cutting through complexity

BC Junior Mining at a Crossroads

Executive Management's Perspective

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Contents

Acknowledgement

KPMG would like to acknowledge the time taken by the senior executives of a number of mining companies headquartered in British Columbia to discuss the financing issues affecting the BC mining industry. The insights that they shared with KPMG provide the basis of this report.

Disclaimer

This report has been based on interviews of a limited number of senior executives of junior mining firms located in British Columbia and as such the findings do not represent the opinions of KPMG, its partners or employees.

The individuals chosen to participate in the interview process were selected by KPMG to be generally representative of the junior mining industry in British Columbia. Due to the small sample size, the potential for sampling bias and the potential for response bias, the results should not be considered to be statistically representative of industry opinion; rather they are indicative of a potential industry opinion.

No reliance should be placed on the findings of this report for any use other than contemplated for the purpose of this report.

1 Background

1.1 Engagement Overview

In anticipation of the British Columbia Securities Commission's ("BC Securities Commission" or "BCSC" or the "Commission") annual Capital Ideas conference for 2013, KPMG was retained by the BC Securities Commission to conduct a series of interviews with junior mining companies (Juniors) in BC to better understand industry perspectives, challenges and sentiments about the current downtown in the mining sector (the subject of this report). Furthermore, the BCSC was looking to understand the factors that have impacted the availability of financing for Junior) engaged in financing activities in British Columbia (BC).

The intent of these interviews was to gather information on the financing issue, particularly with respect to:

- The degree of success in obtaining financing and what type of financing is available
- The factors that are believed to have lead to the success or lack of success in obtaining financing
- Proposed solutions to deal with the factors that are, or are perceived to be limiting availability of financing.

In efforts to engage in frank and honest discussions with Juniors, all feedback from the interviews was to be presented in an unattributed, aggregated format to preserve anonymity of participants of the surveys. Information and perspectives of the implications of the current economic situation with respect to the future of the mining industry was gathered through these interviews.

Juniors also discussed how firms may have changed their financial and operational strategies to adapt to current market conditions. Market outlooks were also discussed, where participants provided their expectations as to what the market will eventually look like, and when conditions may become more favourable for Juniors to operate and thrive.

1.2 Approach and Methodology

In collaboration and consultation with the BCSC, the following approach was taken:

- Identify interview participants
- Develop interview guide
- Conduct interviews
- Compile and review collected information
- Prepare report on findings

Identify Interview Participants

BCSC provided a list of potential Juniors to include in the interview process. KPMG added to the contact database and collaborated with BCSC to arrive at a long list of interview participants. The interview participants were categorized by the amount of financing raised in the last three years: "no financing", "minimal financing" and "significant financing".

A letter of introduction was provided by the BCSC. KPMG provided the letter to all invited participants to outline the purpose of the interviews, as well as KPMG's confidentiality undertaking.

Interview Guide Development

An interview guide was developed through consultation with BCSC regarding key topics of interest and some specific questions. The interview guide is largely based on open-ended questions to participants, allowing for a wider range of possible responses and discussions during the interview process. Interview questions not only address the three main objectives noted in the Engagement Overview section, but moreover provide insight into the nature of the issues, the implications for the mining industry, the perceived underlying causes and suggestions for dealing with the issues in the future. The interview guide sent to participants prior to the interview is included in Appendix A.

Conduct Interviews

In total, fifteen firms were contacted by KPMG to participate in the interview process and fifteen firms were interviewed. The individuals invited to participate in the interviews were typically the CEOs, CFOs or Presidents of the organizations.

Interview participants were notified that the results of the surveys would be maintained in confidence by KPMG and only a summary of the findings would be presented to BCSC.

Compile and Review Collected Information

The responses to survey questions were compiled into one central database, categorized by themes of findings. A draft report of preliminary findings was presented to BCSC about one week after completion of the majority of interviews. The findings were discussed with BCSC to determine how to best portray and incorporate them into the final report.

Prepare Report on Findings

This report presents the findings of the interview process and KPMG's assessment of the implications of the discussions.

