Baja Mining
Building a Framework for IFRS Compliance in 8 Weeks

By Jim Lein, September 2009

From 1886 to 1985, almost 20 million tons of copper ore were extracted from the Boleo Property on the Baja Peninsula of Mexico. Traditional mining techniques could only capitalize on the visual high-grade ore. Now, decades later a Canadian company is poised to profit by bringing new life to this historic mining property.

Snapshot

Baja Mining

Location: Vancouver, Canada

Employees: 60

Oracle Products:

- JD Edwards EnterpriseOne Financial Management
- Oracle Business Accelerators

Go-Live: 8 Weeks

Partner: iSP3 Solution Providers Inc

Vancouver-based Baja Mining is a junior mining company with giant aspirations. With about sixty employees, Baja Mining is a pre-revenue public company operating via a combination of debt and equity financing. By applying an innovative solid liquid separation technology, the company will soon mine the remaining ore from what is still Mexico's largest copper/cobalt deposit. At full operational capacity, the Boleo operation will employ hundreds of workers operating approximately $800 million of assets for the rejuvenated mine's anticipated lifespan of more than thirty years.

Preparing for the Future With an Eye on the Present

Rowland Wallenius joined Baja Mining in 2006, and is now the Chief Financial Officer. In the summer of 2007, Wallenius led an enterprise application selection process to align IT resources with the company's anticipated operational timetables.

The first step was to get off the current accounting system, a PC-based package for home businesses and pure startups. "Our primary initial goal was to get all the different subsidiaries on the same system," says Wallenius. "We needed data coming from multiple entry ports summarized up at head office in real time."

But wait—there's more. With operations in two countries there would be multiple currencies, general ledgers, and tax codes—with Mexico's tax laws being notoriously complicated. Add to that, Canada has mandated that all Canadian-based companies with international operations adopt International Financial Reporting Center (IFRS) standards by January 1, 2011. To comply, Baja Mining will need comparative data all the way back from the closing balance sheet of December 2009.

A Surprisingly Easy Decision

These circumstances dictated that Baja Mining needed to go live on a new financial management system by the start of the next fiscal year, January 1, 2008. Wallenius, with ten people at corporate headquarters and no IT department, needed to review competitive offerings, select a software vendor and implementation partner, and deploy the system in less than six months.

"For a basic startup this would be no big deal," comments Wallenius. "But we'd already invested almost $63 million USD in pre-operational activities and an additional $200 million of mine assets. Going from Canadian GAAP to IFRS in two years would be a tremendous exercise without a comprehensive financial management tool."

Wallenius looked at Microsoft and SAP but soon zeroed-in on the Oracle Accelerate Solution for Mining offered by iSP[3] Solution Providers, Inc., a local Oracle Certified Partner. "I wasn't looking to reinvent the wheel," says Wallenius. "We needed a preexisting, tailor-made solution for the mining industry. We didn't have time to explain to vendors what we needed." The iSP[3] team demonstrated that Oracle's JD Edwards EnterpriseOne applications had exactly the capabilities needed for a mining company progressing from development to construction to operation. And with multiple successful local implementations of the same solution, they gave Wallenius the confidence that iSP3 could complete the implementation within the required timeframe.

"We probably could have managed the financial side with another solution," Wallenius observes. "But it was the ability to cover all operational aspects—inventory, capital assets, maintenance, procurement—on one system that sold me on Oracle's JD Edwards."

Oracle's far-reaching presence in the mining industry also influenced the decision. Wallenius learned that suppliers of complementary software products and services seem to always have experience integrating to JD Edwards. One way this flexibility might come to play relates to anticipated engineering and construction activities. "We don't plan on creating a whole system to build one mine and then just shut it all down," Wallenius says. "We work with an engineering firm that will eventually create procurement plans for new projects. We'll be able to transfer that information back and forth between JD Edwards and their systems."

The need to implement quickly was non-negotiable. At the core of iSP[3]'s Oracle Accelerate solution are Oracle Business Accelerators, pre-built templates developed to implement a complete mining solution fast. Their previous customers lined up to heartily endorse both the software's capabilities and the implementation partner's experience and skill.

The icing on the cake came when Wallenius learned he could have all the good stuff at a low cost. "The cost of JD Edwards was so far under any of the other solutions it was almost embarrassing for the other vendors. Their proposals were almost double the cost without all the functionality."

A Team of One…With a Little Help

Baja Mining chose to host the software off site at a secure data center in central British Columbia. Implementation began a week after the decision was made, saving a precious month of time that would have been needed to purchase, receive, and set up hardware in house. By outsourcing system maintenance to the hosting company and securing iSP[3]'s services on an as-needed basis, Baja Mining would be able to implement and maintain the system with its newly formed one person IT department.

Phase One—deploying financial management applications for home office operations—was completed in just under two months. Phase "One and a Half" will kick off soon, getting the Mexico

City administrative operations up on the same financial platform. Phase Two will complete the product footprint by bringing Baja Mining live on applications for maintenance, capital assets, and procurement to coincide with the beginning of mining operations.

After the Dust Has Settled

With decades of profitable production expected from the Boleo Property, Baja Mining anticipates an extended opportunity to explore the full capabilities of Oracle's JD Edwards EnterpriseOne mining solution.

The implementation was not without it's challenge. "When I heard that the system is very flexible and that we could do whatever we wanted, I liked the sound of that. But literally, if you don't tell the system anything it doesn't do anything. It took awhile to get our custom reports built. It would have been nice to have more IT resources in house to guide iSP[3] through that process faster."

The decision to host offsite is not set in stone. For now, it's the least expensive way to operate but Wallenius is not ruling out any options. "We don't really have room for servers in our current office location," says Wallenius. "And from a safety point of view it's comfortable. But if it makes fiscal sense, at any time we can dump the software and data on servers somewhere else."

Wallenius has high praise for iSP[3]. "They've been phenomenal in every area," he says. "They've bent over backwards to assist us with every issue that's come up and met all our timelines."

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