First Nations $95 Billion proposed lawsuit could have sweeping implications for the mining industry

written by Melissa (Mel) Sanderson | April 30, 2023
Treaty 9 First Nations have decided to push for full implementation of FPIC principles in Canada, with sweeping implications for the mining industry. Everyone should pay close attention to how this legal action evolves, particularly given the urgency of developing new critical minerals projects not only in Canada but around the world.

Net Zero Carbon and Other "Planning Dilemmas" starting with Rare Earths

written by Steve Mackowski | April 30, 2023
In the last 5 years since I last wrote for InvestorIntel, as they say, there's been a lot of water under the bridge. But 5 years ago, could you have predicted the actual water flow? Could you have had a target? Where is Macca's head space at? Well as usual I'll get there. So the last 5 years have been part of my "eco-retreat" project taking our property to almost pristine Australian forest, complete with all the native wildlife that

goes with that. Achieved – yes! To plan – pretty much. Took longer but a few un-planned for health issues slowed me down, but overall happy. So a good plan? Well yes, but why was that? I'll get back.

So the majority of Western nations are planning for some sort of climate change management by targeting "net zero carbon". Is that a plan? Is that an inspiration? Is that a target? Well, a personal anecdote may help to answer that. Twenty odd years ago I was asked if I could develop a plan to mine and process the resources of an island. "What is the time horizon", I asked. "That's part of your plan", was the response. OK! Background necessary to consider. The island is currently a National Park and has been granted First Nations custodianship. The resource is conventional and processing is not difficult. So what is the plan going to allow for? First point to learn here is do not start at the beginning and progress forwards, i.e. resource definition and all the normal stuff. That will consume a lot of time if you can't get a plan that has any chance of working. Start at the end and work backwards. What must have happened to allow such a controversial project to develop? Remember, this is First Nations and National Park. Was the request by the MD for a plan? A verification of his dreams? A realisation into practice through a lofty target? What is akin to "net zero" when there is no detail, no costs, no resources? In fact, it is worse than that since it has been stated that net zero will need "as yet unachieved technology" to get there.

Let's look at rare earths for a while. Circa one hundred years ago, some enterprising alchemist discovered the rare earths group (I am not going to write a history paper). He dabbled and found out that a mixed rare earth alloy could be used as a flint generator. Misch metal was born. Did he have a dream to produce magnets for electric cars? Not yet! A couple of decades later when catalytic converters were developed for motor vehicles, the use of lanthanum oxide powders was big news. Poor cerium prices went through the floor. Electric cars the dream yet? Not yet. Not until the development of computer chips and the need for cerium polishing powders, did the rare earths scene buzz again. Electric car dreams? Not yet. Then came magnets in the 90’s and the boom really starts. Boom goes neodymium-praseodymium (Nd-Pr) for magnets, boom goes Yttrium (Yt) for lighting, then boom goes Samarium (Sm), Gadolinium (Gd) and (Dysprosium) Dy for better magnets. Then boom for electric cars? Not yet? Why not after 100 years of technical development hasn’t the dream/plan/target of electric cars (and net zero?) occurred? It needed the western world to commit to the target of net zero with the goal of saving the planet. So, could have the dream of electric cars been planned for 100 years ago and if so what would it have looked like? A series of as yet unknown new technologies with an unknown timescale and an unknown cost? Sound familiar with net zero planning?

Back on rare earths today. We are finally seeing traction on some of the junior explorers of the early 2000’s. Take Arafura Rare Earths Limited (ASX: ARU) as an example. For many years the resource was known, the technology was defined, the way forward was clear, but what were the “planned” construction dates? Three – five years post Bankable Feasibility Study. That was over 10 years ago! What was wrong with the planning? Nothing! The caveats of financing and marketing achievement and timing were not met. Not met until this year when the motor companies finally saw their electric car future (a future they were perhaps forced to see) which led to financiers being amenable to the funds. I want you to see a process here, that is the planning process broken down into individual steps and timelines. Did the mining company meet its resource definition target? Yes. Did they reach their process definition target? Yes. Did they meet their BFS target? Yes. Did they meet their marketing and finance targets? Yes, but it took an extra 10 years. What do you see here? Some targets met as planned, other targets met but later than originally planned. What is jumping out? Hopefully, you can see that Arafura met the plans that were under its direct control – the resource, the process, the engineering, the costing. The marketing and finance however were not under their control. They could perhaps influence the market and the financier, but they could not control. Hence the delay. So what's the lesson to be learned here? Yes you have to be good at the resource part, the chemistry and the engineering but you have to have the toughness, the hanging-in there, and the ability to stay alive until those uncontrollables that are part of your plan align and the main wheel starts to turn again. You can influence but you cannot control. What has this got to do with net zero planning? I will come to that in my next piece but I know you are waiting to find out about the plan to mine a resource on a First Nations National Park.

