

ISSUE OF NEW SAMVAL GUIDELINE - URGENT NOTE

By Andy Clay

During the past year or two Venmyn identified a number of inappropriate valuations which were purported to have been carried out in compliance to the SAMVAL Code, this has included:-

- the yardstick or value in situ method; and
- weighted combinations of the three recognised valuation approaches.

In respect to the first point, Clause 22 of the SAMVAL Code implies that 'gross in-situ value' without applying appropriate adjustments is unacceptable.

Our comment is that this method is not appropriate and was particularly suspect at peak metal prices and generated extraordinary large values. Equally, at these unprecedentedly low prices it is inappropriate as it will probably generate too low values. Mineral assets are long lived non-renewable assets, meaning that the value of these assets should not necessarily vary much with short term commodity price variations.

With respect to the second point, please be aware of the new guide note that has been issued, without fan fare, and is available on the SAMCODE website (www.samcode.co.za).

The new guide note means that the values determined by each valuation approach must stand on their own merits and not 'weighted' to create some combination of methods as could possibly be misinterpreted by a reading of Clause 26 in the SAMVAL Code.

Please send your comments to info@venmyn.com or contact Andy Clay for further information.