AIME

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AMERICAN INSTITUTE OF MINING, METALLURGICAL, AND PETROLEUM ENGINEERS

ORAL HISTORY PROGRAM

How “On the Job” Training & Keeping Multiple “Irons in the Fire” Led to a Lucrative Mining Investment Career

Douglas Silver

2022

PREFACE

The following oral history is the result of a recorded interview with Douglas Silver conducted by David Hammond on September 30th, 2021. This interview is part of the AIME and its Member Societies: AIST, SME, SPE, and TMS Oral History Project.

ABSTRACT

Douglas Silver had an affinity for the natural sciences dating back to his childhood in New Jersey. As an undergraduate at the University of Vermont, he majored in zoology before discovering his passion for geology and making it his second major. He pursued graduate studies in geology at the University of Arizona. A chance meeting at a conference in Alta, Utah, led to employment with the Anaconda Copper Company. So began his “on the job” education in the business of mining, mining management, mining valuations, investor relations, IPOs, royalties, and streams – gained during his time at Anaconda and subsequent employment at Colosseum Gold and Bond International Gold. While at Bond Gold, Doug founded the Denver Gold Group, which brought him into contact with investment bankers from throughout the world. He then went into business for himself, launching a consultancy called Balfour Holdings. He built an extensive library and database of mining company annual reports and became an expert in the lucrative niche of mining valuations and appraisals. Helping a client negotiate the sale of a royalty company earned Doug his “PhD” in the royalty industry and inspired him to start his own public royalty company, the International Royalty Corporation. After five successful years in the public sector, Doug sold IRC. He then joined the private equity firm Red Kite. While at Red Kite, he and his partner Oscar Lewnowski created another fund that became the Orion Equity Fund. Orion is now the world’s largest private equity mining fund. Doug retired from Orion in 2020. He is an active supporter of SME and AIME and is devoted to promoting mining education. He looks forward to many exotic fly-fishing expeditions and mining-related activities in the years to come.

Readers are asked to bear in mind that they are reading a transcript of the spoken word, rather than written prose. The following transcript has been reviewed, edited, and approved by the narrator.

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PART 1

00:22 INTRODUCTION

David Hammond:

Hello. I'm David Hammond, a longtime SME member, and a geologist-engineer-mineral economist. Today, I'm interviewing Douglas B. Silver as part of AIME's oral history project, part of AIME's mission to honor legacy and traditions of the Institute through preserving and promoting achievements in our fields and share prominent member stories for future generations. Throughout my almost 50-year career in the mining industry, a seemingly constant has been my longtime colleague, Douglas Silver. Doug and I first met in the 1970s when we were both working for a company called Anaconda Minerals. Our professional and personal association continued across the ensuing decades through collaboration on consulting projects, serving as each other's editors, and countless discussions about the industry and geology in general, and mineral economics, in particular. In the 2000s, I had the great privilege to be part of Doug's team in creating International Royalty Corporation, a successful public company with an innovative mineral royalty business model, which was the realization of one of Doug's many innovative dreams.

I have benefited without measure from our lifelong friendship, our many partnerships, and our not infrequent humorous, although sometimes a tad sarcastic, interchanges. Doug is widely acknowledged as a major thought leader and visionary in the global minerals industry and is without peer. Today, we're going to review with Doug, his long career in the minerals industry and ask him to share some of his many insights. Welcome, Doug. Let's start with your name: last name of Silver is very minerals-like, but Doug, there's a past tense of that which is of “dig”. And, your license plate is “DUGAG”. Were these done deliberately?

Douglas Silver:

No, it was not intentional. My parents wanted me to become either a lawyer or in marketing. So, chronologically, it's correct. But, I think mining's been around a lot longer than I have.

02:49 CHILDHOOD - GROWING UP IN NEW JERSEY & LONG ISLAND

David Hammond:

What kind of childhood did you have?

Douglas Silver:

I had a wonderful childhood. I was raised in a little town in New Jersey called Essex Fells, which is about 20 miles from New York City, and my parents gave me a phenomenal amount of freedom. When I look back at how much freedom I had as a child, it was great. I spent a lot of times outdoors, and I spent very little time watching TV.

David Hammond:

How'd your parents influence your personality?

Douglas Silver:

My mother is where I get my infinite sense of curiosity. She was always curious about everything and always coming up with projects for us to do. She was also where I got my sense of humor. My father was a surgeon, and he worked very hard. But, he taught me how to be generous and give back.

David Hammond:

What are some of your fondest memories from that time?

Douglas Silver:

Never getting convicted. No, we used to go to Montauk, which is at the very end of Long Island, every summer. And, I would basically spend three months in shorts with no shoes on, walking the moors of Montauk, collecting things and fishing. As I got older, my dad got me a go-kart, which was incredibly fun to drive around the neighborhood, even though it was illegal. And then we had the famous creek. There was a creek about an eighth of a mile from the house that was, maybe, one-foot-wide and three inches deep. And, I spent thousands of hours down there, damming it up, playing in the water. It was marvelous!

