REPORT

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A GEF Initiative

ASGM Finance Course

Instructor's Guidebook

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About the Author

The Artisanal Gold Council (AGC) is a charitable non-profit NGO dedicated to improving the opportunities, environment, and health of millions of people involved in artisanal and small-scale gold mining (ASGM) in the developing world. Based in Canada, AGC has worked in over 30 countries and with hundreds of artisanal and small-scale mining communities around the world on topics including but not limited to: community development, poverty reduction, formalization, mining policy, markets and supply chains, public health, environmental management, mining engineering, and human rights.

AGC operates from the principle that improving the global ASGM sector requires direct intervention at the community level. The AGC therefore has a long history of working with mining communities. Lessons learned, and knowledge gained from working with ASGM communities around the world, are embedded in the design of all AGC's teaching and learning materials.

Find out more at: www.artisanalgold.org

ARTISANAL GOLD COUNCIL

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Purpose

This curriculum is intended to help teach fundamental business skills to artisanal and small-scale gold miners. These teaching and learning materials are designed to be "open source," meaning that they are made available freely for use by programs, organizations and institutions of all kinds working in the artisanal and small-scale gold mining sector. *These materials are meant to be used as basic materials that can be modified and adapted to suit the learning needs of artisanal miners in different contexts globally.* We hope that other organizations will use this curriculum to help build a more responsible, formal, and ultimately more professional ASGM sector worldwide.

The Appendices at the end of the document are useful forms that can be printed for distribution to class participants.

Background on the ASGM Sector

Artisanal and small-scale gold mining (ASGM) is a predominantly livelihoods-based mining activity practiced in over 80 countries around the world. ASGM is often distinguished from large and medium-scale gold mining by its low levels of mechanization, high levels of labor input and higher ore gold grades. As of 2018, it is estimated that there may be over one hundred million ASGM practitioners world-wide producing between 400-600 T of gold annually representing approximately 20% of the world's annual gold production.

ASGM is increasingly recognized as a significant driver of rural development in lesser industrialized countries as well as an important sector for poverty alleviation. ASGM miners often capture upwards of 85% of the international price of gold, making ASGM an excellent mechanism for the transfer of wealth from richer urban centers to poorer rural communities. Due to its largely informal nature, ASGM has been associated with poor environmental and social practices. Notable amongst these is the practice of using mercury to amalgamate gold and separate it from its ore. ASGM is currently the largest anthropogenic source of mercury emissions and releases world-wide.

Efforts to improve the ability of ASGM to deliver transformative benefits to rural communities while eliminating some of its worst practices require a meaningful engagement with the sector by governments, civil society, the private sector and the public at large. Helping build the capacity of the sector to operate according to higher environmental, social and business standards requires not only political and financial incentives, but also support and training for ASGM operators.

ASGM Sector Participants

ASGM can be practiced by individual miners panning for gold in alluvial sediments (placer deposits) or can involve enterprises employing hundreds of specialized laborers who are sometimes organized into associations or cooperatives. Being an ASGM "practitioner" could therefore refer to a wide-ranging set of specialized jobs including: diggers, crushers, haulers, processing machine operators, managers and owners. Furthermore, ASGM is responsible for creating many spin-off service industries such as equipment suppliers, food services and transportation.

Finally, many consider downstream members of the gold supply chain, such as gold buyers and traders to be "practitioners" of ASGM. Men and women are both involved in ASGM supply chains in nearly every country it is practiced in. Some are economic migrants seeking better livelihoods, while others are residents exploiting a resource found in their "backyard" or traditional territory.

Need for Business Training

ASGM is a largely informal entrepreneurial activity that has become vital to the economic structure and fabric of many countries. In most cases, this has happened spontaneously without formal business development assistance offered by governments, financial institutions and vocational centers. Many artisanal and small-scale gold miners are eager to establish successful enterprises that contribute to their family and community's wellbeing. It is for this reason that business training is often one of the services most sought by ASGM practitioners. Business training can reinforce the ASGM sector in a number of ways. At a basic level it can help families who rely on ASGM as an income generating activity to plan, save and invest their earnings allowing the sector to better serve as a catalyst for rural development. Business skills are also essential for engaging with the formal economy and establishing the basic infrastructure necessary for investment. For example, registering as an ASGM business or association often requires basic record keeping and business organizational knowledge. Finally, many miners are eager to adopt better environmental and social practices including the conversion of mercury-intensive gold processing techniques to mercury free equipment and practices. Often there is a sound business case for making these transitions; however, doing so requires capital and investment.

If ASGM is going to transition away from being a predominantly informal activity linked to social and environmental problems, and towards a formal, professional and respected livelihood activity, miners will require the business infrastructure, financial literacy and planning skills necessary to secure loans and seek out new investors.

Instructor Notes on Training Curriculum

This section provides guidance to instructors who wish to deliver business training to ASGM audiences, using the course materials that accompany this training manual. It is recommended that instructors interested in delivering this training review and adapt the materials as necessary to assure that they are culturally appropriate and meet the learning needs of the student group in question.

Understanding the ASGM Context

Although it is assumed that all instructors will have some training or experience in business management, it is expected that instructor knowledge and experience in ASGM, may vary greatly from one trainer to the next. It is therefore important to ensure that instructors delivering this course material ensure they have a solid understanding of the ASGM context in which the course is being delivered. In preparation, all instructors should ensure they have understanding of several factors before delivering this training material:

- What does the ASGM sector in your country/region look like? Who is involved? How is gold typically extracted, processed, and sold? What is the legal status of the sector?
- What are some of the common environmental, legal and social issues faced by local ASGM communities?
- What are some of the unique challenges faced by the industry when attempting to formalize?
- What are the implications for ASGM resulting from your country ratifying/not ratifying the Minamata Convention on Mercury?
- Are there any specific local challenges (e.g. lack of availability of bank loans or investors, typical lending strategies of formal or informal financiers, etc.) inherent in running an ASGM enterprise in your country/region?

The answers to these questions should help guide instructors on how to structure or modify this course to best meet the learning outcomes of their students.

Course Preparation

Before delivering the course, instructors should also take some time to do the following:

- Review all the material in this guide yourself or with others so that you are ready to help the learners if they have problems.
- If translation is required, adapt the training agenda and course material to allow for the extra time and communication required.
- Prepare additional teaching notes if needed.
- When appropriate and possible prepare some role play examples to make the training more engaging.

Course Delivery

Delivering the course material will pose unique challenges at each location and require changes to be made. Some things to take into consideration before planning a training include:

- Numeracy rates amongst ASGM populations can be low and any arithmetic presented in this course is therefore very simple. However, if previous experience in the communities at which the training is conducted indicates that the arithmetic is still too advanced, the instructor will need to adapt the course material and presentation method. An example may be to prepare fake “money” that looks like currency. Using hands-on methods with familiar visual props will help students understand the examples better.
- If literacy rates are low, the presented material may be difficult for student groups to understand. Quizzes may then have to be completed by the whole class with the help of the instructor.
- Many miners attending the training will engage in other livelihood activities in addition to ASGM. It is important to understand the entrepreneurial interests and needs of those in the mining community more broadly than simply those directly related to ASGM. Practical examples have been included in the material to illustrate this.
- Many students will not be accustomed to sitting in classrooms for long periods of time. Although this course has been presented as a structured classroom session to be delivered over a period of two consecutive days, in many cases it may be more practical and beneficial to deliver the course in smaller periods of time spaced out to allow for better knowledge retention. For example, a good delivery structure may be 4 separate classroom sessions of four hours each delivered over a two-week period.

- Many students will be unable to take time off work to attend classroom learning sessions. In these instances, shorter classroom sessions are extremely beneficial, as they can be delivered after work hours or potentially during mid-day work breaks. The trainer should be adaptable and willing to accommodate the students' schedules.

- Training locations will vary by community, availability, and class sizes. The course material has been developed to accommodate many different training locations and is not reliant on digital technology or the availability of electricity.

- Gender equity in participation will be affected, amongst other things, by the time and the location of training offered. For instance, if people must travel to attend and therefore can't use existing childcare networks then they are unlikely to participate. Thought should be given to how to offer childcare or how to design the course so that people with family responsibilities (often women) can participate.

- The space for the training should be free from noise and distraction. Wall space to hang up notes and demonstration exercises is important.

- Effective course delivery is dependent on comprehension and retention by the students but also on the ability of the trainer to address the interests of the students. The course is designed to allow the trainer to get to know students. If students show an interest in learning more about a specific topic the instructor should be prepared to adapt the course material "on the fly", including changing examples and demonstrations, to better suit the needs of the students

- Considering that in some countries the ASGM may communicate in their traditional language, investing in a local translator - even if English, French or other western language is spoken - is advisable.

Course Materials

Teachers should be prepared to bring certain classroom materials with them for the class to use. This may include:

- Enough pens/pencils/markers for everyone. Pencils with erasers are best for the students so that they can correct any mistakes.

- Calculators (if students are familiar with them)

- Simulated money (if using)

- Notepads for group discussions
- Big flipchart paper
- Markers for the instructor(s)
- Personal teaching notes
- Course attendance sheets
- Course certificates for students (if using).

Intended Learning Outcomes

This is an introductory level course on basic knowledge, skills and attitudes that will enable artisanal and small-scale miners to run more sustainable, responsible, and profitable enterprises. Key knowledge outcomes include financial literacy. Skills outcomes will include hard and soft entrepreneurial skills such as budgeting and accounting. Attitudinal training will focus on seeing ASGM enterprises as responsible community actors.

By the end of the two-day course, participants should be able to do the following:

1. Understand basic business terminology

2. Articulate how small ASGM businesses are organized

3. Understand some of the common reasons that a small business thrives or fails

4. Understand how business decisions affect worker health, safety and the environment

5. Understand potential sources of financing for a small-scale mining enterprise and strategies to attract investment

6. Demonstrate the ability to construct both a personal and a small business budget

7. Demonstrate basic accounting skills

8. Demonstrate the ability to construct a basic business plan

9. Understand the basic infrastructure that has to be implemented before investment can take place

10. Understand basic valuation methods used by investors and how they approach the investment process

Course Structure

This course is designed around 7 learning modules, each covering a different business management theme. Most of these modules can be taught independently of each other and can therefore be mixed and matched depending on the learning interests and needs of students.

