AUSTRALIA-MONGOLIA EXTRACTIVES PROGRAMME
(AMEP)

MONGOLIAN MINERAL PROPERTY VALUATION GUIDELINES DRAFT
(MONVAL)

(This document, hereinafter referred to as the “Guidelines Draft”, presents mineral property valuation principles, approaches and methodologies, valuer responsibilities and definitions, all of which are consistent with national standards and guidelines that are widely used and internationally acceptable on a reciprocal basis.
This “Guidelines Draft” is intended for the purpose of preparation and implementation of Mongolian Mineral Valuation Standards)

June 2016

Ulaanbaatar, Mongolia

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1. BACKGROUND

1.1. History

Prior to issuance of the *International Mineral Property Valuation Standards Template* (IMVAL Template, Final Exposure Draft) in May 2015 by the International Mineral Valuation Committee (IMVAL), which had been formed in July 2012, there had been no common international template or standard for mineral property valuation. Instead, three national codes or standards existed, being CIMVAL (Canada, 2003), SAMVAL (South Africa, 2008 and latest 2016 edition), and VALMIN (Australasia, 1995 and latest 2015 Edition). Earliest versions of these valuation codes had differences in structure, definitions, scope, and jurisdictional requirements. In addition, minerals in the ground are specified as Real Estate in the *International Valuation Standards (IVSs)*, and similarly though unspecified, under the USA's *Uniform Standards of Professional Appraisal Practice (USPAP)*.

The *International Mineral Property Valuation Standards Template* (IMVAL Template, May 2015 Final Exposure Draft) and the very similar April 2016 Final Draft represent the harmonisation outcome of this chronology of standards development events for mineral property valuation. The Template has served as the framework for the United States SME Valuation Standards (First Edition, 2016), the SAMVAL 2016 Edition and the VALMIN 2015 Edition states that it is "broadly consistent in terms of fundamental principles and general approach". In mid-2015, the USA-based International Institute of Mineral Appraisers (IIMA) approved in principle the adoption of a set of valuation standards based on the IMVAL Template. Canada's CIMVAL Standards and Guidelines are in the process of being revised.

So far no valuation standards and guidelines have been adopted in Mongolia, and the Mongolian Ministry of Mining (MoM) has requested Australia-Mongolia Extractives Program (AMEP) to conduct an assessment of mineral deposit valuation methodologies and prepare methodologies suitable for valuation of mineral deposits located in Mongolia.

In response to the MoM request, this Guidelines Draft has been prepared by an AMEP team, following consultations in Mongolia and a review of international mineral valuation standards or codes.

This Mongolian Mineral Property Valuation Guidelines Draft (MONVAL) is based on the *International Mineral Property Valuation Standards Template* (IMVAL) as modified for Mongolian use.

1.2. Draft Purpose

This Guidelines Draft is intended as a principles-based over-arching framework for preparation of standards and methodologies for the valuation of Mineral Properties in Mongolia. After adoption by a government-mandated professional association or associations with accrediting and disciplinary responsibilities, accredited members could be recognised not only nationally, but also for preparing and submitting valuation reports with international regulatory bodies that govern public reporting. The Guidelines Draft represents a consensus of current best practices recommended as a basis for national codes or standards and IMVAL.

The Guidelines Draft outlines principles, minimum requirements, approaches and methodologies, valuer responsibilities, and definitions consistent with those adopted in the regulatory jurisdictions represented by IMVAL.

This Guidelines Draft incorporates the same fundamental principles of Competence, Materiality and Transparency, which are the same principles for resources and reserves reporting codes of countries that are members of the Committee for Mineral Reserves International Reporting Standards (CRIRSCO) are based.

The Guidelines Draft aligns with the generally accepted valuation concepts, principles, and definitions set forth in the IVSs 2013 Edition. References to Definitions and Framework Standards are made throughout the Guidelines Draft with the prefix “IVS”, and are numbered as per the 2013 Edition.

