

## Guidance Note – Primary vs Secondary Valuation Methods

Use of the terms primary and secondary valuation methods have been encountered periodically in public reports. Do such terms exist and are they valid?

The SAMVAL Code illustrates in Figure 1 how various valuation approaches are generally applied to different stages of exploration and mining properties [Clause 4.4]. There are many valuation methods within each approach, some of which are more widely used and may be more generally acceptable as industry practice than others. The diagram is for guidance only and left up to the discretion of the Competent Valuator (CV) to determine which approach(es) and method(s) to apply. The decision to use any particular method (and approach) should be justifiable to the CV's peers.

Valuation Approach	Exploration Properties		Development Properties	Production Properties	Dormant Properties		Defunct Properties
	Early Stage	Advanced Stage			Economically Viable	Economically Not Viable	
Income	Not generally used	Less widely used	Widely used	Widely used	Widely used	Not generally used	Not generally used
Market	Widely used	Widely used	Less widely used	Quite widely used	Quite widely used	Widely used	Widely used
Cost	Widely used	Widely used	Not generally used	Not generally used	Not generally used	Less widely used	Quite widely used

*Relationship between stages of development and valuation approaches for Mineral Assets (Figure 1 of SAMVAL Code)*

A word search through the 2016 Edition of SAMVAL Code shows that there are no references to primary and/or secondary valuation approaches or valuation methods. It is suspected that terms such as “**widely used**” in comparison to “**less widely used**” (e.g. for development properties) have been taken to mean a primary and secondary approach respectively. This is an incorrect interpretation of the terminology set out in Figure 1 of the SAMVAL Code.

The CV is expected to apply at least two valuation approaches to assess the value of a mineral asset. The values thus derived should reasonably align with each other, but there are times when this does not occur. In evaluating the various results, the CV has to determine which of the valuation techniques is the most appropriate for the asset being valued. The CV's experience and judgement will guide the selection of the most appropriate method and the resultant value.

The use of terminology of primary and secondary valuation methods is not considered compliant with the SAMVAL Code.

Samcodes Standards Committee  
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