PDAC’s President Felix Lee on soaring gold prices and widening the investment audience for the mining sector

Note from the Publisher: PDAC issued an updated statement on the attendee that has been confirmed with the Covid-19 virus that may be accessed here – click here We felt that PDAC 2020 was exceedingly well done, and the attendance was reported to be 23,000, which suggests another outstanding year of attendance in spite of this unprecedented health challenge. On behalf of the InvestorIntel team, we would like to thank the PDAC team for doing an outstanding job, and for having us as a media sponsor again this year. To all of our audience members, stay healthy and be well!

In an InvestorIntel interview during PDAC last week, Peter Clausi secures an interview update with President Felix Lee on Prospectors & Developers Association of Canada (PDAC), the leading voice of the mineral exploration and development community.

Mr Lee started the interview by discussion the substantial history and leadership of PDAC in the mining sector. Having been in existence for the last 88 years, PDAC injects more than $70 million into the local economy every year. While commenting that it is an interesting time for the mining industry with gold at all-time highs, he had some equally interesting incite on what the mining sector to widen their investment audience. To access the complete interview, click here

What the Mining Industry can Learn from the Boston Red Sox

The mining industry can learn a lot from the Boston Red Sox. I just learned that lesson at PDAC 2019, the greatest mining show on Earth. More than 25,000 people attended in Toronto to meet, mingle, learn, look at core, party, buy, sell and schmooze.

I’ve been attending the mining show annually since 1992. I’ve missed two years. Before I go I have a list of goals that I want to achieve. Overall, it was a very good year at the show as I ticked off all the items on my to-do list and as always found a few more.

Wandering the booths and hallways and seminars, one of the things I learned was that there is a dearth of good projects under development. Simply put, we are consuming metals and not replacing them, causing analysts to believe the world will be in a deficit position over the next few years. This 2015 infographic from the Visual Capitalist makes the case for the coming copper crunch or you can read it in The Mining Journal.

Similar alarms are being sounded for silver and gold. The shortages in the battery metals (nickel, manganese, lithium, graphite and of course perennial bridesmaid cobalt) are obvious as the world decentralizes grid electricity.

Refined zinc metal output is expected be 13.81 million tonnes in 2019. The problem is, the output estimate for 2019 is lagging behind the expected metal usage of 13.88 million tonnes for the year.

We are consuming the metals faster than the mining companies can replace them.

How does this relate to Boston Red Sox, winners of last year’s World Series?

The Bosox over many years invested heavily in scouts to find a larger pool of young possible players, signed players at a young age, developed them patiently through the system, and brought them to the major leagues at the appropriate time. Not downplaying Steve Pearce’s World Series, the most important players on Boston’s championship run throughout the season and the playoffs were homegrown, like Mookie Betts, Andrew Benintendi, and Jackie Bradley Jr., Xander Bogarts was signed when he was 16 years old and made major contributions to the team’s success.

The cost of finding and developing young talent is far less than the cost of trying to acquire that talent once developed. Look at Bryce Harper’s USD$330 million contract with the Phillies after spending the first 7 years of his professional career in Washington. In Year 1 of that Washington contract, Harper was paid a total of $3 million and had a tremendous year, earning a spot in the All-Star game and winning NL Rookie of the Year. His 7 years in Washington were very cost-effective for the team and the returns he provided. Once developed, he priced himself out of the Washington budget.

There’s also Mannie Machado who in 2012 was paid $112,786 by the Baltimore Orioles. Drafted and developed by Baltimore, Machado provided Baltimore with gaudy numbers and strong defence. For you data geeks, his Wins Above Replacement (WAR) is 5.7. He was a bargain for what he contributed to the team. He just signed a 10-year, USD$300 million contract with the San Diego Padres, priced out of Baltimore’s budget.

Finding, drafting and developing your own players allows a team to control costs, keep these players under contract for a (relatively) low cost for an extended period of time, provides some degree of economic stability for the team, and de-risks the overall organization.

And that is one of the things that's missing in the mining industry. There are few large projects in development to replace the copper, gold, copper, nickel, tin, silver, and battery metals that are needed. The majors have failed to invest in their minor league systems, leading them to have to effect risky M&A transactions to replace lost ounces.

This failure to invest in development started in about 2013, after the mining industry blew up following an acquisition spree. You remember Kinross' 2010 free agent acquisition of Red Back Mining to acquire ownership of Tausita Gold Mine in Maruitania? Kinross paid $7.1 billion for an asset that was written down by $3.2 billion in 2013, crushing Kinross' share price with it. There are other examples as well, but this write-down was massive and caught the market's eye. Fear crept into the market and brought an end to M&A activity.