Each module contains three components:

1. An explanation of key concepts and ideas. This is often facilitated by the teacher and draws on the experience of students in the class. The teacher may rely on the training materials herein to guide these discussions or may bring their own experience and/or other teaching materials.

2. Module quizzes. These are done either by students individually or in groups as required.

3. A group discussion and question period at the end of the module to review key concepts and themes for each module.

It is recommended to cover the modules in the order presented herein if the course-long project is intended to be completed.

Suggested General Training Agenda

Note that the following agenda is a guideline only. It is recommended that the complete curriculum be delivered over a minimum of two days; however more time can and should be allocated depending on the interests, availability and learning needs of participants.

Day 1		Mins.
08:30 – 09:00	Presentation of participants and training agenda	30
09:00 – 09:15	Course Objectives Overview	15
09:15 – 09:30	Module 1	15
09:30 – 10:00	Questions and discussion	30
10:00 – 10:15	BREAK	15
10:15 – 11:30	Module 2	75
11:15 – 11:45	Questions and discussion	15
11:45 – 12:45	LUNCH	60
12:45 – 14:00	Module 3	75
14:00 – 14:15	Questions and discussion	15
14:15 – 14:30	BREAK	15
14:30 – 15:45	Module 4	75
15:45 – 16:00	Questions and discussion	15
16:00 – 17:30	Daily wrap-up, summary	30
Day 2		Mins.
08:30 – 09:45	Module 5	75
09:45 – 10:00	Questions and discussion	15
10:00 – 10:15	BREAK	15
10:15 – 11:30	Module 6	75
11:30 – 11:45	Questions and discussion	15
11:45 – 12:45	LUNCH	60
12:45 – 14:00	Module 6	75
14:00 – 14:15	Questions and discussion	15
14:15 – 14:45	Module 7	30
14:45 – 15:00	Questions and discussion	15
15:00 – 15:45	Module 8	45
15:45 – 16:00	Questions and discussion	15
16:00 – 16:45	Closing remarks/course evaluation	45

Instructor Introduction

Introduce yourself. If helpful use some or all the following talking points:

- Your name;
- Description of your family;
- Where you are from and where you currently live;
- What you do for work and what you studied in school/what your favorite class was;
- What your hobbies are and things you do for fun;
- What you want to learn about the community you are in, from the students, your interests in their work, what brought you here; and
- Anything else that would help you connect on a personal level

If you are using a translator or local partner to help teach the course, have them introduce themselves at this point using similar talking points.

Student Introductions

Have the students introduce themselves, ask them questions if they are quiet or shy, using some of the following prompts:

- Name, how many people in their family;
- What they want to learn from the course;
- What they currently do for work; and
- Anything else they would like to say.

This can also be used as an opportunity for the instructor to learn more about the site-specific operating conditions and how the ASGM operations are structured. It can be used to question payment structures (hourly or pay per production) and management structures (co-op or independently owned), or other operational considerations.

Ask the students where they think they would most benefit from the course in their work and their day-to-day lives. Structure this as a class discussion to see what areas of study they feel are most relevant to their lives/ businesses. This will allow you to use contextual examples as the course progresses and tailor the course to the students' needs.

Once everyone in the class has introduced themselves, introduce the course and the various topics to be covered.

Instructor Materials

This section provides detailed notes on the material for each module of this course. Topics of this course include:

- Module 1 – Course Introduction
- Module 2 – Budgeting and Record Keeping for people and businesses.
- Module 3 – Finance Infrastructure required for investment.
- Module 4 – An Introduction to Financial Statements.
- Module 5 – Types of Investment relevant to ASGM operations.
- Module 6 – An overview of the types of investors that may be interested in ASGM projects.
- Module 7 – Finance Tools.
- Module 8 – Course Conclusion.

Module 1 - Introduction

INTRODUCTION

The ASGM finance course is designed to provide artisanal miners with basic knowledge, skills and tools to access outside financing for their operations. This introduction will briefly give an overview of the topics that will be covered in this course. Each topic will be covered in more detail in each module.

BUSINESS BUDGETING AND RECORD KEEPING

Business records refer to all the transactions that are carried out to keep your business running. For example, income records refer to all sales transactions and other sources of income. Expense records refer to all expense transactions conducted to operate the business. Business records are how investors estimate the value of a business. It is important to keep the information on all the receipts organized in a spreadsheet or accounting software (if possible). These records allow the business owner to prepare business budgets.

Business budgets allow owners and managers to track how a business is performing. Examples of important records in ASGM include financial, operational and geological records.

In ASGM, operational records can be as important or more important than financial statements. These types of records should include more details (type of material mined, grade and volume) and operation metrics (head grade, recovery, tails grade, though-put, waste and ore mined). A record should also be kept for consumables, manpower and fuel/electricity consumption.

When records are spotty or incomplete, investors will not be willing to invest as much in the operation or will require more interest on a loan. Businesses that have poor records are considered higher risk. This will result in the investors paying significantly less for a share of the business or reducing the amount that they may be willing to lend. Investors will do this due to a lack of certainty in business performance. Many investors will not be able or willing to invest at all without operational or financial records.

Record-keeping and budget examples for all sizes of ASGM operations are provided in Module 2.

FINANCIAL INFRASTRUCTURE

Access to outside financing requires organization and specific structures before any kind of formal investment. The basic infrastructure includes:

- A legal business entity
- Registration with the tax authorities
- Mining/operational permits
- Bank accounts
- A well-defined management system.

All of these factors have to be in place before any type of conventional investment. The lack of any one of these variables could prevent investment on its own.

The required financial infrastructure and its importance for ASGM investment are covered in Module 3.

FINANCIAL STATEMENTS

Accounting is the language of business and financial statements provide the standard framework for the accounting language.

There are two types of conventional financial statements generally accepted internationally: 1) Income Statements and 2) Balance Sheets.

Income Statements outline the profit and/or loss of the business over some time, usually over one year. The income statement starts with the revenue (sales) at the top and flows down to profit at the bottom. The income statement provides a clear window into how much money the business made or lost over the last year.

The Balance Sheet shows what the business owns and what it owes at a point in time.

The balance sheet lists a firm's assets and shows how the assets were purchased (or financed). The left side of the balance sheet lists what the business owns (the assets) which could include cash, gold in inventory, mining permits and/or processing equipment.

The right side of the balance sheet shows what the business owes.

To put it another way, the right side shows how the assets were paid for. Business assets are obtained either through debt, equity, or a combination thereof. Equity can be thought of as the amount of money the owners would be paid for a business if it was sold after paying off all of business debt

A main point to remember is that the left side of the balance sheet always equals the right side. That is, the value of the debt plus the equity always equals the value of the business' assets.

The financial statements are covered in more detail in Module 4.

TYPES OF INVESTMENT

There are two general types of investment: debt and equity.

In addition to the two main investment types, there are also specialized combinations of the two. The most common hybrid investments include convertible debt, impact investments, and royalties. Business owners should be aware that there are benefits and risks to each type of investment and not every investment is suitable for every situation. Historically, equity investments are more common for small-scale, early-stage mining businesses due to the higher risk as compared to other types of businesses.

Debt

Debt is basically what a business owes to outsiders. Debt investments consist of a fixed payment of money subject to specific terms over a set period. At the end of the investment term, the money is paid back to the investor. The debt terms include interest rates and protections for the money lenders. Often, lenders tie the debt to assets that are of equal or greater value than the amount of money lent to the business. If the lender is not paid, they have the right to take the assets tied to the loan.

Equity

Equity investments represent an ownership stake in a business. Such investments include share purchases or partnerships. In general, investors who own equity are entitled to a share of the business profits equivalent to the percent of the business that they own.

The types of investments common in ASGM as well as the investment type benefits and risks are profiled in Module 5.

TYPES OF INVESTORS

Many types of investors make different types of investments. Such investors include Local Entrepreneurs, Banks, Large Institutional Investors, and in many cases Governments.

All these investors judge opportunities through different lenses and have different goals. Understanding the objectives of investors will help ASGM operations provide the information required by investors in a way that will increase the odds of success as well as the terms offered by investors. It will also help ASGM groups zero in on the investors most likely to be interested in providing money for their business.

The foundation of investment is the value of a business. Investors will decide on how much a business is worth based on several characteristics and will then decide on how much to invest and under what conditions. Understanding this process is very important for businesses looking for investment.

The types of investors and their investment process/criteria as well as where to find them are covered in Module 6.

Module 2 – Budgeting and Record Keeping

MODULE OBJECTIVES

By the end of this topic the participants should be able to;

i. Understand the importance of records in ASGM;

ii. Understand basic budget preparation skills;

iii. Explain the benefits of having a budget in business;

iv. Outline an individual and group budget for ASGM;

v. Explain common expenses incurred in mining; and,

vi. Organize basic business records.

RECORD KEEPING AND INVESTORS

Thorough operational and financial records provide a project history that is easy to follow for investors. Investors are more willing to provide money to ASGM groups with stronger records.

The amount of money investors are willing to commit is based on how much money they think the operation can generate. A long history of profitability in the financial records helps investors get comfortable projecting the amount of money that will be generated from the mining operation in the future. In these cases, investors will be willing to be a partner or provide a loan.

In cases where there are no records, the investments are perceived to be riskier. Therefore, investors will not be willing or able to provide money to the operation. The investment research process includes a thorough study of the operational and financial history of the group. Investors will assume that profitability and grade are low in cases with spotty records. Therefore, to order to receive investment, complete and thorough records are extremely important.

In the absence of records, investors will discount (or apply a lower value) to the operation. This will result in the investors paying significantly less for a share of the business or reducing the amount that they may be willing to lend. Investors will do this due to lack of certainty and to manage their risk. In the case of loans, banks or financial lenders will apply a “risk premium” to the interest charges over the term of the loan.

