

# INTERNATIONAL INSTITUTE OF MINERALS APPRAISERS

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## NEWSLETTER

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## **IIMA Concludes Its First Virtual Mini-Conference**

In a new world record for our organization, the IIMA successfully completed its first **virtual** conference-style event. This event, Discount Rates and Factors for Mineral Valuation, was a webinar (with four author-speakers) held on Thursday, May 14. Huge thanks are in store to Tim Knobloch, for hosting the webinar through GoToWebinar, Fred Pirkle for moderating the webinar, and our panel of authors for providing the content, including:

### **Which Discount Rate to Use?**

John Gustavson

### **How Do I Avoid Inconsistency When Comparing With Sales of Different Highest and Best Use?**

Tim Knobloch

### **What Can I Use to Build-Up a Discount Rate For My DCF Approach?**

Craig Wood

### **Discount Rates in Mineral Company And Mineral Property Valuation**

John Lizak

After each presentation, authors took to the webinar microphone to field questions from the virtual audience. Having access to these materials and author perspectives was a terrific mid-year educational refresher. Keep a look-out for another event this September!

## **2020 IIMA/SME CONFERENCE HELD IN PHOENIX, AZ!**

A long, long time ago, when minerals appraisers could still meet in person, there was once an annual meeting in Phoenix.

Joking aside, it was very fortunate timing for IIMA to have the 2020 annual meeting at the end of February. Some of us speculated, but perhaps little understood, how rapidly our world would change in the pandemic months thereafter.

Thanks to many who made that meeting possible. This includes organizers of the mentor/mentee workshop and evening social event on Monday, February 24. Here, we had a successful mentor/mentee clinic with brief presentations on the mentoring process. Each mentee shared the progress of his or her path toward becoming a Certified IIMA Member. Likewise, the evening social was a memorable event.

We also thank authors who presented abstracts at the morning and afternoon technical sessions and organizers of our annual luncheon meeting on Tuesday, February 25. In total, 10 presentations were given, and approximately 40 people attended the lunch meeting. Recordings of the presentations will be available on the IIMA website soon.

## Welcome to our New Executive Committee Members!

The President of the IIMA is proud to report that the following Certified Members have been elected to the Executive Committee for 2020:

John Gustavson - President  
Tim Knobloch - Past President  
David Shetler - Vice President  
Charles Howard - Treasurer  
Darwin Werthessen - Secretary

In addition, there was only one change to the Committees with Tim Knobloch taking over the Mentoring Committee chair for Darwin Werthessen. All other Committee Chairs have graciously remained in place for the 2020 year.

The President would like to thank all of those Officers and Chairs for their hard work and dedication during 2019, and he expresses his optimism for 2020 and the full slate of events planned for this year.

## THANKS TO OUR IIMA SOCIAL EVENT SPONSORS!



Anonymous Member	GOLD
John T. Boyd Company	GOLD
Groff Engineering	GOLD
Stagg Resource Consultants	GOLD
Vass Engineering and Mineral Appraisals	GOLD
Black River, Ltd.	SILVER
Gannett Fleming	SILVER
Gustavson Associates	SILVER
James Knobloch Petroleum Consultants	SILVER
Mineral Valuation Specialists	SILVER
Tracy Grote & Company	SILVER
Watts, Griffis and McOuat	SILVER
Broadlands Mineral Advisory Services	COPPER
Earthtech, Inc.	COPPER
Forgedale Geological Consulting	COPPER
Kevin Weller, IIMA Associate	COPPER
Howard Engineering	COPPER
Rock Associates, LLC	COPPER
Roscoe Postle Associates	COPPER
<b>IIMA Committees &amp; Chairs</b>	
A lot is happening in the IIMA, and our volunteers make it all happen! The following is a list of the current committees and chairs of the IIMA.	
<b>Certification Committee</b>	
2020 Chair: Darwin Werthessen, IIMA Secretary	
Purpose: Review applicant package for completeness and technical documents submitted for Certification as a Certified Minerals Appraiser. Arrange for 3-Member Ad Hoc Review Committee and assure expeditious review. Provide a written opinion of positive or negative recommendation to the Executive Committee.	