Following the fear came severe cost-cutting. The majors dramatically scaled back in all areas of operations, including not investing in the intermediates and juniors. If the juniors aren't being funded they can't explore (scout), the number of development opportunities shrinks, which reduces the number of opportunities for the intermediates to shepherd good projects along. And that decreases the odds that a major deposit would be found. And that of course means that fewer deposits are making it to the Major Leagues.

The cost of acquiring already-developed properties is extremely expensive. Grabbing proven ounces is what is driving the current $17.8 billion attempted takeover of Newmount Mining by Barrick Gold. It's like the Phillies acquiring Bryce Harper for $330M after he was cheaply developed by Washington.

The Bosox are 6/1 favourites to win the World Series again, due mainly to the core of highly talented home-grown inexpensive players. It would be cheaper for the majors in the mining industry to invest more broadly in the juniors, knowing there will be winners and losers along the way, than to continue relying upon free-agent signings.

The next big thing?

If one has been around in the mining space as long as I have it is hard to say that one hears something new. In the case of I-Minerals Inc. (TSXV: IMA | OTCQB: IMAHF) though its focus is on a number of industrial minerals which one does not come across daily (at least not the names) but which one might require in daily existence.

The "I" in I-Minerals is quite clearly "Industrial" rather than the more the meaning of the all-things-to-all-men "I" in Apple products. In this case the sought-after products are K-spar, quartz, Metakaolin and Halloysite. Unlike the promoters that (mainly) inhabit the gold space (though also notorious in Rare Earths once upon a time and more recently in Lithium) that have no intention of developing their properties those in Industrial need to be serious because no-one is going to give them more them short-shrift if they shamelessly play the Vancouver promotion game. I-Minerals are moving forward on several projects so we thought it timely to review their activities.

The Products

Kaolin is as old as humanity because it used to go by the name "china-clay" and was the basic ingredient in the better grades of porcelain and pottery goods.

Quartz is rather self-evident and not exactly a mineral in short supply with its uses ranging from the mundane to the super-sophisticated (even though the latter hardly gleans a high price excepting for those adding value to it).

K-Spar is used by producers of high-clarity glass, ceramics, sanitary ware, tableware, and paint are the primary users of K-feldspar. Deposits of high quality K-spar that can be economically extracted are rare. This rarity of quality deposits has resulted in K-spar selling at much higher prices than sodium feldspar. At present there is no domestic U.S. production of K-spar with K_2O purities in excess of 10%. I-Minerals is developing a series of K-spar products in the 12.5% to 13% K_20 range.

Halloysite is intriguing because while it has historically been used in the manufacture of porcelain, bone china, and fine china, it is new quasi-non-technology applications that store the pulse. Amongst these are its use as a suspension agent in glaze preparations as well as in filters and inkjets.

Halloysite nanotubes (HNTs) can be coated with metallic and other substances to achieve a wide variety of electrical, chemical, and physical properties. The hollow tube of HNTs can be filled with a variety of active ingredients including those used for cosmetics, household and personal care products, pesticides, pest repellents, pharmaceuticals and other agents that could benefit from extended release. I-Minerals claims that its HalloPure products, with low initial levels of trace elements, provide a strong starting point for further purification to meet the stringent requirements of the pharmaceutical and cosmetic industries while the high aspect ratio adds strength in plastics and polymers applications.

The Properties

The main project of the company is the Bovill Kaolin, the geology of which is characterized by the Thatuna Batholith, a granitic intrusive composed mainly of Na-feldspar, K-feldspar and quartz. The mineral deposit is the overprinting of the intrusive rock by a weathered saprolite horizon which directly overlies the bedrock from which it was derived. During the natural processes of weathering, the original plagioclase feldspars have preferentially broken down to produce the clays kaolinite and halloysite. The K-feldspars have resisted weathering to a degree and much of the original component remains as free grains. Similarly, the quartz component of the host rock remains as free grains in the weathered material. The mineral resource products include kaolinite, halloysite, K-feldspar and quartz.

