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**AMANGO**

**PLC**

**Board Report on the key issues facing the company**

**By Team Westville**



**The CFO Junior**

**Competition**

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# Introduction

AMANGO GROUP MINING PLC, is a multinational mining company whose headquarters is based in London, England. Although AMANGO primary operates in the Republic of South Africa, formerly the country’s largest mining company, its financial information is quoted in US Dollars. A previous member of the world’s top 10 mining companies, AMANGO has lost a portion of its market control (notably commodity exchange), and is planning major company reforms, which include the disposal of a large number of Fixed Assets and Subsidiary companies situated across the globe.

The commodity market has become much more competitive over recent years, and many commodities have seen ten year lows in the market values as of 2016. AMANGO has also been heavily pressurised by its largest stakeholder, the Public Investment Corporation of South Africa, as well as South Africa’s government itself, with regard to new mining policies and restrictions on companies. AMANGO has also recently been downgraded to ‘junk status’ by rating agency S&P, leading to the development of the company’s 3 Year Viability Statement being produced, aimed at developing the company into the model designed by its board of directors for the future.

# Summary of Key Recommendations (In order of Priority)

5. The mine should remain closed until all safety issues have been resolved. This will appease the unions and employees of the mine and will prevent strike action from ensuing.

3. AMANGO should consider selling their Brazilian subsidiary to CMOC, which would be in compliance with their 3 Year Viability statement in regard to subsidiary reduction as well as further reducing the company’s Net Debt towards the target amount, using the income acquired.

2. An agreement with Cephas should be made within Quinta which would stipulate the number of native Canadians as a percentage to become executives or directors of the Joint Venture, to quell the unrest and gain a better Canadian market view.

1. The bonus system should be restructured in order to prevent subsidiary executives from unethically increasing their Operating Profits in order to receive higher bonuses.

4. AMANGO should consider selling the proposed 71% of its residential property portfolio to Black Economic Empowerment Properties. The $6,4 billion income that would be acquired from such a sale should be partially retained, partially used to initiate a share buyback and partially used to reduce the company’s Net Debt.

6. AMANGO should consider selling its Nickel and Copper Limited subsidiaries, as they do not occupy significant portions of their respective markets and make very little, if any, profits. This is also in compliance with the 3 Year Viability statement, in regard to the reduction of the business units, now coming down by a further 2.

(Please note that a quoted figure, followed by a (C-1/27) is a reference to a calculation, all 27 of which appear in the “Calculations to Reference” appendix.)

# Prioritization of Issues

# 

# Scenario 5: Operational Risk and Industrial Action in Australia

There has been a controlled shut down of one of AMANGO’s copper mines in Australia as a mineshaft had collapsed due to faulty geotechnical design. This shows that not enough time was taken to ensure that the plans for the mine were safe enough for the workforce to operate in but rather the designs were rushed in order to start production as fast as possible whereby putting the lives of more than 500 workers on the line.

Not only does this have a negative impact on workers, some of whom have lost their lives, but it has also attracted the attention of unions who threaten strike action unless a genuine commitment to safety in the mines is established. The mine is so focused on maximizing profits that it has employees working excessive hours of overtime which also has a negative impact on safety. Unions are not pleased by this information.

**Recommendations:**

In order to appease the trade unions, a serious look needs to be taken at the design of the mine. In this case especially, reinforcements as well as redundancies need to be implemented into the mine in order to not only ensure the safety of the workforce but also send a clear message to the unions that safety is a high priority to AMANGO. This also follows Pillar A that states to not harm the workforce.

This mine has shown consistent over delivery on production targets. This shows that in order to achieve high profits, workers are working overtime which is causing injuries and deaths. In order to solve this AMANGO should implement a maximum number of overtime hours that the workforce can work for. This will stop the management of this mine as well as others from overworking miners in order to increase revenue. This not only solves yet another problem that unions have with AMANGO but also helps to keep the risk of injuries and fatalities lower as workers will not cut corners when working as a result of being tired.