## **Continuing Education Committee**

2020 Chair: Zach Smith

Purpose: Establish guidelines on courses, literature and other educational elements, which may reasonably be counted as CE units to meet Bylaw requirements. Monitor CE requirements in other associations, institutes and regulatory bodies and recommend adjustment, when needed. Provide information to all classes of members of the IIMA on the availability of courses and literature. Assist members in the maintenance of their personal record keeping of CE compliance.

## **Ethics Committee**

2020 Chair: Ed Moritz

Purpose: Review complaints in accordance with established procedure. Provide guidance to membership on courses, literature and other educational elements, which may reasonably be counted as Ethics training. Facilitate internal IIMA solicitation and contracting of paid Review Appraisers when requested by IIMA membership.

## **International Liaison Committee**

2020 Chair: John Gustavson, IIMA President

Purpose: Maintain contact with the International Mineral Valuation (IMVAL) committee and represent the IIMA in all matters. Maintain contact with the International Valuation Standards Council. Coordinate activities among IIMA International Chapters as well as with IIMA Members in international locations.

## **Membership Committee**

2020 Chair: Craig Wood

Purpose: Oversee general membership functions for all levels of IIMA membership. Promote membership of the IIMA. Process, evaluate and initially approve or reject applications and qualifications for various levels of membership.

## **Mentoring Committee**

2020 Chair: Tim Knobloch

Purpose: Generate a list of mentor candidates. Facilitate exchange of methods and material

successfully used by experienced mentors to new mentors. Assist Associate Members and/or their respective mentors towards determining standing for full Certification.

## **Newsletter Committee**

2020 Chair: Evan Mudd

Purpose: Editing and publication of the IIMA Newsletter.

## **Standards Committee**

2020 Chair: David Shetler, IIMA VP

Monitor changes to the *Uniform Standards of Professional Appraisal Practice* (USPAP), the *Uniform Appraisal Standards for Federal Land Acquisitions* (UASFLA), and the *International Valuation Standards* (IVS). Advise the IIMA Executive Committee of changes and recommend action, if any.

## **Website Committee**

2020 Chair: John Manes

Purpose: Evaluate website layout/design and provide Executive Committee with recommendations. Perform updates to website as needed.

## **New Certified Members**

It's official- The IIMA has recently Certified two members: Betsy Suppes and Kevin Walker! Both members have "leveled-up" to attain their Certified Minerals Appraiser (CMA) designation. IIMA Certification emphasizes our membership's unique experience with minerals appraisal, as well as a commitment to continuing education and integrity. Congratulations!

## **Standards Committee Report**

The purpose of the new IIMA Standards Committee is three-fold:

1. To monitor changes to the *Uniform Standards for Professional Appraisal Practices* (USPAP), the *Uniform Standards for Federal Land Acquisitions* (UASFLA), to

- the *International Valuation Standards (IVS)*;
2. To advise the IIMA Executive Committee of any changes or relevant information detected; and
  3. To communicate findings and recommend appropriate action, if any, to IIMA membership via the IIMA newsletter, email or other means determined by the Executive Committee

## Main Sources of Information

### USPAP

The revised 2020-2021 USPAP manual became effective from January 1, 2020 and remains effective through December 31, 2021. A list of changes is maintained by the Appraisal Standards Board and available at:

<https://appraisalfoundation.sharefile.com/share/view/scad7ea3f7fd46768>

### UASFLA

The current UASFLA manual was released in December 2016. The Appraisal Foundation, in partnership with the US Department of Justice, is the publisher of the *Uniform Appraisal Standards for Federal Land Acquisitions*, commonly known as the “Yellow Book.” No information was found on the timing of the next release of UASFLA.

### IVS

The current IVS manual was released in July 2019 and became effective January 1, 2020. The IVSC Standards Board intends to continuously review the IVS and update or clarify the standards as needed. The Board has continuing projects that may result in additional standards being introduced or amendments being made to the standards. News on current projects and any impending or approved changes can be found on the IVSC website at [www.ivsc.org](http://www.ivsc.org).

USPAP and IVS follow a process of issuing discussion papers and exposure drafts for public comment when developing standards and issuing technical guidance. These (along with the websites) will be monitored.

