

INTERNATIONAL INSTITUTE OF MINERALS APPRAISERS

NEWSLETTER

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Special Thank you! SME / IIMA 2015

Matt Chapman, Newsletter Editor

IIMA wants to thank all those who were able to attend the most recent IIMA and SME events in February. Also IIMA wants to give special thanks to all those who volunteered and who made financial donations. Thank you!! This year would not have been such a success without your contributions. For those who had other obligations and could not attend, you were certainly missed and hopefully next year we all will see each other!

The value in these events goes beyond the presentations made in the valuation sessions. This is not to understate the importance of the valuation sessions; the presenters were excellent. More, the statement speaks to the fact there is significant value in the network and relationships formed in the

gathering of other professionals in the field during these events.

Recognizing the network value to be had during attendance of these events, IIMA held a mentor clinic, a social hour, the 2 valuation sessions at SME, the annual meeting, and promoted a condensed oil and gas appraisal course the day after. Overall, I believe this year was a great learning and networking experience.

Again, IIMA extends a special thank you to the volunteers and all those who made financial donations to help facilitate the events. Next year, if anybody would like to volunteer, please contact IIMA leadership as we are always looking to get members more involved. The strength of the IIMA organization is through the commitment, education, and contributions of its members.

INTERNATIONAL INSTITUTE OF MINERALS APPRAISERS ANNUAL MEETING MINUTES 17 February 2015

Bubba Gump Shrimp Co. restaurant, Denver,
Colorado

John Gustavson, IIMA Vice President, gave the meeting call to order and welcome at 12:24 PM, substituting as the meeting chairperson in the absence of the President, John Manes. Trevor Ellis confirmed that he was taking the Meeting Minutes as the Secretary of the meeting.

Gustavson thanked Tim Knobloch, IIMA Secretary, and Christopher Wyatt, in their absence, for organizing the two mineral valuation sessions occurring on this same day within the SME Annual Conference, and John Manes for organizing the luncheon location for this IIMA Annual Meeting. He also thanked Marty Shumway, Associate Member, and Matt Chapman, CMA for Chairing the two valuation sessions in the absence of Knobloch and Wyatt.

Gustavson determined by a head count of (Certified) Members and Officers that a quorum was present. A sign-in sheet was circulated. The Meeting Agenda was approved. The 2014 Annual Meeting Minutes, published in the AIMA Newsletter of March 2014, were approved.

Four Associate Members, who have become certified since the last Annual Meeting, were announced, all being approved in early 2015:

Briana Lamphier
Rachel Vass,
Matthew Chapman
William Wyman

New Associate Members present at the meeting were then introduced:

Evan Mudd
Marty Schumway
Russell Martin
Amy Jacobson

Gustavson told the meeting that Associate Members are being provided, at no charge, with a careful

selection of minerals appraisal professional papers and other education materials, on USB memory sticks. Associate Members present at the prior evening's Mentor Clinic have already received their USB sticks.

Guests present in the meeting room were introduced.

The Treasurer's Report was presented by Alan Stagg on behalf of the Treasurer, Charles Howard, in his absence.

Total 2014 income from all sources, including targeted donations of \$1,400, was \$8,875, while expenses were \$3,267, resulting in net income of \$5,608, and a cash balance at 31 December 2014 of \$14,014. This is before a 2014 liability was paid in 2015 of \$2,253, for audio-video recording of the two mineral valuation sessions during the SME Annual Conference in Salt Lake City in February 2014. The Treasurer's report was approved.

The Newsletter Editor, Donald Warnken, gave a brief report, being that he has passed the entire Newsletter editing role to Matthew Chapman, who is "doing a great job."

Committee Reports

The Certification Committee's report was given by John Gustavson in the absence of the Chair, Timothy Knobloch.

An expedited certification process has been introduced for Associate Members mentored by a Member for at least one year and sponsored by that Member. Gustavson explained that although the IIMA Bylaws state that "a minimum of five years of appraisal of minerals experience" is required to be qualified for certification, this requirement is not interpreted as five years of full-time appraisal experience. The Executive Committee will rule by simple majority on questions of experience.

The Continuing Education Committee's report was given by John Gustavson as its Chair.

He promoted and explained for Associate Members that some minerals appraisal course rebates and discounts are available to them, to encourage and

assist them to become certified. The only course specified as a requirement for certification is the 15-hour USPAP course.

The practice of IIMA paying for the audio-slide recordings of the annual SME-IIMA valuation sessions for sale to IIMA members on DVDs is being continued at the 2015 conference.

Gustavson reiterated and elaborated about the abovementioned educational materials being supplied to Associate Members on USB memory sticks.

The Ethics Committee's report was given by John Gustavson in the absence of the Chair, William (Bill) Bagby.

The Executive Committee is obtaining cost quotes for insurance that is tentatively being considered to protect Executive Committee members against liability claims resulting from their performance of services on behalf of our Institute. Though such insurance protection is desirable, the insurance will only be purchased if the annual cost is modest in the context of IIMA's annual budget (see below).

The International Organization Committee's report was given by John Gustavson as its Chair.

