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Development of a strategic and tactical game plan for junior mining companies

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DEVELOPMENT OF A STRATEGIC AND TACTICAL GAME PLAN FOR JUNIOR MINING COMPANIES

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ABSTRACT

This thesis undertakes to present a game plan for junior mining companies. It culminates with a game plan model that incorporates all the key steps and tasks that mining investors and entrepreneurs need to use to establish globally competitive junior mining companies. It is based on the research of several listed junior mining companies. The game of junior mining is defined by rules, the player, the elements of playing, and the definitions of winning and scoring.

The rules of the game are those defined by the resources industry and general business concepts. The mining assets around which the junior mining game is played are exploration projects, feasibility studies, mine development projects or operating mines. The player is the junior mining company intent on winning the game.

Playing the game is done through executing the steps, tasks and simple models and matrices associated with the four business pillars: strategy development, legal and financial, operations management and risks management. The first pillar is strategic, while the last three pillars are tactical. For each business pillar, databases were developed, for the purposes of creating references and benchmarks for the game plan. The databases have been created from the analysis of twenty randomly selected junior mining companies, the author's practical experiences and previous research.

Scoring the game is undertaken by completing the game score matrix, which scores the mining assets, the business pillars and the financial performance, and provides an overall company score. The total company score highlights the strengths and weaknesses of the company. Undertaking the process of playing the game iteratively will lead to creating a globally competitive junior mining company. Winning the game is defined as creating a sustainable junior mining company, that grows to a mid-tier company, or is bought out by a major mining company.

In the thesis, the game is played using the hypothetical case study of a of a coal junior mining company, with a marginal coal mine, an attractive feasibility study and an exploration project. Step by step the game is played leading to a company score and exposing the company's strengths and weaknesses.

The research concludes by presenting a holistic game plan model that can be applied to any junior mining company in any commodity in constantly changing resources industry dynamics.

DECLARATION

I declare that this thesis is my own, unaided work. It is being submitted for the Degree of Doctor of Philosophy at the University of the Witwatersrand, Johannesburg. It has not been submitted for any degree or examination in any other University.

Michael Walter Fritz Seeger

This 12th day of December 2007

PREFACE

This thesis was written through the period of 2000 – 2007, a period in which I dedicated my professional life to launching junior mining ventures in South Africa. I completed the thesis alongside work and family life. I launched my first junior mining venture with my business partner, a geologist, in 2000. We spent our last cent on several small mining ventures, but failed to raise the required capital. With little more than loads of experience, I had to recover by working as a mining consultant in remote places in West Africa, and in South and North America, to ensure enough start-up capital for the next venture. The second junior mining venture which I launched with a group of entrepreneurs was a junior coal mining company. The company has been operational for four years, going through several ups and downs, and is on the path to becoming a well established player in South Africa's coal industry.

The thesis represents my practical experiences of junior mining gained during this period, the knowledge that I acquired through trial, error, persistence and luck, the management theories that I studied and applied to my own junior mining ventures, the ideas that I developed from studying hundreds of listed junior miners, the concepts of mineral economics that Professor Dick Minitt taught me, and the inspirations that I got from successful entrepreneurs such as Richard Branson, Felix Dennis, Steve Scott and Donald Trump.

I dedicate this thesis to my wife Glenda, who supported me fully and unconditionally all along in my risk-embracing, often crazy, endeavours in junior mining. The thesis is also dedicated to my children Karsten and Keenia and their future children. I hope that when they are older they will read through this thesis and apply some of the generic concepts of the game plan to their professional lives and enjoy the ride. I also dedicate this thesis to my father Dieter Seeger, who was always there for guidance and advice when I required it.

Finally, this thesis is aimed at assisting aspiring mining entrepreneurs in South Africa who want to launch junior mining ventures in our country which is blessed with resources. I wish them all the best in their game and hope that my game plan can contribute in some way to their success and the successful establishment of a junior mining sector in South Africa.