Many investors will not be able or willing to invest at all without operational or financial records.

Introduction to Budgets

A budget is an estimate of forecast income and expenses of a business or person/family unit over time. It is the foundation of a plan for managing your money. A budget is composed of various elements such as:

- Income: Money that flows into your household or your business. This can be from different sources.
- Expense: Refers to money the business spends to conduct the business. That is, money spent to produce the business product or provide the business service.
- Surplus: When an individual, family, business or a country has more income than expenses it is called a surplus (or profit).
- Deficit: When an individual, family, business or a country has more expenses than income it is called a Deficit (or loss). Deficits are paid out of savings or from money outside the business. Prolonged deficits can lead to bankruptcy over time.
- Savings: Money generated by surpluses that is put aside for later use. Savings are only possible when there is a surplus from a household or business.

Why should you develop a budget?

- Money planning begins with budgeting.
- Budgets allow you to see how much money you will earn and how it will be spent at any given point in time.
- Allows for strong financial decisions (what to buy, when to spend, how much, etc.).
- Forecasts deficits and surpluses.
- Prepares an individual/group to deal with emergency situations.
- Provides a record that can be repurposed for financing applications.

- Can be used as a basis for building financial models of the business and making forecasts.
- Provides a record that can be used to measure progress and business performance/growth.

How should you prepare your budget?

Steps to prepare a budget:

i. Identify the financial goals - Establish your financial needs over a certain period i.e. what you want to buy/spend and how much it will cost you and how much you expect that spending will increase revenue (if any) soon.

ii. Forecast expected expenses – This step is critical and should be done as accurately as possible. Create a forecast, and for an established business or household, the forecast can be checked by tracking all money spent for at least three months. It is important to separate expenses by categories when setting a budget. There are expenses that are necessary to conduct the business (for example paying salaries, rent, electricity bills). However, there are also expenses that are called "investments" because they are outside the day-to-day activities. Owners make these investments because they expect it will help the business grow and generate more profits. These investments must have a clear indication of the "value" they will generate for the business in the future. That means by making the investment (buying new equipment or more mining claims for example), production will increase, and revenue will be higher. Note that these forecasts are just "best guesses" and it is a good idea to assign an estimated probability of success to an investment to help decision making.

iii. Forecast expected income – Use the same approach as projecting expenses. In cases where income is less than expenses and deficits are projected, re-check expenses to cut out costs that are not essential. Successful businesses and households focus on keeping expenses as low as possible to create surpluses and build-up savings. Savings can be used for support in periods of low income.

iv. Monitor revenue and spending - Check accuracy of forecasts.

v. Review projected budget – Adjust the forecast budget based on actual spending and revenue.

Adjust as necessary to better reflect actual spending.

The goals set for your budget should be specific, measurable, achievable, realistic, and within a specified time.

For example:

Next year the cooperative expects to have total expenditures of US$100,000 of which 70% is allocated to day-to-day operations (wages, rent, electricity, transportation, etc.) and 30% will be invested in buying new equipment. The new equipment is expected to increase production by 10% (increasing revenues from $150,000 to $165,000) and thus we expect the cooperative to increase its profits from $50,000 to $72,500.

Tracking Expenses

Family finances

Typical family expenses include:

- Housing (rent/mortgage)
- Food
- Medical and healthcare
- Utilities (water, telephone, internet)
- Transportation (to and from mines, children to school)
- Debt/loans payment
- Entertainment
- Insurance
- Education fees
- Miscellaneous.

Typical family income sources:

- Wages/salary
- Business sales
- Investment proceeds.

Matching Income to Expenses

Prioritization of spending is important, and income must at least match expenses to make progress toward the family money goals. Needs must be separated from wants and focus should be on the goals that the family has decided are the priorities.

ASGM Organization Budgeting

The process is like family budgeting for small ASGM groups. The ASGM group needs to identify long-term priorities, expenses and income.

ASGM Organization expenses may include:

- Government fees, permits and taxes
- Interest payments
- Mining equipment
- Equipment maintenance
- Transportation
- Gold refining
- Land leases
- Mining/processing consumables
- Utilities (Water, electricity, telephone)
- Fuel
- Wages and salaries.

ASGM income is usually mostly from the gold sale through aggregation centers or gold buyers.

Other revenue sources may include:

- Secondary metals
- Royalties
- Property lease payments

- Concentrate sales
- Tailings sales.

For many mining operations, gold sales represent the only revenue source.

An example records template is provided below:

ASGM MONTHLY BUDGET				
		MONTHS		
		Jan	**Feb**	**March**
Monthly Income Sources				
1.	Gold sales			
2.	Royalties			
3.	Property lease payments			
4.	Concentrate sales			
5.	Tailings sales			
	Total Income (a)			
Monthly Expenses				
1.	Equipment purchases			
2.	Equipment maintenance			
3.	Transportation			
4.	Refining			
5.	Land leases			
6.	Consumables			
7.	Utilities			
8.	Fuel			
9.	Water			
10.	Electricity			
11.	Wages			
12.	Interest			
13.	Tax			
14.	Miscellaneous			
	Total Expenses (b)			
	Surplus/ Deficit (a-b)			

RECORD KEEPING

Record keeping refers to the actual process of writing down operational information and business activities (transactions) as they happen.

- Keeping records is one of the most important responsibilities of ASGM, as the success of their activities depend on creating and maintaining an effective record system. Whether individual or group owned ASGM, large or small, record keeping is required.

- The record keeping system chosen must be suited to the particular needs of the ASGM operator but must cover the essentials: income, expenses, personnel involved, volume of material extracted, volume of material processed, amount of gold produced, amount of gold sold and gold sales price (per ounce or gram).
- Good record keeping is essential as it brings a clear understanding of the activities (to operators as well as outsiders/investors), now and in the future and can be used to track the progress of operations.
- Record keeping is also important for the budgeting process. Records are used to create the budget, check the accuracy of the budget and for budget adjustments. Effective budgeting cannot take place without record keeping.

Additional records important ASGM groups may include:

- Personnel information:
    - Name of miners in the cooperative and job
    - Payment method and value
- Meeting minutes
- Contracts and leases
- Equipment inventory (and year of purchase)
- Grant and loans received and repayment schedules
- Safety incidents.
- Production level
- Prices

RECORD KEEPING IMPORTANCE

Records provide a dashboard to judge the health of your business (or your family's finances):

- To know your profit, you need to know your sales of gold and your costs.
- All money transactions need to be recorded daily to know gold sales and costs, and a filing system needs to be established keeping all the receipts used to support transactions. Those receipts must also include a signature from the approving authority (Manager).

These records help to avoid overspending, show the performance of the business over time and provide the information needed to track progress toward goals.

Other benefits of strong record keeping:

- Shows business performance over time.
- Provides the information needed to make solid business decisions.
- Gold produced and not sold yet (grams)
- Ore in process (tonnes)
- Lists assets owned by the business. Including age of assets (assets depreciate, which means they lose value with time. Businesses must put aside every year an amount of money to replace the assets when they are "fully depreciated".
- Shows business investment history.
- Provides easy access to customer and employee information.
- Protects business in the event of an audit or employee issue.
- Provides the information needed for computing tax and other statutory charges.
- Helps to limit liability.

Characteristics of a good record

- Simple – Easy to record and interpret by the user.
- Systematic - Use similar methods to record events.
- Consistent – Maintained on a regular basis.
- Complete – Contains all important information.
- True – Based on the actual business information.

Sample Records in ASGM

Minutes of Meetings Record

MINUTES OF ASGM MINERS MEETING

Date of Meeting: _________________________
Time of meeting: _________________________
Name of the Group: ______________________
Name of mine: ____________________________
Person Chairing the Meeting: _____________

Meeting Agenda:

- Preliminaries
- Review of status of concern from the previous meeting
- Discussion of mining items
- Discuss recent accidents, risks and near misses
- Plan events for the next period
- Closing Comments

Name and Signature of members present

- __________________________
- __________________________
- __________________________
- ___________________________
- ___________________________

Members Absent

- _______________________________
- ______________________________

Preliminaries

____

Review of status of concern from the previous Meeting

____

Discuss mining items

____

Discuss recent accidents, risks and near misses

____

Plan events for the next period

____

Closing Comments

____

Minutes Signed by

Chairperson……………………………… **Date:** ………………………………

Secretary ……………………………… **Date:** ………………………………

Register of Members

	Member Name	Date of Registration	Member ID Number	Job Position	Contact Information
1.					
2.					
3.					
4.					
5.					

MINE/LAND LEASE AGREEMENT

Introduction

PARTIES TO AGREEMENT

1.

2.

Period of Agreement/Duration of contract…………………………………………

Terms and Conditions of Agreement:

- ____
- ____
- ____

Responsibilities for each party in the agreement

- ASGM - Lessee (1st Party)

- Land lessor (2nd Party)

Disputes

resolution____

____

____

Notice to termination of

contract/Agreement___________________________

Signed for and on behalf of ASGM -Lessee (1st Party)

Chairperson…………………Date……………………..

Secretary…………………Date……………………….

Signed for and on behalf of Land lessor (2nd Party)

Chairperson…………………Date……………………..

Secretary…………………Date……………………….

ASGM Inventory Record

ASGM Inventory record For the Month of …………………………..					
		Date:			
	Mining Equipment	**Description (Model/Type)**	**Quantity**	**Value**	**Maintenance Status**
1					
2					
3					
4					
	Total Value				
	Gold in Inventory				
1					
2					
3					
4					
	Total Value				
	Other inventories and Assets				
1					
2					
	Total Value				

ASGM Operational Record

ASGM Operating Record For the Week of …………………………..					
Day	**Material Mined (kg)**	**Description (Ore Type)**	**Stockpile Location**	**Mining Location**	**Miner**
1					
2					
3					
4					
5					
Total					
	Processed Material (kg)	**Description (Ore Type)**	**Feed Source (Stockpile ID or Mining location)**	**Recovered Gold (g)**	**Recovery (%)**
1					
2					
3					
4					
5					
Total					

Sales and Expenses Record

Date	Activity Description	Quantity	Rate	Total Amount
	Sales			
	Gold Sold	grams	@	
	Concentrate Sold	tonnes	@	
	Tailings Sold	tonnes		
	Total Income (a)			
	Expenses			
	Wages			
	Fuel			
	Extraction & Crushing costs			
	Utilities (water, gas, electricity)			
	Transportation charges			
	Cost of chemicals			
	Monthly lease charges			
	Total Expenses (b)			
	Profit/Loss (a-b)			

General Ledgers

A General Ledger is a convenient financial record system for a small-scale business such as ASGM.

