

**SME STANDARDS AND GUIDELINES FOR  
VALUATION OF MINERAL PROPERTIES**

**(Including Petroleum)**

**(SME Valuation Standards)**

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**PREPARED BY:  
SME VALUATION STANDARDS COMMITTEE  
OF THE  
SOCIETY FOR MINING, METALLURGY, AND EXPLORATION, INC.  
[smenet.org](http://smenet.org)**

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## CONTENTS

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|  |   |
|--|---|
| FORWARD.....   | 1 |
| 1. BACKGROUND .....  | 2 |
| 1.1 History.....   | 2 |
| 1.2 IMVAL Purpose and Principles.....                              | 3 |
| 1.3 SME Standards Preparation and Updating.....                    | 3 |
| 1.4 Terminology.....   | 3 |
| 1.5 Disclaimer.....  | 4 |
| 2. STANDARDS .....   | 5 |
| 2.1 Principles.....  | 5 |
| 2.1.1 Competence.....  | 5 |
| 2.1.2 Materiality.....   | 5 |
| 2.1.3 Objectivity.....   | 5 |
| 2.1.4 Transparency.....  | 6 |
| 2.1.5 Independence .....   | 6 |
| 2.2 Identification of the Property and Interest Being Valued ..... | 6 |
| 2.3 Scope of Work .....  | 6 |
| 2.4 Intended Use and Intended Users.....                           | 6 |
| 2.5 Resources and Reserves of Minerals, Including Petroleum .....  | 6 |
| 2.6 Highest and Best Use .....                                     | 7 |
| 2.7 Basis of Value .....   | 7 |
| 2.8 Valuation Approaches and Methods.....                          | 7 |
| 2.9 Responsibilities of Valuer.....                                | 7 |
| 2.10 Valuation Report.....   | 8 |

3. GUIDELINES..... 9

3.1 Competence..... 9

3.2 Materiality ..... 9

3.3 Objectivity..... 9

3.4 Transparency ..... 9

3.5 Independence ..... 10

3.6 Identification of the Property and Interest Being Valued ..... 10

3.7 Levels of Valuation Research and Valuation Reporting..... 10

3.8 Valuation Process..... 10

4. DEFINITIONS..... 12

4.1 Appraisal ..... 12

4.2 Basis of Value ..... 12

4.3 Commissioning Entity ..... 12

4.4 Competence or Competent..... 12

4.5 Cost Approach ..... 12

4.6 Effective Date ..... 12

4.7 Evaluation ..... 12

4.8 Expert..... 12

4.9 Fair Value..... 13

4.10 Fair Market Value ..... 13

4.11 Income Approach..... 13

4.12 Independence or Independent ..... 13

4.13 Inputs..... 13

4.14 Investment Value ..... 13

4.15 Market Approach ..... 13

|      |  |    |
|------|--|----|
| 4.16 | Market Value .....                               | 13 |
| 4.17 | Materiality or Material .....                    | 13 |
| 4.18 | Mineral Property .....                           | 14 |
| 4.19 | Minerals Industry .....                          | 14 |
| 4.20 | Mineral Resources and Mineral Reserves.....      | 14 |
| 4.21 | Petroleum Resources and Petroleum Reserves ..... | 14 |
| 4.22 | Professional Organization .....                  | 14 |
| 4.23 | Public Report .....                              | 14 |
| 4.24 | Real Estate .....                                | 14 |
| 4.25 | Real Property .....                              | 15 |
| 4.26 | Report Date .....                                | 15 |
| 4.27 | Special Assumption .....                         | 15 |
| 4.28 | Special Value .....                              | 15 |
| 4.29 | Special Purchaser .....                          | 15 |
| 4.30 | Synergistic Value .....                          | 15 |
| 4.31 | Transparency .....                               | 15 |
| 4.32 | Valuation.....                                   | 15 |
| 4.33 | Valuation Approach .....                         | 15 |
| 4.34 | Valuation Date .....                             | 15 |
| 4.35 | Valuation Method .....                           | 16 |
| 4.36 | Valuation Report.....                            | 16 |
| 4.37 | Valuer.....                                      | 16 |
| 4.38 | Value.....                                       | 16 |

