

INVESTING IN AFRICA: 2019 SEMINAR SERIES

LOCAL CONTENT & YOUR SOCIAL LICENCE & THE BALANCE
SHEET EFFECT

27 March 2019

WELCOME AND OVERVIEW

Topics to be covered today

Government Expectations

- What is meant by SLO
- Why is it important

Local Content

- What is the thinking behind local content requirements?
- Current Trends

The reality on the ground

- Regulation versus community
- Government versus community
- Capacity versus expectation

Technology as a tool

- Demystifying SLO with tech solutions
- Tech Demo

Accounting for intangible value in mainstream filings

- What is the balance sheet effect
- The cost of not having a SLO

INTRODUCTION

TODAY'S PRESENTERS



KRISTA BATES
Partner and Head of Mining & Resources
Lavan

T +61 (8) 9288 6920
E krista.bates@lavan.com.au



IAN CAMPBELL
Director
PwC

T +61 (8) 9238 3276
E ian.x.campbell@pwc.com



DANIELLE MAXWELL
Construction Administration Manager For CCS JV
MC Dermott International –

T +61 (8) 439 936 748
E Danielle.Maxwell@mcdermott.com



ROBERTA MOLSON
Product & Implementation Manager
k2fly

T +61 (0)
E Roberta.M@k2fly.com



WILLIAM WITHAM
CEO
AAMEG

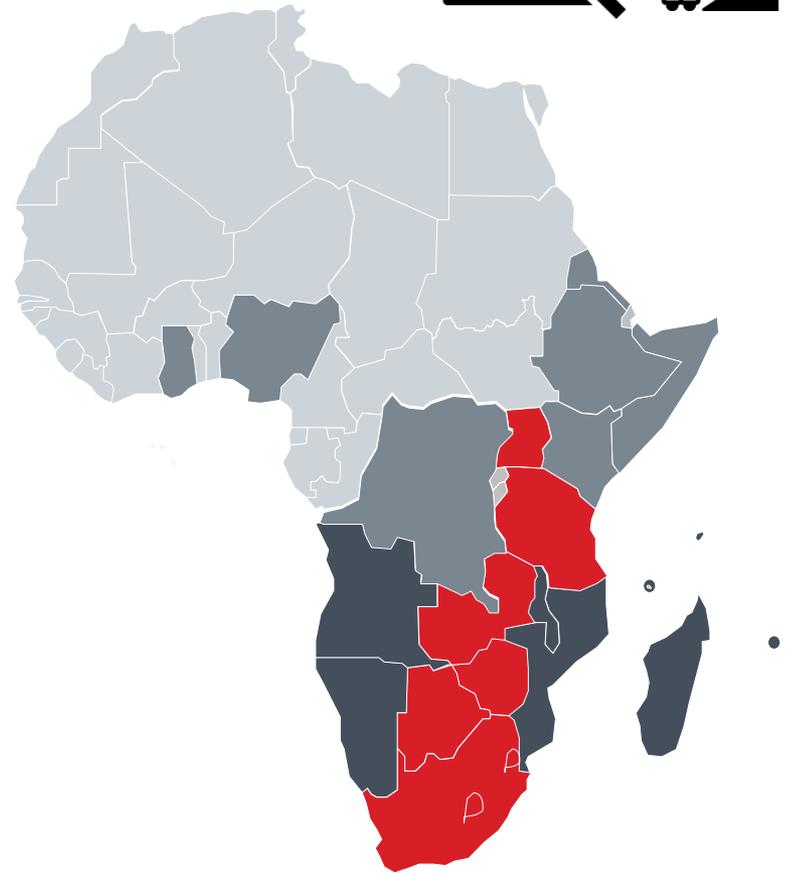
T +61 (0) 417 097 172
E william.witham@aameg.org