## Two IIMA Speakers Enrolled in SME's Hall of Valuation Tutorials

Since 2001, the IIMA has provided speakers for the *Valuation Sessions* at the SME Annual Conference. In 2011, the IIMA started funding the recording of the presentations, synchronized with the speakers' slides.

About 100 presentations are now available at a nominal price on the IIMA website. In addition, an Ad Hoc Committee chaired by the IIMA President meets at the end of the day of the presentations.

Each presentation is carefully reviewed for educational content, for verbal presentation skills and for quality of slides. Selected presentations are forwarded to the SME for publication on its *SME Valuation Tutorials* link. The IIMA and the SME consider it an honor for the selected presenters to have their contributions immortalized.

The International Institute of Minerals Appraisers (IIMA) is focused on valuations and appraisals of mines and mineral properties. Both the IIMA and SME adhere to and promote the Valuation Standards, also provided here, when performing valuations and appraisals. This educational resource is to supply access to the IIMA website and many of their SME Annual Conference papers on valuation and appraisal topics.

In this year of 2020 in Phoenix, the following two presentations were selected for the SME's *Hall of Valuation Tutorials*:

- *Appraisals of Oil and Gas Interests in Unconventional Resources -- Norming Data to Create a Comparable Sale* by Betsy Suppes, our newly Certified Minerals Appraiser, and
- *The Art of the USPAP Mineral Appraisal Review -- Do's and Don'ts* by Fred Pirkle and John Gustavson, forcefully presented by Fred Pirkle.

These two recordings will be available shortly at no cost through the SME website link.

# MODERNIZATION OF MINE PROPERTY DISCLOSURES AND S-K SUBPART 1300: APPRAISERS BEWARE!

## PART III

Evan Mudd

This is the final part in a mini-series of articles discussing regulation S-K 1300. This law is scheduled to go into full effect at the end of 2020. So far, we have discussed the new requirements for publicly traded mining registrants in the US, as well as several definitions and accounting nuances surrounding the law. Finally, we discuss a potential implication for intermittently operated mine property.

### Intermittent Mine Property

First off, let's recall that the SEC requires a **summary disclosure** of mining properties when they are material to a company's business. Any properties containing more than 10% of the registrant's combined resources or reserves must also be individually identified on that summary disclosure. Furthermore, if a property is considered to be individually material to the business, then there is even more reporting, or, **individual disclosure** that is required. This can provide solid information for appraisers, namely reserve estimates, and technical reports, including feasibility studies for those reserves. But, what happens when reserves lose their viability, or when mines become idle? Is there something we ought to consider?

The opinion of this newsletter editor is yes! As we noted last time, all development costs related to a property can be capitalized against a mineral *reserve* (being "the economically minable part of a measured or indicated mineral resource"). But, as we are aware, market cycles come and go. There are often points in the life of a mine where the property can be idled due to poor market conditions or other unforeseen circumstances. Therefore, if a reserve or mine becomes unviable (no longer economically minable) can those properties still be included in a company's statement of reserves?

Based on definitions provided to us by the SEC, the answer appears to be no. Namely, a reserve must be viable, otherwise, they are no longer reserves. And as appraisers, a puzzler is encountered. Under new guidelines, reserves (read: material to the mining business) **must be reported**, either in summary or individually. If a property is idled because the reserves are no longer viable, is their book value immediately written off? After all, we know that only reserves (economically viable minerals) may be classified as assets under GAAP. It seems that without economic viability, the assets "vanish"; therefore, would capitalized expenses flow directly to the quarterly income statement?

If so, costs must truly be deciphered with care. One could imagine this having the most severe effect on development-level companies. These companies could possibly lose "reserves" and be required to write off all related expenses in the same reporting period—a double doozy. I welcome newsletter comments from our esteemed membership on this prediction, as it is all up for debate until companies actually begin reporting under S-K 1300. But, to me it seems - Appraiser, review the 8-K with caution!

In closing, because material properties are now required be disclosed, their reserves **must** be reported, and that's a change from the past. It creates a level of visibility (and data) that was previously not available to us. It also carries implications to the income statement and balance sheet that we may have previously ignored. So, if we analyze public registrants, or work on behalf of one, these new requirements may cause us to tread carefully.