2 The Financing Issue

2.1 Demographics of Participants

The Juniors interviewed had home offices based in Vancouver, while mineral exploration activities were located elsewhere. Mineral properties of these companies were located in various locations around the world, with most properties located in Canada and USA. Companies interviewed were largely in exploration phases; though a few were in the development and production stage and were engaged in a variety of exploration endeavours, including gold, copper, uranium, silver and base metals.

The fifteen companies interviewed have been engaged in various levels of financing over the last three years:

- No significant financing (under $100,000): 1
- Minimal financing ($100,000 to $600,000): 5
- Significant financing (over $600,000): 9

2.2 Financing Activities

Most of the companies interviewed indicated that they were successful in raising their targeted funding from the market in 2010 and through to early 2011, though this changed significantly over the past two years (mid 2011 to mid 2013). All participants indicated that current market conditions are not favourable for attracting retail and institutional investment in the Juniors.

As transactional costs for structuring financing deals have increased and stock prices have significantly decreased, the cost-effectiveness of public financing has diminished. As a result, the Juniors have minimized the number of times they have gone to market for funds, favouring operational streamlining or alternate sources of funding to sustain company operations.

Some Juniors have worked together to minimize overhead costs by sharing administrative staff and office space. This is evidenced by the amount of space now available in the downtown Vancouver core that was previously leased by Juniors.

Furthermore, companies that were successful in raising funds used these funds for more non-exploration activities than in the past, such as:

- Sustaining day-to-day operations (overhead costs)
- Costs to maintain a listing on a stock exchange
- Regulatory requirement costs such as legal fees, audit services, and attaining permits and approvals

Less money is currently being put into exploration or the necessary studies needed to move a project forward (for financing or development). Much of the funding raised is survival capital, i.e., being used to keep the company operational until such times as the market returns.

> *"Many of the junior mining companies are in survival mode, trying to find the cash just to keep their listing active."*
>
> Survey Participant

Juniors generally agreed that the costs associated with fulfilling regulatory requirements, such as legal, audit and permitting fees were relatively more burdensome than in the past, given current market conditions. Most participants understood that while such regulatory requirements are in place to ensure reporting consistency for mining companies, junior companies could be assisted through the down-cycle if more flexible reporting requirements than that required of senior and more advanced-stage developments in the mining industry were implemented.

The profitability of Juniors, and in turn investor returns, often depend on purchase by senior mining companies (Seniors) to move a mineral prospect into development and production phases. In line with the theme of relatively high compliance costs, the costs associated with releasing a prospectus were generally noted as often onerous or excessive. These costs can deter Juniors from furthering their staked properties through geological and feasibility studies that would move these properties to a point where Seniors would be interested in acquisition.

2.3 Sources of Financing

KPMG interviewed companies engaged in a variety of financing activities, ranging in size and frequency. Though companies may have different experiences in the size of financing and number of times the company has gone to market for funds, all participants agreed public offerings ("retail") and institutional investment have become more difficult than in the years prior to 2011.

Over the period 2010 to 2013, the companies interviewed managed to raise funds ranging from \$300,000 up to \$30,000,000 through various financing activities – with larger amounts having been raised in early 2010 which quickly tapered off over the following three years. One firm raised no financing during this period. Depending on the size of the company, financing was conducted through a variety of avenues and with varied success:

- Public Offerings (including IPOs)
- Reverse Takeovers (RTOs)
- Debentures
- Further Equity Injections by Corporate Principals
- Warrants
- Private Placements (non-public offerings)

> *"Retail and institutional markets have virtually disappeared for the financing of junior mining companies."*
>
> Survey Participant

Participants further discussed difficulties and changes in the market that have affected success in raising funds through the various types of financial markets.

2.3.1 Institutional Investment Markets

Previously, support from institutions such as wealth and investment portfolio management agencies, had made raising funds easier for Juniors. Participants noted the high-risk nature of Juniors have caused many institutions to pursue more stable investment opportunities. Since the economic downturn, participants agreed investment and wealth management agencies have shown a distinct lack of interest in Juniors; many have since divested themselves of holdings in Juniors in favour of investments perceived as less risky – investments subject to lower volatility and shorter term returns.

