Seven predictions for Junior Miners in 2019 and Beyond

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2018 has been good to many in the mining sector, but this hasn't been the case for everyone involved. Most midmarket mineral companies struggled to attract financing and deals, but we believe that their turn is coming soon. With change comes both opportunity and risk. We've put together what we think are the most significant trends for 2019 so you can better plan to make the most of the New Year.

Bank Is Back

For most of the past decade, the juniors have collectively been starved for capital, resulting in decreased exploration and, therefore, new economic discoveries. It remains to be seen if this will be a sustained resurgence, but with recent increases in many mineral and metal prices there are significant pockets, such as Australia, where financing has come back and pushed activity in the mining sector. We haven't yet seen the same activity in Canada largely on account of the hysteria surrounding the Canadian cannabis industry. Ironically, since Canada legalized recreational cannabis in October 2018, stock prices and investor interest across that sector have declined, with those investors now looking for new opportunities to park their winnings.

At least some of those funds are expected to come into the mining sector, boosting exploration activity during the 2019 season. Should be an exciting PDAC 2019.

Strange Bedfellows

With Donald Trump being as tariff happy as he is, victims of his policies are increasingly looking to other countries to partner with. China leads the crowd on this front and will be stepping up efforts to secure resources and trade arrangements in resource-rich countries that have limited obligations to the United States. Given this dynamic, African nations will certainly continue to be beneficiaries of China's ambitions, as will those BRICS nations with resources to offer. Some Western nations may not fare as well due to their arrangements with the US, which may limit their ability to engage with China. However, their stable infrastructure will continue to be attractive to China.

Supply And Demand

With an increase in activity comes, of course, an increase in costs. They're already seeing this in Australia, where you'll be lucky to find an available drill these days. We very well may see this same trend in Canada during the 2019 summer exploration season. A bottleneck on the equipment side may inspire juniors to look toward emerging technologies as methods of establishing value, such as enhanced data analysis using artificial intelligence. This will lead to juniors hiring professionals that they haven't typically needed before, such as data scientists.

New Cybersecurity Targets

This has been an issue for the majors for a few years and they're increasingly getting a handle on protecting themselves. Most juniors, however, have put limited resources toward cybersecurity as they haven't typically been high value targets but, with an expected uptick in financings, this will most certainly change. Without an effective cybersecurity strategy, juniors will be easy victims of ransomware attacks and phishing scams. Diligent management teams will invest in cybersecurity now, before they have a basket of golden eggs to protect.

M&A On The Rise, Again

With the majors having curtailed much of their exploration efforts for the past decade, they'll be looking to the juniors for new resources as the sector heats up. They'll be wary of walking into impairments and thus will be vetting projects carefully. Those juniors that are able to attract financing and quickly convert it into NI 43-101 resources will fare best in this game, at least in the short term. It may be interesting to see how valuations rise where established majors go head to head with Chinese State Owned Enterprises, particularly for more advanced projects, the risk profiles of which are attractive to Chinese investment.

New Technologies, New Materials

With batteries being a key limiting factor to so many emerging technologies, the demand for more efficient battery systems will only continue to rise. For ages, everyone has been talking about minerals such as lithium, cobalt and nickel in the context of batteries, and now vanadium is quickly becoming the hottest mineral in this space.

Vanadium, typically associated with its steel-strengthening properties, is increasingly experimented with in emerging battery technologies and is in reasonably restricted supply, with the Russians, Chinese and South Africans having the largest established reserves. With South Africa being the most Western-friendly of these countries, they may stand to benefit significantly from this recent trend. By no means will vanadium be the last flavour of the month and we expect similar price volatility on other emerging battery minerals to occur.

Everything Has An Upside

With the impact of global warming becoming more apparent, changes in weather patterns, particularly in areas to the extreme north and south of the globe, may lead to new exploration target opportunities and expanded exploration seasons. Conversely, it will lead to shortages in water resources in many places, leading to an increase in costs as miners turn to desalination or recycling to secure necessary water supplies. Juniors will need to consider that the climate at their project today may not be the climate once they establish a resource, with diligent (or lucky) juniors engaging in currently less desirable properties from a climate perspective that will become more desirable over time.

Thank you for reading my article - I hope that you've found it to be useful and informative. If you're reading this on social media, please do weigh in with your thoughts on these trends and others I may have missed.