

Litigation on mineral valuations is likely to rise Ensuring compliant valuations is key

It is likely that litigation matters against mineral companies that have overstated the value of their assets will increase in the coming months.

This is because shareholders and investors are likely to be losing “bucket-loads of money” as unscrupulous or ill-informed companies overstate the value of their mineral assets, says Venmyn Deloitte MD [Andy Clay](#), who notes that overstatements can occur as a result of erroneous assumptions about what the value of assets should be or could be based on deliberate attempts to mislead investors and shareholders.

A quick internet search shows that there are several legal firms offering expert witnesses in disputes over the value of mineral assets.

Expert witnesses can be appointed by the company in question or the shareholders and investors who believe that the value of a mineral asset has been overstated.

They can also be appointed as the joint expert for both sides of the dispute.

Findings in a recent case before the Securities and Exchange Commission in the US have been that “a reporting entity must determine an appropriate fair value using one or more of the valuation techniques described in the accounting literature.”

An additional finding is that “entities may not ignore assumptions market participants would use”.

While Venmyn Deloitte’s advisors have acted as expert witnesses in cases where there was a dispute over the value of a mineral asset, the company prefers to act as a protection mechanism to ensure that the values that are stated for mineral assets are correct from the outset.

Clay notes that litigation over such matters tends to be more common in the US, which is perceived to be a more litigious society than elsewhere, but that companies based in other jurisdictions would be wise to ensure that their mineral asset valuations are correctly stated or face being indicted for financial and reporting fraud.

Mining Indaba 2016

Venmyn Deloitte’s Gbenga Ojo, Tarryn Orford and Chris de Vries will be arranging meetings at the Waterfront in Cape Town, South Africa, during the Mining Indaba that runs from the 8th to the 11th February 2016. Please email [Venmyn Deloitte](#) to arrange to meet with them.

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Venmyn Deloitte has a new hotline number that you can reach us on. Please call +27 (0)11 656 1450 for assistance.

Kind regards,

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