In the wake of the end of the British Coal deal at the end of 1994, SRK UK initially scrambled for work. The number of people ebbed to some 25 full-time staff as the consultants from other SRK offices and contract personnel left. Surprisingly little work came SRK UK’s way from the privatised coal industry.

In 1996, a regional office was opened up in Mansfield, the centre of Britain’s coal industry, to take advantage of the new situation. This office was headed up by James Dodds and Mike Richards. But the work never really materialised. What work there was, was divided among the British Coal old boys’ network. With the lack of regional coal work, the Mansfield office closed in 2001, and SRK UK looked at international options.

Neal Rigby headed to the U.S. in September 1996, and Allan McCracken took over as managing director of SRK UK.
W

While Rigby and Bruce Evans were responsible for the glamorous due diligence work done for banks, McCracken had been the source for most of the bread-and-butter feasibility-study work done by SRK UK directly for mining companies. He developed excellent relations with several process-engineering companies, notably Davy McKee in Stockton, and this work kept the company going and growing through the doldrums of the mid- to late 1990s. It had 50 staff by 2000.

“If Rigby and Evans were the high-profile glory boys, McCracken was the busy midfielder all good football teams need,” Mike Armitage quips.

It was perhaps the studies McCracken generated that did most to create the team spirit in the Cardiff practice.

Martin Pittuck — yet another graduate of Cardiff, where he earned his master’s degree in resource estimation and had been lectured by both Armitage and McCracken — arrived in 1995 just as the British Coal project was wrapping up. “I wanted to work with them,” he says of his former teachers. “For me, at that time, it was a very supportive environment. All the individuals were keen for me to succeed at my graduate degree and to make me feel part of the team. I think everyone in the office was a natural mentor.”

Pittuck was the first graduate of a master’s course in resource estimation established by Dr. Alwyn Annels, who influenced the Cardiff office in much the same way that Jere Jennings was the academic patron saint in Johannesburg. McCracken first came across Annels in the Mufulira Mine in Zambia in the 1970s, where Annels had been exploration manager. Armitage studied under Annels in the early 1980s, and once a master’s degree course was established, at least one graduate was hired annually by SRK for several years. After Armitage stood down from running the resource group, Pittuck took over; he was followed by Mark Campodonico — all Annels’s students, as were a parcel of other key employees: John Arthur, Howard Baker, Lee Barnes, Richard Clayton, Tracey Laight, Ben Parsons and Lucy Roberts.

Towards the end of the 1990s, Annels got tired of university politics and joined SRK.

“He used his retirement lump sum to buy a brand new made-to-measure Jag,” Armitage says fondly. “We produced a T-shirt for him. On the front it read, ‘I used to work for the university and drive a Metro’; on the back it said, ‘I now work for SRK and drive a Jag.’”

Annels only worked for SRK for five years before retiring, but his practical common-sense approach to resource estimation inspired the resource team.

In place of the coal work, Cardiff’s attention became far more international as political change and globalisation spurred companies in Russia, Africa, South America and developing nations to come to London in their search for financing, expertise or firms to develop their resources.

The Cardiff SRK staff could be found in any country, working on any commodity, and their adventures became the stuff of company legend: McCracken taking cover behind a Land Rover in Iran while rocks the size of footballs flew over his head because the client’s over-confident mining engineer, aided by SRK’s
I USED TO WORK FOR THE UNIVERSITY AND DRIVE A METRO
I NOW WORK FOR SRK AND DRIVE A JAG
Martin Potts, used slightly too much explosive when collecting a bulk phosphate sample; Pittuck, after too long a dry stint at an isolated gold mine, being stranded in a bar in Bodaibo, Siberia, having had one too many for the road; Dave Pattinson shivering for days in Saudi Arabia, having gone to the country in winter, thinking it was always hot; Richard Oldcorn being threatened with expulsion from the same for not answering his radio. The stories were legion.

The effects of the downturn in the global market that hit in the late 1990s were increasingly offset by work in Russia and the former Soviet states. Armitage was at the forefront of SRK’s foray into the region.

“I first went to Russia in about 1994 for Western companies trying to get mines operating in Russia,” Armitage explains. “In the wake of perestroika, they were buying up rights cheap and trying to get them going. Slowly, though, people in these countries began to realise that they had some really good assets and at the end of the decade the work started to flow the other way — Russian companies were developing mines themselves and seeking financing and capital. They used us to present their financial case and technical information to the international community.”

Primarily, SRK was providing quality assurance and quality control for international lenders, for stock exchanges or for companies themselves. In particular, they were reviewing resource estimates and mine designs, which meant constructing 3D models to generate reserve estimates and similar work. The key, though, was understanding how this had been generated in Russia and then presenting this in a format that could be understood outside of Russia and which provided comfort to potential investors. The firm was essentially an arm’s-length technical umpire on everything from geology and mineral processing to environmental and social risk analysis — providing data that could be relied on, especially by global stock exchanges, about companies hoping to go public or that were in need of financing.

For one of the earliest commissions, Armitage and Iestyn Humphreys headed to Magadan, for Brook Hunt, to assist in the privatisation of a substantial gold deposit on the far eastern coast of the USSR. Founded in 1929 by Stalin, Magadan was a major transit centre for prisoners sent to the labour camps and the forced-labour gold mines in the region.

“It was a 12-hour flight from Moscow to Magadan — the in-flight meal was a bread roll and beer,” Armitage recalls. “A sign proclaimed, ‘Unruly passengers will be ejected.’”

