

Screening Precious Metal Mining Companies

Written by Brian Boutilier

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When looking for miners to post on our [database](#) , or just selecting a company to consider investing in, I go through a two-stage process. First there are **screening** criteria (should I look at this company further?), and then I use **selection** criteria (do they warrant a write up or investment?). In this article, I will start by introducing you to my screening criteria.

My first step is the company's "abstract" on its home page. Most companies give you a somewhat hyped-up sense of who they are (to no great surprise). While this is not the whole picture, I do expect to gain a little insight on the company.

I usually can find out what they do (producer, "advancer", explorer), what they are exploring or mining (Gold, Silver, multi-mineral), and what the stock-ticker is for one or more exchanges. Sometime this abstract will let you know if they are expecting changes ("NI-43-101" reports, assays, drilling, increased reserves, increased production-rate etc). Finally, I would expect to find where they are located, (properties/projects) and why these projects have potential. Again, at this stage I want a snapshot of the company, to decide whether or not to consider them further. If my interest is still piqued, then I will delve into the company in greater detail.

Let me back up a bit, for people new to these companies, the [NI 43-101](#) was created by the *CIM Standing Committee on Reserve Definitions*,

and adopted by CIM Council ("Canadian Institute of Mining") on December 11, 2005. These **stringent standards**

with respect to

reporting data

were developed as a defense against a repeat of the "Bre-X" debacle. Given that most "junior" miners are at least Canadian-listed (if not Canadian-owned), it is this industry standard, which you will encounter most often in your research.

For those who didn't suffer through this period, Bre-X was a group of companies in Canada, and one of its major subsidiaries was Bre-X's Minerals LTD. To make a bad story short, the "resource" reported at Busang Property was a massive fraud. Crushed core samples had been falsified by salting with gold. The salting of crushed core samples with placer or supergene gold constituted the most elaborate fraud in the history of mining. In 1997, Bre-X collapsed and its shares (at peak worth over 280\$/share) became worthless in one of the biggest stock scandals

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in Canadian history.

My next step after the company home page, is the stock price, and share structure. I want to gain a sense of how large is the company (i.e. market-cap) and how diluted is the company's share structure. It's certainly a strong argument to look further at a company, when their fully-diluted share structure is minimal (under 100 million shares), since it shows management has been careful to limit dilution.

A couple of examples of companies with minimal dilution and the resultant strong stock price are Seabridge Gold (TSX: SEA), and Detour Gold (TSX: DGC). They both have minimal shares issued, relative to the amount of reserves they are sitting on. It won't stop me from looking further into the company in spite of having moderate (100M-200M) or fairly diluted (200M+) share structures, but such companies obviously need greater growth-potential, to compensate for the larger share-count.

So once I have a sense of the company's share structure, I will take a cursory look at their projects. Do they have the rock, or the potential to find it? Are there reported mineral reserves, "43-101's" or feasibility studies? Are they growing, changing, or expanding? If they have no reserves, then where are they located? For the exploration company without reserves, are they near other "majors", in good mining districts or mining "camps"? What is the likelihood they will improve the outlook of the project? I'm not looking for the "Nth detail" here, just trying to gain a sense of potential.

Getting back to my "screening", I'm still deciding whether or not to look further into a write up, or to buy into this company. I will look at the last year-end financial release. I want to see how much cash they have, what the cash burn-rate is, and what liabilities they are looking at. If they are cash-light, then this is a good indicator that another round of financing will have to take place, to fund activities in the coming year. While that's not "the end of the world", it quite possibly will dilute the share structure further. Finally, what was the year-end (diluted) gain or loss on the bottom line? Are they closing in on profitability, or just drowning in debt, and not bailing fast enough?

At this point I feel I have enough information to decide whether or not I am going to pursue this company further. That puts me in the position of using my selection criteria. Alas, a more stringent set of guidelines! But I will do this before "getting off my back pocket", and taking a position.

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To simplify this first-stage still further for investors new to this sector, I've summarized my screening-process in the table below. I'm going to follow this up with a run-through of my selection criteria, by applying these criteria to a specific company.

Screening Mining Stocks

I. Abstract

- a. I will look for a snapshot of what the company does, the business model, where its projects and properties are.
- b. I will look on the companies home page, in its corporate presentations and in its financials

II. Stock Symbols

- a. I will use several different websites to find the stock symbols for the company because the website does **not** always list all of its stock exchange symbols.

III. Projects

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- a. Information is usually found in the “projects” section of the website

- b. A look over the recent news releases will sometimes uncover new developments not listed in the projects section

IV. Share Structure

- a. Found in “Investor Information”

- b. Sometimes one needs to look in the “financials” for current info, to include warrants and options.

V. Financials

- a. Usually under “Investor Information”

- b. I will look over both annual and and recent quarterly reports

VI. Corporate Structure

- a. Again listed under “Investor Information” or “Corporate” depending on the company

- b. Current news releases may show changes in management, or in the company itself

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VI News Releases

- a. Usually under “News”, occasional under “Investor Information”
- b. Look for new financing, new reported exploration or production results, etc.

VII Media

- a. Usually Under “Investor Information”, looking for corporate presentations.
- b. Upcoming Conferences – press conferences or conference-calls