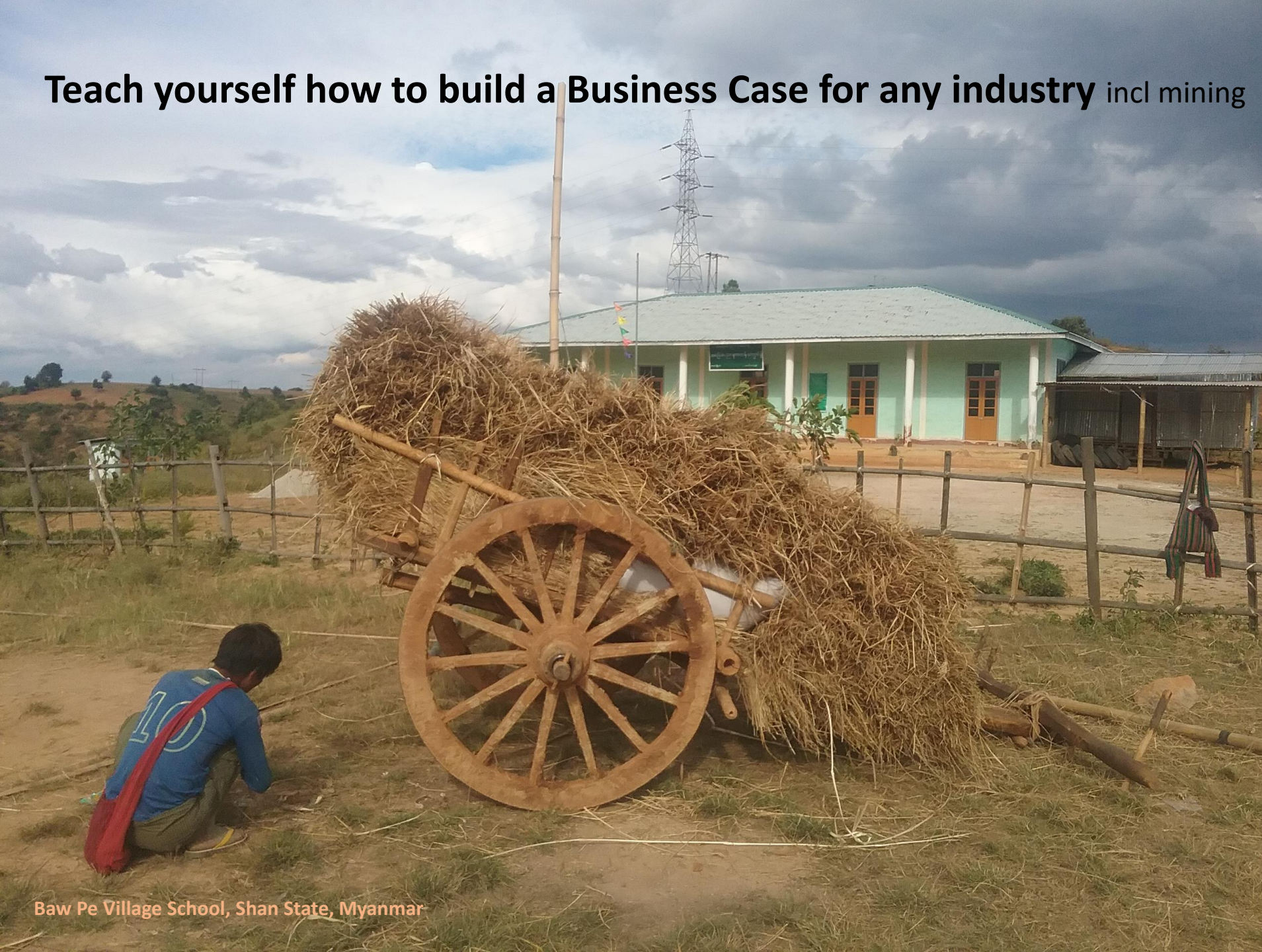


Teach yourself how to build a **Business Case** for any industry incl mining



**2a Five Steps
to evaluate a
Business/Project**

Spend only a few seconds/minutes on each page

This website contains opinions.

