$P / I\%) \times 100$$

Where:

$\$V_p$ is the total value of the property,
 $\$P$ is the price paid to acquire an interest in the property, and
 $I\%$ is the property interest acquired.

This is the Lawrence and Dewar formula, restated.

On the other hand, if we have a **joint venture transaction** to analyze, then the formula to use is:

$$\$V_p = \$E \times (100 - I\%) / I\%$$

Where:

$\$V_p$ is the total value of the property,
 $\$E$ is the cash being contributed to the joint venture, and
 $I\%$ is the interest to be acquired in the joint venture by the party contributing cash.

⁸ Sorentino, Carlos, 2002: Response from Mineral Industry Consultants Association Board, AusIMM Bulletin No.3, May/June 2002, pages 77/79.

This is the Appleyard formula.

It cannot be stressed too strongly that the value of a **property** and the value of a **joint venture** (in which the same property resides, along with some cash) are **two different things**.

If an investor spends $\$x$ million to purchase an interest of $y\%$ in a mineral property, the $y\%$ interest will be quite different than in the scenario where the investor contributes the same $\$x$ million to acquire an interest of $z\%$ in a joint venture to which the mineral property has been contributed. The vendor of the mineral property will never agree that $y = z$.

Equally, valuers describing their analysis must also be quite precise in their choice of words and their choice of analytical procedures. I believe the confusion (ambiguity) to which Appleyard, Lawrence and others have referred was caused simply by imprecision.

A mineral valuator seeking to determine a value for a mineral property must recognize the difference between (1) the purchase of a direct interest in a property and (2) earning an interest in a joint venture through the contribution of cash or a property. The valuator must choose the right formula to suit the circumstance⁹. It must also be kept in mind that this simple analysis ignores the fact that the valuator must also consider, at a minimum, the probability of the incoming party completing the expenditure commitment, as well as the time value of money.

Letter From Robert H. Paschall

The Institute was recently asked by Robert H. Paschall, known to many of us from his long career as a geologist and as a minerals appraiser, if we would send him more information about AIMA. We did and here are Robert's observations, many of them well worth reading. We are reprinting most of his comments verbatim (including some nasty ones about lawyers), but we have withheld a couple of paragraphs, which were mostly of a personal nature between Robert and a few of our Members. Comments from our readers to Robert's letter are welcome!

John Gustavson, AIMA Secretary

Dear Mr. Gustavson:

Thanks for sending the information about AIMA. The good news first: The AIMA fills a hitherto unfilled need. I can say that having been engaged in the valuation of oil and mining properties for almost forty years, and observing (1) a general lack of expertise in the field and (2) much worse, the feeling by some real estate appraisers that they themselves are experts. I do not intend to join AIMA, but you might stop at this time and take a brief look at the attached sheet of your *Continued on Page 5*

⁹ The valuator should also employ a high degree of geological analysis, but that is a topic for another paper.

Letter From Robert H. Paschall, *Continued from*
Page 4

“Application for Certification.” It shows that I have been around a long time. I’ve also attached a list of my appraisal publications. I believe it’s safe to say that, with the possible exception of Don Gentry and Tom O’Neill, my bibliography is the most extensive of anyone in the profession. In fact, I was given Honorary Life Membership in the American Society of Appraisers for my publications. AIPG’s handbook “Appraisal of Construction Rocks”, which I wrote, so far as I know, the only one in the field.

I won’t burden you with my multi-page professional resume, but I’ll briefly note some of my major appraisal assignments: Prudhoe Bay oilfield for the North Slope Borough, several dozen oil and gas fields in California: Red Dog zinc and lead mine north of Kotzebue, first for the Northwest Arctic Borough and later for the Internal Revenue Service; U.S. Borax’s mine in Kern County, CA, the largest such mine in the world: Kaiser Steel’s (now-abandoned) Eagle Mountain iron mine; Inspiration Consolidated’s copper mine in Arizona; Raft River geothermal field in southern Idaho; ten oil refineries in California and New Jersey; three cement plants in California; more than 50 rock quarries and aggregate pits, which have served as my professional “bread & butter”.

When I worked for the State of California, I gave a four-day course twice a year for six years titled “Valuation of Mines and Quarries.” I’ve given similar but shorter courses in Alaska for that state’s assessors; in Texas for the State Property Tax Board; and at AIPG’s 1994 annual meeting in Flagstaff. I will now comment on your letter to prospective members, on the AIMA’s Bylaws, Initial Requirements, and your December 2002 Newsletter, in the hope that my remarks may aid you in future activities.

