

SPOT THE DIFFERENCE

By Neil Mc Kenna

In our previous newsletter, Andy Clay drew attention to the fact that the crash in global markets has been caused by many factors but not least by the inappropriate valuation of Mineral Assets.

At Venmyn, we are seeing an increase in requests for Minerals Projects re-evaluation for impairment testing. As ever, while we are fully aware of the magnitude of the current market downturn we are encouraging our clients against a panic approach, specifically with respect to such valuations.

As champions of our industry we believe very firmly in the future of the commodities sector. We also take the view that Minerals Projects are long term investments and that their value should not necessarily be significantly affected by short term commodity price fluctuations (up or down).

We have therefore taken the view that Minerals Projects should not be valued on spot commodity prices. Instead, we generally take the approach of using an average of the previous 24 month's prices as well as a 24 month consensus forecast for our valuations. This balanced view of both past performance as well as expectations of the future, we believe, more fairly reflects the value of projects.

Venmyn take guidance from the Canadian Securities Regulators (CSA) Staff Notice 51-328, released on January 8, 2009, which emphasizes that it is critical for investors to receive information that enables them to understand an issuer's **current and prospective** financial position, and its operating results. They expect an issuer to provide clear and sufficiently detailed disclosure of the **present and anticipated** impacts of market conditions on its operations, financial condition, liquidity, and **future prospects**.

For more information on impairment and valuation curves, please contact Neil Mc Kenna.