

# TMG

MINING PROJECTS MANAGEMENT

BUSINESS GUIDE

## The Mining Industry: Navigating Capital Challenges

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## The Capital Conundrum in Mining

The mining industry has always been fraught with risks and uncertainties, but in recent years, a significant challenge has emerged: the lack of access to capital precisely when it is most urgently needed. This issue has become particularly pronounced for many mining projects, leading to stalled progress and heightened frustration among project personnel and executives alike.

One of the primary factors contributing to this capital scarcity is the reluctance of major institutional lenders to extend financial support to mining projects. Banks and other financial institutions often perceive mining projects as inherently risky and complex, with uncertainties that pose formidable obstacles to timely and budget-compliant delivery based on the industry's recent track record of projects being delivered late and over budget—typically with several additional tranches of financing required. This risk-averse stance significantly limits the financial resources available for new ventures, creating a climate of caution among potential investors and further restricting access to much-needed capital. The situation has become so dire of late that only major mining companies who have the ability to finance projects off of their own balance sheets are proceeding with new endeavors.

Moreover, project personnel's frustration due to the stagnation of new project sanctions exacerbates the situation. The inability to initiate new projects stifles innovation and inhibits industry growth, creating a sense of urgency to act quickly before market conditions worsen. This compounds existing problems of access to personnel. Without enough backlog, consultants are forced to downsize, reducing the number of skilled workers in the industry when there is viable work ready to proceed. The window of opportunity for project execution is time-sensitive, and waiting for market upturns is not a viable strategy.

Additionally, the mining industry is entangled in a web of uncertainty, further compounded by geopolitical factors such as elections in key Commonwealth countries, the United States, Mexico, and others. These political transitions introduce heightened volatility and unpredictability, casting shadows over investment climates and exacerbating risk perceptions among potential financiers.



## Proactive Measures for Financial and Geopolitical Challenges

To navigate these intricate challenges, the mining industry must adopt a multifaceted approach that addresses financial and geopolitical dimensions. This entails proactive efforts to diversify funding sources, cultivate strategic partnerships, and implement robust risk mitigation strategies to instill confidence among investors.

### Diversifying Funding Sources

One of the most effective ways to mitigate the impact of limited access to traditional capital is to diversify funding sources. This can be achieved by exploring alternative financing options such as private equity, venture capital, family offices, and strategic partnerships with mining companies or industries. By broadening the pool of potential investors, mining projects can reduce their dependency on traditional lenders and increase their chances of securing the necessary capital.

### Cultivating Strategic Partnerships

Strategic partnerships can provide a valuable avenue for accessing capital and sharing risks. By partnering with other companies, particularly those with complementary expertise and resources or robust balance sheets, mining projects can leverage their strengths and improve their chances of success. These partnerships can facilitate knowledge sharing and innovation, leading to more efficient and effective project execution. Prioritizing higher margin and lower capital intensity projects between partners can also create execution synergies and develop a sustainable ongoing project development pipeline after the first asset is operational.

### Implementing Robust Risk Mitigation Strategies

Implementing robust risk mitigation strategies is crucial to addressing the inherent risks and uncertainties associated with mining projects, thus creating the potential to de-risk them from the perspective of potential financiers. This includes conducting thorough execution reviews, developing comprehensive risk management plans, and continuously monitoring and adjusting these plans as needed. By proactively identifying and addressing potential risks, specifically from the perspective of potential lenders, mining projects can instill greater confidence among investors and increase their chances of securing capital.

### The Importance of Project Review and Due Diligence

A comprehensive approach to asset due diligence from the perspective of project execution readiness is essential for navigating the complexities of mining projects. This involves various services, including Leadership Alignment, Data Review, Execution Due Diligence Assessments, Basis of Estimate Validation and comparison against the Project Schedule and Execution Plan, Traditional Technical Due Diligence to assess Resources & Reserves, Engineering Discipline Design Analysis Assessment, Risk Management, Procurement & Contracting Execution Plan Audits, Constructability and Construction Readiness Reviews

### Leadership Alignment

Leadership alignment is critical for ensuring all stakeholders are on the same page regarding project development and financing strategies and are working towards common goals. This involves enhancing communication, strengthening positive connections, and boosting operational efficiency through workshops and other collaborative efforts. These efforts help address frustrations among project personnel by aligning their goals and expectations with the overall project strategy, thus mitigating stagnation in project sanctions.