It may have errors so always check your own work
and have it audited by a competent person



Building a business case (economic evaluation) has activities on three levels ...

Level 3: Decision making

Now we look at the **most important, most challenging** and **most rewarding activity**:
Level 2: Using the 'workhorse' business model created in Level 1 to fully evaluate and understand the business/project.

Level 2: Evaluating the business/project

Level 1: Hands-on business modelling

To get things into perspective, modelling is the lowest level. It is the workhorse of the two higher and more important levels.



To evaluate the business in Level 2, generally you will undertake five steps ...

- **Step 1: Decide which business entity is to be evaluated**
- **Step 2: Create the hands-on model**
- **Step 3: Compute the basket of powerful economic measures: NPV, IRR, Payback, four cash streams, key drivers, break-evens, uncertainty, risk, optionality**
- **Step 4: Assess alternatives, flexibility, options, risks, the business, the industry**
- **Step 5: Interact so the decision makers “have their eyes wide open”**



Generally, you will undertake five steps ...

- Step 1: Decide which business entity is to be used
- **Step 2: Create the hands-on model**
- Step 3: Compute the basket of powerful economic measures: NPV, IRR, payback, four cash streams, key drivers, break-evens, uncertainty, risk, options
- Step 4: Assess alternatives, flexibility, options, risks, the business case
- Step 5: Interact so the decision makers “have their eyes wide open”

Inexperienced people tend to rush to complete Step 2 wrongly thinking that announcing their first version of NPV is their big moment of glory.



Generally, you will undertake five steps ...

Steps 3 & 4 are where you properly get to understand the opportunity and look outside the more obvious business configurations. It is where you consider the whole industry and try to devise other pathways ... where you think laterally and creatively!

- Step 1: Decide which entity is to be evaluated
- Step 2: Create the hands-on model
- **Step 3: Compute the basket of powerful economic measures:** NPV, IRR, Payback, four cash streams, key drivers, break-evens, uncertainty, risk, optionality
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Step 5: Interact so the decision makers “have their eyes wide



And to be creative and divergent you will need to ...

Get up and away from your computer

Get out amongst your colleagues in the thick of the action

Teach yourself the drivers and intricacies of this business

Find out what others can contribute. Give them feedback. Keep them in your loop.

Get colleagues to audit their section of your model

Discuss, review and realign your evaluation work

Do this and you should get everyone on-side!
You should become a key person (not a 'backroom modeller')



Audits as you go ...

Our work in business evaluation requires hundreds of parameters to be incorporated into thousands of algorithms. As we progress we make refinements, additions and deletions to many, many cells and rows. Worst of all, we get interruptions during our intense modelling. There almost certainly will be errors.

Periodic self-audits and checking of the graphs should pick up most of your own errors, but it is a great feeling to be told by an outside auditor that the model is fine and the results are correct. **Audits are an essential and healthy part of business evaluation.**

- This means that every piece of your work is completed in the knowledge that someone will be auditing it.
- It must be set out so it is readily accessed, easily understood and quickly checked by an outside person.

Of course your evaluation model is more likely to satisfy those requirements if follows this website.

Becoming a key player ...

Your choice is to sit in a 'dark' office and pump out NPV's, or you can become a key player.

By constructively interacting with your colleagues, managers and clients they should recognise that your work is one of the keys to their success. They need to recognise that 'business evaluation' is as important as the marketing & selling, as the operations and production, as the technology and development, as the environment, as the accounting and legal, as the people and the community.

Most importantly, they should recognise you as the only person who brings all this together!

From Day1 , you must communicate constructively, openly and honestly.




So inside Level 2 there is likely to be five steps ...

Level 3: Decision making

Level 2: Evaluating the business/project

Level 1: Hands-on business modelling

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- **Step 1: Decide which business entity is to be evaluated**
 - Step 2: Create the hands-on model
 - Step 3: Compute the basket of powerful economic measures: NPV, IRR, Payback, four cash streams, key drivers, break-evens, uncertainty, risk, optionality
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In the next module we will work through Step 1 →



