

# Junior miners need to show they're ready to grow up

The world will hopefully soon discover that it cannot do without junior miners, even though they have been through a tough time of late. Some of the pain has been self-inflicted, some has been a long-time coming and some of it has been pure bad luck.



Chris de Vries, managing director, Venmyn Deloitte

There has been welcome recovery in prices, but whether its sustainable or not is uncertain, given this hasn't been consistent across commodities. Investor amnesia has not quite set in yet so although the hunt for yield is greater than ever, the pain suffered by many investors has made them allergic to the junior mining sector. Add to that the fact that regulatory requirements are ever more stringent and we're looking at a fairly grim picture. So how do we as an industry ensure that those juniors that survived the commodities down-turn not only survive, but deliver the superior returns that they were designed for?

## Building lean operating models

Firstly, we need to learn the lessons from the most recent commodities downturn. In the hype of a super-cycle, downside risks are easily downplayed. Chris de Vries, managing director, Venmyn Deloitte advises “a thorough understanding of the techno-economic merits of a project is fundamentally important and flexing technical, cost and price parameters in order to pass investment hurdle rates is simply irresponsible. It's clear that some mining projects should never have been pursued and other, although good assets, are not designed to carry significant amounts of debt. Let's not make those mistakes again.”

Secondly, we need to rediscover the role of juniors in the greater mining industry. Exploration and project development is the lifeblood of junior mining. The entrepreneurial spirit and corporate agility inherent in junior mining is what allows it to be best at this.

“It is not a licence to cut corners. Rather, junior miners should focus on building lean operating models that are best-in-class when it comes to deploying technology and innovation in finding projects, exploring and assessing them, designing mines and developing them” adds De Vries.

The third element is that this sector needs to earn back its reputation. Deservingly or undeservingly, junior mining has become a swear word for some investors, regulators and communities.

“Junior miners need to demonstrate their long-term viability and dedication to their social licence to operate. This requires a responsible and patient view on project returns. In the long-term this will pay off with better access to cheaper capital, more accommodating regulators and friendlier communities. Let’s make juniors great again.” concludes De Vries.

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