Regular safety checks should be conducted by a credited and external/independent safety organization. And shortcomings in the safety of the mines and damages or weaknesses to its infrastructure should be dealt with immediately. These safety reports should be made available by the company to its miners, the unions in Australia and to its shareholders to prove that AMANGO is doing all it can to ensure the safety of its miners.

Any mine-shafts opened by AMANGO in the future should have a sound geotechnical design. Anyone hired to design and/or construct these shafts should be well-qualified and recommended. Do not use the same company that originally designed the faulty geotechnical design of the collapsed shafts.

Further safety measure (E.g.: safety drills/procedures, equipment, safety zones) should be introduced to the present mine-shaft/regions in order to further the safety of the workers and minimize the risk of injuries and/or death.

**Issue: Daily Losses Incurred by Mine Shutdown**

Due to the mine being closed, daily loses of $250 000 are being incurred which does not sit well with investors. As a result, Mike Cutika is pressured into ordering the mine to reopen immediately without taking into consideration the potential safety hazards as well as unions who are threatening strike action within the next 7 days. This is also a matter of high priority.

**Recommendations:**

Although the shutdown of the mineshaft is incurring excessive daily losses, the subject of the safety of the workforce cannot be ignored in favour of profits. Therefore it should be recommended that the mine stays closed for as long as it is required until all safety issues are addressed. This is in order to assure unions of AMANGO’s commitment to safety over profit. In the short term money will be lost, however, in the long term AMANGO will be building a strong reputation of trust among unions, governments and workers.

This will have many benefits during future mining ventures in Australia and the investors must be made to know that AMANGO is working towards long-term goals whilst sacrificing profits in the short term. Furthermore, if the mine was to be reopened and another disaster was to strike causing the mine to collapse, AMANGO would stand to lose a lot more money than $250 000 per day. Keeping in mind the KPI of delivering operating cost savings of $5.8 billion in 2017, it would seem as though the best plan of action is to reopen the mine as quickly as possible in order to reduce costs. However, even though the expenses could be contained now, in the future AMANGO would have to deal with strike action from unions and a possible mine collapse resulting in major setbacks to the KPI.

**SWOT Implications:**

By not opening the mine shaft prematurely, the business takes care of two its major external threats, namely social and environmental impacts, as well as the influence of Trade Union. This will also strengthen the company’s intercontinental relationships, proving that they care about the workforce, and will not sacrifice safety in the hopes of making a larger profit. This will be an opportunity to take forward into their future Australian mining ventures (C-SWOT pg 18).

# Scenario 3: Strategic Disposal in Brazil

AMANGO has listed the selling of subsidiaries in an effort to reduce business units is one of their three key objectives for the next three years. As the business has also been offered a final accepted selling price by potential buyer CMOC, a decision needs to be made swiftly, in order to take maximum advantage of this potential deal, which expires in 7 days’ time. This is therefore a matter of high priority to AMANGO. After analysis of the performance of the Brazilian subsidiary, as well as the amount of debt that is carried by this subsidiary, we recommend that AMANGO take the following into consideration:

**Recommendations:**

Our group has recommended that AMANGO sells Niobium and Phosphates Limited (AMA-NP) to CMOC. The market value of AMA-NP is $443 300 000(C-4) which is less than what CMOC offered being $750 000 000. Accepting this offer would mean AMANGO makes a profit of $306 700 000 (C-5). This can then be used to decrease the loan by a small amount or fund other subsidiaries who are already producing large amounts of revenue like Platinum- and Diamond Limited to gain even more revenue. Along with making a profit from the sale, AMANGO is also selling of AMA-NP’s long term debt of $83 700 000, which can also assist a little in targeting the net debt of $10 Billion.

Selling AMA-NP can help reduce costs but at the expense of also revenue. Referring to Consolidated income statement that has been provided, this disposal of AMA-NP does increase the Operating Loss of $5 611 000 000 to $5 730 000 000 (C-6). Referring to 1.2 of Appendix 2, only 2,36% (C-7)of the segment measure is revenue from AMA-NP. This shows that even though AMANGO is cutting down on costs by selling AMA-NP it only loses a small amount of revenue.