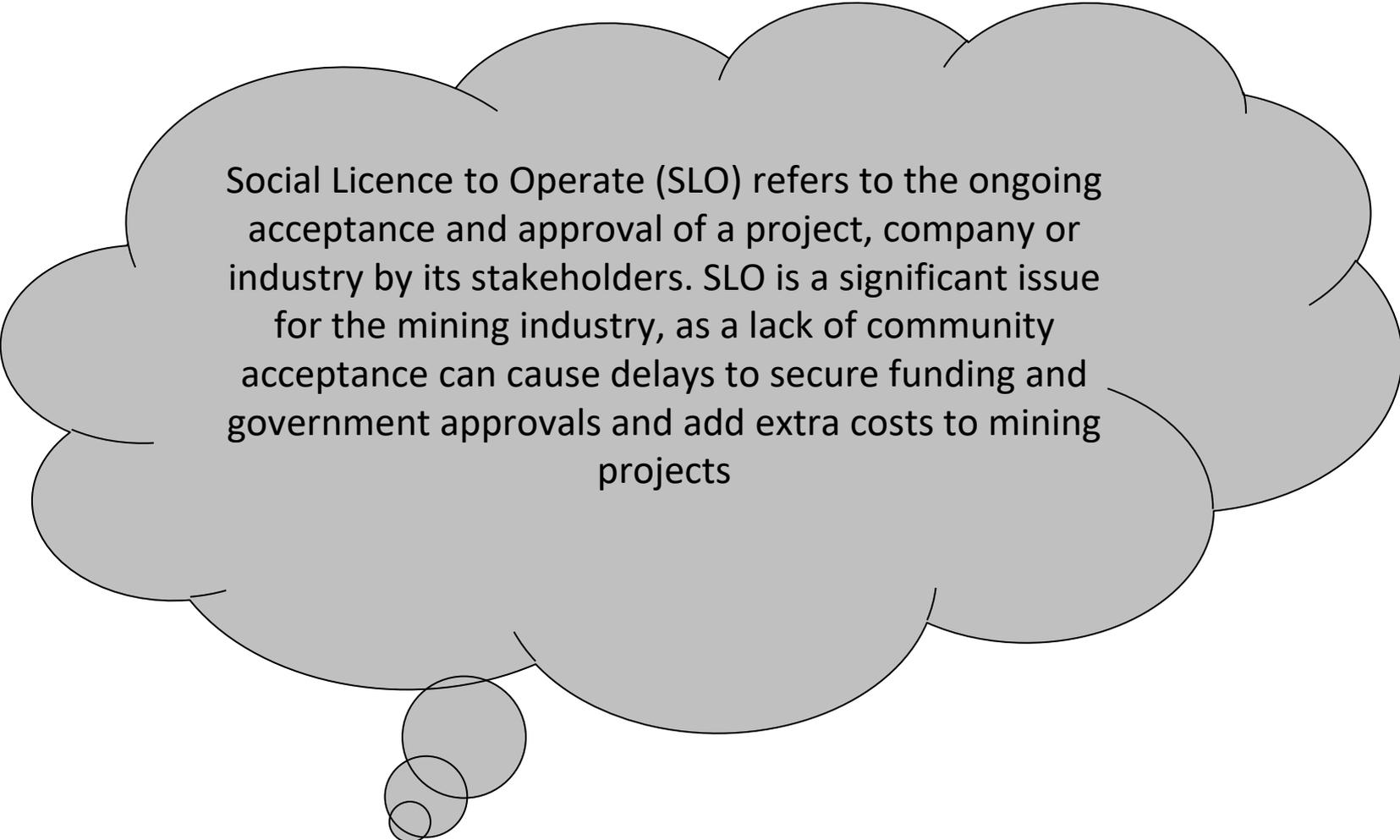
CASE STUDY

Mighty Mining

- ASX listed holding company
- Mandated to increase investment / explore for new opportunities across sub-Saharan Africa
- New entity in each country to undertake operations
- Entering highly regulated sector in Africa
- In various phases (exploration, development and production) in various jurisdictions



