

Mining Company IR Departments: Stuck in a Time Warp

[Note from the Publisher: Christopher Ecclestone was interviewed on BNN yesterday on this column, which was originally published October 21st, and was inspired as a follow up to Dr. Natasha Sharpe of Bridging Finance's commentary at the Technology Metals Summit on why many resource companies can not secure capital.]

Four years into the "slump" of mining investment it is surprising that some mining executives (and their IR terms) are still singing from the same hymn books that brought them divine favour before 2011. If they wonder why manna is not pouring down from the heavens, then maybe they should look to their own unreconstructed promotional techniques.

In pondering what image to put on this article we were naturally drawn to the old His Master's Voice logo which seemed cute. However looking at it, it resonated with a deeper meaning. Are not many mining company presentations these days just resonating back to the company's management a message that they should "keep steady on the course, repeat the traditional mantras" and all will be well. Repeat it to oneself enough times and it must come true. Indeed His Master's Voice may just be the mining CEO hearing himself, talking to himself, in a sort of eternal feedback loop.

Same Old Same Old

It was interesting that one of the non-mining company presenters at Investorintel's recent Technology Summit highlighted the terminal *ennui* that investors are developing towards mining company powerpoints. Nothing much has evolved in this vehicle for channeling ideas to investors since the

beginning of last decade. I have some examples dating back from before the 2008 crisis and frankly they are pretty much the same as nowadays. While social media and communications have moved on, the mining company IR departments are stuck in a timewarp. My attitude as an analyst is "Tell me something I don't already know". The idea that "one powerpoint fits all" is erroneous. Many investors and analysts have seen your deposits before and feel like primal-screaming if they see another chart of drillholes or fuzzy photo of a piece of core.

With production, production, production as the mantra of the moment the message that needs to be put across as to how the company will reach (profitable) production and/or how the company (or asset) is going to be acquired (while not mentioning the risk of a debtor in possession auction!). We need to see more comps with look-like companies. These used to be standard practice until around 2009 and then faded away as it seemed like bad form to trash the competitors' valuations. However, in the current *Raft of the Medusa* marketplace we are suffering, if you can toss someone else to the sharks then you get to stay on the raft longer! Dr Luke Duchesne's recent analysis here on the comps between Chesapeake Gold and similar companies should be the type of value-proposition coming back into favour in these times of limited (if any) airtime for miners. Sharpen up your elbows, folks..



I suspect that companies need to start producing multiple presentations for different audiences, level of interest and levels of understanding. One for the resource, one for the PEA or PFS and one for strategy. Keeping some unchanged is entirely OK for the resource does not change over the months, neither does the last PEA. I have noticed looking at very large companies outside the mining space (yes, there is life outside mining) that it is common practice to have a lot of presentations on different themes and to have a variety of these on the corporate website. Miners seem to think that

“one, and done” is acceptable. It isn't.

The Conference Circuit

When Tracy Weslosky told me about the format for the Technology Summit the first thing that sprung to my mind was the similarity to the Davos Economic Forum that attracts the rich and powerful to a Swiss village on an annual basis. In mining terms it was rather mould-breaking because the industry had got itself into a rut of vast halls with an ever-shrinking number of booths while in lecture halls off to the side, the CEOs would drone through their presentation while a milling horde of plate-licking pen-grabbers did their best to drown out the speaker as they shuffled in and out like so many bag-ladies at Grand Central in rush-hour.

As times have gotten tougher the booths have retreated at most shows (except PDAC) with the Toronto show being regarded as the last line of defence. The theory seems to go that: “When a company gives up on PDAC, it gives up on life”. The other trade shows have been viewed as expendable if companies can maintain that last redoubt of a PDAC presence.

Likewise the dynamic has changed with the shrinking of the corporate gifts from the stuffed animals and gold flakes in tiny bottles in the glory days, to pens and chocolates two years ago, to the current situation where an understocked box of presentations under the table is sparingly doled out to punters who “look real”. Miners would claim they are “saving the rain forest” when in fact they are hoping what they save on powerpoint printing will be enough to pay the office light bill next month. The card-drop raffle for the bottle of Scotch has been forsaken as the CEO finds he needs the strong stuff for himself when facing his bankers.

The once ubiquitous and immensely useful Intierra mining maps are now collectors' items. Be careful what you throw out as you may never see their like again. I still cherish an Ecuador

map long after all the miners have fled the country in panic and disarray.

One wonders though what the point is. Quite frequently the execs and geos that really know anything have forsaken the booth five minutes after arriving, so interloping investors with real questions are left to look at the presentation they could have got off the website or receive the download from the CEO's niece who is serving as a prop in the absence of anyone that knows anything. What is the goal of this going through the motions? I strongly suspect that unless mining markets make a Lazarus-like revival in the next few months even PDAC will start to thin out.

Conclusion

After four years of things not working for miners, it's time to throw away the old hymn book and start singing a new song. The evolution of mining IR seems to be a step-like process. In the beginning there were factsheets then, with the invention of Powerpoint, some primitive presentations appeared. The rise of the internet added websites to the mix and these evolved in some cases into great works of art and in many cases remained relatively primitive. To take a walk back into pre-historic times one should visit that of US Antimony. Then the Supercycle began and the Powerpoint reached its apogee with whole rainforests being felled to produce these handouts and, with spiral binding and super-quality printing, all pretense at saving money went out the window. In the old textile trade saying "Never mind the quality, feel the width".

Then came the ubiquitous USB stick which was supposed to replace the powerpoint, except that no-one ever looked at what was on them and they either went in a drawer or were given to the children to save their school projects on, after unceremoniously deleting Tinpot Mines' grand projections of their Kryptonite mine in Upper Whoopwhoop.

With conferences increasingly looking like Hiroshima on a bad day, budgets shrunk to nothing and investors running off after the shiny baubles of other better performing sectors, the average mining management is boggled as to how they can get their voice heard out of a very dark, deep pit they find themselves in.

It's time for the survivors to rethink their promotional models. One key thought might be that one doesn't need to do what everyone else is doing. Try new ideas, try cheaper ideas, use the media more as its going to be harder to get face to face with investors, either large or small. And moreover, question everything you have always done and cast into the dustbin of history those time-worn practices that have outlived their utility.