



06

TSXV helps Juniors through tough markets



12

Sierra Shines through with graduation to TSX



16

Copper Fox sitting pretty after flurry of deal activity



17

Lumina Copper 'Serial seller' practising patience during M&A downturn



24

Bear Creek chairman no stranger to building mines



28

Largo defies tough financing market

Survival mode continued

Junior mine 2013

Review and analysis of the top 100 mining companies on TSXV

October 2013



www.pwc.com/ca/juniormine

Annually, we analyze the top 100 mining companies listed on TSX Venture Exchange (TSXV) based on market capitalization as at June 30.

Contents

Top 100	2
Executive summary	3
Interview: TSXV helps juniors through tough markets	6
Top 100 highlights reel	8
Financial highlights	10
Top five analysis	11
Interview: Sierra Metals shines through with graduation to TSX	12
IPOs, graduations and delistings	14
Market capitalization trends	15
Interview: Copper Fox sitting pretty after flurry of deal activity	16
Interview: 'Serial Seller' practising patience during M&A downturn	17
Balance sheet	18
Income statement	20
Cash flow statement	22
Interview: Bear Creek Chairman no stranger to building mines	24
Financing overview	26
Interview: Largo Resources defies tough financing market	28
Cash balances of top 10	30
Notes on reporting	31
Mining excellence	32
Contacts	33

Top 100

Based on market capitalization as at June 30, 2013, here are the top 100 mining companies listed on the TSXV.

1	Sierra Metals Inc.	(TSXV:SMT)	31	Kaminak Gold Corporation	(TSXV:KAM)	61	Northern Graphite Corporation	(TSXV:NGC)
2	Copper Fox Metals Inc.	(TSXV:CUU)	32	Noront Resources Ltd.	(TSXV:NOT)	62	Prophecy Platinum Corp.	(TSXV:NKL)
3	Gold Reserve Inc.	(TSXV:GRZ)	33	Ascot Resources Ltd.	(TSXV:AOT)	63	North American Tungsten Corporation Ltd.	(TSXV:NTC)
4	Lumina Copper Corp	(TSXV:LCC)	34	Tinka Resources Limited	(TSXV:TK)	64	Los Andes Copper Ltd.	(TSXV:LA)
5	Largo Resources Ltd.	(TSXV:LGO)	35	GoldQuest Mining Corp.	(TSXV:GQC)	65	Northern Shield Resources Inc.	(TSXV:NRN)
6	Bear Creek Mining Corporation	(TSXV:BCM)	36	Focus Graphite Inc.	(TSXV:FMS)	66	Northern Vertex Mining Corp.	(TSXV:NEE)
7	SilverCrest Mines Inc.	(TSXV:SVL)	37	Roxgold Inc	(TSXV:ROG)	67	Selwyn Resources Ltd	(TSXV:SWN)
8	Chesapeake Gold Corp.	(TSXV:CKG)	38	Kivalliq Energy Corporation	(TSXV:KIV)	68	Corsa Coal Corp.	(TSXV:CSO)
9	Afferro Mining Inc.	(TSXV:AFF)	39	Mirasol Resources Ltd.	(TSXV:MRZ)	69	Tasman Metals Ltd	(TSXV:TSM)
10	Probe Mines Limited	(TSXV:PRB)	40	Gold Standard Ventures Corp	(TSXV:GSV)	70	Canada Zinc Metals Corp	(TSXV:CZX)
11	Midway Gold Corp	(TSXV:MDW)	41	True Gold Mining Inc.	(TSXV:TGM)	71	Woulfe Mining Corp.	(TSXV:WOF)
12	Majestic Gold Corp.	(TSXV:MJS)	42	Robex Resources Inc.	(TSXV:RBX)	72	Colt Resources Inc.	(TSXV:GTP)
13	Anfield Nickel Corp	(TSXV:ANF)	43	Panoro Minerals Ltd.	(TSXV:PML)	73	Passport Potash Inc.	(TSXV:PPI)
14	Sandstorm Metals & Energy Ltd.	(TSXV:SND)	44	Rambler Metals and Mining Plc	(TSXV:RAB)	74	Great Quest Metals Ltd.	(TSXV:GQ)
15	Reservoir Minerals Inc.	(TSXV:RMC)	45	Teras Resources Inc.	(TSXV:TRA)	75	Strategic Metals Ltd.	(TSXV:SMD)
16	Argex Titanium Inc.	(TSXV:RGX)	46	Diamcor Mining Inc	(TSXV:DMI)	76	Tyhee Gold Corp	(TSXV:TDC)
17	Fission Uranium Corp.	(TSXV:FCU)	47	Great Western Minerals Group Ltd.	(TSXV:GWG)	77	EPM Mining Ventures Inc.	(TSXV:EPK)
18	Callinan Royalties Corporation	(TSXV:CAA)	48	IMPACT Silver Corp.	(TSXV:IPT)	78	Palladon Ventures Ltd	(TSXV:PLL)
19	ATAC Resources Ltd.	(TSXV:ATC)	49	Ucore Rare Metals Inc	(TSXV:UCU)	79	Kennady Diamonds Inc.	(TSXV:KDI)
20	Zenyatta Ventures Ltd.	(TSXV:ZEN)	50	Kootenay Silver Inc.	(TSXV:KTN)	80	Reunion Gold Corporation	(TSXV:RGD)
21	d'Arienne Resources Inc	(TSXV:DAN)	51	Esperanza Resources Corp	(TSXV:EPZ)	81	Adriana Resources Inc.	(TSXV:ADI)
22	Eurasian Minerals Inc.	(TSXV:EMX)	52	Giyani Gold Corp	(TSXV:WDG)	82	Lara Exploration Ltd.	(TSXV:LRA)
23	Alpha Minerals Inc.	(TSXV:AMW)	53	Atlatsa Resources Corporation	(TSXV:ATL)	83	Rye Patch Gold Corp.	(TSXV:RPM)
24	Atacama Pacific Gold Corporation	(TSXV:ATM)	54	Orca Gold Inc.	(TSXV:ORG)	84	Maya Gold & Silver Inc.	(TSXV:MYA)
25	Aurcana Corporation	(TSXV:AUN)	55	Almonty Industries Inc.	(TSXV:AIL)	85	Gold Reach Resources Ltd.	(TSXV:GRV)
26	Newstrike Capital Inc	(TSXV:NES)	56	Rathdowney Resources Ltd.	(TSXV:RTH)	86	Gold Canyon Resources Inc.	(TSXV:GCU)
27	Monument Mining Limited	(TSXV:MMY)	57	Victoria Gold Corp	(TSXV:VIT)	87	Scorpio Gold Corporation	(TSXV:SCN)
28	Encanto Potash Corp	(TSXV:EPO)	58	Cayden Resources Inc	(TSXV:CYD)	88	CB Gold Inc.	(TSXV:CBJ)
29	Santacruz Silver Mining Ltd.	(TSXV:SCZ)	59	Pacific Booker Minerals Inc.	(TSXV:BKM)	89	Asian Mineral Resources Limited	(TSXV:ASN)
30	Pershimco Resources Inc.	(TSXV:PRO)	60	Archon Minerals Ltd.	(TSXV:ACS)	90	Euromax Resources Ltd.	(TSXV:EOX)
						91	Goldrock Mines Corp.	(TSXV:GRM)
						92	KazaX Minerals Inc.	(TSXV:KZX)
						93	Maudore Minerals Ltd.	(TSXV:MAO)
						94	Brazil Resources Inc.	(TSXV:BRI)
						95	Avanti Mining Inc.	(TSXV:AVT)
						96	Metanor Resources Inc.	(TSXV:MTO)
						97	Colorado Resources Ltd.	(TSXV:CXO)
						98	Avino Silver & Gold Mines Ltd.	(TSXV:ASM)
						99	Balmoral Resources Ltd.	(TSXV:BAR)
						100	Sunridge Gold Corp.	(TSXV:SGC)

Executive summary

Juniors hold on tight during market downturn

“The confidence crisis is an issue across the sector, but it’s the juniors that are being hit the hardest.”

— John Gravelle
Global Mining Leader, PwC

The junior mining sector is not for the faint of heart. The business of mineral exploration, development and production for these smaller mining players is high risk, with rewards largely dependent on the mood of the market and the direction of commodities prices.

It’s been a tough couple of years for the junior mining sector. A drop in metal and mineral prices, alongside tight financing markets, has caused junior mining company valuations to plummet and remain at rock bottom levels. That’s made it extremely challenging for juniors to raise money—an activity that can be crucial to their existence.

“It’s extremely difficult to raise capital right now,” says Largo Resources Ltd. President and CEO Mark Brennan. While Largo managed to raise both equity and debt financing in the past year to help construct its Maracás Vanadium Project in Brazil, it was a huge challenge and a reversal from just a few years ago when the industry was booming and money flowed more freely.

“We’ve gone through a period where there has been a lot of excess capital floating around, and now that’s dried up. Too many mediocre projects received funding which means investors are sitting on projects they will probably never realize the value of, and so therefore probably wanting to reduce their exposure to the sector prior to reinvesting more capital.”

Confidence crisis

It’s the same story across the entire mining industry, which is currently facing a confidence crisis. Investors are skittish about putting their money into the sector, worried about commodity price volatility, rising costs and the number of write downs that have been taken by companies in recent months.

“The confidence crisis is an issue across the sector, but it’s the juniors that are being hardest hit,” says John Gravelle, PwC’s Global Mining Leader. “When the recovery does come, investors will most likely put their money into the senior producers first, given their stronger balance sheets and proven production and profit-making capabilities.”

That means many juniors will need to be even more patient with their plans, and have as much cash on hand as possible to wait out the uncertainty. For many, it won’t be easy.

Catherine McLeod-Seltzer, chairman of Bear Creek Mining Corp., has raised more than \$400 million for mining exploration through many cycles over the past 25 years, and been directly involved in more than \$4 billion in corporate transactions in the mining industry. Her advice for juniors: “Raise money when the markets are good and guard every penny as you move forward. Longevity is the key.”

