

Van Amsterdam's lesson: a baker's dozen is 13 and a Year in Review, as we look back to look forward

December 2013

BULLETIN



**"I have asked for a dozen.
You have given me only
12."**

You may know that Van Amsterdam suffered the loss of his business when he gave the old woman, wrapped in a shawl, only 12 gingerbread cookies when she asked for a dozen. This is worth a smile when you read the children's book "A baker's dozen".

But we all have a brand. It starts with a name. In name and logo only, a brand is weak and misses the point entirely. A **deep** brand, on the other hand, incorporates a combination of attributes and meaning that is far more complex than a name and logo. With an equivalent product, a deep brand incorporates more intangible value with the same amount. Or 13 for 12.

So the decision becomes not "to brand or not to brand," but rather a decision on whether you will or will not strengthen your brand through every means available to you. And in this digital age, this manifests itself through two opposing ideas, a powerful design mindset that transcends language and a set of values that is reinforced through personal relationships.

And yet, in the commodities space, arguably a vast and cluttered environment in which obtaining mindshare is critical, the concept of branding is sometimes given short shrift. Why? Because we often presume that we operate in the generics space: the product is undifferentiated, we have no brand conscious consumers, and we compete on price and profit and of course, discovery.

This is the paradigm we operate in. However, creating a deep brand can create connections to consumers and shareholders that previously may not have existed. It can do this if branding is seen as an ongoing commitment to actions, to creative active and ongoing engagement with messages that inspire and build trust.

Hopefully this serves to inspire, and to ask the questions: what if? Imagine if? Is it possible to? And I want followers!

Because branding is more than a logo. It can be a sound of "the Ducati roar". It can be a chime "the NBC tone". It can be a colour "Owens-Corning is the only brand of fiberglass insulation that can be pink."

A rich brand brings to mind attributes and multiple enduring values. It offers benefits to multiple stakeholders, it represents a shared culture, it has a personality all its own and suggests a response when questioned, criticized or at worst, challenged by the public in the public. In today's world a brand must function on a whole new level, it must operate on a social media platform and be relevant on a daily basis. The brand must engage, be truthful, and highly responsive to its users. It should inspire and when necessary respond and initiate with humour. But most importantly, a brand reflects the actions you take every day to make your company make its mark on the world. Make the mark count.

**"Madam, my customers get exactly what they pay for
- not more and not less."**

As Van Amsterdam became increasingly stingy with his baking, assuming that leaving out an egg here, and a little sugar there, would make no difference, he ultimately lost all his customers. He was cursed! Or was he just feeling the brunt impact of scrimping? When he ultimately discovered the virtue of offering a little extra for nothing more in return, he gets his customers back and proceeds to bake and sell 13 for 12. This is a lovely story to open up a conversation on building value and branding, particularly in commodities where the marketing concepts around branding get short shrift.

Van Amsterdam ultimately builds brand value by learning the hard way: ruining it the first time around. It represents to me the intangible aspects of branding. It is the sense of building shared value between a buyer and seller by offering intangible benefits that cannot be valued, but are valuable.

Brand identity and followers

The concept of branding a commodity at first glance sounds like a oxymoron. Branding is generally associated with consumer goods and therefore, the discussion on whether or not to brand and how much to budget and what methods to use to create brand equity...well, the conversation ends before it starts.



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Branding - what should it accomplish?

It is an immense challenge to accurately qualify and quantify the direct impact of any branding effort within the extractive industry. As with all companies, independent of the economic environment, the ultimate decision will always hang on the balance of whether a dollar spent today will benefit the company in the immediate, short, and/or long-term future. Alternatively, will the dollar spent today mitigate risk of branding-jacking tomorrow.

The basic role of a brand is to differentiate its product/service from its competitors through a combination of name, design, or symbol. However, the goal of a brand runs much deeper than these superficial elements as the challenge is to embody a brand with a set of values, and by the end, a promise. Within the extractive industry, successful brand building is not driven by a team of advertising executives, but by an adaptive management team which reinforces its strategy at every turn and creates points of arrival and departure when needed to reset strategy. A brand is a company's most enduring asset and has to be reflected by all individuals at all times.

Over time, stronger brands will achieve:

1. A predictable quality: i.e. meeting guidance;
2. Mental shortcut: i.e. a [commodity] producer in [region] that [quality]; and
3. An association that aligns with a person's public image of self: i.e. I am a socially responsible investor, so that is why I invested in Green Goldfields.

