

# NIFTY COPPER MINE

## Corporate Reputation and Identity Audit



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### 1. INTRODUCTION AND COMPANY BACKGROUND

#### 1.1 Introduction

Nifty Copper Mine suffered a “sinkhole” in April 2014 (Martin, 2014), extending from the surface to an underground shaft 200 meters below the surface which resulted in the Department of Mines (DMP) suspending operations and Nifty Copper Mine securities suspended from trading (ASX, 30 April 2014). Nifty’s Enterprise Bargaining Agreement allowed the company to stand down its workforce for 3 months without pay (Nifty EBA, 2011). On start-up, the mine changed employee conditions of employment which effectively added 23 shifts without additional pay, frustrating the workforce.

In May 2015, A contractor died underground after being crushed by a 1 ton rock falling from an open shaft draw point (Foster, 2015) for which Nifty mine was fined \$60K for negligence, having defended the initial DMP accusation of gross-negligence (DMP 2016) which would have been the first case in the Western Australian mining industry.

One year prior to the Nifty fatality, and one week after the fatal incident, a mine operating less than 50 km North of Nifty suffered a fatality in their underground mine (ABC News, 15 May 2015) causing negative comment by the Mines Minister Bill Marmion that the mines were reckless and being investigated. (Gartry, 2015)

Employee turnover increased to 82% per year with the local workforce belief that Corporate management was responsible for the mine’s poor operation, “life of mine” and high-risk workplace. (levers 2015)

Underground mines such as Nifty, generally pay above average wages (Mining Technology 2014) to attract employees in a northern WA, labour competitive mining environment.

#### 1.2 Company Background

Nifty Mine PTY Ltd has been staffed by an Indian Management team through its holding company Aditya Birla for the past eight years, mining copper ore which is processed into a copper concentrate, transported to Port Hedland and shipped to its refinery in India. (Intelligent Investor, 2014)

The holding Company values the specific type of copper concentrate due to the base silicon content which assists in the smelting process. (Aditya Birla 2014)

Nifty mine site incorporates a mission statement and set of values from its holding company Aditya Birla in which both are impressive and well defined. (Aditya Birla, 2015)





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### 2. CURRENT STATE ANALYSIS

#### 2.1 Information Sources

In order to conduct the reputation audit, many sources were reviewed including Aditya Birla's web site, Seek employee reviews, Nifty vs AWU commission hearing (Gartry, 2015) relating to the sinkhole and stand down, Nifty's and the DMP published fatal incident assessment, Minister for Mines and Petroleum Bill Marmion media comments, Nifty's annual board reports, ASX releases and Shareholder speculation.

#### 2.2 Current Identity

Aditya Birla's values are currently not adopted or supported by the Nifty workforce or site management team. (Ievers 2015)

Copper ore grade being mined has dropped from 6% per ton to 3% per ton with indications that the higher grade ore mining operations is either limited or in-accessible due to the sink-hole restrictions. This has reduced the effective "life of mine" from 15 years to 3 years pending discovery of additional high grade ore bodies. (Aditya Birla Minerals, 2015)

Aditya Birla believes that Nifty mines EBITA (Earnings before interest, taxes, depreciation, and amortization) is untenable and the board of directors has discussed the possible sale of the mine. (Aditya Birla Minerals, 2015)

Negotiations for a new EBA commenced in October 2014 (Aditya Birla Minerals, 2014) but without guidance as the whole of the Human Resources department resigned. (Ievers, 2015)

#### 2.3 Current Image

Nifty employees believe that life of mine to be less than 3 years and that management is "raping" what high grade is left in an attempt to make the mine look profitable. (Employee interviews, 2015)

Shareholders believe that the drop in share price is due to poor management. (AGM, 2015)

The union is concerned for the safety and well-being of employees at the mine.

### 3. CORPORATE CHARACTER ANALYSIS

Nifty mine site will be assessed in relation to the seven dimensions of corporate personality (Davies, 2004)

Note: Management scores are assumed by the Author having interviewed Aditya Birla's Head of Human Resources during a personal interview, with the Labour Force's perspective obtained from interviews with employees and AWU Union representative, DMP website, Data houses, job advertisements and media.