Imagine an island. A paradise. A National Park that has had its custodianship legislated to the First Nations people. It has a resource, a very valuable resource that you have been tasked to define a plan for its development. So what did I do. I started at the end. Asked the question: "What are the conditions that would need to be satisfied to achieve the goal". (Keep the net zero in the back of your mind. All will be revealed.)

Condition 1. The First Nations custodians must be happy. Condition 2. The Governments and their bureaucracies must be happy. Condition 3. The multitude of ESG focused groups must be happy.

I'll stretch the word happy and settle for appeased. What would appease these groups? Well my first thoughts were around a serious military conflict justifying a Commonwealth takeover of all resources and territory, but I thought that was stretching the justification too far out of my tasked planning horizon. So a few examples. Doesn’t matter how real you think they are, they are just possibilities. The important bit comes after.

1. An animal of world significance is on the island and is looking at extinction unless some serious and expensive actions are taken. Or.
2. A similar situation with the whole ecosystem. Or.
3. First Nations heritage is under severe threat.

All issues require significant funding, but there is no money available. Only the development of the resource and the satisfactory rehabilitation will provide the funds to continue. Never mind the reality part, that’s out of my control. But what is in my control is why should the government select my company to be trusted to do the development. These are the things that you can control. These are the things that you can do now and in the future that will develop your toughness and increase your chances – while hanging-in there, and staying alive until those uncontrollables that are part of your plan align and the wheel starts to turn again.

How much water did I plan for to go under my bridge, in my retreat rainfall, catchment and erosion plan? The 1 in 100 year rain event was my guide. But got 2 such events in 2 months. An event out of my control. I am still recovering/upgrading and yes, changing my plan. See you next time for more on the “Net Zero” planning process.

Mining for Good: The Hidden Benefit to Canadian Charities

written by Jeff Todd | April 30, 2023

When a new mining operation begins, we understand the economic benefits.

We know this industry is responsible for over 700,000 direct and indirect jobs in Canada. Or that it generates more than $100 billion for our economy. The fact it is the number one employer of Indigenous Peoples makes it even more important.

But what if I told you that exploration is not just having an impact on our economy, but also on Canadian charities?

A gold mine in British Columbia could mean millions in donations for cancer research, for example. That nickel deposit in Ontario? It can help build a new wing in a children's hospital, or secure that crucial piece of equipment.

It's a perspective that might not be common in the mining industry—but it is an important one, especially in the world of today.

In May 2006, our firm WCPD Inc. (Wealth, Creation, Preservation & Donation) made financial services history when Dr Earl Wynands, an eminent anesthesiologist and Order of Canada recipient, participated in the first flow-through share donation structure.

WCPD combined two distinct, yet harmonious tax policies: one to assist our important resource sector, and another to boost what Canadians can give to charities.

Both tax policies are older than your RRSP.

Beginning in 1954, Canadians investing in flow-through shares have received a 100% tax deduction. These shares help exploration stage mining companies, with the potential for far-reaching economic benefits from exploration projects that become producing mines.

"It helps us find more exploration dollars, which helps uncover economic mineral deposits, which helps create jobs and a lot of tax revenue for Canada," Walter Coles Jr. explains, CEO of Skeena Resources Limited (TSX: SKE | NYSE: SKE) in British Columbia.

"I would say flow-through shares have been critically important to the viability of mineral exploration in Canada."

Skeena Resources, based in Vancouver, is developing two projects in the "Golden Triangle" of Northern BC, an area known for its rich deposits of copper, silver and gold. A pre-feasibility study was recently completed, with a full feasibility study expected in the first quarter of next year.