## FORWARD

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The 2016 SME Standards and Guidelines for Valuation of Mineral Properties (SME Valuation Standards, SME Standards, or Standards) has been adopted by the Society for Mining, Metallurgy, and Exploration, Inc. (SME). It is therefore strongly recommended to be used by members of this organization. Due to the intended international use of the Standards, the international terms Valuation and Valuer are used throughout this document in place of the terms Appraisal and Appraiser, which have equivalent meanings within the USA and Canada.

The SME Valuation Standards are recommended as a minimum set of standards and guidelines for reporting valuations of mineral properties (including petroleum properties) for public and private uses. The legal and regulatory requirements of the relevant jurisdiction take precedence over this document. The user of the Standards must become familiar and comply with the relevant jurisdictional requirements.

Within the USA, State or Federal regulations, or valuation user expectations, may require that a mineral valuation comply with the Appraisal Foundation's *Uniform Standards of Professional Appraisal Practice (USPAP)*, within which the Real Property Appraisal Standards closely align with the SME Valuation Standards. In such situations, the SME Standards will provide mineral property valuation instruction supplemental to USPAP. Federal regulations generally require that a Valuation Report, for use by a Federally regulated financial institution, have a real estate appraiser, with Certified General licensing issued by the appropriate State, sign as being responsible for the report. Similar requirements apply to some other Federal and State uses of Valuation Reports.

It is recognized that review of the SME Valuation Standards will be required from time to time. Constructive suggestions are solicited from all users of these Standards. Comments should be sent to:

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## 1. BACKGROUND

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### 1.1 History

Until now, there has been no SME standard for Mineral Property Valuation. Three national codes exist, being CIMVAL (Canada), SAMVAL (South Africa), and VALMIN (Australasia). However, these have differences in structure, definitions, scope, and jurisdictional requirements. In addition, minerals 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)*.

The following is a brief chronology of the evolution of mineral property valuation standards:

1. The Australasian VALMIN Code, currently titled *Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports*, was first 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, titled *The South African Code for the Reporting of Mineral Asset Valuation*, 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. The SME Valuation Standards Committee was formed in early 2012 to participate in a proposed initiative to harmonize national and international mineral Valuation standards, and to possibly develop an SME Valuation standard harmonized with the outcome of this initiative and based on the *International Valuation Standards*.
8. In April 2012, discussions were held in Brisbane to establish a harmonization project for mineral valuation codes, these being the VALMIN, SAMVAL, and CIMVAL, and USPAP, the IVSs, and when and where appropriate, the *International Financial Reporting Standards (IFRSs)*. The International Mineral Valuation Committee (IMVAL) was formed in July 2012, with its goal being to develop a CRIRSCO-equivalent template for mineral property valuation (4.20).

The "Final Exposure Draft" of the *International Mineral Property Valuation Standards Template (IMVAL Template)* released by IMVAL in May – July 2015 for global public exposure is the initial harmonization outcome of this chronology of standards development events for mineral property valuation. The SME Valuation Standards Committee has taken this version of the IMVAL Template and prepared the SME

Valuation Standards for use by SME Members. This preparation has included evaluation by the SME Valuation Standards Committee of all comments submitted to IMVAL and SME on the exposure drafts released of both the IMVAL Template and the SME Valuation Standards.