“We arrived there in January,” Humphreys adds. “It was minus 35º C on the coast — the sea was a frozen plain — and it was 50 below at the mine. Talk about the dead of winter, it was like a scene out of Doctor Zhivago.” Pittuck also made several trips.
“Under Mike and Iestyn, I got to do work way above my pay grade,” he says of his early years. “Traveling to Russia was a bonus. I was given a lot of responsibility and had access to senior people to ensure what I was doing was correct. I spent time in the field traveling to far-flung places — three months in Siberia, several months in South Africa, another three-month stint in Canada. SRK gave me the mentoring and nurturing I needed to develop as a consultant.”

Paul Bright agrees.

For him, the Russian trips were true adventures as well. A geologist with computer-aided design skills from his time with British Coal, he joined Cardiff in 1997 and specialised in coal projects in Russia, the former Soviet republics and South America.

“Taking teams of up to nine people into the old Soviet republics or Russia is difficult — the administration is getting better, but at that time it was convoluted and complicated,” Bright says. “You had to register when you were staying over in many cities in Russia. This was usually handled in the hotel in metropolitan areas like Moscow, but in the provinces you usually had to go to a police station. We arrived at one police station and tried to register, but it got to the point where they were threatening to imprison us, I think. We were going to abort the job and head back to Cardiff. Eventually the manageress of the hotel intervened. She was not in favour of losing nine good-paying customers for 10 days.”

The Russian work initiated the kind of discussion within SRK that the leadership had hoped would occur as a result of the structural changes: that growth and expansion would occur from a thoughtful process rather than haphazardly. People in the U.K. office and people at global meetings began to discuss the idea of moving into Russia. Nothing serious at first, a bit like Chile: “we’re doing a lot of work over there, maybe we should think about it …” So, they thought about it.

There was no rush.

With its growing reputation for due diligence and financial expertise, the SRK UK staff had no shortage of work in spite of the market downturn. They found themselves in far-flung, often challenging places all over the globe as more and more firms sought SRK’s help to access capital markets. The Cardiff office was able to exploit the expertise it had acquired from the British Coal project.

“We bought the company’s first satellite phone for a trip to Afghanistan — it was like a laptop and folded out, you had to point it in the right direction,” Humphreys says. “That was an amazing trip. The region was managed by the northern tribes at the time — the Northern Alliance.”

(He dismissed as a canard the company rumour that he expended all of the credit on the phone at Heathrow airport before leaving to ensure it worked, though Armitage still questions whether any calls were actually made from Afghanistan.)
PROJECT: Konkola Copper Mines Restructuring

CLIENTS: Konkola Copper Mines plc (KCM), Zambia Copper Investments Ltd. and ZCCM Investments Holdings plc

SCOPE: KCM is a vertically integrated mining company and metals producer with mineral assets located in the Zambian Copperbelt. In 2000, the Zambian government started privatising Copperbelt assets; KCM and Mopani Copper Mines plc acquired most of the assets, with Anglo American plc holding a 33 percent equity interest in KCM.

Intending a major capital expansion of Konkola mine, shareholders of KCM invested over US$400 million. While this substantially reduced C1 cash costs to USc74/lb, in 2001, low copper prices prompted KCM’s decision not to proceed with the expansion. The following year, Anglo American commenced restructuring discussions with the Zambian government and KCM shareholders to prepare for its orderly exit and pave the path for the mine’s future economic viability. To assist with these aims and help KCM recapitalise the business and attract a new strategic equity partner, the Zambian government mandated formation of an advisory group comprising legal, financial and technical specialists. SRK was appointed to this group.

Over a 36-month period, KCM technical staff and SRK collectively managed all technical aspects of the restructuring program, including conducting detailed technical due diligence studies, advising the Zambian government and other stakeholders as part of the negotiated exit of Anglo American, developing strategic business plans, generating information memoranda, and providing strategic equity advice on pre- and post-bid negotiation and adjudication.

SRK mobilised a large, multidisciplinary, internationally experienced consulting team to assess the technical and economic viability of the integrated copper producer in a funding-constrained economic environment. The analysis concluded that longer-term sustainable development of Konkola is possible, leaving open the option for a major expansion if copper prices improve.

Bringing New Skills to the Job

A key series of commissions at about this time involved the reorganisation of the major mining houses in South Africa, a project that started with the Gencor work in 1998.

Though this work was done by SRK people from all over the world, it was particularly key in the U.K. as Humphreys went out to lead the work on the ground in South Africa and ended up at the centre of what became the restructuring of the gold-mining industry. It further strengthened SRK’s reputation as an independent mining consultancy in London, a centre for global mining finance.

Previously, each of the mines had been financed by one of the mining houses. With globalisation and the changes in capital markets, consolidation and restructuring was the order of the day.

Other work followed.

The mines in the Zambian Copperbelt were nationalised in the early 1970s and returned to private status in the 1990s when the country became a multi-party state. These big due diligence projects brought together a broad spectrum of SRK experts.

By March 2000, the privatisation program was complete and Anglo American had acquired a 51 percent interest in Konkola Copper Mines in Chingola and Konkola. In September 2002, Anglo withdrew as shareholders; SRK paved its exit.

Humphreys and the core of the SRK Cardiff team didn’t get back to the U.K. full-time until 2005.

The consolidation of the mining industry, triggered by the downturn in the world mining market in 1998, also brought SRK new work. The firm helped formulate business improvement strategies for the copper-nickel assets of BCL Ltd. in Botswana and for Assarel-Medet JSC, the biggest Bulgarian copper company.

