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Sickness and Health

It is a common belief among the healthy, that illness, medical problems and accidental injury happens only to others. Unfortunately, that is not true.

John Gustavson and his wife, Carole, were involved in a roll over auto accident before Christmas. John received serious injuries to his left arm but, Carole's injuries were minor. A communication from John has been reprinted and is presented below which describes the accident:

Dear friends and colleagues:

Most of you are exchanging good news at this time of the year about family and business affairs. Unfortunately, a poor decision on my part coupled with bad weather led to a serious car accident. Carole and I were returning from a great weekend in Canada. We took the usual short cut from the Denver airport but ran into some ice on the road in a sharp turn. Our heavy 1999 Jaguar was never designed for driving on ice and we had just listened to a voicemail from the Jaguar dealer that our snow tires had just arrived, but clearly not yet put on the car.

We started sliding on the ice and the right tires got caught on a one-foot embankment that flipped the car onto its roof. We slid upside down across the adjoining field. Fortunately, the roof of the car did not collapse, and we stopped after 15-20 feet. Carole was practically uninjured as she was sitting along the axis of the rotation of the flip. Carole is still under observation for shoulder injury.

I am writing to you from the Denver Health Hospital. I
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AIMA 2002 Annual Meeting Reminder

Remember, our Annual Meeting will be held Monday, February 25th, in Phoenix, Arizona, beginning about 4:00 PM. Stuart Limb and his Secretary, Alexandria, have reserved a room at Kincad's for our meeting. Kincad's is a Fish, Chop and Steak House, which is located at **TWO South 3rd Street, Phoenix, AZ**. The room has been reserved from 4:00PM to 9:00PM. So, come early for some socializing before the business meeting. We will have dinner at about 6:30PM and depart about 8:30PM or 9:00PM.

Your attendance is your opportunity to meet your peers, discuss common mineral appraisal/valuation concerns and to participate in the affairs of AIMA. Ours is a growing organization, which is fulfilling an industry need. All our members are high quality and distinguished Mineral Consultants. Your participation will simply assure AIMA's continued growth and industry satisfaction.

A location map for Kincad's can be obtained off the Internet. Go to www.yahoo.com, thence to Yellow Pages, thence to Phoenix, AZ, thence to Restaurants, thence "All Restaurants," thence to K, thence to Kincad's. Tap Kincad's for map.

Society of Mining, Metallurgy and Exploration Annual Meeting

The Society of Mining, Metallurgy and Exploration (SME) will also hold their Annual Meeting and Convention in Phoenix, AZ. It will be held Monday, February 25th thru Wednesday, February 27th at the Phoenix Civic Plaza Convention Center, a short walk from Kincad's.
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Sickness And Health, *Cont'd from Page 1*

sustained significant injuries to my left arm, and have undergone two surgeries since the accident on Sunday. The next steps are one more surgery tomorrow/Monday, and a skin graft surgery on Wednesday.

The timing of the accident was fortunate, as the holidays have allowed me to have access to doctors and nurses, as well as support from my family. Additionally, I am fortunate to work with a very effective office staff at Gustavson Associates, which ensures that the company is in good hands and all of our clients will receive the promised services.

I will of course miss the Danish food that we eat every Christmas (let's not forget the Danish Akvait!), as well as the football tickets for the Colorado vs. Oregon Fiesta Bowl game on New Year's. I will be in touch as soon as the effects of the pain medication have lessened, and looking forward to speaking soon.

Have a safe and happy holiday.

Best regards,
John & Carole Gustavson

Your Editor is pleased to report that John is back to work after five surgeries.

SME Annual Meeting, *Cont'd from page 1*

Phoenix and the February 25th date were selected for our Annual Meeting to coincide with the SME Annual Meeting and Convention. Some of our members have taken advantage of the SME Valuation Sessions. It has thus effectively become our technical program forum for our mining and quarry members to present their papers. This year, Sam Pickering and Stuart Limb are co-charing the SME Valuation Session.

Year 2002 AIMA Officers

The following have been elected to be your AIMA Officers for Year 2002. They will be installed at our Annual Meeting, which will be held on February 25th in Phoenix, AZ.