## **1.2 IMVAL Purpose and Principles**

The IMVAL committee is comprised of representatives from SAMVAL (South Africa), CIMVal (Canada), SME Valuation Standards Committee (USA), and the International Institute of Minerals Appraisers (IIMA, USA; formerly American Institute of Minerals Appraisers (AIMA)). It has developed the IMVAL Template. Representatives of VALMIN (Australasia) 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 (Mineral Property), to be recognized globally as a reference and adoption for national code or standards development. The IMVAL Template represents a consensus of current best practices recommended as a basis for national codes or standards. Accordingly, it is expected to be updated from time to time. 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 Properties can include petroleum properties, 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 and subsequent editions, provided there are no material changes from the 2013 Edition. References prefixed IVS are made throughout this template to IVS Definitions and Framework Standards, and are numbered as per the 2013 Edition.

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

## **1.3 SME Standards Preparation and Updating**

In preparing the SME Standards from the Template content, the SME Valuation Standards Committee has made modifications that it found necessary or appropriate for SME Members use. Updating of the SME Standards will be considered whenever the IMVAL Template is updated, or earlier if a reason indicates that updating may be appropriate.

## **1.4 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 within Section 4. The singular includes the plural 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 labeled as IVS are citations from the 2013 Edition of the International Valuation Standards.

### **1.5 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 jurisdiction's requirements.



## 2. STANDARDS

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In 2.1, fundamental principles that must be applied to all Mineral Valuations conducted under the SME Valuation Standards are explained. Those are followed by additional standards requirements. Some requirements specific to defined terms are included within the definitions of Section 4.

### 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 Properties 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 Mineral Property, the market in which the property would trade, and the purpose of the Valuation. See also IVS Framework 4.

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. See also IVS Framework 5.

#### 2.1.2 Materiality

Materiality is the principle that determines whether or not items of information and data are relevant to the Valuation assignment. Material items must be included or adequately referenced in the Valuation Report. Materiality 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, and the Valuer may not be able to express an opinion of Value or to provide a Valuation Report. Alternatively, the Valuer may make his own assumptions or a Special Assumption, which assumptions and the fact that they are being made must be prominently disclosed.

#### 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. See also IVS Framework 2 and 3.

#### **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 analysis and presentation thereof, used as the basis of a Valuation Report. Factors to which these qualities must apply when present include the assessment of Mineral (including Petroleum) Resources and Reserves, issues pertaining to extraction, mining, processing, and marketing, the Valuation Approaches and Methods adopted and their application, 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 Property being valued, other parties involved in a transaction on the Mineral Property, or the outcome of the Valuation, other than professional fees and disbursements related to the Valuation assignment.

### **2.2 Identification of the Property and Interest Being Valued**

The Mineral Property, and the interest or right that is the subject of the Valuation, must be described in adequate detail to identify the property, and the physical, legal, and economic characteristics relevant to the Valuation. This is required in particular when the subject of the Valuation is economically interdependent with other properties, in which case the assumption for the Valuation of whether those other properties 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 unless confidential. The Scope of Work necessary to develop a credible Valuation can vary considerably depending on the subject Mineral Property, the purpose of the Valuation, the Basis of Value, the Valuation Date, 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 stating 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 Resources and Reserves of Minerals, Including Petroleum**

When resources or reserves of the subject Mineral Property are used or referred to in a Valuation or Valuation Report, they should comply with either the definitions of *The SME Guide for Reporting Exploration Results, Mineral Resources, and Mineral Reserves* (The SME Guide), the definitions of another institute associated with the Committee for Mineral Reserves International Reporting Standards (CRIRSCO), the definitions in the *CRIRSCO International Reporting Template*, or, in the case of

Petroleum, those of 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 a set of CRIRSCO or PRMS definitions.

## **2.6 Highest and Best Use**

The Market Value of a Mineral Property must be estimated with consideration of its highest and best use (generally its stage of development) on the Valuation Date. The highest and best use of a property, determined sequentially, is that stage of use which is (1) legally permissible, (2) physically possible, (3) financially feasible on the Valuation Date, and which (4) maximizes the potential of the property. The highest and best use for a Mineral Property, being the use that a market participant would have in mind for the property when formulating the maximum price it would be willing to offer, may be the same as its current use, a modification of that use, or a different use. The highest and best use of a property may change if the property is valued in isolation instead of as a contributing part of an economically interdependent group of properties.