- Combines many records together in a single journal.
- Completed in a standard format by an accounting professional.
- Records all daily transactions that take place.
- Provides the information needed to build standard financial reports.

Below is a simple summary of a simple general ledger journal:

ASGM CASH BOOK FOR THE MONTH OF……………………					
Date	**Transaction**	**Notes**	**Cash In (Received)**	**Cash Out (Paid)**	**Balance**
	Concentrate Sold		Xxx		**xxxx**
	Fuel Purchased			xxx	**xxxx**
	Equipment Purchased			xxx	**xxxx**
	Gold Sold		Xxx		**xxxx**
	Tailing Sold		Xxx		**xxxx**
	Wages to miners			xxx	**xxxx**
	TOTALS		**XXX**	**XXX**	**XXXX**

Electronic Records Keeping

There are many software packages that can be used to maintain financial records. Management and stakeholders should decide on the appropriate information management software that suits them and their business needs. The level of complexity – and cost of the software – varies depending on your business. For small ASGM operations, having one person familiar with spreadsheets should be enough to setup a basic electronic record keeping.

Many of these spreadsheet programs are free and straightforward to learn for members, officials, and key partners. The platforms are hosted online so anyone with internet access can retrieve the spreadsheet.

It allows for collaborative editing allowing members to update transactions as needed.

Benefits of electronic records keeping:

- Simple to share information with members, group managers and key stakeholders.
- Easy to organize, edit and keep up to date.
- The spreadsheet can be customized to the group and the business.
- Changes can be tracked recording when and who made the edits.
- Allows easy visualization of information and can be used to analyze financial data with charts, graphs and/or slides.

- Allows collaboration and tracking/monitoring of project progress by stakeholders.
- Rights to manage and edit records can be assigned by group officials limiting access if needed.
- Software packages and/or spreadsheets can capture large amounts of data.
- Mining transactions can be summarized in a general ledger daily with all member details and operational activities captured.
- Records can be easily linked between different groups over different time periods for comparison and trend analysis.
- Convenient for data storage and backup.
- Reduces errors in the information.
- Allows the information to be accessed anywhere online

GEOLOGICAL RECORD KEEPING

Geological record keeping is important both for miners and for potential investors. Showing that the area bedrock has enough gold to support the operation over the investment period is very important. This may entail an assessment by a competent geologist detailing the type and volume of ore as well as the expected grade.

For miners, records allow:

- Efficient mining with efforts directed to the areas that have produced the most gold.
- More successful exploration as miners build on mining experience in the area.
- Effective mine planning.
- Builds a case for possible expansion.
- Ensures mining takes place in permitted areas.

An experienced geologist can provide a geological map with interpretation that can serve as the basis for recording keeping. Geologists can also provide exploration and active mining guidance based on the mining records in light of the geological environment.

Even when a professional geologist is beyond the budget of an ASGM operation, records on tonnes milled, gold produced, gold purity and gold sales provide useful information to investors that can be used (with caution) for production forecasts.

Conclusion

Budgeting and record keeping are essential for monitoring business performance. Information recorded in record books should be transferred into an electronic record system such as spreadsheet, if possible. Electronic record keeping provides important information key for decision making and comparison of performance over different periods. Records will provide information that can assist ASGM and value chain stakeholders to become formalized.

Whenever possible, transactions should be consolidated in a simple computerized record and budgeting system that is maintained consistently. It is easier to collaborate and share project information between key stakeholders and to track business performance. If that is not possible, manual record keeping must be maintained on a daily basis.

It is only through accurate and reliable records that an ASGM will win the confidence of investors and attract investment.

Module 3 – Finance Infrastructure

MODULE OBJECTIVES

By the end of this module the participants should be able to;

i. Define investment;

ii. Outline the main components of business financial infrastructure;

iii. Identify the types of business entities with their benefits and shortcomings;

iv. Explain the importance of having a business bank account;

v. Highlight the importance of management quality and organization;

vi. Explain the importance of business records; and,

vii. Highlight the benefits of registering with the government.

INVESTMENT DEFINED

Investment is the act or process of supplying money to a business or business opportunity in the expectation of a reasonable profit or desired result. Investments can be in the form of purchasing a business, a portion thereof, or in the form of a loan.

Investment always involves an exchange of value of some sort and investors are always compensated for providing money to a business.

Equity investors are purchasing a portion of the business and thus have the right to a share of the business profits and influence over management decisions.

Debt investors are temporarily providing money to a business in return for interest payments. Debt investors are entitled to the full amount of money lent to the business at the end of the loan term plus the agreed upon interest payments.

AN INVESTOR'S PERSPECTIVE ON RISK

The act of investment requires careful risk management to be successful. Investors focus on the possibility of losing their money as well as the potential profits of the investment during the decision-making process.

Understanding the investor's point of view is important for business owners seeking to receive money from investors.

Businesses that can show that they have a low risk of losing money are more likely to be successful in attracting investment.

BUSINESS INFRASTRUCTURE

Prior to seeking investment, a number of factors must be in place. If these factors are not in place, it is difficult for the business to find investors. In fact, in many cases, investors cannot provide money to businesses without these items.

Business investment requirements:

- Legal business entity
- Business bank account
- Operating permits
- Business government registration
- Management structure
- Business records.

LEGAL BUSINESS ENTITIES

A government recognized structure to house the business is required before any formal investment. Such a structure is required to register the investment against during the investment process. In the case of an equity investment, the business structure must be divisible to allow the sale of shares or a portion of the business. A debt investment also requires a government recognized structure to be responsible for the loan. There are several different types of business structures suitable for different types of businesses and investments.

Care should be taken to choose the right structure for the specific situation of the business to keep the organization as flexible as possible. However, business structures can be often modified if required for a fee.

Common entity types:

- Sole proprietorship
- Partnership
- Limited liability corporation
- Co-operatives.

SOLE PROPRIETORSHIP

A sole proprietorship is a business enterprise owned by one person where there is no legal distinction between the owner and the enterprise. That is, the owner of the business and the business itself are legally considered the same by the government. The owner is personally responsible for all business activities including all agreements and loans.

Benefits:

- Suitable for small businesses
- Able to attract loans
- Least expensive entity to register and organize
- Suitable to house permits and other assets
- Simple to understand and manage
- Adaptable with streamlined decision making.

Drawbacks:

- Not suitable for partners or equity investment
- Limits the investor market and investment scale
- Unlimited liability for the owner
- Taxed at the personal rate
- Generally perceived as higher risk by investors

PARTNERSHIP

Partnerships are enterprises owned generally by two to roughly twenty people.

Benefits:

- Shared management duties
- Suitable for small to medium sized businesses
- Able to attract loans as well as new partners (to a point)
- Larger scale investment (compared to sole proprietors)
- Inexpensive entity to register and organize
- Suitable to house permits and other assets
- Simple to understand and manage.

Drawbacks:

- Shared management decision making
- Unlimited liability for the partners
- Partners are liability for each other’s actions
- Can be expensive to breakdown in the event of disagreements
- Taxed at the personal rate.

LIMITED LIABILITY CORPORATION

Corporations can be owned by many people and limits the liability of shareholders generally to the value of the assets in the enterprise.

Benefits:

- Suitable for medium to large businesses
- Able to attract loans as well as equity investments
- Suitable to house permits and other assets
- Suitable for large scale investment
- Amenable to growing endeavors
- Easy to transfer ownership
- Larger market for the sale of the enterprise
- Generally lower tax rates as compared to personal taxes
- Share ownership can be passive.

Drawbacks:

- Expensive to register and organize
- Complex structures to maintain (requires professional help)
- Complex reporting requirements
- Management requires considerable organization
- Large annual costs to keep in good standing
- Expensive to wind-up.

CO-OPERATIVE

Co-operatives (“co-ops”) are democratically managed and generally have more than three members.

Co-ops are managed for results other than (or in addition to) maximum return to owners such as inclusive economic activities, local social benefits as well as education.

Benefits:

- Suitable for small to medium sized businesses
- Able to attract loans
- Suitable to house permits and other assets
- Democratic management with equal voting rights
- No limit on membership
- No legal obligation for profit maximization.

Drawbacks:

- Can be expensive entity to register and organize
- Novel for some investors thus may be perceived as higher risk
- Limits investor market due to multiple competing priorities
- Management consensus can be difficult to maintain
- Not suitable for equity investment
- Limits investment scale
- Liability for the members
- Taxation may be complex
- May be expensive to maintain and wind-up.

BUSINESS ENTITY CONSIDERATIONS

In light of the preceding summaries, care should be taken in choosing a business structure. Below are some of the variables that should be considered in the entity decision:

- Business scale
- Management style of owners
- Degree of management organization
- Owner liability tolerance
- Ability of the business to support ongoing costs
- Endeavor priorities
- Scale of investment required
- Type of investment preferred
- Number of people involved and business sophistication
- Type of business and existing assets
- Owner alignment.

BUSINESS BANK ACCOUNTS

In order to attract investment, business managers should establish a bank account transparently owned and controlled by the business. The account should be demonstrably managed for the benefit of the business objectives.

A separate business bank account is required for record keeping and enterprise accounting. It is also required to house the proceeds from potential investment.

Bank account records will be accessed during the investment due diligence process and is a critical factor in lowering the business risk for investors.

Sole proprietors should also keep separate accounts to increase the likelihood of outside investment (if desired).

