

## Industry Map of Precious Metals Mining

This is a processing business. A miner must explore and find an ECONOMIC deposit, then raise capital to build a mine to extract the minerals then sell bullion/ingots to the market. Firms are **price-takers**. A mine may have low grams per gold or silver which increases the tonnage of earth to find a gram of gold (higher processing costs) but have lower capex costs due to existing infrastructure or type of mine like heap leach vs. an underground mine. The spread between input costs (labor, rubber, oil, electricity, chemicals) and product prices (Gold/Silver/Copper and other byproducts) will determine profits.

Since there are so many variables in operating a mine, the technical talent of management is critical to economically develop the mine. Management, Property, and Capital are all keys in this capital intensive, **asset-based** business with **No structural competitive advantages**. Although large royalty companies like Royal Gold, Silver Wheaton, and Franco Nevada may have reputational and knowledge bases of assets/resources/properties/ and management teams that *might give* them a possibility of economies of scale. The purpose of this map is to give an outline of the industry **to place a company into context**.