President - Sam M. Pickering, Jr.
Vice President – Edwin C. Moritz
Treasurer – Lawrence T. Gregg
Secretary – John Gustavson

Trevor Ellis will be joining the ranks of the Past Presidents and Donald Warnken will continue as your Editor.

Responses To Uniform Appraisal Standards For Federal Land Acquisitions Question

In the May 2001 Newsletter, AIMA members were invited to comment on the "Royalty Income Approach" to value that is mandated in Section D-11 of the Uniform Appraisal Standards For Federal Acquisitions. One response was received from Louis Posgate (ASA) which was published in the September 2001 Newsletter. Subsequently, two additional responses have been received. These have been reprinted below.

The Use Of Royalty Income In Mineral Appraisals

Sidney Alderman, AIMA Member
Alderman, Slothower & Associates

The net present value of future royalty income from a mineral deposit is an approach to value that is frequently used in mineral appraisals. It appears to be a simple, straightforward method that avoids the complication of costing out an operation. But does it really represent the full fair market value of the minerals, or does it over-state the value of the minerals? The answer appear to be; sometimes; maybe, or, it depends.

"Uniform Appraisal Standards for Federal Land Acquisitions": Interagency Land Acquisition Conference, 1992, (in A-7, Income Approach, page 22), states: "In using the capitalization of income approach to value, care should be taken to consider only income which the property itself will produce – not income produced from a business enterprise conducted on the property. In further discussion (page 24); "The income that may be capitalized is the royalty income, and not the income or profit, generated by the business of mining and selling the mineral".

The BLM "Guidelines for Fair Market Value (FMV) Appraisal of Mineral Interests", Evans, J.R., 1998, (in C., Income Approach for Royalty Payments, page 22) states: "Overall, the royalty income approach does not represent maximum future income that can be obtained from an economically viable mineral operation because only a portion of the production of reserves is considered". In reference to 1992 Uniform Appraisal Standards, it states (page 23): "It seems to imply from the case histories of condemnation and taking cases that the royalty income approach is the only method to be used for the income approach to value. However, this implication is not correct and a mineral deposit (reserve) income approach can be used as long as it is not speculative."

Here we have two agencies taking divergent positions on the use of royalty income. The BLM, frowns on the use, except in

Continued on Page 3

The Use of Royalty Income In Mineral Appraisals, *Cont'd from Page 2*

unique situations, and the Inter Agency Land Conference (Sponsored by the U.S. Department of Justice) applauds it, implying that it is the only proper income to be used for the income approach to value in mineral appraisals.

Through the years, Alderman, Slothower & Associates (AS&A) has been involved in mineral appraisals where both points of view prevailed. Two examples illustrate the conundrum.

In the first example, AS&A was hired by the Calaveras County, California Assessor to do a mineral appraisal of an operating gold mine. The assessor's previous mineral appraisal experience had been almost exclusively with sand and gravel operations where he had used the royalty income approach. The gold mine was operated by a major mining company on a lease from a fee landowner. A standard "net smelter" royalty or percentage of the gross, was defined in the lease. The gold mining operation had been permitted and feasibility studies made when gold prices were above \$400 per ounce. Shortly after production started, the gold price started to drop, and at the time of our appraisal, the operator was barely covering operating costs and not earning a return on its investment.

The assessor only knew that the lessors were fat and sassy, receiving 3% of an impressive gross revenue, and he put a high ad valorem tax on the property, which, under the terms of the lease, was payable by the operator. The operator, saddled with onerous taxes on a losing proposition, appealed the assessment. AS&A was hired by the County to make an independent tax appraisal of the property, following the guidelines of the State Board of Equalization tax rule 469.

The operating company and its accountants gladly made all of their operating data available to us, and were able to demonstrate that the royalty income put an unrealistically high value on the property. The royalty payments, of course, were shown as an expense by the operator, thereby wiping them out as far as the entire property was concerned. We concluded that the fair market value of the total, lessee's and lessor's interest was much lower than the assessor's valuation, reflecting what a buyer might pay for a losing operation in the hopes of a gold price increase, or the uncovering of a hidden bonanza. Needless to say, our client, the county, who was not inspired by our conclusions. That was our last tax appraisal for a California county. *C'est la vie.*

The second example involves a land exchange between the BLM and U.S. Borax, in which AS&A was hired to perform the mineral appraisal of a 40 acre tract of BLM land located within the ultimate pit limit of Borax's mine at Boron in San Bernardino County.