All dollar values are reported in Canadian dollars.

Top 100 Miners on the TSXV: A struggling sector

Our seventh annual Junior Mine Report, which looks at the top 100 mining companies on the TSX Venture Exchange (TSXV), shows a sector that's struggling.

The health of the junior mining sector has been on a downward spiral since 2011, when commodity prices were at or near record highs and markets recovered from the devastating impact of the 2008-09 global financial crisis.

Consider the market capitalization of these companies on the TSXV, which fell 44% to \$6.5 billion as of June 30, 2013 compared to the same time a year earlier. That follows a 43% slide in 2012 versus 2011, when the market capitalization was \$20.6 billion.

These trends are repeated across the TSXV mining sector. The aggregate market capitalization has fallen from \$37 billion in 2011, to \$20.8 billion in 2012 and now down to \$11.1 billion as of June 30, 2013.

The cash position of junior miners has also been steadily decreasing. Among the top 100 on the TSXV, cash and short-term investments fell by \$0.7 billion in 2013 to \$1.2 billion compared to a balance of \$1.9 billion in 2012.

That has inevitably curbed capital expenditures (capex), which fell 15% in 2013 versus 2012. Digging deeper, we see the largest drops came from explorers, which cut capex by 28% or about \$133 million, compared to a 25% or \$117 million cut from producers.

Developers were the only junior mining category that increased capex in 2013 by just \$74 million. This coincides with them being the only group of miners that saw an increase in financings for 2013, albeit a modest one. Overall, financings were down 41% compared to 2012.

Total revenues from the top 100 companies fell by 25%, or \$293 million in 2013 compared to a year earlier. Production and development companies saw revenues slump 21% and 85%, respectively.

Write downs were also a necessary drawback to the current volatile market environment. Write downs among the top 100 junior miners increased 175%, or by \$55 million in 2013 compared to a year ago. These adjustments to mineral properties were not isolated to a few projects or companies, but instead spread out across 37 of the top 100.

Market cap of Top 100 falls 41%, on the back of a 43% decline in 2012.



“It is surprising how few companies have actually gone under. However, things may change in 2014 given the cash position of many juniors. We’ve seen companies cut costs over the past 12 months. If they have to survive another 12 months, they may be forced to merge with an equal, get bought out or delist.”

— James Lusby
Partner PwC

Uncertain future. Patience is key

The latest figures spell trouble for a number of juniors in the months ahead. Some may not be around at this time next year. However, it’s worth noting that the washout of juniors predicted at this time last year hasn’t materialized. Many are still surviving. About one-fifth of the top 100 juniors are no longer on the TSXV compared to a year ago. Our data shows 82 of last year’s 100 remain, while 7 graduated to the TSX, 10 were acquired or merged with another company and 1 was delisted.

Still, as markets remain challenging for juniors, we anticipate some will be forced to shut down operations, particularly at the exploration stage, or will decide their only survival tactic is to merge with another player, or accept a takeover offer. While merger and acquisition activity across the sector has also fallen as a result of the confidence crisis, juniors are targets for opportunistic senior players seeking future growth.

Then there are the juniors who want to sell, but not at the lower valuations in today’s markets. Having the flexibility to advance projects until the market turns is key. “Patience is important,” says David Strang, president and CEO of Lumina Copper Corp. He says many seniors aren’t looking at buying new projects today, but concentrating instead on cleaning up their own balance sheets before they start buying again.

Of course not all juniors are facing such drastic changes. Many have cut costs and are hunkering down to weather the current market storm. Some may also achieve their goal of graduating to the Toronto Stock Exchange (TSX), as Vancouver-based Sierra Metals Inc. did this summer. It wasn’t an easy journey for Sierra, but its perseverance paid off. “Cash is king and mining is very cyclical,” Sierra’s chief financial officer Fernando Piccini says. “Having strong, high-quality assets is also very important, but having a strong balance sheet is critical to navigate

through the cycles that will inevitably come for a junior mine company. Finally, the execution of a well-defined strategy depends entirely on management.”

We’ve said this in the past but believe it’s worth repeating: If a junior can survive this tough financial market, chances are it will thrive when the recovery inevitably comes.

TSXV

TSXV helps juniors through tough markets

Few have had the bird's eye view of the recent difficulties faced by junior miners than John McCoach.

As president of the TSX Venture Exchange (TSXV), John has witnessed junior miners struggling to find financing and watched their market capitalizations decline over the past couple of years, due to falling commodity prices and decreased investor confidence in the sector.

And yet, he's optimistic. "I think there's definitely hope," says John, pointing in particular to a pickup in trading volumes since mid-summer and the value of the TSXV overall. "I am hoping these are good leading indicators of what's to come." 2013 has been another demanding year for juniors, and that's shown up on the TSXV.

There have been fewer graduations to the main Toronto Stock Exchange and a drop in IPO activity as a result of volatile market conditions that have left juniors—as well as their senior peers—scrambling to preserve cash, while still finding ways to grow for the future.

"Junior mining companies have experienced tough years before, but it's been a challenge," says John.

The TSXV has made some changes to try to help its issuers, including junior miners, through these difficult times.

For example, between August 2012 and August 2013, it granted relief from certain existing pricing requirements related to private placement financings. About 60 TSXV issuers took advantage of those relief measures, says John.

Since then, the TSXV has introduced more permanent measures to allow its issuers more flexibility. These include: reducing the minimum price for warrants, options, convertible securities and initial public offerings; changing shareholder approval requirements for share consolidations; and revoking guidance notice on share structure which was no longer needed.

The TMX Group, which owns the TSXV and TSX, also owns a 50% stake in MinesOnline (www.minesonline.com), a global platform that connect buyers and sellers of mining and exploration assets and projects from around the world. Customers include mining companies, strategic investors, owners of mining assets and governments.

TSXV is in advanced talks with regulators in Chile to potentially set up a junior exchange in that country, and in early-stage discussions with other countries.



The number of IPOs has fallen by more than half in the past three years, to 24 in 2013, from 45 in 2012 and 52 in 2011.

— John McCoach
President, TSX Venture Exchange

John says these tools and measures help mining companies compete and connect globally, which creates opportunities for Canada.

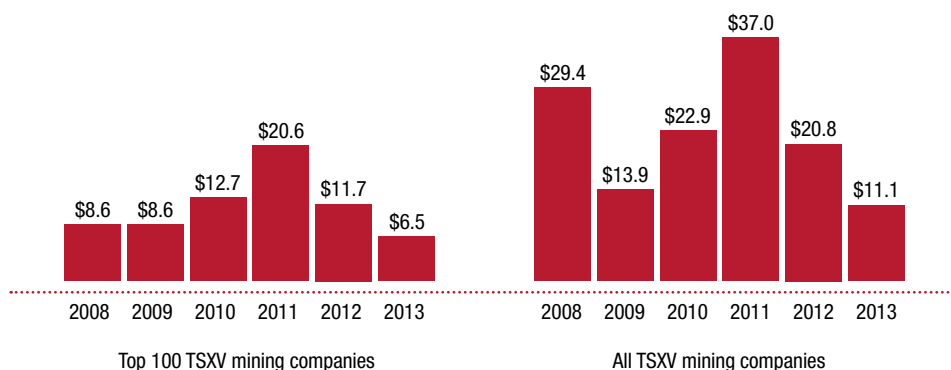
In fact, John says governments and countries around the world are looking to Canada's exchanges as a model for how to expand their own public markets.

For example, the TSXV is in advanced talks with regulators in Chile to potentially set up a junior exchange in that country, and in early-stage discussions with other countries.

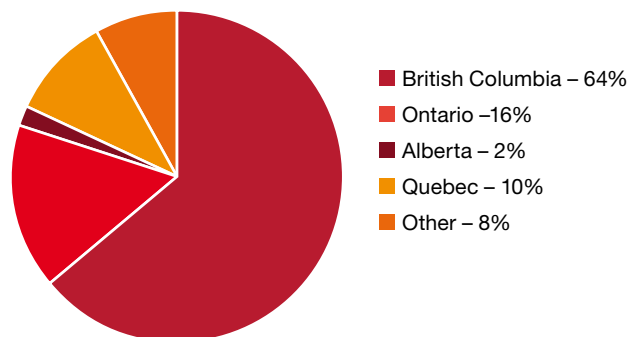
"I am a great believer in the model we have in Canada and I'm not just talking there about stock exchanges. It's the whole infrastructure we have," says John. "I am optimistic that our model will continue to be strong and support hundreds of companies across Canada around the world for decades to come."

