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Thinkpiece

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Observations on London Mining Finance

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Weltanschauung

- \+ The London capital market remains the 800 lb gorilla in the mining finance area with other centres suffering from provincialism
- \+ It is arguable that private mining investors are some of the most well-informed and sophisticated investors in any sector (or at least they have been in the past)
- \+ Australia has managed over the last two decades to create massive internal sources of funding for mining through the successful implementation of the “super” schemes
- \+ The eclipse of gold in recent times offers an opportunity for industrial and specialty metals, which require more brain work, to regain their place in the sun
- ✖ Ironically the “globalisation” of capital markets has resulted in mining finance becoming more dispersed rather than more concentrated
- ✖ The Toronto Stock Exchange and its venture offshoot have been reduced to sources of only “fair weather” financing, with fads being more important than longer term ventures.
- ✖ There has been a loss of knowledge base and sophistication amongst institutional investors in mining
- ✖ Mining investment has always been high risk yet authorities are now cramping the room to manoeuvre of London and Vancouver private investors with “nannyish” investor protection measures
- ✖ New York is the most marginalised of mining finance locations with a severely depleted knowledge base amongst investors and financiers. The initiatives of the AMEX in the early part of this century have largely been lost since the NYSE takeover of the AMEX.

History on Its Side

Despite the many and various claims to the greatness of New York, it has been many a year (indeed decades) since New York has had much relevance in the mining space. London remains the international centre for mining finance. This dominance is despite the fact that there are really very few major UK-based mining companies any more. One has to go back decades to find a time when Rio Tinto Zinc, Consolidated Goldfields, Lonrho and Selection Trust were global names. Only RTZ of that group remains though new names have been added such as the Chilean-controlled Antofagasta (once a sleepy London-listed railway company), Fresnillo (Mexican-owned), Hochschild (Peruvian-owned) and a swathe of giants from the ex-CIS with their ownership being a moving feast of oligarchs of no fixed abode (though with multitudes of abodes each).

However one would not necessarily know that London was a dominant force by the travel patterns and presentation schedules of the mining companies from Australia and Canada. If anything the Australians have been “stay-at-homes” in recent years while the Canadians have been US-centric when it comes to travelling to tout their wares. We cannot say what the Canadian mode was in earlier decades (pre-Vancouver) but Australian mining companies always had an eye on London right from the 1850s and the start of the Victorian gold-rush.

From the 1850s until the start of the First World War, London had undisputed dominance of mining (and other) finance. It remains the financial centre with the widest purview and we shall discuss here some of the reasons why and how to negotiate this market.

New York – A Faded Power

With many of the US railroads funded out of London it was a natural corollary that mines there should also be backed with English capital. With the battering that UK finances took due to financing The First World War the dynamism switched to the US, and New York began its run in the 1920s in which it became self-financing at least in matters of mining. While some US mining companies ventured farther afield in their exploitation of minerals (Peru being a notable example), the US never had a role as a source of international mining finance.

This was a situation that lasted until the 1980s and 1990s when the final deathblow was administered to the remnants. Can we really call the sum total of Newmont, Freeport, Hecla, Couer d'Alene and Stillwater a sector anymore? Those fallen in battle include the once household names of Kennecott, Utah, St Joe, ASARCO, Climax Mining, Phelps Dodge, AMAX, Cyprus Mines, Anaconda, Magma Copper and Homestake. All majors and all swallowed in a wave of disinterest engendered by years of marginal (or no) profitability due to the beggaring of mineral prices and the lack of sexiness in mining.

