

# AMERICAN INSTITUTE OF MINERALS APPRAISERS

## NEWSLETTER

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### **Minerals Valuation Sessions SME 2001 Annual Meeting Denver, Colorado, Feb 26-28, 2001**

The next convention of the SME will have two sessions devoted to papers on minerals appraisals. Our VP, Trevor Ellis, is again chairing the sessions. The valuation sessions at the recent SME convention in Salt Lake City were very popular, being some of the best-attended sessions. Eight of the 17 papers presented were by AIMA members, with the members and AIMA receiving excellent exposure.

After the intense work involved in putting on the three Salt Lake City sessions, Trevor swore that he would only have one valuation session in Denver in 2001. However, the overwhelming popularity has caused him to relinquish and agree to two sessions. The Wednesday morning session will concentrate on appraisal case studies, while the Wednesday afternoon session will concentrate on regulatory issues.

Although the speaking slots for both sessions are nearing full, there is still opportunity for consideration of proposals for papers. Anyone interested in presenting a paper should contact Trevor as soon as possible with the topic and a tentative title. You can contact Trevor at telephone: (303) 399-4361; fax: (303) 399 3151; or e-mail: [ellis@minevaluation.com](mailto:ellis@minevaluation.com)

### **Third Annual Membership Meeting**

Our 2001 Annual Membership Meeting is being planned for 4:00 PM, Monday, February 26, 2001, at the Wynkoop Brewpub, 1634 18<sup>th</sup> St (Wynkoop and 18<sup>th</sup> St), in lower downtown Denver, Colorado. It will be in conjunction with the SME annual convention, February 26-28, at the Denver Convention Center. The Wynkoop Brewpub was the location of our First Annual Membership Meeting in 1999.

### **Second Annual Membership Meeting Addresses Important Issues**

Trevor R. Ellis, Vice President, AIMA

Our second annual membership meeting was held at the Wyndham Hotel, Salt Lake City, Utah on 28 February 2000, in conjunction with the annual convention of the Society for Mining, Metallurgy and Exploration (SME). We are indebted to L.T. Gregg for arranging the meeting and acting as the meeting Secretary. Without his initiative, this meeting would not have occurred. Trevor Ellis, VP, chaired the meeting in the absence of our President, Michael Cartwright.

The attendance was surprisingly good, given that everybody was from out of the state, and some international. Six AIMA members were present, these being Richard Bate, Trevor Ellis (VP), L.T. Gregg, Ross Lawrence, Ed Moritz (Treasurer), and Sam Pickering.

Five guests attended the informal discussion period, which preceded the business meeting. These were Bill Roscoe of Toronto, Canada, who is an active participant with Ross Lawrence in developing the upcoming Canadian mineral valuation standards and founding the Canadian Association of Mineral Valuers.

Also present were Jim Bright, from Reno, NV, who was in the process of applying for membership; Michael Lawrence from NSW, Australia, who was 1999 President of the Australasian Institute of Mining and Metallurgy (AusIMM); and two attorneys from Georgia as guests of Sam Pickering. Michael Lawrence, who spearheaded the development of the internationally acclaimed VALMIN Code, stayed through the business meeting and joined us for the dinner following, providing us with valuable suggestions from his wealth of experience.

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## Continuing Education through Other Societies Part III

Trevor Ellis, Vice President, AIMA

My previous articles on Continuing Education Through Other Societies have concentrated largely on courses that I have taken from the American Society of Farm Managers and Rural Appraisers (ASFMRA) (Newsletter, June 1999, November 1999). This has not been entirely due to my selection based on content.

In my last article I expressed my frustration at the cancellation of two courses by the American Society of Appraisers (ASA) for which I had signed up. I also mentioned that I found the courses by the Appraisal Institute to be overkill for my needs, being twice as long and twice the price of many of the equivalent 3 and 4-day courses offered by ASA and ASFMRA.

In recent months I have succeeded in taking two courses from ASA, which I report on here. I trust that our ASA members, Michael Cartwright and Jeffrey Kern, and maybe one or two of our newer members, have more comprehensive experiences with ASA courses to report on. I encourage them to do so. Still, I expect that my writing from the perspective of the uninitiated to ASA can prove beneficial to our readers.

