

History and Future of Minerals and Petroleum Valuation Standards Development Internationally

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Extractive Industries Task Force

Valuation I Session, SME 2004 Annual Meeting, Denver

Minerals Valuation Standards Development Initiatives

- Early 1990s ? – Royal Institute of Chartered Surveyors' *Red Book* incorporates a Wasting Asset Practice Statement encompassing mines.
- 1995 – Australian VALMIN Code. Enforceable on AusIMM members for financial reporting. Introduces important fundamental principles.
- 1998 – petroleum added to VALMIN Code.

Minerals Valuation Standards Development Initiatives

- 1999 – AIMA modifies VALMIN for USA use. Violates generally accepted valuation principles (USPAP and IVS). Set aside for research and to participate in international coordination.
- 1999 – Canadian Mining Standards Task Force of TSE-OSC recommends that CIM form a valuation committee.
- 2002 – South African SAMVal Code drafted. Designed to integrate with IVS and IFRS.

Minerals Valuation Standards Development Initiatives

- 2002 – MMSA-IMPS take over AIMA's 1999 VALMIN modification initiative.
- 2002 – IVSC begins developing Extractive Industries Standard for mid-2004 introduction.
- 2003 – Canadian CIMVal Standard introduced. Designed to integrate with IVS.
- 2003 – AIMA begins new standards initiative to support IVS and USPAP.



INCORPORATED BY ROYAL CHARTER 1955

////// **MINVAL⁸⁹**
MINING AND PETROLEUM VALUATION 1989

MINING and PETROLEUM VALUATION 1989

SHERATON WENTWORTH HOTEL

SYDNEY, AUSTRALIA

4-5 September, 1989

The Australasian Institute of Mining and Metallurgy

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VALMIN⁹⁴

MINERAL VALUATION METHODOLOGIES 1994

MINERAL VALUATION METHODOLOGIES 1994

Sydney, Australia
27 - 28 October 1994

The Australasian Institute of Mining and Metallurgy
Mineral Industry Consultants Association

Major Sponsor





Mineral Property Valuation Proceedings

PAPERS PRESENTED AT MINING MILLENNIUM 2000

AT A JOINT MEETING OF THE CANADIAN INSTITUTE OF MINING, METALLURGY AND PETROLEUM (CIM)

AND THE PROSPECTORS AND DEVELOPERS ASSOCIATION OF CANADA;

DURING A SYMPOSIUM ORGANIZED BY THE CIM VALUATION COMMITTEE

MARCH 8, 2000
TORONTO, ONTARIO
CANADA

Co-Chairs:

Keith N. Spence B.Sc. (Hons), MBA

William E. Roscoe Ph.D., P.Eng.

Published by the Canadian Institute of Mining, Metallurgy and Petroleum



Mineral Industry Consultants
Association Founded 1960



MINERAL ASSET VALUATION ISSUES 2001

MINERAL ASSET VALUATION ISSUES FOR THE NEXT MILLENNIUM 2001

Sydney, Australia
25-26 October 2001

Organised by the
Mineral Industry Consultants Association



The South African Institute of Mining and Metallurgy
Founded in 1894

COLLOQUIUM

VALUATION OF MINERAL PROJECTS AND PROPERTIES: AN AFRICAN PERSPECTIVE

19-20 March 2002

MINTEK, RANDBURG

Cairns, Queensland
27-28 May 2002



Hosted by
The Australasian Institute
of Mining and Metallurgy
"The AusIMM"

CMMI Congress 2002

(Council of Mining and Metallurgical Institutions)

International Codes, Technology and Sustainability for the Minerals Industry

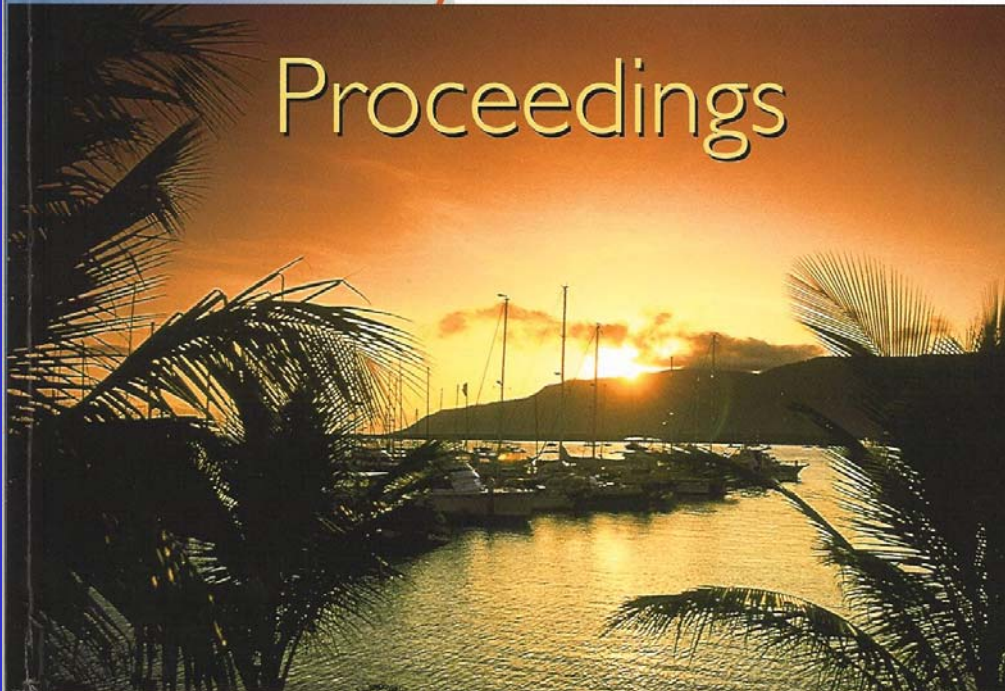
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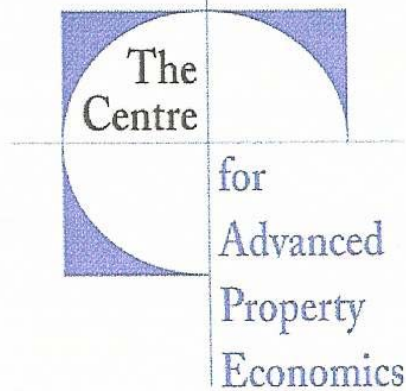
Proceedings