IIMA has recently been registered as our primary international minerals appraiser organization. AIMA remains as the Chapter, the regional body for the USA, though all IIMA members, including all overseas members, presently remain as AIMA members. This situation is expected to change as regional Chapters, requiring a minimum of three members each, are likely formed in Australia, Canada, and Hong Kong. Discussions pertaining to potential membership are presently on-going with a group that includes minerals reserve engineers and valuers in Australia (see below).

The Membership Committee's report was given by Daniel Collins in the absence of the Chair, John Manes.

2014 proved to be a busy year pertaining to membership advances for the Institute. During the year, eleven Associate Members, one Affiliate

Member, and one Certified Member joined. These additions represent 21% of the current membership. Presently the membership totals 61 for all categories: thirty-four Certified Members, twenty-one Associate Members, two Emeritus Members, and four Affiliate Members. Approximately ten prospects who did not meet the educational requirements for Associate membership declined joining as Affiliates.

Two features recently added to the IIMA website have greatly assisted with membership efforts. These are a *Join the IIMA* page with information on membership categories for potential applicants, and the provision for applicants of the ability to directly download all IIMA forms required for application.

John Gustavson suggested that each issue of the Newsletter feature two Members.

He then thanked the sponsors of Monday evening's Social gathering.

The Mentoring Committee's report was given by its Chair, Fredric Pirkle.

He emphasized the extreme importance of mentoring and requested that additional Members volunteer to mentor Associate Members. He stated that seven of the Associate Members still need mentors. Three other Associates have advised that they do not want a mentor.

The Standards Harmonization Committee's report was given by its Chair, Trevor Ellis.

Two Members represent IIMA on the International Mineral Valuation Committee (IMVAL). Other IMVAL committee members represent the mineral valuation committees of the SME and mining institutes in Southern Africa, Australasia, and Canada. Since IMVAL's formation in 2012, it has been progressing on development of a concise set of mineral property valuation standards aligned with the *International Valuation Standards* (IVSs), designed for adoption and regional modification by mining institutes. In mid-2014, the Australasian VALMIN Committee withdrew its representatives. Since then, the draft standards document has been finalized into a first exposure draft. In December,

this document was sent to the International Valuation Standards Committee (IVSC) for review, with comments still pending at the time of this IIMA meeting.

Subsequent wider exposure for comments is planned. IMVAL has requested that we assist with appropriate distribution lists for emailing the exposure draft.

The Website Committee's report was given by Daniel Collins in the absence of the Chair, John Manes.

The website has undergone some major content overhauls over the past year, while waiting for the new website design. Specifically:

- IIMA logo added at the top of all pages.
- Revised *Home* page.
- Added an *About the IIMA* page containing subpages for the Executive Committee, Committees, Ethics, and the Bylaws (as currently amended).
- The Directory now contains subpage listings by membership category: Certified, Emeritus, Associate, and Affiliate.
- The Newsletter links are now condensed onto one master page, with the Newsletters listed in groupings by decade.
- An *Education* page is currently in progress. However, listings are included of the DVDs available for sale, containing the audio-visual recordings of the valuation sessions dating back to the 2011 conference. Tim Knobloch and John Gustavson have reviewed all past DVDs and prepared an author/topic list of the best 10 papers for mentoring use. This will soon be added to the website, providing a listing of DVD content by year.
- *Contact* page added for the Institute.
- A *Join the IIMA* page now provides information for all membership classes and links for downloading application forms.

These content overhauls are for maintaining website functionality while waiting on a redesigned website to be developed. A website designer was selected and contracted in late 2014 to begin development of a new website. 100% of the funding is from donations. Last year, Member Trevor Ellis donated

\$1,000 and Member Lou Posgate donated \$50 towards Phase 1. Member John Manes will be donating \$1,200 this year for completion of Phase 2.

John Gustavson led the audience in an applause with thanks for this generosity.

The replacement website will have a modern layout and content menu, integrating with all desktop and mobile device browsers.

Old Business

DVD Sales and other uses of DVDs

John Gustavson presented cost and revenue figures demonstrating that recording costs have been running at a number of multiples of the DVD sales revenues realized. He continues to try to get a funding link with SME.

Discussion was held as to whether the present recording and DVD sales arrangement should be continued, cancelled, or modified. A web page market interface for selling the DVDs was amongst the suggestions made during the discussion. Members mentioned a number of benefits of the recordings. Continuing education credits are available to members for watching the recordings of the papers presented in the sessions. The subject was tabled.

New Business

For 2014, William Bagby sponsored the Cartwright Prize and chose the winner of the best paper of the valuation sessions. In his absence, a 2015 prize award was not arranged.

A 2015 Budget developed by Treasurer Charles Howard was presented in his absence by Alan Stagg.

Net income in the Treasurer's 2015 budget is projected to be in deficit by \$5,719, inclusive of the carried forward payment of the abovementioned 2014 liability of \$2,253 for valuation session recording. Notable large increases in expenditures projected in this budget are for an estimated cost of \$2,100 for Continuing Education reimbursement subsidies to Associate Members, and a possible annual cost of \$3,000 tentatively estimated for insurance, if acquired. The budget was approved.