2.3.2 Retail Markets

Public offerings have been used less frequently to raise substantial funding compared to other financing tools such as private placements. As stock prices have dropped significantly and the market appetite for Juniors has lessened, it has become increasingly difficult and less attractive to raise funds through public offerings. The dilution factor is a major concern of most of the Juniors, as they do not see the upside of significant dilution of ownership.

While there was mixed opinion from participants about the regulatory requirements of the stock exchanges (particularly the TSX-V), participants generally agreed small investors have become less attracted to mineral exploration investments than in previous years. This is a much bigger issue than the regulatory issue. The retail market appetite and possible factors affecting this market are described in more detail later in this report.

2.3.3 Non-Public Offerings

Companies have been successful raising significant financing by using private placements and equity injections by corporate principals and high net-worth individuals over the past 2 to 3 years. Participants noted these means of financing were easier to accomplish and more economical because:

- Fees typically associated with institutional or brokerage agencies could be negotiated (or did not exist)
- Reporting and documentation requirements are significantly reduced
- Investors in this category typically have had long working relationships or investments with Juniors (knowledgeable investors), thus their confidence and willingness to participate is increased compared to the retail and institutional markets

2.3.4 Agreements with Major Mining Companies

Some participants indicated that partnerships, joint ventures and options arrangements with major mining companies were somewhat successful as a means of raising funds. This has largely tapered off, however, as a result of:

- Poor stock prices
- The need by many of the Seniors to restructure corporate balance sheets before investing in new projects/properties

There was some sentiment amongst the Juniors that until the Seniors show consecutive quarters of profits without further write-downs of "toxic" assets on their balance sheets, junior mining company projects will not be of interest to the Seniors. Until stock prices rise and investment returns to the Seniors, Juniors will continue to have a problem raising money.

3 Root Causes

3.1 Unfavourable Market Conditions

Participants were asked to identify what they perceived as some root causes in the market that have led to the current state of financing for Juniors, in addition to the cyclic nature of the industry. Given the cooler market conditions that Juniors currently face when attempting to raise money, many issues were identified as possible contributing factors to the current state of the market.

3.1.1 General Economic Conditions

General economic conditions were typically identified as the major contributing factor to the current situation and it was noted that much of this issue relates to fear. Specific economic considerations included:

- **Metals prices** – Several survey participants alluded to the significant drop in the price of gold as being a factor in the loss of interest in all mining stocks. There is a trickle-down effect of the price of gold on all other metals. There is some thought amongst the parties interviewed that the precipitous drop in the price of gold, raised a fear in the market about the mining sector in general.
- **Slow economic growth** – Demand for metals has slowed somewhat over the past few years as a result of slower global economic growth and this has been seen as an indicator that the demand for commodities will moderate or even potentially decline.
- **Global financial issues** – The government debt crisis in countries such as Greece, Italy, Spain, etc has led to concerns about long term economic stability, availability of financing and changes in the risk appetite of investors.

"Fear and greed drive the markets, and fear is currently in control."

Survey Participant

Commodity prices, economic uncertainty generally and GDP growth in the emerging economies are the key issues for concern where investors are speculating on the potential for decreased demand for base metals in these economies. The competition for investment capital has become more intense, and Juniors stand to be less competitive than many sectors because of their risky nature and the longer term required for return on investment, if any.

3.1.2 Lack of Interest in Juniors

There have been few recent, large mineral discoveries to drive excitement and attention in the mining sector. Juniors are believed to be a less liquid investment for both retail and institutional investors, thus many tend to shy away from such investment opportunities.

"We have gone from a foolish market to a bearish market."

Survey Participant

In addition, there has been a somewhat consistent streak of negative media coverage about the mining sector, such as out-of-control mining projects (cost and schedule overruns), public/government acceptance of mining projects, and over-valued, over-estimated mineral deposits. Such media coverage not only influences investors to shy away from the market, but also impacts past investors who have been received little-to-no investment returns over the past several years.