The increase in due diligence work brought Fiona Cessford from South Africa to the U.K. Born in Cape Town to geologist parents, Cessford grew up around the globe as they moved around in the petroleum industry world — Ghana, Texas, Indonesia. She did a biology degree at the University of Bristol and worked for Britain’s Environment Agency before doing a master’s in environmental science. A regulatory job didn’t satisfy her, though, and while on a trip to South Africa, Jane Joughin from the Johannesburg office got her an interview at SRK. She joined in 1999.

Cessford spent roughly seven years with the water team in Johannesburg before being drafted into the due diligence work.

“There were a number of mergers, listings and financial projects that required environmental input,” she explains. “I got involved and ended up doing that kind of work. It was groundbreaking. In 2005, the team in the U.K. had shrunk for a number of reasons. I had a British passport, and they asked if I would come.”

She says her initial response was, “What? Leave the beautiful South African weather? You must be joking, for Wales?” SRK’s self-appointed sushi queen wondered whether they could even spell oshinko.

“They basically made me an offer that I couldn’t really refuse,” she says. “I went home to my husband and told him; he said, ‘When do we pack?’”

With the international nature of much of the work in Cardiff, Cessford found herself working in Pakistan with Jeff Parshley from the Reno office in North
PROJECT: Sintoukola Potash Project ESIA
Kouilou Department, Republic of Congo

CLIENT: Elemental Minerals Limited, majority shareholder of Sintoukola Potash S.A.

SCOPE: The Sintoukola potash project site is within the equatorial region on the Republic of Congo’s north coast. SRK was engaged to undertake an environmental and social impact assessment (ESIA) of the project in accordance with the regulatory requirements set by the Republic of Congo, the Equator Principles and the International Finance Corporation (IFC) Performance Standards. The project concerns development of an underground mine, associated roads and service infrastructure, and port facilities. The potash processing plant will produce approximately 2 million tonnes of potash annually, with the final product transported from the plant to barges via conveyors along a jetty.

The barges will then transfer the potash to offshore ships. The process plant’s main waste product, brine, will be diluted with seawater and pumped into the ocean. Commercial mining operations are anticipated to last for over 22 years.

The Sintoukola Project is in an area of high biodiversity, with a significant proportion of the mine falling within the eco-development zone of the Conkouati-Douli National Park. This park is a UNESCO-recognised protected area and is co-managed by the local forestry commission and the high-profile international Wildlife Conservation Society. The project’s proposed power line and gas pipeline run along the southern boundary of the Tchimpounga Natural Reserve, the largest chimpanzee sanctuary and rehabilitation centre in Africa.

SRK managed and co-ordinated the ESIA process necessary for compliance with Congolese and IFC requirements and the Equator Principles. This work included broad engagement of stakeholders — including 20 local communities — and management of a suite of 17 specialist studies. The work was undertaken in collaboration with PERAM S.A.R.L., an accredited Congolese environmental consulting company. The specialist studies were undertaken by local and international specialists and involved gathering extensive baseline data to characterise the bio-physical and socio-economic setting of the project area. SRK recognised the importance of Congolese knowledge in the ESIA process and local experts were engaged where appropriate to provide this knowledge or to build capacity. This enabled skill transfers while maintaining quality.

OUTCOME: The national ESIA report was submitted to regulatory authorities 13 months after initiation of the formal ESIA process. Review of the report took seven months and environmental approval was granted in August 2013. A separate report assessing the ESIA process and findings in terms of international standards was completed in March 2013.

The eco-development zone allows natural resource use for subsistence purposes such as the production and sale of charcoal. Industrial development is also permitted with proper approvals.
America. Parshley had become a global specialist in mine closure, and the firm was becoming as respected for that service as it was for its due diligence work.

Global awareness of environmental issues among lenders and shareholders drew attention to SRK’s experience and added value to what Parshley and others brought to the table. One of Parshley’s clients, Toronto-based Barrick Gold Corp, the world’s largest gold miner, and Antofagasta, the London-listed Chilean mining firm, created a joint venture known as Tethyan Copper. They embarked on a multi-billion dollar gold-and-copper project in remote Baluchistan in the desert near Pakistan’s border with Iran and Afghanistan. The property sat on the Tethyan Magmatic Arc, a long-recognised mineralised belt that bore a wealth of copper-gold ore deposits from Batu Hijau in Indonesia to Sar Cheshmeh in Iran, Copler in Turkey and Olympias in Greece.

“Through Jeff, we ended up doing the impact assessment,” Cessford says. “The area is culturally orthodox Muslim, which made for some interesting challenges when trying to do an international impact assessment with full transparency and consultation. We had to put in special measures for the women, for instance. So it was a very exciting project.”

The new environment team included Cessford and Joughin, who had also moved across to the U.K. They found themselves doing similar groundbreaking work in Kazakhstan, at the Voskhod chromite project in the northwestern part of the new republic. “SRK was doing stakeholder consultation in a country where nobody ever really got consulted,” Cessford says. “We went around to the communities, sat with them, asked them questions and got their input. As in Pakistan, it was very novel for these people. We were among the first people to do international environmental assessments in Kazakhstan for a mining industry. That opened more doors to us in Commonwealth of Independent States countries and other projects in Pakistan.”