When a brand is managed strategically, it becomes a competitive advantage for the company; an intangible asset that is based around the experiences and perceptions of its customers, investors and the public in general. This intangible asset can in turn achieve tangible benefits like: the ability to draw top talent within the industry, the ability to generate greater support from local communities and government, and ability to gain more favourable credit facilities.

Branding gold

Take a look at www.lovegold.com. This initiative by the World Gold Council to reinvigorate demand for gold jewellery provides an excellent source of inspiration for the extractive industry, and showcases how you can drive demand for the intangible aspects of your brand. This social media strategy supports aspirational aspects of gold purchases. The campaign showcases craftsmanship in gold jewellery making, supports artisans with funding to create new and innovative designs and brings the entire collection to the (potential) consumer through social media handles. As mentioned above, strong and deep brands create associations and mental shortcuts with the user. Or in

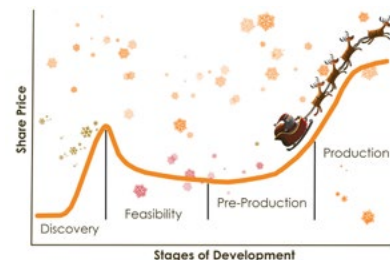
Some good questions to ask yourself when reviewing your branding efforts in 2014 are:

- What values do I want people to associate with my business and are they demonstrated visually on my website?
- Does my business inspire? Clear capital gains and profits inspires investors. We all get that message, but will the investor stay with you over the long-term or cycle in and out of your stock more so if your company improved its predictability?
- Do you verbally convey your business mission each and every time you meet with a customer and investor?
- Are the branding elements used across the channels of communication consistent and supportive?

Investor relations as brand ambassadors is an important part of the job description as the role is as much about providing high quality information as it is about conveying the value and vision of the company. More on this topic coming on our blog and pinterest board.

Mining year in review

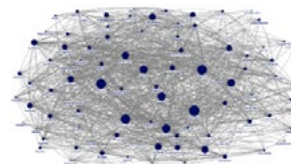
All extractive companies go through a series of development stages from listing on a stock exchange to becoming a producer. Let's review 2013 in this context and highlight a few key developments in each phase of the cycle.



Discovery: social media, a new mining method for news

In April, the US Securities and Exchange Commission published guidance on the use of social media platforms in disclosing material information. The Commission concluded that items like earnings and press releases can be disseminated through these communication channels as long as investors are aware that these platforms will be used.

Soon thereafter, Bloomberg became the first financial platform to integrate real-time tweets to their offering, which helped add another layer of legitimacy to the platform within the financial community. Tools like their Social Velocity Alerts help capture the social sentiment surrounding a company when an unusual flurry of social chatter erupts.



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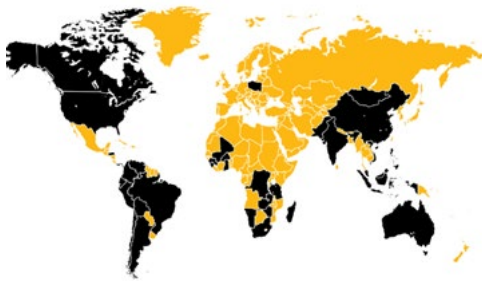


For more insight into Bloomberg's integration with Twitter and what the previous image is all about, please visit this [blog post](#) by the CFA.

Action 2014: find your comfort zone with social media and start a social media engagement strategy.

Feasibility: Location, location, location, resource nationalism and a social license

Resource nationalism is not a new occurrence. Political efforts to increase their share of revenues have historically coincided with the movements in commodity prices. The graphic below illustrates jurisdictions (in black) that have sought to increase the host government's share of mining revenues during 2010 – 2012. In 2013, the footprint of nationalism continued to expand despite the direction of precious metals.



Source: Willis, 2013

Over the course of the year, 15 countries have either increased their taxes and royalties or reformed their mining legal framework. This resurgence will unlikely retreat and remain a key area of development for the new year as EY ranked it third in their "Business Risks Facing Mining and Metals" report for 2014.

Obtaining a social license to operate for a company is an intricate balance between the needs and expectations of communities and governments while trying to maximize value for the company's stakeholders. In 2013, straddling Chile and Argentina, Barrick Gold's Pascua Lama mine provided a cautionary tale of clearing all the hurdles associated with legal and regulatory requirements. Hoping to begin production in the second half of 2014, Barrick had to suspend construction of its \$8.5 billion bi-national mine (originally estimated to cost \$1.5 billion to construct back in 2004), due to the Chilean court ordering a work stoppage after indigenous communities living below the mine accused the project of contaminating their water supply and polluting glaciers. While the construction in Argentina was not affected, Barrick recently announced that it had laid off 1,500 Argentine workers. In Chile, the mine will be suspended until environmental commitments to protect the water systems are adopted. If delays are prolonged, Barrick may even consider the possibility of abandoning the Chilean side.