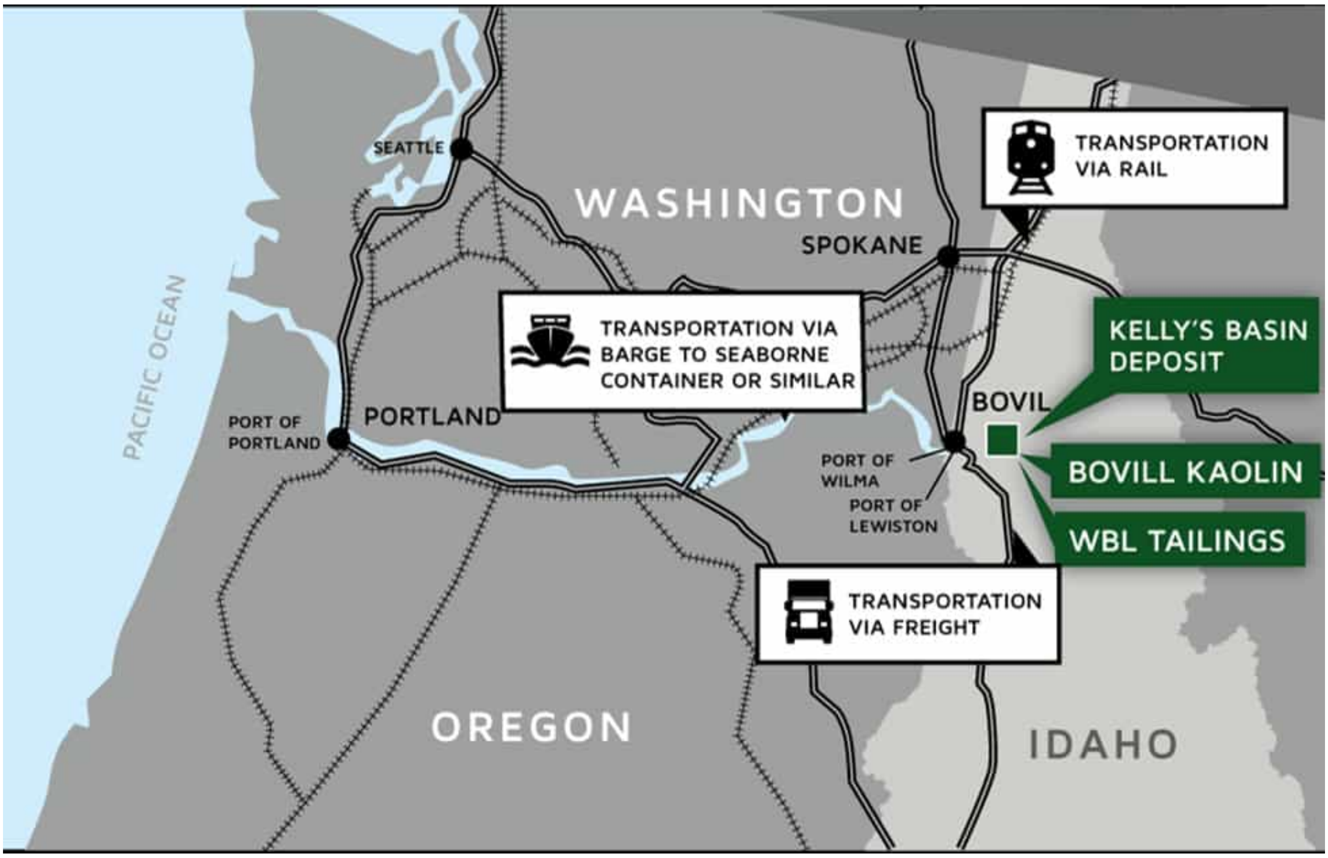
A PFS dating from June 2014, that was prepared by SRK, estimated the initial capital required to be US$72.7mn with an additional US$18.2mn in sustaining capital yielding total Life of Mine capital estimated at US$90.8mn.

Operating costs are estimated on preliminary mine and process design criteria, engineering, as well as budgetary quotes. Over the LoM, operating costs will be about US$70.72/t of product.

The financial analysis metrics were:

- an NPV (at 6% discount) of US$212.7 million
- an post-tax IRR of 30.5%
- Payback will be in three years from the start of production
- A mine life of 25 years
- Product yields include, 3.8% halloysite, 6.9% kaolin, 7.3% metakaolin, 16.6% K-Spar, and 37.9% quartz, over the LoM
- An average operating cost of US$70.68/t-product;
- Capital costs of US$90.8 million, consisting of initial capital costs of US$72.7 million and sustaining capital over the LoM of US$18.2 million
- Mine closure cost, included in the above estimates is US$5.1 million

At this point, permitting work with the State of Idaho is well underway.



As is well known we are very partial to reactivating old sites with "plug-and-play" qualities. Tailings facilities can often qualify in this regard. I-Minerals has been working on the revival of the WBL Tailings project with initial production achieved in October 2012.. These dumps were created by the mining of primary clays from 1960 to 1974. The operator at that time was focused on the kaolin component from the primary clays and wasted the potassium feldspar (K-spar) and quartz fraction to the tails.

Recognizing the tailings represented an excellent source of K-spar and quartz, in May 2010 I-Minerals commissioned SRK to provide an estimate of the potential of the WBL Tailings resulting in an indicated resource of 509,000 short tons of recoverable feldspathic sand containing about 92,000 tons of K-spar (18% feldspar) and 214,000 tons of quartz (42% quartz) over an average thickness of about 17 feet.