Where it could, SRK partnered with local consultants and sometimes that entailed capacity building, which left a good legacy. Most of the work could be linked to the growing international regulatory movement directed at sustainability such as the Equator Principles — a risk-management framework adopted by many global financial institutions for managing environmental and social risk. First launched in 2003 and updated since, the principles provide a minimum standard for due diligence to support responsible decision making. SRK UK sold itself on its familiarity and understanding of such instruments and its close relationship with lenders.

“Historically,” Cessford notes, “the environment and social component of due diligence studies was probably 5 percent of fees. On certain projects in which we’re now getting involved it’s as much as 50 percent of the fees. Financial institutions place a huge premium on environmental and social issues. They see it as major public relations risk. That has resulted in them increasing the scope of work that we have to do and the time that we need to do it.”

At the turn of the century, Armitage took over from McCracken as managing director in Cardiff and oversaw an expansion of the U.K. practice in the 21st
PROFILE: Rob Bowell

Born in Manchester, England, Rob Bowell was going to become a coal miner until he realised the industry was in its death throes. He did a joint degree in chemistry and geology and gained employment in the mining industry, first in Namibia and then in Ghana, eventually earning a PhD for his work on Ghana’s Ashanti Mine. He was a geochemist for BHP Minerals when he met Andy Robertson, who urged him to join SRK. It would take a few years, but eventually, in 1995, Neal Rigby and Richard Connelly persuaded Bowell to join SRK UK in Cardiff.

Bowell has worked all over the globe with nearly every SRK unit — including four years’ work with the Tucson office on the closure of the San Manuel copper mine and three years on the promising Reko Diq copper-and-gold deposit in Pakistan. “I was very lucky in that the San Manuel closure project involved a very broad multidisciplinary approach to closing a mine,” he says. “In fact, we went as far as overseeing the actual closure and reclamation — taking down mining infrastructure and cleaning up the footprint. We took the project right up to the final blasting of the chimneys to remove all traces of the smelter complex.”

More recently, Bowell has been involved in projects back in Africa. He has managed teams from several of SRK’s global practices at Lethakane in Botswana, Madaouela in Niger, and Marenica and Brandberg in Namibia, where he has also worked with SRK Denver on uranium and rare metals at Trekkopje.
PROFILE: Ian Brackley

Ian Brackley was one of SRK’s gurus of tailings and soil geotechnics as well as rock mechanics. He had left Hastings, England, in 1967 to do his PhD in Natal. Afterwards, he spent a decade with the CSIR’s Buildings Research Department in Pretoria and two years with Webb and Partners. In 1980, he joined the tailings and rock mechanics department of SRK Johannesburg.

Brackley quickly established himself within SRK as a leading soils engineer, commanding respect from peers and clients alike. Along with Mike Smith, John Robbertze, Gordon McPhail and others, he was part of a formidable team designing tailings dams and providing ongoing tailings management services for many of South Africa’s major mining companies. Brackley was a true pioneer, combining expertise in mine-waste facility design, environmental evaluation and pollution management.

In 1987, Brackley took a secondment to the Lesotho Highlands Water Project, which transferred water from Lesotho to the Vaal catchment, supplying Johannesburg and the rest of the Witwatersrand. Based in Maseru, Brackley was the chief geotechnical engineer and team leader responsible for geotechnical investigations for the 180-metre-high Katse Dam and the 46-kilometre-long water transfer tunnel.

Following these successes, in 1989, Brackley founded SRK Bisho in Ciskei, where he was responsible for SRK activities in the Eastern Cape until 1992. After conquering Ciskei and Transkei, Brackley took the helm of SRK Zimbabwe, where he handled all of Anglo American’s tailings facilities.

In 1998, Brackley returned to the U.K. and joined SRK Cardiff, where he established a tailings and soils engineering department. Sadly, he died in 2007 from an aggressive cancer.

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PROJECT: Tonkolili Iron Ore Mine

CLIENT: African Minerals Limited

SCOPE: The Tonkolili Project is an operating iron ore mine located in central Sierra Leone’s Sula Mountain range, about 190 kilometres east-northeast of the capital, Freetown. SRK has been involved in this project throughout its life to date: advising on exploration, preparing estimates of resources, assisting with capital raising, participating in technical studies, contributing technical input during construction and providing ongoing mine planning during production.

The work done highlights the breadth of input SRK can provide and the extent to which a project can grow in scope.

The project has been developed by African Minerals Limited, with exploration commencing in 2008 and mining operations in 2012. The project comprises an open-pit mine extending some 20 kilometres along strike and associated processing, rail, port and export facilities. The commercial mining operations are anticipated to last for over 40 years. SRK was initially approached by African Minerals Limited to simply review the current consultancy-recommended drill spacing for the magnetite portion of the project and to give an opinion on whether it would adequately support an inferred resource estimate, as defined by current international resource reporting guidelines and specifically the JORC Code.

OUTCOME: SRK considered that the planned drill spacing was far closer than required, given the continuity of the ore body and the consistency of grade. SRK recommended a revised spacing that was later adopted and saved millions of dollars in drilling costs. As part of the subsequent exploration program, SRK provided on-site consultant geologists to supervise the activities and provide ongoing geological support and mineral resource modeling.