The secret to taking courses from ASA and not having them canceled out from under you is to take them at the Hickory Ridge Conference Center in Lisle, Illinois. This is in the northwest Chicago metropolitan area. ASA puts on a number of courses concurrently at this Marriott Hotel about four times per year. They are rarely canceled and quite a few even have guarantees that they will not be canceled due to lack of attendance.

My other successful hit was Tyson's Corner, Virginia, where a more modest version of this arrangement occurs, but without the guarantees against cancellation. Both locations were definitely on the expensive end of the spectrum of my accommodation experiences.

The first of the two ASA courses was *Appraisal Report Writing*. This is a recently developed 30-hour course designed for appraisers of all specialties. Most of the ten students were real property appraisers, mainly being rural appraisers, but we also had a business appraiser, an oil and gas appraiser, and an appraiser of machinery and equipment. Deane Wilson, who developed and taught the course, is the President of ASA's real property appraisal section. When I took the course he was preparing to graduate with a Doctorate in psychology. He is one excellent instructor, concentrating on the logic of writing.

He began the first day by getting us to introduce ourselves with a brief synopsis of our backgrounds. Then we went into an analysis of those introductions. The next exercise was to describe a crayon, without using the words *crayon* or

*Crayola*. Later exercises included describing a diaper and writing instructions for the construction of a kite. These exercises proved quite challenging and all had a different teaching goal.

Mr. Wilson taught us various ways that people write reports. Then he gave us his recommendations for writing with minimum bias in our descriptions, while using words, which cause us to take full responsibility for our work. He emphasized that we should ask the question, "So What?" before and after everything we write. This will result in us writing less while conveying more meaning.

This course proved to be a barrel of laughs as well as highly educational. By the end of the course, the students and instructor had molded into somewhat of a family unit. Many of us have been in contact since then, including with Mr. Wilson.

The second ASA course was *Introduction to Income Capitalization*. This 30-hour course is in ASA's real property appraisal tract. The eleven students were mainly urban and rural real property appraisers. In addition to my colleague and me from the mining industry, another had spent much of his career appraising mining machinery and equipment, and he is now appraising real property for his mining company employer. One student has a career in reviewing appraisals of electricity grids for an electric utility. The level of prior understanding of the course material by the students was scattered all over the spectrum.

The instructor has quite a diverse appraisal background, working in appraisal of real property, businesses, and machinery and equipment. The fact that he loves tackling a wide variety of appraisal assignments definitely showed through. He is a very good instructor, but was obviously somewhat handicapped by rather poor, out-of-date course materials. He told us he is rewriting the course notebook and updating the prescribed textbook. By this time next year I expect the course will be much improved.

I came to the course thinking it would be a very easy one for me to pass. I had NPV analysis taught to me in numerous economics and finance courses two to three decades ago, and after that I had written many thousands of lines of computer code for such analyses. I had already learned direct capitalization ratios in appraisal courses and was applying them in some of my work. The course would surely be covering much of the same old stuff. I was largely right about that, but the perspective from which the course came at that same old stuff was entirely different. It wasn't until after I had been up studying until after midnight on three nights that I felt again that it would be an easy course for me to pass.

The course concentrated heavily on NPV and IRR calculation methods surrounding issues related to sinking funds and capital recovery. It's amazing how many different ways those can be analyzed. I found myself learning a new set of jargon and symbols. I came to realize that methods that I had long

discarded as irrelevant could have beneficial applications in certain types of appraisal. This course gave me a fresh perspective on some situations I have been involved in during recent years. Examples of direct capitalization calculations also fast became complicated. Thrown into the calculations were mortgage amortization, debt coverage ratio, absorption rates, vacancy rate, building residual, etc, etc.

The instructor began the first day by telling us that ASA designs the exams for the real property tract to have a 60% pass rate. After that, there seemed to be a cloud over the class, with most of the students being quite serious. Occasional attempts at humor by the instructor; my colleague and I didn't raise many laughs at all. The 3-hour exam was pitched pretty much exactly as he warned. My colleague and I found it quite comfortable, finishing with more than half-an-hour to spare. But 40% of the class obviously had serious difficulty with it.