You said in your letter: “I have been frustrated by the lack of comparable sales data.” Don’t be, because there are no comparable mining properties. The simplest of them, namely gravel pits, are often not comparable even in the same area. To of them a half-mile apart may have much different clay contents that call for more or less extensive washing, and differences in required setbacks from adjacent property lines. The case is much worse with metal and industrial-minerals mines, where deposits differ substantially in nature, sales are rare, and it’s not possible to obtain the buyer’s pre-purchase analysis. Two things I’ve learned here: (1) About the only thing you can get out of the sale of an operating mine, if you are lucky, is the discount rate used by the buyer, and that requires having the buyer’s analysis; (2) Donald Ross, long-experienced in mines appraisal, said he had appraised undeveloped copper deposits in Arizona by applying the average price paid per estimated pound of copper in place. But how many assignments like that is a mines appraiser apt to get? My observation is that sophisticated oil and mining companies exclusively employ the income method of appraisal. In fact, I was once hired by Texaco to analyze several dozen property sales in Kern County, CA. I was given

the buyer’s pre-purchase cash flows, and used them in conjunction with sales prices to derive anticipated DCFRORs.

You also commented on “the substantial differences between real estate and mineral properties.” Amen. Almost without exception, real estate appraisers, including and perhaps especially MAIs, simply cannot grasp the idea of three-dimensional properties with finite lives, because they live in a two-dimensional world of land with infinite life. I would rather convince a judge or jury of the nature of mineral properties – which I have done on a few occasions – than I would a real estate appraiser, because his mind is not open to new ideas.

When I was working for the State, fellow employees who were flatland appraisers thought I had sold out to the minerals industries because I employed much higher capitalization rates than they did. I worried over this for a long time, knowing I was right but not knowing why, I finally found that DCFRORs for mineral properties are real, while those for ordinary real estate are not real, but nominal. Here’s the difference cases with commercial real estate and mineral properties;

1. Buyers of the former anticipate (although they may not always get) capital appreciation. So part of their return comes from that source, but capital appreciation seldom if ever occurs with mineral properties.
2. Owners of ordinary real estate enjoy equity build-up as they pay down debt. There ain’t no such thing with mineral properties. Instead, the land, and therefore its value, are constantly being depleted. (Have you ever thought about the fact that income from a mineral deposit is derived from the piece-by-piece sale of the land itself?)
3. Commercial and residential properties can be much higher leveraged than can mineral properties. Since capitalization rates are a balance of equity yield rates and debt interest rates, cap rates are lower for the first two than for the latter.

You then noted the problem posed by governments requiring that a minerals appraisal report “be signed off by a real estate appraiser.” This insidious requirement is based on a fallacy, and can sometimes be overcome. Its origin as the savings-&-loan scandal of a couple decades ago, when it was revealed that thousands of “sweetheart” appraisals were made to justify high mortgage loans. When several S-&-Ls went broke for that reason, all hell broke loose, and minerals appraisers were victimized by the Law of Unintended Consequences. I ran into that problem only last month, when the State Department of Water Resources asked me to bid on the job of appraising sand deposits on Decker Island in the Sacramento River. I wrote to the Department saying that I am not a Registered Real Estate Appraiser, and don’t need to be. Believe it or not, I then got a letter saying that the requirement had been removed from the Department’s proposal. But I was still not interested because I have never bid on a job and never will. Even bureaucrats don’t require consulting physicians and attorneys to bid on jobs, so why should mineral appraisers? *Continued on Page 6*

Letter From Robert H. Paschall, *Continued* *from Page 5*

On page 2 of your letter you said that “Surface appraisers cannot (with maybe a few exceptions) become minerals appraisers overnight.” How about no exceptions and never? I’m convinced that only people with formal education in petroleum or mining geology or engineering can do what you and I do. In an eminent domain case in Fairbanks AK, the oppositions appraiser was a real hot-shot MAI, the author of the AIREA’s hand book on condemnation, but he simply could not comprehend the three-dimensional nature of a depletable gravel deposit.

You then commented on “apportionment of many and varied different ownerships.” No problem there. A mineral deposit must be treated as an un-differential unitary physical property, without regard to what lawyers or inheritance have done to ownership. It should be appraised as a unit, and allocation can then be made of that total unitary value on the basis of applicable deeds or contracts. Only last fall I appraised a large rock operation south of Berkeley, in the San Francisco Bay area, where ownership was carved into little pieces, and the operator wanted me to appraise each of them. I said “No,” did it the way I just outlined, and he grudgingly accepted it. (There’s always a large measure of self-interest in having the appraisal made piecemeal.)