The Guidelines Draft deals with **Valuation**, which is distinct from **Evaluation** that is regulated by the Mineral Professional Committee.

1.3. Terminology

The following terminology conventions are used throughout Sections 1 to 4:

- The word ‘**must**’ denotes a mandatory requirement that has to be complied with, provided that it does not result in a breach of law or ~~the~~ a requirement~~s~~ of a relevant stock exchange or other regulatory body.

- The use of the word ‘**should**’ or ‘**may**’ indicates that some discretion may be employed. This discretion depends on the particular circumstances, provided that the fundamental principles are not transgressed.

- A word having a capital first letter is generally a term defined in Section 4 and in some cases the term is defined prior to Section 4 in greater detail for application in the Mongolian context.

- The singular includes the plural and vice versa.

- A reference to another standards document does not mean that the preceding text is directly quoted from that standard unless the text is formatted as a quotation.

- A list of acronyms and abbreviations is on the final page of this document.

1.4. Disclaimer

The legal and regulatory requirements of Mongolia and/or the relevant jurisdiction take precedence over this document. The reader must become familiar and comply with the relevant jurisdiction's requirements.

2. REQUIREMENTS

This section covers the minimum requirements for the Guidance Draft to be compliant with IMVAL and for the purpose of preparing Mineral Valuation Standards for Mongolia (MonVal).

2.1. Scope and limitations of the Guidance Draft

2.1.1. The Guidance Draft is limited to Valuation of Mineral Properties (including any interests therein), and does not cover valuation of corporations or other entities that hold Mineral Properties as assets. However, it is recommended that the Guidance Draft governs the Valuation of Mineral Properties which are included as assets in the valuation of corporations and as assets in valuations related to fairness opinions.

2.1.2. The Guidance Draft covers Valuation of metallic and non-metallic Mineral Properties, which includes all solid minerals, and do not cover oil, gas and water properties.

2.2. Valuer

A Valuer is a person who (a) is a professional with demonstrated experience and Competence in the Valuation of Mineral Properties, (b) has experience relevant to the subject Mineral Property or has relied on an Expert with experience relevant to the subject Mineral Property, and (c) is regulated by or is a member in good standing of a Professional Organisation.

Where the Valuer is not personally Competent to prepare certain sections of the Valuation Report, he or she **should** retain suitably qualified professionals who are Competent and Expert regarding those matters.

A Valuer **must**:

1. be Competent in, and have had at least five years of experience relevant to the specific Mineral Property to be reported upon;
2. have at least five years of recent and relevant experience in Technical Assessment, and where a Valuation is being prepared, have at least an

additional five years (totaling a minimum of ten years) of recent and relevant experience in Mineral Property Valuation;

2.3. Responsibilities of Valuer

The Valuer is responsible for the Valuation and the overall Valuation Report, including the following:

(a) Selecting Valuation Approaches and Methods.
(b) Ensuring that any Expert(s) assisting with review of technical information and the Valuation are appropriately qualified and experienced, that their assistance is disclosed in the Valuation Report, and that their consents are obtained for any description of their assistance in the form and context in which it appears in the report.
(c) Adhering to the requirements of this Guidance Draft, and to other principles as applicable.
(d) Assessing the Reasonableness of technical data and information, technical interpretations, technical discussions and conclusions, forecasts, and parameters used in the Mineral Property Valuation.
(e) Adhering to the legal and regulatory requirements applicable to Mineral Property Valuations and Valuation Reports of Mongolia and/or other relevant jurisdictions.
(f) Signing the Valuation Report to indicate the Valuer's responsibility for the Valuation and the overall Valuation Report.

2.4. Principles

The three fundamental principles that **must** be followed in Valuations and Valuation Reports are Competence, Materiality, and Transparency. In addition to these fundamental principles, the principles of Objectivity, Independence and Reasonableness **should** be applied to Valuation of Mineral Properties.