U.S. Borax held a sodium lease on the small tract of land which contained a sizable reserve of borates to be mined within ten to fifteen years under its then current mining plan. Borax wished to exchange this parcel, laden with ore, for a barren chunk of BLM land located many miles away. The BLM was willing to make the exchange, but expected to be reimbursed the fair market value of the ore it was giving up. This poised an interesting question; was BLM entitled only to the NPV of its future royalties, or was it entitled to full fair market value of the ore reserve if put on the open market?

In this interesting situation, AS&A conducted the appraisal as a third party appraiser, paid by Borax, but working for, and under the direction of the BLM. In a number of meetings with BLM staff, we argued that it was unrealistic to try to evaluate the small 40-acre parcel as a separate mineral deposit that could be put on the open market and developed by some third party. This could only be done with Borax's assistance and cooperation, which was improbable, since it would completely disrupt its mining plan. In any case, the relatively small ore reserve probably would not support a viable, independent operation. We pointed out that in this case, the use of future royalties would result in a higher NPV than the use of the income from a separate mining operation.

After much discussion, BLM begrudgingly agreed to an appraisal based on royalty income, but this raised the question of how far in the future the ore reserve under lease might be mined. Borax could, it was argued; change their mining plan so as to reach the ore in question some five to ten years sooner than planned, resulting in a much higher present value. BLM finally agreed that we could schedule the future mining of the parcel in accordance with Borax's mining plan only if we could show that it was a rational and unbiased plan, neither favoring nor discounting the early mining of the 40-acre parcel. This meant that AS&A had to become privy to all details of the U.S. Borax ore body and the mining plan.

As luck would have it, a massive structural failure of the pit walls was taking place at the time of our appraisal, and Borax was forced to change its mining plan to cope with it. This greatly complicated our evaluation of the operation and delayed the outcome. The upshot of all this was that BLM accepted an appraisal based on royalty income, against their long held prejudice, and the final result was, we believe, equitable to both the company and the tax payer. The government ended up with a chunk of money that it could use to acquire habitat for turtles or milk vetch, or some such worthy activity, while U.S. Borax can pursue the peaceful exploitation of its ore reserve without losing sleep worrying about a change in the mining law or leasing act that would force it to leave a massive pillar around the 40 acre thorn in the middle of its mine.

I hope that this discourse throws some illumination on the royalty income question. It leaves me as confused as ever and brings to mind a definition that the Calaveras County Assessor gave us in recognition of our unwelcome efforts:

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The Use of Royalty Income In Mineral Appraisals, Cont'd from Page 3

AN APPRAISER

An appraiser is a person who passes as an infallible authority on the basis of being able to produce, with prolific fortitude, infinite streams of incomprehensible numbers, calculated with micromatic precision from vague assumptions which are based on doubtful figures, taken from statistics gathered from questionable sources and based on hearsay information.

The Royalty Income Approach

Richard L. Bates, AIMA Member

John T. Boyd Company

I do have a few (belated) comments regarding Section D-11 of the Uniform Appraisal Standards for Federal Land Acquisitions ("Yellow Book"), and in particular the notion that the income capitalization approach to valuing mineral properties must capitalize only royalty income, not the "business" income generated by mining and selling the mineral.

This is a pet peeve of mine, and has been for many years, for a number of reasons. Specifically:

- The Yellow Book implies that application of the royalty approach is well established by legal precedents. This is simply not the case.
- The supposed need for using the royalty method (to differentiate between the value of the land and the value of a business on the land) can be satisfied in other ways. If properly applied, the operational cash flow methodology does not allocate "business" value to the mineral estate.
- The specific methodology to be utilized in conducting an appraisal is a decision that should be made by the appraiser based on his or her knowledge and expertise. The "client" should not dictate the methodology.
- In practice, the use of the royalty approach can result in questionable appraisal results that will tend to systematically undervalue the mineral interest (i.e. in the government's favor). This can be unfair, particularly for smaller landowners.

