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Abstract

This discussion is from the stand point of a Jr. Mining company. There are many elements to consider when evaluating a property whether it is a raw geologic exploration (goat pasture) prospect, an operating mine or anything between. The one element that overrides all, however, is whether or not the project is financible. The factors that affect financibility may not be in any way related to the grade or potential profitability of the project, in fact it usually is not. This factor is what I call the "pretty girl at the prom" factor, the one everybody wants to take home. It is constantly changing. This herd psychology of the market does not have much to do with the actual profit potential of the mine. One year you can raise millions to develop a ppb gold "anomaly" while five years later you can have a property where gold bars are lying around on the ground and it is impossible to raise the cash to buy a golf cart to go pick them up. Whatever you are considering must be a commodity that the market is currently enamored with or you must have the staying power to wait it out. Another very important consideration is the state on the commodity "super cycle". The "super cycle" has its greatest affect on the projected CAPEX of the project. Several years ago companies were publishing preliminary economic studies on projects that would cost over two billion while now anything over thirty million will get you politely "shown the door". There are many of the other factors such as the location, logistics, amount and type of exploration and development required, holding costs and more. The now universally accepted 43-101 requirements have a lot of influence over what type of ore body can be compliant and what others can't be.

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