I-Minerals was granted a reclamation permit by the Idaho Department of Lands to mine up to 50,000 ton per annum of the feldspathic sand for a period of 10 years. Mining is limited to the June through October period.

A bulk sample of the WBL Tailings was processed to yield a high quality K-spar product that had very low iron and other trace elements. With little further processing, the feldspathic sand can be readily used as filler in ceramic body applications given it fires white. Servicing this market simply requires excavation of unconsolidated K-spar- and quartz-bearing feldspathic sand and screening to remove undesirable constituents prior to being loaded.

Conclusion

We have to say that the Trump “make America great again” campaign has been long on rhetoric and short on action. And yet despite this there are stirrings of action (from entrepreneurial miners rather than bureaucrats) on the front of enabling mining in the US (again) of minerals where the US had lost all presence despite being the largest or amongst the largest users of said minerals. Something is afoot…

We are seeing this over and over again in base metals and specialty (and industrial) minerals where once the curtains seemed to have fallen definitively upon domestic production. The squandering of scarce resources by the Chinese has some little part to play but so does the interest of end-users in “securing their upstream”, one of our key mantras. One cannot have all one’s mineral needs sourced in China and then tell investors with a straight face that one is sure of one’s supply. This then combines with another of our themes being “the end of cheap” in which costs in China rise and normalization of environmental rules squeeze out the once cheap and dirty producers with which China established its dominance.

I-Minerals is a good example of a company that has seized a key niche in minerals that are widely needed but not widely sourced and definitely not sourced domestically (with ease) in North America. This meshes well with the theme we highlighted as one of the Next Big Things at InvestorIntel's CTMS Conference held in Toronto back in May and it's a trend we shall be seeing more of in the coming years.

Orlee Wertheim on the TSX being the leading exchange for resource companies

In a recent presentation at InvestorIntel's 6th Annual Technology Metals Summit (#CTMS2017), Orlee Wertheim of TMX Group Limited (TSX: X) delivered a presentation titled, "A Capital Opportunity: A Global Market for Mining Companies". Addressing industry and investors alike, Orlee provides an overview of trends seen amongst mining and technology companies listed on the Toronto Stock Exchange (TSX) and the Toronto Venture Exchange (TSXV). Orlee also discusses the access to both capital and a global market that is gained by listing on the TSX and TSXV… to access the complete presentation, click here

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Hedge Funds and Mining – Never shall the two meet.

The mining industry's promoters have sometimes looked like cargo cultists waiting for the landing of "The Hedge Funds" in the sector which would be, supposedly, the salvation from the problems of a lack of sizeable capital in the space. We hate to be the ones to break it to them but hedge funds did land in the mining space (and quite some time ago too) reconnoitered the landscape and decided there was little of interest and took off into the wild blue yonder.

We thought it would be timely to look at the subject of hedge funds and the mining space in what is, supposedly (that word again), the second coming of the mining boom.

Narrow Focus

We received an email from one of the prime pundits of the mining space in North America last week and it began "I trust you are well despite hedge funds fleeing the commodities sector and the resulting junior market collapse". At first glance we wondered whether he thought that hedge funds had actually invested in Tin Pot Mines N.L. or their ilk and then withdrawn, hence the crisis. Second thoughts prevailed though that he was referring to the collateral damage of the hedge funds dalliance with derivatives on the mining sector, i.e. the GDXJ and the souped-up ETFs that were constructed on its back. As we have noted in recent months the inevitable (and yet avoidable) blow up of the GDXJ was caused by suspension of transactions in a derivative that gave outsized exposure to the upside (and downside) in the Gold Junior ETF. This triggered a reordering of the GDXJ with babies and bathwater going flying and the junior gold/silver space taking a pummeling, including those companies that had not a snowflake's chance in hell of ever being in the GDXJ. A rising tide sunk all boats.

That hedge funds prefer these large volume synthetic structures to actually stockpicking individual miners should be no surprise. If swiftness of entry and exit from a position is a priority then buying into an illiquid miner is not a realistic expectation. Ironically though, the managers of ETFs that are derivatives of the GDXJ were building their investment thesis upon the very illiquid juniors and mid-tier miners that the hedge funds eschewed.

So this would tend to leave the very largest hedge funds (those that make a difference) with the choice of investing in the very largest miners or in nothing at all in the space. They tend to have chosen the latter path. The most notable exception amongst the "household names" in the hedge fund space was the weird betting that was perpetrated by Paulson and Soros Funds on the eve of the 2011 Great Slump. Their bet on gold turned out to be ho-hum as the metal stayed largely rangebound between $1100 and $1300 for 5 years, while their bets on some of the largest dumbest developers were headshakingly perplexing. They deserved all they got. However their bad experience just proved to non-participating hedge funds that mining was a minefield (pardon the pun) that they best avoid.

