

LIBERTY MINES

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CORPORATE BROCHURE



A comeback nickel

Interim CEO Jay Richardson talks to Gay Sutton about four months of change and improvement at Liberty Mines, and why the time is right for a new CEO to take the business forward as a successful nickel exploration and mining operation

When Liberty Mines was formed in 2005, it was to exploit the nickel deposits at the existing Redstone Mine just 20 miles south east of Timmins, Ontario, and to complete the exploration and development of the nearby McWatters Mine. Nickel prices were rising and the world was gripped by a voracious appetite for minerals to feed the growth in construction and manufacturing in China and other parts of the developing world. The mining industry was bullish and expectations were high, but the financial crisis at the end of 2008 put the brakes on that. Mineral prices plummeted as economies abruptly slowed around the world.

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For Liberty, the difficulties of the last few years highlighted a series of internal structural issues, and paved the way for change. After shutting down because of the metals price crash of the second half of 2008, Liberty initially was very fortunate in being able to effect a financial restructuring with Jilin Jien Nickel Industry Company Limited. JJNICL already had a position in Liberty from a prepayment it had provided in anticipation of concentrate purchases. JJNICL converted this to a more substantial investment to enable a restart of production and the refinancing transaction closed in spring 2009.

By the end of October 2010, however, the Shanghai listed mining giant (now the majority shareholder of Liberty) was concerned enough to call in the services of Range Corporate Advisors to report on Liberty's condition. From that moment, things began to move very quickly.

"We received the call October 26 and mobilized by the 28th of the month to report on our perception of the situation of Liberty: what was going on, what was going wrong, and what needed to be done to improve," explained Jay Richardson, interim CEO of Liberty Mines, and a partner at Range Corporate Advisors. "Our report was presented to the board on 7 November in both Mandarin and English after nine days of study, including the time taken to translate the report into Mandarin. The board met on Tuesday 9 November, terminated the services of the former CEO and then later in the same meeting appointed me as interim CEO. The next morning I was on the plane to Edmonton to take up the reins."

Speed was of the essence and Richardson's background in finance and accounting, his experience of business improvement and turnaround as a former partner at KPMG, subsequent activities as a "company doctor", along with experience on the board of over a dozen public companies primarily in the mining industry, made him appropriate for the task. So when he arrived at Liberty in November last year having already spent time with the key company personnel, he was able to hit the ground running.

"The most immediate thing, as is almost invariably the case in these situations, is to institute a system of cash flow planning and control, and we did this immediately," he said. Creating and embedding the system in a simple excel spreadsheet format, the company was very quickly able to see the present financial situation, and to project the financial situation going forward. "The predictability it has given us is a huge benefit. Staff at all levels have recognized how effective it is and have responded extremely positively to it. We have also been able to tell suppliers with confidence when they will be paid and this has restored confidence with them. Those who had put us on COD (cash on delivery)

have been prepared once again to provide supply on an open account and the relationships have improved immeasurably."

The second step in the turnaround process was then tackled and completed within a month of arriving at the company, and consisted of creating a budgeting and planning system for the next year. "This was the first time the company had a proper revenue and expense budgeting and planning system that could then be translated into an ongoing cash flow planning system, and it provided a calmer and more long-term cash flow planning for the next 12 months," Richardson said.

In parallel with this, Richardson has been rebuilding the battered relationships with his





that is going to be stronger in the future than it has been in the past,” he said. “Now, people are communicating more directly, openly and honestly, and are keen to just get on with it.”

The Liberty Mines sites are all conveniently located within 15 km of each other, and a new VP operations Jim Olive has been appointed to help guide the mining strategy going forward. The first element of the strategy is to continue the development of the adjacent ore body, a multimillion dollar project known as the Hart Mine. The second is to continue with exploration, the lifeblood of any mining business. The McWatters Mine, which currently produces around 1500 tons of ore a day, will continue as a working mine. However with Hart, which contains a more significant ore body

had not been anticipated. “It seems ironic to me that there was a decent operating manual for the mill and tailings pond, but it did not contain a word about operating in the winter conditions that are predictably encountered every year. As a result we’ve had stoppages and that has caused concern in the workforce and in the community,” he said. “So we’re putting every resource we have into finding a solution for that right now, and we have some of the best engineering people in the world assisting us.”