BUSINESS PERMITS

A business must have all the necessary permits to operate legally to attract investors from the formal economy. Such permits include (but are not limited to):

- Business license
- Mineral claims
- License to take water
- Tailings disposal permit
- Explosive permit
- Land leases and/or agreements.
- Environmental permit

Further, permits should be tied to or owned by the business entity seeking outside investment. In the case of a debt investment, such permits may be considered assets and may be used for debt collateral.

Formal investors will not and cannot invest in enterprises that are operating illegally. There must be at least a feasible path to legal operation before any type of investor will participate in the project.

BUSINESS MANAGEMENT

Competent management is critical for enterprise and investment success. Managers must be able to demonstrate expertise in their business areas.

Vetting of management is a key step in the investment process and due diligence.

Investors will want to see professional/trade certifications, education credentials and experience histories to gauge suitability. Career histories of key personnel should be summarized for distribution to potential investors.

BUSINESS HIERARCHY

For businesses mid-sized and larger, an organizational structure should be mapped and defined. In the case of smaller operations, the lines of responsibility can be simple but clearly outlined.

In cases where investment beyond micro-loans are sought (say >US$50k), roles and responsibilities for the Chief Executive Officer, operating managers and financial managers should be clearly differentiated. Personnel in these roles must have documented aptitudes for the outlined responsibilities.

Safety standards and procedures should be documented.

The abilities of managers are one of the main hinges of an investment decision.

BUSINESS RECORDS

Examination of business records is a key component of the investment process. Such data include the Financial Statements with supporting documents as well as operating records. Both of these subjects are covered in separate Course Modules.

In general, investors require a minimum of three years of records. Financial records include the income statements or business profitability over the outlined time period as well as an up-to-date balance sheet (to be covered in Module 4) tallying the business assets as well as all of the liabilities.

GOVERNMENT TAX REGISTRATION

Similar to permitting, a business must demonstrate tax registration to prove legitimacy to investors. Investors will want to see that all taxes are paid when due and that the entity is not in arrears on tax. Taxes can include:

- Permit maintenance fees
- Income tax
- VAT tax
- Import/export duties
- Royalties

- License fees.

Unpaid taxes represent a liability on the assets of the business and would generally have priority over loan arrangements. Therefore, examination of tax records is a standard component of an investment due diligence process.

Tax registration is a clear demonstration of legitimacy to outsiders.

CONCLUSION

Accessing investment from the formal economy requires financial infrastructure to be in place. The absence of this infrastructure renders outside investment extremely unlikely due to logistics and investor risk tolerance.

Required infrastructure includes:

- A legal business entity
- Structured management
- Legal operating permits
- Separate business bank accounts (possibly through mobile networks)
- Tax registration with the authorities.

The absence of any one of these factors may bar formal investment.

Module 4 – Financial Statements

MODULE OBJECTIVES

By the end of this topic the participants should be able to:

i. Identify the different types of Financial Statements;

ii. Explain the main components of the Income Statement;

iii. Understand the structure of the Balance Sheet;

iv. Explain how the Balance Sheet and Income Statements are linked; and,

v. Understand how investors use the Financial Statements.

Introduction

"*Accounting is the language of business.*" – Warren Buffett

"*I'm a better investor because I'm a businessman and I'm a better businessman because I'm an investor*." – Warren Buffett

Understanding financial statements enables business owners to make smarter business decisions while increasing their chances of getting outside investment. The Financial Statements allow you to see the strengths of your business as well as the risk areas using the same approach as investors.

Financial Statements Overview

The financial standing of a business is recorded by its financial statements.

- The statements are prepared in a standardized way that is accepted internationally and by governments for tax purposes.
- Financial statements are prepared by trained accountants who are certified. In small operations the organization can hire an accountant to work on the preparation of the financial statements and income tax reports. In larger more complex organizations, it is

justifiable to have a full-time accountant.

- Private business Financial Statements include an Income Statement and a Balance Sheet.
- Financial Statements are generally audited by outside accounting firms on a yearly basis to ensure accuracy.

Income Statements show a business' profit or loss over a standard period of time (usually one year) and the Balance Sheet records a business' assets, debt and equity at a single point in time (usually year end).

Income Statements

Income Statements show the performance of a business of a set time - usually one year for a private company.

Starting from the top of the statement, the main categories are:

- Revenue
- Expenses
- Depreciation
- Interest
- Tax
- Profit or loss.

The main purpose of the Income Statement is to show the overall profitability of the business.

It also shows the type and scale of expenses and is a good way to judge management skill.

Revenue

Revenue is the total sales captured by the business. In Artisanal Mining, revenue could include:

- Gold Sales

- Concentrate Sales
- Tailings Sales
- Lease payments to the business owner.

In general terms, revenue is money received by the business for selling its products or services.

Expenses

Expenses summarize the costs to the business due to the creation of the products or services that it sells.

Common small-scale mining expenses include:

- Wages
- Utilities
- Power/fuel
- Management/administration cost
- Chemical Consumables
- Rent payments
- Insurance costs
- Travel.

There are two general categories of expenses: costs of goods sold ("COGS") and operating expenses.

COGS are generally variable and are directly tied to the volume of products/services sold.

Examples include: fuel costs and chemical consumables.

Operating expenses tend to be fixed, that is the amount paid per month usually states the same, and are not directly tied to the volume of products sold.

Examples include: management wages and rent

Depreciation

Depreciation is an accounting item designed to capture equipment (or other assets) wear and maintenance costs. Depreciation also attempts to roughly estimate the value of a fixed asset at a point in time. As equipment ages, it wears out over its useful life and must be replaced. Rather than recording such costs as a one time, very large expense, accountants record this cost over the estimated life of the asset.

It is important to understand depreciation is not actually paid in cash every year.

For example, say a cooperative purchases a new rod mill for $5,000. The cost of the ball mill would not be recorded on the income statement as an expense for $5,000. Instead, assuming the useful life of the ball mill is ten years, the cost would be expensed as ball mill depreciation at $500 per year for the next ten years. The entire amount of $5,000 would be paid in year one and $500 expensed (but not actually paid) for ten years.

Common assets that depreciate include mining equipment, buildings and vehicles.

Interest

The next major item on income statements is interest expense. This line entry shows all the interest that an organization is paying on a yearly basis. This could include interest on land or interest paid for equipment loans.

Tax

The last expense on an income statement is the tax expense. This line entry includes income taxes paid by the organization at the state/provincial level as well as the federal level.

Profit/Loss

After the deduction of all of the outlined expenses, the remainder is either the profit or loss for the period. If there is a loss, the short fall in funds must be covered by savings or another funding source (possibly covered by the business owners, new outside investors or loan providers if they can be found).

Balance Sheet

A Balance Sheet is a snapshot of a business' financial standing at a point in time. That is, a Balance Sheet summarizes everything a business owns, owes and has had invested by shareholders and/or owners (referred to as equity) in a systematic way.

Balance Sheet – Left Side

The left side of the Balance Sheet lists the business assets and the right side show's how the assets were paid for (i.e. financed).

This relationship is summarized by the following formula:

Assets = Debt + Shareholder's Equity

Shareholder's equity is the amount that the owners of a company have invested in the business. It is the amount money that would be left over for owners if all the assets were sold and debt paid off (i.e. Shareholder's Equity = Assets – Debt). It can also be thought of as the Net Value of the company.

Shareholder's equity includes all the money that has accumulated within the business since beginning as well as all the money that has been invested in the business.

The Balance Sheet also subdivides assets and liabilities into current and long-term categories.

The most common five sections of a Balance Sheet includes: Current Assets, Long Term Assets, Current Liabilities, Long Term Liabilities and Shareholder's Equity.

Current Assets

Companies list the assets that are most easily converted into money under the current assets heading. Such assets for a ASGM operation could include:

- Cash
- Gold Dore
- Gold in process
- Gold in stockpiled ore.

Long Term Assets

Long term assets can be thought of as assets that can't be turned into cash quickly. That is, assets that would generally take longer to sell. Such assets include:

- Mining equipment
- Mining claims/licenses
- Vehicles
- Buildings
- Processing equipment.

Balance Sheet – Right Side

Current Liabilities

A company's current liabilities include obligations that are due within twelve months. That is, current liabilities are money owed to suppliers and investors that must be paid within the next year. ASGM current liabilities could include:

- Accounts payable (or money owed for supplies paid on short term credit)
- Wages payable
- Short term debt (such as debt on company credit cards, lease payments due within 12 months).

Long Term Liabilities

Long term liabilities include all debt that is due more than twelve months into the future. These types of liabilities include:

- Long term lease payments (beyond the next twelve months)
- Long-term loans due.

Shareholders' Equity

As mentioned earlier, shareholders' equity can be thought of as all the money the owners of the business have invested in the business. Common categories of shareholders' equity include:

- Retained earnings (money accumulated in the business over time from profits – can be a deficit if the business is losing money)
- Share capital (money invested at the commencement of the business).

When shareholders' equity is less than zero, the business is generally considered bankrupt.

Working Capital

Working capital is a factor commonly examined by investors and business owners. It is calculated by subtracting current liabilities from current assets. It is a way of checking that a business has the resources to maintain operations for the next year. In cases where working capital is negative, the business is in danger of going under and will need to find cash to continue operations.

Investors generally like to see current assets at least two times their current liabilities.

Do you have any class exercises to create income statements and balance sheets, using hypothetical data?

Module 5 – Types of Investment

MODULE OBJECTIVES

By the end of this module the participants should be able to;

i. Explain the benefits and risks associated with debt investments;

ii. Understand the main features of equity investments;

iii. List specific types of ASGM investment;

iv. Explain situations that are suitable for each investment type in ASGM; and,

v. Understand typical investment sizes in ASGM.

Introduction

In general, there are two types of investment: debt or equity. Every other type of investment is a combination of the two or has a modified structure to suit the conditions of the situation. Historically, equity investments are more common in the formal economy for small-scale, early-stage mining projects due to the difficulty in forecasting sales/revenue/profits. In the informal economy, loans are generally more common.