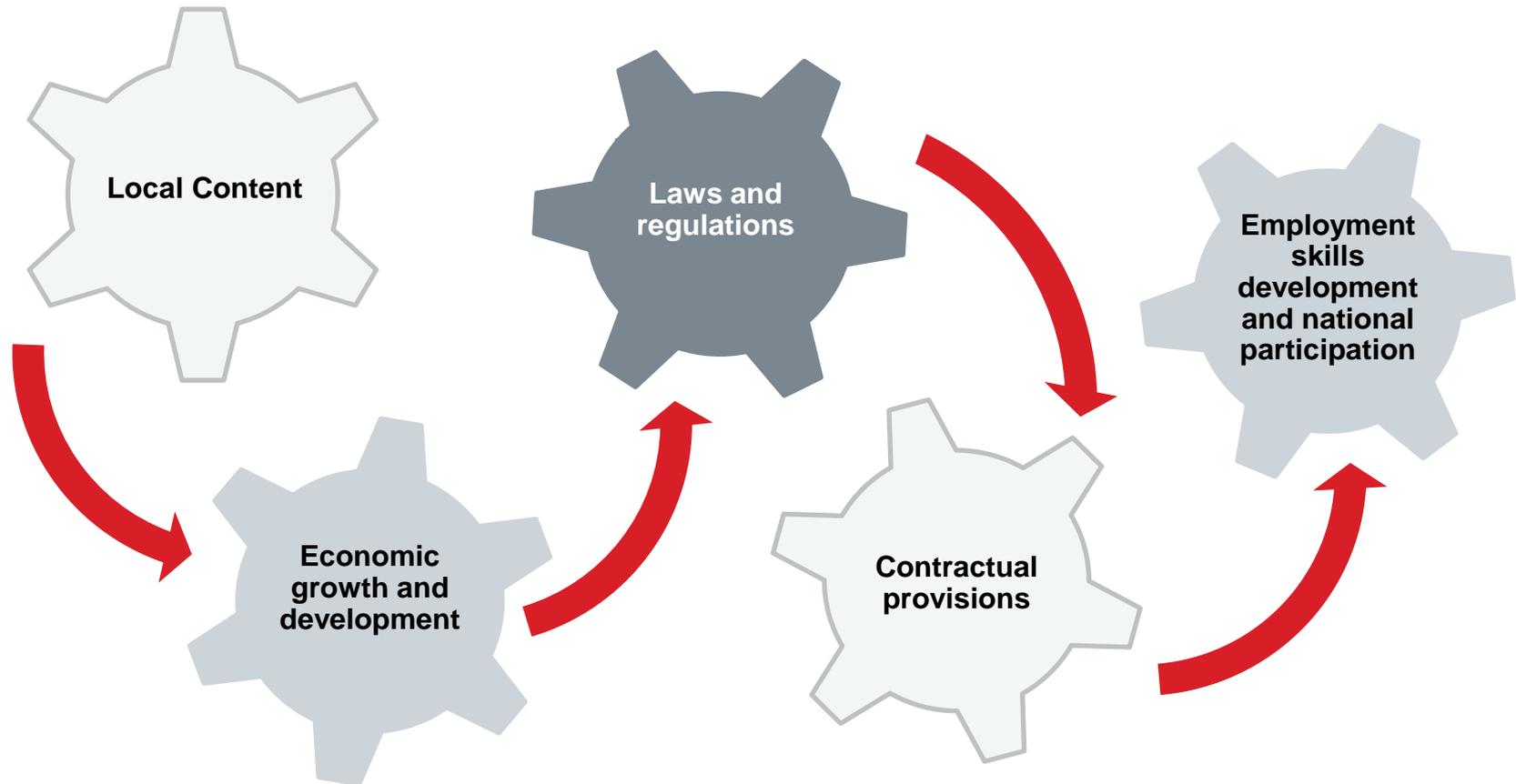
SOCIAL LICENCE TO OPERATE



Social Licence to Operate (SLO) refers to the ongoing acceptance and approval of a project, company or industry by its stakeholders. SLO is a significant issue for the mining industry, as a lack of community acceptance can cause delays to secure funding and government approvals and add extra costs to mining projects

