

PDAC 2023 – Optimism amid uncertainty and change

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This year's Prospectors & Developers Association of Canada's convention represented a return to pre-pandemic times. The convention reverted to its usual time in March, with a light blast of winter (by Toronto standards) that tends to accompany PDAC. Fortunately the weather seemed only to impact travel getting to Toronto rather than the event itself, but it did reinvigorate the "June versus March" PDAC debate. The conference floor seemed to be more vibrant than in recent years, with PDAC announcing nearly 24,000 delegates, exceeding 2020 convention attendance; cocktail receptions were overflowing and an overall sense of optimism within the mining sector was palpable. We are pleased to provide our thoughts on this year's convention.

Critical minerals are the flavour of the day

Unsurprisingly, as we wrote about in our 2022 Legal Year in Review [article](#), in an era increasingly focused on energy transition, critical minerals were top of mind for many of the delegates we met with. Government adoption of policies focused on the identification, development and control of critical minerals has accelerated the focus (and hype) on many of these commodities.

Lithium was certainly the most talked about, evidenced by the significant increase in the number of lithium exploration and development companies with a presence at the convention and attracting investor interest. The nascent North American lithium sector was a particular focus. With few examples of successful North American projects through to production and the tendency for these projects to be in remote locations with little infrastructure, the question is whether investor enthusiasm is misplaced or whether the demand created by the energy transition will lead to sustainably high lithium prices that will make remote projects economic.

The other interesting development within the critical minerals space, and lithium in particular, is the emergence of direct investments by end users in the electric vehicle space. For the most part these investments are driven by offtake considerations, underscoring the anticipated long-term demand for such minerals and competition within the auto sector to pivot to electric vehicles.

The identification of critical minerals was also discussed in a variety of ways, ranging from comparisons of governmental lists of critical minerals (in particular, calling out Canada's inclusion of uranium and potash) to the lack of identification of new deposits of critical minerals and the challenges of bringing new mines to fruition. Interestingly, while the importance of copper to facilitate the energy transition is widely acknowledged, copper projects are not receiving as much attention as we would expect given forecasts for copper supply shortages in the coming years.

Timelines need to be shortened

Amid a push for critical mineral supply to be brought online, the perpetual challenge of doing so quickly continues to present fodder for the industry. With layers of environmental assessments, community and stakeholder consultations and reviews needed to advance projects, timelines for developing new mines from discovery can be decades. There is a recognition of the need for development processes to be streamlined and shortened to attract interest in the sector. Government critical minerals strategies have identified this as an area of focus, but it remains to be seen whether meaningful change can be effected in order to accelerate critical minerals development.

By way of example, Ontario's Ring of Fire project attracted attention during the convention as the Ontario government announced approval of the terms of reference for the environmental assessment for a First Nations-led plan to advance the roads needed to progress the project. It has been nearly 16 years since the discovery of the Ring of Fire and although the region has attracted extensive attention, the project is years away from being ready to unleash the critical minerals locked in the remote ground in northern Ontario.

Geopolitical risk

Mining is a global industry, and geopolitical tensions continue to weigh on the industry as heightened global political and economic uncertainty affect project development and deal-making. At the same time, in-country risks have increased around the world with a variety of challenges impacting the markets, ranging from continued impacts of social unrest in Latin America to increased taxation risks in a variety of countries (most recently evidenced by the ongoing feud in Panama) as governments look increasingly to the sector to fund their budgetary needs.

These uncertainties are impacting deal-making as buyers look to safer jurisdictions to grow. Fortunately this is likely to bode well for Canadian projects.

The continued need for funding

The perpetual challenges for junior miners in raising capital continue. While there have been signs of life with a number of miners raising capital to start the year (as well as the successful pricing of a lithium royalty initial public offering), there continue to be headwinds. Equity markets remain tight. We note that a number of junior companies made the decision not to take a booth on the tradeshow floor and there were gaps in the floor plate, suggesting the days of a wait list are long gone. The trade show booth used to be a staple at PDAC for junior companies to raise their profiles and conduct investor relations. This may be a sign of underlying challenges in the Canadian capital markets.

Geopolitical issues also impact capital raising. Continued political tension between the United States and China (and Canada's response of announcing policies restricting foreign ownership of Canadian mining companies) has led to Chinese investment all but disappearing. It is not entirely clear at this point how that capital will be replaced, and by whom.

This has been somewhat offset by ongoing regulatory changes looking to make capital raising easier, particularly the 2022 implementation of the Listed Issuer Financing (LIF) prospectus exemption. Since its adoption, a number of issuers have taken advantage of the opportunity to raise capital through the issuance of free-trading equity without a prospectus.

There are important limitations on the use of the LIF exemption, but the evidence demonstrates that regulatory burden reduction initiatives can have a positive effect.

As always, the mining industry remains optimistic that this year will represent a strong opportunity for the sector — for capital, M&A dealmaking and project development. Prevailing global economic conditions, demand for energy transition, and environmental, social and governance (ESG) investor focus are all likely to continue to play out through the year, but we can't help leaving PDAC 2023 without feeling invigorated with a sense of that optimism.