This work led to SRK managing and co-ordinating all the mineral resource estimates produced to date for the project. The client particularly appreciates SRK’s on-site role in facilitating the efficient conversion of drill rig data into a format that can be relied upon in the modeling and estimation processes. SRK continues to work with African Minerals Limited on various technical aspects of the Tonkolili Project and has developed a strong working relationship with both management and staff.
Gareth O’Donovan walked into Armitage’s office in 2003 and said he wanted to start a subsidiary exploration company. The prospecting and exploration business was a place for gypsies — people who didn’t like being tied down, who didn’t like working full-time for a single company. Born in Yorkshire, O’Donovan was an army brat whose parents took him around the world. He was a natural for the life of a prospector and he came to understand the type: When there was a job, great — work till it’s done, but then enjoy the down time to the fullest. O’Donovan told Armitage he thought he could do more for the firm if he developed his practice as an exploration geologist without adhering to some of SRK’s corporate constraints.

O’Donovan had earned his geology degree in the U.K. before heading to Africa and a stint in the gold mines there. That was when he first ran into SRK. He earned a master’s degree while in South Africa and started working for small junior-cap companies. He joined SRK in Cardiff.

“I had three young kids and had been away from my family for quite some time, so I would get to work out of the U.K. and spend a bit more time with my family,” he says. “In our trade, jobs in geology in the U.K. are rare and the idea of being a consultant quite enthused me at the time.”

He adds with a laugh that the first thing SRK did was send him to China.

“I was away from home for the first six months,” he says. “Then, believe it or not, I went back to South Africa to run a big project in the Congo. I returned to Johannesburg for a year. I was quite inspired by the stories that Oskar shared with me during that year — about establishing SRK with Hendrik Kirsten and Andy Robertson, about being told ‘You’re an idiot, there is not enough work for the three of you’ but deciding, ‘We believe in each other and are doing it anyway.’ That struck a chord in me.”

It was late 1999 before O’Donovan settled back in the U.K., where he inhabited an office and started consulting from it. By then, there were about two dozen employees in Cardiff.

“I was the only exploration geologist,” O’Donovan says, “so I did the exploration work as it came in, until 2003 when I walked into Mike’s office. At the time, the exploration sector wasn’t particularly buoyant. While I was probably paying my way, I wasn’t generating huge amounts of income for the company. I was acutely aware of that and decided that it was less of a risk for me to go and do certain things outside of the current structure, in an associate company where we were paid for the work we did.”
O’Donovan could have set up his own consulting company, but didn’t want to go it alone. He valued the SRK brand too much to walk away from it.

“It was a great flag to operate under,” he says.

He put up £5,000, SRK put up the same and together they were 50:50 partners in the new venture.

Exploration was a good area for SRK, because it was a way to build relationships with a company early in the game. It meant you could ensure the data collected was correct and dependable, but also, with a bit of luck, you developed ties so you were kept involved as the project moved towards the operation stage.

“We rented an office from SRK for the first year or so, until we were thrown out because they needed the space,” O’Donovan says. “At that point, we rented our own building a couple of hundred yards away.”

O’Donovan had two associates — Drew Craig, an old colleague, and Alex Mikhailov, one of those free spirits who eschewed systems and structure and had been on the fringes of SRK on various continents for a long time.

Their first job was a project in Saudi Arabia. Instead of advising, they were out mapping, supervising the drilling and physically doing the work on the ground. The next big project was managing the exploration work for Eureka Mining in Kazakhstan.

“Round about 2003/2004 the exploration took a bit of a jump and for the next few years it was a good business to be in, and we were able to be quite successful in our business,” O’Donovan says. “It was more luck than judgment.”

James Gilbertson transferred in from SRK as the first full-time employee.

“What we were providing was more of a hand-holding service for smaller mining and exploration companies than the provision of expert consultancy services,” O’Donovan explains. “Eureka Mining was the first of them, but that group of people went on to form several different companies and kept coming back to us. It was establishing that reputation as a hand-holder for smaller outfits that got us moving.

And being prepared to do smaller jobs for less profit and work in places that other people didn’t want to go to. We tended to do the nasty places on the planet. We’ve had any number of close brushes, very fortunately nothing terribly serious — we’ve had no losses or anything like that, but certainly a large number of dining-out stories that will see us well into our old age.” O’Donovan laughs at the memories.

O’DONOVAN:

“IT WAS ESTABLISHING THAT REPUTATION AS A HAND-HOLDER FOR SMALLER OUTFITS THAT GOT US MOVING”
Tapping New Markets

David Pearce joined SRK UK in October 1999. He was a Cornwall boy, long steeped in its history of tin mining. Pearce graduated from the Royal School of Mines and began working at a uranium mine in Namibia at the end of the 1980s. That’s where he met Steffen.

Pearce moved to Indonesia in 1994, where he worked for several years as a manager of a coal mine, and then decided he wanted to become a consultant. SRK was really the only firm he wanted to work for, given his experience of its staff in Africa and the personal inspiration of Steffen. He joined in Cardiff and remembers that in the early days, “the geology team was a lot younger and single at the time, and therefore they could go and work at a moment’s notice, party late and so on. We seniors on the mining side generally had families. It was an interesting dynamic and full of banter.”

In 2003, he became the project manager for SRK’s support of the first Indian firm to list on the London Stock Exchange. Vedanta Resources, the Mumbai-based globally diversified natural resources group, raised US$876 million through the IPO. Today it has interests in Zambia, Namibia, South Africa, Liberia, Ireland and Australia, revenues of US$14 billion and assets of more than US$46 billion.

“It was a big job — very intense, very hard, and it had three different divisions, a zinc division, copper and aluminum, that we needed to particularly get our head around,” Pearce says. “I had three teams out in the field from SRK Australia, South Africa and the U.K. My day would typically start at 8:00 in the morning, phoning colleagues in Brisbane to find out what was happening there. Then I would phone the client in India, then South Africa and the people in the U.K. We would work right through until 8:00, 8:30 at night for quite a few months.”