3.1.3 Senior before Junior

There was a significant discussion in the interviews of the effect of the state of the senior mining companies on the fate of the Juniors. It was generally agreed by the participants that the Seniors:

- Were overly optimistic about metal prices and demand and as a result had overpaid for many of their acquisitions of both early stage and late stage projects/properties and companies
- Had undertaken high risk projects without necessarily having the expertise, risk management strategy or capacity to manage and deliver these projects

The result of this situation is that the Seniors now have to reduce planned capital expenditures, delay or reduce the scope of projects, revise financial projections and repair balance sheets/income statements. This last item is perhaps the one of most concern to the Juniors. The Seniors need to rid balance sheets of "toxic assets" through some combination of sales, write-downs or other actions. In the meantime, profits have taken a hit, which in turn has turned off both existing and potential investors.

As a result of the above, most of the Seniors are not interested in acquiring additional properties/projects. The consensus of the participants is that interest in new projects or properties will not occur until the Seniors have

- Rid their balance sheets of the toxic assets
- Managed to regain control over existing projects
- Shown two or more consecutive quarters of profitability

Once this happens, investor interest in the mining sector as a whole should have improved to the point where the Seniors will begin to look at acquisitions of projects/properties from the Juniors.

3.1.4 Demographics

There is some sense that the investors who had traditionally invested in the junior mining sector are now older and have generally not been replaced by younger investors. As these investors have become older, their investment strategies have become more risk-adverse – eventually minimizing or leaving junior mining sector investments altogether. Without younger investors to replenish venture capital from previous investors, capital becomes more scarce and difficult to attract.

Many companies' principals, board members and management teams have not shifted to younger individuals; many companies are perceived to be largely dominated by the "grey hair" crowd. Participants indicated the need for an eventual shift to younger investors and new talent to participate as board members or the management team for Juniors is important to sustain the industry.

> *"The industry is typified by grey haired principals, management and investors"*
>
> Survey Participant

3.2 Regulatory Issues

Participants provided mixed feedback when asked to discuss any regulatory aspects that were seen as contributing factors to the current difficult state of financing for Juniors. Most participants understand why the current regulatory requirements exist and agree that the requirements are in place to facilitate a level playing field for Juniors while providing some protection and confidence to investors.

> *"Regulations are not a major issue- these need to exist to give investors comfort"*
>
> Survey Participant

While some participants noted the current requirements are too onerous and costly for Juniors to comply with, others noted that existing regulation is necessary to focus investment in potentially viable companies and projects, and weed out the "bad apples".

They all generally agreed however, that even if the irritants were fixed, it would not improve the ability of the Juniors to obtain financing in today's markets.

Participants that believed the requirements are too onerous still felt a certain level of reporting should be maintained, but perhaps reduced and tailored for Juniors compared to the reporting requirements applicable to both Juniors and Seniors alike. Regulatory aspects that impacted Juniors' ability to raise financing revolved around two major themes: rigorous regulatory compliance and perceived inconsistency in review and enforcement of regulations.

3.2.1 Rigorous Reporting Regime – BCSC and TSX-V

Almost all participants agreed that the existing regulatory regime set out by the BCSC for Juniors is fair and fulfils its purpose. Most participants also agreed that reporting requirements for more mature mining companies (such as those in development and production) should not necessarily apply in the same fashion for Juniors – many noted that a more flexible system with more tailored requirements could help Juniors.

The high cost and amount of work required to prepare a prospectus for financing were often quoted by participants as deterrents for Juniors to remain active during the current down-cycle of the mining sector. Several participants noted that the reporting, documentation and other costs for an IPO could easily be $150,000 to $250,000 which makes this approach to raising money in small amounts very impractical

It increases the costs associated with exploration, which further contributes to already-difficult market conditions to rebuild investor confidence and sentiments in the junior mining sector. Juniors, by definition, do not generate funds through mineral production and sales, thus it has become increasingly difficult to secure funding to continue exploration activities and to sustain company operations.

As a result, many Juniors have chosen to go into a survival mode instead, until the markets become more favourable and interested in mineral exploration investments. However survival is still not cheap. Maintaining a listing and other administrative requirements can cost from $75,000 to $150,000 per year, depending on the circumstances of the company. Many Juniors only have $100,000 in cash available and will only be able to survive another year or so.

Many participants noted that financial reporting requirements are onerous for Juniors. It was agreed that it made sense for senior mining companies, especially those with projects in development and production phases, to ensure financial reporting meets current BCSC standards.