I flew back to Denver knowing that I have significantly improved my understanding of the foundation and application of various income approach methods in valuation. I felt though that I had derived more from every one of the ASFMRA courses than this ASA real property course. This impression will be at least partially due to reaching a point of diminishing returns after taking many appraisal courses. But, the issues, which confront rural appraisers, are often the same ones that confront us in the minerals industry. Due to this fact, I could relate better to the ASFMRA course content, instructors and participants.

In this series of three articles I have reviewed eleven appraisal courses that I have taken over an 18-month period. One final test that I can apply to them all is the sleep test. When a course or meeting becomes too dry or boring, I have a proven history of ability to fall asleep. I fell soundly asleep during both days of the 2-day course, *Due Diligence and Valuation of Industrial Minerals*, put on by the Society for Mining, Metallurgy and Exploration (SME). I struggled to stay awake at times during ASA's, *Introduction to Income Capitalization*, but succeeded without once falling asleep. In none of the eight ASFMRA courses did I find any tendency to nod off. It would have been impossible to feel tired during ASA's *Appraisal Report Writing* given by Deane Wilson.

## **International Valuation Standards 2000**

Trevor Ellis, Vice President, AIMA

The International Valuation Standards Committee (IVSC) introduced the 2000 edition of its International Valuation Standards at the Valuation 2000 international convention in Las Vegas, Nevada, July 10-13, 2000. About nine hours of well-attended sessions were devoted to the standards and issues surrounding them. The standards were first published in 1985 and amended on several occasions thereafter. They are now recognized throughout the world and have been incorporated into the domestic Standards of many nations. IVSC is a Non-Governmental Organization (NGO) member of the United Nations. Near the end of 1999, the standards development initiative of IVSC received a major financial

boost from contributions from some of the major appraisal institutes of the world and some corporations. This boost has allowed IVSC to embark on a three-year standards development initiative.

The IVS 2000 edition is much more comprehensive than the preceding edition. At 376 pages, it is approximately three times the length. It has now taken on much more of the philosophy and principles of the Uniform Standards of Professional Appraisal Practice (USPAP) in how it divides property types and the approaches to appraisal. It now includes a Code of Conduct, and splits out four property types, Real Property, Personal Property, Businesses, and Financial Interests. Standard 1 covers Market Value valuations, while Standard 2 covers Non-Market Value valuations.

Sections on valuation for financial reporting and valuation for lending purposes are included as exposure drafts. These are drawn from the International Accounting Standards (IAS) of the International Accounting Standards Committee (IASC). The IAS is well on the way to being adopted by all countries of the world, except the U.S. The U.S. is the only country which does not allow assets to be written up in value on re-appraisal, this being the major road block, but the U.S. is under a lot of domestic and international pressure to come into line. The IASC and IVSC have been closely coordinating their standards development efforts.

My first browse through the book finds it clear and easy reading. More than half of it is devoted to guidance notes and a lengthy glossary, which will form valuable references. The charts included are well laid out. IVSC has published the book concurrently in a number of languages, which illustrates that this was a massive undertaking. The IVS 2000 edition addresses the valuation process, but not the contents of the valuation report. Development of standards for valuation reporting is the next big step on the IVSC agenda.

The various sessions devoted to IVS at Valuation 2000, introduced the major components and philosophy of the standards, discussed their relationship to IAS, and investigated international appraiser qualifications and disciplinary procedures. I took the opportunity of the question and answer periods to submit my suggestions regarding a structure for standardization of international qualifications and disciplinary procedures. After the sessions I was able to meet with a number of the IVSC panel members. I have been assured that I will be contacted for input regarding the interface of IVS with our minerals industry specialty. I have previously discussed this interface with our Australian and Canadian counterparts, and have copies of IVS 2000 that I am mailing to them.

Single copies of International Valuation Standards 2000 are priced at US\$100. For ordering information go to [www.ivsc.org](http://www.ivsc.org), or contact the IVSC London headquarters by fax at 44 171 222 9430.

