

On the Need Today for Due Diligence in Small Mergers and Acquisitions for Investment in Mineral Exploration, Mining, and Brownfield Projects

by

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Large mergers and acquisitions have established procedures for conducting due-diligence evaluations of mining and distressed property projects valued at greater than \$50 million. Large companies must engage the large law firms and financial advisors, more for defensive purposes than out of necessity. With the trillions of dollars now sitting on the sidelines, and with the high prices of many mineral commodities and low cost of distressed real estate properties, qualified investors are presented with a dilemma.

When is this money going to go to work? Investment in brick-and-mortar shops, even in shopping centers or strips, have to count on the U.S. economy bouncing back quickly or the potential returns are not worth the risk. Such investments are not being made, so the money remains tied up.

Not in decades of business as usual in the U.S. and Europe have there been a better opportunity than now to invest in mineral commodities and/or distressed real estate properties. This is especially favorable during the unusual business cycle that currently prevails, and which is likely to last while the U.S. and European economies learn how to restabilize and regenerate the structure of their new economies.



Gold, of course, has always been a safe harbor during times of troubled economies, but other commodities are also available to serve the same role, albeit not so glittery. Silver, base metals including iron ore (and magnetite), some rare earths (but discounting China's current impact on the markets), and specialty commodities, such as many metals, potash, and phosphate, sulfur, the rare earth compounds, and uranium and thorium are only a few of the important commodities of the 21st Century.

There are a growing number of small companies that have large futures down the road. Although being "long" in any publically traded company these days is not recommended by many stock analysts and traders, they by their very nature are in them for the short term and for turnover. Many investors are turning to ways to short-circuit the stock market entirely by going directly to the mining company of interest. But to do this is a daunting activity unless they get help.

This growing number of potential investors often falls prey and come under the spell of promoters, who also are in the business of the short sale. Over the years, we have spent 1,000's of hours sorting through middle-men, promoters, and black-box purveyors of get-rich mining projects.

Out of each 100 projects presented, ten may be worth a look in greater detail, and then out of those, only one may reach and undergo production with profitability assured. The typical risks are high in such "small" projects primarily because of the high promotion involved. But if they pass the technical muster, these small projects have generated millions of dollars over the decades in profits distributed to the investors.

Small projects usually involve small consulting groups such as our group, I2M Associates, LLC because large consulting groups run up the costs significantly, if only because of the associated overhead and administrative personnel involved in these groups. The lower costs to provide due diligence studies do not mean lower quality advice. The trend is for the more senior mining consultants to break out of the large groups to form smaller groups with lower overhead and costs; this benefits the investor significantly in lower cost and increased responsiveness.

Risk management issues are at the core of a financially successful mining project. This involves a well thought out program implemented by a qualified, independent consulting group, one that has the capability and proven record of not only thinking within the box of appropriate procedures, but also of thinking out of the box when the opportunity is recognized and acted upon.

This may be as straightforward as determining when to sell out and when to stay with the project. Due diligence evaluations involve a host of screening techniques, ranging from investigating the company personnel and their consultants involved, to the veracity of the mineral reserve studies, the feasibility studies (including the metallurgical evaluations and the economic modeling) involved in any potential mining property.

The investor is best served by engaging a firm like ours (but not necessarily ours) to screen and search for potentially viable [mining projects](#). He (or she) should not attempt to do this themselves and should particularly avoid promoters, even if related to the family. They should pass these on to their consultant to handle, and only pass judgment on what their paid professional consultant has recommended, combined with the final test of whether even this advice appears to be of sound mind and consistent with their own investment objectives.



Similar issues are present in evaluating environmentally distressed real-estate properties. These sites are often referred to as Brownfields. They are similar to mining projects in that material (overburden and ore and contaminated soils) must be mined or excavated by heavy equipment (front-end loaders, bulldozers, trucks, etc.) and transported to a processing plant to remove the mined product (gold, silver, etc., or contaminated constituents), while afterward refilling the excavated pit with the mined overburden or clean soil.

A few years ago, I2M's experience in dealing with environmentally distressed properties came to bear when it was realized that contaminated properties where industry (or even old mines) operated for many decades could be rehabilitated at less cost, time, and effort than previously considered. This process would lead to the return of the property to a beneficial use of the land, such as a golf course, strip shopping centers, or public park, etc. Once they met state and federal environmental guidelines, they could undergo normal development as commercial real estate. This involves managing the planning, permitting and developing, not unlike the various phases of evaluating and operating a mining property. I2M personnel have demonstrated the feasibility and value of such projects.

As an example of a redevelopment project, a once-contaminated DuPont Chemical Company property is now a world-class [golf course](#) surrounded by new homes. I2M's current associations with national



developers can lead to the acquisition of quality, financially distressed real-estate properties. The focus of these efforts is often through viable and fully vetted joint-ventures with these

developers.

