

PDAC's Glenn Mullan looks back on four decades in the business



Glenn Mullan in 2007. Photo by Susan Kirwin.

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*Glenn Mullan, president and CEO of **Golden Valley Mines** (TSXV: GZZ) and chairman of **Abitibi Royalties** (TSXV: RZZ), has spent the last forty years working in the mining industry. He got his start as a prospector when he was still a teenager, and his enthusiasm for geology and remote locations has never waned. In December, Mullan was appointed as the 36th president of the Prospectors & Developers Association of Canada. He took time out to speak to The Northern Miner's Trish Saywell about his career and some of his ambitions as PDAC president.*

The Northern Miner: *Abitibi Royalties, where you serve as chairman of the board, is doing very well. Its shares have risen from a 52-week low of \$3.45 in April 2016 to around \$9.85 today. What do you think accounts for that share price appreciation?*

Glenn Mullan: *Abitibi Royalties has some unique circumstances that are different in terms of shareholder demographics. It was born from a negative experience with a hostile transaction with a predecessor company and we didn't want that to happen twice. So Golden Valley Mines spun it out and*

owns 49.3% of its shares. When you add Rob McEwen's shares you're at 61%, and with the Quebec Labour Funds, that shareholding moves closer to 66% of Abitibi Royalties' shares outstanding.

The top ten shareholders are very close to owning around 80% of the issued and outstanding shares, so that's why it only trades at about 4,000 shares a day. Other juniors aren't constructed like that and they have much broader distribution. So Abitibi Royalties was designed to enjoy a single royalty from the Malartic mine and you know that Canadian Malartic is either the largest gold mine in Canada or one of the top two if you include Detour Gold's Detour Lake mine, and having a 3% NSR is an important part of the project and a compelling asset.

TNM: *At what point did Golden Valley get involved in Malartic?*

GM: Golden Valley originally staked and owned 100% of the Malartic property, with no NSR. After Osisko Mining earned its 70% interest, Golden Valley took the 30% free-carried interest — which is much more lucrative than a conventional NSR — and spun that off into Abitibi Royalties in 2011.

So Abitibi Royalties started with that as an anchor asset, which helps account for its share performance over the past three years. It wasn't that long ago we were trading at 30¢, but it moved north of that pretty quickly through some creative transactions. With the discovery of the Odyssey zone, a new zone about 2-3 km east of the main Malartic deposit, the market started to give value to the royalties Abitibi has held. This is pretty unique because most juniors don't begin with a single asset like that. We're not chasing after 25 other grassroots royalties — we're focusing on that one key asset and trying to see how far we can take it.

The Odyssey zone is a bona fide new discovery and that accounts for the share price appreciation and given that the Canadian Malartic mine is owned and run by Agnico Eagle and Yamana, and you have the largest gold mill in Canadian history on the property, those are pretty unique circumstances for a junior company to have as a focus asset.

TNM: *When was the Odyssey discovery made?*

GM: It was pretty much when Goldcorp launched its hostile bid for Osisko in 2014. By the time Agnico and Yamana prevailed in their takeover bid a few months later, the zone was by then pretty well understood to be a mutually exclusive deposit east of Canadian Malartic.

TNM: *How did you come to decide you wanted to be a prospector? Does mining run in your family? I understand that as a teenager you read Pierre Berton's "Klondike: the Last Great Gold Rush, 1896-1899" and the book inspired you.*

GM: I had an uncle who was a mining engineer and cofounded McPhar Geophysics, which evolved into Phoenix Geophysics, and they were pretty well known in the 1960s and 1970s as pioneering induced polarization (IP) surveys, and I guess he gave me my break and opened the door.

TNM: *What sort of work were you doing for him and where did you go?*

GM: I started off with contract geophysical surveys and the first two places I went were the Northwest Territories and the Yukon, and I loved being in remote areas. It wasn't just the geophysics, it was early-stage mining exploration in places like Kirkland Lake, Ignace, Manitouswage, Timmins, Val-d'Or, Chibougamou, Port Hardy, and then Hemlo.

Hemlo was a really important one. I was 18 or 19 years old at the time and through Hemlo I could see all of these guys dressed up in suits and ties — the bankers and promoters from Vancouver and Toronto — were lined up to meet people in T-shirts — the prospectors. That was the first time I saw that the guys in T-shirts from places like Kirkland Lake and Val-d'Or had all the power. It left a strong impression. The guys in suits and ties wanted to meet the prospectors and do deals. And helicopters were coming and

going, deals were flying off the table. That was a great thing to see after reading Berton's book about Klondike.

TNM: *You studied geology and earth sciences at Concordia University in Montreal. What did you do after graduating?*

GM: I moved to Val-d'Or the day after graduation and started working as a prospector. I never had a classic job, I always worked as a prospector because I just liked being independent and staking claims, trying to interest someone in them, using those basic geology skills and trying to evolve different land packages into transactions that would result in exploration and testing my ideas and so on.