You also said on your page 2 that “minerals appraisal is.... separate and apart from engineering and geology.” You bet it is. Some people assume that valuation is a branch of engineering, but it’s not. It is instead a combination of economics and finance. The economics of a large metals mine depends on the market and the price for its products, which may be determined regionally or even internationally. Its finances depend on the quality of its ore, thickness of overburden, and other elements that influence the cost of production. When those elements are recognized and analyzed, geology and engineering fade into the background.

After pondering all of the above, an item in both the AIMA’s Bylaws and “Initial Requirements” startled the hell out of me. Namely, “Educational requirements shall include (1) a baccalaureate or higher degree in geology, mining or petroleum engineering, LAW, ACCOUNTING, ECONOMICS, or BUSINESS ADMINISTRATION”! First: That demand is completely at odds with your saying that even real estate appraisers have difficulty understanding mineral properties. Second: Lawyers are advocates, whose primary duty is to protect their client’s interests, as opposed to appraisers, who should be impartial analysts of property values. I will bluntly say, having worked with or against 50 to 60 lawyers, that I have nothing but contempt for their profession. If a lawyer can become a member of AIMA, I would want no part of it. Third: Other than those working for mining companies, accountants know no more about mineral properties than they do about brain surgery, and even mining accountants don’t understand appraisal. I know that having had several accountants as fellow employees with the State of California. Other than some high-flying accountants in Enron, et al., who conceived the deadly idea of “special

entities,” accountants are devoted to composing corporate operating statements and balance sheets. They have, for example, no comprehension of the concept of present worth.

Economists may be experts on demography, on constructing supply-&-demand curves, on the effect of interest rates on the Federal deficit, on foreign-exchange rates, and similar esoteric enterprises. When I appraised Lone Star’s cement plant in Santa Cruz County, the opposition hired two professors of economics at the U. of California at Santa Cruz. Neither of them bothered to even visit the plant, which was ten miles away. They did not talk to the plant manager or engineer, nor did they do the single most important thing to be done, namely analyze several years of the plant’s operating statements. They were hostile witnesses, rather like lawyers, and on the stand mumbled something about possible effects of imports of cement from Mexico and Korea. They did do one thing relevant to appraisal, and they did it dreadfully wrong. They said the plant WAS WORTH ITS REPRODUCTION COST. Try that one on your piano.

About people with a degree in business administration. Most of them at least understand the fundamentals of appraisal and of present worth, but again, like flatlander real estate appraisers, are ignorant about mineral properties. I therefore suggest that the AIMA immediately remove members of the above professions as prospects for membership. Their retention will dilute the quality of your group and create innumerable serious problems.

Signed, Robert H. Paschall, Consulting Geologists

Candidates Biographical Data

Edwin Moritz

Ed Moritz became certified by the AIMA in 1993. He functions as Vice President at Gustavson Associates, with which firm he has been associated for a dozen years. He is a Registered Appraiser in the State of Colorado, and uses his surface appraisal experience in certain cases involving determinations of highest and best use where the mineral component of the property overlaps and contributes to the value of the surface estate. He focuses on minerals appraisals of all types including oil & gas, coal, crushed stone, sand and gravel deposits, and hard-rock properties. The stage of development of properties appraised by Mr. Moritz ranks from exploratory prospects to fully developed oil fields and mining operations. He received a B.S. in geology from the University of Georgia in 1982. He has functioned for a number of years as Treasurer of the AIMA and has been the Vice President of the Institute for the last two years.

Dr. Wesley Lilley

Wesley has been actively in the oil and gas industry for nearly 30 years and has been an independent consultant providing a wide range of consulting services for a variety of clients for
Continued on Page 7

Candidates Biographical Data, Dr. Wesley

Lilley Continued from Page 6

the past 19 years; he became a Colorado Registered Appraiser (#AR1325965) in 1994. In addition to being a Certified Minerals Appraiser (CMA 1996-1) by AIMA, he is a Certified Petroleum Geologist (CPG 5385) by AAPG, and is a state licensed geologists in Kansas (No. 22) and Wyoming (P.G. 282). His geologic training includes a B.S. from Fort Hays Kansas State College in 1970, an M.S. from Idaho State University in 1972, and a Ph D from the University of Kansas in 1976. He has taken more than 250 hours of appraisal training and education covering a wide range of appraisal topics and subjects.