WCPD has worked with Skeena to raise close to $100 million in charity flow-through for these projects. During the spring of 2020, we brokered the largest single raise in our company's history—$33.3 million, in the very teeth of the pandemic. And we expect to continue to play an important role in financing Skeena's future exploration programs.

Our ability to raise capital for junior mining across Canada is outstanding. But there is another story. There are Canadian registered charities, receiving millions in charitable donations that they might not have otherwise received.

Since that day with Dr. Wynands, our firm has also facilitated more than $300 million in net charitable giving via flow-through shares for our clients across Canada. Not to mention over $1 billion of flow-through for mining companies to invest in Canadian exploration.

This is the story behind exploration— and I believe, as we emerge from the worst public health crisis in a generation, it deserves to be told more than ever.

Once flow-through shares are purchased by our clients, they don't hold them for long—often less than a minute. The buyer can then sell their shares, at a discount, to a third party, or liquidity provider, thus eliminating any stock market risk for the investor or donor, and/or donate the shares to a registered charity. The charity then sells the shares at the same discounted price, to the liquidity providers. Liquidity providers are usually expert mining institutional investors with a long-term horizon.

Meanwhile, the liquidity provider takes on the stock risk for the standard four-month private placement hold period. For most of our clients, this is a key benefit.

Together, these tax policies allow our clients, on average, to give up to three times more to charity, at no additional cost due to the tax efficiency.

"Flow-through shares have long been an efficient and tax-effective way for our donors to give more to our Foundation," Tim Kluke says, President and CEO of the Ottawa Hospital Foundation. "It continues to play an important role in our mission to deliver a better tomorrow."

Some of our clients keep a portion of the cash from the liquidity provider sale to make a positive investment return via tax savings. But most use the structure to leverage the size of their donations to charities of their choice.

It’s the whole reason why this tax structure exists—Canada wants more exploration, to create jobs, and it wants more donations for registered Canadian charities. They are simply different sides of the same coin.

It’s an amazing feeling when a donor could have cut a cheque for $100,000 for a food bank. But after using flow-through shares, she now gives $300,000. It often causes the donor to be that much more generous.

And in this post-pandemic world, there is no doubt that charities need our help more than ever.

The message is clear: if you have a taxable income greater than $250,000, recently sold a business, or experienced a large capital gain, you can kill two birds with one stone. You can help Canada’s mining industry, while also giving more to charities that need our help.

So the next time you see a mining exploration, consider this: that operation may also be funding a Canadian charity.

WCPD’s Peter Nicholson Explains the Win-Win of the Critical Minerals Charitable Flow Through Model

written by InvestorNews | April 30, 2023

In this InvestorIntel financial education series interview, host

Peter Clausi talks to WCPD Inc.'s Founder and President Peter Nicholson on the art of the charitable flow through model. Starting with the history of the flow through, Peter Clausi explains that "flow through" was invented by the Canadian government to help stimulate investment in Canadian minerals and oil and gas. Peter Nicholson goes on to say that with "the government of course wants us to explore more and they want to shoulder some of that risk" and that's where the WCPD win-win strategy begins.

WCPD, a leading exempt market dealer for the Canadian resource and mineral exploration sector that has facilitated more charitable flow-through deals than any firm in Canada, Mr. Nicholson guides investors through the unique opportunities this financial model presents to investors. With a change in tax laws in 2006, Peter understood that donations could be maximized and capital gains avoided on flow through shares "if you donate public shares to your favorite charity." In addition to the 100% tax deduction for buying flow through shares, Peter explains, if the buyer then donates these shares to charity, the shares are then instantly sold to a pre-arranged buyer at a pre-arranged contractual price – the charity receives the cash proceeds and issues donation tax receipt to the donor, generating a second 100% tax deduction. WCPD was created to help investors with the process and identify and assist recipient charities navigate through the charitable flow through regime. "That was the impetus behind starting our own donor advised fund, which is The Foundation WCPD."

Peter Clausi and Peter Nicholson also discuss the possibility of additional benefits from the new federal critical minerals tax credit, which still has not published details of how it will work. They will both be speakers at the Critical Minerals Summit being held in Toronto on Wednesday, November 9th at the National Club. Peter Nicholson will be on a panel titled "Critical

Minerals and the Capital Markets" being hosted by Tracy Weslosky, the Critical Minerals Institute co-founder.

To access the full InvestorIntel interview, click here.

