



# NEWS RELEASE

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## **‘DRAFT EXTRACTIVE INDUSTRIES VALUATION STANDARDS RELEASED FOR EXPOSURE’**

In September 2002, the International Valuation Standards Committee (IVSC) requested its Extractive Industries Task Force to proceed with the rapid development of valuation standards for the minerals and petroleum industries, for inclusion in the International Valuation Standards (IVS). The members of the all-volunteer task force were Trevor Ellis (USA), Michael Lawrence (Australia), William Roscoe (Canada), Alastair Macfarlane (South Africa), Donald Warnken (USA), and Raymond Westwood (Australia). The resultant document has been released on [www.ivsc.org](http://www.ivsc.org) as an exposure draft, with comments requested by 31 March 2004. It is expected that the document will be finalized for publication in the IVS in mid-2004.

The extractive industries standards will be incorporated into the IVS as a Guidance Note. Guidance Notes provide guidance on specific Valuation issues, including how standards are to be applied, and they complement and expand on the main Standards and Applications sections of the IVS. Compliance with the Guidance Notes is mandatory for all Valuers preparing assignments under the International Valuation Standards.

The Extractive Industries Guidance Note is brief in comparison to the only two national mineral valuation standards, the Australian VALMIN Code and the Canadian CIMVal Standard. Those standards are designed to operate as standalone documents, whereas the Guidance Note is dependent on the entire standards content of the IVS book. Through this structure, the IVS will provide comprehensive standards for the valuation of all types of minerals and petroleum industry assets, in countries of all economic systems, for all valuation assignment purposes.

In the Guidance Note the Extractive Industries are defined, distinguishing aspects described, and key characteristics listed. Aspects of the minerals and petroleum industries and their various phases of property exploration, development and production are described and contrasted. The high risk aspect of exploration is introduced, as is the concept that the main basis of value for mineral and petroleum properties is Reserves/Resources or the expectations of finding such.

Important terms of the extractive industries are defined in this document. For example, a Mineral Reserve and a Mineral Resource are defined by quoting the definitions of the Combined Reserves International Reporting Standard Committee (CRIRSCO). Petroleum Reserves and Petroleum Resources are defined by using definitions of the Society of Petroleum Engineers (SPE) and the World Petroleum Congress (WPC).

The provisions of the Guidance Note are designed to assure application of Generally Accepted Valuation Principles (GAVP) to Extractive Industries valuations. For example, a Market Valuation of an Extractive Industries property as Real Property must be based on the Highest and Best Use (HBU) of the property. This may require consideration of a non-Minerals or non-Petroleum use for the property. Consideration must also be given to a change in exploration, development or operating strategy, or potential for leasing the property, in order to maximize its economic benefit.

Standards on competence are also provided. Some instructions provide direction regarding appropriate application of valuation analysis to extractive industries properties. These also warn the Valuer of potentially inappropriate methods. Other instructions address such issues as the unique nature of data verification requirements when drilling and sampling data are involved, and what to do if there is more than one estimate of the quantity and quality of Resources and Reserves for the subject property.

The IVSC's Extractive Industries Task Force is beginning work on drafting a supplementary Technical Paper for posting on the IVSC website, [www.ivsc.org](http://www.ivsc.org). This will provide additional direction on application of the IVS within the minerals and petroleum industries.

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#### NOTES TO EDITORS

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