

Mining 2.0

Karim Ramji

Donovan & Company

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Is Mining as we know it today broken?

YES.

- ▶ The Project pipeline has been shut down - the preservation of capital is now key
- ▶ Stock prices are off by 60-80% - investors have lost confidence with the massive write-offs and write downs
- ▶ M & A activity is at a slow defensive crawl and no new IPOs
- ▶ Wholesale changes in the C-suite

Is Mining as we know it today sustainable? NO.

- ▶ New greenfield projects and brownfield expansions are on hold - reserves are not being replenished
- ▶ Three new challenges beyond commodity prices:
 - ▶ Increased stakeholder activism has lengthened and steepened the development curve, increasing soft costs and making project development very risky
 - ▶ Increased resource nationalism, direct and indirect, from all levels of government
 - ▶ The inability to develop new projects on a fixed time/budget envelope

The 8 Foundations for a Mining Project

1. Ore body commercially viable
2. Political transparency and the rule of law
3. Permitting predictability
4. Regulatory/tax certainty
5. Site certainty and access, without disruption
6. Infrastructure support
7. Continuous support from local communities
8. Meets the corporate objectives, including ROCE

Non Technical Risks

- ▶ 7 of 8 requirements are not engineering/geological risks
- ▶ The need for deeper and more meaningful due diligence to properly identify, assess and manage all stakeholders with a proactive engagement strategy
- ▶ Since the UN DRIP (2008), Indigenous Peoples have gained and keep gaining more legal and political recognition - their support/opposition can make or break a project

Need for Due Diligence - smart boots on the ground

- The Non-Technical Risks (the NTRs) have grown in scope and complexity to eclipse the geological and market risks.
- The greatest risks are above the ground, on the surface and a Risk Assessment and Management Process (RAMP) is needed to transform these NTRs into opportunities.
- Projects have to go where there is a viable ore body AND the surface risks can be managed to provide stability