TABLE OF CONTENTS

ABSTRACT ---------- ii

DECLARATION---------- iv

PREFACE---------- v

TABLE CONTENTS---------- vii

LIST OF FIGURES---------- xii

LIST OF TABLES---------- xiv

CHAPTER 1. INTRODUCTION---------- 1
1.1 Background to Research - The Game Approach ---------- 2
1.2 The Need for a Game Plan in the Dynamic Resources Industry ---------- 3
1.3 Aims and Objectives of the Thesis---------- 5
1.4 Strategic versus Tactical Elements in the Game Plan for Junior Mining Companies ---------- 6
1.5 Research Strategy ---------- 7
1.6 Outline of the Thesis ---------- 8
1.7 Limitations of the Research ---------- 10
1.8 Definitions ---------- 11

CHAPTER 2. THE DYNAMICS OF THE RESOURCES INDUSTRY --------- 14
2.1 Introduction ---------- 14
2.2 Dynamics in the Global Resources Industry---------- 15
2.3 Dynamics of the Regional Resources Industry – Africa ---------- 18
2.3.1 Growing Global Importance of Africa---------- 18
2.3.2 Mining Investment in West Africa, the Copperbelt and Lake Victoria-------- 21
2.4 Dynamics of the National Resources Industry – South Africa ---------- 22
2.5 Summary ---------- 26
2.5.1 Summary of the Dynamics of the Resources Sector ---------- 26
2.5.2 The Significance of the Industry Dynamics on the Game Plan ---------- 27

CHAPTER 3: GAMEPLAN DESIGN AND LAYOUT---------- 28
3.1 Introduction ---------- 28
3.2 Foundation – Rules of the Game ---------- 31
3.2.1 Foundation 1: Resources Industry Cycle ---------- 31
3.2.2 Foundation 2: Resources and Reserves---------- 33
3.2.3 Foundation 3: Mining Project Value Chain ---------- 34
3.2.4 Foundation 4: Mining Project Pipeline---------- 36
3.2.5 Foundation 5: The Business Investment Triangle---------- 37
3.2.6 Foundation 6: Financial Statement ---------- 40
3.2.7 Foundation 7: Share Price Movement ---------- 41
3.2.8 Summary of the Foundation ---------- 42
3.3 The Player- the Junior Mining Company---------- 44
3.4 The Mining Asset---------- 46
3.4.1 Stage 1: Exploration---------- 46
3.4.2 Stage 2: Feasibility ---------- 47
i) Pre-feasibility Study---------- 47
ii) Feasibility Study---------- 48
3.4.3 Stage 3: Development---------- 49
3.4.4 Stage 4: Production---------- 52
3.4.5 Stage 5: Closure---------- 53
3.5 Playing the Game---------- 54
3.5.1 Background –The Four Pillars of Playing the Game---------- 54
3.5.2 Strategy Development Pillar---------- 57
3.5.3 Legal and Financial Pillar---------- 61
3.5.4 Operations Management Pillar---------- 64
3.5.5 Risk Management Pillar---------- 68
3.6 The Goal – Winning the Game---------- 73
3.7 Game Plan Database---------- 76
3.8 Scoring the Game---------- 77
3.9 Summary ---------- 79

CHAPTER 4: DEVELOPMENT OF THE GAME PLAN DATABASE ------- 82

4.1 Introduction ---------- 82
4.2 Research: Review of Twenty listed Junior Mining Companies---------- 84
4.2.1 Background---------- 84
4.2.2 Summary Description of Junior Mining Companies---------- 86
i) The Australians ---------- 86
ii) The Canadians ---------- 89
iii) The UK – Londoners---------- 92
iv) The South Africans ---------- 95
4.2.3 Determining Top, Medium and Poor Market Performers---------- 97
4.3 Databases---------- 101
4.3.1 Database 1: Strategies of top Junior Mining Companies---------- 101
4.3.2 Database 2: Junior Mining Company Deal Structures---------- 104
4.3.3 Database 3: Financial Performance of Junior Mining Companies---------- 109
i) Profitability of Junior Mining Companies---------- 110
ii) Debt Ratio of Junior Mining Companies---------- 111
iii) Cashflow of Junior Mining Companies---- ---------- 112
iv) Price Earnings Ratio of Junior Mining Companies ---------- 113
4.3.4 Database 4: Operations Management System---------- 114
4.3.5 Database 5: Mine Optimisation Opportunities---------- 118
4.3.6 Database 6: Junior Mining Company Teams ---------- 120
i) Composition of Junior Mining Companies Boards---------- 121
ii) Management Teams of Junior Mining Companies – Discipline Distribution---------- 122
iii) Experience of Team Members---------- 123
4.3.7 Database 7: Team Management---------- 124
4.3.8 Database 8: Risks identified for Mining Projects---------- 127
4.3.9 Database 9: Corporate Sustainability ---------- 131
i) Corporate Governance---------- 131
ii) Community Development---------- 133
iii) Environmental Management---------- 134
4.4 Summary---------- 135