## AIMA Vice President Receives Award

Valuation 2000 was held at the MGM Grand in Las Vegas, Nevada, July 10-13, 2000. This major international appraisal convention, with approximately 3,000 registrants, was co-sponsored by the American Society of Appraisers (ASA), the American Society of Farm Managers and Rural Appraisers (ASFMRA) and the Appraisal Institute. Out of approximately 60 complete manuscripts submitted, 24 were selected for publication in the Proceedings volume, and ten of those were selected for presentation as educational sessions.

AIMA Vice President Trevor Ellis gave the only natural resource appraisal educational session, a 2-hour session titled, *Regulatory Trends in Mineral Property Valuation - an International Perspective*. David Abbott, Jr. co-authored the paper. The content of the session was submitted to the appraisal boards of all 50 states for continuing education credit approval. At the closing ceremony, Trevor received an award of \$500 for third best professional presentation. **Congratulation, Trevor!**

The following is the abstract of the paper:

*International regulation of the valuation process and reporting for mineral properties is increasing. Australia, the USA, and Canada are the leading countries in developing regulations. The primary driving forces have been prevention of securities frauds and improvement of investor understanding and confidence. The beginning point for regulation has been the definition and application of the terms reserves, resources, and competent person. Concerns about regulation particularly relate to the valuation of mineralization not classified as reserves. This paper outlines the development of regulation of mineral property valuation, and then discusses the application of the various approaches to valuation of mineral properties.*

## AIMA Members in the Lime Light At SME 2000 Valuation Sessions

Three consecutive Valuation sessions made for an all day event at the 2000 annual convention of the Society for Mining, Metallurgy and Exploration (SME) on March 1<sup>st</sup>, in Salt Lake City, Utah. Half of the 15 papers presented were authored or co-authored by AIMA members. Trevor Ellis, the primary organizer, chaired the sessions. An audience of approximately 80 to 100 people was present for most of the day. AIMA was referenced frequently during the three sessions, greatly raising its visibility and name recognition for

many mineral industry decision-makers.

Valuation I, the morning session, was an educational session with eight papers focusing on valuation concepts. Ross Lawrence presented a timely, well researched paper titled, *Should Discounted Cash Flow Projections for the Determination of Fair Market Value be Based Solely on Proven and Probable Reserves?* Hopefully this paper will be read and digested by regulators in Canada and the U.S. Ed Moritz addressed principles and application of the often-ignored consideration of highest and best use. His paper is titled, *Concepts of Highest and Best Use in Appraisal of Mineral Properties*. Trevor Ellis closed the session with a wide-ranging critique of common minerals industry valuation practice in comparison to national and international appraisal standards. His paper is titled, *The Difference Between a Value Estimate and an Appraisal*.

Valuation II, the afternoon session, was directed to appraisal case studies, with seven papers being presented. Sam Pickering began the session, presenting a paper co-authored with L.T. Gregg, titled, *What is the Value of this Industrial Mineral Property?* He used a wonderful selection of photographs to help illustrate the appraisal process for many types of industrial mineral properties. Richard Bate explained many of the issues and complexities of the now famous Wyoming coal regulatory takings court case, Whitney Benefits, in his paper titled *Whitney Benefits - Case Study of a Mineral Rights Appraisal in Association with an Inverse Condemnation*. Rick Sandri presented a paper co-authored by Bill Jennings addressing product price volatility in an appraisal case study titled, *The Use of a Probabilistic Approach to Price Determination in Valuation Analysis*. Trevor Ellis closed the session with a paper reviewing the combined application of the Australian VALMIN Code and USPAP in his paper titled, *Lessons Learned about Standards from Applying both VALMIN and USPAP on a Complex Appraisal Project*. Trevor wrote this paper to lay out issues that the Canadians and AIMA need to consider in developing standards and regulations for minerals appraisal.