Some participants indicated they have had to focus their efforts on ensuring regulatory compliance rather than focusing on drilling and exploration activities – which would lead to expansion and recovery of the junior mining sector.

Several of the participants suggested more flexible, self-reporting (similar to Australia) or less frequent reporting as means of lowering the financial threshold to survive the current financial market cycle.

One participant noted that the scope and frequency of reporting should not change as any reduction may further reduce investor confidence in the sector and investor comfort is ultimately directly related to the quality of reporting/disclosure. Several participants noted that while there have been some complaints about the need to prepare reports in compliance with and the scope of the requirements of National Instrument 43-101 (Standards of Disclosure for Mineral Projects within Canada,) submitting this documentation was actually beneficial in attracting investors to good projects.

Some participants indicated the current regulatory structure of the TSX-V is not flexible and responsive enough to the needs of the Juniors, particularly if the market starts to turnaround. Others felt the TSX-V functions well and serves its purpose in assisting Juniors.

3.2.2 High Transaction Costs

Participants indicated brokerage and listing fees, media release preparation and other costs have made public financing deals less cost-effective. Juniors have, instead, turned to private, non-public transactions where fees are lower or can be negotiated. Companies are less inclined to raise funds from the market, thus creating fewer investment opportunities to retail investors into the junior mining sector.

With already-reduced pools of investment capital and investors, the reduction in investment opportunities further slows the recovery of a market perceived as lacking investor confidence and excitement.

3.2.3 Inconsistent Review and Enforcement by BCSC

Almost all participants indicated they have noticed inconsistent review and enforcement of regulations by the BCSC. For example, some participants quoted inconsistency in review of media releases by Juniors – sometimes the corrections and amendments requested by the BCSC pertain to minute details; while other media releases perceived as "non compliant" have been allowed without being subjected to the same level of scrutiny as others.

They felt the BCSC should, instead, focus on enforcing regulations to protect the interests of the public by focusing on what was perceived as "questionable media releases and feasibility studies".

> *"BCSC regulation is not a significant consideration in terms of the availability of financing"*
>
> Survey Participant

Consistent with comments regarding the rigorous reporting regime required by the BCSC and TSXV, some participants indicated they have had to redirect their efforts to ensuring their company is compliant with BCSC and TSX-V review instead of focusing on their core business of mineral exploration.

4 The Role of the BC Government

The role of the provincial government in the ability of the junior mining companies to recover was discussed by a number of participants and focused on three themes.

4.1 Industry Promotion

Most of the participants noted that the Provincial Government's commitment to the expansion and strengthening of the BC mining industry through the BC Jobs Plan and the Mineral Exploration and Mining Strategy is good for the industry through provisions such as:

- Development of supporting infrastructure (e.g., Northwest Transmission Line)
- Streamlined regulatory process
- Exploration tax credit
- BC Mining Flow Through Share Tax Credit

However, many of the Juniors indicated that efforts have been directed and are more effective for mine development and operation as opposed to exploration activities. Insofar as exploration activities may lead to future mine development there was a suggestion that the Provincial Government should consider strengthening its support for the junior mining companies as a means of ensuring a stronger mining industry in the future.

Participants indicated supporting infrastructure, such as accounting, legal and scientific services, for the mining sector helps contribute to an ideal home base for Juniors. Further support from the Provincial Government would build on this existing advantage for the industry.

4.2 Regulatory Oversight

A concern of several of the participants was the nature and application of regulatory oversight by the BC Ministry of Energy and Mines. The key issues were seen to be:

- The level of bonding required on relatively small projects
- The ability of the Ministry to manage its work load, resulting in delays from a backlog of permit applications
- Requirements for testing and studies
- Inconsistent review of permitting applications

While there were complaints about costs, delays and inconsistencies, it was noted that these issues have not had a bearing on financing available for Juniors.

4.3 First Nations

While not strictly related to financing of Juniors, the expectations of First Nations were noted by several participants to have impeded and/or have made it more difficult in proceeding with exploration activities. Several participants noted that the Province has created an environment with First Nations where the industry has had to step in to deal with issues that would be better managed by the Province in the first place.

