

Denver Gold show reports senior producers “sticking to the plan”

The **National Bank of Canada** reported from the Denver Gold Show that senior producers are “sticking to the plan”.

This means executing operations, watching cashflow, and ensuring balance sheet strength.

National Bank of Canada reports.

Denver Gold Forum Highlights – Trends Reinforce Focus on

The focus of the **2016 Denver Gold Forum** centered on existing themes and variations thereof as senior producers remain generally focused on execution at operations, free cash flow and balance sheet strength with a stated preference to stick to the plan.

Surely, this is also a consequence of investor preference for the seniors to deliver on the existing portfolio of mines before embarking on transformative projects or M&A.

As such, the net result was a lot of “more of the same”

strategies. Albeit, there are slight variations to existing themes which we believe are worthy of discussing herein.

We review their intended purpose and relevance. We also note instances where strategies, while buoying FCF now, may ultimately serve to exacerbate the outlook for production declines later as seniors grapple with a paucity of exploration success, notably of deposits that offer the size to sustain production as well as the capex intensity and execution risk to satisfy hurdle rates.

Conference and industry themes dictated by production scale. The challenges and opportunities faced by senior gold producers are vastly different to those of intermediate and junior producers. Senior producers spend their existence operating in the tail of the distribution curve, while intermediate and junior producers benefit from broader availability of mines or projects of a size that can make a difference.

For instance, in our dataset of 930 assets (mines and projects), 88% of them either produce or are designed to produce less than 275k oz/year, below the minimum threshold for most senior producers. This backdrop introduces conditions and consequently industry themes that are unique to the seniors, whether related to technical, tactical, geopolitical or financial strategies.