

PDAC 2022 – Moving beyond COVID into the new reality

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For the most part, few people had lofty expectations for the Prospectors & Developers Association of Canada's 2022 conference. While it was fantastic to have it back in person after more than two years of mostly online events, it was difficult to know how it would go in light of the persistence of COVID globally, ongoing travel restrictions, and logistical challenges at Canadian and international airports. Needless to say, for those attending, other than some logistical delays, any hesitations about PDAC seemed to disappear and the conference was in many respects an invigorating return to pre-pandemic conference business as usual – lots of attendees (the PDAC has reported almost 17,500 attendees attended in person, below pre-pandemic levels, but still a significant return), well-attended cocktail receptions, and few masks. After a hiatus in 2021, we are pleased to provide our review of PDAC 2022 (which continues in an online format next week).

Toronto is nicer in June than March

Forgive us for stating the obvious, but for the most part, a June PDAC was a big hit among attendees. While some of us had to schedule around graduations and family commitments given the time of year, warm weather and a city in bloom was a very welcome change. Many attendees from the southern hemisphere remarked that they had no idea Toronto was as nice of a city as they encountered, with their only previous experience being the cold, grey blasts of winter that seems to happen every March. For those who missed the PDAC's announcement, PDAC 2023 returns to the doldrums of March.

The stock markets did not reciprocate

While the weather was nice during PDAC, the stock market was not. The carnage in the market during PDAC was reminiscent of the feeling of PDAC in 2009, which proved to be the market low point following the global financial crisis. That heralded a three year boom for the mining sector; so we will see if history repeats itself.

The beleaguered mining sector has been waiting for a break out of sustainable market conditions for what seems like a decade. Financing windows have been very unpredictable, and typically very brief. While certain commodities or certain profiles of companies have enjoyed access to capital at various points, we have not seen the emergence of a sustained financing window akin to what the tech sector enjoyed for the past three or four years. A few transactions (both M&A and financings) were announced leading up to and during the conference, with challenging market reactions in most cases.

In particular, traditional IPOs remain elusive in the mining sector (other than microcap junior exploration companies). For some reason the market has not been receptive to new companies, or dealers have not been sufficiently confident in a long enough market window

to complete the three to six month process from start to finish to launch an IPO. Most companies coming to market have been forced to cobble together their own books to achieve financing and distribution to support a listing, or have done reverse takeovers which have been pitched as easier paths to going public, but in fact are anything but. Typical RTO process timelines have stretched well beyond six months and have encountered difficulties in aligning the various aspects to the transaction (financing, corporate merger, stock exchange listing), given delays.

Commodities versus companies

It is also an interesting feature of the current market environment that there is more bullishness on commodities than the mining companies that produce them. Inflationary pressures in the broader economy and macroeconomic volatility have historically boded well for the price of gold; the ongoing electrification of the world and pending supply/demand imbalances are expected to continue to drive the price of copper and the migration away from fossil fuels. Limitations of current renewable capacity is expected to spur uranium, and technological disruption is expected to continue to drive battery metals. Of course, mining companies are struggling with these same forces that drive cost inflation (in some cases faster than commodity price increases) along with the modern challenges of the mining industry – fewer discoveries, longer regulatory reviews and timelines to production, lower grade mines with less margin for error – that contribute to some of the skepticism. The market has embraced royalty and streaming companies as a way to gain upside from commodity prices without exposure to operating risk, but somebody still has to mine it before the stream or royalty gets paid.

How's it going mate? The Aussie influx

For the past few years the Australian market has seemingly not encountered the same challenges that we have in Canada. As a result Australian companies have had better access to capital at stronger valuations. Many Australian companies have taken advantage of this arbitrage opportunity by acquiring assets in Canada – or more broadly in the Americas in jurisdictions – that have typically been the domain of the Canadian capital markets. We cannot recall seeing as many ASX-listed companies with booths in the investor exchange at PDAC.

We also have not heard a rational explanation for this phenomenon. The Canadian and Australian markets have traditionally operated in a similar fashion and, if anything, Australian sources of capital were historically less likely to support foreign projects. Market regulation is fairly similar (more on that below) and technical expertise equally strong. Perhaps the Canadian market has tried harder to diversify which has encouraged newer sectors to emerge at the expense of traditional sectors like mining. Although besides the tech sector, cannabis and crypto may not be everyone's idea of a diversified market.

Ongoing perseverance

It remains a difficult period in which to get deals done (with dark clouds that remain on the horizon). In some ways, that makes it an exciting environment, as every deal has its challenges that we as lawyers have to help to overcome. The perseverance of the mining sector has always been and remains strong; so there remains a willingness to get things done, but nothing is easy right now. That is something that is not likely to dissipate anytime soon, even if the long awaited sustained market window emerges for the mining sector and more deals get done.

Postscript – NI 43-101 review

The Canadian Securities Administrators have launched a long-awaited consultation regarding National Instrument 43-101 and have solicited feedback from the mining industry on potential changes to the technical mining disclosure regime set out in NI 43-101. We would encourage everyone to read the [consultation paper materials](#) and take advantage of this opportunity to shape market regulation and policy going forward. Comments are due on or before July 13, 2022.