Top 100 highlights reel

Change in market capitalization: TSXV from 2008 to 2013 (in billions)



Head office location of the top 100 companies analyzed, by company



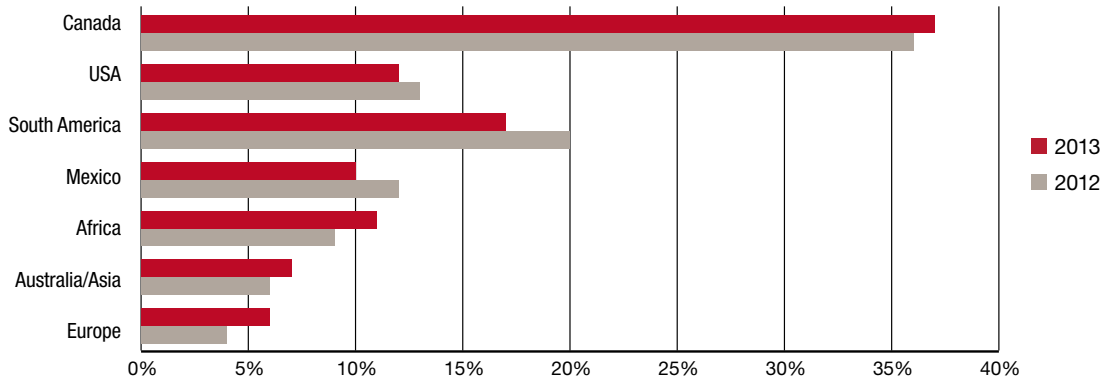
Stage of mining

Phase	2013	2012	% Change
Production	15	19	-21%
Development	31	23	35%
Exploration	54	58	-7%
Total	100	100	

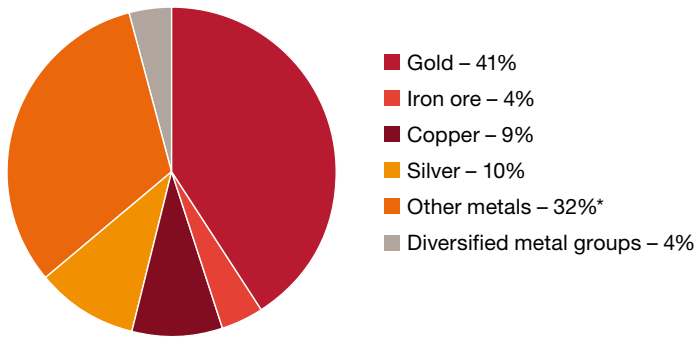
Top 100 by stage in lifecycle

Market cap	2013 (\$ billions)	# of Entities	Avg. Cap per Entity (\$ millions)	2012 (\$ billions)	# of Entities	Avg. Cap per Entity (\$ millions)	% Change
Production	1.4	15	90.1	3.7	19	195.2	-54%
Development	1.9	31	60.7	2.3	23	99.9	-39%
Exploration	3.3	54	60.4	5.7	58	98.0	-38%
	6.5			11.7			

Major area of operation for the 100 companies analyzed (2013 vs 2012)

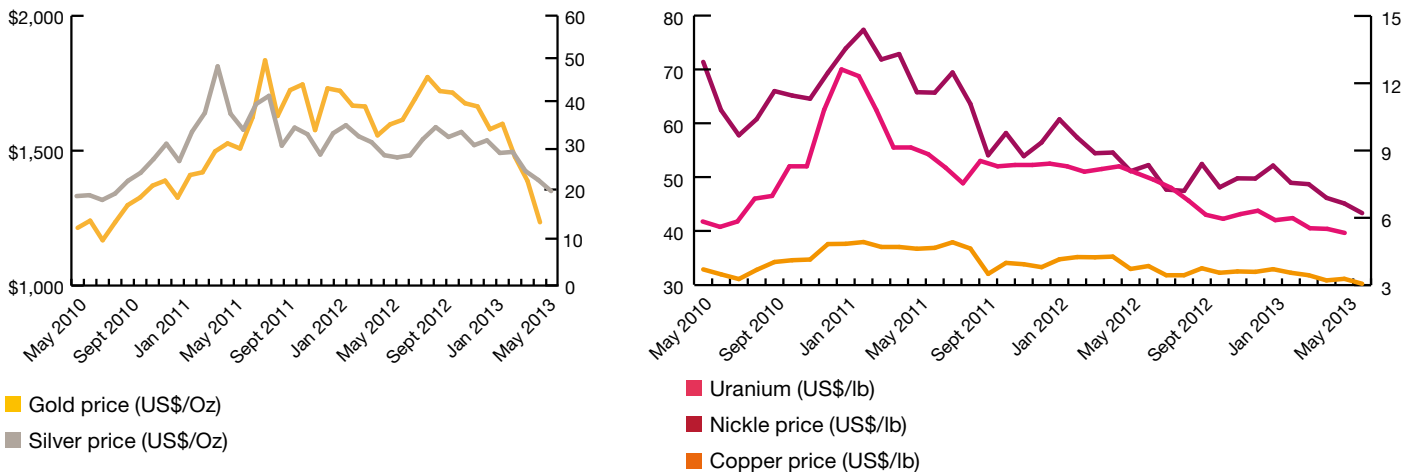


Principal commodity of the 100 companies analyzed



* Each of the following commodities made up 3% of the total: Diamond, Uranium, Platinum Group Metals, Graphite, Zinc, Rare Earth, Potash, Tungsten. This also includes other metals making up less than 2% of the overall top 100.

Three-year metal prices July 1, 2010 – June 30, 2013



Financial highlights

The financial highlights for the 100 companies included in our analysis are summarized below.

For junior miners, key measures of survival are often how much money they have on hand and how much they've raised. 2013 was a challenging year on both fronts.

The cash position of the top 100 dropped by \$0.7 billion to \$1.2 billion in 2013 compared to \$1.9 billion in 2012.

The top 100 used up \$189 million more in their operating activities in 2013 versus a year earlier. This decline was primarily due to a drop in revenues from producing mines, as well as the overall net loss position by these producers compared to the net income earned in 2012. Overall, consolidated net income fell by 60% in 2013 compared to a year earlier, creating a larger overall net loss position of \$550 million.

Assets held by these juniors fell as a result of a 36% draw down of cash and short-term investments. That isn't surprising given the difficulties many juniors are facing trying to raise money, forcing them in turn to draw on their existing cash reserves. The top 100 raised \$795 million through equity financings in 2013, which is down 50% compared to \$1.6 billion in 2012.

Cash from financing activities fell by \$461 million in 2013 compared to the year before. Producers in particular saw a sizeable decline in cash from operating activities, as metal prices significantly declined during the first half of 2013.

The aggregate property, plant and equipment (PPE) balance increased marginally during the year, by \$275 million or 6%, driven by development phase companies. Developers saw a 59% increase in their PPE balance to \$1.3 billion, compared to a 4% and 6% decrease by both production and exploration groups, respectively.

\$ '000	Totals		
	2013	2012	% change
Balance Sheet			
Cash & ST Investments	1,212,216	1,907,761	-36%
Property, plant and equipment (net)	4,983,998	4,708,812	6%
Total liabilities	1,835,801	1,632,552	12%
Shareholder's Equity	5,157,556	5,975,448	-14%
Cash Flow Statement			
Net cash used in operating activities	(294,135)	(104,711)	181%
Cash used in investing activities	(926,104)	(1,223,426)	-24%
Cash provided by financing activities	911,921	1,373,462	-34%
Income Statement			
Revenue	871,783	1,164,863	-25%
EBITDA	(257,236)	(132,548)	-94%
Net loss	(549,571)	(343,415)	60%

Source: Aggregated highlight financial information compiled by PwC based on public SEDAR filings primarily annual reports

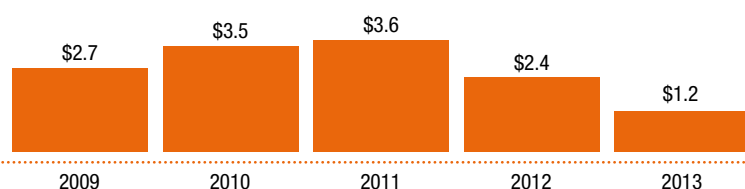
Cash held by the top 100 fell

36%

as a result of significantly less financing in 2013.

Top 5 analyses – 2013 vs 2012

Total market capitalization of top five (in billions)

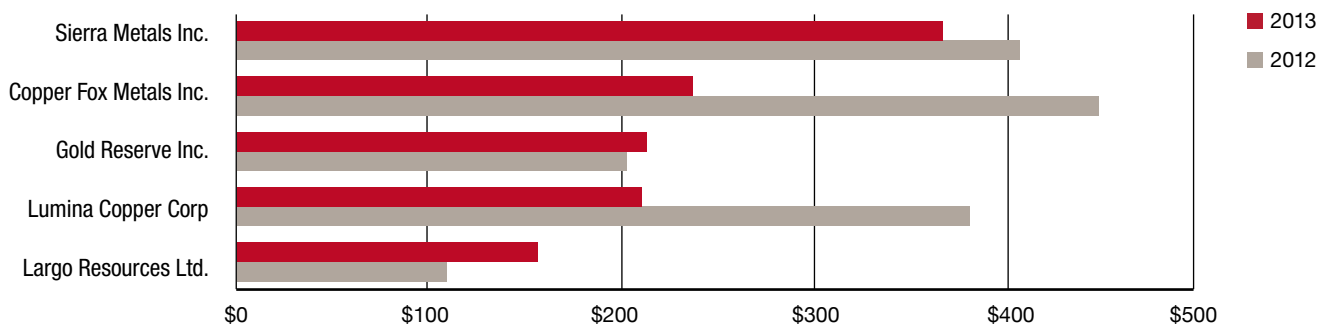


Top five companies 2013 vs 2012

2013's top five companies	Position in 2012's top 100	2013 Mkt cap \$ millions	Position in 2012's top 100	2012 Mkt cap \$ millions	% Change
Sierra Metals Inc.	1	368	5	409	-10%
Copper Fox Metals Inc.	2	238	3	450	-47%
Gold Reserve Inc.	3	214	13	203	5%
Lumina Copper Corp	4	211	7	383	-45%
Largo Resources Ltd.	5	157	30	109	44%

2012's top five companies	Position in 2012's top 100	2012 Mkt Cap \$ millions	Position in 2011's top 100	2011 Mkt cap \$ millions	% Change
Sandstorm Gold	1	582	12	382	52%
Iberian Minerals Corp	2	548	10	406	35%
Copper Fox Metals	3	450	1	790	-43%
Aurcana Corp	4	415	33	208	100%
Dia Bras Exploration	5	409	11	388	5%

Market capitalization of the five largest TSX Venture Exchange mining companies in 2013 – \$ millions



Sierra shines through with graduation to TSX



— **Fernando Piccini**
CFO, Sierra Metals Inc.

Graduating to the TSX is a sign of success for any junior mining company. What's even more impressive is making the leap during a market downturn.

Vancouver-based Sierra Metals made it happen this summer, after more than a decade on the TSX Venture Exchange. The company, formerly known as Dia Bras Exploration Inc., is proof that miners can continue to advance, even in tough markets.

