

RETHINKING YOUR BUSINESS

Questions to consider in your
response to the global health crisis

As a result of the pandemic, BDO have adopted a three-stage model to help you manage business priorities, address issues and leverage thinking: React, Resilience, Realise. These stages can be considered separately, or as a part of a roadmap to help you manage throughout the COVID-19 impact. The model provides a practical approach to helping you assess what issues you are likely to face throughout the COVID-19 pandemic and recovery.

REACT

Safe-Guarding Your Business: The way in which your business responds to the initial impact of the COVID-19 crisis, minimising the catastrophic effects on its business operations, employee safety, supply chain and ongoing financial viability.

Business recovery



- Have you considered the benefits of forming and / or activating a cross-functional team and explain the situation; listen to the team's opinions and concerns; have them help create the action plan?
- Have you considered what the business's short-term needs are and established a plan for moving forward?
- Are you conducting an "all employee" communications on a regular basis?
- Have you created a financial plan based on new assumptions, including using the stimulus package(s) available?
- Have you established a communication strategy for key customers and vetted counter parties

Explorers facing liquidity challenges, valuation dips



- Have you considered the possibility of partnering with a Producer?
- Would streaming or other financial arrangements be suitable to help fund the business?

Financial modelling, forecasting



- Have you modelled the impact of reduced/increased commodity prices?
- Have you modelled the impact of cost reductions, budget cuts?
- Do you understand the cash flow issues that you are going to face?
- Are you comfortable that you will be able to pay debt obligations?
- Will you have decreased access to capital?
- Will you need to navigate debt restructuring or bankruptcy proceedings?

Government support programs



- Are you aware of all available economic stimulus opportunities for financial relief?
- Are you aware of changes to financial reporting deadlines?
- Are you aware of changes to tax filing & payment deadlines?
- Have you considered potential resurgence of climate action?

Opportunistic or forced transactions



- Have you considered the possibility of take private considerations where your market valuation is depressed?
- How will you take advantage of M&A opportunities that will arise?

Business continuity plan



- Do you have a current crisis response plan?
 - Does your business continuity plan consider stakeholder management & communication?
- Have you contemplated the impact of reduced demand for minerals/metals due to manufacturing reductions or stoppages, resulting in commodity price uncertainty?

Supply chain management



- Have you assessed the security of your critical supply chain?

Cost optimization



- Have you assessed areas where costs can be reduced?
- Have you undertaken a business process improvement review?
- Have you developed an innovation/automation agenda?

Employee health & safety



- Have you assessed the implications for workplace safety, spread prevention?
- Have you assessed possible remote working options, staff augmentation?
- Who is responsible for developing working around travel restrictions?
- Have you completed your planning and implementation of layoffs, furloughs, workforce shortages?
- How are you addressing the impact on employee morale?
- Are you prepared for a reduction of employee productivity?
- How are you protecting the business from the increased cyber risk due to WFH?

Funder support (ie: equity markets, PE)



- Have you assessed the implications of supply chain disruptions including for equipment and raw materials?
- Have you assessed the risk of counter party defaults / contract liabilities?
- How have you prepared for the potential increase in the level of cyber attacks?
- What will be the impact on your business of continued global unrest and pressure?
- Are you able to maintain/implement ESG programs on a reduced budget?

RESILIENCE

Embedding resilience and keeping your business running: Maintaining business operations during 'lockdown' disruption using techniques that allow people, processes and information systems to adapt to changing patterns.

Supply chain management



- What actions have you taken to optimise supply chain costs?
- Have you assessed alternate sourcing considerations to mitigate future risks?
- What impact might supplier and customer defaults have on your business?
- Have you performed critical infrastructure maintenance?
- What steps have you taken to assess counterparty risk management?
- What impacts might arise from lack of control in non-operated positions?
- Have you assessed the risks arising from continued global unrest and pressure?

Finance department resilience



- Are you prepared for any liquidity challenges?
- Have you considered and modelled cost reductions and budget cuts?
- How are you adapting to changing investor expectations?
- Who is responsible for debt repay or refinancing decisions?
- Have you undertaken revenue impact forecasting and cash flow analysis?
- Have you managed to minimize total tax liability? Have you considered M&A impacts & considerations?

Business model resilience



- How are you preparing for a period of uncertain commodity prices?
- What plans do you have for operational efficiency, cost optimization?
- How have you assessed overall impact measurement?
- Have you reviewed assets and potential asset sales including land and/or equipment?
- Have you reevaluated new capital projects?
- Who is responsible for developing the strategy to get back in action?
- Would there be a benefit in refocussing your core business strategy on highest performing products and/or services?