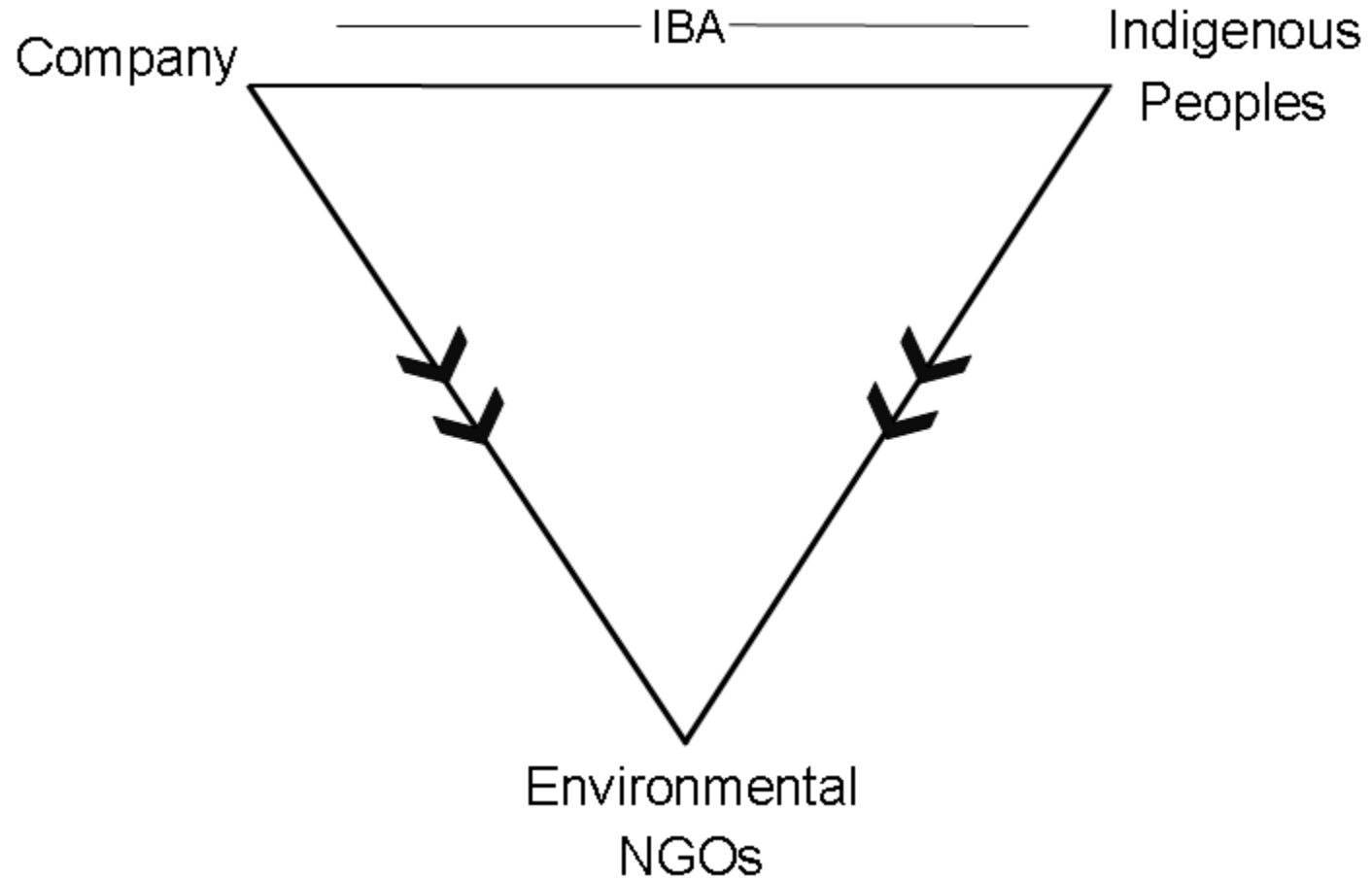
Need for Relationships

- ▶ Need to develop relationships with all stakeholders, including those in opposition
- ▶ Need for intelligence, sensitivity, and integrity- based on trust, respect and communication (TRC)
- ▶ Relationships are the key ingredient for both ongoing due diligence and RAMP
- ▶ Need to have project champions on the ground with direct access to the C-suite.