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### 3.1 Corporate Character Scale

View	Agreeableness	Enterprise	Competence	Ruthlessness	Chic	Informality	Machismo
Nifty Pty Ltd	5	6	6	4	1	2	4
Employees	1	2	1	7	1	2	4
WA Labour force	2	2	3	5	2	3	5
Shareholders	4	4	5	3	2	3	4
Potential Buyers	2	3	3	6	2	3	4
Mean	2.8	3.4	3.6	5	1.6	2.6	4.2

Figure 1 – Corporate character scores for Nifty Copper Mine

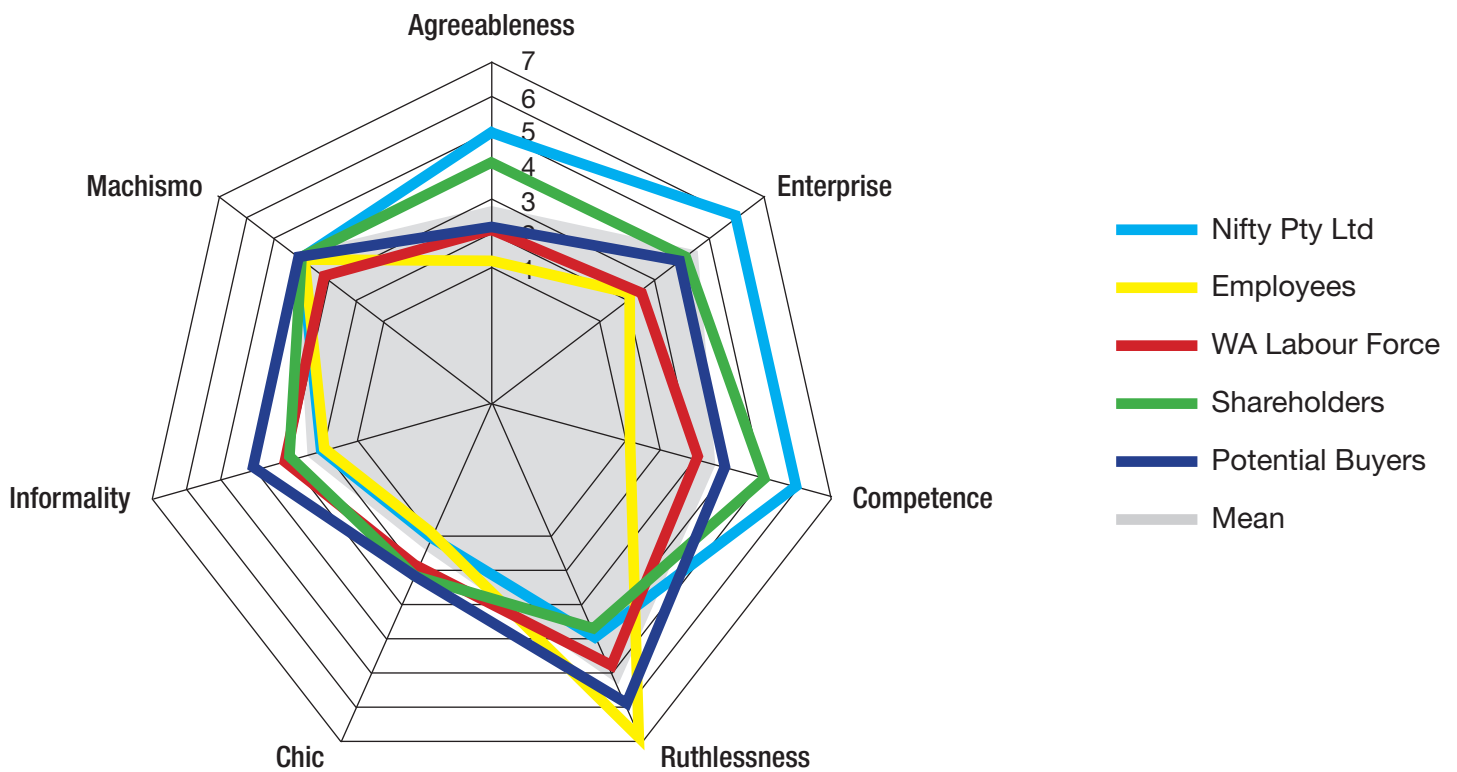


Figure 2 – Radar graph gap analysis for Nifty Copper Mine



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### 3.1.1 Agreeableness

- Nifty's image is suspected of being underhanded in its operations and market reporting. Shareholders have challenged management during shareholder meetings accusing management of not being forthright. (AGM, 2015)
- Nifty's management team is friendly, with a pleasant demeanour but guarded when discussing company issues. They show outward concern for employees but rely on legal interpretation to limit employee participation. (levers, 2015)
- The management team is reassuring to employees and shareholder alike, supportive when issues are agreeable but arrogant and directive when confronted. (AGM, 2015)
- The Company is legally honest so far as reporting is concerned but will often neglect to include pertinent information that could affect market perceptions of the company. (levers, 2015)
- They do not appear to be trustworthy and fulfill the minimum requirement for social responsibility. (Employee interviews, 2015)

### 3.1.2 Enterprise

- The Company employs modern techniques to stay abreast of market and technical trends demonstrated by competitors mining processes.
- Management employs bold decisions in maximising mining processes as well as experimental and innovative processes in maximising its copper processing yield.
- While management may be considered daring in its application of operational processes, it remains strictly within the legal guidelines or applicable laws.

### 3.1.3 Competence

- The Management team is hardworking, conscientious of its obligations to its shareholders but at times considered unreliable in providing market information. (AGM, 2015)
- Up-to-date technology is applied throughout the operations including documentation management.
- Known Market leaders in the positions of General Management and Head of Human Resources have been appointed to resolve current mine site employee relations and production outputs.

### 3.1.4 Ruthlessness

- To improve EBITA, management has reduced operating budgets at the expense of planned maintenance contrary to site management recommendations.
- Exploration has been stopped with the Geology department made redundant preventing the discovery of new ore bodies.