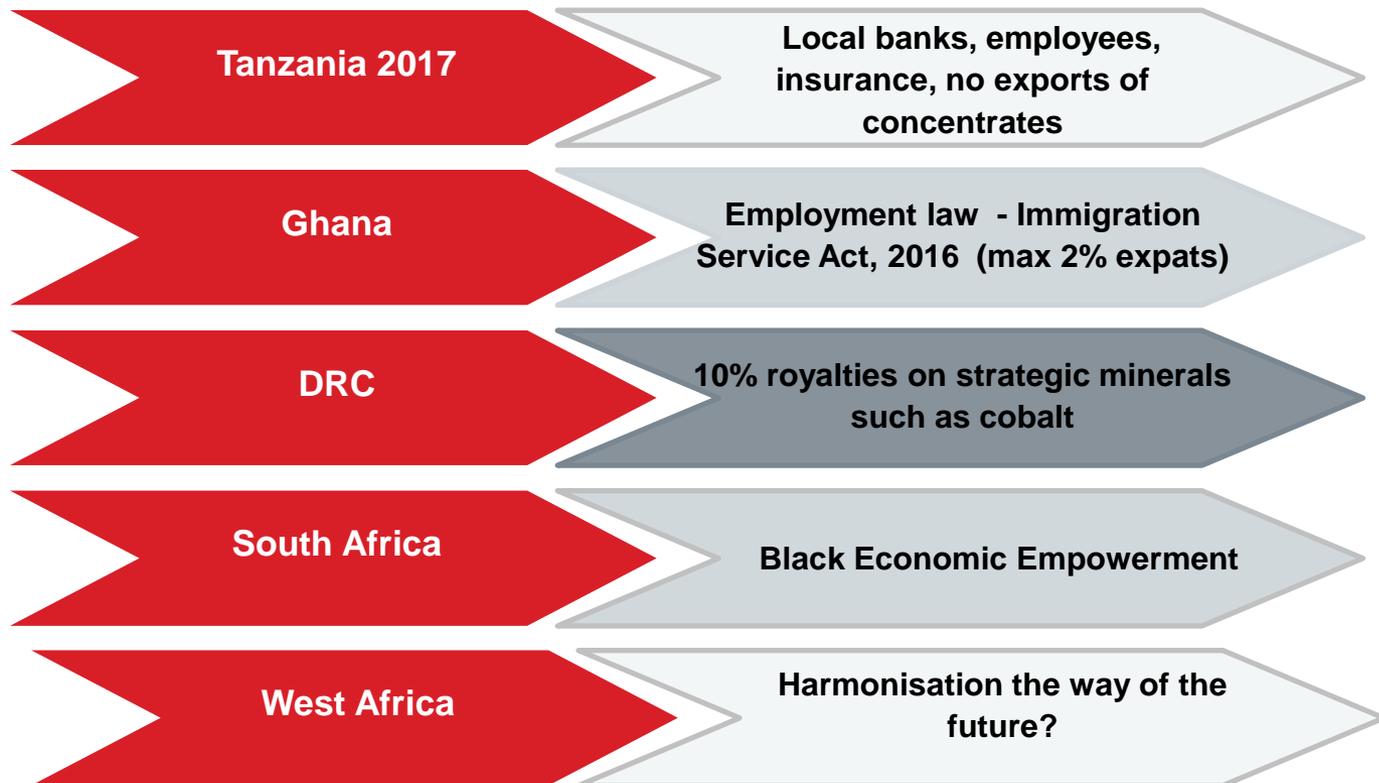
INVESTMENT

Critical pathway to economic development



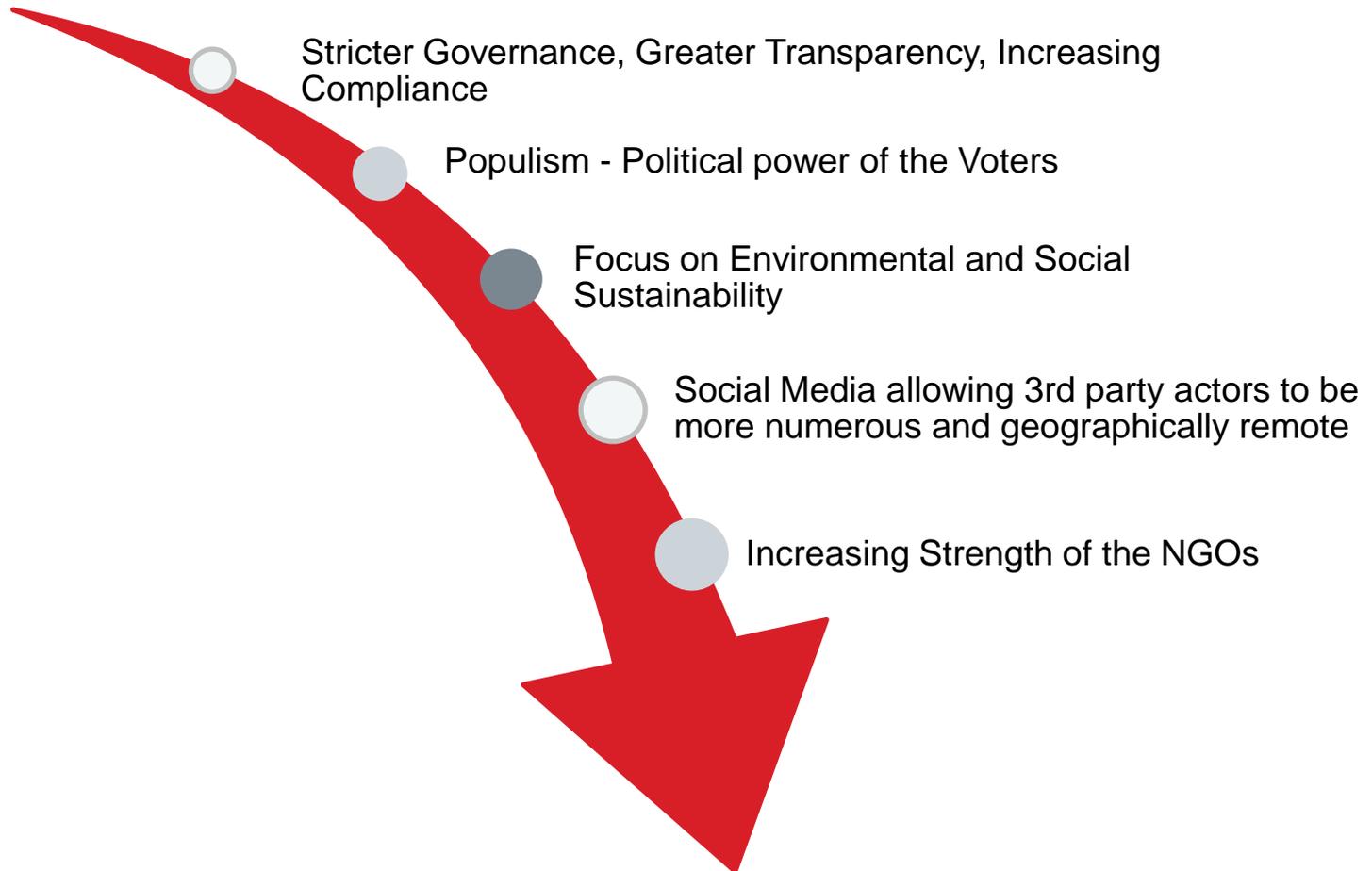
EXAMPLE OF AFRICAN GOVERNMENTS' RESPONSE

Continental trends re Local Content requirements



SHIFTS IN GOVERNANCE

Focus on Sustainability



Influencers on a mining company's SLO

Countries, world bodies, states, financial & commodity markets, civil societies, other institutions



BUSINESS AND GOVERNMENT RESIDENCE

SLO is here to stay, onus is on companies to earn it!





CASE STUDY

Mighty Mining

What were the challenges for Mighty Mining

Exploration

- Acquired exploration licences
- Commenced initial exploration without community consultation
- Artisanal miners refused access midway through exploration programme
- Police involved, shut down activities, requested payments for security services

Development

- Undertook feasibility study with certain water requirements
- Assumed access to local aquifer
- Local community aided by NGO lodged objection to development proposal
- Development funders pulled support as approvals delayed

Production

- Failure to provide support tangible benefits to local community
- Did not use local suppliers when available
- Community blocked transport of product
- Government threatened to pull mining licences