Discussion was held regarding cooperation interest expressed by the Australasian Institute of Minerals Valuers & Appraisers, pertaining to certification reciprocity for appraiser members. John Gustavson warned of a substantial difference in the meaning of the word Appraiser between the USA and Australasia. He also noted substantial differences in experience requirements. Gustavson suggested a 2-year grandfathering agreement. Bernard Guarnera advised that he knows many of the Valuers in the Australasian Institute and offered to assist with developing cooperating arrangements.

The 2016 SME Annual Conference and IIMA Annual Meeting will be held in Phoenix, AZ, 21-24 February. John Manes and Daniel Collins have volunteered to arrange the valuation sessions and IIMA Annual Meeting.

A brief discussion was held regarding whether to hold the valuation sessions at a separate venue to reduce registration fees. Suggestions and opposing arguments were made. No resolution was presented for changing the arrangement from the current SME-provided venue and session schedules.

The Annual Meeting was adjourned at 1:50 PM.

Trevor Ellis
Secretary of the Annual General Meeting

Exposure Draft of the International Mineral Valuation Standards Template.

Currently, no common template or international standard for mineral asset valuation exists. Instead, various national mineral codes, CIMVAL (Canada), SAMVAL (South Africa) and VALMIN (Australia) exist together with the applicable real estate code, USPAP (USA).

Harmonization attempts by the International Valuation Standards Council (IVSC) have so far been without result. As an example, in February 2010, the IVSC Standards Board withdrew GN 14¹

¹ GN 14 was adopted and is still valid as a Guidance Document for members of the IIMA.

“pending the outcome” of its Extractive Industries Project, which is still pending.

Consequently, the IMVAL Committee for harmonization of the various codes was formed in 2012 and now aims at providing a template for mineral asset valuation. IMVAL is thus an international committee presently comprised of representatives from SAMVAL, CIMVAL, the SME Valuation Standards Committee, and the International Institute of Mineral Appraisers. This is not an overwhelming representation², but a start.

The IMVAL Committee's work has resulted in the IMVAL Template dated December 2014 and following below. This Exposure Draft is presented for comments by our IIMA members. The SME is taking a parallel approach and comments have been coming in from the IVSC.

It is the intent of the IIMA upon hearing and incorporating comments from our Institute's members to forward the Template as amended to the IMVAL Committee and urge its adoption. This would represent a substantial step forward, so your comments are invited by E-mail to the undersigned prior to 30 April 2015.

John B. Gustavson, VP 2014-15
Chair, International Organization Committee
Email: johngustavson1@aol.com

² Noticeable absent are members from USPAP, RICS, VALMIN and petroleum valuation societies. We need to them on board.

**INTERNATIONAL MINERAL ASSET VALUATION
STANDARDS TEMPLATE
(Includes Petroleum assets)**

**This is a standards and guidelines
template created for the harmonisation
of International Mineral Asset
Valuation Codes and Standards**

1. BACKGROUND

1.1 History

Currently, no common template or standard for mineral asset valuation exists. Instead, the three national codes, CIMVAL, SAMVAL and VALMIN exist, but these have differences in structure, definitions, scope, and jurisdictional requirements. In addition, mineral assets while in the ground are specified as Real Estate in the International Valuation Standards (IVSs), and similarly though unspecified, under the USA's Uniform Standards of Professional Appraisal Practice (USPAP). A brief chronology follows:

1. The Australasian VALMIN Code for technical assessment and valuation of mineral and Petroleum assets and securities was adopted by The Australasian Institute of Mining and Metallurgy (AusIMM) in February 1995. A number of revisions have since been published.
2. The International Valuation Standards Committee (IVSC) first convened an Extractive Industries Task Force of international mining and petroleum industry valuation experts in early 2001.
3. In March 2003, The Canadian Institute of Mining, Metallurgy and Petroleum (CIM) adopted the CIMVal Standards and Guidelines for valuation of mineral properties.
4. The IVSC's 18-page standard, Guidance Note 14 (GN 14), Valuation of Properties in the Extractive Industries, was first published in January 2005, in the IVSs Seventh Edition. It was republished in 2007 in the Eighth Edition.
5. In April 2008, the South African SAMVAL Code for reporting of mineral asset valuations was officially released. It was developed through a working group led by the Southern African Institute of Mining and Metallurgy (SAIMM). An amendment was issued in July 2009.
6. In February 2010, the IVSC Standards Board withdrew GN 14 "pending the outcome" of its Extractive Industries Project, which is still pending.
7. In April 2012, discussions were held in Brisbane to establish a harmonisation project for mineral valuation codes these being the VALMIN, SAMVAL, and CIMVAL, the USPAP, the IVSs, and when and where appropriate, the International Financial Reporting Standards (IFRSs). The International Mineral Valuation Committee (IMVAL) was formed and aimed at providing a CRIRSCO-equivalent template for mineral asset valuation (4.17).

The IMVAL Template is therefore the initial harmonisation outcome of this chronology of standards development events for mineral asset valuation.

1.2 Background and Purpose

IMVAL is an international committee comprised of representatives from SAMVAL (South Africa), CIMVal (Canada), SME Valuation Standards Committee (USA), and the International Institute of Mineral Appraisers (IIMA, USA; formerly American Institute of Mineral Appraisers (AIMA)), which has developed this International Mineral Asset Valuation Reporting Template (the IMVAL Template). Representatives of VALMIN (Australia) and the Royal Institute of Chartered Surveyors (RICS, UK) were previously involved with IMVAL.