Sure there are big names like BHP-Billiton, Freeport McMoran and Newmont that they could play in, but hedge funds piling into those names does nothing for the *Great Unwashed* of the middle and junior tiers of the mining space.

The Skillsets

It is probably a truism but we would note that the hedge fund industry is essentially a creature of tax avoidance (sorry, minimization) by high net worth investors, or at least that is how it started out. Then it became a space with outsized returns which attracted the like of endowments and pension funds that staked their "mad money" to get some (hopefully) superlative returns on at least a portion of their portfolio otherwise composed of staid bonds, munis and blue chip equities. That worked for a few decades but increasingly the returns have become pedestrian as the "smartest guys in the room" turn out to be a crowd sufficient to fill a football stadium and most of them were thinking alike and trying to squeeze juice out of the same algorithms.

Very few new funds have been started by analysts or analytical fund managers and instead most have been spawned out of the trading desks of the likes of Goldman Sachs. That means there is little perception of the intrinsic worth (or worthlessness) of a miner by hedge fund decision makers. These people can tell you that the best volume in Goldcorp is seen in the hour before the last hour of trading but they can't tell you in what countries the company operates.

We cannot expect the hedge fund industry to seriously understand mining until it starts to employ people that actually know what is going on in the space. Quite rightly though hedge fund managements are wary of some of the more swivel-eyed personalities in mining, and that includes the analysts.

If someone came into an interview with us and started spouting $4,000 per oz gold we would push the ejector seat button faster than any hedgie could do.

Home Team Advantage?

It is quite telling that there are few hedge funds based out of Australia and Canada and certainly none of stature or massive funds under management. Without captive hedge funds it is certainly less likely that there is going to be dedicated hedge fund money for the broad mining space in either country.

The biggest player that moved and shook in both of these country's mining markets was the London-based RAB Capital which came to grief back in 2008. Since then nothing vaguely comparable has arisen to take its place.

Conclusion

In summation we would note the problems in expecting a hedge fund surge into the mining space:

- Lack of a critical mass of hedge funds in general in Australia and Canada
- Dominance by the US of the hedge fund industry, where mining is no longer in the Wall Street DNA since most of the US majors were vaporized in the 1980s and 1990s
- Lack of skillsets amongst traders in hedge funds of anything beyond the very big and extraordinarily liquid names
- Travails of derivative ETFs upon ETFs will give ammunition to those that recommend to “stay away” from mining when the real problem was the creators/managers of these ETFs i.e. financial wizards (sic)
- Small daily turnover of many mining mid- and junior-tier companies is a buzzkill for hedge funds, even smaller ones
- Exotic locations and obscure metals (with no reliable daily pricing) make mining stocks even more unfathomable in macro terms
- Gold/silver failing to respond to “textbook stimuli” like rising political risk or inflationary trends or monetary degradation makes them less conventional hedges but more unfathomable wildcards

So the attitude amongst hedge funds these days towards mining is “who needs it?”. With mining not showing signs of getting any less complex we cannot rely upon hedge funds getting any smarter about the space. If it’s too much of a mystery, too perverse in its movements and too illiquid to enter and exit then mining will be cast into the too-hard basket. The rise of mining-focused mining hedge funds would seem to be the answer.

But who is prepared to jump out of their cosseted position at the likes of BlackRock to get down and dirty with juniors. The more logical move in recent times has been for such people to go direct to a private equity type role and play kingmaker in placings and with projects than merely being a passenger as a rank and file equity holder in a short-termist hedge fund.

Analyst directs investors south for the Latin American Mining Round-Up 2017

The grim years from 2011 to early 2016 produced a wholesale retreat to “close to home” locations in the mining sector. Stories that were in either Canada or Australia fared better than those in edgy locations, like Africa or Latin America. We had predicted that when the turn came there would be some feelers go out to these areas but that capital would not flow in substantial amounts until the recovery was robust. This has proven to be the case. However the one exception is the Lithium boom which sent companies scurrying to locations they had hitherto eschewed and produced somewhat of a staking boom, particularly in Argentina.

The countries that miners retreated from in 2011 are not necessarily the same territory when they return in 2017. Politics have changed, attitudes have changed, metals have come into or gone out of fashion and domestic priorities/needs have altered. This makes it an ideal time to revisit Latin America which had become a strong preserve of Canadian players from 2005 to 2011 and now is experiencing somewhat of a thaw in investors frosty outlook to the region.

