Is the Fraser Institute Mining Survey a credible indicator of investment attractiveness?

In February, The Fraser Mining Survey saw Chile charge to 8th place from its 39th position last year.

While pro-exploration groups, mining companies and state officials in the country have welcomed Chile´s comeback, many industry experts and professionals are hesitant to embrace the Fraser Institute´s rankings. After all, Chile had not experienced any major significant policy change, other than election results confirming the return of a pro-business conservative Piñera government (who had yet to assume power and not announced any definite legislative measures regarding mining at the time the report was released). So, is the Fraser Institute Mining Survey really a credible indicator of exploration investment?

Certified Professional Geologist, Michael S. (Mickey) Fulp, scrutinized the Fraser Mining´s methodologies and remains sceptical of the think-tank´s findings. In the column below, Fulp outlines why he thinks the Fraser Mining Survey is fake news:

Mickey Fulp, The Mercenary Geologist: Why The Fraser Mining Survey is Fake News

Junior resource sector speculators are often subjected to this or that company's insiders and promoters informing us in no uncertain terms that this or that country, department, prefecture, province, state, or territory is the "fill-in- the-blank"-best jurisdiction in the world for mining investment.

Of course, the promotions refer to the jurisdiction in which their flagship projects are located.

The quoted source is the Fraser Institute's Annual Survey of Mining Companies. This survey has little utility or veracity because it has no scientific methodology or basis. In fact, it is nothing more than an opinion poll from a small group of selected individuals.

The Fraser Institute Annual Survey of Mining Companies purports to be a voluntary opinion survey sent to, to quote their website, "officers, managers, and other experts with mining exploration and development companies, and their advisors." It attempts to quantitatively assess how mineral endowments and public policy factors affect exploration investment throughout the world. It generates an "Investment Attractiveness Index" for a given jurisdiction based on the respondents' perception of geological mineral potential (60%) and government policy (40%) and promotes the survey as representing the current views of "mineral investors".

For the 2017 survey, 2700 potential subjects received the survey questionnaire and 360 (13.3%) respond-

ed. A total of 318, or less than one in eight, completed the entire survey. Respondents were categorized by general affiliation: 47% exploration companies, 29% mining companies, 15% consultants, and 9% "other".

There was no breakdown showing the headquarters, domiciles, or stock market listings of the responding companies, or if they were public or private entities. Companies participating in the survey accounted for exploration spending of $2.3 billion in 2017 and $1.9 billion in 2016. There were enough responses (a minimum of five) to rank 91 mineral jurisdictions, down from an average of 112 over the previous four years. 51 countries had less than five responses and were eliminated from the survey results.

There was no reporting of the number of respondents for 63 of the 91 jurisdictions included in the results. 28, or nearly one-third of the jurisdictions, had the minimum qualifications for inclusion and were identified by an asterisk ("five to nine respondents").

The Fraser Institute's survey methodology is not based on valid statistical parameters and has no scientific merit. I submit that it is of little use to investors for many reasons:

It polls a very small, selected group of company insiders and is not representative of any segment of the exploration and mining industry in whole or in part. It consists of a hodge-podge of 360 companies that explore for the gamut of non-ferrous, ferrous, and energy metals, industrial minerals, and gemstones.

According to S&P Global Market Intelligence, the global non-ferrous mining industry alone comprises over 3000 companies that spent an estimated $8.4 billion on exploration in 2017 and $7.3 billion in 2016. Therefore, the exploration expenditures reported by Fraser survey respondents were only about one quarter of the world's total budget for non-ferrous minerals in both 2016 and 2017. The affiliations of respondents naturally lead to strong biases. These are company insiders with significant pressures from stakeholders and strong financial incentives to favorably evaluate the jurisdictions in which they are actively involved. Additionally, the survey is skewed towards three Canadian provinces (Ontario, Quebec, and British Columbia) and Western Australia. These venues are where the majority of the world's exploration companies are domiciled and the highest percentages of exploration projects are located. Ontario, Quebec, and Western Australia were all ranked in the top seven of jurisdictions worldwide.

The results show that company insiders have minimal knowledge of jurisdictions outside of their own project areas. Many do not own or are even allowed to own other exploration and mining stocks. As a group, they are not active mining investors. In fact, 31% (28 of 91) of the ranked jurisdictions garnered less than 10 responses from the 360 participating executives.

As designed, the survey does not represent the views or opinions of any set or subset of mining investors even though the principal authors promote that it does exactly that. In my opinion, the Fraser Institute's conflation of their unscientific opinion poll of 360 mining company insiders and the views of millions of investors in the worldwide exploration and mining sector is simply fake news.

As a professional retail speculator, I choose to do my own research and due diligence to determine the geological, geographical, and political jurisdictions in which to gamble my hard-earned dollars.

Rest assured that the Fraser Institute's Annual Survey of Mining Companies is not on my reading list for any investment decision in the junior resource sector.

This column is extracted from an article which originally appeared on Mickey Fulp's Mercenary Geologist website and has been republished by CEXR with permission. To read the article in full and for further notes and disclaimer information, please visit MercenaryGeologist.com