Selling AMA-NP does not affect the liquidity and solvency position of AMANGO. AMA-NP has no current liabilities and has a solvency ratio of 9.96:1 (C-8) – making it extremely solvent. AMANGO before the sale is also both liquid (2.3:1) (C-9)and solvent (1,7:1)(C-10) and after the sale it remains both liquid (2.3:1) (C-11)and solvent (1.6:1) (C-12).

Even though the Niobium and Phosphate market’s CAGR for the next ten years is 5.5%, AMA-NP is a very small occupant in the Niobium and Phosphate Market as it only occupies 1,96% (C-13) of this market.

Selling AMA-NP also supports the company’s Viability statement. It supports the Radical portfolio restructuring as it will be getting rid of 1 business unit. It also supports the Drive operational discipline as it will reduce costs of the business and can also support the company’s aim to protect the balance sheet if the company uses the money they receive from the sale to pay off a portion of the debt.

This disposal only affects Pillars C and G. It affects pillar C as AMANGO loses their ability to operate in Brazil. It affects Pillar G, as AMANGO loses out on returns from this business and might discourage stakeholders to not invest in their other small subsidiaries, if AMANGO is just going to sell them.

**SWOT Implications**

The business is reducing its extensive amount of business operations in many different companies. This will allow them to exercise better control over their subsidiaries and operations for the future, a Weakness to the business. This, in turn eliminates a business Strength, but, coupled with AMANGO’s need to dispose of subsidiaries, this action provides more positives than negatives to the company (C-SWOT pg 18).

# Scenario 2: Strategic Joint Venture (JV) Decision in Canada

**Issue: Design and demand choice:**

AMANGO needs to determine which design and demand it should operate at.

The company stands to make more profit from design 1 at the current price per ton and minimum demand (C-1: $44 300 000) and the break-even point suggests that the company should be digging to design 1 based on the current price per ton and the minimum demand (C-2: 3 143 337 tons), the marginal cost per design suggests that the company should dig to design 3 at the current variable cost per high demand and at the current high demand (C-3: Marginal Cost = 51.45).

However, design 2 allows for any expansion or reduction to digging on this site. If 'Quinta' digs and does not find coal, then the costs incurred are limited, and will be less than those incurred by digging to design 3. If 'Quinta' digs and the demand for coal is at its maximum of 10 million tonnes, then it can increase its digging easily from design 2 to design 3 at less of a cost than increasing its digging from design 1 to design 3.

**Recommendation:**

We recommend design 2 (medium size and depth) because it provides a median between design 1 and design 3. This design also allows for any expansion or reduction to digging on this site.

**Issue: Dealings with ‘Idle No More’**

Firstly, both the trend which involves our competitors entering into JVs with Canadian-based or local companies and the fact that we have chosen to enter into a JV with a privately-owned American company (Cephas) do not help with our stakeholder relationships in Canada, particularly with the 'Idle no more' group. Since this JV has already been established other recommendations have to be made in order to improve these relationships in Canada.

**Recommendations:**

An agreement should be made with Cephas with regards to the percentage of Canadian based staff members and miners employed by 'Quinta' (the JV). Such a percentage should be agreed upon and written into the JV-agreement and policy documents.

The JV should also consider projects that will benefit the communities and could help develop mining in the regions that 'Quinta' operates in, to ensure continued relations with the people of Canada

**Justification**

Having so many local employees working for 'Quinta' will not only improve our relationships with the surrounding communities and groups such as 'Idle no more', but it will also provide the JV with local mining knowledge about the region that we are mining in. Such knowledge may also assist in making 'Quinta' competitive with its competitors whose JVs managerial staff are 50% Canadian (10% more that 'Quinta's 40% of locally employed managers). Employing local workers may also be cheaper as housing and travel benefits will not have to be granted to local workers living in the region, as opposed to workers traveling from other countries (travel expenses) who require housing/accommodation (housing expenses).