Thus died Wall Street's relationship with mining. The final death blow was not though when the numbers of stock's dwindled. That only took major institutional investors' eyes off the ball. The death-knock came in 2008 when the collapse of Bear Stearns and the swallowing of Merrill Lynch by BofA resulted in an analyst purge that left coverage in limbo. The mining finance market had moved on anyway. The US became the land of secondary and tertiary listings where the OTCQX was the target landing zone. The beckoning arms of the AMEX had been subsumed into the behemoth of the NYSE, with its rules on minimum market caps and share price (not to mention Sarbanes-Oxley), which proved to be too complicated, too expensive and just too disruptive for Australian or Canadian miners of a certain size to have any interest. New listings trickled off and tumbleweeds blew across the floor of the AMEX on Trinity Place. What a far cry from only ten years before when the scant US-domiciled listings were more than compensated for by the exploding arbitrage business between Toronto and NY in names such as the late lamented Wheaton River.

Even the secondary listing business on the AMEX had little to do with financing. When the ground fell away from under the AMEX crew (and the success some of the names resulted in their falling to predators e.g. Northern Orion and Wheaton River) all that was left was a very skewed Registered Direct business that attracted a few players, in what was the mining equivalent of the house-flipping. Next!

The last two years have seen the collapse of Registered Directs and the tumbleweeds now blow around Midtown as well as Wall Street.

Toronto/Vancouver – Quantity over Quality

Being at a distance from Toronto, but not too far, we have had a long time to ponder the Canadian mining markets. If anything the best words to describe this market are "opportunities lost". While boosters would claim (until recently) that the Canadian mining finance markets are (or were) the most efficient and successful in the world, we would beg to differ. In the process of all this "efficiency" the market has "lost its head" in the form of the capture of Falconbridge, Noranda and INCO by foreign interlopers, leaving Teck, (the pariah) Sherritt, Lundin and Inmet (or should we say First Quantum). While the last transaction sent a frisson through what is left of the Toronto mining grandees it was exactly the type of deal that would have saved the Canadian mining establishment from annihilation in the middle of the last decade. HudBay is the best (quasi-) living example of opportunity missed when its chance to use its enormous war chest of cash in the wake of the 2008 crash was passed on as management stood like deer in the headlights and firmly refused to part with a cent (until all the bargains had gone).

We are not sure if it is cause or effect that the base of large Canadian miners should be so thin and that there is a correspondingly sparse collection of major mining investing institutions. Without naming names whenever we a discussion of who is investing in a deal it tends to be the same three favorites who are trotted out. The fact that major investors can be counted on less than the fingers of one hand should be enough to set alarm bells ringing in any market. All three of the names are also highly linked to personality cultism of their founders. How many times have we heard from managements that "XXX really likes our stock" and yet they are not talking about his firm collectively but rather about the resident Wizard of Oz who works the wind machine and mans the bullhorn on Bay Street. This is not to query the perspicacity of these three but really mining finance markets should made of sterner stuff than three opinionated gurus.

These three straddle both the TSX and the TSX-V in their diverse interests and are then bolstered by the claque of newsletter writers on the West Coast. No other market features this breed (the newsletter crew) which leaves us wondering whether it is due to deficiencies of the mainstream analytical community or a desire on the behalf of Canadian retail investors to have someone evangelise them on their next investment move. In recent years nowhere else has seen such wild projections of where gold is going achieve such traction. Traditionally the US has been the cradle of such apocalyptic thoughts but Canada has managed to fire up the gold-centrism of its retail hordes with similar jeremiads from the newsletter scribblers.

As an engine room of feral capitalism, nothing could outdo Vancouver at its most fervid. However, like many manias it held the seeds of its own destruction. The triumph of form over substance reached its apogee in 2009/10 with the Rare Earth boom. Interestingly, scarcely any REE stories got traction in London or in Europe. Was there something that Vancouver knew that London didn't? Or vice versa?

We shall discourse more at length in an upcoming note on the differences between the Australian and Canadian markets for mining investment (rather than mining finance) but one of our conclusions is that there is credence in the proposition that the Vancouver property market provided *in moto perpetuo* to the junior Canadian equities markets over the last decade. Like similar events in the US in the run-up to 2008, when the property prices stop rising then equity markets can find the ATM spitting out the investor's debit card and refusing to issue more cash to play at the tables.

