



MRG: Mining Executive Outlook, Q3 2014

It's with great pleasure that I present to you our latest findings generated from the Mining Recruitment Group's Executive Q3 2014 Survey. This survey was distributed the week of June 9th 2014 and completed by 232 mining leaders, making this by far our largest polling to date. This survey is a direct follow-up to others administered in June and September of 2013 and comparatively the results signal a tectonic shift for the fortunes of the Resource Industry over the very short term.

As we enter the second half of 2014, it is wholly apparent we are well within the midst of brutal resource bear market, though it is now very evident executives are more adept than ever at working amidst the uncertainty. This survey has been developed to provide insight into the direct effects the tumultuous markets have had on the mining industry and how executives are leading through it.

Specifically:

- An assessment of the strength and viability of the mining industry as a whole over the short and long term;
- An objective analysis of the major issues (new and old) faced by those in the resource sector;
- The effect that current market conditions have played on short term business objectives;
- Leadership strategies utilised through the Market uncertainty;

Though the resource markets and valuations are far from the heydays of 2011, there has been a massive reversal in negativity and pessimism amongst mining executives in 2014 and, dare I say, optimism is now creeping its way back into the boardrooms. Though the issues faced by miners have hardly dissipated throughout the first half of the year, the paralysis caused by fear seems to have lifted as executives are once again focused on growth as opposed to just mere survival.

Having the proverbial rug pulled out from underneath the mining industry as swiftly as it was, executives from across the board looked at countermeasures that all but entrenched the industry within an extended bear market. The slashing or elimination of exploration and development budgets, layoffs, write-downs, divestitures and executive shakeups all but stifled any potential for growth. Fortunately, it looks as though the belt tightening days are coming to an end and for the first time in a long time, there may be a very compelling reason for speculative money to start re-emerging from the sidelines, further helping to perpetuate what could be a strong recovery for the Sector.

We know that you will find this survey interesting, but most importantly, if you are a decision maker or investor within the Mining industry, it's an essential reading.

Sincerely,

Andrew Pollard- President, The Mining Recruitment Group Ltd.

The Mining Recruitment Group Ltd.
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Executive Summary

Where did all the Bears go?

In an unprecedented turn of events, only 14% of mining executives now hold a bearish outlook as to the overall strength of the Industry over the next 6-12 months. This is down remarkably from the 64% of executives who held the same view at this point last of last year and the 52% who were bearish as of Q4, 13.

Not only are Executives not nearly as bearish anymore, the pendulum is now swinging in a big way in the other direction with 35% of respondents now holding a bullish outlook for the next 12 months. This is a massive reversal in sentiment from the 9% who held the same view at this point last year and the 11% from our Q4 polling. Though the marked decrease in bears is promising, 51% of Executives hold a neutral view for the Industry over the short term.

2017 should be a good year

When asked the same question but with a longer term (3 year) view, executives appear to be relatively steadfast in their optimism, with 64% holding a bullish view. This is relatively in line with the 66% of executives who were of the same opinion at this point last year, though down from the 74% of bulls from our Q4 polling. Long-term, those holding a bearish outlook have actually increased in numbers, going from 11% at this point last year to 19% present day. Though alarming at the increasing number of bears over the long-term, the fact that the optimists outnumber the pessimists at a rate of more than 3-to-1 bodes well for the Industry moving forward. The remaining 17% of respondents hold a neutral outlook.

Precious metals shall continue to be precious

In terms of what commodities will likely see the greatest gains over the next 3 years, Gold and Silver came out as the clear winners, with 59% and 57% of the multiple-selection vote respectively. Coming in as a surprise 3rd to the list with 53% of the executives expecting to see massive gains was Zinc.

Iron in the fire

Commodities that executives see as having the highest likelihood of depreciating in value over the next 3 years are, Iron Ore, Uranium and Molybdenum respectively with 38%, 36% and 28% of the multiple-selection vote.

Something to get the spec money off of the sidelines

In a new question posed to respondents, executives were asked if they expect M&A activity to intensify within the Sector in the second half of the year. In what could arguably be the most bullish finding of the report, 76% of executives are expecting M&A transactions to intensify in the very near term.



Putting the foot back on the gas pedal

Given the uptick in M&A that is expected, the results of another new question should come as no surprise. A full 71% of executives indicate that their Company's are now more focused on growth than on cost reductions.

