

Mineral Asset Valuation

By Andy Clay

In a Bloomberg journalist's words, "Goldman Sachs cut its ties with the Institute of International Finance, a lobby group now best known for floating one of the dumbest regulatory proposals to emerge from the subprime-mortgage debacle."

Later in the same article it says if "the market for a given contract becomes less active suddenly, complicating efforts to assess its value. In such cases, the institute said, companies should be allowed to use estimates of future cash flows to value their holdings until market activity resumes. So never mind what the asset might fetch I sale now. Just check the box next to 'the market is nuts', and you're free to value it using your own subjective assumptions."

Venmyn has been warning about 'market madness' with mineral asset valuation and it was fortunate we were able to convince the SSC (SAMREC/SAMVAL Committee) to change the SAMREC/SAMVAL Code with respect to valuing in situ resources (SAMVAL 22 & SAMREC 29).

The fact is that with a significant reduction in exploration cash, we are now seeing rapid increase in companies seeking to move resources from the inferred category to indicated to 'create value'. Does this signal the end of the recent boom? It is essential that advisors do not allow themselves to be manipulated as the consequences could be dire (Enron).

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