

Implementation of the International Valuation Standards

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SME 2005 Annual Meeting, Salt Lake City
Valuation Session, 1 March 2005

We did it!!!



Now, what's next?



What did we do?

International Valuation Standards

2005 Edition





NEWS ALERT

FOR IMMEDIATE RELEASE (9 February 2005)

‘IVSC publishes 2005 Edition of International Valuation Standards’

The IVSC has today published the seventh edition of the International Valuation Standards – IVS 2005.

For the first time the International Valuation Standards include specific standards addressing the valuation of assets of the minerals and petroleum industries. The new Guidance Note containing those standards is *Valuation of Properties in the Extractive Industries*. This guidance was developed by an expert group representing Australia, Canada, South Africa and USA. During the development, the expert group received global input from interested bodies and individuals, and maintained frequent interaction with the leadership of the Extractive Industries Project Team of the International Accounting Standards Board (IASB). The IASB's Project Team, which

International Financial Reporting Standards (IFRSs™)

including International Accounting Standards (IASs™)
and Interpretations as at 31 March 2004

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Get Ready for 2005
with IFRSs & IASs



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International Financial Reporting Standards (IFRSs)

- As of 2005, most of the world is reporting under the IFRSs
 - Except USA, Canada and Japan
- USA and Canada collaborating on convergence of GAAP with IFRSs
- IASB is creating the “Gold Standard”
 - Incorporating the best instructions from the leading financial reporting standards of the world

INTERNATIONAL FINANCIAL REPORTING STANDARD

IFRS 6 Exploration for and Evaluation of Mineral Resources



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Extractive Activities IFRS 6

- In effect in much of world Jan. 2006
- In effect in most of the remainder in Jan. 2007

Market Revaluation Under IFRSs

- Measurement of exploration and evaluation assets at only initial recognition must be at cost (IFRS 6).
- Upward revaluation of an exploration property to a market-based value then allowed, including value increase due to a discovery within the property.
- Similar revaluation of development and producing assets allowed, through careful market-based value measurement.

Now, what's next?

IVSC Guidelines Development

- Our Task Force is drafting guidelines to support the extractive industries valuation standards
- To be an IVSC Technical Paper
- Publication goal of 2nd half 2005

IASB's Extractive Activities IFRS Stage 2 Project

- Classification of Resources and Reserves
 - Which classification system?
 - UNFC for minerals and petroleum
 - CRIRSCO-based classifications for minerals
 - WPC-SPE-AAPG classification for petroleum
 - SEC's classifications not in play
- Valuation of Resources, Reserves, and other assets
 - Changes could be made
- IVSC's continued monitoring and support needed

Implementation by Nations

- National securities regulators must develop appropriate regulations for full implementation of the IFRSs and IVS
- National and international minerals and petroleum institutes must pass implementing resolutions and write supporting regional guidelines
- Explosive need for us to monitor, write submissions, and provide support

Public Sector Accounting

- The International Public Sector Accounting Standards Board has developed comprehensive accounting and financial reporting standards for government entities
- We must assure that market-based measurement standards are included for mineral and petroleum assets

Valuer/Appraiser Qualifications

- Who is qualified to develop and report market value estimates for Resources, Reserves, and mineral/petroleum property interests (rights)?
- Which body's certifications/licenses should be allowed and trusted?
 - Who decides?
- Abidance by Code of Conduct (Ethics) required
 - Sanctioning system needed for violations
- International reciprocity required to allow mobility of minerals/petroleum valuation experts
- For uniform implementation we must assist institutes, governments and regulatory bodies

Valuer Education

- Severe shortage globally of qualified, competent, certified minerals/petroleum valuers
- Need for minerals valuation short courses and university courses
- Minerals and petroleum valuation textbooks need to be written
- Sponsorship must be found for course and text development

Market Transaction Data

- Research for suitable sales/trades/leases of mineral and petroleum properties/tenements or rights can cost many thousands of dollars per valuation report
- No comprehensive commercial or publicly accessible database tracks minerals or petroleum property/rights sales/transactions globally, or even in the USA

Market Transaction Data

- Relevant market sales/transaction data is needed for a valuer to develop a good market value estimate for a subject property
- National and international private and public entities, including securities regulators, should consider sponsoring the development of a publicly accessible database that collects minerals and petroleum property/rights sales/transaction price information globally
 - A quasi-commercial venture for buying and selling data

Resource Sustainable Development

- Extractive Industries Transparency Initiative (EITI) launched 2002
- International Monetary Fund and other bodies are pursuing standardized resource quantitative and value measurement, and revenue transparency to support EITI
- The UN has important parallel initiatives
- We must continue to support these through submissions and direct interaction









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Industrial Restructuring, Energy
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Dear Mr. Ellis,

Energy Reserves and Resources Data Improvement

An International Brainstorming Meeting

UNECE, Geneva, 11 March 2005

Following up an initiative of Mr. Claude Mandil, Executive Director of the International Energy Agency (IEA), and Dr. Maizar Rahman, former Acting Secretary General of the Organization of Petroleum Exporting Countries (OPEC), the United Nations Economic Commission for Europe (UNECE) would like to invite you to an informal meeting on energy reserves and resources data improvement, which will be hosted in the *Palais des Nations* in Geneva on 11 March 2005.

Industry Funding Needed for IVSC Participation

- Appropriate IVSC representation at such high level international meetings is essential to global implementation of our standards.
- We must continue the work of convincing bodies such as IMF, OPEC, UNECE, US SEC, etc, of the benefits of adopting valuation by the IVS extractive industries standards
- We must work with them on the correct implementation along with appropriate reserve-resource classifications.

Industry Funding Needed for IVSC Participation

- Now is a uniquely ripe time. We don't know how long this rich window of opportunity will stay open for us.
- The IVSC extractive industries initiative has received no mining nor petroleum industry funding.
- The author can't afford to continue the personal financial drain from pursuing the standards initiative.
- We must find industry related sources to fund our participation at high level meetings and to support pursuit of other aspects of our initiative.