Debt

Debt investments consist of a fixed payment of money over a specified period with the original cash investment paid back at the end. The debt lender makes his or her profit through the interest charged on the loan. Often, debt investors place the debt on business assets that are of equal or greater value than the amount of money provided. Such assets could include buildings, processing equipment, mining licenses/patents as well as vehicles. If a business cannot pay according to the terms of the loan, the lenders have the right to take the assets tied to the loan.

Benefits:

- Debt holders have no say in the management of the business and only have rights as outlined in the loan agreement.

- Debt is usually cheaper than equity over the life of a business.

Risks:

- Debt holders can push a business into bankruptcy through the loan agreement contract.
- Interest payments can be out of sync with business cash flow or profits in commodity sectors which can cause significant stress on the operation.

Equity

Share investments, also known as equity investments, represent an ownership interest in the business. Such investments include share purchases or partnerships.

Benefits:

- There is no legal obligation to pay shareholders in the event of low profits or gold sales.
- Share investors are often experts in the business field and can provide management guidance.
- Shareholders cannot push a company into bankruptcy.
- Due diligence for share investments is often easier and less structured.
- Share investors are usually more comfortable taking bigger risks.

Risks

- Equity is generally more expensive than debt for business owners because the new share owners have the right to a proportional share of the future profits for the life of the business.
- Business owners may have to share control of the venture with equity holders.
- Business owners may lose control of the business if their share percentage of the company falls below 50%.

Common ASGM Investment Types

Please note that financing types are sorted into debt and equity categories based on how they are usually structured and their underlying characteristics. Some of the financing types can be categorized in either group depending on how the financing is packaged and the deal arrangement.

The following list is general and is based on the most common situations.

Debt Financing

Microfinance Loans

Scale: Up to ~US$1,000

Business Standing: Informal

These are small loans provided to individuals/organizations that generally have difficulty accessing financing in the formal economy. They are usually targeted to sole proprietor enterprises and are designed to provide the money to achieve business stability.

Benefits:

- Available in larger developing world population centers.
- Due diligence is not onerous as the loan is often needs based.
- Usually there is no bankruptcy risk.
- Extremely flexible payment terms (often essentially honor based).

Drawbacks

- Usually limited to loans of very small size (less than $1,000).
- Scale is generally not suitable for mechanized ASGM operations.
- Can be negatively biased against mining.
- Poor understanding of the mining sector by loan administrators.

Gold Loans

Scale: No limitations (investor dependent)

Business Standing: Informal or formal

Loan agreements where ASGM organizations receive an upfront investment in return for regular set gold deliveries are common in the sector. Often these loans are informal in nature and are organized by gold traders or other downstream actors in the supply chain.

Benefits:

- Locally available in gold production regions.
- Can be sized appropriately for the scale of the operation and can be small (less than $10,000).
- Due diligence is not onerous as the loan is often based on personal relationships.
- Can be either formal or informal depending on the participants.

Risks

- Can lose the assets that are used as collateral for the loan.
- Gold price swings can work for the ASGM operation or against it depending on how the loan is structured and the operational circumstances.

Gold Streams

Scale: No limitations (investor dependent)

Business Standing: Formal

Gold streams are essentially discounted forward sales agreements and are similar to gold loans. That is, the ASGM agrees to sell gold at less than the market price to the investor who paid upfront for the gold flow. These investments are arranged in many different ways, but generally entail the future delivery of gold by an ASGM operation at a discounted price to the market gold price. The delivery price can either be a fixed amount (say US$1,000 per ounce delivered) or it can be at a set discount to the spot gold price (say 30%). These arrangements can be in perpetuity, or they can be limited to a specific number of ounces.

Benefits:

- Locally available in gold production regions.
- Can be sized appropriately for the scale of the operation and can be small (less than $10,000).
- Due diligence is not onerous as the loan is often based on personal relationships.
- Can be either formal or informal depending on the participants.
- Revenue certainty on gold sales (acts as a hedge).
- Usually there is no bankruptcy risk with streaming agreements.

Risks

- Although the organization is protected to the downside it also loses the upside on the gold price.
- Can be a hindrance when seeking other sources of financing due to the cap on revenue/gold sales.

Gold Royalties

Scale: No limitations (investor dependent)

Business Standing: Formal

These types of arrangements consist of selling the right to a set percentage of all gold produced from a property. Royalties are generally in the range of 0.5 to 2% but sometimes can be up to 5%. Similar to gold streams, royalties can be in perpetuity, or they can be limited to a specific number of ounces. The contracts for royalties are usually on the title for the underlying property and remain in place even if the property is sold.

Benefits:

- Locally available in gold production regions.
- Can be sized appropriately for the scale of the operation and can be small (less than

$10,000).

- Due diligence is not onerous as compared to debt.
- Usually there is no bankruptcy risk with royalties.

Risks

- Can be a hindrance when seeking other sources of financing due to the cap on revenue/gold sales.
- Any growth in production must be shared with the royalty holder usually without any additional investment from the royalty holder.
- Any new gold deposits on the property subject to royalty agreement must be shared with the royalty owner (essentially, the royalty holder has free access to any new discoveries on the property).

Equipment Financing

Scale: ~US$1,000 to more than US$1M

Business Standing: Formal

This type of financing consists of loans/credit provided by equipment manufacturers to help miners purchase their products. The agreements have flexible structures and payment periods. The loan interest rate is usually based on lending rates at the time the agreement is written and is fixed over the loan period.

Benefits:

- Available in gold production regions.
- Can be flexible in size.
- Interest rates can be negotiated (within limits).

Risks

- Requires a financial track record and possibly a credit score.
- Only suitable for larger, mechanized ASGM operations.
- Loan is collateralized with a depreciating asset and the ASGM organization can owe more than the equipment is worth in some circumstances. That is, as the equipment is used in the operation and wears out, sometimes the amount owed on the loan is more than the equipment is worth.

Collateralized Loans

Scale: ~US$1,000 to more than US$1M

Business Standing: Formal

These loans consist of standard bank loans against assets. The assets that are used to secure the loan can be either personally owned or owned by the ASGM operation. In the artisanal sector, bank loans are usually originated against personal assets. There are several reasons for this, but it is usually due to the temporary nature of mining permits/claims and the poor understanding of the sector by loan officers as well as the risk associated with fluctuations in the gold price and geological uncertainty.

Benefits:

- Available wherever there are bank branches.
- Can be flexible in size.
- Interest rates can be negotiated (within limits).

Risks

- Links personal assets to the success of the mining venture.
- Requires existing assets and a financial track record or credit score.
- Introduces the possibility of bankruptcy to the endeavor.
- Extremely high level of due diligence on the part of the loan originator.

- Steep learning curve for banks to climb to get up to speed on the ASGM sector.

Partnerships

Scale: No limitations (investor dependent)

Business Standing: Informal or formal

These are formal equity arrangements between two or more people for the ownership of the business. Partnership agreements are extremely flexible and can be formal or informal.

Benefits:

- Locally available.
- Flexible in size.
- Partners can share/participate in management activities.
- Lower level of due diligence in many cases.
- Formal or informal.
- No bankruptcy risk.
- Equity stakes are negotiable.

Risks

- Partners have rights and own a portion of the business.
- Can be difficult to wind down or get out of.
- Partners can take over management if stake is above 50%.
- Partners often disagree.

Share Investments

Scale: No limitations (investor dependent)

Business Standing: Formal

Share investments entail selling a portion of the ownership of the business. In the case of ASGM, share sales are always private (rather than through public stock markets). The existing owners have discretion over the size and pricing of the share sale.

Benefits:

- Locally available through entrepreneur network.
- Flexible in size and share pricing.
- Lower level of due diligence in many cases.
- No bankruptcy risk.
- Shareholder management expertise and business advice.

Risks

- Share owners can take control if they gather a majority stake of equity.
- Selling an ownership portion of the enterprise.
- Giving up a proportional share of business earnings forever.

Choosing an Investment Type

There are several factors that go into the decision on the type of investment an ASGM operation should look for:

- Business maturity (ramp-up or steady state)
- Business stability
- Scale of cash flow
- Degree of business formality
- Size of investment required
- Business needs beyond money

ASGM managers should consider the above factors carefully, assess the business needs which may extend beyond financial and decide on the probability of success of securing outside investors. In cases where the business is just starting out and requires a small amount of money, say less than US$5,000, a micro loan is likely most suitable. Otherwise, there are several financing options that may be appropriate.

In cases where there is no revenue, revenue is extremely variable, there are no hard/long-term assets and an investment of more than US$10,000 is required an equity investor or partner may be most suitable. Equity investors tend to be more risk tolerant and understand mining investments as well as the mining sector. Also, importantly, this type of investment cannot push the business into bankruptcy.

In situations where there are hard assets, operation/financial records and revenue is reasonably stable, a debt investment may be more suitable. However, the due diligence process for bank loans requires documentation of the business profits (generally for at least three years) audited by an accountant as well as income tax records as well as manager/owner background checks. Loans will not be provided by formal financial institutions to organizations that cannot provide this information. Furthermore, this information is the minimum required for the assessment and the loan may fail on the strength of the business itself. The process is similar to getting a mortgage to buy a house and in many cases more stringent because it is more unusual (this is the case with any loan to a small/medium sized business)

The ASGM operation must balance the positive and negative aspects and decide on a strategy that has the highest likelihood of success based on their situation.

Module 6 - Investors

Investors - How They Think and Where to Find Them

MODULE OBJECTIVES

By the end of this module the participants should be able to;

i. List different types of investors;

ii. Understand the criteria different types of investors use to evaluate projects;

iii. Understand how investors value projects;

iv. Know how to increase the investment potential of an ASGM operation; and,

v. Explain the value of trade shows.

Introduction

As covered in the previous module, there are generally two types of investment: debt or equity. Usually investors (but not always) will specialize in one type or the other based on their investment criteria and aversion to risk. Debt is preferred by investors that are focused on minimizing the loss of money whereas equity is the preference of investors looking for a larger return.

Also, given that loans are usually placed on assets, smaller sized investments are usually placed as debt.