Pearce went on to handle the Eurasian Natural Resources Corporation plc listing on the London Stock Exchange. The firm had been created in 1994 as part of the privatisation process in Kazakhstan and was being consolidated into a single group. At the time, it was already the world’s sixth-largest iron-ore exporter and the fifth-largest supplier of traded alumina. It floated about 20 percent of its equity on the LSE.

“Our job again was to pull together multiple teams covering smelting, power, mining,” he said. “It was one of the first times this Central Asian company had dealt with the international approach to resource evaluation and estimation. We had a lot of debates with them about their reserves and some of the news we delivered wasn’t good. It was a big job — working with the miners, the bankers, the lawyers, the exchange officials.”

More work came as a result, with Russian and Central Asian firms practically tripping over each other, either searching for financing from London or implementing IFRS reporting standards. By 2005, Pearce, Armitage and others thought the timing was finally right to make a serious move into Russia.
Moscow

The first MINEX Conference (named after the mining department at Cardiff University) was held in Moscow in October 2005, funded and initiated by SRK with support from the U.K. communications firm Advantix Ltd. and a Russian consulting firm named NBL Gold. It drew 350 people and was the biggest international event discussing development opportunities in the mineral resources of Russia and the Commonwealth of Independent States that the country had seen. There were company directors, investors and government representatives from Russia, Georgia, Kazakhstan, Kyrgyzstan, Ukraine, Western Europe, Africa, Australia, Canada, South Korea, Japan and the U.S. More than 50 presentations were made over the two days, most of which mentioned SRK.

Representatives came from SRK offices in Australia, South Africa, North America and the U.K.; wine from each country was served at the closing function. Welsh wine could not be found in Moscow, so each Cardiff employee attending was asked to bring a couple of bottles to Russia in their luggage.

The success of the conference gave Armitage the confidence to fully promote a Moscow office to the rest of SRK Cardiff and the Global Board. Over the previous five years, he believed they had prepared the way and the time was ripe. The Board was sold.

In 2006, Pearce signed up as managing director on a rotation of two weeks in Russia and one week in the U.K. to balance his family life and the visa limitations.

With all the work they had been doing in Russia and the former Soviet satellite countries, the pertinent question was whether SRK could find the right local people to make it work. It was an established brand, its global services were in demand and it had a client base. SRK UK also had contacts in Moscow from their work in the country and had been looking for and talking with potential professional staff.

Svetlana Gracheva, Ekaterina Vershinina, Andrey Melnikov and Liubov Egorova were among the early employees who exemplified how SRK had significant human resources on its radar. Vershinina and Egorova spent time in the Cardiff office to ensure they experienced the culture and were a good fit. Gracheva had a long association with SRK.
Born in Moscow, Gracheva began working for SRK in Zimbabwe. Her father worked for the Russian Trade Mission at the time and he was friends with Mikhailov, who was in Africa then. Gracheva was attending high school and Mikhailov hired her to digitise maps. She did it for three to four months before returning to Russia for university. When SRK got its first contract in Russia, Mikhailov called her up and asked if Gracheva could help with translation. She began interpreting for various visiting SRK consultants, and loved it.

“When you travel for five hours through deep snow, not a single house or habitation to be seen, and you finally arrive at the mine site and it’s a whole new world — a city, people live there all year round and, wow!” Gracheva says of some isolated developments. “I started learning the mining vocabulary that way. For instance, even something as straightforward as ‘open pit’ in English can’t be directly translated because in Russian the translations differ depending on whether you are mining coal or minerals. The names of plants were often very different. Environmental issues were difficult when they started talking about trees, fish or birds. We had no idea what they were in English. ‘Crusher’ simply doesn’t translate. You can’t say ‘crusher’ in Russian — nobody will understand.”

For about four or five years, while attending university, Gracheva traveled for SRK when needed.

Ekaterina Vershinina developed a relationship with SRK UK through its work in the region. Born in Siberia, she had initially earned an engineering degree before becoming an environmental specialist. Vershinina’s first job was with the Russian federal environmental protection authority. From there she moved to Trans-Siberian Gold plc, a U.K.-based resources firm with various properties in the Kamchatka Peninsula.

“I was very disappointed about Russian environmental protection because I could see from working with the environmental authority that the system was not really for environmental protection, it was rather for state regulation and taxation,” Vershinina says. “In early 2005, I was thinking about moving into a different area to work, when another consultant suggested I contact Paul Bright, who was auditing a big Russian coal company and needed Russian-speaking environmental specialists to help them. I was still working for Trans-Siberian and they wouldn’t let me go for three weeks to work for another company, so I just left to work on that short contract. I was so impressed to see that it was possible to do something good and transform a bad situation.”

Bright encouraged Vershinina to join SRK, although the Moscow office had not yet opened. Over the next
several months she obtained the required papers and moved to Cardiff. She was told that when a Moscow office opened, she could transfer there if she wanted.

In June 2006, Gracheva, who by then was booking airline tickets, hotels and taxis in addition to interpreting, became the general administrator of the SRK Moscow office. Her title was much grander than the reality, as there was no office until August 2006.

She had come to understand and appreciate the culture of SRK from her involvement with the company over the years.