### **Engineering Completion**

Thorough development of Engineering deliverables and associated data review are essential for identifying and mitigating budget risks. Progression of Engineering discipline scopes prior to making a full construction decision helps avoid potential schedule delays by ensuring that all technical aspects of the project are thoroughly evaluated and clarified and that the costly portion of the scope, the actual Construction Works, are underpinned by solid and complete Engineering designs. By validating the basis of estimates and conducting comprehensive data reviews, mining projects can ensure that their budgets are accurate and realistic, reducing the likelihood of cost overruns, a key risk in the eyes of any financier. This proactive approach helps secure financial institutions' confidence, making them more likely to extend capital for new ventures. This ensures that the project stays on track and is completed on time, addressing concerns from lenders about the project's ability to meet deadlines and budget constraints.

### **Constructability Reviews and Construction Readiness**

Constructability reviews and construction readiness assessments help streamline project execution by identifying and addressing potential issues and site needs before construction begins. This reduces costs and schedules, ensuring the project stays on course and budget. These reviews also demonstrate a project's readiness to proceed with all key procurement and contracting commitments in place, helping to overcome financial institutions' reluctance to provide the necessary funding.

### **Systems & Tools Integration**

Most financial institutions want to see that project developers have all of the requisite systems and tools in place prior to proceeding with a loan in order to ensure that project oversight and governance are maintained throughout execution. These systems and tools, while vital to the success of on-budget and on-time project delivery, can be very costly, especially for Junior Mining Companies. This places yet another hurdle or barrier to entry in the way of project developers. The ability to track, drill into, and ultimately address deviations from control budgets and baseline schedules is mandatory in today's Project Management environment, and traditional lenders have identified their value as well.

### **Start-Small Mentality**

Once all other hurdles to project development have been cleared, often a shift in approach is required for mining companies to ultimately get their projects off the ground. Rather than taking the traditional approach of maximizing Net Present Value and Internal Rate of Return, regardless of the required CAPEX budget to achieve these numbers, mining companies need to approach things from the mentality of "what is the most optimal project that I can build with the available capital." The days of being able to raise billions of dollars for mega-projects are no longer viable, and the industry has shown in recent years an inability to complete these types of projects on time and on budget. Rather, mining companies must now consider how they can get themselves into production and generate their own free positive cash flow with the minimum amount of lending. Once the asset is generating revenue, the ore body and mill recoveries can be better understood and optimized, allowing for a succession of expansion projects in order to achieve the ultimate production throughput and project economic basis without over-extending companies during the initial project financing.





## Addressing Common Challenges in Managing Capital Projects

Managing capital projects in the mining industry involves tackling various challenges, including navigating uncertainties, ensuring design consistency, and maintaining effective governance. This requires focusing on managing costs, quality standards, risks, team alignment, communication, infrastructure needs, and on-budget project delivery.

### End-to-End Project Support

Comprehensive services from project initiation to completion are essential for ensuring that all aspects of the project are effectively managed. This includes project oversight and governance, team development, independent project reviews, and assistance with project execution. Such support helps maintain momentum and avoid the stagnation that frustrates project personnel and hinders innovation.

### Seasoned Expertise

Experienced professionals with a deep understanding of the common challenges faced by capital projects can provide valuable insights and guidance. Their expertise ensures efficient and effective project management and project controls, addressing lenders' concerns regarding project complexities and uncertainties.

### Effective Governance & Communication

Effective governance and communication are critical for ensuring all stakeholders are aligned and the project progresses smoothly. This involves facilitating team alignment and seamless communication for mine owners and executives. Clear and consistent communication helps mitigate the impact of geopolitical uncertainties by ensuring that all parties are informed and prepared for potential changes.

## Embracing the Solution. Partnering for Success.

The mining industry faces numerous challenges, particularly when accessing capital and navigating geopolitical uncertainties. However, mining projects can overcome these obstacles and achieve success by adopting a multifaceted approach that includes diversifying funding sources, cultivating strategic partnerships, and implementing robust risk mitigation strategies.

TMG's comprehensive services provide the expertise and solutions to address these challenges effectively. By leveraging TMG's holistic approach to project management, mining projects can ensure optimized budgets, efficient timelines, enhanced safety and compliance, streamlined execution, and effective risk management.

In the mining industry's ever-evolving landscape, TMG is a trusted partner ready to navigate the complexities and deliver results that exceed expectations.

### Engage with a TMG Professional Today

Don't let talent shortages hold your mining operations back. Connect with a TMG professional today to discover how our tailored solutions can address your unique challenges and propel your projects toward success. Reach out now and secure the expertise you need to stay ahead in the mining industry.

**SPEAK WITH AN EXPERT**