TYPES OF INVESTORS

There are many types of investors which make different types of investments.

Local Entrepreneurs

Every community has individual businesspersons that are continuously looking for opportunities. These types of investors are usually extremely business savvy and are comfortable doing many different types of deals in all kinds of sectors. Investments can span from private equity to private high interest debts. Local entrepreneurs are often interested in becoming business partners and/or buying businesses outright.

These types of investors can be the most flexible on investment terms and conditions. Further, entrepreneurs can make decisions quickly and make money available on short notice. Often, it is only one person making the decision, so the due diligence and research process is less in depth. These types of deals can be on a "handshake" basis and can be based on personal trust/reputation. However because they are experienced they also tend to negotiate a "hard bargain" because their entire focus is to capture value. They do not have particular attachment to the business (family history, etc) and thus can walk away from a deal if they sense it is not in their best interest.

Local entrepreneurs are usually the best chance for an ASGM cooperative to receive financial support but the deals are usually expensive given the cooperative's lack of bargaining power.

Micro Finance

Micro finance investors are active in the developing world to support local entrepreneurs. These types of investors are generally focused on debt investments of a scale of a few hundred to a few thousand US dollars. The requirements for these loans are flexible and they are usually easy to access. For very small-scale artisanal gold operations, these types of investments are suitable. Usually microfinance investors are institutional organizations – banks – dedicated to supporting specific niche markets with the objective of aiding development or poverty reduction. However, this type of investing must be distinguished from private microfinance offered by informal "loan sharks" that provide lending but at extremely high interest rates.

Unfortunately, in cases where an investment larger than ~US$10k, micro finance is not suitable.

Banks

All countries have national banking systems and local banks. These banks provide business loans following a rigorous due diligence process. Due diligence includes business plan review, financial statement review, operational reviews (in some cases) and vetting of owners.

In general, it is much easier to obtain bank loans against assets. Often in ASGM, bank loans are tied to personal homes, cars or other assets outside of the mining operation. Banks will also provide loans for mining equipment (much like a car loan) for more established ASGM operations.

Bank lending in mining is extremely rare without outside collateral, co-signing and/or supporting parties. As a small business, mining operations are seen as extremely risky by bank managers. For professionals outside of the mining business, it is difficult to estimate the strength of the mining operation due to the lack of mining/geology knowledge. Bank managers are able to easily assess traditional small businesses such as small stores, construction contractors, farming operation or laundry services for how much money will be generated over time. In the case of mining, they are unable to make these types of forecasts. Therefore, there is considerable risk to the bank and to the loan officer's career when loaning to small gold operations.

Bank managers prefer to make loans on assets in the small mining sector to avoid the need to assess the money-making potential for the business. In fact, this is almost always the only way to obtain bank loans in the small-scale gold mining sector.

Equipment Manufactures

Many equipment manufactures will provide financing on equipment purchases, much like a car loan. Many different types of mining equipment can be financed in this way, including sluicing/grinding/crushing systems as well as excavators, trucks and loaders. Used equipment can also be sometimes suitable for financing using this method.

The advantage with this type of "investor" is that they already understand the mining business and the associated risks. That said, the ASGM operation will need to have strong operational and financial records and will have to be of a reasonable scale to be a candidate for equipment loans.

Private Equity Investors

These types of investors share many characteristics with entrepreneurs with the main difference being scale and degree of organization. The size of investment is usually substantial due to overhead costs (in the case of funds).

Private Equity Investors generally require investments of the scale of US$5M or greater (and are very rare below say $50M). In cases where the ASGM organization has a large, conventional mining concession with potential for a larger scale development or projects can be bundled, Private Equity investors could be a viable source of investment. Otherwise, potential ASGM investments would likely be too small to be of interest to this type of investment.

It is important to mention that the private equity investor industry is only viable if some necessary conditions are met: i) a competitive financial environment ii) transparent and stable regulations iii) limited government interventions influencing market decisions, and iv) credible dispute resolution mechanisms. These conditions usually exist in developed markets that are often used as platforms for accessing capital investments for operations in developing countries. However, relying on foreign access to capital markets adds costs and these types of investors generally prefer their "home" jurisdictions.

Public Equity Investors

These investors include individuals as well as institutions. The vast majority of ASGM projects will not achieve the scale necessary to attract this type of investor. An enterprise generally must be valued greater than US$2M to be listed on a public exchange which is much larger than most ASGM projects.

Government Investment

In critical sectors, governments will often make direct investments that fit their political mandates. Governments will also serve as a foundational investor in high-risk situations or will provide direct support to attract private sector investors to target sectors. Governments also provide low-cost loans or loans with less business qualifications.

Government investment in the ASGM sector is often not of the financial type. Often, simple government interventions can facilitate investment from other types of investors. Such interventions can include reasonable tax rates, grandfathered mining concessions as well as suitable permitting systems for the ASGM sector.

Grants are occasionally made available by governments, however grants are rarely directly targeted to the gold sector and are usually designed for industrial commodities.

Social Impact Investors

SRI investors focus on other aspects beyond investment return when deploying capital. They can be characterized as investors with a social mandate. The social mandate can include lowering carbon emissions, financial inclusion and jurisdictional focus.

However, like Private Equity or Public Equity investors, these investors also need reasonable scale to be able to participate in an investment.

ASGM scale investments can be viable when bundled together to achieve larger scale. A suitable form could be a lending facility directed at ASGM in a particular region.

Family Offices

These investors consist of high-net-worth private citizens. Often, family offices have focuses on particular social aspects; however, this is not always the case. These investors can deploy capital extremely quickly and some family offices will back small-scale ventures and can be suitable for ASGM.

The issue for ASGM is getting on the Family Office radar for investment given that many offices shun publicity, and the vast majority are based in the developed world. Further, many of these offices are hesitant to invest in mining due to a lack of understanding of the benefits.

Gaining investment from Family Offices will require a large investment in education on the ASGM sector to overcome these negative perceptions.

INVESTOR OPPORTUNITY EVALUATION

In general, professional investors all use the same framework for evaluating financial opportunities. The list below outlines the common factors:

- Business Concept
- Valuation
- Operational History
- Management
- Total market size

These are the general factors but some investors (as outlined in the previous section) have other variables that they consider depending on their investment motivation. Further, some investors will emphasize some factors over others depending on the type of investments they make and the depth of information on each factor they need. For instance, a bank loan will generally require more extensive and formalized operational and management information as compared to a local entrepreneur.

It is also important to note that some of these factors do not apply to ASGM in a meaningful way. At a very high-level, the ASGM business model is well understood for typical mining operations. That is, most people understand that mining involves digging up soil and rock containing gold and processing the material to make a profit. People also generally understand that the market for gold is global although the market price is highly variable.

Therefore, we can generally limit the main factors for typical investors to valuation, operational history and management for the ASGM sector.

Valuation

Professional investors base valuation on free cash flow and how much they think the free cash flow is worth given the level of risk. Although it sounds complicated, free cash flow is simply the amount of money that can be removed from a business over time without affecting the sustainability of the business. Investors are willing to pay more for businesses that predictably create cash for owners for the foreseeable future as compared to businesses with foggy futures.

In general, investors want to be able to get their money out in three to five years. This equates to a return of approximately 15 to 25%. Another way to think about this is that investors value businesses at three to five times the cash created by the business over the course of a year. Or in fancy business jargon, a business is worth 3 to 5 times annual free cash flow.

For example, if an ASGM operation clears ~US$10K over the course of one year an investor would consider the value of the business to be between US$30 to 50k.

It is important to remember that investors calculate cash generation after all expenses including the cost of management. Often, business owners forget to include management costs which is the amount of profit that they take from the business to live on. To an outsider, these profits removed for personal living expenses is the cost of management. If someone buys your business, they will either have to remove a similar amount of money from the business to live on if they are running it themselves or pay someone else a significant amount to manage the operation. Therefore, management is a cost to the business and should be counted before calculating profit.

Banks will look at annual cash creation and compare this number to potential annual interest payments to assess how much they are comfortable lending to a particular operation. In general, private mining operations should have 2 to 3 times the interest payment in annual cash generation.

Investors will use other tools to calculate value such as market asset value and the recent sales price of similar businesses. However, cash generation (free cash flow) is the foundation of all valuation in the end.

Operational History

Historical records of business operations allow investors to fine tune their estimates of how much money a business can generate. The best gauge of the future performance of the business is how the business has done in the past. These records allow for more precise estimates which lower the amount of risk for the investor. If a business can increase investor confidence, the business can increase the price paid for a share of the business, the amount of money an investor will lend to the business and lower the interest rate.

Operational factors to record include:

- Head grade
- Ore processed
- Ore mined
- Gold production
- Exploration activities

It is important to understand that financial and operational records are extremely valuable to business owners to get a large investment on favorable conditions.

Management

Investors need to have confidence in the people behind the business. They need to know that the people are trustworthy and can manage the business. Investors have to see evidence that the money they give to the business will be used in the way that it was promised to be used.

Management information to report:

- Training
- Experience
- Employment history
- Regions worked

A clear management hierarchy for the mining operation should be provided to investors as well as the summaries of the miners' experience (including the points above).

The operational organization chart should include defined roles of personal as well as designated responsibilities. Further, decision making authority levels should be outlined as well as reporting relationships (chains of command).

MINING CONFERENCES AND TRADE SHOWS

When sourcing investment, the importance of local mining conferences and trade shows should not be overlooked. There is a perception in ASGM communities that mining conferences are only targeted to large-scale, well-established mining operations but this is not the case. Mining conferences are suitable for mining operations of all sizes, and they generally have sections specifically set aside for very early-stage mining projects and operations. Many of the displays (booths) in these areas consist of individual prospectors looking for investment or partners to move their project forward.

A significant proportion of the investors that attend these conferences target early-stage projects.

Conference Attendees Include:

- Government officials
- Large scale mining companies
- Exploration companies
- Independent prospectors
- Equipment manufactures
- Entrepreneurs
- Equity investors
- Debt investors
- Private investors
- Environmental groups
- Mining consultants
- Non-governmental organizations

- Charities

As one can see from this list and based on the content of this course, many of the attendees are potentially interested in investing in artisanal gold mining operations and projects of all sizes.