2.4.1. Competence

Valuers **must** be able to demonstrate to the Commissioning Entity and those entitled to receive a Valuation Report that they are sufficiently Competent to prepare and/or contribute to the Valuation Report. A Valuer signing a Valuation Report **must** be clearly satisfied that he or she is able to face his or her professional peers and demonstrate Competence in the Valuation undertaken, pertaining to the subject Mineral Property, the market in which the property would trade, and the purpose of the Valuation. See also IVS Framework 4.

A Valuer who is not personally Competent to undertake an aspect of a Valuation assignment **must** seek assistance from an Expert who is Competent in the field or discipline in which the Valuer requires assistance. Material assistance from Experts **must** be disclosed in the Valuation Report. See also IVS Framework 5.

2.4.2. Materiality

Materiality is the principle that determines whether or not items of information and data are relevant to the Valuation. Material items **must** be included or adequately referenced in the Valuation Report. Materiality applies to both the nature of the items assessed and to their influence on the quantum of a Valuation.

The Valuer **must** clearly set out all assumptions regarding Material technical and economic input parameters, the risks, limitations, and the associated effects in the Valuation Report.

If the Valuer finds it is impossible or impractical to obtain sufficiently accurate or reliable data, this **must** be stated in the Valuation Report. Depending on the amount and quality of available date, the Valuer **may** not be in a position to express an opinion of Value. Alternatively, the Valuer **may** make one or more assumptions or ~~a~~ Special Assumptions, which **must** be prominently disclosed.

2.4.3 Transparency

The Valuation process and Valuation Report must be as Transparent, Objective, and rigorous as the data and other available Material information will reasonably allow within the Scope of Work. The Valuation conclusion will depend on the interaction of a number of key assumptions that the Valuer **must** disclose. These qualities **must** apply to the data and information, and the analysis and presentation thereof, used as the basis of a Valuation Report. Factors to which these qualities **must** apply when present include the assessment of Mineral Resources and Reserves, issues pertaining to extraction, mining, processing, and marketing, the Valuation Approaches and Methods adopted and their application, all of which **must** be clearly set out in the Valuation Report.

2.4.4. Objectivity

Objectivity is promoted by an environment that encourages Transparency. See also IVS Framework 2 and 3.

2.4.5. Independence

For certain Valuations, Independence **may** be required by a national code or standards, or by the circumstances of the Valuation. In these cases, Independence means that the Valuer **must** have no pecuniary or beneficial interest in the Commissioning Entity, the Mineral Property being valued, other parties involved in a transaction on the Mineral Property, or the outcome of the Valuation, other than professional fees and disbursements related to the Valuation that are not contingent on the opinion in the Valuation.

2.4.6. Reasonableness

In concluding a Valuation, the Valuer **should** assess reasonableness of the Valuation, that is, whether other appropriately qualified and experienced Valuers with the same information for the same Valuation Date and Basis of Value would consider an estimate of the Value of the Mineral Property to be reasonable (or within a reasonable range of Values), having regard to industry norms. For a Valuation, assumptions applied and any property development method or model relied upon, **should** be reasonable within the context of the purpose of the Valuation and the Basis of Value. A method or model applied to the subject Mineral Property **should** be within the expected capability and consideration of the assumed likely buyer or lessor of that property.

2.5. Identification of the Property Being Valued

The Mineral Property **must** be described in adequate detail to identify the property, and the physical, legal, and economic characteristics relevant to the Valuation. This description is required in particular when the subject of the Valuation is economically interdependent with other properties, in which case the assumption for the Valuation of whether those other properties will or will not remain available **must** be stated.

2.6. Scope of Work

The Scope of Work to be performed in developing the Valuation **should** be determined between the Valuer and the Commissioning Entity, which **must** be identified unless confidential. The Scope of Work necessary to develop a credible Valuation can vary considerably depending on the subject Mineral Property, the purpose of the Valuation, the Basis of Value, the Valuation Date, and the intended use of the Valuation. Modification to the Scope of Work **may** be necessary during the Valuation process. A Scope of Work section **must** be included in the Valuation Report, describing the extent of investigations conducted and stating any limitations on those investigations.