For juniors that want to follow in Sierra's footsteps, chief financial officer Fernando Piccini says the key drivers include a strong balance sheet, high quality assets and a solid management. "Cash is king and mining is very cyclical," says Fernando in an interview. "Having strong, high-quality assets is also very important, but having a strong balance sheet is critical to navigate through the cycles that will inevitably come for a junior mine company. Finally, the execution of a well-defined strategy depends entirely on management".

Sierra has three mines in commercial production; the Yauricocha mine in Peru and the Bolivar and Cusi mines in Mexico.

The company, which describes itself as Latin America's newest mid-tier precious and base metals producer, started trading on the TSX in July. It became eligible as a result of the deal it made in 2011 to buy the 82% of the shares of Sociedad Minera Corona S.A., and with it the Yauricocha mine. That deal allowed for Sierra's transformation into a mid-tier player.

It took Sierra a couple of years to fully integrate the operation in Peru with its Mexican assets, and before it could comply with the internal control standards required to move up to the TSX. "The process of getting the company ready and managing the integration was a challenge, especially the implementation of SAP (an integrated software solution) in our Peruvian operations. Finishing this process and finally graduating in the TSX has been very rewarding for us" says Fernando.

The move means Sierra's shares trade on a more liquid market, and one that investors perceive as less risky than the TSXV. "It helps to prove Sierra is an established mining company with strong operating cash flow, enabling investors to compare Sierra to the right peers," says Fernando.

The market is still challenging for mid-tier companies, Fernando acknowledges, citing the "confidence crisis" across the industry. Investors are turning away from the mining sector, spooked by disappointing earnings and massive write downs, alongside a drop in commodity prices. That is also making it difficult for miners to finance future growth.

Sierra is fortunate that it doesn't need additional equity or debt financing to execute its medium term growth strategies, says Fernando.

The company is also being prudent, responding to a drop in commodity prices by cutting costs across its operations. Its cost control measures include a reduction in payroll and administration expenses, as well as a more conservative exploration program that is focused on brownfield operations. Sierra has also hired consultants to help it increase productivity and efficiency at its operations, including its flagship Yauricocha mine.

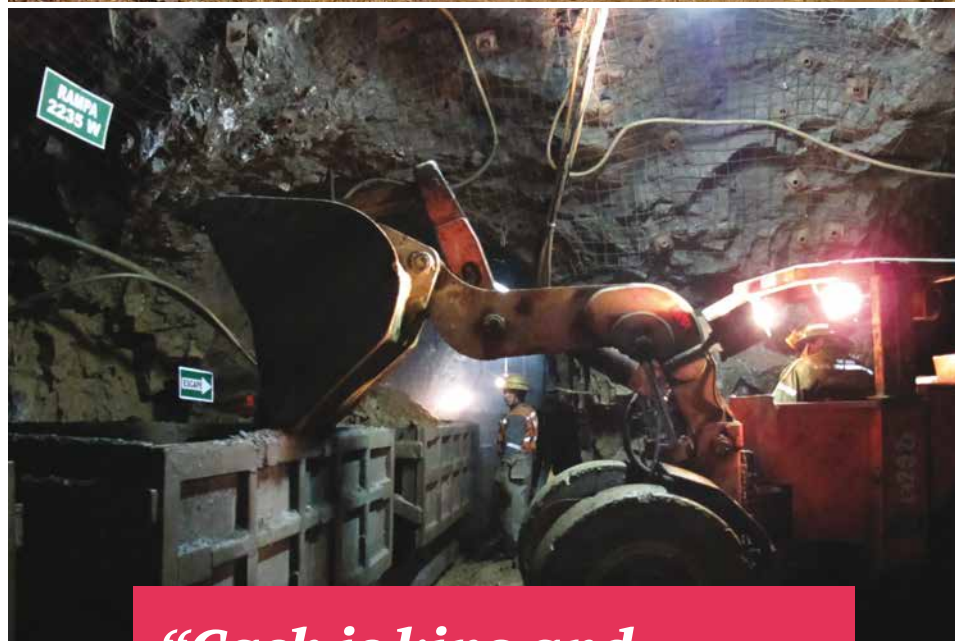
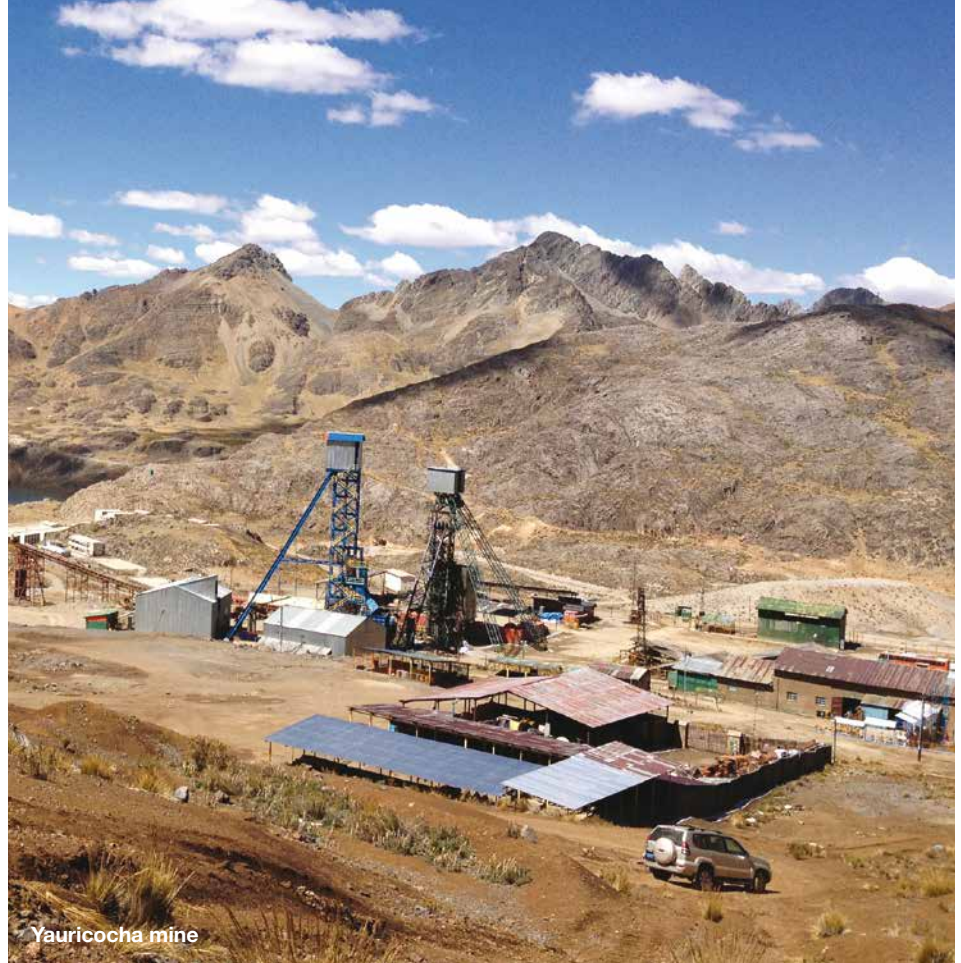
Meantime, the company announced a new dividend policy and share buyback program earlier this year to keep shareholders happy. “We did this to differentiate ourselves from junior mining companies and to position ourselves as a stable, cash-flow positive mining company,” says Fernando.

The company’s strong margins allow it to offer these rewards to shareholders, while at the same time allowing it to continue with its growth plans. “Our financial position is an important strength for Sierra Metals, especially in the current environment,” Fernando says, pointing to the company’s cash position of more than \$40 million and solid EBITDA.

It’s also working on new, more favourable terms to finance its roughly \$70 million in debt, including more flexible terms and a lower interest rate, despite the rising-rate environment.

These moves better positions Sierra to start looking for growth through mergers and acquisitions in 2014.

Fernando says the company will be open to potential deals with producers, or those close to commercial production, with a preference for companies with operations in Mexico and Peru where Sierra is already stationed.

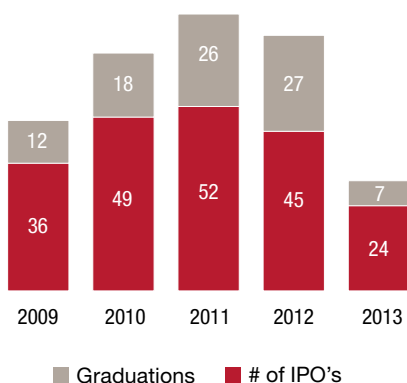


“Cash is king and mining is very cyclical.”

Photo credits: Courtesy of Sierra Metals

IPOs, graduations and delistings

Annual IPO's + Graduations



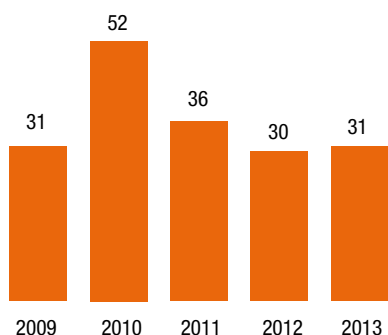
Another victim of the market downturn in the mining sector is the number of sector initial public offerings (IPOs) on the TSXV. The number of IPOs has fallen by more than half in the past three years, to 24 in 2013, down from 52 in 2011. There were 45 mining IPOs in 2012.

Of the 24 IPOs in 2013, 19 took place between July 1, 2012 to December 31, 2012; while the rest happening in the first half of 2013. The aggregate market cap of the 19 companies that had an IPO in the last half of 2012 fell by 30%, which is consistent with the drop seen in the value of miners in the top 100. Our analysis shows that the average market cap for the 24 companies that went public in 2013 was \$2.2 million.

The number of delistings remained largely unchanged in 2013 compared to the year before. In 2013, 31 companies were delisted, which compares with 30 in 2012. Of the 31 delistings in 2013, 20 were involved in a merger or amalgamation, 4 in acquisitions, 5 requested the delisting and just 2 failed to pay their TSXV dues.