In fact, promising early-stage projects are very desirable for many risk-tolerant investors. These investors recognize the potential in small scale gold mining, understand the risks as well as the potential high returns from the sector. They are generally mining experts and therefore do not require education as to the benefits from the sector. Further, many of these investors are placing their own money in projects and can therefore move very quickly on opportunities with a lower level of due diligence.

Every mining jurisdiction has annual mining conferences and trade shows (often several different shows per year). There are many different options for attending from simple floor passes to large display booths where mining operations can advertise their projects.

Beyond the potential for investment, these conferences are excellent networking opportunities where operators can share best practices, exchange technical information and/or lobby government officials for change.

Module 7 – Financing Tools

The financing tools module is designed to introduce planetGOLD frameworks for writing technical reports and business plans/investment prospectus. The module also contains links to example reports.

The frameworks are designed to be manageable by semi-organized ASGM groups and to be written by an experienced local geologist.

The purpose of this module is to review the reports and report examples with the course participants, so they are familiar with the report contents, writing approach as well as the overall intent of the documents.

Module 8 - Conclusion

The intent of the ASGM finance course is to provide artisanal miners with the knowledge and tools necessary to access investment. The first step in attracting investors is to organize the operation in a way that is suitable for investment.

Specifically, an ASGM operation must be registered with the government, be permitted for operation, have a bank account, and have a management system in place before any investment can take place. A large investment cannot take place unless these pieces are set.

Beyond this infrastructure, a financial and operational track record allows an ASGM operation to improve the terms of investment. These records can be used to create standardized financial statements which provide a basis for investment and help investors estimate what the business is worth.

In targeting investment, ASGM operations must consider the types of investments available as well as the risks and benefits of each option. To be successful, an understanding of what different types of investors are looking for as well as their investment criteria is very important.

These factors allow an ASGM group to focus their investment search process and greatly increases the chances of success.

Closing Remarks

At this point the instructor should spend a few minutes summarizing each section of the course that was covered. The summaries do not need to be detailed and should not last more than a few minutes for each section. It is also important to thank the class for their attention and participation during the course.

Following the summary, provide an opportunity for the class to ask questions – whether they be clarification of specific concepts covered, questions about business ideas, or questions about applying the knowledge and skills developed in this course to aspects of their lives. This should ideally be run as an open forum, and the instructor should encourage everyone to participate in responses. In addition, it is recommended to ask students about additional business concepts, skills or knowledge that they would like to acquire. This course is only meant to introduce basic, universal business concepts; however, students are likely to have a more nuanced understanding of the particular challenges associated with running a business in their locality. This is an opportunity to scope training needs for more advanced or more in-depth development of business skills.

Ideas from the class might include things like:

- Mining laws and permitting regulations in their country
- Organizing associations or cooperatives
- Steps for applying for a business license in their country
- Marketing (gold or otherwise)
- Pitching business ideas to investors
- How to apply for a bank loan
- Basics of microcredit lending
- Lending institutions in their country/region and how to access them.
- Advanced budgeting or accounting.

These ideas can be used, in consultation with local business development organizations, or community level CSOs to develop follow-up training that may be better targeted to the particular business development and management needs of participants.

It is highly recommended to follow the training with a training evaluation. This not only helps to understand if the intended learning outcomes of the course were achieved, but also helps the instructor to better understand how to adapt course content, structure and delivery for future training. Finally, it can help to understand what the ultimate impact of the training may be for students.

At the end of the course, it is helpful to recognize participation and to credit students for their acquisition of knowledge and skills. This can be done, for instance, through the presentation of certificates of achievement. These certificates are often highly valued by attendees of these kinds of training. Furthermore, they can be used as an asset by students when seeking loans from family or community members and as a demonstration of the knowledge and skills they have acquired in managing successful small businesses.

Appendix I - ASGM Record Forms

ASGM MONTHLY BUDGET				
		MONTHS		
		Jan	**Feb**	**March**
Monthly Income Sources				
1.	Gold sales			
2.	Royalties			
3.	Property lease payments			
4.	Concentrate sales			
5.	Tailings sales			
	Total Income (a)			
Monthly Expenses				
1.	Equipment purchases			
2.	Equipment maintenance			
3.	Transportation			
4.	Refining			
5.	Land leases			
6.	Consumables			
7.	Utilities			
8.	Fuel			
9.	Water			
10.	Electricity			
11.	Wages			
12.	Interest			
13.	Tax			
14.	Miscellaneous			
	Total Expenses (b)			
	Surplus/ Deficit (a-b)			

MINUTES OF ASGM MINERS MEETING

Date of Meeting: ___________________________
Time of meeting: ___________________________
Name of the Group: ________________________
Name of mine: _____________________________
Person Chairing the Meeting: ______________

Meeting Agenda:

- Preliminaries
- Review of status of concern from the previous meeting
- Discussion of mining items
- Discuss recent accidents, risks and near misses
- Plan events for the next period
- Closing Comments

Name and Signature of members present

- ____________________________
- ____________________________
- ____________________________
- _____________________________
- _____________________________

Members Absent

- _________________________________
- ________________________________

Preliminaries

____

Review of status of concern from the previous Meeting

____

Discuss mining items

____

Discuss recent accidents, risks and near misses

____

Plan events for the next period

____

Closing Comments

____

Minutes Signed by
Chairperson……………………………… **Date: …………………………………**

Secretary ……………………………… **Date: …………………………………**

	Member Name	Date of Registration	Member ID Number	Job Position	Contact Information
1.					
2.					
3.					
4.					
5.					

MINE/LAND LEASE AGREEMENT

Introduction

PARTIES TO AGREEMENT

1.

2.

Period of Agreement/Duration of contract……………………………………………

Terms and Conditions of Agreement:

- ____
- ____
- ____

Responsibilities for each party in the agreement

- ASGM - Lessee (1st Party)

- Land lessor (2nd Party)

Disputes

resolution____

____

___

____

___

Notice to termination of

contract/Agreement____________________________

Signed for and on behalf of ASGM -Lessee (1st Party)

Chairperson…………………Date………………………

Secretary…………………Date………………………

Signed for and on behalf of Land lessor (2nd Party)

Chairperson…………………Date………………………

Secretary…………………Date………………………

ASGM Inventory record For the Month of …………………………..					
		Date:			
	Mining Equipment	Description (Model/Type)	Quantity	Value	Maintenance Status
1					
2					
3					
4					
	Total Value				
	Gold in Inventory				
1					
2					
3					
4					
	Total Value				
	Other inventories and Assets				
1					
2					
	Total Value				

ASGM Operating Record For the Week of …………………………..					
Day	**Material Mined (kg)**	**Description (Ore Type)**	**Stockpile Location**	**Mining Location**	**Miner**
1					
2					
3					
4					
5					
Total					
	Processed Material (kg)	**Description (Ore Type)**	**Feed Source (Stockpile ID or Mining location)**	**Recovered Gold (g)**	**Recovery (%)**
1					
2					
3					
4					
5					
Total					

Date	Activity Description	Quantity	Rate	Total Amount
	Sales			
	Gold Sold	grams	@	
	Concentrate Sold	tonnes	@	
	Tailings Sold	tonnes		
	Total Income (a)			
	Expenses			
	Wages			
	Fuel			
	Extraction & Crushing costs			
	Utilities (water, gas, electricity)			
	Transportation charges			
	Cost of chemicals			
	Monthly lease charges			
	Total Expenses (b)			
	Profit/Loss (a-b)			

ASGM CASH BOOK FOR THE MONTH OF……………………					
Date	**Transaction**	**Notes**	**Cash In (Received)**	**Cash Out (Paid)**	**Balance**
	Concentrate Sold		Xxx		**xxxx**
	Fuel Purchased			xxx	**xxxx**
	Equipment Purchased			xxx	**xxxx**
	Gold Sold		Xxx		**xxxx**
	Tailing Sold		Xxx		**xxxx**
	Wages to miners			xxx	**xxxx**
	TOTALS		**XXX**	**XXX**	**XXXX**

Appendix II - ASGM Record Forms

BUSINESS ENTITY

- Government registered business structure
  - Cooperative
  - Limited Liability Corporation
  - General Partnership
  - Sole proprietorship
  - Non-profit organization
- Business structure suitable for
  - Debt investments
  - Equity investments
  - Foreign investors
  - Domestic investors
- Distributed ownership among miners
- Business entity in good standing with government

FINANCIAL INFRASTRUCTURE

- Business bank account
- Existing debt obligations
- Credit access

LEGAL STATUS

- Assets held in business entity
  - Mining permits
  - Exploration permit
  - Exploitation permit
  - ASGM permit
- Permit limitations
  - Miner only
  - National citizen only
  - No limitations
- Operational permit
- Cyanide permit
- Environmental permit
- Water permit

MANAGEMENT ORGANIZATIONS

- President/CEO
- CFO/accountant
- Hierarchy with defined reporting
- Equipment maintenance Records
- Daily mining records
  - Head grade
  - Through-put
  - Recovery
  - Consumables
- Business plan
  - Clear ask

INFRASTRUCTURE

- Clean water
- Consistent Electricity
- Trained Labour
- Health Clinic
- Worker Housing
- Suppliers
- Phone coverage
- Tailings Storage Capacity

GEOLOGY

- Suitable regional geology
- Suitable project scale geology
- Professionally vetted geological resource
- Mine life greater than 3 years
- Consistent head grade
- Non-refractory ore

INVESTMENT

- Business financial model with valuation
- Investment Type defined
  - Debt
  - Equity
- Investment Scale defined
- Investment Terms defined
- Defined use of investment proceeds
- Investment value creation quantifies

References

- Artisanal Gold Council (AGC) and Asia-Pacific Economic Cooperation (APEC), Koehler, B. and Rosenbluth, P., Small Business Management in the Artisanal and Small-Scale Gold Mining Sector – Teaching and Learning Materials Course Manual, 2019.