Beyond its symbiotic relation with the Vancouver property market the Canadian mining equity scene has the rather canny flow-through mechanism to at least provide incentives for those investors punting on domestic exploration plays. Otherwise without mutual fund players of any substance and other institutions not prepared to play (why should pension funds be interested in non-dividend paying producers…) the Canadian market lacks a firm long-term base of holders beyond retail investors who might (or might not) be convinced by their *swamis* to hang onto their favorite holdings through thick or thin.

To remedy this many Canadian miners have made New York a compulsory pit-stop but from all the years we spent in that market we cannot say that we saw a lot of commensurate response from the New York investors. London, once (the old) RAB Capital had disappeared from the scene was regarded as a "too hard" market. Why should that be? Further on we shall discuss what the London market "demands" of companies and why TSX and TSXV-listed entities may be falling short in tapping that potential.

Melbourne/Perth – Navel Gazing at the Empty Centre

Perth only appeared only the Australian mining scene with a vengeance in the late 1960s when the nickel boom reverberated around the world and separated a large number of Australian and London (and Swedish) investors from their money. Prior to that Melbourne had firmly ruled the roost as Australia's centre of mining finance with the very largest mining companies headquartered there, as well as the major brokers and investors. Melbourne is still the site of BHP Billiton and RTZ's head offices. This long held dominance over Perth was despite the main sources of gold production in Australia (the Kalgoorlie mines) being in the state of Western Australia. Perth just did not have the capital.

Despite the fixation on Sydney by foreigners due to its scenic vistas, Sydney has largely been a backwater in Australian mining, except for the coal mines of NSW and the presence of AMP, the massive life insurance mutual, that used to be Australia's largest investor. Two other big mutuals, the MLC and City Mutual also were headquartered there and were also rated as major mining investors. Melbourne on the other hand had the National Mutual, the Temperance & General and Colonial Mutual as its resident asset managers of size. More important though was the Collins House combine of mining companies which included a host of major mining companies (BH North, BH South, EZ Industries and Western Mining) and the broking firm of EL&C Baillieu and the wealth of the Baillieu family. Further up the street was ConZinc Rio Tinto of Australia (CRA) that eventually merged with its UK parent and became the RTZ we know today. Melbourne also had more of the largest banks (the National Bank and Commercial Bank of Australia, the ES&A Bank and Bank of Australasia). All these banks have gone through permutations since to become the giant banks of today. The Collins House miners were cannibalized to make BHP and RTZ stronger. The only non-Melbourne miner of international reach was MIM (Mount Isa Mines) located in Brisbane, which was folded into Xstrata and thence Glencore.

Perth built on its failed nickel boom to resurge in the 1980s as an Antipodean Vancouver with all the flora and fauna of the promotorial class, and all that implies. Major figures like Alan Bond and Robert Holmes a Court came and went but noticeably both had appeal to London players and did things in a way that meant that resurgent mining interest in the late 1980s saw Australian miners catch more international attention than Canadian miners could achieve. Australian brokers all had significant London presences and were part of the maelstrom of Big Bang with Australian brokerage houses being traded between major merchant banks (from both London and New York) in a way that did not occur in the Toronto market. A key component here was that DIVIDEND PAYERS ATTRACT UK INSTITUTIONS.