The total delistings in 2013 and 2012 have dropped from the two prior years, when markets were considered more investor-friendly. In 2011, there were 36 delistings and 52 in 2010. Mergers and acquisitions as a percentage of total delistings have increased steadily in the past few years to 77% in 2013 from 62% in 2010.

Annual delistings



Graduations to the TSX declined significantly in the current year as companies struggle to survive, let alone move forward. There were 7 graduations in 2013, compared to 27 in 2012 and 26 in 2011. As market capitalizations drop, juniors are finding it increasingly difficult to meet the equity requirements for the TSX.

Graduations to TSX declined significantly in 2013, with only 7 companies making the leap compared to 27 companies in 2012.

Market cap highlights

The mining sector represented 35% of the TSXV's \$32 billion market capitalization in 2013, down from 51% of \$40 billion in 2012. That follows a 38% decline in market cap between 2012 and 2011. The downward trend highlights the confidence crisis across the industry, as investors put their money into other industries considered less risky.

There were no mining companies with a market cap of more than \$500 million on the TSXV as of June 30, 2013, compared to 2 in 2012 and 5 in 2011. The average market cap among the top 100 fell 44% to \$65 million down from \$117 million in 2012 and \$206 million in 2011.

About one-fifth of the top 100 juniors are no longer on the TSXV compared to a year ago. Our data shows 82 of last year's 100 remain, while 7 graduated to the TSX, 10 were acquired or merged with another company and 1 was delisted.

The composition of the top 100 also changed year-over-year. In 2013, we saw a reduction in both producers and explorers, and an increase in developers. This is due largely to a few producers leaving the TSXV, through graduation or acquisition, and a number no longer making the top 100 ranking.

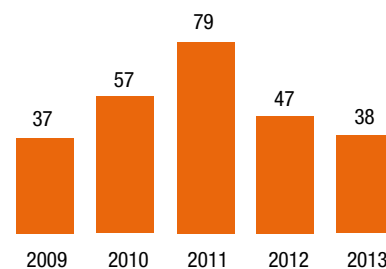
Of the top 100 companies, 15 are in production, down from 19 last year. These 15 companies account for about \$1.4 billion of the market cap, or 21% of the overall top 100, which is down from 32% last year.

Trading volumes

Trading volumes for the entire TSXV have fallen significantly over the past year, dragged down by the depressed mining sector. For the 12 months ended June 30, 2013, trading volumes fell to 38 billion, down from 47 billion and less than half of the 79 billion volumes in 2011.

The lower volumes and drop in mining market cap on the TSXV demonstrate how investors are turning away from the sector, placing bets elsewhere until they see more evidence of a turnaround. Even as the mining industry recovers, investors are expected to putting money towards senior companies first, returning to juniors when confidence returns to the sector.

Trading volume (in billions)



Trading volumes fell to 38 billion in 2013, down from 79 billion in 2011.

Copper Fox

Copper Fox sitting pretty after flurry of deal activity



“2013 has been an eventful year for Copper Fox Metals.”

— **Elmer Stewart**
President and CEO, Copper Fox Metals, Inc.

2013 has been an eventful year for Copper Fox Metals Inc. It started off with a \$1.5 million private placement, followed by an acquisition of a copper deposit in Arizona, then a joint-venture agreement with Teck Resources Ltd., one of Canada’s largest diversified mining companies. Copper Fox also raised another \$2.5 million in a private placement that was 100% committed by its director, Mexican businessman Ernesto Echavarria, who owns a majority of the company. “For a junior, it’s a very fortunate to have a major shareholder with that ability,” says Copper Fox President and CEO Elmer Stewart.

Today, the company’s future rests with its 25% interest in the Schaft Creek Project in northern British Columbia (Teck has the remaining 75%), as well its exploration programs at the Sombrero Butte and Van Dyke copper properties in Arizona. The joint-venture agreement signed with Teck in July 2013 was considered a significant milestone for Copper Fox. It comes 11 years after Copper Fox picked up the project from Teck, after it had been sitting on the shelf for decades. Copper Fox advanced the project through to feasibility, and delivered the results to Teck in February 2012. “A lot of people were probably saying that we would never get it done, but we got it done,” Elmer told *The Northern Miner* in an interview after the joint-venture agreement was announced.

Teck had the option to buy 20%, 40% or 75% of the project, covering an increasing amount of the costs Copper Fox has accumulated along the way, or to walk away.

Teck took 75% and will become operator of the project. The joint-venture agreement also means Teck will arrange equity and debt financing for its construction. It also agreed to pay Copper Fox \$60 million in three direct cash payments and to fund 100% of the first \$60 million in costs related to the Schaft Creek project, among other conditions. “It really has set Copper Fox up so that we have cash in the bank now,” says Elmer. “We were able to give our shareholders a small dividend as a way of appreciation and we have enough cash in the bank now to carry out our corporate needs and exploration activities for the next three to four years.”

During the nine months ended July 31, 2013, Copper Fox said it received a total of \$4.3 million in proceeds from private placements and the exercise of options, received \$23.9 million in relation to the Schaft Creek Joint Venture and incurred an additional \$3.2 million of capital expenditures related to the Schaft Creek project.

Now that Schaft Creek is in good hands with Teck, Elmer says the company’s focus is on advancing its properties in Arizona, including the Van Dyke Deposit it acquired in April 2013. “The acquisition of the Van Dyke Deposit adds another significant under explored copper asset to the Company,” Elmer said at the time of the announcement. “This acquisition complements our large Schaft Creek copper-gold-molybdenum-silver deposit and provides the Company an under explored advanced project with excellent logistics located in a major copper producing district in Arizona.”

Lumina Copper

‘Serial seller’ practising patience during M&A downturn



“Essentially we called the bottom of the copper market in the last bear cycle and over the years we’ve been developing those projects and selling them off, hence the ‘serial seller’ terminology.”

— **David Strang**
President and CEO, Lumina Copper Corp.

David Strang has held a number of titles during his mining career to date, but one that should be at the top of the list is the nickname “serial seller.” That’s because David has spent the past decade working as part of a team of mining entrepreneurs to buy, develop and then sell copper projects across North and South America, delivering strong returns for its shareholders.

“Essentially we called the bottom of the copper market in the last bear cycle and over the years we’ve been developing those projects and selling them off, hence the ‘serial seller’ terminology,” said David, President and CEO of Vancouver-based Lumina Copper Corp.

The group has sold five projects to date and is now readying to sell the sixth and final one, the Taca Taca project in Argentina. “Taca Taca was actually the runt of the litter. We didn’t have huge expectations for the project when we first started working on it...but were able to develop a project that is now the 36th largest copper discovery ever made,” David says.

Still, Argentina has been a tough place to do business. The 2012 nationalization of the country’s biggest oil company, YPF, has spooked investors across the resources sector in Argentina.

David believes the Taca Taca project is safe given that it’s in the mining-friendly Salta province in northwestern Argentina, and because mining is largely overseen by provincial governments, not the federal one. “Unfortunately, at the federal level, Argentina has had some struggles over the past couple of years. For us in particular the nationalization of YPF...was a bit of a dent. I think it has held off some investor confidence...but we see light at the end of the tunnel,” David says.

Volatile markets and tight financing conditions have also put a damper on merger and acquisition activity across the mining sector over the past couple of years.

Valuations have also dropped, which makes selling less attractive right now for companies like Lumina and its Taca Taca asset. “Patience is important,” says David. “This market is certainly risk-off right now. Greenfield acquisitions, the big mining companies aren’t looking towards that right now...but that has to change. From our view, the greatest thing about the mining industry is that every day that you mine your destroy value by taking rock out of the ground and producing product. That has to be replaced at some point. As long as we are sitting there with a project like Taca Taca, we are quite comfortable. Albeit, we’ll have to wait awhile.”

David says Lumina’s cash position is strong until 2015, meaning it doesn’t feel pressure to do a transaction right away.

Balance sheet

Aggregated balance sheets for the *top 100* companies as at June 30

\$ '000	Production			Development			Exploration		
	2013	2012	Change	2013	2012	Change	2013	2012	Change
Number of companies	15	19	-21%	31	23	35%	54	58	-7%
Current Assets									
Cash & ST investments	227,748	547,388	-58%	309,262	280,262	10%	675,206	1,080,111	-37%
Accounts receivable	113,643	144,289	-21%	32,552	15,812	106%	44,012	42,535	3%
Inventory	114,373	164,204	-30%	7,647	15,641	-51%	13,607	656	1975%
Other current assets	35,798	52,068	-31%	33,438	83,745	-60%	9,452	50,140	-81%
Total current assets	491,563	907,949	-46%	382,900	395,460	-3%	742,276	1,173,442	-37%
Non-Current Assets									
Property, plant & equipment	2,037,366	2,130,745	-4%	1,264,242	795,424	59%	1,682,390	1,782,643	-6%
Investments	15,008	8,432	78%	81,233	47,528	71%	42,728	51,580	-17%
Other non-current assets	73,835	94,760	-22%	101,690	32,371	214%	78,126	187,666	-58%
Total non-current assets	2,126,209	2,233,937	-5%	1,447,164	875,323	65%	1,803,244	2,021,889	-11%
Total Assets	2,617,772	3,141,885	-17%	1,830,064	1,270,783	44%	2,545,521	3,195,331	-20%
Current Liabilities									
Accounts payable and accrued liabilities	126,674	156,734	-19%	64,281	79,453	-19%	65,496	100,315	-35%
Current borrowing	129,519	201,005	-36%	69,423	60,821	14%	12,300	15,957	-23%
Other current liabilities	39,588	82,672	-52%	23,897	79,170	-70%	20,116	13,784	46%
Total current liabilities	295,781	440,411	-33%	157,601	219,443	-28%	97,912	130,056	-25%
Non-Current Liabilities									
Long-term debt	604,291	222,896	171%	135,496	123,599	10%	38,375	1,211	3068%
Other non-current liabilities	311,153	340,305	-9%	46,718	42,522	10%	148,473	112,108	32%
Total liabilities	1,211,226	1,003,613	21%	339,815	385,564	-12%	284,761	243,375	17%
Non Controlling Interests	249,218	86,294	189%	9,339	650	1337%	21,828	46,287	-53%
Total equity	1,406,547	2,138,273	-34%	1,490,249	885,219	68%	2,260,760	2,951,955	-23%
Total liabilities & shareholder's equity	2,617,772	3,141,886	-17%	1,830,064	1,270,783	44%	2,545,521	3,195,331	-20%

Source: Aggregated highlight financial information compiled by PwC based on public SEDAR filings

Highlights:

The cash position of the top 100 miners on the TSXV fell by \$0.7 billion in 2013 to \$1.2 billion compared to 2012 balance of \$1.9 billion. Current assets fell 35% among the top 100, due to a draw down of cash and short-term investments as juniors continue to support operations in a time of weaker financing options. Producers saw a drop in cash from operating activities as a result of lower metal prices, particularly in the first half of 2013. At the same time, total liabilities increased 12% as companies stretched their payment terms to help conserve cash. The aggregate property, plant and equipment (PPE) balance increased by 6% or \$275 million, due largely to activity from development phase companies. Developers saw a 59% increase in their PPE balance to \$1.3 billion, compared to a 4% and 6% decrease by both production and exploration groups, respectively.