- Management meetings between site and corporate management teams have become authoritarian by nature. (levers, 2015)

### 3.1.5 Chic

- There is a lack of perception or messaging of a chic personality across the mine site.
- Nifty Copper Mine does not believe the mine is competitively rated according to chic trends and is based on operational functionality.





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### 3.1.6 Informality

- Operations is anything but informal with production being driven and reporting required directly to the CEO twice daily.
- Site Management tends to focus on excuses rather than opportunity.

### 3.1.7 Machismo

- The Nifty site is no different to other miners in that they employ rough and rugged operators suited to the environment.
- Corporate Management portrays an image of sleek accountants rather than competent miners.

### 3.2 Gap Analysis Insight

There is a clear gap between Nifty's self assessed image and that of its stakeholders, which would greatly impact on the Company's ability for continued production and a potential sales price, should the company proceed with a potential sale. There is a misalignment in agreeableness, enterprise, competence with a high level of ruthlessness.

## 4. RECOMMENDATIONS

### 4.1 Recommendations for future corporate communications strategies

The Company should employ a Corporate Communications specialist that will work closely with the Head of Human Resources to strategize and implement a series of change management initiatives to transform the company operations in conjunction with its public corporate profile.

The transformation should focus on :

- Nifty Employee engagement
- Demonstrated zero tolerance for un-safe working conditions
- Public image
- Life of mine expectancy (ore body mapping & accessibility)
- Shareholder engagement (Annual general meetings and newsletter)

## 5. CONCLUSION

While the sinkhole has been determined by experts to have been an unforeseen event outside Nifty's control (ABC, 8 Jul 2014) with crucial business decisions that followed preventing permanent mine closure, as well as the unfortunate and unrelated fatality that followed, Nifty's profile has suffered due to poor Corporate communications management.

With the understanding of Corporate communications and well placed strategic intervention, Nifty and its holding Company Aditya Birla can re-develop its corporate image. With due diligence, the mine can be placed favourably for negotiation around a potential sale to Metals X, with contractual continued supply of copper concentrate to its refineries.



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