The agreed Scope of Work **must** be signed, both by the Valuer and Commissioning Entity.

2.7. Intended Use and Intended Users

The intended use and intended users of the Valuation Report **must** be clearly disclosed unless confidential. Valuation Reports **may** be Public Reports, and national codes or standards **may** require them to be prepared in keeping with national regulatory requirements.

2.8. Mineral Resources and Mineral Reserves

When resources or reserves of the subject Mineral Property are used or referred to in a Valuation or Valuation Report, they **should** comply with the definitions of enforceable Mongolian laws and regulations and with the Mineral Resource and Mineral Reserve definitions of either CRIRSCO or an associated institute's definitions.
If there is not compliance with the relevant Mongolian laws and/or regulations and/or the CRIRSCO definitions, the Valuation Report **must** explain why not and **should** provide, to the extent possible, a reconciliation of the resources and reserves with Mongolian laws and/or CRIRSCO.

The Valuer **must** clearly state and explain the methodology which was used in estimating the resources and/or reserves and, if possible, reconcile and explain any difference between the estimates made in any known or cited reports on the Mineral Property.

2.9. Highest and Best Use

The Market Value of a Mineral Property **must** be estimated with consideration of its highest and best use (generally its stage of development) on the Valuation Date. The highest and best use of a property, determined sequentially, is that stage of use which is (1) legally permissible, (2) physically possible, (3) financially feasible on the Valuation Date, and which (4) maximises the potential of the Mineral Property. The highest and best use for a Mineral Property, being the use that a market participant would have in mind for the property when formulating the maximum price it would be willing to offer, **may** be the same as its current use, a modification of that use, or a different use. The highest and best use of a property **may** change if the property is valued in isolation instead of as a contributing part of an economically interdependent group of properties.

2.10. Basis of Value

The Valuation Report **must** clearly state the Basis of Value, its definition, and the source of its definition.

2.11. Valuation Approaches and Methods

More than one Valuation Approach or Method **must** be applied in the Valuation of the subject Mineral Property, if it is reasonably possible and appropriate to apply them, unless constrained by the Scope of Work agreed to with the Commissioning Entity. The resulting Valuation estimates **should** be reconciled. If only one Approach or Method is used, the Valuation Report **must** provide an explanation for why more than one is not used.

2.12. Valuation Report

The Valuation Report, whether a Public Report or not, **must** contain, at a minimum, the following information:

(a) Mineral Property Identification.
(b) Intended use and intended users of the Valuation, and any restrictions on the use or distribution of the Valuation.
(c) Purpose of the Valuation.
(d) Basis of Value.
(e) Report Date and Valuation Date (also called Effective Date), preferably stated together to mitigate confusion.
(f) Determination of highest and best use as of the Valuation Date.
(g) Scope of Work.
(h) Geological Description of the Mineral Property(s) being valued, and details of the status of its exploration, development, or production at the Valuation Date.
(i) Assumptions, risks, and limitations.
(j) Valuation Approaches and Methods used and the Value estimates derived from each.
(k) Reconciliation of the Value estimates derived.
(l) Value opinion.
(m) Disclosure of Values from any prior Valuations for the same Mineral Property with Valuation Dates within the prior three years, if available to the Valuer, and explanation of Material differences. Valuations with Valuation Dates prior to three years **may** be included at the Valuer's discretion.
(n) Sources of information, including of data, and a statement as to whether or not the information has been accepted as reliable without further verification.
(o) Statement of whether or not a site visit to the Mineral Property has been undertaken.
(p) Statement that the Valuation complies with the current edition of the relevant national Mineral Property Valuation code or standard, or, if applicable, specification of the instructions from which it deviates ~~departs~~.
(q) Identity, qualifications, and experience of Valuer and any Experts, and the areas of the Valuation Report for which each is responsible.
(r) Statement of Independence or non-Independence of the Valuer and any Experts.
(s) Declaration of Valuer's Competence, including disclosure of any personal interest or potential interest in the subject Mineral Property, and the on-site inspection date, signed by the Valuer.

