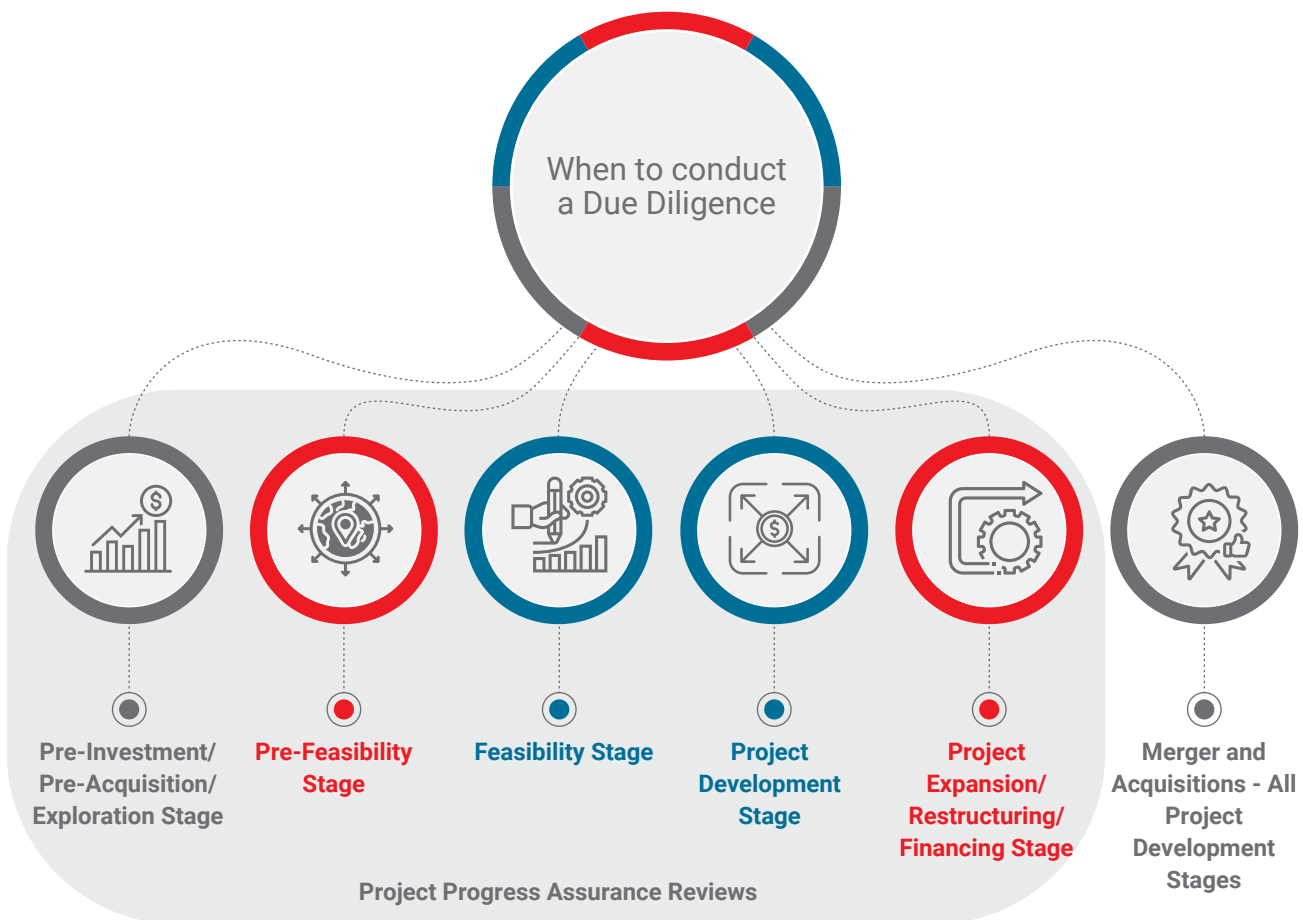


Industry Insight on Due Diligence Exercises

When is a due diligence conducted?

A due diligence in the mining industry is conducted at various stages or at any stage of a mining project's life cycle. The timing of when it is performed may vary depending on the specific circumstances and objectives of the stakeholders involved. A due diligence is often performed prior to the investment of a large capital amount into a mining project, on demand by the project-owner board members to ensure funds are not wasted, or more often, it is conducted to ensure project integrity as a condition to the possible acquisition of or partial investment in a mining project. Here are some key stages where a due diligence is commonly conducted:





- **Pre-Investment / Pre-Acquisition / Exploration Stage:** Performed prior to investment, acquisition, or the commencement of exploration activities in the mining industry. In the case of investment or acquisition, it entails a thorough examination of the project's geological technical aspects and its attractiveness in terms of yielding a potential economic Mineral Resource in the future to assess its feasibility, risks, and potential value. In the context of exploration, it involves exploration strategy decisions relating to the regional and local geological character of a project area and would consider all the exploration stages including decisions relating to conducting geophysical studies, soil sampling programmes, pilot drilling programmes as well as Mineral Resource drilling programmes. This stage enables stakeholders to make well-informed decisions regarding the pursuit of investment, acquisition, or exploration endeavours.
- **Pre-Feasibility Stage:** At this point, the project has progressed beyond early exploration activities to the proving up of Mineral Resources, and a more comprehensive evaluation of its technical and economic viability is necessary. The focus of the due diligence process includes assessing geological data, Mineral Resource estimates, conducting metallurgical testing, outlining preliminary mine plans, evaluating infrastructure needs, and performing an initial financial analysis. The due diligence is used as an independent external review of the study to ensure there are no gaps or fatal flaws.
- **Feasibility Stage:** A due diligence is crucial during the feasibility stage of a mining project. It involves conducting a comprehensive assessment of the project's technical, financial, and operational aspects. The due diligence process includes Mineral Resource estimation, detailed mine planning, Mineral Reserve estimation, infrastructure evaluation, environmental impact assessment, metallurgical testing, and a thorough financial analysis. The findings from this stage are used to determine the project's feasibility and make a decision on project development.
- **Project Development Stage:** At this stage, a due diligence involves a comprehensive evaluation of the project's technical plans, infrastructure requirements, mining methods, and processing techniques. The purpose is to ensure that the project is progressing according to the established technical parameters, identifying any potential issues or areas for optimisation, and aligning with regulatory requirements.

- **Merger and Acquisitions Stage:** A due diligence is a critical step in the process of acquiring or merging mining companies and is usually a pre-requisite (with a favourable outcome) to any transaction being approved. It can happen at any time during a project's lifecycle. It involves assessing the technical capabilities, Mineral Resources, Mineral Reserves, infrastructure, and operational aspects of the target company. This evaluation helps the acquiring party understand the potential synergies, risks, and value of the transaction, influencing the negotiation terms and decision-making process.
- **Project Expansion / Restructuring / Financing Stage:** When existing mining projects undergo expansion, optimisation, or restructuring, there is often a need to conduct a due diligence. This evaluation aims to identify opportunities for increasing production capacity, enhancing operational efficiency, or implementing new technologies, or even potentially extending the life of an aging operation. Its purpose is to ensure that the proposed changes align with the project's technical requirements and objectives.



It is important to note that a due diligence may be conducted during any stage of the life cycle of a mining project, from early exploration to final closure. Regular updates and reassessments may be required to compensate for changes in project conditions, market dynamics, regulatory frameworks, or operational factors.

The specific timing and frequency of due diligence exercises will depend on the specific needs and objectives of the stakeholders involved, as well as the stage development of the mining project.