Whether the property is a mining or a Brownfield property, many investors looking to put their funds to work now have viable alternatives to the stock market and to the vagaries of dealing with promoters. We would encourage medium to small investors to engage a group like I2M (but not necessarily I2M) to put together a screening program whether it is to locate/evaluate a potential or ongoing mining project or a large or small Brownfields redevelopment property for prompt and efficient restoration as a commercial real-estate property.

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Mr. King received his Bachelor's Degree in Geology from Western Washington University and has over 25 years of technical and managerial experience in the natural-resource field. Mr. King has substantial management experience, has managed the operations of a mining company and large-scale redevelopment projects, and he has developed successful regulatory- and landowner-negotiation and public-relations programs. He also has conducted or directly managed all aspects of site permitting and financial and technical evaluations of mining properties for a major mining company. He also has founded, developed, and operated two successful companies.

He is licensed as a Professional Geologist in the State of Washington and is a member in the Society of Mining and Exploration (SME). Mr. King developed exploration and mining-process expertise in the late 1970s and 1980s. During this time, he worked for Companies such as Bethlehem Copper, Union Oil (MolyCorp) and the mining consulting firms of Watts, Griffis and McQuat (WGM), and Campbell, Foss and Buchanan, Inc. (CF.& B). This included gold-mining and gold-placer evaluations in the lower 48 states and in Alaska. In 1984, Mr. King was named Mine Manager of a gold and silver mine in Nevada. He served in that capacity until 1986 when he was named Vice President of Operations.

Between 1990 and 1998, Mr. King worked for the DuPont Company directing environmental projects in Washington, Oregon, Alaska, and British Columbia,

Canada. In 1998, Mr. King formed Pacific Environmental and Redevelopment Corporation to focus on large-scale projects involving the redevelopment of formerly environmentally challenged properties. In completing these projects, Mr. King has developed or managed a team of professionals and associates with experience ranging from environmental sciences to master-planned community and golf-course construction.

Mr. King co-founded I2M Corporation in 2007 and I2M Associates, LLC in 2010, and since then has worked on numerous mining projects worldwide, including NI 43-101 and CPR projects in the U.S., Australia, and elsewhere.

For additional information, see:

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Mr. Campbell received a Bachelor's Degree in Geology and Hydrogeology from The Ohio State University in 1966 and a Master's Degree in Geology and Geophysics from Rice University in 1976. Mr. Campbell has an extensive professional history in corporate and technical management and consulting for major international engineering and mining companies such as CONOCO Mining, and Teton Exploration, Div. United Nuclear Corporation, Texas Eastern Nuclear, Inc., and Pioneer Nuclear, Inc. Mr. Campbell was also the President for the mining and environmental consulting firm of Campbell, Foss and Buchanan, Inc., Houston, which provided management services to a gold and silver mining operation in Nevada in the 1980s, and conducted numerous evaluations on reserves and financial viability of gold and silver and other mineral prospects in the U.S. and elsewhere in the world.

He founded and managed three corporations, one during the 1980s and in the 1990s as the Managing Partner in the firm, M. D. Campbell and Associates, L.P. since the early 1990s. In 2010, he joined I2M Associates, LLC. He is well-known nationally and internationally for his work as a technical leader,

senior program manager, consultant and lecturer in hydrogeology, mining and associated environmental and geotechnical fields. Mr. Campbell has published three textbooks and numerous reports and technical papers, and has made presentations on a variety of technical topics in the U.S. and elsewhere in the world. (see [publications](#)).

Mr. Campbell is a Registered Member of the Society of Mining and Exploration (SME), a Fellow of the Society of Economic Geologists (SEG), a Fellow in the Geological Society of America (GSA), and is a Licensed Professional Geologist and/or Hydrogeologist in the States of Texas, Washington, Alaska, Wyoming, and Mississippi. He is nationally certified as a Certified Professional Geologist and Professional Hydrogeologist. He currently serves as Chairman, Uranium (Nuclear Minerals) Committee of the Energy Minerals Division (EMD) of AAPG, and served as President of EMD (2010-2011).

During the 1970's and 80's, Mr. Campbell worked under contracts from the U.S. EPA during the beginning of federal industrial regulation of RCRA and later of the Superfund program. He produced EPA guidance documents on water well technology, injection well technology and waste characterization and remediation. He served in senior management in a number of national consulting engineering and environmental consulting companies, such as Law Engineering (where he was appointed as the Corporate Hydrogeologist (Chief Hydrogeologist), in ENSR as Chief Hydrogeologist, and was appointed as the Regional Technical Manager for DuPont Environmental of the Southern District with line responsibilities for five departments (i.e., Geology, Environmental Specialties, Design & Construction Engineering, and Deep-Well Services). He also conducted numerous evaluations of mining operations and properties in the U.S. and overseas, including NI 43-101 and CPR projects in the U.S., Australia, and elsewhere.

For additional information, see:

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