



# Tools for rapidly identifying underperforming areas of your operations in the rising cost environment

## Introduction

The operating ecosystem in mining is complex, dynamic, and challenging to operate in. This is particularly so during times of significant change, such as the present labour shortage and escalating cost environment which are straining operating margins and increasing financial risk across the resources sector.

In these circumstances we consider now a critical time for mining companies to ensure they have a strong grasp of their assets' potential and limitations and are able to readily assess actual performance relative to what should be achievable. This should include quickly identifying any underperforming assets, with a view to rapidly focusing

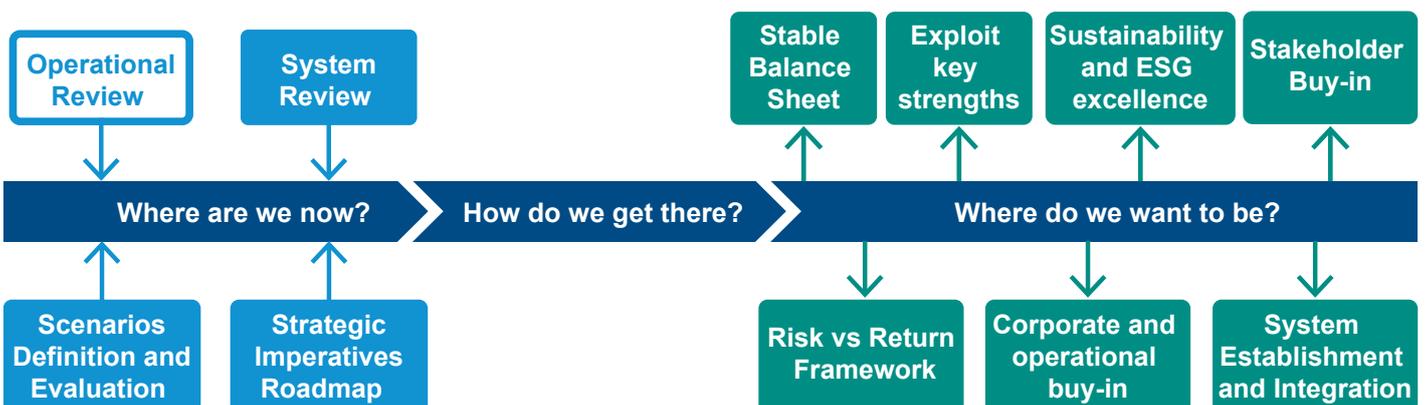
technical, operational and management resources on solutions to stabilise and optimise operating and financial performance.

## RFC Ambrian's Tool Kit

From our experience across the industry, we have developed a flexible operational assessment toolkit that enables management to readily identify critical focus areas which drive operational performance.

A well-executed operational review can provide valuable insight as a standalone project or as a key component of a broader strategic business planning process.

**Figure 1 – Generalised Strategic Business Planning**





## Questions addressed during operational assessment

### What does peak performance without capital look like?



- Operational fundamentals are typically a key driver of performance
- What have my operations shown themselves to be capable of?

### How close to peak performance is the asset operating?



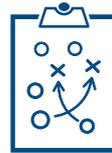
- How often am I near this peak? Why or why not?
- What are the drivers and constraints and their impact on the options and opportunities available to the asset?

### How can the asset get to the peak without significant capital or undue risk?



- Identify priority challenges – heavy focus on areas of significant underperformance or upside potential
- Set the appropriate plan for focus areas to improve performance, unlock value and manage risk without burden of internal prejudice.

### How achievable are the current plans for the asset?



- Will budgets be achieved and are they realistic (not too low or too high)?
- Where are the high value remedial targets that can be prioritised and identified as “best-practice” for implementation and socialisation?

### What might the full potential of the asset be?



- Identify the full value potential and determine the pathway to achieving it with maximum flexibility and sustainability
- Ensure short term optimisation ties in with a full understanding of long-term impacts on full potential – is the asset on the pathway to value?