The JV could also set up a number of funds or make a number of yearly donations which will benefit the communities and could help develop mining in the regions that 'Quinta' operates in, to ensure that qualified and skilled miners pass into its system to work for the JV as part of its mining workforce or as part of its 40% of locally employed company managers.

Such funds and donations would form part of the JV's Corporate Social Investment (CSI) which, when made on a yearly basis, will not only provide 'Quinta' with a long-term/sustainable relationship with the local communities and groups but would also provide the JV with a sustainable supply of resourceful and local miners and managerial employees which would bridge the 10% gap to our competitors as mentioned above.

Although these CSI's may be a short-term expense (which would be shared with our JV-partners Cephas), 'Quinta' will experience the benefit of long-term profits which will arise from mining sustainably in this region.

**SWOT Implications:**

Firstly, by dealing with the ‘Idle no more’ group and the unhappy communities in this region, the company will eliminate the Threat of any legal/strike action of trade unions or groups or workers. By dealing with this unrest, AMANGO can solidify their relationships with these communities and can therefore mine sustainably in this region in the future, thus solidifying the Strength of the company’s intercontinental operations. Mining in Canada will also provide the Opportunity of diversifying the commodities that AMANGO deals with and provide the company with the profits which will arise from mining sustainably in this region (C-SWOT pg 18).

# Scenario 1: Managing Divisional Performance Group-wide

Due to the fact that subsidiary executives receive bonuses based upon the operating profits of their respective subsidiaries, executives are beginning to ignore the 7 Pillars of Value, on which AMANGO is run, in order to keep operating expenses low and profits high.

An example of this is the postponing of standard service schedules for safety critical equipment. This act completely disregards the safety of the employees and therefore does not abide by Pillar A that states, “Do no harm to the workforce.”

Subsidiary executives are also retrenching workers from mines that are still economically viable. This means that mines with moneymaking potential are not operating at maximum efficiency, as they are under-staffed. This act clashes with Pillar F, which is based upon being as efficient as possible in order to keep costs down. The retrenching of workers also defies Pillar D, which states that the organisation must be resourced with engaged and productive workforce.

Executives are now not recording financial transactions into the online accounting system. This not only means that operating profits are being incorrectly recorded but the subsidiaries will also be paying a higher income tax. Also by omitting expenses it will be harder to trace transactions. This means that employees could be stealing from the business and committing fraud and the executives will be none-the-wiser. This action of omitting financial transactions from any financial statements or the altering of financial statements is an illegal action and could prove detrimental for the business in the future.

**Recommendations:**

Call for a meeting with the subsidiary executives in question and confront them on their actions. Acquire more information on how they could cheat the system to lower operating expenses.

Make it compulsory for subsidiary executives to consult with their parent company, AMANGO, before any mass firing of workers can take place. This way the executives would have to explain the reasons behind their actions.

Enforce each subsidiary to submit the results of safety checks regularly. If a report is not submitted on time, an appropriate investigation will be opened into the matter. This way the executives will not be able to postpone standard service schedules without a good reason.

Del-Tsu Inc. should perform regular audits on all subsidiaries. If the audits are unqualified then the executives will receive their appropriate bonuses. However, if issues arise during the audits, the executives will forfeit their bonuses.

This ensures that all subsidiary executives will work hard to increase their operating profits without cutting corners. This will also solve the current issues with the executives as well as prevent any future issues that might arise.

# Scenario 4: Balance Sheet De-leverage

**Issue: Subsidiary Sale**

In order for the company to obtain maximum benefit from a sale of fixed assets without severing ties with or destroying relationships with the PIC or other investors, AMANGO should consider selling the proposed 71% of the residential property to Black Economic Empowerment Properties.