The evening Valuation III session was a lively discussion/debate session. We achieved somewhat of a coup given the Utah location, in having a cash bar rolled into the back of the room. This helped lubricate the discussion. Topics debated covered the spectrum from selection of a discount rate, to the need for consideration of highest and best use. Also discussed were whether to rely on sales analysis versus NPV and issues of state-by-state regulation in the U.S. Our Australian guest, Michael Lawrence, who spearheaded the development of the internationally acclaimed VALMIN Code, frequently kept the discussion spirited and controversial, often being challenged by L.T. Gregg. David Abbott has convinced SME to put the papers and presentations that we have in electronic form from these sessions, up on the SME website. Once that has happened, Michael Cartwright will provide links to them from our website. In the meantime, anyone anxious to obtain a copy of a paper can contact Trevor Ellis, 303-399-4361, e-mail [ellis@minevaluation.com](mailto:ellis@minevaluation.com).

**Those of you in the mining side of AIMA who didn't present a paper at SME 2000, should consider a title for the Valuation Session at SME 2001 in Denver, and get it to Trevor Ellis as soon as possible. The authors mentioned above are of course invited to submit a new title.**

**Also, isn't it high time we get some additional papers on the appraisal of oil and gas properties?**

## **Second Annual Membership Meeting Addresses Important Issues**

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Ross Lawrence, Bill Roscoe and Michael Lawrence are proving to be valuable international links for AIMA. The hope of developing reciprocity/comity arrangements between AIMA and the Canadian Association of Mineral Valuers was raised with the two Canadians.

The meeting began with an hour of lively, informal discussion of issues in minerals appraisal, despite the conspicuous lack of alcoholic refreshment due to the Utah site. Our guests were primary participants in the discussion. The business meeting lasted for approximately two hours.

During the following dinner, discussion of appraisal issues moved into high gear again, with Michael Lawrence and L.T. Gregg leading the debate. They continued in that mode the following evening during the Valuation III discussion session at the SME convention. Many thanks to them for keeping these discussions stimulating!

**Important decisions were made during the Business Meeting. However, as in 1999, we did not have a quorum of Members nor Officers, as defined in our Bylaws. All Members should review the Provisional Resolutions summarized below in this article to determine your approval or opposition.**

**A simple majority of the membership can overturn a Resolution by mailing protests to the Corporate Secretary, John Gustavson at the AIMA's office in Boulder, Colorado, within two weeks of the publication of this issue of the Newsletter.**

**A form for expressing your opposition to specific Resolutions is included herewith. Those Resolutions not opposed by a majority of Members will be recorded as having been ratified by the membership.**

Based on our experience in having a lack of a quorum at this and the previous membership meeting, the Executive Committee was asked to review the Bylaws and work on instituting the necessary procedures or Bylaw changes to overcome this problem.

All resolutions and appointments passed at the First Annual Membership Meeting, held in Denver on 1 March 1999, were ratified in June 1999 by the full body of members. These decisions were reviewed. Although significant progress has been made on most of the initiatives, it was observed that most still require much more action by the few volunteers. In particular, Trevor Ellis updated the meeting on the status of the development of a proposed set of minerals appraisal standards or guidelines by him and Barney Guarnera.

Our Treasurer, Ed Moritz, reported the condition of the Institute's finances. At the time of the report the Institute had a healthy balance in its bank account of \$2,465.33, with year 2000 annual dues awaiting billing in this issue of the Newsletter. This compares to the balance at the similar time last year of \$2,166.32.

It was noted that during the startup years of AIMA, the officer positions have each been filled by the same member for a number of years. Now that our number of members is more substantial, it was proposed that new blood should be cycled through the President and Vice President positions, holding each for only two year intervals, to provide a fresh perspective.

This will also provide recognition to members who are active in the operation of the Institute. It was **Resolved** that a member should not hold the position of President or Vice President for more than two consecutive years. Since the limitation contained in this resolution is already covered by our Bylaws, which also require annual elections for officers, the resolution is not put to the members for approval, but its spirit is important.

It was proposed that the post of immediate Past President be formalized as an additional Officer position to provide continuity to the Executive Committee, and to assist the President and Vice President. Adding a fifth Officer position will require modification of our Bylaws. It was **Resolved** that the position of Past President be created as an additional Officer position within the Executive Committee, to be filled automatically by the outgoing President.