Don't miss other InvestorIntel interviews. Subscribe to the InvestorIntel YouTube channel by clicking here.

About The Foundation WCPD

The Foundation WCPD is a public donor advised fund that specializes in boosting the donations of Canadians using its public flow through share structure with a liquidity provider. Since 2006, they have closed more than 325 offerings, which is significantly more than any other firm in Canada. The Foundation has been directed by its clients to donate over 4,500 cheques to well over 600 charities across the country.

Their clients include a large number of major philanthropists, entrepreneurs, business executives and health, accounting and legal professionals.

Drawing on the expertise of accountants and tax lawyers, The Foundation analyzes strategies to dramatically reduce your tax burden, which allows you to give more. Their efficient flow through model is further assisted by an esteemed Philanthropic Advisory Council, featuring some of the top financial professionals in Canada with specializations in tax, government policy and philanthropy. This founding board is assisted by their exclusive advisory councils representing culture, mining and the National Hockey League (NHL).

The Foundation's Philanthropic Tax Structure has led to charitable donations north of $100 million by their clients.

To learn more about The Foundation WCPD, click here.

Mining our way to the Green Revolution

written by Stephen Lautens | April 30, 2023

The widespread commitment to living "greener" has never been greater. The ecological movement was a fringe concept in the 1960s when some scientists and futurists began to make dire predictions about limits to growth and pending ecological disasters. Sixty years on, with increasingly wild weather, droughts, and melting polar ice, the ecological fringe has become mainstream, not just in popular culture but also in boardrooms.

Paradoxically, communist China has proven to be a vivid example of the perils of capitalism in a hurry. While the industrial revolution in the West took place over two and a half centuries, China's industrial revolution compressed its rush to catch up and join 21st century affluence into the last two or three decades. The result has been the ability to observe their ecological disaster unfold at ten times the speed. Willing to sacrifice the environment for industrial dominance and general prosperity – as the West did for centuries – China rapidly polluted their rivers with toxins, the land with heavy metals, and their air with thick, sulfur-laden smog.

Some business leaders in the West see this as the "China advantage" and continue to advocate for the loosening of environmental and other regulations here to "stay competitive," even as China itself is realizing that its polluting ways are not sustainable in the long run as they poison their country.

China is in the very early stages of balancing prosperity and sustainability. In 2021 China’s own carbon market became fully operational. Many other developing countries in Africa, South America and Asia are facing the same conundrum and represent many points along the long road to economic advancement. Politicians there are often too willing to allow foreign companies to create ecological and social disasters to line their own pockets. Before we get too smug, the same battles have occurred here in the not too distant past and even continue today with “cut the red tape” politicians who push back against environmental regulations, motivated by either ideology or their donor lists.

For many, getting to a greener tomorrow is portrayed as an assault on our lifestyle and standard of living. While we have a long way to go before we make the shift away from oil, it has become widely accepted that oil will eventually have to go if we are to get to a carbon-neutral world. Oil production and consumption have increased with world population, but the search for new energy technologies and materials alternatives has never been more serious.

And therein lies the problem.

Electric vehicles rely on rare earths and other battery materials. These critical minerals are mined and processed, but for years there has been a concerted and sustained opposition to mining as an industry. This opposition has been on the basis of both disruption of local populations and the potential for ecological disaster. Someone once observed the truth that mining is the destructive use of land, although in the past few decades there have been added additional layers of regulatory oversight and restrictions. There are still jurisdictions around the world that turn a blind eye (for a price) to environmental sloppiness by local or international miners, but western countries are increasingly extending strict environmental (and anti-corruption) rules to overseas operations. Securities regulations require environmental assessments and investors and auditors expect regular and glowing ESG disclosure.

Experts have been warning that there are significant shortages coming of the necessary critical minerals required for green, carbon-neutral energy sources and technology. Even ignoring geopolitical supply issues, the world simply does not currently produce enough basic materials like nickel and copper to supply the near-term electric vehicle demands, let alone more exotic materials like rare earths for EV magnets, batteries, solar panels, wind turbines, and the consumer electronics we cannot live without.

The bottom line is the green revolution is going to take a lot more mining and mineral processing. The only way we will ever reach a greener, carbon-neutral future will be through the mining and processing of critical minerals. It has to be done responsibly and intelligently, but it has to be done, and it has to be done quickly to meet the coming demand. China learned that sacrificing the environment for speed results in disaster, but a balance has to be found if we are going to have the materials needed to get to a green future before it is too late.