The IMVAL Template is intended as a set of principles-based over-arching standards and guidelines, for the valuation of Real Property Mineral Assets, to be recognised globally as a reference and adoption for national code or standards development. The IMVAL Template represents a consensus of best practices recommended as a basis for national codes or standards and, accordingly, is expected to be amended from time to time to reflect current best practices. The IMVAL Template is not intended to be a stand-alone international reporting code, but to influence and complement national codes or standards. It does not supersede existing national reporting standards.

Mineral Assets can include Petroleum assets, at the option of individual countries as specified in their respective national code or standard.

The IMVAL Template outlines principles, requirements, guidelines, and definitions consistent with those adopted in the regulatory jurisdictions represented by IMVAL.

The IMVAL Template aligns with the generally accepted valuation concepts, principles, and definitions set forth in the IVSs 2013 Edition.

The IMVAL Template deals with Valuation, which is distinct from Evaluation.

1.3 Terminology

The word ‘must’ denotes a mandatory requirement that has to be complied with, provided that it does not result in a breach of law or the requirements of a relevant stock exchange or other regulatory body.

The use of the word ‘should’ or ‘may’ indicates that some discretion may be employed. This discretion depends on the particular circumstances, provided that the fundamental principles are not transgressed.

A word having a capital first letter generally indicates that it is a term defined in this document.

The singular includes the plural and vice versa. Masculine forms include feminine and vice versa.

A reference to another standards document does not mean that the preceding text is directly quoted from that standard unless the text is formatted as a quotation. Quotations labelled as IVS are citations from the 2013 Edition of the *International Valuation Standards*.

1.4 Disclaimer

The legal and regulatory requirements of the relevant jurisdiction take precedence over this

document. The reader must become familiar and comply with the relevant jurisdictional requirements.

2. REQUIREMENTS

This section covers the minimum requirements for a national code or set of standards to be considered for association with the codes and standards for which members of IMVAL are responsible.

2.1 Principles

The four fundamental principles that must be followed in Valuations and Valuation Reports are Competence, Materiality, Objectivity, and Transparency. In addition to these fundamental principles, the principles of Independence and Reasonableness may apply to Valuation of Mineral Assets under national codes or standards.

2.1.1 Competence

Valuers must be able to demonstrate to the Commissioning Entity and those entitled to receive a Valuation Report that they are sufficiently Competent to prepare and/or contribute to the Valuation Report. A Valuer signing a Valuation Report must be clearly satisfied that he or she is able to face his or her peers and demonstrate Competence in the Valuation undertaken, pertaining to the subject property, the market in which the property would trade, and the purpose of the Valuation.

A Valuer who is not personally Competent to undertake an aspect of a Valuation assignment must seek assistance from an Expert who is Competent in the field or discipline in which the Valuer requires assistance. Material assistance from Experts must be disclosed in the Valuation Report.

2.1.2 Materiality

Materiality is the principle that determines whether or not information and data are relevant to the Valuation assignment, and should be included in a Valuation Report. The term applies to both the nature of the items assessed and to their influence on the quantum of a Valuation.

All assumptions regarding Material technical and economic input parameters, the risks, limitations, and effects associated with those assumptions must be set out clearly in the Valuation Report.

Where it is impossible or impractical to obtain sufficiently accurate or reliable data, this must be stated in the Valuation Report by the Valuer. In these circumstances, the Valuer is under no obligation to express an opinion of Value or to provide a Valuation Report. Alternatively, the Valuer may make his own assumption, in which case the Valuer must prominently disclose it as a major assumption, which, if later found to substantially diverge from reality, will substantially affect the marketability of the asset.

2.1.3 Objectivity

Objectivity means that the valuation results are impartial and can be seen to be free from bias. Objectivity is promoted by an environment that encourages Transparency.

2.1.4 Transparency

The Valuation process and Valuation Report must be as Transparent, Objective, and rigorous as the data and other available Material information will reasonably allow within the Scope of Work. The Valuation conclusion will depend on the interaction of a number of key assumptions that the Valuer must disclose. These qualities must apply to the data and information and the presentation thereof, used as the basis of a Valuation Report. This may include the assessment of Mineral Resources, Mineral Reserves, extraction, mining, processing and marketing issues, the approach adopted and the methodology or methodologies used, all of which must be clearly set out in the Valuation Report.

2.1.5 Independence

For certain Valuations, Independence may be required by a national code or standards, or by the circumstances of the Valuation. In these cases, Independence means that the Valuer must have no pecuniary or beneficial interest in the Commissioning Entity, the Mineral Asset being valued, other parties involved in a transaction on the Mineral Asset, or the outcome of the Valuation, other than professional fees and disbursements related to the Valuation assignment.

2.1.6 Reasonableness

Reasonableness means that other appropriately qualified and experienced Valuers with access to the same information in the normal course of business would estimate a comparable range of Value for the Mineral Asset at the same Valuation Date, using the same Basis of Value and the same Scope of Work.