Although both the Iron ore and Coal mining sectors indicated substantial declines in revenue and profitability from 2015 to 2016, this was a trend evident across all of the commodity sectors in which AMANGO is invested. However, Iron ore and Manganese Limited, as well as Coal Limited, were among the top performing sectors of AMANGO, in terms of Operating Profit as a percentage of revenue received. Niobium and Phosphates Limited’s Operating Profit was 21.88% (C-14) of their revenue, Iron ore and Manganese Limited obtained 19.79% (C-15) OP on revenue, Diamonds Limited 12,22% (C-16) and Coal Limited 9,35% (C-17). However, Niobium and Phosphates Limited was a sector in which the revenue did not exceed $1 billion, whereas Iron, Diamonds and Coal proved to be larger sectors of business. This indicates that both Iron ore and Phosphates Limited, as well as Coal Limited, were two of the sectors in which the company retained its best Operating Profit on revenue, so the selling of subsidiaries in which these two commodities are the focus may not prove to be profitable business venture.

**Recommendations:**

The business should consider selling its proposed 71% of its employee property. This constitutes 35.5% (C-18) of its total Land and Buildings as well as Assets under Construction portfolios, which is valued at $6, 4 billion. If this money is kept as equity, or used to buy back shares in the business, the Solvency ratio of the business would decrease from 1,7:1 (C-10) (Dec 2016) to 1,49:1 (C-19). If all of this money is used to pay off long term business debt, the Solvency ratio would increase from 1,7:1 (C-10) (Dec 2016) to 1,88:1 (C-20). If the money is reinvested into the business’ bank accounts, the Solvency ratio would remain unchanged. This transaction will therefore have quite a large effect on the solvency of the business, but it will not render the business insolvent, or place the business in a position in which it should be concerned with its solvency.

AMANGO should also be concerned about the way in which it chooses to spend this money gained from the sale of its property. Although reducing the business’ Net Debt to $10 billion by the end of 2017 is one of the key objectives of the business in terms of its 3 Year Viability Statement, AMANGO may need to consider not using the sum total of this revenue to repay its debts. Firstly, a share buyback should be considered, especially after the business’ downgrade by S&P to investment “junk status”. This would decrease the supply of shares on the market, thus increasing the share prices and could allow AMANGO shares to continue trading at high values on the stock market, despite and potential decrease in the amount of future investors in the business. This would also help to reduce the effect of any larger corporation off-loading their AMANGO shares at any stage, due to AMANGO’s plans to radically reduce their number of subsidiaries and investments across the country. Secondly, AMANGO should consider retaining some of this income within the business, as this property would now not be owned by them. The business would have to budget for the rent payments to the new property owners, if they wish to retain their current workforce on site. A retention of some of the selling revenue could assist in managing this new expense. After all of this has been considered, however, a large sum of money could be allocated to the repayment of some of the Net Debt of the business, thus bringing them closer to their target debt.

**Issue: PIC Threat**

The threat made by the South African Public Investment Corporation regarding the off-loading of AMANGO shares would also prove to be a major concern to the business, especially due to their current investment position, after their recent downgrade to “junk status” by S&P. This downgrade means that investors are less likely to invest in AMANGO, as they have been deemed an unwise or unprofitable investment by a highly regarded rating agency. This means that, if AMANGO were to sell many of its Iron Ore and Coal subsidiaries in 2017 and PIC carried out its threat, as well as the other investors which pledged to follow PIC, AMANGO may not gain sufficient new shareholders afterwards to retain a reasonable share price on the stock market. Share prices would plummet, further adding to AMANGO’s already troubled situation, and eliminating a potential income source which could help to reduce the Net Debt of the company. It would also be unwise for AMANGO to enter into an unfriendly relationship with such a powerful investment corporation, especially with the increasing pressure being mounted on the mining sector by the government, regarding revenue and business ownership. This could prove detrimental to the company’s future operations in South Africa as a whole.

**Recommendations:**

As AMANGO is considering selling this property to Black Economic Empowerment Properties, a friendly agreement with the PIC could be made to prevent them from off-loading their AMANGO shares. This would also be in line with the new government policies regarding Black Economic Empowerment, to ensure that the company still retains a good credit rating within the country, and is not targeted by the government or the public.

