Mineral asset valuations: sticking to the principles

Situations may call for non-compliant valuations to be carried out by mineral asset valuators.

These valuations may differ markedly to those that are carried out using standard inputs, such as particular ranges of exchange rates and commodity prices. Using non-standard inputs will also sometimes result in valuations that are considerably higher or lower than would be possible otherwise.

Unwavering rigorous obligation

However, while these valuations may tend to be favoured in a specific situation, it should be noted that the use of observable inputs in valuations of mineral assets is an unwavering rigorous obligation, says Venmyn Deloitte valuation manager, Warren Gabryk.

The development of the South African code for the reporting of mineral asset valuation (SAMVAL) led to the confirmation of the techniques employed in valuing mineral assets. This has not only led to the standardisation of approaches in the market but also conforms to accounting principles, in the form of international financial reporting standards (IFRS) 13 or Fair Value, with respect to valuation in the metals and metallurgy environment.

Good practice

Good practice, as per SAMVAL and other mineral reporting codes, has been developed and constantly maintained in the industry by academics, industry leaders and competent valuators.

In valuing a mineral asset, inclusive of the business plan associated with the asset, it is imperative that the dependable and observed inputs are employed. This may range from mining contracts, exchange rates, commodity prices and technical input requirements such as mining contracts.

Sticking to the tenets

Competent valuators carrying out non-complaint valuations should exercise the tenet of good practices as in the same manner as conducting a complaint valuation to the best observable means possible, says Gabryk.

By using the principles of mineral reporting codes the best fit reflection of fair value will be declared, creating an equitable view for all involved stakeholders, he argues.