The market liquidity ratio also fell to 2.93 in 2013, down from 3.13 in 2012 and 3.18 in 2011. All are well below the high of 5.4 in 2007. This is not surprising since total current assets have fallen by a larger rate than the total current liabilities. Equity saw decreases of 34% in producers and 23% in explorers, which was offset by an increase of 68% in developers.

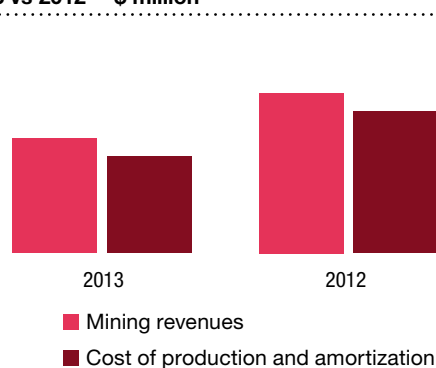
Income statement

Aggregated income statements for the **top 100** companies for the year ended June 30

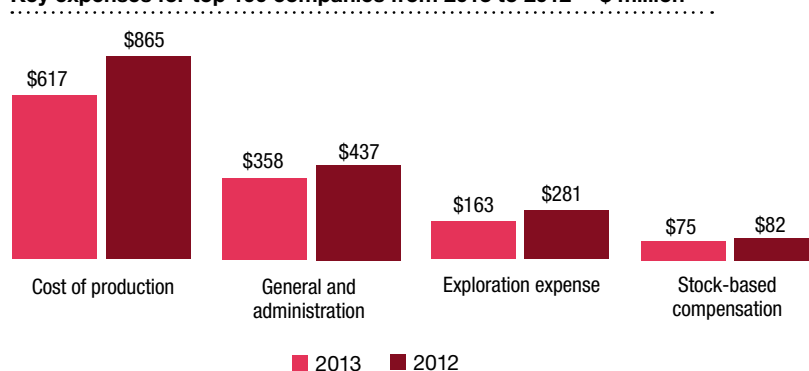
\$ '000	Production			Development			Exploration		
	2013	2012	Change	2013	2012	Change	2013	2012	Change
Number of companies	15	19	-21%	31	23	35%	54	58	-7%
Total Revenue	856,289	1,083,622	-21%	12,204	81,225	-85%	3,291	15	21352%
Cost of production	587,273	792,078	-26%	23,651	56,318	-58%	6,094	16,138	-62%
General and administration	115,497	131,879	-12%	103,107	68,567	50%	139,875	236,452	-41%
Exploration expense	13,106	84,885	-85%	33,562	27,766	21%	116,610	168,596	-31%
Stock-Based Compensation	7,956	20,820	-62%	12,782	12,637	1%	54,072	48,335	12%
Other (income) expense	31,298	82,775	-62%	(23,767)	38,979	-161%	(72,381)	(232,654)	69%
	755,130	1,112,438	-32%	149,335	204,267	-27%	244,270	236,867	3%
Interest income	4,686	4,322	8%	4,517	4,074	11%	6,920	11,441	-40%
Write down of mineral properties & exploration	(25,586)	(17,443)	-47%	(12,892)	(1,498)	-760%	(48,533)	(12,675)	-283%
Other Gains (losses)	112,022	295,972	-62%	(2,519)	(3,610)	30%	(2,778)	(4,585)	39%
	91,122	282,852	-68%	(10,893)	(1,034)	954%	(44,391)	(5,818)	663%
EBITDA	187,595	249,713	-25%	(152,541)	(128,150)	-19%	(292,289)	(254,112)	-15%
Amortization & depreciation	144,967	143,156	1%	3,029	24,725	-88%	5,287	3,250	63%
Interest Expense	89,905	29,365	206%	14,519	7,110	104%	3,882	3,257	19%
Loss before tax	(42,592)	81,515	-152%	(165,571)	(155,910)	6%	(294,539)	(249,177)	18%
Income tax expense (recovery)	33,244	33,013	1%	3,723	(4,464)	183%	9,901	(8,708)	214%
Net loss	(75,836)	48,502	-256%	(169,294)	(151,446)	12%	(304,440)	(240,470)	27%

Source: Aggregated highlight financial information compiled by PricewaterhouseCoopers based on Capital IQ

Mining revenues and production costs for top 100 companies, 2013 vs 2012 – \$ million



Key expenses for top 100 companies from 2013 to 2012 – \$ million



Highlights:

Cutting costs was the main theme across the junior mining sector in 2013. Lower commodity prices have led to a drop in revenues, which means less money to spend among producers, developers, and explorers.

Total revenues for the top 100 companies on the TSXV fell by 25%, or \$293 million to \$872 million in 2013 compared to 2012. Revenues for the four development companies in the top 100 fell 85% to \$12 million in 2013, which is down from \$81 million in 2012. Producers in the top 100 saw their revenues drop 21% to \$856 million compared to \$1.1 billion in 2012.

The overall net loss among the top 100 increased 60% in 2013 compared to the year before, or a \$206 million greater loss to a total net loss of about \$550 million.

EBITDA (earnings before interest, taxes, depreciation and amortization) fell 114% or \$128 million among the top 100, moving it further into a loss. EBITDA as of June 30, 2013 was a loss of \$241 million.

Costs of production fell significantly across the sector, down 62% for explorers, 58% for developers and 26% for producers. Exploration expenses also fell 42% across the board. It's worth noting that four of the companies with the greatest exploration expenses in 2012 are no longer on the top 100.

Interest expenses increased by 173%, or \$69 million. The majority of this increase was due to a \$65 million interest expense Atlatsa Resources took on its large debt position of more than \$400 million. Excluding this, interest expenses were \$4 million higher in 2013 compared to the prior year.

Write downs

A drop in commodity prices and dwindling cash balances have forced some juniors to pick and choose which projects they want to advance, focusing on their core properties. Those not selected have been subject to an assessment for write downs, an increasing trend in the industry over the past year as companies adjust to the downturn in the cycle.

The top 100 companies have taken \$87 million in write downs as of June 30, 2013, compared to the same time last year. That's a 175% increase year-over-year. It wasn't just a few companies either, but across the top 100. In 2013, of the top 100, 37 companies had write downs, compared to 25 companies in 2012. The current year write downs averaged \$2.4 million, and totaled \$87 million, whereas the average write down in 2012 was \$1.3 million, totaling only \$32 million.

Cash flow statement

Aggregated cash flow statements for the **top 100** companies for the year ended June 30

\$ '000	Production			Development			Exploration		
	2013	2012	Change	2013	2012	Change	2013	2012	Change
Number of companies	15	19	-21%	31	23	35%	54	58	-7%
Net income (loss)	(75,836)	48,502	-256%	(169,294)	(151,446)	-12%	(304,440)	(240,469)	-27%
Non-cash items	312,036	383,191	-19%	34,507	37,363	-8%	84,474	(68,580)	223%
Working capital changes	(38,323)	(28,512)	-34%	3,607	5,117	-30%	3,063	5,708	-46%
Other operating activities	(110,646)	(148,544)	26%	(963)	37,337	-103%	(32,320)	15,622	-307%
Net cash provided by (used in) operating activities	87,231	254,637	-66%	(132,142)	(71,629)	-84%	(249,223)	(287,719)	13%
Capital expenditures	(345,606)	(463,098)	25%	(310,242)	(235,938)	-31%	(347,567)	(480,561)	28%
Sale of property, plant & equipment	6,026	4,383	37%	79,001	38,658	104%	51,964	37,106	40%
Cash acquisitions (net of cash acquired)	(5,767)	(35,379)	84%	(9,162)	(7,031)	-30%	53,388	(12,084)	542%
Investment in marketable & equity securities	(7,837)	7,097	-210%	(26,422)	(6,999)	-278%	17,451	8,020	118%
Other investing activities	(6,750)	44,104	-115%	(51,563)	(20,242)	-155%	(23,018)	(101,461)	77%
Cash used in investing activities	(359,934)	(442,892)	19%	(318,389)	(231,553)	-38%	(247,782)	(548,980)	55%
Debt issued	463,100	187,817	147%	151,553	49,302	207%	78,854	13,651	478%
Debt repayment	(186,673)	(189,684)	2%	(50,865)	(40,022)	-27%	(26,480)	(16,863)	-57%
Net issue of shares/(repurchase)	(312,556)	431,447	-172%	256,646	356,094	-28%	442,354	726,792	-39%
Dividends paid	(9,880)	(1,969)	-402%	-	-	0%	(1,699)	-	100%
Other financing activities	152,709	(60,495)	352%	(35,947)	(100,716)	64%	(9,195)	18,109	-151%
Cash provided by financing activities	106,699	367,116	-71%	321,388	264,659	21%	483,834	741,688	-35%
Effect of exchange rate	1,070	(9,173)	112%	(998)	(930)	-7%	(516)	(3,931)	87%
Net increase (decrease) in cash and cash equivalents	(164,934)	169,687	-197%	(130,142)	(39,453)	-230%	(13,686)	(98,944)	86%

Source: Aggregated highlight financial information compiled by PwC based on public SEDAR filings

Highlights:

Positive cash in-flow was hard to maintain for junior miners in 2013 due to falling commodity prices, rising costs and volatile markets.