Sometimes the only way out is through.

Mel Sanderson answers the

multi-billion dollar question: What exactly is ESG?

written by Melissa (Mel) Sanderson | April 30, 2023

Those three initials seem to be everywhere these days, used in all sorts of contexts. As a performance measure for CEOs. As a standard for investors. As a banner for stakeholders. As a compliance test for companies. So what the heck actually IS ESG?

Let me take a stab at clarifying. I will address the initials slightly out of order, but you will see why as you read on.

ESG – Environmental, Social and Governance – began life as a set of principles to help guide companies to adhere to best practices in the three mentioned areas. In many ways, ESG evolved from another set of initials – CSR – Corporate Social Responsibility. The ESG principles, however, are more specific and in some ways prescriptive than CSR ever was, and that was by intent.

In an increasingly complicated and rapidly changing world in which people (the "S") increasingly pay more attention to the actions and consequences of mining companies' decisions and operations, companies themselves were seeking more clarity on what stakeholders expected of them.

Thus, in the environmental arena, the principles of "E" incorporate elements such as investments by companies in technologies to ensure cleaner, greener operations. This covers a range of activities such as conserving and recycling water to reduce demand on an increasingly scarce resource; moving to dry versus wet tailings (also for safety reasons); controlling dust with non-water spraying methods and seeking to ensure zero-discharge incidents, thereby keeping water pure and safe.

Likewise, reducing air pollution from discharge at processing/smelting facilities is another good example.

“G” includes principles related to government relations (transparency, integrity) as well as internal corporate governance (transparency, accountability not only to shareholders but the broader stakeholder community).

“S.” The most complicated, the most amorphous, the most rapidly changing – and the most difficult and costly to manage. But the initial which, in my opinion, lies at the heart of sustainable, successful operations. Social relations. This has grown exponentially from a focus on the communities surrounding mine sites and corporate shareholders to a much broader constituency. Increasingly, companies are confronted with demands that they provide tangible benefits to entire national communities. In countries such as Chile and Indonesia, for instance, students in the capital cities have demonstrated in the streets because mining companies were not providing benefits to them. Many argue that these demonstrations might also be politically motivated by corrupt governments eager to extract from companies larger royalty/tax payments or carried shares in operations. While not discounting this possibility, I would say that even if there is or was a political element initially, these social movements have taken on a life of their own at this point, and must be reckoned with. Confronted by the twin constraints of the Foreign Corrupt Practices Act and the undeniable costs of trying to be all things to all people (literally replacing government services at a large scale, in the worst case), how is a company to respond?

Changing social demands also are impacting governance/government relations practices. As we see here in the US, public scrutiny of corporate political donations, including to PACs (political action committees) has become a flashpoint. Individuals want to know what “side” companies are on as regards important social questions – and, as we have seen for instance in Florida, “taking sides” is a losing proposition for companies who face either political or social backlash (or both) when they elect to take a stand. As to internal governance – well, that leads to another three initials, namely DEI – Diversity, Equity and Inclusivity. Companies are under increasing pressure to do more/better in incorporating diverse points of view in their management structures and Boards, among other specific demands.

In this swirling miasma, some are pushing to make the ESG principles more prescriptive. Providing a sort of “checklist” of minimally expected/required responses and activities would, some argue, make life easier both for companies and for investors trying to judge whether a given company is an ESG champion or a fraud.

Personally, I think a middle course is best. Some additional clarification around particularly government regulatory expectations is necessary to help companies accurately and transparently report their ESG activities and receive credit for the same while avoiding accusations of “greenwashing.” But in my view, there currently is an overreach which attempts to micromanage corporate operations. A one-size-fits-all ESG approach is patently impossible, due to cultural, physical and economic differences between countries and projects. Especially if CEOs are to be evaluated in part on their success in the ESG arena, they must retain the flexibility and decision-making latitude to, as much as possible, do the right things.

After all, doing the right things is really what ESG is supposed to be all about.

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

written by InvestorNews | April 30, 2023

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

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What the Mining Industry can Learn from the Boston Red Sox

written by Peter Clausi | April 30, 2023

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.