2.2 Identification of the Asset and Interest being Valued

The Mineral Asset, and the interest or right that is the subject of the Valuation, must be described in adequate detail to identify the asset, and the physical, legal, and economic characteristics relevant to the Valuation. One or more maps, photographs, or diagrams can aid the description. Documentation of title or rights, and encumbrances, should be included in the Valuation Report as needed for substantiation. In case of a fractional interest, physical segment, or partial holding, a description of the holding and control limits, and of assets or rights excluded from the Valuation, is required for clarity. This is required in particular when the subject of the Valuation is economically interdependent with other assets, in which case the assumption for the Valuation of whether those other assets will or will not remain available must be stated.

2.3 Scope of Work

The Scope of Work to be performed in developing the Valuation should be determined between the Valuer and the Commissioning Entity, which must be identified. The Scope of Work necessary to develop a credible Valuation can vary considerably depending on the subject asset, the purpose of the Valuation, the Basis of Value, and the intended use of the Valuation. Modification to the Scope of Work may be found necessary during the Valuation process. A Scope of Work section must be

included in the Valuation Report, describing the extent of investigations conducted and any limitations on those investigations.

2.4 Intended Use and Intended Users

The intended use and intended users of the Valuation Report must be clearly disclosed unless confidential. Valuation Reports may be Public Reports and national codes or standards may require them to be prepared in keeping with national regulatory requirements.

2.5 Mineral Resources and Mineral Reserves

When Resources or Reserves of the subject Mineral Asset are used or referred to in a Valuation or Valuation Report, they should comply with either the definitions of the Committee for Mineral Reserves International Reporting Standards (CRIRSCO), an associated institute's definitions, or, in the case of Petroleum, the Petroleum Resources Management System (PRMS). If the CRIRSCO or PRMS systems are not used, the Valuation Report must explain why not and should provide, to the extent possible, a reconciliation of the Resources and Reserves with CRIRSCO or PRMS.

2.6 Highest and Best Use

The Market Value of an asset must be determined with consideration of its highest and best use on the Valuation Date. The highest and best use of an asset is the use which is possible, legally permissible, financially feasible, and which maximises the potential of the asset. The highest and best use for a Mineral Asset, being the use that a market participant would have in mind for the asset when determining the maximum price it would be willing to bid, may be the same as its current use, a modification of that use, or a different use. The highest and best use of an asset may change if the asset is valued in isolation instead of as a contributing part of an economically interdependent group of assets.

2.7 Basis of Value

The Valuation Report must clearly state the Basis of Value and the source of its definition. Where a Basis of Value other than Market Value is used, this fact must be clearly stated, as must the reasoning for using the Basis of Value and how the Basis of Value differs from Market Value.

2.8 Valuation Approaches and Methods

The most appropriate Valuation Approach or Method will depend on the stage of development and highest and best use of the Mineral Asset, the Basis of Value, the availability of Valuation Inputs and data, and on the Approaches and Methods used by the market. More than one Valuation Approach or Method should be used if possible, and reconciliation of the resultant valuation estimates presented. If only one Approach or Method is used, the Valuation Report must provide an explanation why more than one is not used.

2.9 Responsibilities of Valuer

The Valuer is responsible for the overall Valuation and the Valuation Report, including the following:

- (a) Selecting Valuation Approaches and Methods.
- (b) Ensuring that any Expert(s) assisting with review of technical information and the Valuation are appropriately qualified and experienced, and that their consents are obtained

to any description of their assistance in the form and context in which it appears.

- (c) Adhering to the core principles and other principles, as applicable.
- (d) Assessing the Reasonableness of technical data and information, technical interpretations, technical discussions and conclusions, forecasts, and parameters used in a Mineral Asset Valuation.
- (e) Adhering to the relevant legal and regulatory requirements for Valuations and Valuation Reports.
- (f) Signing off on the Valuation.

2.10 Valuation Report

The Valuation Report, whether a Public Report or not, must contain, at a minimum, the following information:

- (a) Asset Identification
- (b) Intended use and intended users of the Valuation
- (c) Basis of Value
- (d) Report Date and Valuation Date (also called Effective Date), preferably stated together to mitigate confusion
- (e) Scope of work
- (f) Geological Description of the Mineral Asset(s) being valued
- (g) Assumptions and limitations
- (h) Valuation Approaches and Methods used and the Value estimates derived
- (i) Reconciliation of the Value estimates derived
- (j) Asset Value Opinion
- (k) Sources of information
- (l) Statement whether or not a site visit to the Mineral Asset has been undertaken
- (m) Statement that the Valuation complies with the relevant national code or standards, or where it departs from the national code or standards
- (n) Qualifications and experience of Valuer and any Experts and areas of responsibility in the Valuation Report
- (o) Statement of Independence or non-Independence of the Valuer and any Experts
- (p) Certification of Valuer's Competency, Objectivity including disclosure of any personal interest or potential interest in the subject asset, on-site inspection date, with Signature

3 GUIDANCE

This section contains additional material and non-mandatory guidance to the application of Section 2 Requirements.