CHAPTER 5: PLAYING THE GAME – COAL JUNIOR MINING COMPANY ---------- 139

5.1 Introduction---------- 139
5.2 Foundation - Rules of the Game---------- 140
5.3 The Player – Energy-X Resources (EXR)---------- 142
5.4 The Mining Assets of EXR---------- 145
5.4.1 Description of EXR's Mining Operation: The Highveld Mine---------- 146
5.4.2 Description of EXR's Feasibility Study: Ermelo Project ---------- 147
5.4.3 Description of EXR's Exploration Project: Mozambique Exploration Project---------- 148
5.4.4 Summary: the Mining Asset Portfolio of EXR---------- 149
5.5 Playing the Game – EXR---------- 151
5.5.1 Strategy Development Pillar---------- 151
5.5.2 Legal and Financial Pillar---------- 198
5.5.3 Operations Management Pillar---------- 217
5.5.4 Risk Management Pillar---------- 249
5.6 Scoring the Game – EXR---------- 273
5.6.1 Scoring the Mining Asset---------- 274
5.6.2 Scoring the Business Pillars---------- 277
i) Score: Strategy Development Pillar----- ---------- 277
ii) Score: Legal and Financial Pillar ---------- 279
iii) Score: Operations Management Pillar---------- 280
iv) Score: Risk Management Pillar---------- 282
5.6.3 Score: Financial Performance – EXR---------- 285
i) Score: Financial Statement – EXR---------- 286
ii) Score: Listed Junior Mining Companies versus EXR---------- 288
5.7 EXR – Company Score---------- 294

CHAPTER 6: SUMMARY AND CONCLUSION---------- 296
6.1 Summary of Chapters---------- 296
6.2 A Game Plan for Junior Mining Companies ---------- 300
6.2.1 The Foundations---------- 301
6.2.2 The Player---------- 305
6.2.3 The Mining Assets---------- 306
6.2.4 Playing the Game: the Business Pillars---------- 308
i) Strategy Development Pillar---------- 308
ii) Legal and Financial Pillar---------- 318
iii) Operations Management Pillar---------- 325
iv) Risk Management Pillar---------- 338
6.2.5 Scoring the Game---------- 343
6.3 Significance of the Research and Conclusion ---------- 345

REFERENCES ---------- 347
APPENDICES ---------- 355

LIST OF FIGURES

Figure 1.1	Distribution of mining operations – ideal vs. South African -------	5
Figure 2.1	Dynamics of the resources sector ----------	14
Figure 2.2	Exploration expenditure versus gold price----------	17
Figure 2.3	Global mining investments in 2004----------	20
Figure 2.4	Mining investments in Africa in 2004 by country----------	25
Figure 2.5	Resources industry dynamics----------	26
Figure 3.1	Strategic and tactical game plan for junior mining companies ------	30
Figure 3.2	The foundation----------	31
Figure 3.3	The exploration clock----------	32
Figure 3.4	Resources and reserves----------	33
Figure 3.5	Mining project value chain----------	34
Figure 3.6	Randgold Resources project pipeline----------	36
Figure 3.7	Generic mining project pipeline----------	37
Figure 3.8	The business investment triangle: Rich Dad's Guide to Investing (2000)----------	38
Figure 3.9	Comparison share price Anvil vs.Dow Jones Global Exploration & Mining Index ----------	42
Figure 3.10	The player - the junior mining company----------	44
Figure 3.11	Game plan development – mining asset----------	46
Figure 3.12	Playing the game - the four pillars----------	55
Figure 3.13	Strategic versus tactical game plan elements----------	56
Figure 3.14	Three steps involved in the strategy development pillar----------	58
Figure 3.15	Three steps involved in the legal and financial pillar----------	62
Figure 3.16	Representing operations----------	65
Figure 3.17	Three steps involved in the operations management pillar----------	65
Figure 3.18	Three steps involved in the risk management pillar----------	70
Figure 3.19	Winning the game----------	73
Figure 3.20	Share price movement of First Quantum----------	75
Figure 3.21	The game plan database----------	76
Figure 3.22	Scoring the game----------	77
Figure 3.23	The complete game plan layout----------	81
Figure 4.1	Drawing on the database----------	82
Figure 4.2	Top, medium and poor performers ----------	99
Figure 4.3	Generic company structure----------	104
Figure 4.4	Net profit / loss – comparison of JMC's----------	110
Figure 4.5	Debt ratio – comparison of JMC's ----------	111
Figure 4.6	Cash available at end of financial reporting period – comparison of JMC's ----------	112
Figure 4.7	PE ratio – comparison of JMC's ----------	113
Figure 4.8	Generic OMS layout----------	115
Figure 4.9.	Example - daily management report----------	116
Figure 4.10	Mining operation business processes----------	118