## **2.7 Basis of Value**

The Valuation Report must clearly state the Basis of Value, its definition, and the source of its definition.

## **2.8 Valuation Approaches and Methods**

More than one Valuation Approach or Method must be applied in the Valuation of the subject Mineral Property, if it is reasonably possible and appropriate to apply them, unless constrained by the Scope of Work agreed to with the Commissioning Entity. The resulting Valuation estimates should be reconciled. If only one Approach or Method is used, the Valuation Report must provide an explanation for why more than one is not used.

## **2.9 Responsibilities of Valuer**

The Valuer is responsible for the Valuation and the overall 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, that their assistance is disclosed in the Valuation Report, and their consents are obtained for any description of their assistance in the form and context in which it appears in the report.
- (c) Adhering to the requirements of these standards, and to other principles as applicable.
- (d) Assessing the Reasonableness of technical data and information, technical interpretations, technical discussions and conclusions, forecasts, and parameters used in the Mineral Property Valuation.
- (e) Adhering to the legal and regulatory requirements applicable to Mineral Property Valuations and Valuation Reports in the relevant jurisdictions for the conduct of the Valuation and submission and use of the report.
- (f) Signing within the Valuation Report as responsible for the Valuation and the overall Valuation Report.

## 2.10 Valuation Report

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

- (a) Mineral Property Identification.
- (b) Intended use and intended users of the Valuation, and any restrictions on the use or distribution of the Valuation.
- (c) Purpose of the Valuation.
- (d) Basis of Value.
- (e) Report Date and Valuation Date (also called Effective Date), preferably stated together to mitigate confusion.
- (f) Determination of the highest and best use as of the Valuation Date.
- (g) Scope of Work.
- (h) Geological Description of the Mineral Property being valued, and details of the status of its exploration, development, or production at the Valuation Date.
- (i) Assumptions, risks, and limitations.
- (j) Valuation Approaches used and the Value estimates derived from each.
- (k) Reconciliation of the Value estimates derived.
- (l) Value opinion.
- (m) Disclosure of Values from prior Valuation Reports for the same Mineral Property with Valuation Dates within the prior three years (if any) and explanation of Material differences, if this information is readily available to the Valuer. Valuations with Valuation Dates greater than three years prior may be included at the Valuer's discretion.
- (n) Sources of information, including of data, and a statement as to whether or not the information has been accepted as reliable without further verification.
- (o) Statement of whether or not a site visit to the Mineral Property has been undertaken.
- (p) Statement that the Valuation complies with the SME Mineral Valuation Standards, or specification of the instructions from which it departs.
- (q) Identity, qualifications, and experience of Valuer and any Experts, and the areas of the Valuation Report for which each is responsible.
- (r) Statement of Independence or non-Independence of the Valuer and any Experts.
- (s) Certification<sup>1</sup> of Valuer's Competence, including disclosure of any personal interest or potential interest in the subject Mineral Property, on-site inspection date, with Signature.

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<sup>1</sup> In some jurisdictions this certification statement may be termed a declaration.

### 3. GUIDELINES

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This Section provides supplemental guidance to aid with the application of the Section 2 Standards.

#### 3.1 Competence

The Valuation of Mineral Properties may require Competence in a wide range of technical and commercial disciplines. Depending on the nature of the Mineral Property to be valued, the Basis of Value to be applied, and the availability of currently relevant technical reports for the subject Mineral Property and transacted properties to be analyzed, an in-depth understanding may be needed in such specialized areas as geoscience; mining or petroleum engineering; metallurgy; water rights; environmental assessment; social aspects; regional geopolitics; micro and macro mineral economics; finance; taxation and government levies; property, mineral, and other applicable law; bulk transportation; and marketing. Therefore, in many cases, Valuers should retain Experts who are competent in the vetting of certain technical information, development of Inputs, and in the conduct of Mineral Property Valuations and preparation of a Valuation Report.

