

# ENVIRONMENTAL SCENARIO DISCUSSION USING SIX HATS TECHNIQUE BY E.DE BONO

HYPOTHETICAL SCENARIO	
<ul style="list-style-type: none"> <li>Gold mine in operation from 1977</li> <li>Currently in care and maintenance since 2012</li> </ul> <p>Company statement to shareholders reads: <i>"The process plant and mine has been placed on care and maintenance since April 2012 and has been maintained to a high standard and in an operational ready condition."</i></p>	<ul style="list-style-type: none"> <li>Site requires rehabilitation</li> <li>Cost of rehab makes sale prohibitive</li> <li>Rehabilitation liability estimate for the entire site is estimated at \$36,854,280.</li> <li>Owner wants to be relinquished from any further environmental obligations.</li> </ul>
<ul style="list-style-type: none"> <li>Series of company hand overs since the mine began operation</li> <li>No break in tenure</li> </ul>	<ul style="list-style-type: none"> <li>Failed tailings facility resulting in cyanide contamination to nearby tenements and pastoral lease with accommodation and tourism income to a radius of 2 km2.</li> <li>Water users located further downstream may also face a risk of cyanide poisoning in future.</li> </ul>
<ul style="list-style-type: none"> <li>Owner wants to sell</li> <li>Owner has declared bankruptcy in the past.</li> </ul>	<ul style="list-style-type: none"> <li>Lack of adequate fencing and secure bunds at of main pit causing cattle deaths (drowning and suspected poisoning)</li> </ul>
<ul style="list-style-type: none"> <li>Ongoing and growing costs affiliated with holding the lease</li> </ul>	<ul style="list-style-type: none"> <li>Evidence of erosion and high salinity groundwater</li> </ul>
<ul style="list-style-type: none"> <li>Remains a corporate responsibility rather than a liability of the State as per WA Contaminated Sites Regulations 2006</li> </ul>	<ul style="list-style-type: none"> <li>Lack of adequate fencing and secure bunds at of main pit causing cattle deaths (drowning and suspected poisoning)</li> </ul>

## TASK

Blue Sky Mining would like to purchase a gold mine that has been in operation since 1977. The current owner of the gold mine wants to sell.

## DETERMINE (by using six hats technique)

- What do you want to do?
- What are your options?
- How will you go about doing it?

## Six Hats Approach

This technique allows for open minded ideas without judgement, enhanced quality of thinking and a reduction in conflict for those with vastly opposing ideas.



**The White Hat:**  
calls for information known or needed. "The facts, just the facts."



**The Yellow Hat:**  
symbolizes brightness and optimism. You can explore the positives and probe for value and benefit



**The Black Hat:**  
signifies caution and critical thinking - do not overuse! Why something may not work



**The Green Hat:**  
focuses on creativity, possibilities, alternatives and new ideas. It is an opportunity to express new concepts and new perceptions - lateral thinking could be used here



**The Blue Hat:**  
is used to manage the thinking process. It ensures that the 'Six Thinking Hats' guidelines are observed.



**The Red Hat:**  
signifies feelings, hunches and intuition - the place where emotions are placed without explanation

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Blue Hat manages the process and deals with the integration, management, and summarization of all of the other hats.

The White Hat represents data and information. I.e. the hypothetical scenario information

Do we like the area?  
 How do the stakeholders feel about this?  
 Danger to corporate reputation.  
 Messy purchase situation.  
 Feel like walking away.  
 Makes me nervous.  
 Cost vs viability does not seem good  
 Seller may be untrustworthy  
 Do we have a good estimate of the resource?  
 What don't we know?  
 Feels like they might be hiding something.

Bulldoze mine completely and start fresh  
 Grad ground around the mine  
 Buy pastoral lease surrounding area- sell cows  
 Reprocess tailings  
 Reprocess waste dumps  
 Restart plant as toll processing  
 R&D – get a grant  
 Break tenure and repurchase to circumvent environmental liabilities  
 Seek other options for rehabilitation liability in purchase  
 Walk away  
 Split costs with government for rehabilitation  
 JV with bigger company who might have strong environmental expertise  
 Gazette a town  
 Arrange a royalty agreement with current owner

Cyanide danger  
 Could undermine corporate citizenship efforts  
 Might be an insufficient resource  
 Could be sued by stakeholders  
 Poor timing of the takeover for the business  
 Insufficient cash flow  
 Stabilising TSF not viable  
 A broader community and government concern  
 Zero goodwill to be gained from this  
 Disturbance MRF on top of rehabilitation is too much  
 Fines  
 Poisoned town  
 Government hassles  
 FIFO costs  
 Plant may not suitable or might require too much work  
 JV hassles  
 Consultant costs to get this over the line will prove to be too much

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Royalties would impact too harshly on cash flow  
Purchase will raise insurance premiums  
Changes in insurance might adversely impact share prices  
Monetary compensation for stakeholders might be required  
Safety of the mine might not be able to be guaranteed in the future

Will provide employment and a future of the community and stakeholders  
Will rejuvenate the Blue Sky Mining co.  
Could increase goodwill if it can be well managed  
Rehabilitation cost could be lower than expected  
Community engagement could bring stakeholders and community together  
Share price could increase from acquisition  
Potential for cyanide pollution decrease over time with proper rehabilitation  
Can prove to be a case study and business model for other sites  
Gold price increasing  
Interest rates low  
Technology improving to give access to cleaner gold extraction methods  
Investor interest in gold  
Tax credits might be able to be received

## OUTCOME

- Decision – Do not pursue acquisition.
- If intent on purchase then indemnification of rehabilitation liability is required
- Will require government intervention to ensure that company is not liable now or in future