We subscribe to the view that “you can’t manage what you can’t measure” and have seen how lessons from mature manufacturing organisations can be beneficially applied to the design and management of operational processes on mines. This can narrow the focus to high impact areas and institute changes to ensure that your business processes are delivering on their potential.

The approach we take is highly flexible and can be seamlessly adapted to a range of objectives and individual scenarios. It is equally useful for understanding operational health during “business as usual” times as it is to the question of “why isn’t my operation working properly?” or even in support of a potential transaction. Which is to say, it’s always a good time to know your asset better and there’s always something useful to find out that you didn’t already know.

### **A little more about RFC Ambrian’s approach to the hunt for achieving full operational potential**

RFC Ambrian’s methodology provides:

- a structured approach to assessing overall operational and business health and potential using a powerful statistical approach not typically applied in the mining sector combined with a qualitative analysis of operating performance and drivers;
- an irrefutable view of performance and what you can achieve with the resources that you have at your disposal today;
- practical, factual feedback to use with the asset operators and managers to drive positive change and value; and
- opportunities to identify broader problems that destroy value in the business, such as systemic-style issues or lack of budget realism.

With our deep technical, operational and commercial background we see getting “Operational 101s” right as a significant and fundamental driver of value, which led us to adopt a bottom up “building block” approach to reviewing assets. This can be described as the “Pathway to Value”.

**“I used RFC Ambrian as the lead external advisor for the Anglo American Asset Review because I knew their commercial-technical perspective would ensure that the multi-disciplinary team’s focus was not too narrow.”**

– Mark Cutifani, CEO of Anglo American

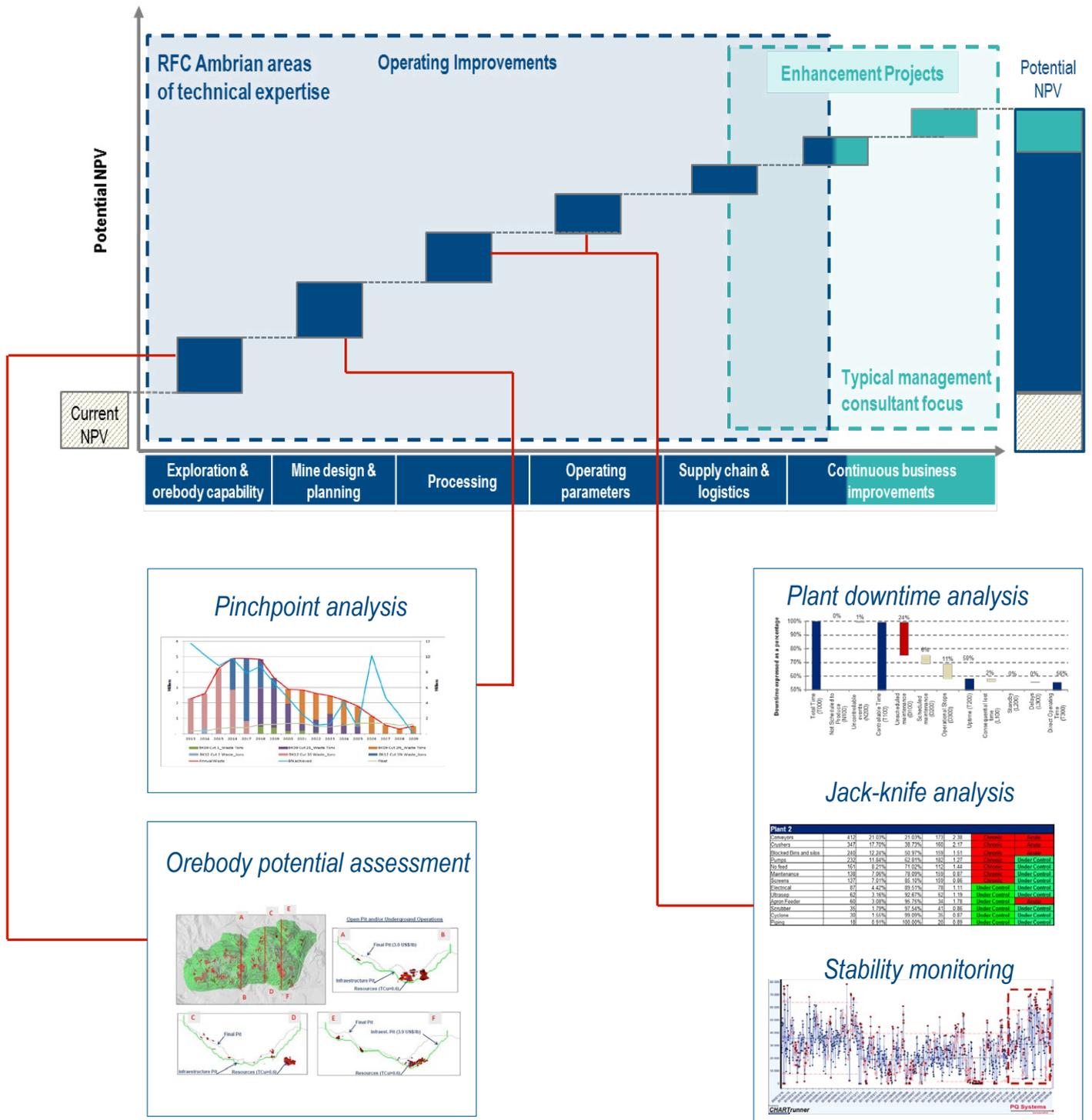
Within the Pathway to Value we seek to broadly analyse current and forecast performance levels of the mine as well as improvement potential, and while a key aspect of the design of the exercise is to support the assessment of a realistic budget and potential future production, it is not the single source to predict future performance.