First, the legal issues: It is a fundamental concept in condemnation law that the value of the land is distinct from the value of a business conducted on the land. An example is the tavern on the corner. If taken via eminent domain, the government would be liable for the value of the land and tavern building, but not for the value of lost profits on beer sales. This creates a difficult problem in the specific area of mineral valuation. Unlike the tavern (where profits come from sales of beer, the supply of which can, thankfully, be replenished), a mine's profits derive directly from the land, and the intrinsic value of the land is related to that profit potential. Furthermore, the mineral property is consumed by the business; when the mine is depleted, no value remains.

Thus, in the unique area of mineral valuation (using the income approach), the courts have struggled to find a way to differentiate between the profits that derive from the land (and contribute to its value), and those profits realized by the mining business independent of the land.

The Yellow Book "requirement" to capitalize only royalty income is an attempt to draw this distinction by "carving out" the value of the land (as a royalty) from the total value of the business. The legal foundation of this requirement is a handful of cases from the early 1980's including *Cloverport Sand & Gravel Inc. v. United States*. In *Cloverport*, the court was faced with an income analysis that was poorly supported by reliable data, and clearly included a business value component (e.g. mining equipment). In this situation the court fell back on the royalty approach as the only methodology supported by reliable evidence in the record. Based on this and similar decisions, the Yellow Book would have us to believe the royalty method is the only legally acceptable approach.

In reality, the situation is not nearly so clear cut. Since *Cloverport* and similar cases, the courts have more often found that capitalization of the operational cash flow (conceptually, the total of the royalty cash flow and the operators cash flow) is appropriate for valuing mineral interests. In *Jack S. Foster, et. al. v United States* the court found:

"Royalty interest is an interest of a passive landowner-lessor or of an inactive lessee; "operator interest" is the interest of a person with the right, the capital, and the ability to develop, produce and sell the mineral; both are property rights which both can be bought and sold."

And: "The operators interest in a mineral estate has a different function than as a measure of an operator profit. The operator's interest is a separate right to produce and sell the mineral. When bought and sold on the open market it commands a price that represents a present value, measured by an estimate of what can be earned by exercise of the right. The value placed on an operator's interest for purposes of determining just compensations not compensation for the consequential damages of lost future business profits; it is compensation for the taking of an interest in real property."

In *Whitney Benefits, Inc. and Peter Kiewit Sons' Co v United States*, the court was more succinct, finding that:

"Simply stated, an operators interest in a mineral estate is a compensable property interest."

Thus the Yellow Book's requirement that only royalty income be capitalized is based on a limited number of decisions that happen to be favorable to the government. It does not represent comprehensive case law. In my view, mineral appraisers should continue to exercise their best judgment as to the proper implementation of the income approach. If the royalty method is inappropriate, there is no compelling legal necessity for its use.

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The Royalty Income Approach, Cont'd from Page 4

Secondly, the underlying basis for the Yellow Book's requirement to use the royalty method, (that is the only method that can differentiate between the value of the land and the value of a business on the land), is simply incorrect. In the accepted application of the income approach, i.e. the discounted NPV of the operational cash flow, the value of the mining "business" is the return of/on investment in equipment and similar assets necessary to produce the mineral, as such is excluded from the NPV. Furthermore, the assumptions as to costs, efficiency, commodity prices etc, are normally consistent with a typical operator and broad market circumstances. If a particularly talented operator can improve cash flow by cutting costs or selling at favorable prices, that benefit adds to the value of his business, not to the value of his mineral rights. If properly performed, the operational cash flow methodology does not allocate "business" value to the mineral estate.

My third point relates to the professional responsibilities of the independent appraiser under USPAP and other authorities. Under USPAP, the appraiser must determine the scope of work, and specifically the "type and extent of analysis applied to arrive at opinions or conclusions". Similarly, USPAP requires the scope of work be consistent with "what the appraiser's peers actions would be in performing the same or a similar assignment in compliance with USPAP". If the client (the government) dictates use of a specific methodology, the appraisal would seem likely to be subject to the Departure Rule or perhaps, the Supplemental Standards rule under USPAP.

This is not to say that the appraiser is free to approach the analysis in a haphazard or abbreviated manner. A review of the various cases and precedents makes it clear that if the income approach is used, it should be developed by an experienced professional using conceptually sound methodologies, the best available information, and reasonable assumptions consistent with the market place. The cases where the courts found only the royalty income method preferable are characterized by poorly conceived applications of the income approach, and inaccurate or conjectural evidence on reserves, costs, production, sales, etc.