First Nations consultation and negotiations are time consuming and expensive and typically beyond the comfort zone and capabilities of a Junior. Delays, uncertainty of outcome and out-of-pocket costs are matters that can affect the availability of funding as well as the amount of funding required to move an exploration program forward.

A further complication is that industry has struck deals for revenue sharing and other economic benefits for new mine developments and First Nations are now seeking similar arrangements for exploration programs. Insofar as exploration programs are low budget compared to mine development projects and there is no revenue source from which to pay “royalties”, this is an issue for accessing funding and making the best use of that funding.

The individuals that raised this issue noted that it is important for the Province to deal with this issue; failure to act could result in less mineral exploration activity in the province.

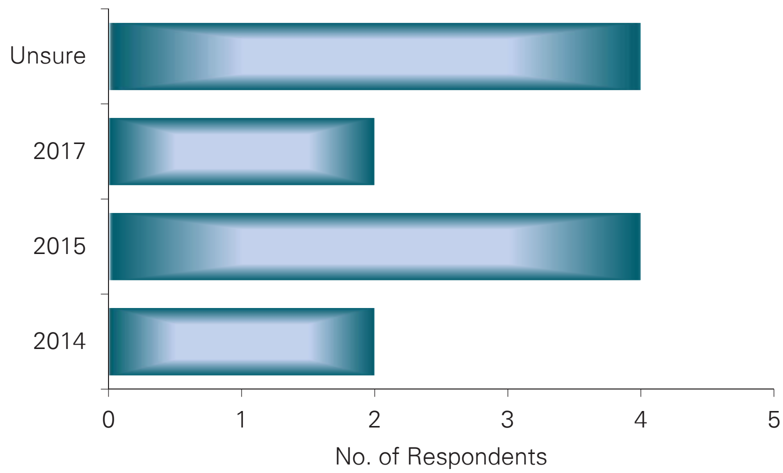
5 Industry Sector Outlook

All participants identified the current situation as cyclical, possibly worsened by some minor structural issues mentioned above. Some participants felt the market is currently at its lowest and should slowly start to recover in the next 1 to 2 years, while other participants felt the market has yet to hit its lowest and don't expect conditions to significantly improve for another 3 to 5 years. Participants differed in forecasting the upturn of markets, but most agreed on similar short and long term effects of current market conditions on the junior mining sector.

The root causes of the current situation are the cyclical nature of the mining industry and current economic/market conditions

Survey Participants

When will the Market Improve?



5.1 Short Term Outlook

In the next one to two years, participants generally agreed that there will be an eventual exodus of mining companies and exploration endeavours. Some Juniors may stay dormant until the market begins to recover. This prediction is generally consistent with media and market analyst reports for the junior mining sector.

"Between 30% and 50% of the Juniors are not expected to survive. 30% is fine, and perhaps required, but 50% is not."

Survey Participant

Large mining companies are expected to continue shedding uneconomic assets such as costly exploration programs, mine developments or operating mines with high cost production. Write-offs continue to be expected of major BC and international mining companies.

While investors may continue to see mining companies "in the red", all participants agreed this is healthy and part of the natural cycle in the mining industry.

As a result, exploration activities (and expenditures) are likely to continue to remain lower compared to deposit appraisal and mine operations. During this time, some participants expect significant changes to board members and management teams for large and small mining companies. With the change, it is expected that new boards and management teams will require a period of time to:

- Build investor confidence
- Make the changes necessary to help companies start with a clean slate

Participants indicated Juniors will have to find innovative ways to sustain day-to-day operations and expect private placements and non-public offerings (such as agreements with major mining companies or equity injections by principals) to be the major source of financing for Juniors during this time.

5.2 Long Term Outlook

Many saw the potential exodus of less-economic mining companies as a positive outcome, because investor confidence may start to increase when stronger and better-established Juniors remain in the market to compete for already limited available capital. In the long term, the remaining companies are expected to regain momentum and rebuild investor confidence. When larger mining companies start to rebuild their pool of capital, the focus will eventually turn to supporting and investing in Juniors to expand existing operations.

The junior mining companies typically experience changes in market conditions on a delayed basis –the senior mining companies will be the first to benefit from an improved economy or easier access to financing, after which the Juniors will benefit.