#### 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. Materiality is an area that requires professional judgment to identify information that is relevant and to determine information which is necessary 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 (objectively) in an environment that promotes Transparency and minimizes the influence of subjective factors on the process”* (IVS Framework 2).

#### 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 and legible 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 the SME Valuation Standards 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 must be able to freely exercise his or her judgment with impartiality and objectivity.

### **3.6 Identification of the Property and Interest Being Valued**

One or more maps, photographs, or diagrams can aid the description of the subject Mineral Property. Documentation of title or rights, and encumbrances, should be included in the Valuation Report as needed for substantiation. In the case of a fractional interest, physical segment, or partial holding, descriptions of the holding and control limits, and of properties or rights excluded from the Valuation, are required for clarity. As an example, a mill dedicated to a remote mineral deposit may be inside the control limit, while a toll mill in a mining camp would be outside.

### **3.7 Levels of Valuation Research and Valuation Reporting**

IVS 101 Scope of Work, at 1 states: *“There are many different types and levels of Valuation advice that may be provided. ... 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.”*

Various levels of Valuation research and Valuation reporting may be contemplated or specified in a national code or standards. The level of Valuation research depends on the extent of work conducted in accordance with the Scope of Work. The level of Valuation reporting depends on the thoroughness of documentation. The levels of Valuation research and reporting undertaken should be stated in the report in association with the Scope of Work.

### **3.8 Valuation Process**

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

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

Each Valuation is fact and circumstance specific. The most appropriate Valuation Approach or Method will depend on several factors, including the stage of development and related highest and best use, the Basis of Value, the availability of Valuation Inputs and data, and on the Approaches and Methods used by the market. Therefore, for a particular Mineral Property, Valuation Methods from at least two of the three Valuation Approaches should be used. There are 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 Mineral Property, including the expectations and perceptions of those participants.

The IVS Framework 19 states, in part:

*“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.”*

The IVS Framework 20 states, in part:

*“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.”*

The results from the Valuation Approaches and Methods employed should be analyzed and reconciled into a concluding opinion of Value. The reasons for giving a higher weighting to one Valuation Approach or Method over another, including any elimination of an outlier, should be stated.

## 4. DEFINITIONS

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### 4.1 Appraisal

See Valuation.

### 4.2 Basis of Value

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

### 4.3 Commissioning Entity

The organization, 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 Organization with an enforceable code of ethics and rules of conduct that include the ability to discipline and expel a member.<sup>2</sup> In the context of Mineral Property Valuation, Competence for a Valuer also requires *“appropriate technical skills, experience and knowledge of the subject of the valuation, the market in which [the Mineral Property] trades and the purpose of the valuation”* (IVS Framework 4).

### 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), and includes methods based on expenditures.

### 4.6 Effective Date

See Valuation Date.

### 4.7 Evaluation

An Evaluation of a Mineral Property is a broad physical, technical, legal, economic, and other assessment generally sought for an investment decision. Evaluations include feasibility studies, prefeasibility studies, preliminary economic assessments, 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 specialized matters about which the Valuer is not personally Competent. The Expert must have sufficient training and experience relevant to the subject matter for which he or she is being retained to review or provide Inputs.

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<sup>2</sup> Registered Members of SME are required by SME to comply with the code of ethics of the SME Registered Members.



#### **4.9 Fair Value**

For Valuations that are not applicable to financial reporting, Fair Value is *“the estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflect the respective interests of those parties”* (IVS Definitions and Framework 38).

For the purpose of financial reporting, Fair Value is *“the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”* (IVS 300 G1).

#### **4.10 Fair Market Value**

Fair Market Value has different meanings in different jurisdictions and may not be used in some.

#### **4.11 Income Approach**

*“Provides an indication of value by converting future cash flows to a single current capital value”* (IVS Definitions). For estimation of the Market Value of a Mineral Property, the present value capitalization must be generated using one or more sequential discount rates derived from market conditions.