The top 100 used \$189 million more cash within their operating activities in 2013 versus the year before. This is primarily due to lower revenues from producing mines and an overall increase in the net loss position.

Cash used in investing activities fell by 24%, or \$297 million, driven by reduced capex. Meantime, cash provided by financing activities fell by 34% to \$912 million, led by a 71% drop among producers and a 35% decrease from explorers. Developers actually saw a 21% increase in cash provided by financing activities, driven by debt issuances. (See Financing section for more details)

Bear Creek

Bear Creek chairman no stranger to building mines

For Catherine McLeod-Seltzer the mining industry isn't just a career, it's in her blood.

The chairman of Bear Creek Mining Corp. is the granddaughter of a grubstaker, an early form of mining finance from the early 1900s, and the daughter of a mine developer and financier.

It was through her father's work that Catherine became interested in business of developing mining projects.

Over the past 25 years, she's been instrumental in helping build a number of successful mineral companies, particularly in Peru where Bear Creek's Corani and Santa Ana projects are based. She cofounded Arequipa Resources and Peru Copper, two highly successful mining ventures in Peru, both of which were taken over by majors in acquisitions that totaled approximately \$2 billion.

These are challenging times for the mining industry in Peru. Civil unrest across the country has delayed projects, including Bear Creek's Santa Ana development. Catherine says the company is working with the Peruvian government and is optimistic it will get its licence back after it was revoked in 2011.

Meantime, its flagship Corani project just submitted its Environmental and Social Impact Assessment (ESIA) and is supported by five local communities.

Bear Creek has also instituted a community support agreement for the life of the mine, which includes the establishment of a trust fund that will be administered by members of the local communities. That includes decisions on how the money donated by the company would be best spent.

"That brings huge buy in," says Catherine. Community support has been a big focus for the company, which will bring jobs, health and education to a part of the country that has little income prospects given its remote location in the country's highlands.

The filing of the ESIA is "a huge milestone," Catherine says. "It shows you have the environmental and social side nailed down."

The next step will be receiving engineering and construction permits, followed by the crucial financing for construction.

"The market is challenging in that regard right now, but this is a world class project," says Catherine, pointing to its forecasted production of 270 million ounces, which makes it one of the largest undeveloped silver projects in the world.

She says the project will also have very low cash costs of negative 0.45 cents an ounce because 40% of its cash comes from lead and zinc concentrates.



Raise money when the markets are good and guard every penny as you move forward. Longevity is the key.

— Catherine McLeod-Seltzer
Chairman, Bear Creek Mining

Note: On September 25, 2013, Bear Creek Mining announced the Peruvian Ministry of Energy and Mines approved the Environmental and Social Impact Assessment for the Corani silver-lead-zinc project located in southern Peru.

Catherine believes about 30% to 40% of the project financing can come from off take agreements with lead and zinc smelters. The company is also considering financing about 10% of the project with equipment suppliers, which she says is common in the industry.

Still, Catherine recognizes it's not the easiest time to get financing in today's volatile markets. "Sometimes money is easier to raise than others, right now it's harder to raise," she says.

One of the company's biggest shareholders is Silver Wheaton, which could help attract investor attention to Bear Creek. "They recognize in Corani a world-class asset," says Catherine.

Financing overview

34%

Cash generated from financing activities fell in 2013

Financing is the lifeblood of many junior mining companies. It can be the difference between drilling the next set of holes and moving the company to the development stage. Unfortunately, it has been a challenging couple of years for raising money, particularly for equity financings. Credit conditions have tightened significantly in the aftermath of the global financial crisis. A drop in commodity prices since 2011 has made matters worse for mining companies, particularly riskier juniors.

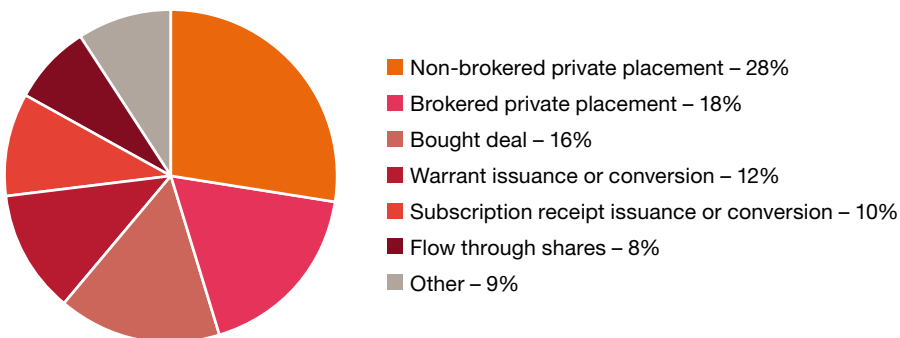
It's no surprise then to see overall cash generated from financing activities fell 34% in 2013, a drop of \$462 million compared to 2012. That's after a 52% drop in 2012 from 2011, as investors shy away from the high risk-reward proposition of junior miners, turning instead to those that pay dividends or have more assets to back them. Only three companies in the top 100 paid a dividend in 2013: Sierra Metals Inc. (which graduated to the TSX in July 2013), Callinan Royalties Corp., and Midway Gold Corp (to preferred shareholders only).

In dollar value, 34% represents

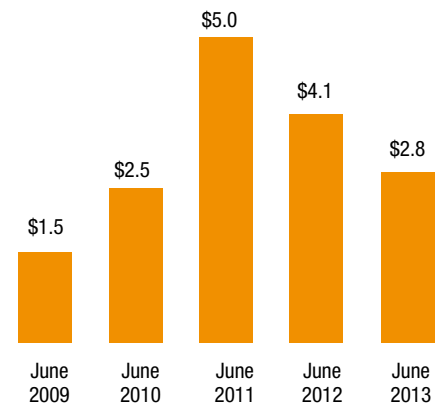
\$462M

that's after a 52% drop in 2012 from 2011

Type of equity financing raised in 2013



Cash and ST investments – \$ billions



Equity

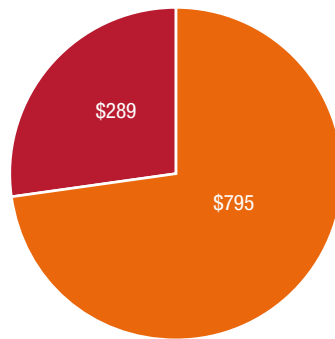
The top 100 raised \$795 million through equity financings in 2013, which is down 50% compared to \$1.6 billion in 2012. Our analysis shows bought deals are no longer the most common form of financing, replaced in 2013 by non-brokered private placements, which represented about 28% of all financings. Juniors are avoiding brokers to save costs in this period of austerity across the industry. This compares to 2012, when bought deals were the most popular, representing 29% of equity financings, followed by brokered private placements at 26%, non-brokered at 18%.

The average equity raised by producers fell to \$6 million, down from \$28 million a year earlier. Only 4 of the 15 producers in the top 100 raised more than \$1 million; three of them raised at least \$5 million. Among developers, 12 raised at least \$5 million in equity, compared to 24 explorers who raised similar sums.

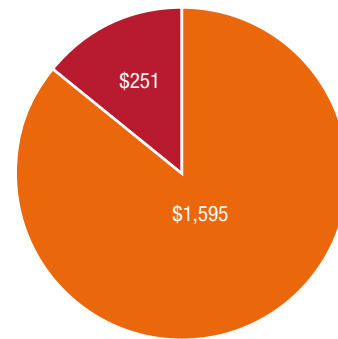
By commodity, it was the diversified metal companies that raised the most in equity financing, or an average of \$13 million each, which made up about 13% of their market cap as of June 30, 2013. One company, Largo Resources, raised more than \$90 million to June 30, 2013, skewing the results.

CEO Mark Brennan says funding came from backers in Brazil that wanted to help it advance the Maracás Project, and in turn create opportunities for the country and its people. "It was an unconventional route for us to raise money," he says.

2013 – Financing split – \$ billions



2012 – Financing split – \$ billions



■ Debt
■ Equity

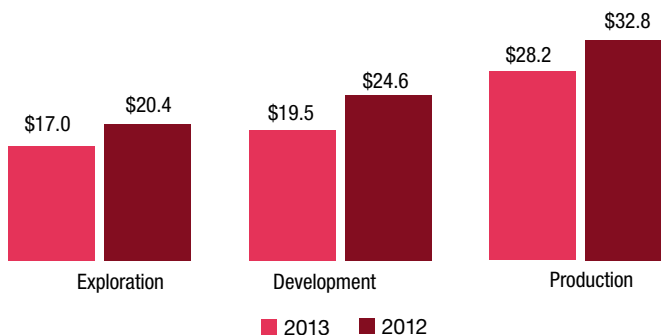
Debt

The amount of money raised through debt financings in 2013 was slightly higher at \$289 million, compared to \$251 million last year, driven largely by a debt financing of \$96.5 million by Largo Resources in 2013. Debt as a total of all financings increased to 27% in 2013, versus 14% last year. This is the result of lower equity financing levels, combined with stability in debt issuances year-over-year. Discount rates for debt issued rose by about 0.5% to 8% on average versus 7.5% on average in 2012.

Overall, 32 of the top 100 companies issued debt during the year, compared to 25 from 2012. Of those 32 companies, 15 issued more than \$5 million for an average of about \$17.4 million, or 19% of their market cap.