After a few years there was a brokerage firm, at that time it was called Yorkton Securities, that kept coming around in 1994 and 1995 and telling me that I should take my business staking claims public. They liked the fact I was retaining royalties and shares in most transactions, including advances on royalty payments. They said I should sell the business plan and take it public but I didn't really want to do that at all.

TNM: *Why not?*

GM: I had no shareholders, no stakeholders, only one or two partners, and I loved that private business. It was fun and it was lucrative and I answered to pretty much no one.

TNM: *What changed your mind?*

GM: Ultimately something called Bre-X happened, and I remember the date, Mar. 25, 1997. It was the date the market imploded (and my youngest daughter was born). There were some stark lessons for lots of us. I wasn't working in Busang, Indonesia, or in the Philippines. But I watched the market implode and the only people who were still calling me was Yorkton, telling me to take the business public. And because most of our clients were disappearing or dissipating all of a sudden, we thought going public wouldn't be such a bad thing. So we did and that's when Canadian Royalties Inc. was created.

TNM: *That public company was set up in 1999 and it started to develop a nickel-copper-PGM mine in northern Quebec called the Canadian Royalties mine. What happened then?*

GM: We ended up losing that company to a Chinese company called Jilin Jien Nickel Corp. in a hostile takeover. We had spent \$352 million on the project including mine infrastructure, earth works and roads. But we put it on care and maintenance during the global financial crisis and that was when Jilin launched its hostile bid. They then spent an additional \$2 billion on the mine build and put it into production. It has about 300 employees and a full operating mill. It's operating immediately adjacent to what used to be known as Falconbridge's Raglan Division.

TNM: *That must have been hard to take.*

GM: The lesson learned was not to lose another one, and that's why Golden Valley Mines looked at its holdings and said, if it's that easy to lose a project, we should spin out the Malartic project into Abitibi Royalties. That's why Golden Valley continues to control Abitibi Royalties, to make sure there is no hostile transaction and that any transaction takes place through the front door and not the back door. Because in 2011 or 2012, Osisko Mining had been releasing batches of spectacular results and they were very close to achieving full commercial production and they already had piles of promising results for the zones on the property then owned by Golden Valley. We thought there was a chance of it becoming a hostile takeover, and hence Abitibi Royalties was set up and that's why so few shareholders control it.

TNM: *Abitibi Royalties is very closely held.*

GM: I don't really trust my math but I think of the 11.3 million shares outstanding, Golden Valley owns 5.6 million or 49.4%, Rob McEwen owns 1.3 million or 12.3%, the Quebec Labour Funds own about 6%, so you're up to about 64-66%, and then with the next four or five largest shareholders you get to 80%. So there are only about 2.5 million shares left. Ian Ball, the president and CEO, has done a very good job of educating our shareholder base. Most of the shareholders know exactly what the story is.

Given that Agnico and Yamana are spending significant amounts on exploration at Malartic, and even though the results have been robust, Abitibi's trading volumes are pretty low. Not many people are buying the company to flip it, most are holders waiting to see what becomes of the royalty or the company.

TNM: *Outside of Canada you have developed something of an expertise in Africa. You have travelled there many times to look at potential projects, is that right?*

GM: I wouldn't say that I'm an expert on Africa, far from it! We've had some good opportunities presented to us and some of them were in Africa. I've looked at 14 countries in Africa to date, some of them we've worked in and done some work producing interesting situations.

TNM: *Do you have any examples?*

GM: Let me be a bit coy on those interesting situations for now except to say we look at lots of commodities in Africa and not just precious metals. Africa's opportunities are world-class but it takes a lot of perseverance sometimes to develop good local-community and national relationships. Canadians tend to be pretty good at that and make good partners.

TNM: *What is your favourite country in Africa?*

GM: Sierra Leone continues to be my favourite despite the difficulties there. It's such a great geological environment that it's hard to be a prospector with a heart that beats and not to be moved by Sierra Leone. Whether it's base metals, iron ore, bauxite, diamonds, it's just particularly well-endowed in its general geological conditions. But Sierra Leone faces so many challenges, there are many difficult things about it, especially if you're a junior Canadian miner, because we don't have a Canadian embassy there and you're competing one on one with China Inc. Certainly the Chinese companies are an obvious physical manifestation everywhere in the continent of Africa whether it's the railroads they've built, or the hospitals and other infrastructure. It's very hard to be a Canadian junior competing one on one with so many resources on the table, so those are parts of the challenge.

TNM: *You've just returned from the INDABA conference in South Africa. While you were there, you wore two hats: One, as the recently appointed 36th president of the Prospectors and Developers Association, and the second, as part of a delegation of companies from Quebec. What were your impressions of the conference and what you saw later as a mining executive?*

GM: I had never been to that conference before although I have been to Africa many times. It was a fantastic conference. And Cape Town is just a spectacularly beautiful place. Then I joined up with a Quebec government trade mission going to Cameroon and that was for Golden Valley Mines. I've done a couple of those trade missions in the past.