Furthermore, there is also nothing wrong with the royalty method if it is properly applied in appropriate situations. In many instances, the interest being valued is a royalty interest and the royalty method is clearly called for. In other cases, where there is an active leasing market in very similar properties (sand and gravel may be an example in some areas) a market derived royalty rate may accurately represent the value of the mineral. In each case, however, the appraiser should make the choice of methodology.

Finally, because the royalty method typically ascribes no value to the operator's interest, it will, as a practical matter, systematically under value mineral properties (to the government's advantage). If the Yellow Book requirement is

rigorously adhered to, landowners, and particularly those landowners may be shortchanged. In my experience, most government personnel involved with mineral valuations understand these issues and use good common sense and fairness in applying the Yellow Book guidelines. However, there are exceptions, and these often end up to the disadvantage of the landowner, particularly the small landowner who cannot afford to challenge the government in court. This is not the intent of the Constitution's requirement for "just compensation" and, in my opinion, federal guidelines that produce this result should be revised.

(These opinions are those of the writer, and do not necessarily reflect the position or policy of John T. Boyd Company)

Appraisal of the Comet No. 1 Lode Claim Old Yuma Mine, Tucson, Arizona

Charles Melbye
Gustavson & Associates

The National Park service contracted with Gustavson Associates, Boulder, Colorado in September 2000 to appraise the un-patented Comet No. 1 lode claim as a basis for negotiations by the National Park Service to acquire the mineral estate of 20 acres from the owner, Richard Bideaux of Tucson, Arizona. Since the Saguaro National Park surrounds the mine on 3 sides, they believed it would be of benefit to own the claim and include it in the National Park.

The mineral appraisal was unique in that it had to consider three values: 1) Gold-lead ore reserves in the Old Yuma mine, 2) Value of the high quality wulfenite (lead molybdate) and vanadinite (lead vanadate) crystals which have been extensively produced and have additional production potential, and 3) Real Estate value, since the mine adjoins an extensive high-class real estate and home development area on the northwest side of Tucson. The claim has been preliminarily approved for issuance of a patent.

The investigation of these values is briefly discussed from the standpoint of the Highest and Best Use concept.

1. Ore Reserve Value

There has been small sporadic mining activity at the Old Yuma since 1885, but the main ore body was mined through an inclined shaft during World War I. Gold-lead concentrates were produced in a small 100 tons per day (tpd) gravity mill on the property; along with molybdenum-vanadium ores needed for the war effort. About 34,000 tons were produced, with a total value \$289,000 (1972 prices). Subsequent mining to the present has been done only to produce wulfenite and vanadinite crystals. Total depth was 200 feet along dip. The Bureau of Land Management (BLM) Mineral Examiner estimated that the present reserve 23,000 tons could be produced at 0.239 ounces per ton (opt) gold and 3.2% lead, along with good potential for additional ore along the strike
Continued on page 6

Appraisal of the Comet No. 1, Lode Claim Old Yuma Mine, Tucson, AZ, Cont'd from Page 5

and at depth. An additional 7,000 tons of tailings could also be rerun. This could be produced at a profit, assuming a small mill could be installed. All of these economic projections could be verified. The BLM Examiner in 1993 certified the Comet Lode No. 1 Claim having a valid mineral discovery and therefore acceptable for granting of a mineral patent.

2. Mineral Crystal Value

The Old Yuma mine is a well-known world-class source of orange wulfenite and reddish-brown vanadinite crystals. Although sales records are no longer available, it is estimated that several hundred thousand dollars worth of crystals have been sold. The best crystal was estimated to be worth about \$100,000, and numerous specimens are regularly sold in the range of \$50 to \$2,500 each.