Action 2014: does your engagement strategy include women in local community consultations? Is rebalancing possible?

Pre-production: access to capital changes

According to an EY report, the collective cash position of the top 100 companies on the TSX Venture (as ranked by market capitalization) was \$1.2 billion as of June 30, 2013, a drop of approximately \$700 million versus the same period last year. Moreover in 2013, the same set of companies managed to raise \$795 million through equity financings, down by an astonishing 50% from \$1.6 billion in 2012. These declines underline the trend of companies needing to draw on existing cash reserves as prospects of raising money become ever more challenging.

As cash balances for many are diminishing to subsistence levels, companies are looking outside traditional markets and channels to fund their projects.

Action 2014: target new relationships to access capital abroad.

Production: managing volatility of price and cost assumptions

Amidst impairment losses, raising costs and lower revenues, gold was the story of 2013. Surpassing \$1,690 per ounce in early January, the metal fell to around \$1,210 in May. This precipitous drop forced companies to review their cost structures and if needed, re-optimize their pit designs and mine sequencing plan to remain viable in this environment. Ultimately, budgets were reduced, capital reallocated and a wholesale shift in philosophy from boosting production volumes to maximize value and improving margins by improving productivity and efficiencies of operations.

Moving into 2014, gold producers are seemingly prepping for another challenging year. Specifically, according to a PwC's survey, only 47% of gold producers believed that prices will rise over the next 12 months while 7% expected the price to decline.

Looking back, 2013 was a trying year for many investors and companies alike and without a doubt, 2014 will again be branded by a growing level of untapped and challenging demands from the global economy. **Let's work together to innovate, create, and reinvent the way we do business in the new year.**





Make your list, check it twice!

The end of the year is often a time for reflection, a time to not only look back on the year, but to take an inventory of where you are today, and how to set yourself up for success for the next twelve months. On the next page is a handy list to help you evaluate the strength of your current program and some things to think about in the coming year.

Yes	No	
		Canadian issuers, are you familiar with Flow Through Donation Financing?
		Have you developed your investor target list for 2014?
		Do you know your annual report options paper vs paperless? Video vs interview?
		Do you know the uses and advantages of microsites for events?
		Have you set up any marketing roadshows for Q1 2014?
		Have you thought about site visits to your operations? Or webcasts to bring site to your investors?
		Have you budgeted the list of conferences you hope to attend in 2014?
		Is your company's strategy aligned across the presentation material?
		Does your Annual Report have a concept?
		Is your website content current?

If you've found yourself checking 'no' on the list for any of these items, please don't hesitate to contact us for more information. We are well-experienced in all of the above areas and would be happy to help you start 2014 on the right path.

Blog updated

Read our blog thecapitalab.tumblr.com

Latest entries;

- "Looking close to look ahead",
- "The Porter", and
- "The OSCs Women on Boards initiative: a spotlight on a statistic"

Update on Plan Canada Because I am a Girl Campaign

We continue to support the Plan Canada "Because I am a Girl" campaign by being a Community Champion for a water management program in Bolivia.



The Capital Lab presentation: NI 43-101 and Public Disclosure

The Capital Lab has recently completed a presentation entitled NI 43-101 and Public Disclosure. This presentation focuses on why we have the NI 43-101 mining code, the regulatory environment, and offers practical tips and advice with regards to the proper and acceptable disclosure of technical information across a number of different situations. Please contact Greg to discuss: greg@thecapitalab.com.

CFA Workshop

Communication skills: Techniques and Tools When Under Fire, January 14, 2014

Overview: This course is designed for professionals who want to upgrade their communication skills for challenging conversations and difficult lines of questioning. Participants will review techniques to suit challenging business situations, enabling them to upgrade and improve their communications skills and speak with authority and confidence when the audience gets antagonistic. This is a communication skills workshop and participants will be asked to share and comment on scenarios and approaches from real life examples. As this workshop is designed to elevate the participants' speaking skills to the next level, the focus of the workshop will be on taking charge of your agenda, recognizing tough questions, and practicing communication tools so that you can respond with confidence and authority no matter what the subject matter. Concepts will be applied from various disciplines.

For further details please visit the Toronto CFA Society. To register please email: eventregistration@cfatoronto.ca

From all of us at The Capital Lab, we wish you a safe, joyous holiday and a prosperous new year!



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