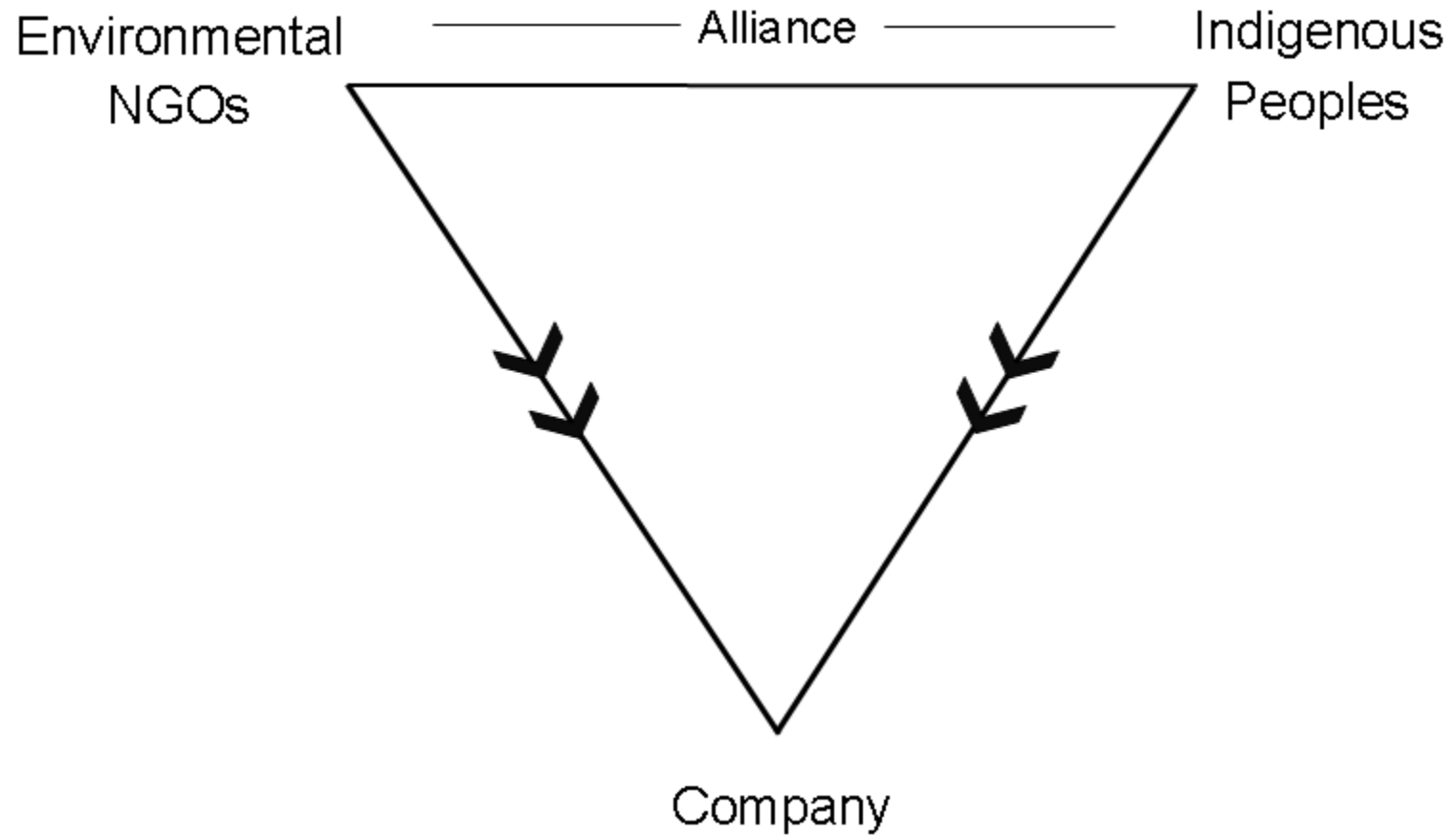
Relationships to Agreements

- ▶ The relationships, if successful, should evolve into the following Agreements:
 - ▶ Investment Agreement with National/State Government
 - ▶ Investment Agreement with Municipal Government
 - ▶ Impact Benefits Agreement with Local Communities/NGOs

Permitting Triangle with IBA



Permitting Triangle without an IBA



CSR

- ▶ The “alphabet soup” that has emerged and focusses on processes rather than on real relationships
- ▶ Need to get buy in from the company, local communities, host governments, civil society/NGOs, other competing users of land and water resources
- ▶ Glossy reports and flashy websites with photo ops of corporate philanthropy is simply greenwashing and not an effective risk management tool

Social Performance/Sustainability are about Risk Management

- ▶ The corporation is about profit - management is driven by this goal
- ▶ Capital, financial and reputational, is eroded when risks are not identified, assessed, managed or mitigated - get blindsided out of the C suite.
- ▶ Does a corporation have a social conscience?
- ▶ Does social risk threaten its corporate performance and objectives?
- ▶ Does a corporation need a risk management strategy to address social risks?
- ▶ Convert the conversation from social performance to risk management

Mining 2.0

- ▶ Mining is not an **extractive** industry but a **developmental** opportunity - need to make a real positive difference in the communities that are affected by the mine
- ▶ The New Mining Social Contract: To have a profitable mine that brings sustainable long- term development for local communities, contributes to the development of the national economy, provides a fair return to shareholders, and operates in a safe and environmentally-responsible manner

Risks vs. Trust

- ▶ Past behavior has eroded trust:
 - ▶ With mining companies
 - ▶ With governments
 - ▶ Environmental protection
 - ▶ Tax/royalties
 - ▶ With local communities
- ▶ Private enterprise needs public resources - the question of trust
- ▶ Ethical and transparent leadership is a critical ingredient

Where will the leadership come from?

- ▶ The broader mining community
- ▶ The financial community
- ▶ From governments
- ▶ From stakeholders
- ▶ From NGOs and civil society groups
- ▶ From academia and think tanks

Why the Need for Change?

- ▶ Need to preserve financial and reputational capital
- ▶ Need to promote economic activity and socio-economic development
- ▶ Need for environmental management and stewardship
- ▶ Need for creating prosperity without conflict and violence
- ▶ Need for the resources - need to unlock the project pipeline

The Opportunity

- ▶ Risks can be converted into opportunities through RAMP
- ▶ A step change is required - Mining 2.0
- ▶ Mining (ROC)KS
 - ▶ Return on Capital, financial and reputational
 - ▶ Knowledge and Innovation
 - ▶ Sustainable socio-economic benefits and environmental stewardship

Pope Francis on Mining 2.0

- ▶ “The participants in this meeting are aware that, so as not to repeat grave errors of the past, decisions today cannot be taken solely from geological perspectives or the possible economic benefits for investors and for the states in which the companies are based. A new and more profound decision-making process is indispensable and inescapable, one which takes into consideration the complexity of the problems involved, in a context of solidarity. Such a context requires, first of all, that workers be assured of all their economic and social rights, in full accordance with the norms and recommendations of the International Labour Organisation. Likewise it requires the assurance that extraction activities respect international standards for the protection of the environment. The great challenge of business leaders is to create a harmony of interests, involving investors, managers, workers, their families, the future of their children, the preservation of the environment on both a regional and international scale, and a contribution to world peace”.

The Step Change

- ▶ Innovation and change, out of the box thinking and creativity, to overcome the status quo is always challenging
- ▶ We all want to make a positive difference - what is our legacy
- ▶ We can all provide thought leadership through intellectual innovation and ethical awareness
- ▶ We are all connected and we are all one