However, the last decade and a half has seen the rise of the superannuation fund phenomena in Australia which has transformed the internal market for the generation of dedicated capital for the equity market. We shall deal with this in detail in our upcoming note specifically on the superannuation scheme and its effects for Australian vis-à-vis Canadian mining equities. In synthesis though more than a trillion dollars has accumulated in these funds, of which individuals can self-direct their investment allocation. If anything this phenomenon negated the need for Australian miners to go a-wandering to collect capital in the last decade. With a limited pool of investment choices, the Australian public themselves tended to stay home and this produced a fishbowl in which miners and investors swam around chasing each other's tails. It also produced overvaluation on a stupendous scale. We remember two examples. One was a potash company that when we met in 2011 that had an AU$120mn market cap which management were bemoaning was down from AU$600mn. Frankly for the stage of development it was at it would have not been likely to have been valued in 2008 at CAD$120mn if it had been listed in Canada. And by 2011, it would have been lucky to have had a CAD$20mn market cap. Another was a South Australian copper play that was rather low grade and had no resource. When we met them in 2011 they had an AU$300mn market cap. In Canada such a company would have been most blessed to have had a $30mn market cap. Thus the sheer amount of money lurking in Australian super accounts is a big plus for miners there. By giving miners higher market caps it has made the local mid-caps much more resilient to takeover threats. It also meant there was little need to do financings overseas or seek share buying interest from distant markets.

Then along came 2008 which washed over Australia like water off a duck's back (banking and credit system-wise) yet left a lot of companies at a lower level in terms of public investor interest and price levels. The super mountain continued to grow but miners did not get what they felt was their "fair share" anymore. This has spurred some Australian miners to test the international waters again. This seems to be less as a source of financing but as a means to add larger portfolio investors to their register and create some international buzz about their names and projects.

We need to stress here again though that all things being equal between an Australian and Canadian miner in project or resource terms, it is still the dividend (or the prospect thereof) that gives an ASX-listed entity a head-start over a TSX-listed miner with an unreconstructed attitude towards shareholder rewards.

London

When we chose "Weltanschauung" as our sub-headline for this review we knew we were tempting fate but like other German terms, *Angst, Weltschmerz, Gesamtkunstwerk* and *Schadenfreude*, the term Weltanschauung or "world encompassing perspective" is *le mot juste* (to mix a linguistic metaphor) for the London view of the mining space.

Nothing is excluded from consideration.

The AIM – A Defective Construction

The AIM bears quite a few likenesses to the Toronto Venture but alas is merely a shadow of its Canadian alternative. The London Stock Exchange in recent memory used to have scores of companies with market capitalisations of less than GBP 10 mn. Many were hangovers from previous eras or formerly large companies down on their luck. In the 1980s the Unlisted Securities Market (USM) was invented to be a NASDAQ-like generator of new small cap stories. It had a variable history but was not as bad as many painted it. It gave birth to a number of oil & gas stocks and tech stories that went on to greater glory. The USM was never much of a haven for mining stories. It was eventually retired and replaced in 1995 with the Alternative Investment Market (AIM) and was given the added impetus of having smaller listings almost exclusively pushed its way and not going to the LSE's main listing. Some 3,000 companies have listed since its beginnings though many are now gone to greater or lesser fates. As at the end of 2012 there were 145 miners listed with a combined market cap of US$11.8bn. There were 15 new mining listings in 2012, not exactly a vintage year anywhere. It is worth noting that the LSE (with its multi-listed entities) had 40 listed stocks in the same period (with only two IPOs) and yet with a collective market cap of $420bn, just a tad ahead of the TSX/TSXV total of CAD$400.4bn and behind the ASX's US$440bn.

The AIM has run hot and cold over the years and has been subject to considerable myth-making in North America in particular. It was common to hear it described as a graveyard in New York and Canadian largely echoed that view. Even many London players would admit that there was a phase where new listings hit the AIM in relatively successful launches and were then cast adrift by their original promoters/sponsors and allowed to float off like spacemen cut loose from the mother-ship, waving their arms in silent and futile agony as weightlessness carried them away. There was considerable error in the interpretation by both insiders and outsiders of what the officially appointed broker go-betweens (NOMAD – short for Nominated Advisor) were supposed to do. Some saw them as being market-makers while some viewed them as promoters for the fledgling stock. In reality the role is more akin to a cross between go-between with the Exchange and Father Confessor to the company's management.