There was a significant increase in debt issued by the top 100 mining companies during the current year, totaling \$694 million. This represents a 177% increase from 2012. Of this, \$405 million was taken by Atlatsa Resources Corp. as part of its loan facility restructuring, and was used to repurchase its preferred shares, which skewed the overall results among the consolidated top 100 cash flow statements. Excluding Atlatsa, overall debt financing still increased by 15% year-over-year. Debt repayments in 2013 remained relatively consistent with the prior year. A large portion of the current year repayment was again from Atlatsa Resources Corp. through the repaying \$112 million of old debt.

Average equity raised (by companies that raised at least \$5 million) – \$ billions



Largo Resources

Largo defies tough financing market

Given that its main commodity is used to help make steel even stronger, it's fitting that Largo Resources Ltd. had the mettle to surge into the top 5 junior miners by market cap on the TSX Venture Exchange this year. The company behind the Maracás Vanadium Project in Bahia, Brazil, made a giant leap from last year's 30th place ranking thanks to some key financings.

Largo raised \$175 million in debt and \$130 million in equity during one of the toughest financing markets for junior miners in recent memory.

CEO Mark Brennan says funding came from backers in Brazil that wanted to help it advance the Maracás Project, and in turn create opportunities for the country and its people. "It was an unconventional route for us to raise money," says Mark, "but at the same time we had a very strong project that merited the investment."

Maracás is Toronto-based Largo's flagship project. The company also owns both the Currais Novos Tungsten Tailings Project and the Campo Alegre de Lourdes Iron-Vanadium Project in Brazil, as well as the Yukon-based Northern Dancer Tungsten-Molybdenum property.

Largo's first priority is to develop Maracás, which is now under construction and expected to begin production early in 2014.

Mark acknowledges that it was a long and difficult road to this point. The company was funded in 2008, but that money fell away during the global financial crisis. "From there, it took two years to find both debt and equity financing," says Mark.

The company's debt is backed by the Business Development Bank of Brazil and guaranteed by three banks in the country. A Brazilian investment bank raised the equity. "It was a very challenging time," Mark says. He cites Largo's strong relationships in Brazil and its community and environmental commitments as reasons why the company has been able to move forward.

Largo also has a very attractive off-take agreement with Glencore Xstrata plc for all vanadium products produced from Maracás for six years, once production begins. "We wouldn't have been able to get the debt without the off-take agreement," says Mark.

Looking back at the past few years, Mark says the key to the company's success during these difficult markets has been its financings and a strong management team, including many who have the experience of bringing a mine to production. "Also equally important is having a good deposit," he adds, citing the quality of the vanadium resource at Maracás.

Looking forward, Mark says the company's immediate goal is moving Maracás into production on time.

"We are heads down and bringing this mine to production," says Mark. "We made a decision a year ago to really focus on putting any capital we have to work where can get immediate cash flows."

The company also plans to work on an expansion of the project later next year.

"For now, the real key element is to try to bring stability to our production. Try to ramp up efficiently and to maximize cash flows. We are now in an environment where everything is cash, cash, cash."

"We've made a decision a year ago to really focus on putting any capital we have to work where we can get immediate cash flows."

— Mark Brennan
President and CEO, Largo Resources



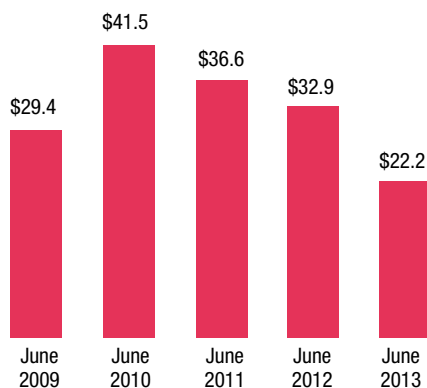
Cash balances of top 10



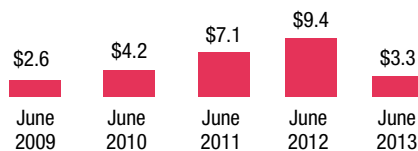
Photo credit: Daniel Henshaw, courtesy of Imperial Metals Corporation

As miners continue to face difficulty raising capital, cash balances held by these companies have also deteriorated. This declining trend has been seen in both the average balances of the top 10 and bottom 10, of our top 100 companies. Over the past year, the bottom 10 have realized a sharper (65%) decline, versus that realized by the top10 (33%).

Cash average top 10 – \$ million



Cash average bottom 10 – \$ million



Notes on reporting

We made some estimates and adjustments in order to arrive at a common format and aggregation of financial information as at, and for the years ended, June 30. For the few companies who had yet to file their June 30, 2013 financial statements, we used the twelve months ending March 31, 2013. Consistent with 2012, the data was broken down into three categories of companies (exploration, development and production) in order to be comparable year over year.

For balance sheets, we converted foreign currencies to Canadian dollars using the closing exchange rate on June 30, 2013. For income and cash flow statements, we used the average exchange rate for the year ended June 30, 2013.

Some companies have elements of non-mining activities in their results. However, non-mining revenues are insignificant and have been included in our results and analysis.

Mining Excellence

Delivering local solutions to global challenges

The mining sector is facing a range of competing trends and a rapidly changing global business environment. Against the backdrop of commodity price fluctuations, miners need to balance shareholder dividend expectations whilst maintaining an investment pipeline in the midst of increasing operating costs. Safety, environmental and community principles also continue to shape the industry as miners look to achieve their licence to operate and deliver on corporate responsibilities.

Mining Excellence at PwC has been designed to mobilise and leverage our collective global knowledge and connections to deliver an exceptional and tailored client experience, helping our clients navigate the complex industry landscape and meet their growth aspirations. Our team of specialists is exclusively focused on the sector and brings an industry-based approach to deliver value for you and your organisation.

Mining Excellence provides our clients:

leading edge knowledge and global thought leadership

With significant investment in the research behind our mining publications and a comprehensive industry learning and development program, our professionals can share both industry and technical insight with our clients, such as:

- A library of industry publications designed to help challenge conventional thinking and delve into topical industry issues. This includes:
 - global thought leadership publications including Mine and Mining Deals
 - flagship territory publications focused on regional and industry-specific issues



- an extensive industry development program for our people and clients. This features our annual learning and development programs:
 - Americas School of Mines (North America)
 - London School of Mines (United Kingdom)
 - Asia School of Mines

connections to our vast network of mining experts and global client portfolio

We have the widest network of industry experts who work out of strategic mining hubs across the globe to help better connect you to vital mining markets.

Our connections provide:

- seamless client service delivered with collaborative cross-border account management
- maximized deal potential through a well-connected global community of mining leaders
- a mobile workforce to ensure effective service delivery in even the most remote mining locations.

“The positive story for miners is that the long-term growth fundamentals remain in tact. But, mining companies are facing significant downward pressure. As an industry, we need to fully address the confidence crisis, before we are able to move on to the next phase of the cycle.”

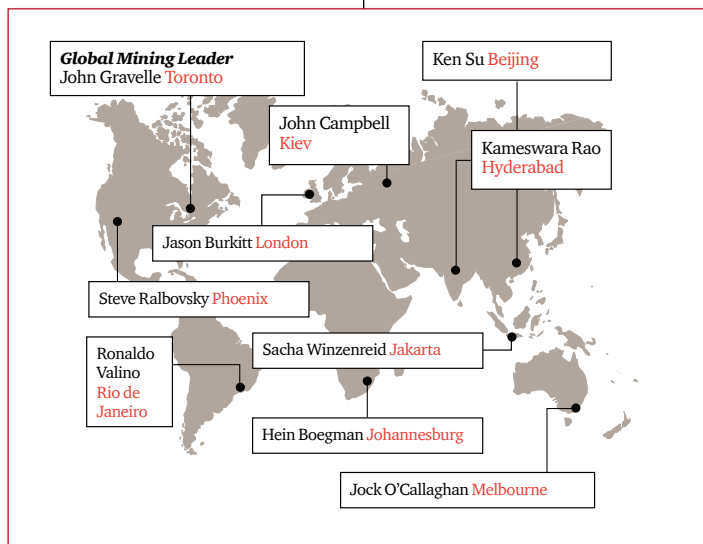
John Gravelle, PwC Global Mining Leader

the delivery of an experience that meets our clients’ definition of ‘value’

With mining experts working around the globe, our award winning teams are helping clients deliver on specific projects and organizational growth aspirations. We offer advisory, tax and audit services to global corporations and locally listed companies.

Mining Excellence at PwC complements this with:

- a suite of niche mining consulting capabilities focused on optimizing value across mining operations and effectively managing risk to help our clients grow their business and deliver shareholder value
- a comprehensive client feedback program to ensure we are always improving and delivering on individual client needs.



Contacts

John Gravelle

Global Mining Leader

416 869 8727

john.gravelle@ca.pwc.com

Dean Braunsteiner

Leader, Toronto Mining and National IPO services

416 869 8713

dean.braunsteiner@ca.pwc.com

Mark Platt

Leader, Vancouver Mining

604 806 7093

mark.r.platt@ca.pwc.com

Liam Fitzgerald

Mining National Tax

416 869 2601

liam.m.fitzgerald@ca.pwc.com

Nochane Rousseau

Leader, Quebec Mining

514 205 5199

nochane.rousseau@ca.pwc.com

Calum Semple

Consulting Leader for the Americas

416 815 5325

calum.k.semple@ca.pwc.com

Key contributors**Amy Hogan**

416 941 8222

amy.hogan@ca.pwc.com

James Lusby

416 365 8181

james.m.lusby@ca.pwc.com

Sachin Mehta

416 941 8383 ext 13227

sachin.s.mehta@ca.pwc.com

Karin Phan

416 687 8015

karin.phan@ca.pwc.com

Sources

TMX

Capital IQ

*A special thanks to writer/editor
Brenda Bouw*

A special thank you to the executives we interviewed for this report. To view the full interviews visit: www.pwc.com/ca/commoditiesdig