



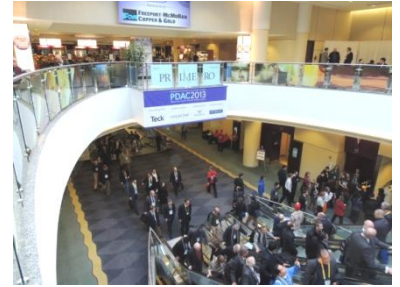
3R Viewpick-PDAC 2013 special

March the 9th, TORONTO

Responsible Resources & Roots Engagement: Maximising Know How in Sustainability Excellence at PDAC 2013

Responsible Resources & Roots Engagement (3R) has participated at the **Prospectors & Development Association of Canada's (PDAC)**, International Convention, Trade Show, and Investors Exchange in Toronto, Canada from March 2 until March 6.

Today, PDAC is the world's leading mineral exploration conference. Taking root in 1932, the convention now boasts over 30'000 attendees from 125 countries and over 1'000 exhibitors. During these four days, delegates had the opportunity to attend a variety of technical sessions, short courses and networking events. **3R** has been an avid participant at PDAC 2013 showcasing our services, attending panels as part of the Corporate Social Responsibility (CSR) series and a client cocktail reception in downtown Toronto.



Why is Responsible Resources & Roots Engagement participating at PDAC 2013?

The Mining Sector is one of the business key for **3R**. Having observed and researched the Mining and Metals Industry for over 7 years, we help our clients evaluate and establish new business relations across the globe while also improving their CSR impacts on efficiency and safety of existing operations and new projects. We support our clients with the newest insights in our service offerings and work with them to minimise risk by developing and implementing CSR training and sustainable compliance programs. PDAC Toronto is one of the first places to be when it comes to cheer and question the harvest of another year of experiences in the Mining and Metals industry.

3R Hotspots at PDAC 2013 turned intensively around networking, attending events, one on one meetings, etc.

PDAC 2013 marks an important milestone for **3R** as we welcomed mining companies like Avalon Rare Metals, Coeur d'Alene Mines to our company to be given as example of striving best CSR criteria in their business operations. Coeur d'Alene Mines shared the successful approach the company has taken to address the unique challenges of operating its San Bartolomé silver mine near the community of Potosi in Bolivia—located within a UNESCO World Heritage Site—where deep social and political changes are being undertaken by the Bolivian government. Coeur explained how developing strong partnerships and unique alliances with a diverse group of stakeholders and members of the local indigenous community enabled the company to reduce operational risk at this important operation.

Business Ethics does Matter

New developments (requirements in the United States and guidelines issued by the OECD, London Bullion Market Association, World Gold Council, Conflict-Free Smelter program and the Responsible Jewellery Council) have sensitively increased the pressure on buyers to know the provenance of their metals and the practices that went into producing them. Whether driven by concerns over conflict minerals or by brand leadership on CSR, these developments are resulting in new purchasing patterns and investment design. Awareness of these developments among mining companies remains still low. Representatives of responsible sourcing initiatives, industry members, governments and civil society organizations featured an interesting discussion about laws, voluntary standards and pilot projects that are influencing metals buyers, and how the changes can impact mining companies, regardless of where they operate.

Mining companies are increasingly aware of how environmental and social performance during exploration can affect the value - and the sale price - of a mining asset. **CSR event sessions** have been intended



to benefit both exploration-focused participants who are looking to control their costs and their environmental and social risk, as well as majors who are looking to limit their exposure to legacy issues when shopping for new exploration assets. Few considerations meant the investor stakeholder Exploration industry players such as Anglo American Exploration, Teck, and Export Development Canada reported on topics such as: a) how environmental, social, health and safety issues are assessed during the acquisition of exploration assets, b) which environmental and social factors increase and decrease the asset price, and in what way, c) How to prioritize among social and environmental policies, management systems and certification to ensure strategic investment, d) moving from a bewildering sea of data towards key actionable information for informed management decisions. CSR: is it worth? An interactive session featured case studies (one junior in Canada and one mid-tier in Africa) in order to illustrate the business value of CSR.

Business cases for **biodiversity conservation** presented a huge interest. Presentations by leading mining and exploration companies on their Canadian and global operations, real world examples were given by industry practitioners supporting the business case for biodiversity and ecosystem services (*Avalon Rare Metals, Inmet Mining Corporation, Cobre Panama, De Beers Group, Wildlife Conservation Society*).

Considering the recently formed **Resource Revenue Transparency Working Group** (the result of a Memorandum of Understanding between PDAC, MAC, PWYP-Canada and the Revenue Watch Institute), a special panel discussed the challenges in the fight for transparency in the extractive sector and debated the effectiveness of emerging rules and international initiatives from the EITI to Dodd-Frank to proposed amendments to the EU Accounting and Transparency Directives. It provided participants the understanding of the emerging transparency rules and how they will impact companies' behaviour and governments' do business.