Alan K. Stagg

Alan Stagg, a graduate of the University of Tennessee with a degree in geology, is the president and principal economic geologist of Stagg Resource Consultants, Inc. He has 39 years experience in the mining industry. His initial employment was with The New Jersey Zinc Company, where he was involved in regional exploration programs for base metals. In 1970, he was given the responsibility for the development and implementation of the Zinc Company's newly begun coal acquisition program. In this capacity, he worked throughout the U.S. in identifying, evaluating, and negotiating for coal properties and active operations, simultaneously maintaining offices in Pineville, Kentucky, and Salt Lake City, Utah. He began his consulting practice in Salt Lake City in early 1975.

During the past 21 years, Stagg has continuously expanded his mineral appraisal practice, to the extent that it now comprises a major portion of his personal practice. His appraisals of mineral estates and leasehold estates range in size from less than a hundred acres to more than four million acres, with appraisals having been conducted in more than 35 states, several Canadian provinces, and in Mongolia and Russia. His experience in business enterprise and equity appraisals includes those entities involved in landholding, production, and construction. Mr. Stagg has extensive experience in providing expert testimony and litigation support. He is a frequent presenter at industry meetings on a wide variety of topics and has been an instructor at several workshops on the economic evaluation of mineral deposits. He is a registered professional geologist in 15 states.

Mr. Stagg has been active in a variety of industry associations, including more than ten years tenure as a director of the Kentucky Coal Association and the completion of his present tenure of four years as a director of the American Coal Council, including two one-year terms as vice president – coal support services. During these tenures, he was an active participant in the activities of both boards and a regular attendee at board meetings. Additionally, he is in his third year as continuing education chairman of the Rocky Mountain Coal Mining Institute. In this position, he is responsible for the development and supervision of the Institute's annual continuing education short course.

If elected to the position of treasurer for the AIMA, Stagg commits to close supervision of and accountability for the receipt and disbursement of funds and to active participation in the AIMA's activities, including attendance at the annual meeting.

John Gustavson

John Gustavson has been with the AIMA from the beginning. He was the original organizer of the Institute in 1991 with Paul Fly and Don Warnken and was the Founding President of the Institute. He holds M.S. degrees in Chemical Engineering and in Geology and has managed his own consultant firm, Gustavson Associates for 25 years. The work of the company is mostly feasibility studies, valuation and due diligence in the oil and mineral sectors with a large number of his clients relying on his skills as an expert witness. After serving a number of the formative years as the President of the AIMA Mr. Gustavson "resigned" himself to the office of Secretary, which he will be pleased to continue at the discretion of the Members.

Bureau of Land Management Pamphlets

James Evans is a Senior Technical Minerals Specialist for the Bureau of Land Management (BLM), California State Office and an AIMA Member. He recently furnished your *Editor* two BLM pamphlets for review that he had authored with the assistance of other BLM employees. Title of one pamphlet is "Guidelines For Appraisal of Market Value (MV) for Solid Mineral Interests" and, title to one pamphlet is "Location and Patenting of Mining Claims and Mill Sites in California." Purchase price for the first pamphlet is \$5 and the purchase price for the second pamphlet is \$10. Both can be purchased from BLM California State Office at 2800 Cottage Way, Suite W1834, Sacramento, CA 95825 or from their web site at www.ca.blm.gov/index.html.

Both pamphlets are well organized and easy to read and, each are bargains. The "Guidelines" pamphlet addresses the principal appraisal categories for BLM appraisals. Legal citations and specifications are presented for each category. It also addresses the concepts for market value (MV) appraisal, the various mineral interests and the fundamental approaches to market value of mineral interests. In addition it also addresses report goals and standards, report format and report review. This pamphlet would be an asset to any appraiser preparing an appraisal report for the BLM.

The "Mining Claim and Mill Site" pamphlet was not prepared for appraisers but, it is a **must have** for any appraiser involved in mining claim and mill site appraisal. It is a comprehensive document that covers every aspect of location and patenting of mining claims and mill sites. Figures and maps are presented to aid the preparation of a claim. Also, copies of all necessary forms are included. Laws and Regulations are cited that pertain to patenting mining claims as well as sources of information for the successful pursuit of a claim.

Exposure Draft Released – Extractive Industries Valuation Standards

In September 2002, the International Valuation Standards Committee (IVSC) requested its Extractive Industries Task Force to proceed with the rapid development of valuation standards for the minerals and petroleum industries, for inclusion in the International Valuation Standards (IVS). The members of the all-volunteer task force were Trevor Ellis (USA), Michael Lawrence (Australia), William Roscoe (Canada) Alastair Macfarlane (South Africa), Donald Warnken (USA), and Raymond Westwood (Australia). The resultant document has been released on www.ivsc.org as an exposure draft, with submission of comments requested by 31 March 2004. It is expected that the document will be finalized for publication in the IVS in mid-2004.

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