THE REALTY ON THE GROUND

Regulation v's
Practice

Government
v's
community

Capacity v's
expectation

Protectionist
Policies

Lobby
groups

Project affected
persons

Entitlement
mentality

Political
stability

Civil society

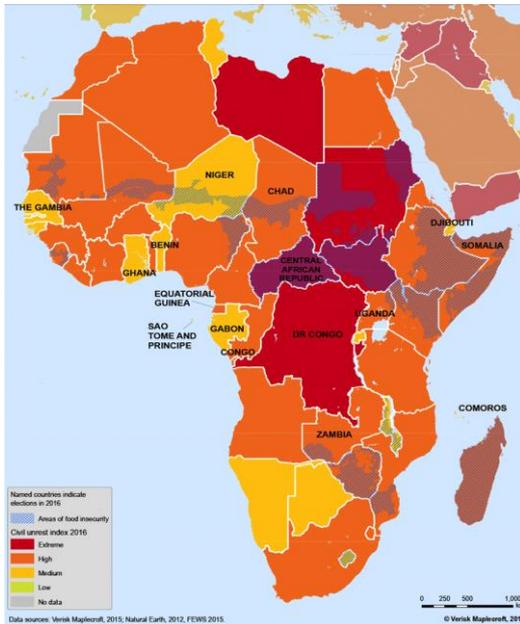
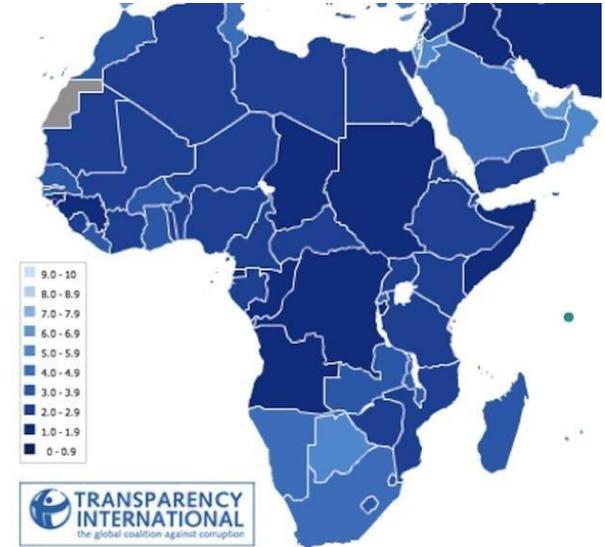
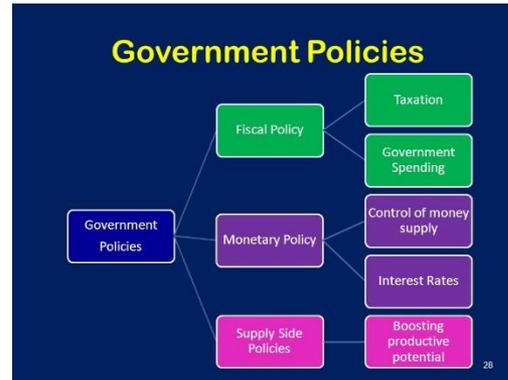
Perception
of Company
obligations

THE REALITY ON THE GROUND

Regulation versus practice

120 LAVAN

Representing
Western Australians
for more than 120 years



THE REALITY ON THE GROUND

Government versus Community

Lobby groups with political influence

Wealthy individuals with political influence

Politicians with business interests

Project affected communities

International Regulatory Bodies

Civil Society groups



Who holds the balance of power?



CASE STUDY

Mighty Mining

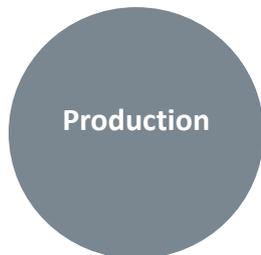
What were the practicalities for Mighty Mining



- Entitlement mentality drove Government Approvals process which eroded corporate reputation
- Failed to keep records of engagements and efforts to find local partners