The **Atlantic Council of Canada** in cooperation with **Embassies of South Eastern Europe in Canada** and in consultation with the Department of Foreign Affairs and International Trade presented in the Forum "**Business and Investment Opportunities in South Eastern Europe**". Countries that have expressed interest in participating were Albania, Bosnia & Herzegovina, Bulgaria, Croatia, Georgia, Macedonia, Romania, Serbia, Slovenia and Turkey. The Forum featured presentations on specific projects by senior representatives from sectors: *Energy Efficiency and Renewable Energy Sources, Mining and Resources, Construction/Infrastructure, Tourism*.

participating countries and focused four key industry sectors: *Energy Efficiency and Renewable Energy Sources, Mining and Resources, Construction/Infrastructure, Tourism*.

Asia was well represented by the two most prominent countries, India and China as interesting markets, more to "be seen" and as to inviting participants for the China Mining Congress & Expo 2013 in Tianjin from 2 to 5 November.

Africa was naturally no exception. Both Anglophone and Francophone countries were represented with **East Africa and West Africa**. Grouped by the organisation Mine Africa Inc., four African countries were represented through their Ministry of Mines (Burkina Faso, Cameroon, Niger and Senegal).

Conclusions

Facing a **tough market for junior companies**, the world's largest mining show (PDAC) still managed to stay above 30'000 participants for the second year in a row. Toronto is the best place to talk about mining and the natural resource sectors.

For Canadians there is **no better place** this year than this room to address the intersection of two of the most important issues for Canadian government, Canadian companies and Canadian communities. After that, it is Canada's so-called "remote communities" that are fuelling the national economy.

Canada, the land of resources, is increasingly producing energy, and developing the precious metals and minerals for which the entire globe is hungry. CA exports CAD 2 billion annually solely in diamonds.

Canada has the **largest deposits of rare earth metals outside of China**. By 2017, a new project, the Nechalacho mine near ThorLake, will start production of "totally rare earth oxides".

Many experts we discussed with are certain: **the commodity sector is facing major upheavals**. The **good news**: The sector has reached the depth in the market. Other experts are convinced that anyone who has capital can earn the right stock picking a good result. We consider it to be extremely difficult. In fact there are many distressed companies at incredibly low prices. But even many larger producers record the lowest levels in the last year.

Voices from the **Vancouver finance sector** are talking about **influence phenomena**: "If Barrick Gold bears bad news about new projects, this puts immediately pressure on the whole sector." More and more offices in downtown Vancouver are empty. Some board members have probably already turned to home business in order to save money. That does not really sound like a boom. And yet many interesting investment cases will occur in the coming days. These results are from a study of the PDAC, and they are supported by a recent survey by consulting Grant Thornton. They are stating that 55% of the juniors see in the financing the biggest problem. A quarter of the world's financial Mining Juniors would need fresh capital within three months. The concern affects 31% of the companies in Canada. Undoubtedly, some, poorly managed companies would be in the near future out of the market.

It will be increasingly **difficult for emerging companies to come on fresh money**. Many investors have withdrawn from the market; the cash flow is increasingly sparse. In the current year only about 110 million CAD have been invested in venture capital in this area. The number of entities in existence brings hardships. The prices of most juniors have been decreasing over the past twelve months by up to 90 %. It is estimated that about 500 companies will go bankrupt or cease their activities. Many companies currently have only **two ways to survive**. Either letting rest all activities, or waiting for better days. Or one could take a large dilution effect into account and organize a round of capital. One must usually swallow very bad conditions, but it procures the much-needed money.

Some experts fear that this trend may continue. Some see the already dawning end of the Canadian mining industry. Others point to the role of Asia where the need for raw materials is high. Many Asian companies are looking out for opportunities. Here, the view can increasingly go towards Canada. At the PDAC conference there could be some briefings. For many juniors this was a last hope.

PDAC Expectation for Gold in 2013

1. Ian McAvity, author of Deliberations on World Markets, got about as specific as it gets in the gold price prediction game. He put it in a very simple forecast. If gold can break through USD 1'800, then it will see USD 2'642 in the week of September 20th, 2013. Could this be a joke? His conclusion is based on his extrapolation from where we are now and where we would go from here given past gold cycles.
2. The other prediction was about where gold would never go, John Kaiser, of Kaiser Research, closed off at the morning round of newsletter presentations. In general he argued gold would continue in the USD 1'500 to USD 1'600 an ounce range in coming years. Then, getting more concrete, he said, "in my view these sorts of levels are the new reality for gold and that the danger of USD 1'000 gold is absolutely zero." And this bottom is set by the level of demand for gold - strong - and in the meantime the massive rise in gold mining costs during the past five years that have eroded so many a miners' margin.