### **RETIRING MEMBER**

We note with sadness that James Stewart has retired and wishes to resign his membership. Enjoy your retirement!

The following nominations were received from the floor for the four present Officer positions. **Please fill out and return the ballot included with the mailing of this issue of the Newsletter.**

<b>President</b>	<b>Trevor Ellis</b>
<b>Vice President</b>	<b>Sam Pickering</b>
	<b>Michael Cartwright</b>
<b>Secretary</b>	<b>John Gustavson</b>
<b>Treasurer</b>	<b>Edwin Moritz</b>

The nominees for Secretary and Treasurer have held these posts for two years. The nominators expressed the advantage of having continuity in these two Officers refilling their positions, particularly given that both work at the Gustavson Associates office, which generously serves as the AIMA headquarters. The Executive Committee needs to determine whether a modification to the Bylaws is desirable to allow this practice to continue for these two positions.

A recommendation was made that the President and Vice President should each develop at least three goals or responsibilities for the next two years and submit these to the membership.

Our President, Michael Cartwright was thanked for his excellent work in setting up the AIMA website. He is requested to continue his role in maintaining and developing this site. Michael is asked to continue his efforts in getting mineral valuation papers by members and others loaded or linked on our website, and to post Newsletter articles on there with discretion.

Presently our membership numbers are four digit numbers based on the year of certification. It was **Resolved** that all membership certificates be reissued with a five digit certificate number in the form 1995-1, 1998-3, etc., based on the sequence of election to membership in the year of election, and that future certificate numbers also follow this format.

Our website now has the Bylaws and Code of Ethics in *html* format. Placing of the membership application form on the website was approved last year but has not been completed. To allow ease of downloading and printing, and for text security, it was **Resolved** that the Bylaws, Code of Ethics, and membership application form should be posted on the AIMA website in Adobe Acrobat Reader *pdf* format.

L.T. Gregg distributed a draft tri-fold AIMA brochure. It met with the approval of the members present, subject to some minor editing, and he was asked to finalize it. We thank L.T. for this contribution.

Methods of expanding the membership were discussed. L.T. Gregg volunteered to mail brochures to select AIPG and SME members. Sam Pickering offered to write an article for *Mining Engineering* about AIMA. Trevor Ellis was

nominated to develop a press release about AIMA, but is seeking advice and assistance with this. The opinion of the meeting was that the President should take responsibility for maintaining a membership campaign.

The issue of a separate telephone line answering "AIMA" at Gustavson Associates' office was discussed. The addition was approved by the membership last year, subject to the approval of Gustavson Associates. Ed Moritz has since submitted a cost breakdown, being a minimum of \$450 per year. Trevor Ellis determined this to be financially prohibitive at the moment, until we fully understand the cost of our recent website and other initiatives. This initiative is on temporary hold awaiting assurance that our budget can support it without strain.

It was felt that the President should be more involved in the selection of the three-person candidate review committees. A five-step procedure for reviewing applications for membership was approved by the Board at its June 21, 1995 meeting.

Under Step One, on receipt of a complete application package, "the headquarters office assigns a 3-man, confidential review committee for that specific candidate, with emphasis on skills in the specific commodities which form the basis of the candidate's experience. In short, the Institute presently is using a floating or ad hoc review committee on a case-by-case basis." It was **Resolved** that the President should appoint minerals and petroleum based three-person committees to review new membership applications based on the area of candidate experience.

Trevor Ellis was asked to work with Michael Cartwright in reviving our study of the appropriate mode of operation of an Ethics Review Committee in preparation for the possibility of an ethics complaint being received against a member. The American Institute of Professional Geologists (AIPG) generously provided Trevor with a copy of their proven procedures in electronic form.

The important (hot) issue of continuing education and re-certification for members was raised but held over to the next board or membership meeting. This difficult topic needs to be addressed in light of the international movement by certifying professional societies, such as AIPG and the major appraisal societies, to require continuing education to maintain certified status. Also held over was the possible addition of Associate, Affiliate and Emeritus categories of membership. Our President, Michael Cartwright raised both of these topics, in *State of the AIMA 1999*, Newsletter, Vol. 4, No. 1, Feb 1999.