Enhanced business continuity planning



- Are there any opportunities to fortify strategic partnerships and mitigate partnership risks?
- What strategic partnerships might offer maximum business impact?

Remote working strategies, tools



- Have you considered the benefits of a remote operations centre to reduce employee risks?
- Have you explored the benefits of using autonomous vehicles and other equipment?

Regulatory compliance



- Are you impacted by critical minerals regulatory reviews?
- Will your business be impacted by increasing climate change considerations?

Accelerating digital transformation



- Have you reassessed and bolstered cybersecurity alongside new digital initiatives?
- Have you assessed your innovation/automation agenda?

Human capital management



- Have you considered the benefit of implementing agile employment strategies with on-demand staff?
- Have you considered the benefits of building a remote operations centre?

Forensics, dispute management



- Have you implemented fraud identification/prevention programs during changes to remote working arrangements?

Strategic M&A



- How will you take advantage of M&A opportunities that will arise?
- Have you considered how best to leverage your strong balance sheet?
- Have you undertaken a market assessment of what possible transaction synergies may be available in the market?

Access to funding for growth



- Do you have access to sufficient funding to allow you to build for the long term?
- Have you explored the use of royalty and streaming arrangements?
- Have you considered divesting non-core assets?

Cost structure



- Do you have an ongoing process to continue to look for cost savings opportunities?
- Have you assessed whether any changes are required to your budgeting and forecasting systems and processes?

REALISE

Returning to work and succeeding in a 'new normal': Applying the learnings from key resilience activities and continuing to adapt. Successfully adapting to new business models and ways of working needed to address essential and obligatory political, economic, socio-cultural, and technological changes.

Strategic M&A



- How will you take advantage of M&A opportunities that will arise?

Accelerating digital transformation



- Have you resumed investment in digital initiatives to further improve efficiencies and reduce cost?
- Have you assessed the benefits of developing a digital twin of your mine?

Cyber security



- Have you considered the need to reassess and bolster cybersecurity alongside new digital initiatives?

Longer term corporate vision



- How is the business adapting business models to changing customer expectations and metal/mineral demand in light of changing technologies and manufacturing trends?
- Have you assessed possible investments in innovative energy sources for remote operations, such as solar and small modular nuclear?

Regulatory environment evolution



- Have you identified compliance gaps and inefficiencies?
- Are you prepared for increased regulatory scrutiny?
- Are you ready to capitalize on additional legislative opportunities?
- Have you reassessed and strengthened ESG and CSR programs?

Supply chain optimization/redesign/tech



- Do you have a team looking at supply chain optimization & strategic sourcing?
- Have you considered the establishment of global employment or procurement centres?

Advanced technologies (AI, IoT, Robotics, 5G, Extended reality)



- Have you assessed the opportunities available from autonomous mining vehicles and machinery?
- Have you considered the potential to use IoT and digital device linkages within mining operations (underground, pit)?
- How are you going to adopt technology to improve virtual communication between head office and the minesite?

Data driven decisions



- Have you considered the use of management dashboarding based on real-time data collected through IoT linkages within mining operations?
- Have you considered the increased use of remote monitoring technology?
- Who is responsible for identifying opportunities for preventative maintenance?

Taxation of the digital economy (TOTDE)



- Have you reviewed tax and transfer pricing policies based on changes to TOTDE?
- Do you understand and have you modelled OECD tax policy changes and royalty rate reviews with local governments?

Health tech, medical tech



- Have you adopted effective contact tracing and other health risk mitigation protocols?
- Have you assessed the benefits to the business from health and medical technology?

Data privacy legislation



- Have you identified compliance gaps and inefficiencies?

Sustainability strategies



- Have you appointed anyone to be responsible for ESG to drive share price performance and investor confidence?

Revised market sensitivities, go-to-market strategies



- Have you capitalised on supply chain optimization & strategic sourcing plans?
- Have you reviewed your hedging strategies?

Business model transformation



- Have you started to assess the opportunity for product and/or service expansion?
- Will you adopt live budgeting/mining planning processes, Digital FP&A?

Access to funding for growth



- Have you modelled the opportunities that could be taken with access to additional capital?
- Will you take advantage of funds that are currently available in the capital markets for mining companies?

CONTACTS



Sherif Andrawes
Head, Global Natural Resources
sherif.andrawes@bdo.com.au



Bryndon Kydd
Leader, Global Mining
bkydd@bdo.ca



Catherine Bell
Global Natural Resources Manager
catherine.bell@bdo.global

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