

# Preserving shareholder value through asset conservation\*

Today's unstable global credit markets and diminished project finance options make it challenging for mining companies to raise funding for ongoing exploration and development projects – even those which, despite a market decline in commodity prices, demonstrate good medium to long term prospects.

During the current economic downturn, asset conservation is emerging as a short to medium term strategic option for corporate management or boards of directors to preserve shareholder value. Following an assessment of possible financing solutions, it may be necessary to consider the rapid curtailment of exploration and/or development activities. By conserving cash resources, the company will have a better chance to weather the current downturn. Other alternatives should also be considered, such as the sale of the business or strategic partnerships.

This fact sheet explores a variety of business issues related to asset conservation, explains how PricewaterhouseCoopers (PwC) can help as your independent financial advisor, and outlines matters to consider when implementing an asset conservation program.



## Your issues

- Tight/unavailable credit or public markets
- Challenging commodity prices
- Negative operating cash flow
- Sustainability of current projects (exploration or development)
- Troubled/concerned suppliers
- Debt payments or renegotiations required
- Potential covenant defaults
- Weakening of working capital
- Communication required to board, officers, public and other stakeholders

## How we can help

- Independent financial advice and assistance to develop and implement an asset conservation plan, including:
  - Analysis of the current status of all exploration and development projects
  - Comprehensive cash flow modeling to understand current cash burn, as well as alternatives and contingencies
  - Understand capital and project commitments
  - Develop options for conservatory measures
  - Analysis of cost reduction plans
  - Balance opportunities to increase proven reserves to attract investors or lenders with cash burn implications
  - Supplier analysis and planning; support for negotiating
  - Lender analysis, including covenants, advice on market terms and liaise in negotiations
  - Consider alternative financing sources including private equity, EDC, sale/leaseback opportunities
  - Consider tax implications of curtailing expenditures
  - Comprehensive and clear reporting

## Benefits

- Conserve shareholder value, cash, and current value of exploration and development projects
- Minimize short-term project expenses
- Ability to compare strategic options and implement bridge solution until company can obtain permanent financing
- Understand supplier aspects and possible repercussions
- Understand potential current/future covenant and financial statement impacts now
- Communicate in a clear and informative manner with board, officers, employees, public and other stakeholders

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## PwC is the world's leading advisor to the mining industry

Our trusted advisors work with exploration, development, production and service companies to provide business solutions tailored to the mining sector. Leading mining companies recognize the value PwC brings to their businesses:

- PwC audits 45% of the Financial Times Global 500 mining sector companies
- PwC audits a leading 37% of Canada's top 40 mining companies
- PwC audits a leading 23% of the top 500 TSX/TSXV Canadian mining companies

Our Transactions Advisory Services team has extensive experience working with mining companies on all aspects of deals – on both the buy- and sell-sides, including financial due diligence, financing, valuation considerations, operational due diligence, and capturing deal value.

Our team offers a wealth of experience in matters relating to asset conservation strategy and beyond. We invite you to connect with us to discuss your unique needs:

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