2.13. Site inspection

Where inspection of a Mineral Property is likely to reveal information or data that is Material to a Valuation Report, the Valuer or an Expert designated by the Valuer **should** inspect it.

If an inspection is not made, the Valuer **must** be satisfied that there is sufficient current information available to allow an informed evaluation to be made without an inspection and **must** declare the reasons for not undertaking a site visit.

Any decision not to conduct an inspection **must** be made by the Valuer and not by the Commissioning Entity and the reason **must** be disclosed in the Public Report.

3. GUIDANCE

This section provides supplemental guidance to aid with the application of Requirements, specified in Section 2.

3.1. Competence

The Valuation of Mineral Properties **may** require Competence in a wide range of technical and commercial disciplines. Depending on the nature of the Mineral Property to be valued, the Basis of Value to be applied, and the availability of currently relevant technical reports for the subject Mineral Property, an in-depth understanding **may** be needed in such specialized areas as geoscience; mining or petroleum engineering; metallurgy; water rights; environmental assessment; social aspects; regional geopolitics; micro and macro mineral economics; finance; taxation and government levies; property, mineral, and other applicable law; bulk transportation; and marketing. Therefore, in many cases Valuers **should** retain Experts who are competent in the vetting and development of certain technical information and Inputs used in the Mineral Property Valuation and the preparation of a Valuation Report.

3.2. Materiality

The determination of what is Material or relevant to the Valuation depends on both qualitative and quantitative factors. A parameter **may** be Material in the qualitative sense because of its very nature, such as country risk. Valuers **should** determine that all Material information is considered.

A general rule in determining if information is Material is consideration of whether its omission or misstatement could influence the decisions of the intended users of the Valuation Report. Professional judgement is required to determine what information is Material. Two tests may be used in determining whether an item is Material - a qualitative test (that is, the nature of the item and whether knowledge of it would influence the decisions of users) and a quantitative test expressed as a percentage.

3.3. Transparency

The Principle of Transparency requires that information **should** not be presented in a minimal or unclear form from which the intended user accepting this information at face value could draw incorrect implications or conclusions. Any implications that would be revealed by a more thorough or deeper evaluation or explanation of the Material issues **should** be disclosed.

Transparency during development and reporting of Valuations aids in promoting Objectivity, while minimizing subjectivity. A Transparent Valuation Report is generally one that is presented with clear and concise writing, supplemented by helpful and legible tables, graphs, maps, and photographs. Where it is not possible to be concise, the information **should** be presented in such a manner that Material information is clearly prominent.

3.4. Objectivity

"*The process of Valuation requires the Valuer to make impartial judgements as to the reliance to be given to different factual data or assumptions in arriving at a (Valuation) conclusion. For a Valuation to be credible, it is important that those judgements can be seen to have been made in an environment that promotes Transparency and minimizes the influence of subjective factors on the process*" (IVS Framework 2).

3.5. Independence

While IMVAL and the IVSs do not specify Independence of the Valuer, Independence may be specified by national legal or regulatory requirements in various jurisdictions, or by Commissioning Entities or intended users of Valuations. For the Valuer to be able to develop a Valuation that users can confidently accept as unbiased, however, the Valuer **must** be able to freely exercise his or her judgement with impartiality and Objectivity.

3.6. Reasonableness

Where a determination turns on reasonableness, the test is an objective one, rather than a subjective one in that it turns on what appropriately qualified and experienced Valuers, acting reasonably, would conclude.

The Valuer **must** form an opinion that is reasonable in the circumstances, that is, what a Valuer believes is rational and plausible in the circumstances and would be viewed as such if considered by other appropriately qualified and experienced Valuers with the same information and at the same time.