With mineral specimens it is difficult to determine how many crystal specimens remain. However, a surface block of ore immediately adjacent to the stopes which produced the crystals appears to have the same potential, and extensive unmined areas remain below the 100 foot level. Gustavson Associates found it useful to interview the Arizona-Sonora Desert Museum curator at Tucson, since they have the best collection in the world of Old Yuma wulfenite and vanadinite. Also, several dealers were consulted. Especially helpful was an interview with a previous owner of the Old Yuma mine, who had recently mined and sold a large quantity of wulfenite crystals at the Red Cloud mine in Western Arizona. This was done over a period of several years until he recently sold out on a basis of \$1,050,000 value for the entire mine. This constituted a similar sale of a similar mine, which is one of the best appraisal methods. Another important factor is that the Old Yuma orange wulfenite crystals are regarded as possibly the best in the world. Mineral collecting has expanded in a major way as evidenced by the growth from 1,000 to 5,000 mineral dealers in the U.S. and Canada during the past 15 years. Therefore, the Old Yuma mineral value was estimated as at least \$500,000.

3. Real Estate Value

An experienced Tucson real estate appraiser was employed to appraise the value of the 20.66 acre claim. They used six similar sales in the Tucson Mountain foothills, which helped to set the value at \$340,000 for the 20.66 acres, which would accommodate 3 – 5 home sites.

Appraisal Methods

The criteria for the Highest and Best Use concept must be the following:

1. Legally Permissible – The Attorney for the Department of Interior could see no legal reason why the property could not be patented and therefore Legally Permissible for mining.
2. Physically Possible – In spite of some problems of access and assuming environmental permits can be secured, the property would show a net cash flow and therefore Physically Possible.
3. Financially Feasible – The discounted cash flow method was applied to the valuation, and allowing for access and permitting, the net cash flow from future gold-lead mining operations would be positive.
4. Maximally Productive – In considering the various uses of the property, after surface and underground mining of gold-lead ores and wulfenite-vanadinite crystals for 4 – 5, years the Maximally Productive use would change to residential use.

The valuation for each use revolved into the following conclusions. We regret that the details of this valuation are beyond the scope of this Executive Summary.

1. Ore Reserve Value: If one assumes the gold-lead mining operation is leased to an operator with a small mill and mining equipment, and a 6% net smelter royalty charged, the cash flow to the owner would be at least \$166,408.
2. Mineral Crystal Value: If the assumption were made that the mine is leased out for crystal mining, the lease income over 3-1/2 years at \$25,000 per half-year would be \$175,000. A lease would provide for added income from sale of crystals at 25 % of first-sale value, but this was considered speculative for a conservative appraisal.
3. Real Estate Value: The real estate appraiser's value was \$340,000 in year 2001. Since mining will be conducted until year 2005, Gustavson appreciated the residential values by 5% per year to a value of \$536,711. At a discount rate of 10%, the present value is \$334,000.

Reconciliation and Fair Market Value

The Fair Market Value is estimated as the sum of the present value of; 1) transitional mining use and; 2) the long-term residential use. First, the operation is deemed commercial, that is, it is economically viable as shown in the 1993 BLM Validation Examination Report. It is noted that the operation is economical even without the added income from crystal mining.

The cash flow there from to a typical 6% Net-Smelter-Return land owner was derived, namely \$166,408. To this has been added the lease income to the landowner from the crystal mining operation over seven half-year periods @ \$25,000 during surface and underground gold-lead mining. The total is \$175,000. It is noted that this income is short of the market experience of also adding income from the sale of the collected specimen-grade crystals (usually at 25% of the first-
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**Appraisal of the Comet No. 1, Lode Claim
Old Yuma Mine, Tucson, AZ, Cont'd from
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sale value). This appraiser finds that the income stream is too speculative to calculate with accuracy, but reconciles that the underestimate in lease income as being offset by the increase in mining cost due to delays induced by crystal collection. Comparable sales information from the Red Cloud mine (a similar crystal collection property) was also considered, but only as a reality check.

Finally, the net smelter return and the lease income from crystal mining are brought back to a Present Value by discounting by 16% on a BFIT basis. This appraiser uses this discount rate when appraising relatively low-risk, precious metal mines in the small-mine end of scale and when the income stream has no cost risk (royalty income to a landowner). The result is an appraised value of the transitional use for mining of \$224,000 rounded.