3.1 Competence

The Valuation of Mineral Assets may require Competence in a wide range of technical and commercial disciplines. Depending on the nature of the Mineral Asset to be valued, the Basis of Value to be applied, and the availability of currently relevant technical reports for the subject asset and transacted properties to be analysed, an in-depth understanding may be needed in such

specialized areas as geoscience, mining engineering, metallurgy, water rights, environmental assessment, social aspects, regional geopolitics, micro and macro mineral economics, finance, taxation and government levies, property and mining law, bulk transportation and marketing. Therefore, it is often necessary for Valuers to retain Experts who are competent in the vetting of certain technical information, development of Inputs, and preparation of Mineral Asset Valuations and Valuation Reports.

3.2 Materiality

The determination of what is Material or relevant to the Valuation depends on both qualitative and quantitative factors. A parameter may be Material in the qualitative sense because of its very nature, such as country risk. Valuers should determine that all Material information is considered.

A general rule in determining if information is Material is consideration of whether its omission or misstatement could influence the decisions of the intended users of the Valuation Report. Two tests may be used in determining whether an item is Material - a qualitative test (that is, the nature of the item and whether knowledge of it would influence the decisions of users) and a quantitative test expressed as a percentage. This is an area that requires professional judgement to identify information that is relevant and to determine information which is ‘*need to know*’ versus that which is ‘*nice to know*’.

3.3 Objectivity

“The process of Valuation requires the Valuer to make impartial judgements as to the reliance to be given to different factual data or assumptions in arriving at a (Valuation) conclusion. For a Valuation to be credible, it is important that those judgements can be seen to have been made in an environment that promotes Transparency and minimizes the influence of subjective factors on the process.” (IVS Framework, para 2, p. 12)³

3.4 Transparency

The Principle of Transparency requires that information should not be presented in a minimal or unclear form from which the intended user accepting this information at face value could draw incorrect implications or conclusions. Any implications that would be revealed by a more thorough or deeper evaluation or explanation of the Material issues should be disclosed.

Transparency during development and reporting of Valuations aids in promoting Objectivity, while minimizing subjectivity. A Transparent Valuation Report is generally one that is presented with clear and concise writing, supplemented by helpful tables, graphs, maps, and photographs. Where it is not possible to be concise, the information should be presented in such a manner that Material information is clearly prominent.

3.5 Independence

While IMVAL and the IVSs do not specify Valuer independence requirements, such requirements may be specified by national legal or regulatory requirements in various jurisdictions, or by Commissioning Entities or intended users of Valuations. For the Valuer to be able to develop a Valuation that users can confidently accept as unbiased, however, the Valuer

³ IVS citations are to the 2013 Edition.

must be able to freely exercise his or her judgement with impartiality and Objectivity.

3.6 Reasonableness

Reasonableness means that other appropriately qualified and experienced Valuers with access to the same information would value the subject asset within a comparable range for the same Valuation Date, Basis of Value, and Scope of Work. A Reasonableness test serves to identify Valuations which may be out of step with industry norms.

If the Basis of Value of a Valuation is Market Value, assumptions applied and any property development method or model relied upon must be reasonable within the context of the purpose of the Valuation. The development method or model should be within the expected capability and consideration of the assumed likely buyer of the subject property.

3.7 Level of Valuation and Valuation Report

Under Scope of Work, IVS (para 1, p. 27) notes: *“There are many different types and levels of Valuation advice that may be provided. The IVSs are designed to apply to a wide spectrum of Valuation assignments including a Valuation review where the reviewer may not be required to provide their own opinion of Value. All Valuation advice and the work undertaken in its preparation must be appropriate for the intended purpose. It is also important that the intended recipient of the Valuation advice understands what is to be provided and any limitations on its use before it is finalised and reported. “*

The level of Valuation undertaken must be clearly specified in the Valuation Report. Various levels of Valuation and Valuation Report can be contemplated as specified in a national code or standards. The level of Valuation depends on the extent of work conducted. The level of Valuation Report depends on the thoroughness of documentation.

3.8 Valuation Process

The three generally accepted Valuation Approaches applied to Real Property in general, and to Mineral Assets in particular, are:

- Market Approach (IVS Framework paras 56-57; IVS 230, paras C13-C15)
- Income Approach (IVS Framework paras 58-61; IVS 230, paras C16-C21)
- Cost Approach (IVS Framework paras 62-63; IVS 230, paras C22-C24)

Each Valuation is fact and circumstance specific. Therefore, for a particular Mineral Asset based on its stage of development, highest and best use, and the Basis of Value, methods from at least two of the three Valuation Approaches may be found useful. There is a variety of Valuation Methods within the Valuation Approaches, each of which may be more suited to the Valuation at hand than others.

If the Basis of Value to be developed is Market Value, the Valuer should attempt to ensure that Inputs to all Valuation Methods applied are derived from the market place relevant to market participants that would be involved in a sale and purchase of the subject asset, including the expectations and perceptions of those participants. Without market-derived Inputs to the variables

involved in the Valuation process, the Value estimated will not be Market Value.

The IVSs state:

“In undertaking a market-based valuation, matters that are specific to the current owner or to one particular potential buyer are not relevant because both the willing seller and the willing buyer are hypothetical individuals or entities with the attributes of a typical market participant” [IVS Framework, para 19, p. 15].

