Contract miners in short supply?
By Deborah Spicer

Several junior exploration companies are becoming concerned that there is a risk that established contract mining companies' services will be snapped up by others by the time that they require them.

This is because the current mineral resource boom is due to result in a significant number of mines coming on stream in the next few years.

New mines that owe their existence to the current resource boom may require the services of contract mining companies which, while their services are typically more expensive than owner-operated mining, offer the advantage of coming to site with skilled personnel, who would otherwise have to be trained, and equipment, which would have to otherwise be bought and might represent significant levels of capital expenditure.

Venmyn has assisted many firms to assess whether contract mining is the most appropriate means of mining for them, says Venmyn Mineral Industry Analyst Munyar Chirisa.

This can be done at a Scoping Study level, where firms are given an indicative feel for the cost of owner vs. contract mining based on industry norms; at Prefeasibility Study level, where vendors are approached for quotes on contract mining; and Definitive Feasibility Study level, where the accuracy of estimates for contract mining vs. owner mining is further improved, he notes.

Firms can also decide to change from contract mining to owner mining, when their financial position allows them to purchase equipment, or renegotiate their contractor's mining rates and the structure of the contract-mining agreement, which could include co-operative structures in some cases.

While contractor mining is not the preferred choice for many, the explosion of junior mining firms in South Africa and the trends towards smaller mines and more fragmented resources appear to be increasing the call for contract mining services, demand for which has traditionally been cyclical and related to the highs and lows of commodity prices.