The process of listing is straightforward and some Canadian miners have made the jump but more Australians have been tempted by the idea of cross-listing. According to Baker & McKenzie of the 83 ASX-listed companies with dual listings, there were 9 with AIM listings (compared to 27 on the OTCQX and 26 on the TSX). So neither is the number all that overwhelmingly either.

The conditions for listing are clearly not onerous, they are:

Share price. There is no minimum closing or offering price for shares to be listed.
Distribution. There is no requirement to have a minimum public float at the time of admission or from time to time after admission.
Accounting standards and reports. Financial statements generally must be prepared in accordance with International Financial Reporting Standards. AIM companies are required to produce annual audited accounts and half-yearly financial reports.
Financial statements. The admission document must generally include audited accounts for the last three financial years (or less if the company has been in existence for less than three years) and an audit report in respect of each year.

Market capitalization. There are no minimum size or market capitalization requirements for resources companies. All companies must have sufficient working capital for their present requirements (at least 12 months from the date of admission of the shares).
Operating history. There are no requirements to demonstrate any length of operating history.
Management continuity. No specific period of continuity of management is required.
Corporate governance. There are no corporate governance requirements that a foreign company must meet for its securities to be admitted to trading on AIM, save declaring the extent of its compliance with its country of incorporation's corporate governance regime in its Admission Document. However, it would certainly help companies for them to be seen to comply with the principles of the UK Corporate Governance Code.
Nomads. All companies applying for admission to AIM must appoint and retain a nominated adviser at all times. Nomads are corporate finance firms, accountants or brokers that are approved by the LSE.
Brokers. A company must also appoint and retain an AIM broker at all times. This broker may be the same entity as the Nomad and is responsible for facilitating dealings in the company's shares.
Minimum holders or trading price. There is no requirement for foreign companies to have or maintain a minimum number of security holders or a minimum trading price.
Lock-in. The AIM Rules provide that "where an applicant's main activity is a business which has not been independent and earning revenue for at least two years, it must ensure that all related parties and applicable employees as at the date of admission agree not to dispose of any interest in its securities for one year from the admission of its securities.
Currency settlement. There are no restrictions on the currency denomination of securities. There is no requirement for securities to be settled within a particular clearing system or registered with a particular share transfer agent. However, all shares (or AIM depositary interests in the case of Australian companies) must be capable of electronic settlement.

It seems few foreign-listed entities though have raised money via AIM secondary listings. If anything it would appear to be an extra stage on which to show one's wares in the London market. We have not heard comments either for or against from any of the companies listed. The thing that is clear though is that foreign miners do NOT need to AIM-listed to attract London investment or do financings in London. In fact it may even be simpler to do raisings in London without having an AIM listing due to prospectus rules.

Buy to Hold

Generalizations are sometimes wrong but sometimes they help in giving a general picture. While we know Canadian retail investors in mining stocks who stay in positions for years and have the patience of Job, that is not the usual image out there. We are sure then that there must be some UK institutional investors (well, hedge funds) that flip financings faster than you can say "Vancouver" but generally the impression we have is that provided the company is on track with what it promised (and the manager does not surprise redemptions to deal with) then the manager will stick with the stock he picks up in a financing,

When one allocates stock in a financing on Bay Street it's a bit like Russian Roulette, you don't know how many bullets will come out to shoot down the price in the days after the deal. Our experience of London managers is the opposite in that they see keeping some powder dry to buy in the aftermarket ensures that the marking to market does not go against them. At worse other sellers provide an opportunity for cheaper stock that can be used to average down.

It may sound like stating the obvious but if the banker doing your deal has a history of loading flippers in (more than likely the banker is flipping some stock themselves) then your deal is more likely to give up ground in the days after pricing. Moreover canny managers will also see that with *Flippo the Banker* running the deal they (the serious PM) are destined to end up holding the bag when all others are gone. Who would sign onto that deal? So beware of the banker-company you keep..