Navigating the speed bumps

Executives were asked if current listing requirements and regulations were hampering a recovery within the Sector. 38% responded with a resounding "Yes".

Saving themselves rich

88% of executives indicated that their Company's' have made a concerted effort to reduce overhead.

Where have the budget cuts been made? Of those executives who indicated that their company has made a concerted effort to reduce overhead:

- 69% indicated a reduced Marketing and Investor Relations budget
- 63% noted scaling back on exploration or development initiatives
- 51% indicated a reduction or elimination of incentive pay
- 53% witnessed layoffs
- 39% instituted salary cuts
- And 19% imposed organization-wide hiring restrictions

The Almighty Dollar

Executives were asked about their outlook on equity financing, specifically how difficult they expect raising funds to be over the next six months as compared to the last. Things seem to be getting better on this front with only 6% of executives expecting it to get more challenging, a marked difference from 25% of executives who were of the same mindset in our Q4 polling.

Additionally, 29% are of the mindset it will actually get easier to raise money over the remainder of the year, up substantially from 17% in Q4.

Though the uptick in positivity is a good sign, 65% of executives aren't counting on much to change in the short term, expecting it to remain roughly as challenging to raise funds.

Not out of the woods just yet, but it seems we're heading there

65% of executives have indicated that the fear of a sustained downturn has impacted their budgeting and hiring behavior. Though fear is still behind much of the decision making, it is dissipating in a meaningful way, down from 76% in Q4.

Laying off of the layoffs

On what may bring a collective sigh of relief for those working in the industry, when asked if layoffs or employee reductions were being seriously considered for Q3, only 18% of respondents indicated that they were. This is remarkably down from the 46% of executives who were considering layoffs at this point last year and the 45% who were still considering more cuts in Q4.



Hiring: It's starting to tighten up out there

After close to 2 years of increasingly negative data, the tide is now shifting in the employment market with 43% of respondents planning to recruit over the next 6 months, up from only 31% in our Q4 polling. Though these numbers are a far cry from levels seen during the last bull-run, it does signify a reversal of the tide is already well underway within the sector.

What happened to the Elephants in the room?

When asked to rate their level of concern on the following issues the Resource Sector may face over the next 12-24 months, it seems that for the first time in a long time, executives aren't all that concerned:

- Only 24% of executives are moderately to extremely concerned over a lack of investment capital, down shockingly from 80% in Q4 and from 74% from this time last year.
- A mere 27% are moderately to extremely concerned with the volatility in commodities prices moving forward, down sharply from 61% in Q4 and 54% from this time last year.

It's all relative

Executives were asked to forecast how they expect the mining sector to perform in the next 12 months as compared to the last 12 months. Only 6% of executives expect the sector to perform Worse. In fact, 65% of executives are anticipating the Sector to perform Better.

For the love of the game

Though only 18% of executives admitted to receiving a raise in base salary over the past year, 71% responded that they were satisfied with their current remuneration package.

The Silver Tsunami is fast approaching

Just as mining executives seem to be getting a feel for the issues of the day, a new menace is lurking just around the corner, the likes of which will shake the Industry to its very core. When asked about their views on retirement within the next 5 years, 46% of executives expect to retire from full time engagements or expect to reduce their work-load drastically. With nearly half of all mining executives planning to have 1 foot out of the door in the very near future, this represents a brain-drain, the likes of which the Industry has never seen and a cataclysmic shift in the demographics of boardrooms everywhere.



Survey Methodology

Those that took part in this survey were executives from mining companies of all sizes and stages.

The vast majority of the 232 responses came from executives at companies that would primarily be described as explorers at 53%. Among those remaining, 28% were primarily at the development stage and 19% were producers.

Of those polled, 43% came from companies with market caps below \$50m, 28% from companies between \$51M-\$250M, and 13% from companies with market caps between \$251m-\$1b. Additionally, 16% were made up of executives from \$1b+ entities.

Though the findings are not scientific in nature, I do believe they reflect an accurate cross section of the industry.

That concludes our breakdown of results of the Mining Recruitment Group's Q3 2014 Survey.

Sincerely,

Andrew Pollard
President- The Mining Recruitment Group Ltd

Established in 2006, The Mining Recruitment Group is a leader in executive search for emerging junior and mid-cap mining companies. Since our inception, we have advised companies ranging in size from \$5M to \$20B in market cap and have been involved in successful searches spanning all senior executive and functional leadership positions within the mining industry.