Due to inconclusive signs of a potentially recovering global economy, participants varied in their responses when speculating on the future market prospects of Juniors.

Some of the participants noted that the longer the delay in the recovery of the mining sector in British Columbia, the more damage will be done to Vancouver's reputation as a mining centre of excellence. This will occur as some of the supporting infrastructure disappears (independent brokers, lawyers, accountants, geologists, etc.).

As junior mining company transactions have become less popular on the market for investment, independent brokers previously active in junior mining markets have closed shop, been bought by other financial institutions or focused on other sectors considered more profitable. There is concern amongst the Juniors that this loss of intermediaries could be a longer term problem for the industry when it returns to more "normal" markets.

> *The reputation of Vancouver as a mining centre of excellence could be collateral damage of the current state of the industry*
>
> Survey Participants

5.3 Proposed Solutions

The majority of root causes and issues identified with the current state of financing were due to the cyclical nature of the mining industry and current economic and market conditions. The basic message regarding solutions from the participants is to "wait it out – the market will come back." There was some sense that there was no silver bullet or any single party that could significantly affect the current situation.

Some assistance could be provided by the BCSC to assist Juniors through the difficult times in the current stage of the market cycle.

5.3.1 Facilitate an Even Playing Field

To address concerns over consistency of review and enforcement, participants indicated the BCSC is in the prime position to ensure all Juniors are reviewed to consistent standards. Participants have repeatedly mentioned their understanding of the need for regulations in the industry, but believe a consistent approach should be taken in enforcing such regulations.

The "consistency" in reviews alluded to by participants is not only applicable across all companies in the sector now, but should be consistent across time – irrespective of how busy the junior mining sector is or the state of the financial markets.

5.3.2 Flexibility in Reporting Requirements

Some participants suggested that there should be a more tailored set of reporting requirements for Juniors that typically operate with smaller budgets compared to larger mining companies with properties in development or production stages. Financial, legal, geotechnical and engineering services required for regular due diligence and reporting to comply with BCSC and TSX-V regulations were often quoted as onerous.

While the Juniors are in survival mode, principals are spending their time meeting reporting requirements as opposed to focusing on exploration activities that are core to Juniors. Many participants noted while it is undoubtedly difficult for a regulatory agency to enforce multiple standards for companies of varying sizes, the current reporting requirements are also creating an increasingly difficult environment for Juniors to remain active.

Appendix A – Interview Guide

Mining Industry Survey
Interview Guide

Clarification Questions*:*

1. *In what jurisdiction is the principal ownership of your company located?*
2. *Where are your mineral properties located?*
3. *At what stage of development is each of your properties (exploration, development, production)?*

Financing

4. *How many times has your company attempted to raise financing for any of your activities over the past three years? If you have not attempted to raise financing within the last three years, when was the last attempt to raise financing for any activities?*
5. *What was the purpose of this financing?*
6. *Which financial markets did you approach (venture, institutional, retail, debt, etc.)?*
7. *How much funding did you set out to raise?*
8. *How much funding did you actually raise?*
9. *From which markets were you successful in raising financing*
10. *What financial market intermediaries assisted you with raising financing, if any?*
11. *Has your strategy changed on how to raise money in financial markets compared to five years ago? If so, how and if not, why?*

Issues

12. *What factors have assisted or impeded your ability to raise capital (project location, company ownership, project status, economic conditions, mineral demand, commodity prices, securities regulation, connections to securities dealers, etc.)? Please identify and rank these factors in terms of degree of impact on your ability to raise capital.*
13. *Has regulation of junior mining companies impacted your ability to raise financing?*
14. *What aspect of regulation was it that impacted your ability to raise financing?*
15. *In your opinion, what is the root cause of the current situation with respect to the availability of capital for junior mining companies?*
16. *In your opinion, is this a cyclical or structural situation, or both, with the financial markets? Why?*
17. *What are the implications of the current state of financial markets for junior mining companies?*
    - *Short term*
    - *Long term*

Solutions

18. *What suggestions do you have for solutions to the current situation?*
19. *Who should be taking the lead in dealing with these issues and solutions (mining industry, financial sector, government, other)?*

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