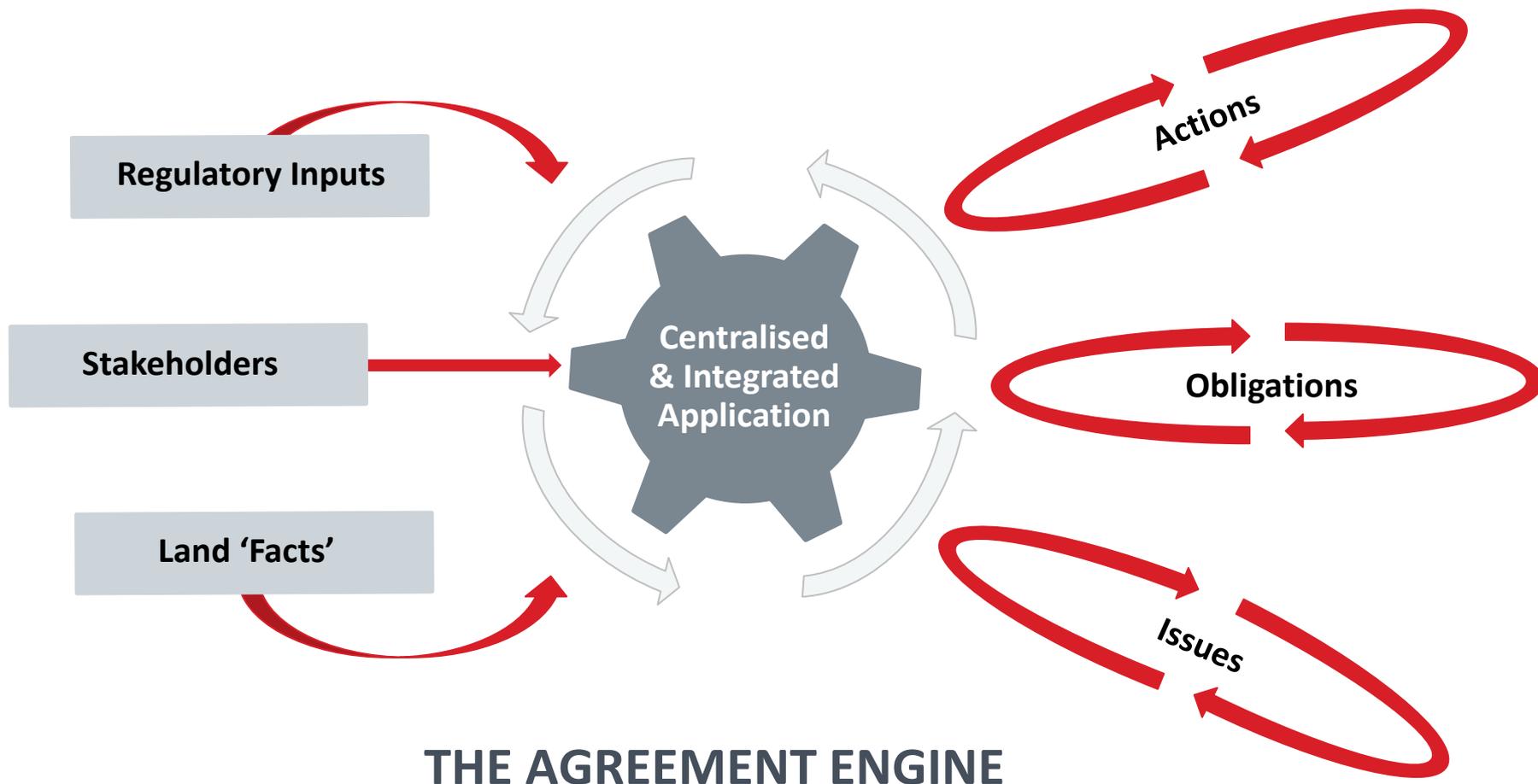
- Development Plan approved by Government not well understood by implementing agencies – constant battles with Agencies and Ministers resulting in suspension of Work Permits
- International Regulatory Authorities investigate “compliance” issues



- Local Lobby groups influence Government and push Local Content Policy into Law – Mighty Mining is always playing “Catch Up”
- Government temporarily suspends Mighty Mining’s Operations due to non-compliance with the new Law

DATA INTEGRITY TO CORPORATE INTEGRITY

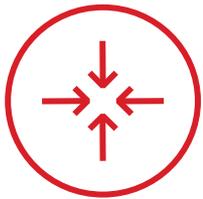
SUPPORTING SOCIAL LICENCE WITH TECH



THE AGREEMENT ENGINE

DATA INTEGRITY TO CORPORATE INTEGRITY

SUPPORTING SOCIAL LICENCE WITH TECH



SLO drivers

- Controlling the controllable
- The discerning network of stakeholders
- Legitimacy through engagement & transparency
- Credibility through consistency & accountability
- Trust through partnerships
- Accuracy and responsiveness



Business benefits

- Integrated systems and processes → integrated messaging
- Elimination of information silos
- Cost and risk reduction
- Data 'value-adds' present opportunities for collaboration
- Employees empowered to act with integrity
- A tangible pathway to the intangible social license

Search... Back to results

Mr Yoweri Museveni (President)

Activity Areas

- Uganda (Country)
- Link Existing Activity Area

Document: Minerals and Africa's Development

Recently viewed

- Document: Minerals and Africa's Development
- Person: Mr Yoweri Museveni (President)
- Activity Area: Siquiri Mine (Mining Project)
- Activity Area: Water for Life Uganda - Rain water catchment, filtration and training (NGO Project)
- Person: Mrs Lynda Margaret Burnett (Managing Director)
- Activity Area: Days for Girls Program - Ayago (2015) (CSR Project)
- Activity Area: Yatele Mine (Mining Project)
- Activity Area: Uganda (Country)