“The factors that are specific to a particular buyer or seller and not available to market participants generally are excluded from the inputs used in a market-based valuation” (IVS Framework, para 20, p. 15).

The results from the Valuation Approaches and Methods employed should be analysed and reconciled into a concluding opinion of Value. The reasons for giving a higher weighting to one Valuation Approach or Method over another should also be stated. (IVS 102, para 8)

3.9 Material Risks in the Valuation

For reports of Market Value and Fair Value that do not have a prospective Valuation Date, the Valuer must incorporate consideration and documentation of the influence of Material risks and limitations, both known and perceived by market participants at the Valuation Date, into the analysis used in development of the concluding opinion of the asset value.

Valuation Reports for prospective Valuation Dates, Investment Value, and other forecast dependent Bases of Value must include a section that describes known and perceived Material risks and limitations that could affect the Valuation of the subject Mineral Asset. Risks may include those associated with the classification/category of Mineral Resource and/or Mineral Reserve, development and production schedule, capital and operating costs, environmental and permitting aspects, or risks associated with product market penetration, exchange rates, and commodity selling price.

4 DEFINITIONS

4.1 Appraisal

See Valuation.

4.2 Basis of Value

“A statement of the fundamental measurement assumptions of a valuation” (IVS Definitions, p. 7). Basis of Value generally refers to Market Value but can also refer to other Bases of Value such as Fair Value, Investment Value, Special Value or Synergistic Value.

4.3 Commissioning Entity

The organisation, company, or person that commissions a Valuation and Valuation Report.

4.4 Competence or Competent

Competence and Competent applies to a suitably qualified and experienced person who is a member of a Professional Organisation with an enforceable code of ethics and rules of conduct which include the ability to discipline and expel a member. In the context of Mineral Asset Valuation, Competence for a Valuer also requires *“appropriate technical skills, experience and knowledge of the subject of the valuation, the market in which it trades and the purpose of the valuation”* (IVS Framework, para 4, p. 12).

4.5 Cost Approach

“Provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction” (IVS Definitions, p. 7), and includes methods based on expenditures.

4.6 Effective Date

See Valuation Date.

4.7 Evaluation

An Evaluation of a Mineral Asset is a broad physical, legal, economic, and other assessment generally sought for an investment decision. Evaluations include feasibility studies, prefeasibility studies, and scoping studies. For clarity, Evaluation is distinct from Valuation.

4.8 Expert

A person who may be retained by the Valuer to review technical information, prepare sections of Valuation Reports, or provide Inputs concerning specialised matters about which the Valuer is not personally Competent. The Expert must have sufficient training and experience relevant to the subject matters for which he or she is being retained to review or provide Inputs.

4.9 Income Approach

“Provides an indication of value by converting future cash flows to a single current capital value” (IVS Definitions, p. 7). For Market Valuations, the present value capitalisation must be generated using a discount rate derived from market conditions.

4.10 Independence or Independent

Independence or Independent means that that the Valuer or Expert(s) must have no pecuniary or beneficial interest, either present or contingent, in the Commissioning Entity, the Mineral Asset being valued, other parties involved in a transaction on the Mineral Asset, or the outcome of the Valuation, other than professional fees and disbursements related to the Valuation assignment.

4.11 Inputs

Inputs means all information used in the Valuation.

4.12 Market Approach

“Provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available” (IVS Definitions, p. 8). The Market Approach is also known as the sales comparison approach.

4.13 Market Value

“The estimated amount for which an asset or liability should exchange on the Valuation Date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion” (IVS Definitions, p. 8).

4.14 Materiality or Material

Materiality and Material pertain to information that, if omitted, could affect the judgement of the reader as to the validity of the estimate, opinion, or data being reported by the Valuer.

4.15 Mineral Asset

Any right to explore for, or mine or otherwise extract minerals (including Petroleum) from the earth, and any interest in such a right, and any land ownership that includes or inherently provides that right. For the purpose of the IMVAL Template, Mineral Assets generally mean Real Property interests, including mining claims and royalty interests tied to mineral properties, and inclusive of intellectual property such as geological data that conveys with the Real Property.

4.16 Minerals Industry

Entities and individuals involved in exploration for minerals, and the extraction, processing, and marketing of minerals (including Petroleum). This applies to the point of first possible sale of any particular commodity and excludes assets and activities that are downstream from a refinery or processing plants.

4.17 Mineral Resources and Mineral/Ore Reserves

Terminology for the Public Reporting of exploration results, Mineral Resources, and Mineral Reserves is published in the International Reporting Template of the Committee for Mineral Reserves International Reporting Standards (CRIRSCO), edition of May 2013, as amended from time to time, and may be subject to guidance contained in National Reporting Codes and Standards.

4.18 Petroleum

“Petroleum is defined as a naturally occurring mixture consisting of hydrocarbons in the gaseous, liquid, or solid phase. Petroleum may also contain nonhydrocarbon compounds, common examples of which are carbon dioxide, nitrogen, hydrogen sulphide, and sulphur. In rare cases, non-hydrocarbon content could be greater than 50%” (PRMS Definitions, p. 41)

4.19 Petroleum Resources and Petroleum Reserves

Definitions and classification of Petroleum Resources and Petroleum Reserves are published in the Petroleum Resources Management System (PRMS), 2007 edition, as amended from time to time.