Argentina

For many years Argentina had a paradoxically self-declared pro-mining government that miners loved to hate. The Kirchner regime did not make things easy. It was happy for miners to mine but then seemingly didn't want the miners taking the profits back to their mothership (wherever that might be). All that ended with the overthrow of Kirchner by Mauricio Macri in late 2016 and the arrival of a pro-business government. Frankly Argentina didn't miss all that much in the 2011-15 period as not much was happening in pro-mining OR anti-mining jurisdictions in Latin America. Indeed the timing of Macri's appearance with the revived mining sector around the same time (particularly the Lithium boom) was very timely. Deals are starting to be done like the Golden Arrow Resources (TSXV: GRG | OTCQB: GARWF)/Silver Standard combination. We would expect to see more deals, or at least fluidity in the ownership of assets that have long been in the freezer.

A weather eye should be kept upon the upcoming elections for the Congress where Cristina Kirchner is putting herself forward as a wannabe legislator. This will be a litmus test of where things might be heading in the next Presidential elections, which nevertheless are still a long way away in 2020.

Brazil

The country that is always "promising" but never delivers may not be true anymore but Brazil's attempts to move into the global big leagues have been hampered by repeat own goals. It wants to be a Permanent Member of the UN Security Council but has had two Presidents indicted for corruption in the space of one year!

The most positive side effect of the political wobbles and moreover the economic slowdown, now that easy money has ended, is the decline in the Real against the dollar which has been a healthy kicker to those already producing or looking at kickstarting projects in Brazil.

The political environment has not harmed mining though as much as metals prices have, with large scale projects (most dependent upon iron ore) no longer dominating the airwaves (which is probably a good thing). Smaller projects in niche metals seem to be getting more of an airing with developers of Manganese and Nickel projects having crossed our desk in recent times. This trend will continue as metals prices trend back up and indeed we suspect that we will hear Brazil linked to more and more minerals with which it has not been traditionally associated. As for gold in Brazil, pretty blah..

Ecuador

This country has been the inevitable beneficiary of cycles and a dose of reality. The falling oil price also focused minds in government(s) that had believed that oil would always provide and mining was an unnecessary evil. As we have observed before, oil provides way less jobs than mining and does not necessarily move the broader economy forward in the way that mining can.

The shift of Fruta del Norte out of the deathly grip of

Kinross has electrified the local scene. It caused us to dig out and dust off our Intierra map for Ecuador circa 2008 and review the long lost names and their concessions. This country is enormously prospective and if it can get its act together it might actually be what Colombia promised to be and did not deliver.

Watch this space..

Mexico

This country chugs along as the t*ried and true* investment country of choice in LatAm. The main difference in recent times is that miners are finally ‘fessing up that cartels and crime are a problem. For years investors asked the question and were told “that’s another part of the state” now the truth (as much as can be) is being told. However from what we have seen it hasn’t precluded any investment in the country.

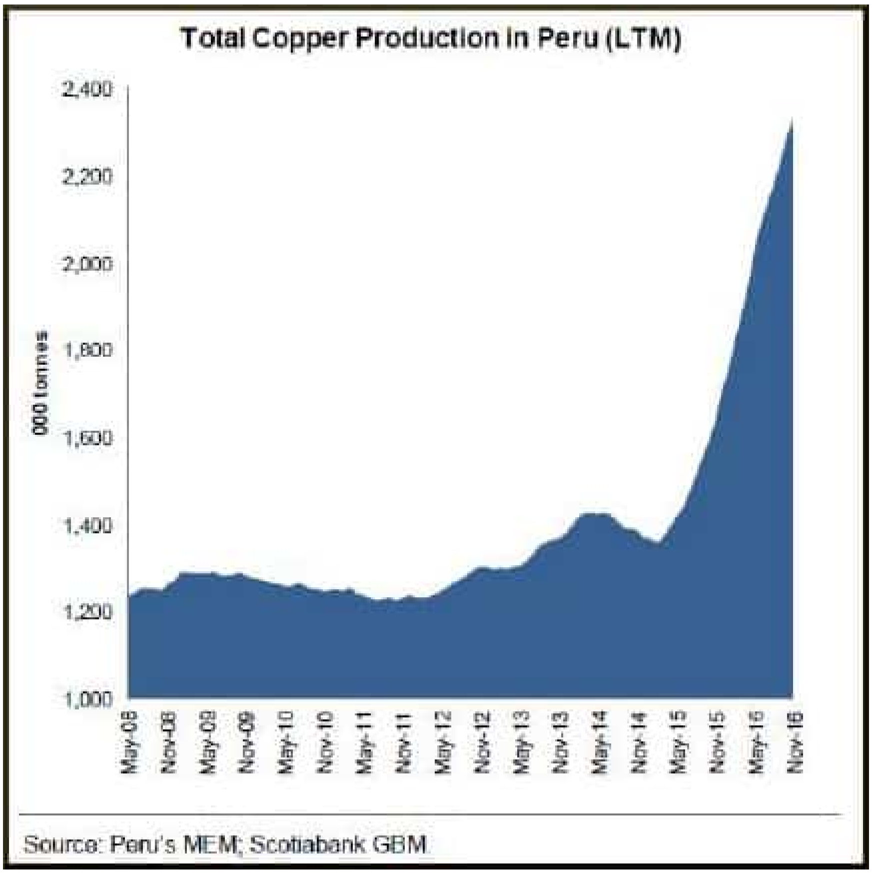
Otherwise Mexico is still very much open for business and is riddled with great projects waiting to be sparked into action by either metals prices or financings. The likes of Chesapeake Gold’s (TSXV: CKG | OTCQX: CHPGF) Metates project, Southern Silver’s Cerro la Minitas and Azure Minerals’ Alacran project spring to mind as some awaiting the appropriate trigger.