#### **4.12 Independence or Independent**

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

#### **4.13 Inputs**

Inputs means all information used in the Valuation.

#### **4.14 Investment Value**

*“The value of an asset to the owner or a prospective owner for individual investment or operational objectives”* (IVS Definitions and Framework 36).

#### **4.15 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). The Market Approach is also known as the “sales comparison approach.”

#### **4.16 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 and Framework 29).

#### **4.17 Materiality or Material**

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

#### **4.18 Mineral Property**

Any contractual or permanent 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 SME Valuation Standards, Mineral Properties generally mean Real Property interests, including rights to investigate Mineral and Petroleum Resources and to extract Reserves, as well as mining claims and other forms of mineral tenements, and royalty interests tied to Mineral Properties, and inclusive of intellectual property such as geological data that conveys with the Real Property.

#### **4.19 Minerals Industry**

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

#### **4.20 Mineral Resources and Mineral Reserves**

Terminology for the Public Reporting of exploration results, Mineral Resources, and Mineral Reserves is published in *The 2014 SME Guide and CRIRSCO's International Reporting Template* May 2013 edition, as amended from time to time. Terminology may be subject to rules and guidance contained in national reporting codes, standards, and regulations.

#### **4.21 Petroleum Resources and Petroleum Reserves**

While petroleum is broadly included with minerals, definitions and classification of Petroleum Resources and Petroleum Reserves are published in the Petroleum Resources Management System (PRMS), 2011 edition, as amended from time to time.

#### **4.22 Professional Organization**

Professional Organization means a self-regulating association, such as one of engineers, geoscientists, or minerals Valuers that (a) is accepted and recognized 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 behavior 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.

#### **4.23 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.

#### **4.24 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).*

**4.25 Real Property**

*“All rights, interests and benefits related to the ownership of Real Estate” (IVS Definitions).*

**4.26 Report Date**

Report Date is the date upon which the Valuation Report is signed and dated.

**4.27 Special Assumption**

*“An assumption that either assumes facts that differ from the actual facts existing at the Valuation Date or that would not be made by a typical market participant in a transaction on the Valuation Date” (IVS Definitions and Framework 50 - 51).* The term “hypothetical condition” is used in some jurisdictions, including within the USA.

**4.28 Special Value**

*“An amount that reflects particular attributes of an asset that are only of value to a Special Purchaser” (IVS Definitions and Framework 43).*

**4.29 Special Purchaser**

*“A particular buyer for whom a particular asset has Special Value because of advantages arising from its ownership that would not be available to other buyers in the market” (IVS Definitions and Framework 44).*

**4.30 Synergistic Value**

*“An additional element of value created by the combination of two or more assets or interests where the combined value is more than the sum of the separate values” (IVS Definitions and Framework 47).*

**4.31 Transparency**

Transparency means that a Mineral Property 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.

**4.32 Valuation**

Valuation is the estimation of the Value of a Mineral Property 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 9).* The word ‘valuation’ is synonymous with the word ‘appraisal’ as used in certain jurisdictions, including within the USA and Canada. In contrast, the word ‘appraisal’ is used in Australia for the broader activity of Evaluation, including the preparation of Resource and Reserve estimates.

**4.33 Valuation Approach**

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

**4.34 Valuation Date**

*“The date on which the opinion of value (or Valuation) applies” (IVS Definitions).*

**4.35 Valuation Method**

A particular or systematic procedure used to estimate Value.

**4.36 Valuation Report**

A document that reports the results of the Valuation of a Mineral Property or Properties that adheres to the fundamental principles and additional principles, as required, contains the required information, and conforms to the SME Valuation Standards or other relevant national code or standards and relevant legal and regulatory requirements. A Valuation Report may be a Public Report.

**4.37 Valuer**

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

**4.38 Value**

A generic term that may refer to Market Value, Investment Value, or another 'value' definition, including those specified in national codes.