4.20 Professional Organisation

Professional Organisation means a self-regulating association such as one of engineers, geoscientists, or minerals Valuers that (a) is accepted and recognised as reputable by the professional community, or has been given authority or recognition by statute, (b) admits members on the basis of their academic qualifications and professional experience, (c) requires

compliance with professional standards of expertise and behaviour according to a code of ethics established by the association, (d) requires compliance with specified continuing education requirements, and (e) has enforceable disciplinary powers, including that of suspension or expulsion of a member.

4.21 Public Report

A Public Report refers to any non-confidential report prepared for the purpose of informing investors or potential investors and their advisers, or to satisfy regulatory requirements. Public Reports include, but are not limited to, annual and quarterly company reports, press releases, information memoranda, technical papers, website postings, and public presentations.

4.22 Real Estate

“Land and all things that are a natural part of the land e.g. trees and minerals and things that have been attached to the land, e.g. buildings and site improvements and all permanent building attachments, e.g. mechanical and electrical plant providing services to a building, that are both below and above the ground” (IVS Definitions, p. 8).

4.23 Real Property

“All rights, interests and benefits related to the ownership of real estate” (IVS Definitions, p. 8).

4.24 Reasonableness

Reasonableness means that other appropriately qualified, skilled, and experienced Valuers with access to the same information would estimate the Value of a Mineral Asset at a similar order of magnitude for the same Valuation Date and Basis of Value.

4.25 Transparency

Transparency means that a Mineral Asset Valuation Report contains sufficient information, the presentation of which is clear and unambiguous, so that the reader can understand the Valuation Report and not be misled.

4.26 Valuation

Valuation is the estimation of the Value of a Mineral Asset in money or monetary equivalent. *“The word ‘valuation’ can be used to refer to the estimated value (the Valuation conclusion) or to refer to the preparation of the estimated Value (the act of valuing)”* (IVS Framework, para 9, p. 13). The word ‘valuation’ is synonymous with the word ‘appraisal’ as used in certain countries. In contrast, the word ‘appraisal’ is used in Australia for the broader activity of Evaluation, including the preparation of Resource and Reserve estimates.

4.27 Valuation Approach

A grouping of Valuation Methods for which there is a common underlying rationale or basis.

4.28 Valuation Date

“The date on which the opinion of value (or Valuation) applies” (IVS Definitions, p. 8), as distinguished from the ‘report date.’

4.29 Valuation Method

A particular or systematic procedure used to estimate Value.

4.30 Valuation Report

A document that reports the results of the Valuation of a Mineral Asset or Assets, that adheres to the core principles and additional principles, as required, contains the required information, and conforms to the relevant national code or standards and relevant legal and regulatory requirements. A Valuation Report may be a Public Report.

4.31 Valuer

A Valuer is a person who (a) is a professional with demonstrated experience and Competence in the Valuation of Mineral Assets, (b) has experience relevant to the subject Mineral Asset or has relied on an Expert with experience relevant to the subject Mineral Asset, and (c) is regulated by or is a member in good standing of a Professional Organisation. The Valuer is also known as Valuator or Appraiser in some countries.

4.32 Value

A generic term that may refer to Market Value, Investment Value, or another 'value' definition.

Mentor and Apprentice Update

Per Rachel Vass – this is the most current list available. If any changes are necessary please inform the mentorship chair as well as let me know. Thanks Matt!

Mentor	Associate		Associate #	Comment
	Last Name	First Name		
Bill Bagby; Fred Pirkle	<u>Cordier</u>	Daniel	2014-02	
John Gustavson	Tsang	George	2011-03	
Samuel Chan	Lee	Haydn	2014-01	
Trevor Ellis	Martin	Russell	2014-04	
	<u>Olmore</u>	Stephen	2004-04	
Tim Knobloch	Thomas	Benjamin	2011-06	
	<u>Casto</u>	Michael	2014-11	
	Interval	John	2014-01	
	<u>Shetler</u>	David	2013-02	
	Shumway	Marty	2014-09	
Alan Stagg	Wood	Craig	2006-02	
Marc Springer	<u>Mudd</u>	Evan	2015-1	
Don Warnken	Smith	Zackery	2013-04	
Chris Wyatt	Cameron	Robert	2014-03	
N/A	Bertrand	Frank	2010-01	Comfortable as an Associate
	Morgan	John	2004-02	
	<u>Groty</u>	Tracy		Affiliate
Unassigned	<u>Faulhaber</u>	Mark	2014-06	
	Groff	Brian	2014-07	
	Jacobson	Amy	2014-10	
	Kyle	John	2013-03	
	<u>Lammers</u>	Guy	2014-05	
Available Mentors				
Robert Frahme				
Tracy Groty ²				
Rachel Vass				
William Wyman				

²Tracy is an affiliate member but may be able and willing to mentor.

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Special thanks to the contributions made. The strength of the IIMA organization is through the commitment, education, and contributions of its members. We are always looking for articles to enhance our profession and welcome any material that members may provide. Thanks!

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