The Pathway to Value is interpreted and enhanced by our expert opinion and broader information derived from the operational analysis, with key factors for success including:

- Obtaining a good data set
- Selection of suitable timeframe for the analysis
- Proper interpretation and qualitative assessment of site-wide operational fundamentals.

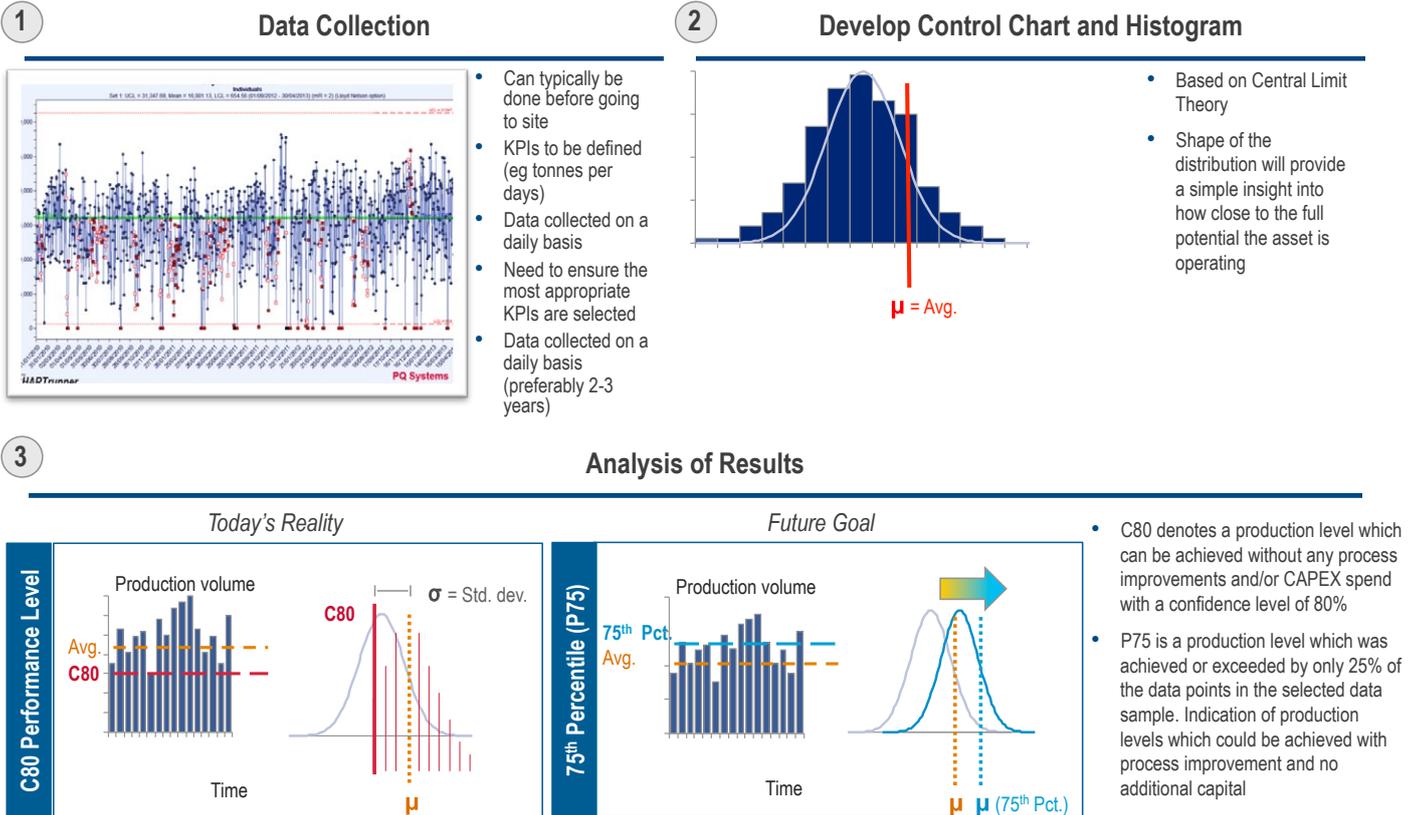
The Pathway to Value is set out below in Figure 1 with a small selection of the possible interrogation exercises shown to illustrate the practical, technical and operational lens through which the operational analysis is conducted.

Figure 1 – Pathway to Value



The qualitative (and often quantitative as well) investigation and analysis is further supported by statistical analysis to provide objective views to complement and augment the expert insights (see Figure 2).

Figure 2 – Statistical Analysis Overview



This approach, like any operationally-focused assessment, does benefit greatly from access to site but it also lends itself particularly well to a more non-invasive style if necessary, where hard data, site reports and documentation, and targeted remote-interviews with senior management or technical personnel can form the backbone of the analysis or inform an initial hypothesis before undertaking any site-based investigations.

The operational analysis framework allows, (and indeed, encourages) frank and open conversations with key personnel. This collaborative approach is a key plank in distillation of necessary changes down to a bespoke, practically actionable, high impact plan which is then introduced while the team is open to, and has the energy and willingness to effectively implement, the necessary changes.

Rather than simply providing an off-the-shelf playbook we seek to ensure successful outcomes by partnering with clients to provide the necessary support for the implementation, maintenance, and ongoing mentoring of the program. In this way the likelihood of achieving sustainable and meaningful improvements in business and operating practices, culture, cash flow and bottom lines, and ultimately, value, can be maximised.



## ABOUT US

# RFC Ambrian

RFC Ambrian's team blends corporate finance experience with strong technical expertise and knowhow across a range of commodities and disciplines. We have visited, analysed and assessed over 200 mining and oil & gas assets valued at over US\$30bn, in 61 countries and across 30 different commodity types. We have undertaken exercises of this nature for a variety of clients, including global diversified major Anglo American, in support of a variety of objectives.

To learn more about our approach to these exercises and how they can assist you in better understanding and operating your assets please [contact the team](#).

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