The value of the property for residential use after 2005 relied on the opinion of the real estate appraiser, an estimated value of \$340,000. The appraiser had adjusted a negative \$3,900 per acre from comparable sales for the lack of access to the subject property. This Appraiser has reversed that adjustment as the cost of access by necessity and the construction of the road are included in the mining effort. From the surface Appraiser's present surface value of \$340,000, this Appraiser has arrived at \$420,574 after re-valuing 20.66 acres @\$3,900. In addition, this Appraiser has appreciated the residential value of the property from 2000 to the end of 2005 by 5% per year, using the experience over the past few years in this type of Tucson property. This yields a value for residential purposes at the end of 2005 of \$536,771. Finally, the Present Value thereof was calculated to be \$333,293 by using a discount rate of 10%, \$334,00 rounded.

Finally, the transitional value of \$224,000 and the long-term value of \$334,000 have been added, yielding a Fair Market Value of the subject Comet No. 1 Lode Claim of \$558,000.

VALMIN 2001 Book Published

Ross D. Lawrence

In late October 2001, the Mineral Industry Consultants of the Australasian Institute of Mining & Metallurgy held a mineral valuation conference in Sydney, Australia (VALMIN '01). Twenty excellent papers were presented over the two days. The sponsors did a wonderful job of collecting the papers and getting them published in a very timely fashion.

Through a special arrangement with AusIMM, we have a quantity of the Proceedings available in Toronto for immediate delivery. These are attractively priced at \$125 including delivery via Canada Post Express to Canadian addresses.

Delivery to US addresses is US\$100 per copy including Express Post.

This is a "must have" publication. Anyone involved in mineral valuation should have the book on their bookshelf. Copies may be obtained by mailing your check to; Canadian Association of Mineral Valuers, Suite 400, 8 King Street East, Toronto, Ontario, Canada M5C 1B5. Be sure to include your name and mailing address.

The book is soft cover and contains 215 pages, excluding the indices. Twenty papers were presented. The title of each paper and the author are shown below;

<u>Author</u>	<u>Title of Paper</u>
<i>Mike Bourassa</i>	<i>International Legal Standards for Mineral Valuation</i>
<i>Stephanie Croft</i>	<i>ASIC's View on the Role of the Regulator and Problem Areas in Disclosure in Mineral Industry Documents</i>
<i>Trevor Ellis</i>	<i>US Views on Valuation Methodology</i>
<i>Keith Spence</i>	<i>Development of Canadian Standards and Guidelines for Mineral Properties</i>
<i>Alistair Macfarlane</i>	<i>A Code for the Valuation of Mineral Properties in South Africa</i>
<i>Greg McNamara</i>	<i>International Valuation Standards</i>
<i>Robyn Phillips</i>	<i>Liability Issues for Valuation Practitioners</i>
<i>Wayne Lonergan</i>	<i>Accounting & Valuation Issues for the Extractive Industries</i>
<i>Ian Goddard</i>	<i>The 2001 Independent Review of the VALMIN Code</i>
<i>John Kelly</i>	<i>Panel Discussion Issues Paper</i>
<i>Mike Lawrence</i>	<i>Outline of Market Based Approaches for Mineral Asset Valuation</i>
<i>Bill Roscoe</i>	<i>Outline of the Cost Approach to Valuation of Mineral Properties</i>
<i>Ross Lawrence</i>	<i>Income Approaches to Valuation</i>
<i>Carlos Sorentino</i>	<i>Formal Mineral Asset Valuation Methods: DCF/NPV and Option Theory Methods</i>

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Sue Borders *Valuation of Industrial Minerals and*
Peter Stitt *Construction Materials Projects: Some*
 Pitfalls

Philip *The mining Industry – Stamp Duty – Some*
Christensen *Valuation Issues*

Nick Raffan *Buy-Side Investment Approach to the*
 Valuation of Mining Shares: A Fund
 Manager's View

GaryWingrove *Mineral-Asset Valuation – An Accountants*
 View

Shaun Browne *Commodity Price Forecasting in the*
 Valuation of Projects

Call For Newsletter Articles

Donald Warnken, AIMA Editor

I have targeted April for the next Newsletter, assuming there will be sufficient material to publish. I encourage each of you to consider preparing an article for it. The Newsletter is for your benefit. It is your forum to express concern over appraisal/valuation issues or to share an appraisal experience like the Comet No 1 appraisal or for that matter any issue or subject that you consider would be of interest to our readers. I am looking forward to receiving your articles.

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