Figure 4.11	Composition of the JMC boards	121
Figure 4.12	Management teams	122
Figure 4.13	Average experience per team member	123
Figure 5.1	Foundation	140
Figure 5.2	Defining the game player	142
Figure 5.3	EXR mining asset portfolio	145
Figure 5.4	EXR mining assets on the mining project value chain	149
Figure 5.5	EXR strategy development pillar	151
Figure 5.6	Energy generation through coal	153
Figure 5.7	Global coal production and consumption	153
Figure 5.8	Energy mineral prices	154
Figure 5.9	Production performance of coal players	164
Figure 5.10	Reserves of coal players	165
Figure 5.11	Resources of coal players	165
Figure 5.12.	EXR legal and financial pillar	198
Figure 5.13	EXR operations management pillar	217
Figure 5.14	Employee profit scheme – EXR	243
Figure 5.15	EXR risk management pillar	249
Figure 5.16	EXR company cashflow	259
Figure 5.17	EXR company IRR sensitivity analysis	264
Figure 5.18	Distribution of EXR company IRR	266
Figure 5.19	Distribution of EXR company cashflow	267
Figure 5.20	EXR scoring the game	273
Figure 5.21	EXR business pillar analysis	283
Figure 5.22	Net profit / loss	288
Figure 5.23	Gross profit margin	289
Figure 5.24	Debt ratio	290
Figure 5.25	Cash end year	291
Figure 5.26	PE ratio	292
Figure 5.27	EXR company game score	294
Figure 6.1	Game plan model for junior mining companies	300
Figure 6.2	Strategy development pillar	308
Figure 6.3	Legal and financial pillar	318
Figure 6.4	Operations management pillar	325
Figure 6.5	Risk management pillar	338
Figure 6.6	Company game score	344

LIST OF TABLES

Table 3.1	Example financial statement	40
Table 3.2	Business review	59
Table 3.3	Strategy development	60
Table 3.4	Strategy implementation	60
Table 3.5	Legal structuring	62
Table 3.6	Financing	63
Table 3.7	Financial management	63
Table 3.8	Operations management system	66
Table 3.9	Operations optimization	67
Table 3.10	Team management	68
Table 3.11	Risk identification	70
Table 3.12	Risk quantification	71
Table 3.13	Risk management	72
Table4.1	Junior mining companies analyzed	84
Table 4.2	Anvil Mining	86
Table 4.3	Equinox	86
Table 4.4	Gallery Gold	87
Table 4.5	Resolute Mining	87
Table 4.6	Aquarius	88
Table 4.7	Tiomin Resources	89
Table 4.8	Adastra	89
Table 4.9	Banro	90
Table 4.10	Etruscan	90
Table 4.11	First Quantum Minerals	91
Table 4.12	Petra Diamonds	92
Table 4.13	Jubilee Platinum	92
Table 4.14	African Eagle	93
Table 4.15	Kenmare Resources	93
Table 4.16	Randgold Resources	94
Table 4.17	Thabex	95
Table 4.18	Metorex	95
Table 4.19	SXR Uranium One / Aflease	96
Table 4.20	DRDGold	96
Table 4.21	Barplats	97
Table 4.22	Strategies of top junior mining companies	102
Table 4.23	Deal structure: Equinox	105
Table 4.24	Deal structure: Adastra	106
Table 4.25	Deal structure: Randgold Resources	107
Table 4.26	Mine optimisation opportunities	119
Table 4.27	Team management	126
Table 4.28	Technical risks	127
Table 4.29	Economic risks	128
Table 4.30	Human risks	129
Table 4.31	Community development projects	133

Table 4.32 Environmental management---------- 134
Table 4.33 Summary of risks identified for mining projects---------- 138
Table 5.1 Playing the game for EXR---------- 139