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Australia-Africa Mining Industry Group



AAMIG Presentation

Cash Crises Management

1 May 2014

Agenda

- + Current challenges - junior miners and explorers
- + Good cash management
- + Cost reduction opportunities
- + Key takeaways

Current challenges - junior miners and explorers

- + Constrained working capital and restricted access to capital markets
- + Exposure to commodity price volatility
- + Cost competitiveness vs overseas countries
 - Technical expertise
 - Cheaper operating costs
- + Realign focus from Revenue/Production to Costs/Productivity
- + Strong leadership required to implement change
 - Acknowledge existing environment through timely changes in exploration & production activities
 - Be more resourceful
- + Align shareholders' interests with director's/management's interests
 - Remuneration packages vs increasing shareholders' wealth
 - 'Skin in the game'
- + Credibility at risk when expectations are not managed
- + Raising equity at discounted prices

Good cash management

- + 3 way integrated forecasts
 - Forecasting and monitoring
 - Sensitivity analysis
- + Conserving cash
 - Plan for a 'rainy day' (i.e. minimum cash requirement over 18 - 24 month period)
 - Cash culture
- + Non-core assets / projects
- + Optimise construction of projects
 - Staged approach to plant construction
- + Consider the need for care & maintenance during downturns

Cost reduction opportunities

- + Exploration activities
 - Negotiations with suppliers
 - Suspension of activities until conditions improve
- + Head office overheads
 - Location of premises
 - Directors and employees
 - Remuneration packages
- + Travel expenses

Key takeaways

- + Ability to identify changes in market conditions quickly and adapt through:
 - Strong leadership
 - Flexibility in planned mining and exploration activities
 - Implementing a rigorous cash culture
 - Cost reductions
 - Eliminating ‘sense of entitlement’
- + Access to capital markets (debt and equity) - available for those with ‘skin in the game’
- + Streamlined operations:
 - have greater chances of survival during a downturn; and
 - will be better positioned for success when market conditions improve
- + Most important factor in attracting investor interest - solid project fundamentals

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Q&A