**SWOT Implications:**

By not selling the subsidiaries, AMANGO keeps its largest shareholder, PIC, content. Having a large shareholder base is one of the company’s greatest strengths, so keeping this intact, coupled with keeping a good working relationship with the shareholders, will assist in running the company in the future (C-SWOT pg 18).

# Scenario 6: Corporate Reconstruction and Reorganisation

As stated in AMANGO’s 3 Year Viability Statement, it has become one of the company’s key objectives to reduce its business units radically from 8 to 3 in this time period. Even though AMANGO has been questioned by PIC, it is still one of the company’s key objectives to carry out this selling of subsidiaries, but these should be chosen carefully. AMANGO should therefore choose a unit which has had very low recent profits, occupies a small market percentage and does not adversely affect the liquidity or solvency position of the business if the sale is carried out.

**Recommendations:**

By analysing each of the subsidiaries Operating Profit Margin, the percentage they occupy in the market and their returns on capital employed, we have decided to recommend that AMANGO sells Copper Limited and Nickel Limited.

Copper Limited only occupied 8.26%(C-21) of the market. Its small position indicates that many people buy from AMANGO’s competitors. This can benefit AMANGO if they choose to sell Copper Limited as their competitors should be willing to buy it to improve their place in the market. The Operating Profit margin of 0.06:1 (C-22). This means that for every R1 of sales it makes an Operating Profit of R0.06. The Copper Market is forecasted to have a CAGR of 3.64%, which can also help AMANGO to get a good price for this subsidiary. Copper limited also had a return on capital employed of 3.6%(C-23) which shows that this subsidiary’s performance was weak.

Nickel Limited only occupies 3.85%(C-24) of the nickel market and also has an Operating Profit Margin of -0.15(C-25). This means that for every R1 of sales nickel Limited is making a loss of R0.15. Nickle Limited is forecasted to have a CAGR of 4.5% which can be extremely benefit in working out a good selling price for Nickle Limited. It also a return of capital employed of -1.12%(C-26) indicating the subsidiary’s extremely weak performance.

By selling these two subsidiaries AMANGO will have money that can be used to target their net debt of R10 Billion. Since there is 2 less subsidiaries there will be less operating costs which supports AMANGO’s KPI: Drive operational discipline. This disposal also supports the radical portfolio restructuring to streamline the group from 8 to 3 business units by 2019 as now there are 2 less business units.

By selling these two units AMANGO will now have less expenses and can now invest more in other units that are already generating revenue to, hopefully, increase this revenue by for example opening new mines. Opening of new successful mines can help improve socio-economic development and can deliver great returns to shareholders.

**SWOT Implications:**

This will decrease the company’s field of mining, one of its Opportunities, but it has become necessary for these disposals to take place. This may become a business Strength, as the company will be focused only in those fields in which it is performing best (C-SWOT pg 18).

# Ethics

1. - Workers that have been retrenched from mines that are still economically viable violates Pillar D of our business and could result in a decline of mine efficiency.

* Action against AMANGO could be taken such as worker strikes or complications with trade unions.
* If word of these events started to publicly spread, AMANGO could receive much negative publicity, which would be severely detrimental, considering the business’ current standing in the eyes of the public.

1. – The people of Canada who are involved in the ‘Idle no More’ campaign could serve as a major bearer of negative publicity to the business and could impact in its overseas trade and operations.

* As the mine is in Canada, the business should have begun a joint venture with a Canadian company, as this is In compliance with Pillar C. This however, is no longer possible, so the business should do everything in its power to try and appease the people of Canada, by allowing a number of directors to be Native Canadian
* A larger number of Native Canadians working on this project will also assist in the business’ operations, as they will have a better knowledge of how the economic sector works in Canada.

1. Brazilian workers in the mine which is to be sold may have objections to their new employers, and should be allowed to negotiate with them for their working terms. However, this does not severely impact them.
2. – The workers who are living in the housing provided by AMANGO which is up for sale will most likely not be able to buy the property for a 90% discount after 15 years as initially agreed upon with AMANGO.