3.7. Identification of the Property and Interest Being Valued

One or more maps, photographs, or diagrams can aid the description of the subject Mineral Property. Documentation of title or rights, and encumbrances, **should** be included in the Valuation Report as needed for substantiation. In the case of a fractional interest, physical segment, or partial holding, descriptions of the holding and control limits, and of properties or rights excluded from the Valuation are required for clarity. As an example, a dedicated mill to a remote mineral deposit **may** be inside the control limit, while a toll mill in a mining camp would be outside.

3.8. Levels of Valuation Research and Valuation Report

Various levels of Valuation research and Valuation Report **may** be contemplated as specified in a national code or standards. The level of Valuation research depends on

the extent of work conducted in accordance with the Scope of Work. The level of Valuation reporting depends on the thoroughness of documentation. The levels of Valuation research and reporting undertaken **should** be stated in the report in association with the Scope of Work.

IVS 101 Scope of Work, states: "*There are many different types and levels of Valuation advice that **may** be provided. ... All Valuation advice and the work undertaken in its preparation **must** be appropriate for the intended purpose. It is also important that the intended recipient of the Valuation advice understands what is to be provided and any limitations on its use before it is finalised and reported*."

3.9. Valuation Process

The three generally accepted Valuation Approaches are:

- Market Approach
- Income Approach
- Cost Approach

Further guidance on the Market Approach is provided in IVS Framework 56-57; IVS 200 C13-C15; for the Income Approach in IVS Framework 58-61; IVS 200 C16-C21; and for the Cost Approach in IVS Framework 62-63; IVS 200 C22-C24.

Each Valuation is fact and circumstance specific. The most appropriate Valuation Approach will depend on several factors, including the stage of development, the highest and best use, the Basis of Value, the availability of Valuation Inputs and data, and on the Approaches and Methods used by the market. For a particular Mineral Property, Valuation Methods from at least two of the three Valuation Approaches **should** be used. There are a variety of Valuation Methods within the Valuation Approaches, each of which **may** be more suited to the Valuation at hand than others.

The results from the Valuation Approaches and Methods employed **should** be analysed and reconciled into a concluding opinion of Value. The reasons for giving a higher weighting to one Valuation Approach or Method over another, including any elimination of an outlier Value, **should** be stated. The opinion of Value can be stated as a range of Values and/or as a single Value.

When the Basis of Value to be determined is Market Value, the Valuer **should** attempt to ensure that Inputs to all Valuation Methods applied are derived from the market place relevant to market participants that would be involved in a sale and purchase of the subject Mineral Property, including the expectations and perceptions of those participants.

The IVS Framework 19 states, in part:

"*In undertaking a market-based valuation, matters that are specific to the current owner or to one particular potential buyer are not relevant because both the willing seller and*

the willing buyer are hypothetical individuals or entities with the attributes of a typical market participant."

The IVS Framework 20 states, in part:

"*The factors that are specific to a particular buyer or seller and not available to market participants generally are excluded from the inputs used in a market-based valuation.*"

The recommended Valuation Approaches for each project stage are given below:

Valuation Approach	Exploration stage (project)	Pre-development stage (project	Development stage (project)	Production stage (project)
Market Approach	Yes	Yes	Yes	Yes
Income Approach	No	In some cases	Yes	Yes
Cost Approach	Yes	In some cases	No	No

4. DEFINITIONS

4.1 Basis of Value

"*A statement of the fundamental measurement assumptions of a valuation*" (IVS Definitions). Basis of Value commonly refers to Market Value, but can also refer to other Bases of Value such as Fair Value, Fair Market Value, Investment Value, Special Value, or Synergistic Value.

4.2 Commissioning Entity

The organisation, company, or person that commissions a Valuation and Valuation Report.

4.3 Competence or Competent

Applies to a suitably qualified and experienced person who is a member of a Professional Organisation with an enforceable code of ethics and rules of conduct that include the ability to discipline and expel a member. In the context of Mineral Property Valuation, Competence for a Valuer also requires "appropriate technical skills, experience and knowledge of the subject of the valuation, the market in which [the Mineral Property] trades and the purpose of the valuation" (IVS Framework 4).