Looking to the future, the tailings dam will also need to be expanded, and the company is currently examining its options, ranging from the construction of a new dam through to increasing the height or extending the perimeter of the existing dam.

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suppliers, some of whom are international equipment providers, but many of whom are based in the mining community surrounding Timmins.

With a long and distinguished history in mining, Timmins dates back to the great porcupine gold rush of the early 1900s, and was the birthplace of some of that era’s legendary names—Hollinger Mines, whose name has more recently been associated with newspapers and Conrad Black in Hollinger Inc, McIntyre and Dome Mines. Since those heady gold rush days, silver, zinc, copper and nickel have been discovered in the surrounding area and the Timmins mining industry has thrived. Today, many of the older gold mines are once again being reopened, the high price of gold and significant improvements in mining, milling and refining technology making the residual lower grade ore economically viable.

“As a result, Timmins is tremendously sophisticated,” Richardson continued, “and has a level of mining expertise and services that is way beyond what you would expect from a small city of 50,000 people.” His approach to repairing the company’s reputation in this environment has been consistent, and has not relied purely on better accounting procedures and reliability. He

is a great believer in the value of the personal touch. “In every instance possible, I have been talking to suppliers who felt that they were in a tenuous position or had concerns. And indeed, I personally delivered cheques to them on many occasions because in a community like Timmins I believe it carries tremendous positive benefits.”

The reputation of Range Advisors, a business improvement company with a Chartered Accounting background, has also helped significantly in rebuilding confidence in the company. “It’s always a help to have this kind of change delivered by an outside party that is a professional organization with expertise, credibility and a reputation for integrity. People then know that if we say when they’re going to be paid, and how much, they’re not going to be negatively surprised.”

Business improvement, however, is not just a matter of financial control and reputation management; change management and internal attitudes also play a key role. Richardson has invested considerable time and effort to instil a collegial attitude across all disciplines of the company, and has encouraged the staff into team building exercises, supporting this with a clear message that it is no longer acceptable to play politics or operate in any other way than as a team. “Our message is that if you can modify your behavior, then you have a very bright future and career with the organization. And this is an organization

than McWatters, the plan is to continue exploration to a deeper level to extend its reserves.

At the Redstone Mine, Liberty’s oldest and also the location for the company’s mill facilities, the strategy is to invest in a program of deeper drilling that will extend below the current 1600 foot level. “In this region of Canada, the best ore is often found at deeper levels,” Richardson explained. “However, we recently encountered difficult ground conditions at Redstone, and for safety reasons we have put the mine on care and maintenance. If we can find a better ore body at a deeper level, we will be able to adopt a different form of mining that would be able to address all those safety concerns.” Finally, to complete the spectrum of exploration there will be an element of grassroots drilling to look for the next ore body. “We always need to be striving to replace our reserves and more.”

The past four months at Liberty may have been ones of management change but they have also seen operational challenges, and the cold weather has played a significant part in that. With temperatures frequently plummeting below -35 degrees, the deposition of tailings into the tailings dam has been badly affected. And the problems

With the financial structure of the company now in good order, the last piece in the turnaround jigsaw from Richardson’s perspective is to appoint an experienced mining industry CEO as his replacement. “We need to be going from a company doctor who is dealing with problems to a mining background senior executive who has all the experience in the world to be able to put this company’s mining and milling practices on the very best footing, and to carry it forward to the future.”

Characteristically, this final act is being managed with efficiency and speed. From a field of over 100 candidates 12 have been identified for the second round interviews. Then a short list of 4-6 will go forward to the Selection Committee of the Board and the likelihood is that by the time this article appears in print the new CEO will have been appointed.

“For me, this has been a very challenging but enjoyable experience,” Richardson said, “particularly because of the very supportive nature of the parent company. They have been tremendous throughout, even providing some of their own people to give additional opinions on the mill operations, the tailings dam and the mining operations. They’ve been first rate.” ●

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