

# The Importance of Due Diligence for Early-Stage Mining Projects

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# Meet Our Panelists

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## Rick Trotman

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## Henrique da Silva

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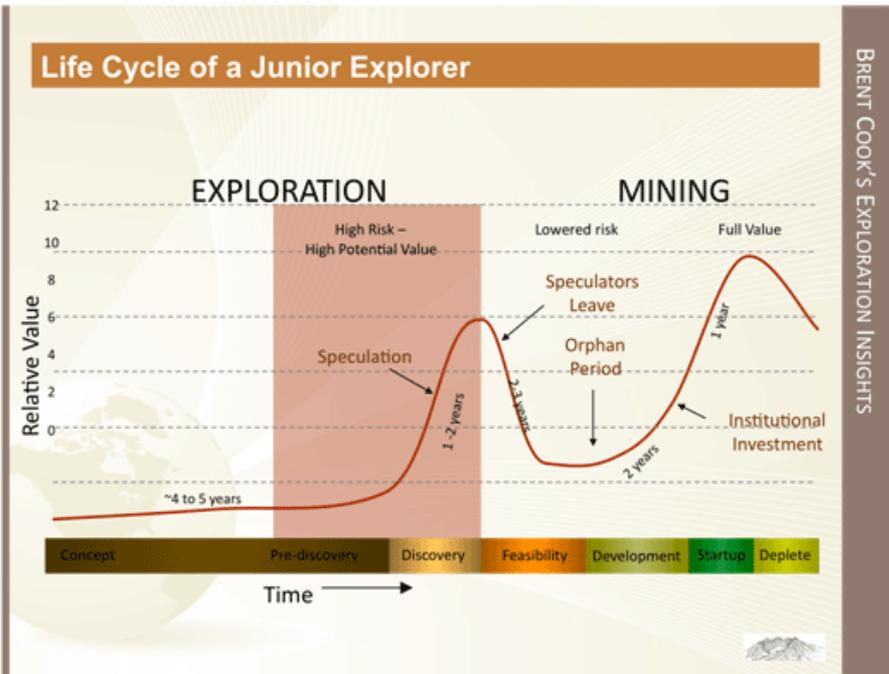


## Nick Michael

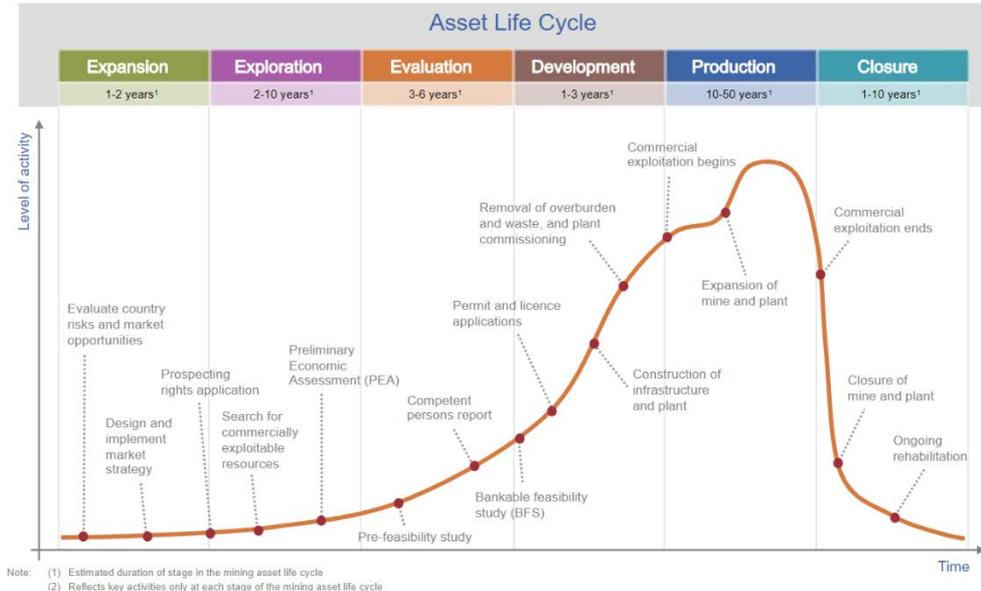
Technical Director  
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# What Defines Early Stage Mining Projects?



Source: Relative Value - Brent Cook's Exploration Insights life cycle of a Junior Miner



Source: Level of Activity KPMG, CTMF Conference 2013

# Why do Due Diligence?

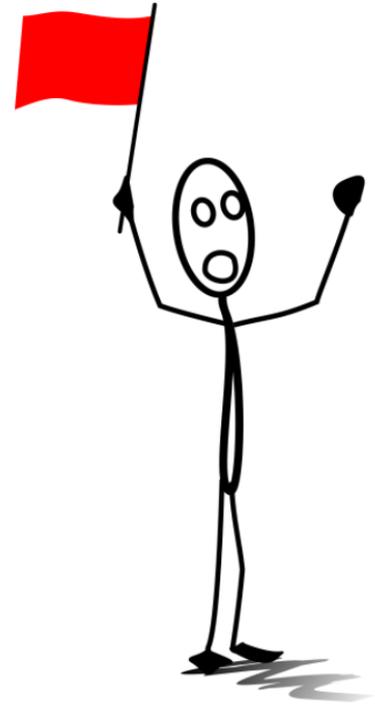
- There are two kinds of money
  - Money
  - My Money
- What is the purpose of project level due diligence
- When should you complete due diligence on early stage mining projects?
- How does the cost of due diligence compare to the size of the deal?

# The anatomy of a due diligence

- How do you ensure that your diligence efforts are fit-for-purpose?
- When do you bring in Consultants?
- The Project just has Mineral Resources so I only need a geologist, right?
- What base-level diligence points need to be addressed for every project, irrespective of its place on the development curve?

# Red Flags

- What keeps us up at night during a diligence review?
- What constitutes a red flag at an early stage?
  - Technical
  - Financial
  - Social
  - Other
- Is there a difference depending on Risk Tolerance?



# What are outcomes of Due Diligence

- Identification of Risks and Opportunities of a Project
- Obtain critical data/information needed to support sound financial decisions
- What are the possible outcomes:
  - Fatal Flaw
  - Proceed with caution (phased approach)
  - Green Flag

# Some Insights

- Specific Gravity: 1-4
- Units: g/tonne → oz/ton
- RC vs. DD: Contamination
- Smelter Terms
- Environmental Assessment
- Legal impediments
- Fraud/Delusion



**Due Diligence is the only endeavor where both “boxers” get to hit the referee.**

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# Appendix

## Typical Team Composition

- Project Manager
- Reserves Geologist
- Mining Engineer
- Metallurgist
- Rock Mechanics Engineer
- Tailings Engineer
- Environmental Scientist
- Mineral Economist
- Hydro / Hydrogeologist
- Cost Estimator
- EPCM Contract Manager
- Infrastructure/Civil Engineer
- Engineers

# Appendix

## Generic Workflow For a Mineral Resource

HIGH POTENTIAL FOR SIGNIFICANT ERRORS