“My friends are very surprised that I can walk into the director’s office, say ‘good morning’ and, I don’t know, steal his biscuit from his cup of tea. That’s something that makes life in the office a lot easier. It’s the same with any person in our office. You can approach anyone if you need help or you just need to talk to somebody; it’s like a big family. We look at the people who come into the office not only in terms of what they know but also in terms of how they talk to the team. That’s important. Mutual respect, mutual trust and friendship are very important.”

Andrey Melnikov, who was working at another consulting firm, IMC, in Moscow, joined Pearce and Gracheva. He and SRK had been discussing working with each other for several months.

“IMC was at that time mainly a coal consultancy because it had been formed by British Coal people,” he says. “My main area of expertise was the Russian coal industry, and since 2000 I had been doing project management, marketing analysis and financial evaluation. I had visited practically all the coal mines in Russia and the neighbouring countries.”

Melnikov wanted to work for a larger consultancy and broaden his scope. “When we started in the office, we had only one chair for three of us, no tables,” he says.

Nearly half a dozen of his team from IMC joined SRK over the next year.

Vershinina, who had been working out of Cardiff, returned to Moscow also in that first year to start the environmental practice.

“We were very busy in Cardiff; I was jumping from one project to another, writing reports in planes,” she says. “At some point, though I was still enjoying my time in Cardiff, I realised that it was either me who would develop the business in Russia and create a team around me, or SRK would find somebody else. It was obvious that there was a big market for our international environmental services related to mining. So I made the move, and in 2008, we employed two more environmental specialists.”
The increase in work was directly related to the development of environmental regulatory enforcement in Russia and the change in attitudes driven by the arrival of global financing. International money brought international standards.

"Many of our clients were interested in integrating with international markets and accessing international financing, and there was an interest in the government to move in the direction of better standards and reporting — to make the domestic Russian and the international standards for resource and reserve reporting as close to each other as possible," Vershinina says. "We're working on that with the Russian authorities. But it's been a very long and difficult process. At the moment it remains one of our biggest challenges — we must prepare two types of documentation, one that meets international standards and uses the global vocabulary for financing and then a Russian one for construction. We must provide consistency between those two documents."

Another Cardiff-groomed addition was Liubov Egorova, who grew up in a Soviet science city where everyone was a scientist, a physicist or a chemist. She earned a degree in geology and geophysics at Moscow State University before working for a Russian mineral exploration company that wanted to list on the London Stock Exchange. That brought her into contact with SRK and she worked with the consulting team.

Impressed with her work, SRK Exploration hired her in 2005, and she moved to Cardiff. Her career went international.

“Mostly the projects were quite short,” Egorova says. “I think the most exciting one was in Guinea. We were exploring for diamonds, and on the day after we arrived in the country, a revolution happened. We were stuck in our hotel for two weeks. There was a lot of tension, guys running around with weapons in the streets, military planes from the Soviet Union–era flying overhead. It was a scary but interesting moment. We eventually got into the field — and I got malaria. That was something to remember.”

Still, in 2009, she decided it was time to curtail some of her international work and join SRK Russia in Moscow. There were roughly 40 people by then in the office and though they had strengths in some areas, there was a need for more specialists.

Like several SRK units in nations such as Turkey, China and Indonesia, SRK found it tough to find the right people — the number of talented specialised professionals was limited, and the mining companies poached good consultants by luring them with much higher salaries. Still, the office had grown by
attracting local professionals or those from former Soviet republics. Pearce was the only full-time non-Russian specialist, aided by occasional secondees from the Cardiff office. Most of the work was due diligence, audits and support for stock exchange listings as the former Communist state capitalised its markets. One of Armitage’s ambitions remained constant: embed the SRK brand by supporting state authorities as they modernised systems and universities by presenting at conferences to develop equivalencies between international and Russian standards and demonstrate that the two need not be apples and oranges. It was his twist on the original SRK belief in maintaining close associations with regulatory authorities and academia.

“One of the unique issues we face is that Russian industries still operate and report according to rules and standards established under the old Soviet Union,” Egorova says. “They are very different from the way of estimating ore bodies and reporting the information that we use internationally. So we have to consider two sets of approaches — one that the mines use internally and one they must adopt to deal with international markets — and reconcile those, as only one design can be approved. We are trying to harmonise those two standards, working with the government and the state authorities who are concerned with the estimation of the resources and who control the resource deposits.”

It wasn’t easy, and the differences in approaches continue to be a challenge, though changes are visible.

Take, for example, Udokan, the third-largest undeveloped copper deposit in the world, located in Russia’s Kalar District of the Transbaikal Territory in East Siberia. There were complicated mining conditions at the titanic open pit, and an industrial complex was needed to process 36 million tonnes of ore a year. SRK was responsible for planning and supervising the collection of the geological, geotechnical, hydrogeological and environmental data, and for preparing initially a pre-feasibility study and ultimately a feasibility study and environmental and social impact assessment to fulfill all Russian and international requirements.

For the geological modeling, SRK created the first computerised geological model using the latest software available. This highlighted several differences with previous Soviet-era assessments — which required many discussions, and many empty bottles, to gain the confidence of the client’s specialists.

“Also, they are completely engaged in developing a public-consultation process and an environmental monitoring program,” Vershinina says. “I’m very proud of that. The work is attracting attention from the government and from people around the world because of the size and difficulties involved. So for SRK Russia, it’s an extremely important project because it is a showcase of our work.”

Both women think SRK brought real assets to the table for the Russian mining industry: aside from its strengths in the classic areas, it offered leading-edge software and exploration techniques along with resource and financial reporting capabilities respected the world over.