## **NEW MEMBER**

**Let us all give a hearty WELCOME to George Silver from Burlington, Vermont. George submitted an impressive set of appraisal reports as part of his application material.**

## Two AIMA Members Present Papers At Mining Millennium 2000, Toronto

The Prospectors and Developers Association of Canada (PDAC) annual conference and exhibition was renamed Mining Millennium 2000 and merged this one time with the conference and exhibition of the Canadian Institute of Mining, Metallurgy and Petroleum (CIM), creating a week long convention March 5-10, 2000.

CIM's Special Committee on Valuation of Mineral Properties (CIMVal), formed to recommend approaches to mineral property valuation at the request of the Mining Standards Task Force, organized a Valuation Day at the conference on March 8<sup>th</sup>. The purpose was to obtain educational input for the authors of the standards and the regulators.

Ross Lawrence, our Canadian representative, presented a paper titled, *Valuation of Mineral Properties without Mineral Resources: A Review of Market-Based Approaches*. The following is Ross' abstract:

*Comparable transaction analysis is the best known of the market approaches to valuation of exploration-stage mineral properties. The analysis of option and farm-in agreements can also provide useful guidance to valuers. While such approaches can be distorted by incomplete analysis, market-based methods are capable of providing consistent, credible results when carried out carefully with due consideration paid to all factors which buyers and sellers consider when dealing in the real market.*

Trevor Ellis, AIMA Vice President, was invited to give a paper about the U.S. regulatory setting for mineral property appraisal, and lessons for the Canadians to consider. The paper he presented is titled, *The U.S. Mineral Property Valuation Patchwork of Regulations and Standards*. The following is his abstract:

*The valuation of mineral properties in the U.S. is only partially regulated. The regulations which have jurisdiction or impact appear to have such mainly as a consequence of unintended fallout, since the regulations were designed for other purposes. Court case history can also be important. The combined results are a mixture of bad and good, with important lessons to be learned.*

*"Since 1981, the Securities and Exchange Commission has prohibited U.S. listed companies from reporting quantitative estimates of mineralization and the value of mineralization, other than proven and probable reserves. This results in the minerals appraiser (valuator) working with a shortage of data in his everyday work, both on the subject property and in sales analysis.*

*"Between 1989 and 1995, all 50 states and essentially all Federal agencies adopted the Uniform Standards of Professional Appraisal Practice (USPAP) for real property*

*appraisals (valuations). The major national appraisal societies also require their members to abide by USPAP. A significant portion of minerals appraisals must now follow these standards. This paper will discuss the content of USPAP. It provides a very good framework for the valuation of a minerals property or a mine, both as real property and as a business. However, the credentialing standards for real property appraisers are now prohibitive for minerals appraisers.*

**CIM has published a special volume containing the ten valuation papers: *Mineral Property Valuation Proceedings—Papers presented at Mining Millennium 2000*. For ordering information, contact CIM, phone (514) 939 2710 Ext 326, fax (514) 939 2714.**

## Two Major Appraisal Societies Plan Merger

On May 16, 2000, the American Society of Appraisers and the National Association of Independent Fee Appraisers announced that they have agreed to work towards a consolidation of the two associations. A taskforce will be appointed to develop a consolidation plan to be voted on by the associations' memberships. The end result is intended to be a common name supporting all present designations, with rationalization of future designations. An ASA leader stated that this rationalization would reduce the confusing array of appraiser certifications presented to the public.

ASA currently has 5,800 members; NAIFA has 3,500 members. The merged association will have approximately 9,000 members. The leadership will attempt to accomplish the merger by the end of 2000.

The three leading appraisal societies of the U.S. have also been conducting preliminary level discussions for a couple of years about merging, but may be many years from an agreement. These are ASA, the American Society of Farm Managers and Rural Appraisers, and the Appraisal Institute. The pressure for merger appears due to weakening membership numbers and international pressures to have only one society represent the United States.

Please advise the Secretary, American Institute of Minerals Appraisers, 5757 Central Avenue, Suite D, Boulder, CO 80301 of any changes of address.

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