Document Type	Sub-Type	Categories	Status
Report	Industry Research	Mining & Resources Sector	Current

Author
The International Study Group Report

Doc Management Sys Ref

Internal File Ref

Abstract

Link
[African-Mining-vision-report.pdf](#)

People Organisations Communications Additional Info Assignees Workflows Documents Activity Areas

Agreement Details Agreement Terms History

Extended related items

Activity Areas

- CSR Demo 1 (CSR Project)
- Days for Girls Program - Ayago (2015) (CSR ...)
- Iduapriem Mine (Mining Project)
- Kitgum-Pader Base Metals Project (Mining P...
- Morila Mine (Mining Project)
- Obuasi Mine (Mining Project)
- Sadiola Mine (Mining Project)

Relationship(s)
overlaps or has common border with (1)

Activity Area: CSR Demo 1 (CSR Project)

Title
CSR Demo 1

Type(s)
CSR Project

Description
Lorem ipsum dolor sit amet, consectetur adipiscing elit. Pellentesque ullamcorper elementum nulla porta id. Phasellus facilisis ex augue, a dapibus dui fermentum ex. Nullam ornare eget arcu vehicula sodales. Proin tempor suscipit ipsum eu

Search... Back to results

Days for Girls Program - Ayago (2015)

People Documents

- Days for Girls Program Briefing
- Minerals and Africa's Development
- Uganda Snapshot
- Link Existing Document...
- Multimedia



CASE STUDY

Mighty Mining

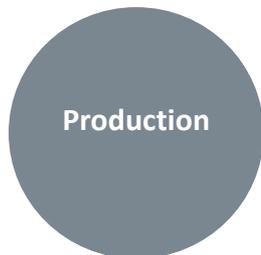
What were the practicalities for Mighty Mining



- Decided to hire in a local consultant
- Local consultant requested funds for unspecified community liaison
- It was unclear what those activities were and delays continued



- Funders agreed not to pull support if Mighty Mining could “get this under control”
- Mighty Mining recognised they needed an intelligent framework in which to work, but how to start?



- Mighty Mining spent millions reviewing local content requirements and financing various local initiatives
- Left hand right hand, an environmental obligation was breached
- Despite significant CSR programmes, permit threatened to be cancelled

ACCOUNTING FOR INTANGIBLES

What is an intangible?

- A controlled resource that lacks physical substance

When is it recognised?

- Separable from the entity or arising from legal rights
- Probable that future economic benefits will arise
- Cost can be reliably measured
- Higher bar for internally generated assets vs purchased assets
- Special dispensation for exploration for resources

How is it measured?

- Initially at cost (or initial fair value in a business combination)
- Can only be revalued if active market
- Depreciated over its useful life
- Subject to impairment assessment

RECOGNITION IN PRACTICE

	Internally generated assets	Purchased intangibles	Acquired in a business combination
Separable/arise from legal rights	Often not met	Typically met	Key question – need to identify all assets
Probable that economic benefits will arise	Additional requirements so rarely met	Depends on nature	Always satisfied
Cost can be reliably measured	Can be challenging to capture	Nearly always met	Almost always
Proportion recognised	<5%	30% – 50% (can be part of other assets)	50 – 75% (Remainder in goodwill or resource)

APPLICATION TO 'LICENCE TO OPERATE'

	Internally generated assets	Purchased intangibles	Acquired in a business combination
<i>Examples</i>	<i>Training, donations, social engagement, government engagement</i>	<i>Social investments, marketing programs, sponsorships</i>	<i>Brand, mining licences, exploration rights</i>
Separable/arise from legal rights	Typically no	Typically yes	Yes
Cost can be reliably measured	N/A	No direct benefits	Always met
Probable that economic benefits will arise	N/A	N/A	Often, otherwise goodwill



CASE STUDY

Mighty Mining

What were the practicalities for Mighty Mining



So....

How important is this issue?

Support your project, get it right!

Questions?

Follow us on Twitter: [@LavanTweets](https://twitter.com/LavanTweets) 

Follow us on LinkedIn: [Lavan](https://www.linkedin.com/company/lavan) 