* This may cause them to be unhappy with the business’ decision to sell this housing, but the business has stated that they will have a ‘right of first refusal’ when entering into lease contracts with the new owners.
* It may be in AMANGO’s best interest to negotiate with BEEP before the sale, to ensure that the workers do retain some benefit from living in these provided houses, albeit less of a benefit than the initial discount agreed upon.

1. - The reopening of the mine shaft without any new safety developments goes against AMANGO’s Pillars B and D, concerning the health, safety and wellbeing of the workforce.

* A worker strike, as threatened, will prove to be extremely harmful to AMANGO’s public image in Australia, which has already been somewhat ruined by the recent deaths which have occurred in the mine. The business therefore cannot risk reopening the mine without adjusting its safety regulations in the mine, to try and prevent any worker action.
* Any implication with Australian trade unions could impact AMANGO’s mining operations in the future, as these are large and powerful organisations regarding the workforce of a country.
* Although the daily losses may seem to be excessive, the business can regain these losses quite easily if they were to reopen the mine and production resumed effectively. It is therefore in the business’ best interest to ensure the safety of the workforce first, so as to ensure that the mine will not have to be closed in the future, resulting in most likely a longer and more expensive closure.
* By not reopening the mine prematurely, AMANGO will show to its workforce that its safety and health is of the utmost importance in the running of the mine and will help in AMANGO’s relationship with its employees as well as with certain Trade Unions.

1. – AMANGO cannot risk yet another implication with the PIC, and the selling of many of its subsidiaries goes against Pillar C somewhat, by disinvesting from the local communities.

* AMANGO should consider its unstable situation with PIC and try to perform the selling of its subsidiaries on a smaller scale, or in a way in which the business does not gain negative publicity, or PIC as an enemy.

**SWOT Implications:**

By maintaining a good relationship with both the shareholders of the company, as well as the communities in which the company operates, AMANGO keeps one of its major Strengths intact as well as eliminating two of its Threats: Trade Unions and Social Impacts. By showing concern over the welfare and recommendations from the community in which they operate, AMANGO may also gain positive publicity, another method of overcoming some of their competitors, partially eliminating another Threat (C-SWOT pg 18).

# Calculations to Reference

All figures stated are in USD.

1. Price X Demand — Fixed Costs — Total Variable Costs

= 50.24 X 5 000 000 — 75 000 000 — (26.38 X 5 000 000)

= USD 44 300 000

=

= 3 143 337 tons

1. Marginal Cost =

Marginal Cost =

Marginal Cost = 51.45

1. $34 100 000 X 13
2. $750 000 000- $443 300 000
3. -5,611x106-119x106







12. (16 750 + 1250) x 35.5% = 6401 (millions) (Property Portfolio)

TA = 52 013 – 6401: TL = 30 671 (millions)

1,49:1

1. TA = 52 013 – 6401: TL = 30 671 – 6401 (millions)

1,88:1



# SWOT Analysis

**Weaknesses:**

* Large operating area allows for less control over subsidiaries and their actions.
* Joint Ventures are not fully controlled by AMANGO and, in some cases, are not appreciated by the local community.
* AMANGO no longer occupies a “Top 10” global mining position.

**Strengths:**

* AMANGO operates in all continents, and thus has a large reach and good market share.
* Large number of shareholders provide a strong backbone of the company.

**Threats:**

* AMANGO has a very large field of competitors in the commodities field, who force prices down.
* A mining company’s lifecycle is restricted to the amount of commodities available in an area.
* Mining becomes very controversial regarding environmental and social impacts, and certain practices may spark unrest.
* Trade Unions and strike action restrict actions of miners.

**Opportunities:**

* Large and diverse field of mining, providing multiple sources of income. AMANGO’s profits are not dependant on a specific commodity, and therefore are not as adversely impacted in times of price lows.
* Intercontinental mining provides a variety of expansion and reduction opportunities and flexibility.