## Zack Smith Accepts Chair of Continuing Education Committee

We are pleased to announce that Zack Smith, Certified Minerals Appraiser #2017-02, MAI Designated Member #571421 and Certified General Appraiser in many states, has volunteered to Chair our IIMA Continuing Education Committee.

Zack steps in to continue the good work of Donnie Lumm, who recently pulled back. We thank Donnie for his years of chairing this important Committee, and wish Zack welcome.

EDUCATION is a vital corner of our three-legged stool of IIMA Purposes, with the other two legs being CERTIFICATION and REPRESENTATION. Zack Smith will focus our Members' search for webinars, seminars, and short-courses, which offer greatest relevance to mineral appraisal and its cross-disciplinary professions.

Zack Smith is joining giant Metropolitan Valuation Services as of June 1. That firm is the largest independent commercial property appraisal and consulting practice for lenders and owners in the New York Metro market. Maybe now MVS will look at more mineral real estate? Good Luck, Zack!

## Where are YOU taking your USPAP course?

The 7-Hour USPAP Update Course is *highly recommended* for IIMA **Certified Members** every two (2) years after they have completed the 15-Hour USPAP Course. Associate Members are not required to take the 7-Hour USPAP Update Course. However, if it has been YEARS since you took the 15-Hour USPAP Course, it may be time for a Refresher.

The Appraisal Institute (AI) has an extensive listing for Classroom sessions for the 7-Hour USPAP Update Course. However, many of these sessions have either recently been cancelled or converted to virtual settings due to COVID-19 related stay-at-home orders. The registration fee for classroom sessions runs between \$150 -\$185 for AI Members. The online classes are listed as a "7-Hour Equivalent USPAP Update Course" and cost \$195.

You may review the AI Classroom schedule posted online at this [Appraisal Institute](#) link, or visit [www.appraisalinstitute.org](http://www.appraisalinstitute.org).

Date	Location	Hours
May 21, 2020	Virtual Classroom, FL	7
May 22, 2020	Virtual Classroom, TN	7
May 28, 2020	Sacramento, CA	7
June 1, 2020	Tacoma, WA	7
June 2, 2020	Virtual Classroom, PA	7
June 3, 2020	Virtual Classroom, FL	7
June 4, 2020	Virtual Classroom, CA	7
June 8, 2020	Virtual Classroom, FL	7
June 9, 2020	New York, NY	7
June 10, 2020	VIRTUAL, NJ	7
June 17, 2020	Chicago, IL	7
June 17, 2020	Virtual Classroom, CA	7
June 18, 2020	Atlanta, GA	7
June 19, 2020	Bolingbrook, IL	7
June 19, 2020	Virtual Classroom, NJ	7
June 23, 2020	Grand Rapids, MI	7
June 25, 2020	Flint, MI	7
June 25, 2020	Warwick, RI	7
June 26, 2020	Virtual Classroom, FL	7
June 30, 2020	Virtual Classroom, FL	7
July 10, 2020	Pittsburgh, PA	7
July 17, 2020	Carle Place, NY	7
July 20, 2020	San Diego, CA	7
August 1, 2020	Orlando, FL	7
August 7, 2020	Little Rock, AR	7
September 15, 2020	La Palma, CA	7
September 28, 2020	Biloxi, MS	7
September 29, 2020	Woburn, MA	7
September 30, 2020	Brainerd, MN	7
November 3, 2020	Orlando, FL	7
November 3, 2020	Sacramento, CA	7
November 12, 2020	TBD	7
December 3, 2020	Rockville, MD	7
December 4, 2020	Oklahoma City, OK	7
December 4, 2020	Carle Place, NY	7
December 8, 2020	New York, NY	7

The American Society of Appraisers also has posted course offerings online. Their web address is [www.asa.org](http://www.asa.org). The cost ranges from \$175 - \$225.

## Landmark Corner

In this newsletter section we attempt to dust-off and renew those case decisions that have markedly influenced minerals appraisal. We also share opinions of our own minerals appraisers, many from IIMA archived papers and presentations.