The problem for us is the producing companies that investors stuck with through the grim days who still aren’t giving up a dividend. We have a special part of hell reserved for these companies (you know who you are). Ironically that makes the Mexican-owned and -listed companies (e.g. Peñoles, Frisco) more attractive than many of the TSX-listed ones. To the offenders…. must try harder..

Peru

Peru has, in some ways, become the new Chile. As Chile gets tougher to do business, Peru in comparison starts to look less complicated. One should not dismiss the potential for NGOs to stir up a roadblock by "locals" faster than you can say "rent-a-crowd" but generally most areas of the country are mining-friendly and out to get the jobs and trickle down that having a major operation in their vicinity brings.

The campaign to grab Chile's crown has been slow and steady, but it's getting there, particularly in the copper space. We were surprised at a recent lunch by Panoro Resources to hear of Peru's stealth advance in Copper. Below can be seen the progress made.



If it keeps on at this pace the baton of copper leadership will shift from Chile to Peru before 2030.

Chile

One can never really know but I have the suspicion that somewhere in the Chilean Ministry of Mining there is a type of "Bat Phone" that connects the Powers That Be to the heavies of the Lithium Cartel and this phone has been ringing hot over the last year.

As Argentina has been advancing with somewhat of a Lithium "gold rush" Chile is scarcely mentioned despite its importance in the Lithium space. Why? Well, maybe the cartel makes the call and say "no interlopers" and the Ministry gets the message. The result Chile is the word on nobodies' lips.

The first question any investors ask at presentations by miners operating in Chile is the water issue. This has become, probably rightly, an investor obsession. At higher levels (pardon the pun) the issue becomes Pascua Lama and a number of other dents in Chile's reputation of being miner-friendly.

Codelco meanwhile sits as the omnipotent master of all it surveys and we would hazard a projection that as long as Codelco exists there will probably not be another major copper mine developed by any other major. Codelco needs to own all the big projects to ensure its ongoing status as 800lb gorilla. We might also mention that the military have a special royalty off its mines.

Chile going forward will mainly be small-scale plays and that is why we find Coro, Amerigo and their ilk as the most interesting players to watch.

Colombia

We have long been in two minds on this country and been justified in that view. Too many spoilers in the form of local “entrepreneurs” got into the listed plays and the presence of artisanal miners also muddied the waters. While we have one favorite that is running a small mine and upgrading it (as well as tolling for artisanals on its patch) the rest of Colombian “big” deposits will most likely stay as deposits and nothing more.

Nicaragua

The country shows how do it. From Sandinistas and Contras in the 1980s to a mining hotspot in the current decade. Let it be a lesson to those countries still in the Dog House (see anon). This is a country to watch and should certainly be a model for the others around it (Guatemala being a good case) that have yet to turn themselves into mining friendly destinations. Until they do this, Nicaragua will be the sexiest place in Central America to mine gold, in particular.

The Dog House

Venezuela and Bolivia remain in the dog house. The former staggers from bad to worse and the cataclysmic final scene may be playing out in the next few weeks. This is however a “death scene” that has been forecast before and perpetually forestalled. This country has to have the definitive shift in government that produces that moment where “the blood runs in the streets” that signals the turn. Nothing can be achieved as long as the remnants of *Chavismo* cling on.

Bolivia is also not on the beaten path but at least is not as idiosyncratic as Venezuela. The country is doing its own thing and just as well, as miners have good memories that this place has been the graveyard of more than a few Canadian players. Interesting though was to see the Bolivian ambassador to the UK at a recent Neometals event in London, apparently scoping out the potential of that company’s *salar* extraction technology for its own Lithium riches.

Conclusion

Mining executives, particularly in Canada, always had a soft spot for Latin America (if only for the weather being great when it is frosty north of the border) but also for its proximity and its enormous potential. The first wave of players were rewarded in spades with a frenzy of takeovers that "made" certain Canadian players as they shuffled assets and piles of cash. There were debacles, (Venezuela, Bolivia and Ecuador) but the successes (particularly in Mexico) far outweighed those mishaps.