4.4 Cost Approach

"*Provides an indication of value using the economic principle that a buyer will pay no more for an Property than the cost to obtain an Property of equal utility, whether by purchase or by construction*" (IVS Definitions), and includes methods based on expenditures.

4.5 Effective Date

See Valuation Date.

4.6 Evaluation

A broad physical, technical, legal, economic, and other assessment of a Mineral Property that is generally sought for an investment decision. Evaluations include feasibility studies, prefeasibility studies, preliminary economic assessments, and scoping studies. For clarity, Evaluation is distinct from Valuation.

4.7 Expert

A person who **may** be retained by the Valuer to review technical information, prepare sections of Valuation Reports, or provide Inputs concerning specialised matters about which the Valuer is not personally Competent. The Expert: (a) is an engineer or geoscientist with at least five years of experience in mineral exploration, mine development or operations or mineral project assessment, or any combination of these; (b) has experience relevant to the subject matter of the mineral project and the Technical Report; and (c) is a member in good standing of a Professional Organisation. ~~Association~~

4.8 Fair Value

For Valuations that are not applicable to financial reporting, Fair Value is ~~means~~ "*the estimated price for the transfer of a Mineral Property or liability between identified knowledgeable and willing parties that reflect the respective interests of those parties*" (IVS Definitions and Framework 38).

For the purpose of financial reporting, Fair Value is "*the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date*" (IVS 300 G1).

4.9 Fair Market Value

Meanings differ depending on jurisdiction and the term may not be used in some.

4.10 Income Approach

"*Provides an indication of value by converting future cash flows to a single current capital value*" (IVS Definitions).

4.11 Independence or Independent

The Valuer and/or Expert must have no pecuniary or beneficial interest, either present or contingent, in the Commissioning Entity, the Mineral Property being valued, other parties involved in a transaction on the Mineral Property, or the outcome of the Valuation, other than professional fees and disbursements related to the Valuation assignment.

4.12 Inputs

All information used in the Valuation.

4.13 Investment Value

"*The value of a Property to the owner or a prospective owner for individual investment or operational objectives*" (IVS Definitions and Framework 36).

4.14 Market Approach

"*Provides an indication of value by comparing the subject Property with identical or similar Properties for which price information is available*" (IVS Definitions). The Market Approach is also known as the "sales comparison approach."

4.15 Market Value

"*The estimated amount for which Mineral Property should exchange on the Valuation Date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion*" (IVS Definitions and Framework 29).

4.16 Materiality or Material

Information that, if omitted, could affect the judgement of the reader as to the validity of the estimate, opinion, or data being reported by the Valuer.

4.17 Mineral Property

Any contractual or permanent right to explore for, mine or otherwise extract minerals from the earth, and any interest in such a right, and any land ownership that includes or inherently provides that right. For the purpose of these Standards and Guidelines, Mineral Property generally includes Real Property rights to

explore for and extract Mineral Resources and Reserves, mining claims and other forms of mineral tenements, mineral rights, royalty interests, and intellectual property such as geological data forming part of or accompanying the rights and interests referred to above.

4.18 Mineral Resources and Mineral Reserves

"*Mineral resource*" is defined under Provision 4.1.24 of the Mongolia Minerals Law as "a *part of a mineral accumulation, of which a detailed assessment by geological mapping, studies, exploration has not been made on the quantity, volume, content, composition, and economic potential*".

"Mineral deposit reserve" is defined under Provision 4.1.25 of the Mongolian Minerals Law as "*the part of the mineral resource, of which a detailed assessment has been made on the quantity, volume, content, composition, and the economic viability, possibility of industrial extraction, processing technology and mining conditions determined by exploration".*

Terminology for the Public Reporting of exploration results, Mineral Resources, and Mineral Reserves also is published in the *International Reporting Template* of CRIRSCO, edition of May 2013, as amended from time to time, and may be subject to rules and guidance contained in National Reporting Codes and Standards. Mongolia is a member of CRIRSCO and the Mongolian Code for the Public Reporting of Exploration Results, Mineral Resources and Mineral Reserves (The MRC Code) is based on the CRIRSCO Template.

