

Valuation Approaches for Mining Projects

The appropriate approach to valuing mining assets changes over the life of a project



Cost Approach

- Value based on investment costs incurred
- Generally applied to early-stage exploration projects where there is limited information about the resources or potential future production
- Not indicative of the value of producing assets

Market Approach

- Relative valuation approach based on known value of other assets (via valuation multiples)
- Valuation multiples derived from comparable asset prices or transaction values
- Whether other assets are comparable across value drivers is a key consideration
- Often applied as a primary or secondary approach across development phases

Income Approach

- Fundamental valuation approach based on projected future economic benefits of the producing asset
- Requires projections of future income and costs, including prices, production volumes, construction and maintenance costs, operating costs, adjusted for timing and risks of future cash flows
- Generally applied to development and production projects – can be applied earlier if key factors are well-understood
- Can be highly sensitive to inputs