2000 SME ANNUAL MEETING & EXHIBIT



February 28 – March 1
Salt Lake City, Utah



MINERALS APPRAISAL SYMPOSIUM

Denver, Colorado
October 1-3, 2003

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The Fair Market Value
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**SOCIETY OF PETROLEUM
EVALUATION ENGINEERS**

D. R. (Russ) Long
Editor / Committee Chairman

Need for a Global Extractive Industries Valuation Standard

- Minerals and petroleum companies work internationally
- Minerals and petroleum valuers (appraisers) work internationally
- Companies report internationally to:
 - Securities markets
 - Investors
 - Lenders
- Investors and lenders compare projects internationally
- 190+ countries need standards
- Required to support current value accounting for the extractive industries in the IFRS

International Valuation Standards Sixth Edition 2003



International
Valuation Standards
Committee

	VALMIN	CIMVAL	SAMVAL	USMinVal	IVS
Designed Uses	Financial reporting	Primarily financial reporting	All	Financial reporting	All
Value Types	Technical; FMV	FMV (and others)	Market and others	Technical; FMV	All
Property Types	Business	Real Property	All 4	Business	All 4
Highest and best use	No	Yes	Yes	No	Yes
Three valuation approaches	No	Yes	Yes	No	Yes
Can integrate with IVS (or USPAP)	Not possible	Yes	Draws from IVS	Not possible	N/A
Designed for IFRS reporting	No	No	Yes	No	Yes

The Future

- International Financial Reporting Standards
 - North American *convergence* schedule?
 - Reporting Reserves and Resources
 - Current value reporting for extractive industries?
- IVS globalization?
- National level standards
- Minerals Valuer (Appraiser) qualifications
- Minerals Valuer Education

International Financial Reporting Standards (IFRS)

- March 2001, IASB (under US pressure) replaced the IAS global *Harmonisation* project with the IFRS global *Convergence* project
- Creating the “Gold Standard”
 - Taking best instructions from leading nations’ accounting standards and IAS
 - Country representatives working one-on-one
- Non-prescriptive standards
- Increased emphasis after Enron’s US\$60+ billion collapse and other massive financial reporting fiascos

International Financial Reporting Standards (IFRS)

- As of 2005, most of the world reports under the IFRS
 - Except, USA and Canada
- Oct. 2002, FASB (US) and IASB sign *convergence* agreement to accelerate the project
- Canada and USA collaborating on convergence of GAAP with IFRS
- Canada and USA collaborating on fair value measurement project. Tentative decisions closely match IFRS:
 - Rely on market derived value from three approaches
 - Provision for *Continuing Use Value*

IFRS – Extractive Industries

- Jan. 2004, Draft IFRS for exploration and evaluation assets released
 - In force late 2004
 - Contains revaluation (fair value) provision for prospects, exploration work and data
- Standards for reporting minerals and petroleum deposit value yet to be developed
 - What quantitative measurement standards?
 - Will fair value reporting be allowed?
 - For Reserves? For Resources?
 - In the primary accounts?
- Does the IASB have confidence in our work quality?
 - More importantly, the petroleum industry's work quality?

IVS Globalization

- IFRSs rely on IVS for value determination
- Nov. 2003 - World Association of Valuation Organizations (WAVO) to undertake promulgation of IVS through its 17 members
 - The major North American appraisal societies are members
- Appraisal Standards Board (US) is under pressure to “converge” USPAP with IVS

The Future

- National minerals and petroleum valuation standards should only supplement IVS
- The major minerals and petroleum institutes should provide supplementary valuation instructions in technical documents
- The petroleum industry urgently needs Reserve-Resource reporting standards

The Future

- The World Association of Valuation Organizations and IVSC are working on harmonization of qualifications, competencies and compliance of valuers.
- The minerals and petroleum industries must catch up
 - Valuer Certifications such as AIMA's need globally
 - Strong sanction mechanisms needed

The Future

- Courses must be developed for teaching minerals and petroleum valuation, based on the GAVP.
- Instructors must be groomed.
- Continuing education requirements for minerals and petroleum valuers must be developed.