**“I ain’t no lawyer!  
This ain’t Legal Advice!”**  
-Michael Cartwright

### Tips for researching case history:

- Individual case opinions are generally related to some more or less specific set of facts concerning the appraisal issue.
- It seems that there are almost always contradictory opinions about apparently similar valuation issues.
- Mineral property valuation is only a small subset of overall real property appraisal
- Don’t just research “mineral related” valuation case decisions.
- Mineral property valuation issues and methods are directly analogous to more typical commercial and industrial properties.
- Remember that real estate, the dirt, is not the same thing as real property, the bundle of rights. Dirt may have value but not without the rights to use it.

Along these lines, this court decision is an example of mining claims being established as real property.

### Case Summary

#### **WILBUR v. UNITED STATES EX REL. KRUSHNIC, 50 S. Ct. 103, 280 U.S. 306 (U.S. 01/06/1930)45**

##### *Procedural Posture*

The Court of Appeals of the District of Columbia reversed a judgment of the Supreme Court of the District dismissing the petition for mandamus, and the secretary sought review.

##### *Overview*

The claimant located a mining claim, performed the assessment labor required by law, and applied for a

patent after the Leasing Act of 1920 took effect. The 1920 act provided that lands containing mineral deposits could be leased but were no longer open to location and acquisition of title. The secretary affirmed a decision that the claim was void under the 1920 act due to the claimant's failure to perform one year's assessment labor. The claimant argued that the claim was valid under the act's saving provision set forth in [30 U.S.C.S. § 193](#) for claims maintained and perfected under prior law. The court held that where a claimant had complied with the mining laws he became the owner and his rights did not depend on the issuance of a patent. The claimant's failure to perform assessment labor in any one year had no effect under the former law and the resumption of labor preserved and maintained the existing estate. The secretary had misconstrued [§ 193](#) and mandamus was proper. The secretary's need to construe the act in order to determine his duty did not render that duty discretionary and mandamus was proper to compel the performance of the ministerial act of issuing the patent.

##### *Outcome*

The court modified the form of the writ and affirmed the judgment as modified.

### Mineral Appraisal Connection

- “The rule is established by innumerable decisions of this Court, and of state and lower federal courts, that when the location of a mining claim is perfected under the law, it has the effect of a grant by the United States of the right of present and exclusive possession. The claim is property in the fullest sense of that term; and may be sold, transferred, mortgaged, and inherited without infringing any right or title of the United States”
- Useful... primarily in situations where some people insist that mining claims and/or minerals are not real property

*-Valuation Case Opinions  
SME/AIMA 2010 Phoenix  
Michael Cartwright*

# **Electronic Seals**

Great news! Have you ever wanted to electronically seal a minerals appraisal but didn't have a graphic to use, or were concerned about using digital images as a seal? This announcement is for you. The executive committee, in accordance with the bylaws, has recently amended that section having to do with the use of CMA seals.

## **Seals and Stamps – Manner of Use.**

In accordance with Bylaws 2.5.1 Membership Rights and Privileges, sub 5, the Executive Committee effective immediately authorizes use of the following official types of seals in this manner:

Each Certified Minerals Appraiser shall, at his/her own expense, secure a seal, a rubber stamp, and/or a computer-generated image two inches (2") in diameter from the Secretary of the Institute. The seal

shall consist of an outer ornamental ring and a dashed inner circle between which shall appear in capital letters "INTERNATIONAL INSTITUTE OF MINERALS APPRAISERS" on the upper part of the seal, and "CERTIFIED MINERALS APPRAISER" on the lower part of the seal.

Within the inner circle of the seal shall appear the words "FOUNDED IN 1991" in the upper part, "MEMBER SINCE 20XX" and the name of the Certified Minerals Appraiser in bold letters in the lower part. The letters shall follow the circular pattern of the inner circle. The initials "IIMA" shall occupy the center of the rubber stamp.

If a computer-generated image, identical in size or design and content with the provisions of this rule, the Certified Minerals Appraiser shall submit such self-generated image to the Institute's Secretary for approval.

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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.

All articles are contributed on a volunteer basis. The views and opinions expressed in any and all articles are those of the authors and do not necessarily reflect those of IIMA or your Newsletter Editor. If any IIMA member would like to professionally add-on to, rebut, or clarify any articles, I will feature such articles in the following newsletter. Thank you!

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