Brokers & Banks

As in so many other financial markets the 1980s were a maelstrom for brokerages that had long ruled the roost, then found themselves sold off to bigger players, subject to the stress-testing of the 1987 Crash then abandoned (in many cases). The experience was most traumatic in London where Big Bang attracted hordes of interlopers wanting a seat at the gaming table, also wrenching in Australia, but much less in Toronto. In the latter case in truly civilized fashion the big five banks pretty much married off with the big five brokerages and then the rest were cast into second-class status with a few new names appearing over recent decades. Australia saw a similar pairing up but then a much quicker process of discarding and downsizing post-Crash. This took most of the Australian banks out of broking as fast as they got in. US firms then positioned rather rapidly down under, a process which took much longer in Toronto.

The ASX was created out of merging all the Australian exchanges together in 1987 while the Vancouver Stock Exchange managed to keep an independent status up until recent times. That also permitted a different fauna and flora in the Vancouver financing community to remain independent longer from the leaden hand of the banks.

In London the devastation from Big Bang followed a year later by Big Crash removed from the scene a myriad of players in the mining space. Any large firm worth its salt had been involved in trading miners large and small, all around the world for decades. The larger firms bore the brunt of the retrenchment and many analysts, brokers (former partners) and salespeople specializing in the space were tossed out on the street. The break-up of the Soviet Union though brought opportunities by the mid-1990s which significantly rebuilt the mining space in London with an influx of multi-billion market cap stocks which made London their nest for various reasons of comfort for their ex-CIS controlling shareholders. These transactions kept dealing desks at major houses busy while in New York the dearth of mining deals of size led to the withering of the mining sector at Bulge Bracket firms.

The AIM's "success" spawned a new source of business in the Nomadic role for small and mid-sized brokers as well as making them the "go to" firms for mining deals. The crash of 2008 caught the London market very exposed on a number of fronts and the party ended very swiftly. Even the rally in gold did not produce the same sort of enthusiasm as it did on the TSXV because the London crowd were not playing gold for its apocalyptic potential. More than anything investors in London thought they could second-guess the more frenzied brethren across the sea and exit the sinking ship when gold eventually went off the boil. Whether that is true now that gold has gone rather static is not clear. In any case we know of a number of Canadian base metal companies (Duluth Metals and Royal Nickel being examples) that found a much more receptive audience for their "boring" metals across the pond than in Canada. There are a quite a number of Canadian base metals stories (and some gold ones) that have a majority of their shares owned out of London. It should also be recalled that unlike NY managers, the breed in London are more accustomed to having orders executed outside their own trading day, from long experience of trading Asian markets.

The London market is once again going through traumas with ancient firms like Seymour Pierce going into liquidation and the venerable and street-smart Williams de Broe paying the price of its savviness by being subsumed into the amorphous Investec. A number of mid-sized players still exist and one Canadian firm has made a strong beachhead by buying an established name and offering more than just a Canadian product line. This contrasts with New York, where mid-sized players have gone over the last two years, large players went in 2008 and the small players are running on the small of an oily rag.

The "D" Word

Nothing cheers the spirit of a London investor more than the word dividend. We are not sure where and at what date, Canada largely fell off the virtuous path of dividend paying but its singular failure to pursue an active and generous dividend policy puts Canadian players at an immediate disadvantage when it comes to getting traction in London. Likewise the lack of commitment to production development by most Canadian juniors leaves them at a strategic disadvantage to Australian or South African companies whose gut instinct is to start paying a dividend as soon as the first positive cashflow arrives.

Thus, put simply, talk about paying dividends, make them a goodly portion of the EPS and keep them coming once you start paying them.

Up Close and Personal

We have noticed an unfortunate trend in New York roadshows over recent years. We suspect it came from the increasing Americanisation of capital markets. It consisted of the idea that when you are doing a financing you can suddenly cold-call a number of investors who have never heard of a company before, arrange a meeting at a few days' notice and then expect the investor to greet the company in their boardroom, cheque book in hand ready to sign on, sight unseen to an 11th hour financing.

