

# COMPARATIVE VALUATION OF EXPLORATION PROJECTS

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One of the three methods that are advocated by the SAMREC/SAMVAL codes for valuating mineral exploration projects is the Comparative/Market Valuation approach. This approach allows analysts to compare the transaction values which relate to similar assets. While it is fairly straightforward to apply this method to projects whose Mineral Resources and Mineral Reserves have been declared, it is not the same case when it comes to exploration projects where the land size might actually be the only yard stick used to measure the value of the property. Several issues come into play, including the type of mineralisation, other minerals that are present within the orebody, the amount of work that has been carried out on the project, the mineral(s) in question, and the country of exploration.

Venmyn carried out a comparative valuation of uranium exploration projects in Namibia recently. All the uranium exploration projects in Namibia and the surrounding African countries as well as the rest of the world were considered and compared to the one we were valuating. The projects were separated on the basis of the stage of development as well as the style of mineralisation. On assessing the data and plotting the project value (in US dollars) versus the project land purchased ( $\text{km}^2$ ), it was noted that all the greenfield projects plot at the base of the curve and all the most advanced projects plot at the top of the curve with the rest filling the space in between by order of development. Another graph of the unit value ( $\text{USD}/\text{km}^2$ ) versus the land area purchased was plotted and it was noted that the  $\text{USD}/\text{km}^2$  value is essentially constant for all projects of the same development stage. It was, therefore, concluded that uranium projects in a similar development stage have similar  $\text{USD}/\text{km}^2$  values which enables comparative market valuation to be carried out where no mineral resources have been declared on the basis of the land size and stage of development. However, it should be noted that the value obtained with this method are indicative only and as such, a large value range is given for such projects.

Work is ongoing on other minerals, but this provided a good basis for further investigations into the valuating of mineral exploration projects using the  $\text{USD}/\text{km}^2$  method, as it has demonstrated the value of uranium exploration projects. The same might not hold for other minerals, but it is worth investigating and putting into a research database.

For more information on comparative valuation using the market approach, please contact Munyar.