Ironically and surprisingly, Melnikov says, many on staff were wary of SRK’s shareholding plan and its employee-ownership structure. It was a perfect example of how something no one would ever think about as an issue could cause a cultural misunderstanding, and how SRK sensitivity to external as well as internal cultural concerns developed with the accretion of these kinds of institutional realisations.

“Employee ownership did not exist for many Russian companies,” Melnikov says. “Shareholding was a bad word in Russia. Recent history had created the impression among most people that shareholding was not to create benefits for the employees but to exploit them.”

Steffen erased many of those feelings during a visit to the Moscow office. Although officially “retired,” he
remained involved with SRK as a veritable professor emeritus and company ambassador. “Everybody had such a high opinion of him because of the way he talked about the company,” Gracheva says. “He was very proud, and I think that added to us being proud of the company. We were all thinking, wow, somebody built an empire and actually did as the policies say, sold everything they had created when they reached the required age. I think it meant a lot to us when he shared his experiences and his life with us.”

Working in Russia remained unique — even well into the 21st century there were James Bond–like moments. For instance, on the contract for ARMZ, a state uranium mining company, SRK had to review the uranium reserves for the entire country. “You can imagine the secrecy involved, with a lot of state approvals,” Pearce says. “It was a very big project that caused a great deal of pain. It didn’t go as well as we would have liked, due to misunderstandings arising from differences in the way technical studies are done. In fact, it was a disaster. But at the same time it was a fantastic job for the learning opportunity it gave us.”

One assignment was in a city where political prisoners were held and that was previously classified as too secret to be named publicly. Pearce said it was impossible to get information and the SRK team was openly shadowed. No photography was allowed. Consequently, the SRK group returned to Moscow empty-handed.

On another project, Pearce recalled, the client expected SRK to give a positive result just because the company was being paid to work for them. However, SRK identified a major problem which the client did not want mentioned, so it had to cancel the project and walk away — writing off a significant proportion of the fees. This action, however, soon made its way into the Moscow rumour-mill and defined SRK as a company that would not shirk from telling the truth. This attracted clients who wanted an honest opinion.

Such setbacks were rare. Overall, SRK’s strategy succeeded. The Moscow office grew to more than 50 people and a satellite office was opened in St. Petersburg in July 2012. Similarly, the MINEX Conference also grew, with a sister event being held in Astana, Kazakhstan, to serve the Central Asian market — an acknowledgment of SRK’s ability to initiate change in a country.

**Sweden**

The Russian practice had been a result of thought, consideration and the weighing of risk by SRK UK — the market had been identified, the opportunity established through contracts in the area and the ability to exploit it gradually developed to ensure success. It was an example of the organisation’s strategic planning at its best. Still, the U.K. group’s move into Sweden proved the company was also more than capable of simply stumbling into a good decision. “There’s an annual trade show in Elko, Nevada,” Andy Barrett explains. “A group of people from the municipality of Skellefteå, a coastal town in an important mining district in northern Sweden, came to our booth in 2006. They wanted to talk about us opening an office there. They were given my card and told to contact me. I got the emails and passed them on to Mike Armitage.”

The U.K. practice had not considered the Nordic countries as a possible base for an office up to that point, but Armitage undertook an initial visit to the region, hosted by the municipality, to assess the opportunities. He was introduced to several mining and exploration companies that were very supportive of the idea of SRK establishing an office.
Feeling positive following this first visit, the municipality organised a second visit for both Armitage and Barrett. They were introduced to the mayor, taken around the university, wined and dined. It went splendidly, and there was a bit of synchronicity. While talking to people in the Cardiff office about the planned visit, Nick Fox suggested that Armitage contact his pal, Johan Bradley — who had recently moved back to Sweden and was working as an exploration geologist — to ask his advice on the country and its potential to support an SRK office. A meeting was arranged.

After the visit, Armitage and Barrett headed home thinking there was real potential. Bradley was invited to join the firm in Cardiff as a precursor to setting up an SRK office in Sweden, an offer he accepted.

Bradley was born in Sweden, but his father was an engineer who moved around a lot — particularly in Africa. He grew up mostly in the U.K. and did his master’s degree there before heading to Western Australia on an early stage gold exploration project in 1997. He returned to the U.K., and worked briefly with Rio Tinto before joining a junior company exploring Norway, Sweden, Finland and Saudi Arabia. Working on these exploration and preliminary stage projects brought him into contact with the Cardiff SRK office, including his old university pal, geologist Fox.

As with the future Russian SRK staff, Bradley moved to Cardiff to become familiar with SRK culture. He also set about writing a business plan.

Save for a few projects, SRK had not been active much in Northern Europe, in spite of the fact that Sweden was the largest producer of metals in the European Union. There had been a tremendous increase in exploration and development in the region over the previous decade. The investment had been triggered by changes to the mining laws that lifted restrictions on foreign investment and abolished state participation in mining.

SRK finally chose to locate in Skellefteå, which coincidentally was where Bradley’s wife was born. They needed a name for the business. Bradley suggested “SRK Fenno-Scandinavian Region”; Armitage suggested “SRK Sweden.” They went with the latter.

The office opened on April 1, 2009. There was no work on order, no staff and no leads. The phone rang on April 2.

Bradley soon hired Anna Wiklund, who did all the office administration. The office grew to 10 over the next few years, with the bulk of their projects being in the Scandinavian region. Key staff included Ilpo Makinnen, Richard Evans and David Saiang.◆