Canadian companies in particular have fallen prone to this mentality. An expedition to London is a major haul, while NY is only a flight of an hour for those based in Toronto, Montreal or Halifax. Bankers also like to keep a tight rein on their companies and for the reasons discussed before the banker doing the financing is quite often someone who has only just appeared on the scene for the company in question. We recently saw a Canadian company that was coming to London to do a financing roadshow. The problem was they had not consulted their dairy very well and were coming in the week after Easter. Everyone knows that Easter in the US is a Friday off at most. Isn't London just the Monday as well? We were sorry to tell the company that not only was the Monday a non-starter but all of the week after Easter was a waste of time because it was also Spring Break for UK schools and the ONLY holiday between the short Christmas break and the much later end of school (late July) in the UK compared with North America. Frankly any PM with children is away that week and even the week after. In the week before Easter PMs drift away from mid-week not just on the Friday. When it comes to consulting the calendar for an international roadshow, don't consult a Toronto calendar! That said, you are more likely to find London managers at their desks in mid-July than one would in New York or Toronto. The caveat here is to plan around the events of the London "Season". A roadshow to hedge funds during Wimbledon is almost guaranteed to be a washout.

If the strategy of the sudden-death financing roadshow was flawed in NY (and we rarely saw it work) it is a total non-starter in London. PMs in London want to feel they know a company they are about to jump into with a sizeable position. That means that they should have seen the company at least once in the prior six months or at the very least the last year. Swinging through town on a wing and a prayer smacks of carpet-bagging to a serious UK investor.

Thus the rule for cultivating this market is like any crop and the ground must be prepared first. Never was the biblical parable of the mustard seed falling on the stony ground truer than with regard to prepping UK investors for the eventual financing.

Spheres of Influence

At the risk of gross generalization we would offer here some observations on the way that mining finance has evolved into spheres of influence. The basic purpose of this note is to highlight that London mining finance is all things to all men, while other centres are largely inward looking with a focus on companies listed in their own markets. That said though there are some other over-arching trends as regards to areas where the markets are most interested.

It's easy to go to New York and be told "we hate Africa" or "Australia, bah humbug, can't trade all night" or "too many shares on issue", or find someone in Toronto that claims "ex-CIS, pack of crooks" (!). Australians will dismiss the US as "over-regulated" (!!). Johannesburg is so provincial it has scarcely got its brain around Africa let alone anywhere else. The Hong Kong market is only interested in China stocks (which are avoided everywhere else like the plague due to bitter experience). Vancouver has become so promotional that gold is its only consistent theme with other hot topics (REE, Lithium and Graphite) coming in over the transom only so briefly that they can be massively hyped and then excoriated just as fast. Production, being the diametric opposite of promotion, is seen as always a less attractive option than a quick sale.

That deals with what markets do NOT like. It is clear though that ex-CIS stories have a strong London following (probably due to a combination of proximity and London being a camping ground for oligarchs from the former Soviet Union). Canada's strengths are in the Western Hemisphere and Western Africa. London also likes Africa in general and has some visionaries who will even dabble in Zimbabwe on geological fundamentals (and homage to actuarial tables on life expectancy of "Presidents For Life"). South Africa is an area that still attracts London investment while all other markets will not even consider it. Australians also have some African interest but it is so patchy as to not constitute a trend of any sort (e.g. potash in Eritrea, gold in Ghana).

Australians have South East Asia almost to themselves. China has been abandoned by all markets as an acceptable risk and this as largely been the situation since 2008. London never took to the China mining push while New York, strangely enough, was much more taken by China stories in general (to their ultimate grief) because they offered size in market capitalization and US listings (i.e. RTOs). Australians were first into LatAm in the 1990s and then faded from the race leaving Canadians largely in charge of that territory, though a few Australians did prosper there (Mirabela and Troy). Mirabela though ended up with a joint listing on the TSX. Australians are now returning to the hunt in the region.