Sometimes things evolve quickly. Take Cameroon. There's an excellent example of a country that has been very dependent on the petroleum industry, but with the retraction of oil prices, is looking at trying to develop new investments in the mining sector to replace some of those lost revenues. Cameroon was not somewhere I had looked in the past as a prospector or geologist, but I was very impressed by some of the opportunities there, from cobalt and nickel to gold and diamonds. There are some bona fide opportunities. The only thing missing is mining experience, because they have no operating mines yet, but they do have a couple of advanced projects, and now they have a revised mining code and the government is receptive

to mining investment. But there are a number of other countries like Uganda and Burkina Faso emerging on what I would call “the right side of opportunity” so we’ll see what happens in Cameroon. I’m optimistic, but then I usually am on most days.

There are 34 African countries with Canadian mining companies doing exploration and development work. If you have favourable geology, you are probably going to find some Canadians breaking rocks and financing development. The one thing that Canadians are very good at, other than hockey, is mining exploration and development. You tend to find Canadians everywhere where there are geological opportunities.

TNM: *Do you expect the mood at PDAC this year will be more positive than last year?*

GM: PDAC is well situated in the events calendar because it follows AME BC and Cambridge House in Vancouver, and INDABA, and they’re all useful barometers to talk about trends. Attendance at AME BC was up by about 1,000 attendees from last year, and there was also increased participation at the Cambridge House conference, as well as a flurry of financings for junior companies. Participation at INDABA was said to be up over 10% compared to 2016. I think there were more companies attending, more interested parties attending, more interested countries attending, so that shows there’s a movement by countries to open their doors to mining.

We are optimistic that we will see an increase in terms of attendees and participants this year. It’s such an important mining event. Last year was generally considered to be a down year and we had over 22,000 attendees, and that’s still an extraordinary participation rate. Last year we had people from 125 countries attend PDAC. No one can draw that number of nations to Canada in March and that’s really the power of the PDAC brand. It shows how important mining is not just to Canada but many other nations that are opening their doors and are looking to Canada for guidance.

TNM: *As president of PDAC you want to encourage more young people to consider careers as prospectors.*

GM: Every time I speak to students I tell them to consider prospecting as a legitimate vocation when they graduate, or even if they don’t graduate—not all prospectors have degrees in geology and some of the best ones don’t. Prospectors are well-suited for being early in, managing early stage ventures, conducting business efficiently, and we kind of got away from that in the last decade or so. Conventional wisdom is such that the opportunities for young people normally follow a predictable path, from graduating, getting hired by a larger mining company, acquiring experience. That is viable for some, but so is being an independent prospector. Most students have not been exposed to it and never considered how easy it may be by comparison.

TNM: *But how can young graduates afford to start going out there and staking claims without an income?*

GM: It’s not difficult. I think it costs \$39.73 for a prospecting licence in Quebec and about \$25.50 in Ontario. Of course it can seem onerous and expensive and daunting to go from Toronto to the north to stake a bunch of claims, but it’s actually not that expensive. Most of us have good family support networks, we’re not talking millions of dollars to stake some claims, we’re talking hundreds of dollars, and that’s really all it takes, and some entrepreneurial spirit trying to build something around it. It’s very conventional and most of the prospectors that are self-employed in northern Canada are not well-equipped financially but that doesn’t prevent them from doing it and when circumstances align they are in a position to reap the benefit, but I do acknowledge it doesn’t happen that often.

TNM: *So when did you start staking claims?*

GM: I started before I went to Concordia University. I began staking right after I read the Klondike book at the age of 17 or 18, and it was staking claims that paid my way through university. I remember optioning my first claims to a company in Toronto, from the staking rush in Quebec's Casa Berardi district.

TNM: *Did you have to borrow money from your family or friends?*

GM: Nope, I used my Visa card. I never borrowed money from my parents. I had the VISA card, then a Mastercard, and then a second Visa card, and I was able to pay them all off. I had a couple of claims around Matheson in Ontario and the townships of Munro and Hislop. I staked claims before and during university. That was my summer job when I was in school. I'd just jump on the motorcycle and go north from Montreal to Matheson and Val-d'Or.

TNM: *What did your parents think?*

GM: It was not traditional, so they thought: 'He'll grow out of it and get a job with a mining company,' and do what you're supposed to do.

TNM: *So how long did you stake claims before setting up your first public company?*

GM: I was doing it for about ten years before Yorkton started calling me. Because they kept seeing this "Numbered Company Canada Inc." staking claims. Pretty much every week we had deals, and every deal had a little bit of cash, as many shares as we could get, and an NSR royalty. The brokerage kept saying there was a real business there, but on a larger scale. In most of our transactions, by the third year the optionee would have to make significant cash payments—or advances on royalty payments—and that was what was vended into Canadian Royalties Inc. By then there were over 100 royalties and advances on royalty payments from over 100 projects, and so that was a pretty unique business plan because nobody else was doing it that way.