4.19 Objectivity

Means acting objectively, impartially and without personal bias in the preparation of a Valuation and a Valuation Report.

4.20 Professional Organisation

A self-regulating association, such as one of engineers, geoscientists, or minerals Valuers that:

(a) is accepted and recognised as reputable by the professional community, or has been given authority or recognition by statute;

(b) admits members on the basis of their academic qualifications and professional experience;

(c) requires compliance with professional standards of expertise and behaviour according to a code of ethics established by the association;

(d) requires compliance with specified continuing education requirements; and

(e) has enforceable disciplinary powers, including that of suspension or expulsion of a member.

4.21 Public Report

Any non-confidential report prepared for the purpose of informing investors or potential investors and their advisers, or to satisfy regulatory requirements. Public Reports include, but are not limited to, annual and quarterly company reports, press releases, information memoranda, technical papers, website postings, and public presentations.

4.22 Real Estate

"*Land and all things that are a natural part of the land, e.g. trees, and minerals and things that have been attached to the land, e.g. buildings and site improvements and all permanent building attachments, e.g. mechanical and electrical plant providing services to a building, that are both below and above the ground*" (IVS Definitions).

4.23 Real Property

"*All rights, interests and benefits related to the ownership of Real Estate*" (IVS Definitions).

4.24 Reasonableness

Means that other qualified and experienced Valuers with access to the same information for the same Valuation Date and Basis of Value as the Valuer of a Mineral Property would consider the Valuer's estimate of Value to be within a reasonable range of Values.

4.25 Report Date

The date upon which the Valuation Report is signed and dated.

4.26 Special Assumption

"*An assumption that either assumes facts that differ from the actual facts existing at the Valuation Date or that would not be made by a typical market participant in a transaction on the Valuation Date*" (IVS Definitions and Framework 50-51). The term "hypothetical condition" is used in some jurisdictions.

4.27 Special Value

"*An amount that reflects particular attributes of a Property that are only of value to a Special Purchaser*" (IVS Definitions and Framework 43).

4.28 Special Purchaser

"*A particular buyer for whom a particular Property has Special Value because of advantages arising from its ownership that would not be available to other buyers in the market*" (IVS Definitions and Framework 44).

4.29 Synergistic Value

"*An additional element of value created by the combination of two or more Properties or interests where the combined value is more than the sum of the separate values*" (IVS Definitions and Framework 47).

4.30 Transparency

A Mineral Property Valuation Report contains sufficient information, the presentation of which is clear and unambiguous, so that the reader can understand the Valuation Report and not be misled.

4.31 Valuation

The estimation of the Value of a Mineral Property in money or monetary equivalent. "*The word 'valuation' can be used to refer to the estimated value (the Valuation conclusion) or to refer to the preparation of the estimated Value (the act of valuing)*" (IVS Framework 9).

4.32 Valuation Approach

A grouping of Valuation Methods for which there is a common underlying rationale or basis.

4.33 Valuation Date

"*The date on which the opinion of value (or Valuation) applies*" (IVS Definitions).

4.34 Valuation Method

A particular or systematic procedure used to estimate Value.

4.35 Valuation Report

A document that reports the results of the Valuation of a Mineral Property or Properties that adheres to the fundamental principles and additional principles, as required, contains the required information, and conforms to the relevant national code or standards and relevant legal and regulatory requirements. A Valuation Report may be a Public Report.

4.36 Valuer

A person who (a) is a professional with demonstrated experience and Competence in the Valuation of Mineral Properties, (b) has experience relevant to the subject Mineral Property or has relied on an Expert with experience relevant to the subject Mineral Property, and (c) is regulated by or is a member in good standing of a Professional Organisation. A Valuer is also known as a Valuator or an Appraiser in some jurisdictions.

4.37 Value

A generic term that may refer to Market Value, Investment Value, or another ‘value’ definition, including those specified in national codes.