When it comes to specific metals then Joburg remains interested in only what is produced in South Africa (gold, PGMs and Chromite predominating), Canada is clearly obsessed by gold (and silver) with base metals not only suffering from a loss of interest but a loss of skillset in analysis and market-watching. Canada has however shown a greater grasp of specialty metals stories better than any other market (maybe to its detriment with REE etc). Australia best "gets" iron ore and coal, while purveyors of those products in Canada find their blandishments fall on deaf ears. Uranium interestingly gets traction both in Australia and Canada and to a small extent in London.

On the continuum between production and greenfield exploration we find London, closely followed by Joburg and Australia to be most interested in production while at the other end of the spectrum sits Canada where production is least valued. In Canada it would appear that being bought out is better than getting to production.

Conclusions

We would want to dispel the illusion that all this is a paean to London. It is just that London remains the mining finance market with a fish-eye lens on the global mining scene. There are more large funds there and there is a deeper base of managers who have "been there and done that" over the years and over a wider range of metals and territory. We cannot say that London has stolen the clothes of New York, because NY never really had even a veneer of being an international mining hub. Even in the US's peak period of listed miners' capitalization, San Francisco was more of a knowledgeable location on mining matters.

A veteran IR guy (and former broker in the glory days of the 1980s) commented to us recently: "I think New York and Canada represent the entrepreneurial money, naïve and frivolous, recently poorly behaved and now sitting facing the corner with a dunce cap on. I see London as the serious cash flow concerned miser. New York and Vancouver as the *hope springs eternal* partiers that have woken up broke with a hangover. It has been rough for everybody, but what has killed North America as a hub is that it counts on the hopes and dreams and is not financed by cash flow, which is life's blood in this kind of market. The rats have jumped from the ship here; and, globally, only the most long-term VALUE vulture guys are trolling now".

In conclusion though this primer shall focus on what it takes for a miner to capture and retain the interest of London investors. The checklist consists of:

- ✓ With roadshows, come early and come often
- ✓ Do not come in the first instance to do a financing (i.e. simultaneous with the roadshow)
- ✓ Group events tend to be for high net-worth and retail
- ✓ You will be given longer time in an office meeting in London (not the NY "I can squeeze you in

for 15 minutes, talk fast…")

- ✓ Expect to be asked the dividend question and come prepared with an answer
- ✓ Have production as a back-up plan even if outright sale of the asset is your real intention
- ✓ Research coverage is often commissioned and is not viewed as dimly as in Canada provided it is not overtly partisan
- ✓ Do not expect a corporate broker (in the LSE definition of the term) or NOMAD to be guaranteed pumpers of your stock. Indeed they may be more subdued than a third party broker's analyst to maintain a dignified tone to their role
- ✓ Be careful of who your lead financier is. If they are known for placing excessive amounts of stock with flippers then a London manager will not want to be collateral damage from the deal if he is a long-term holder
- ✓ Do not expect a hedge fund manager to be a mining rube as many have come out of major asset managers (thus not necessarily the trading desks of US investment banks)
- ✓ Consider Edinburgh also as a place on the itinerary
- ✓ Combining a trip to Switzerland will make the trip more worthwhile. Discussion of production is also a must there
- ✓ The London market likes rights issues as it ensures the investor gets to at least maintain their holding (proportionally) and get the discount that otherwise goes to the "chosen few" in private placings
- ✓ Avoid the fundamentals of gold/precious metals, the managers already have that in their heads and maybe do not subscribe to North American apocalyptic scenarios
- ✓ If your metal is specialty then it is better to be ahead of the trend not at the height of the fad or coming to London because "it's all over in Tronno".
- ✓ Take local advise on dates and timing of roadshows

Important disclosures

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