

Industry Insight on Due Diligence Exercises

The correlation between acquisitions and the average lead time from discovery to production

According to [Statista](#), on a global scale, the average duration from the discovery of Mineral Resources to production was approximately 16.9 years between 2010 and 2019. The initial and longest stage, encompassing discovery, exploration, and feasibility, typically spanned around 12.5 years. Subsequently, an average of 1.8 years was allocated to construction planning. The final stage, which involves construction leading up to production, generally took around 2.6 years.



The time span that a mining project takes from discovery to production can vary significantly depending on various factors including the size and complexity of the deposit, regulatory requirements, environmental considerations, community engagement, financing, and project management efficiency.

There are several reasons why companies engage in acquisitions of mines:

- **Resource Acquisition:** Acquiring mines allows larger mining companies to gain access to valuable Mineral Resources without first having to explore for them. In other words, the hard work has already been done. It provides them with a direct and immediate source of minerals, helping to secure their supply chain and meet the demand for commodities.
- **Portfolio Diversification:** Acquisitions of mines enable larger mining companies to diversify their portfolio of assets. By adding mines in different geographic regions or with different mineral compositions, or even completely different commodities, they can reduce their reliance on specific commodities or regions, spreading the risk and enhancing their overall resilience.
- **Scale and Efficiency:** Acquiring mines can lead to speedy changes to economies of scale and operational efficiencies. Larger mining companies can leverage their existing infrastructure, expertise, and resources to optimise operations, improve productivity, and reduce costs. By integrating acquired mines into their existing operations they can benefit from synergies between their various operations, as well as the potential changes experienced due to the changes in economies of scale.



- **Strategic Expansion:** Acquisitions provide opportunities for larger mining companies to expand their market presence and extend their geographic reach. By acquiring mines in new regions or countries they can enter emerging markets, gain access to new customers, and establish a stronger global footprint.
- **Consolidation and Market Share:** Acquisitions can be driven by the desire to consolidate the market and increase a company's market share. By acquiring smaller or competing mining companies, larger companies can eliminate competition, strengthen their market position, and have greater control over pricing and market dynamics.
- **Talent and Expertise:** Acquisitions can bring valuable talent and expertise into larger mining companies. Acquiring mines may also mean acquiring experienced personnel, specialised technical knowledge, and innovative approaches to mining operations.
- **Exploration and Development Potential:** Acquiring mines with exploration or development potential offers growth opportunities for larger mining companies. They can leverage their financial resources and technical capabilities to further explore and develop the acquired properties, unlocking additional value and extending the life of the mine.

Notably, there is no direct correlation between mine acquisitions and the average lead time from discovery to production, and the motivations for mine acquisitions may vary based on the specific circumstances and strategies of each mining company.

Acquisitions can be driven by a combination of factors, and careful evaluation, due diligence, and integration planning are critical for successful outcomes.

Each mining project and acquisition is unique, and the lead time from discovery to production can vary significantly depending on project-specific factors. By making a correct acquisition, a company can propel their strategy forward by up to 15 years.