

The question came up last night (at the 2/10AJMAC meeting) "What is a Junior Mining Company?" Please allow me to elaborate as this is significant to our charge.

The mining business is largely a tiered affair. Green field exploration has historically been conducted by **prospectors** who walk the hills kicking rocks and looking for quartz veins, etc. Once the prospector finds something of interest he/she physically stakes a claim in the field and then files paperwork with the local recording district and the BLM (or state). Federal claims require an annual holding fee of \$140 each year or evidence that at least this level of expenditure has been made on developing the claim. That is, prospectors spend \$XXX per claim per year.

The next level of expenditure required to assess the extent and value of the discovery includes geophysics, sediment sampling, drilling, assaying, environmental permitting, plus milling and recovery testing. This level of investigation will require spending in the \$X,XXX,XXX range; i.e., millions of dollars. This requires an organization that can raise significant venture capital. Mining venture capital firms of this type are called **Junior Mining** companies. Their mission is not to build mines and dig gold, but to advance properties from prospects to audited ounces of reserves. The primary exchange on which this venture capital is raised is Vancouver BC. Since that's where the stock exchange is located, that's why most Junior mining companies are Canadian based.

The Junior Mining company raises the necessary funds to do the exploration to prove up the reserves via a Canadian government approved and properly audited 43-101 report. This audited reserve is then – by and large – sold to a **Major Mining** company whose business it is to build and run mines. In the 21st century this commonly requires funding on the order of \$X,XXX,XXX,XXX, which can only be raised by large established firms. The Majors shop the Juniors for the reserves needed to replace those they have already mined. Most North American Majors are located in Toronto (i.e., Canadian) because that is the stock exchange on which mining funds – by and large – are raised.

This arrangement of Prospector / Junior / Major is a system that has developed over the years to focus each level of business on what each does best. It does involve several hands along the way, but a mining project can easily require 20 years to develop – and each step a decade.

In the 1980's WGM was the Junior working on the AJ. Barrick signed the lease essentially in the role of a Junior and then went off to grow into a very large company in Nevada. Echo Bay was a mid-tier gold company with producing mines that then signed on with WGM leading the way. Eventually WGM was cashed out and Echo Bay took the lead.

Regards,

Frank Bergstrom