It's a new cycle and things have changed both down in Latin America and in the major capital markets. Priorities are different but one cannot take one's eye off the best prospects and Latin America has more than its fair share of those. As long as the US dollar remains so "expensive" the best thing TSX denizens should do is regard Nevada etc as "flyover" territory and just keep heading more to the south.

A To-Do List for the Mardi Gras of Mining – #PDAC2017

It's back! The Mining Show runs from March 5 to March 8 in Toronto – PDAC. Let the games begin!

This is the world's largest mining, finance and trade show. In 2012 over 30,000 people attended. Last year, even suffering through the downturn in mining investments, roughly 22,000 people spun the turnstiles. With the recent uptick in commodities and the broader markets, expect larger crowds this year who will come seeking fun and knowledge.

Since the first modest conference was held in 1932, this convention has become the preeminent global mining event.

Learn from the geologists who invent new techniques or who actually found the world-class deposit, dance with an ambassador from a country looking for mining investment, meet new and old colleagues – there is nothing like The Show. If you haven't already booked a room in downtown Toronto, you will now probably have to find a bunk buddy.

I am an ongoing fan of the Prospectors and Developers Association of Canada and this show it sponsors. No one has done more to promote a globally responsible, vibrant and sustainable minerals industry than PDAC, and year after year the directors and management continue to support the industry through lobbying, education and funding. Thank you to Glenn Mullan and the team for another year of defending Canada's most important industry.

It's easy to get lost at The Show if you're not a seasoned pro. The noise on the show floor makes yelling mandatory – it's lined with 10×10 booths filled with mining companies good and not-so-good seeking investment dollars. Law firms and auditors offer seminars, brokerage firms try to find and fund the next big thing, mining jurisdictions compete to attract new investments for mining and for infrastructure projects, and investors wander from booth to booth trying to extract a hidden gem from all the data. The trade show, which is a separate pass, targets the infrastructure of the industry, with booths selling items as diverse as safety clothing, the latest aerial survey technology, data management services, and environmental services.

All this usually starts at 7 in the morning (for me, it will be breakfast and seminars at two law firms: Goodmans on Monday and Gowlings on Tuesday) and runs until, well, breakfast the next day, because the night life is legendary. Shenanigans abound, and while there is a lot of fun, more deals get solidified in the party hallways than on the shop floor. Relationships get built in the bar, not on the shop floor.

It’s not cheap for a mining company to attend The Show, considering the cost of admission, hotels, travel, entertainment, promotional materials and food. If the company takes a booth, that’s an added cost of roughly $3,000. To measure whether we had a successful Show, every year I write a to-do list and afterwards check to see whether those goals were hit. Some of the goals are soft, some are definite, and some get made up on the fly. That’ll happen when you try to coordinate with 20,000 people!

In addition to walking the show floor and the trade show, my goals for PDAC2017 are:

1. meet with Mr. Mullan, the president of PDAC;
2. listen to anyone who knows anything about cobalt, which I think will be one of the hottest metals of 2017 and 2018. If you like lithium, you have to love cobalt! There’s more cobalt than lithium in the battery in your cell phone or electric vehicle;
3. meet with Tom Ogryzlo. Tom started working in mining in 1965 and hasn’t forgotten a thing along the way. Not only a gentleman, Tom is a storyteller and incredible resource. Time with Tom is mandatory;
4. host representatives from Saudi Arabia, who will be our guests at the the awards ceremony gala on the Tuesday night. The Kingdom is a rich mining resource with a limited mining history, which creates an opportunity for Canadian investment and mining knowledge;
5. attend at least two technical courses on things I don’t understand. Last year I made it to a seminar on a new kind of VLEF survey technology;
6. meet with the representatives from the Ontario Ministry of Northern Development and Mines to stay current on permitting requirements;
7. make it to the Ontario Pavilion on the Sunday at 2:00 to give a quick presentation on “Sudbury Cobalt: the Gift That Keeps on Giving”

8. attend James Macintosh’s presentation on GTA Resources and Mining Inc.(TSXV: GTA) and its Ontario joint venture project called Northshore Gold;
9. cheer loudly for the tremendous Pete Moses, a very deserving winner of this year’s Skookum Jim Award;
10. attend a session on CSR, aboriginal engagement and social licence;
11. attend The Art of Mining at the Art Gallery of Ontario, on the Sunday night;
12. find someone to explain to me the growing buzz around Alkane Resources Ltd. (ASX: ALK | OTCQX: ANLKY); and
13. make it to March 9 without getting laryngitis.