David Hammond:

You should have been an engineer then. Okay, so here's the standard-must-be-asked question for anybody as a geologist. Did you collect rocks as a kid?

Douglas Silver:

No, I did not. It was really quite interesting. My hero was Charles Darwin, and I was really impressed with his long travels and his abilities to decipher evolution. My other science hero was the professor on Gilligan's Island, who was amazing. This guy could make a shortwave radio out of a coconut, but he couldn't patch a boat. One of the great mysteries in life. But, he did impress me because he understood so many of the natural sciences, and that was very inspirational.

My family collected live animals. As a child, we had fish, cats, dogs, sheep, rabbits, gerbils, mice, rats, hamsters, skunks, raccoons. And, we even had a monkey as a pet. So, I collected animals as a kid, not rocks.

05:26 EARLY SCHOOLING – LEARNING IMPORTANT LIFE LESSONS IN PRIVATE SCHOOL

David Hammond:

I understand you went to a private school for elementary and high school?

Douglas Silver:

No, it was high school. I went to the Lawrenceville School, which is down near Princeton, New Jersey, from 1969 to 1973. My public high school was on split session, and my parents didn't think I was getting a good enough education. Although, around the same time, I did have an interesting encounter with the law. So, I'm not sure what the real reason was or why they sent me there.

David Hammond:

Did the private school, you feel, prepare you better for going to college?

Douglas Silver:

It's really quite interesting when you go away from home in ninth grade. You learn several important life experiences. One is you learn to be independent, and private schools are designed to make you study. So, you learn how to study, and it did give me a competitive advantage going to college because I placed out of my first semester, freshman year. But, by the end of my freshman year, starting my sophomore year, most of the public high school students had caught up to the skills that I learned four years in private school.

06:35 FINDING A FOCUS AT THE UNIVERSITY OF VERMONT

David Hammond:

I understand then for undergraduate you went to University of Vermont. So, I'm very curious as to why you selected that college?

Douglas Silver:

I attended the University of Vermont from 1973 to 1977. I wanted to be in natural sciences. I thought it would be biology, which is where I wanted to focus. But, then I heard about organic chemistry, and half of the biology majors were pre-meds. So, I decided not to go into organic chemistry. That's how I ended up in zoology. I completed my zoology major by the first semester of my junior year. So, I needed to find something else to study for the next one-and-a-half years. And, there was no way I was leaving a co-ed dorm after four years in all-boys boarding school. So, I took geology.

David Hammond:

Ah, another wise choice; was it always going to be in geology?

Douglas Silver:

No, I mean, I really wanted to be a botanist, but I can't grow a plant to save my life. So I was looking around for other natural sciences to study, and my family has a very interesting history. My great-grandfather was Daniel Moreau Barringer, who was the scientist, the mining engineer, that identified the Meteor Crater in Arizona as being of meteoritic origin and not volcanic. He presented in 1907 to the National Academy of Sciences, and they thought he was a nut case. But, I knew about this Meteor Crater being in our family. I think it's the only privately owned national monument. So, I thought, “Oh, I should study meteoritics. And, I happened to have a professor at the University of Vermont that taught a class in it. So, I went and talked to him, and Jack Drake said, “You’ve got to take the undergraduate classes before you can take the graduate courses.” So, I shifted gears, and I completed a graduate, excuse me, I completed an undergraduate degree in geology in about a year and a half, so I could take his course.

David Hammond:

I knew there had to be somewhere, in the distant past, a connection to rocks.

Douglas Silver:

Yes, that's what it was.

David Hammond:

Well, I assume you were a very good student?

Douglas Silver:

Oh, God, no, no, no. I mean, I had to fight to get B's. But, you know, in my junior year, when I switched to geology, I had an epiphany. I, literally, my brain snapped, and then I couldn't learn enough. And, to this day, I still can't learn enough.

David Hammond:

I assume that your fondest memories of college are about geology?

Douglas Silver:

No, I have fonder memories, but I think I'll pass on explaining those.

David Hammond:

In spite of all that, what degree did the University of Vermont actually award you?

Douglas Silver:

They bestowed me with a Bachelor of Arts in Zoology and Geology.

09:19 GRADUATE SCHOOL AT THE UNIVERSITY OF ARIZONA

David Hammond:

Moving on to the next phase, we know you're a huge Wildcat fan. How did you select the University of Arizona for graduate school?

Douglas Silver:

I actually applied to three graduate schools that specialized in geology. Arizona was the only one that accepted me. So, it was a pretty easy decision. And, when I talked to my professor of meteoritics, he told me I should go to the University of Arizona because of the iron mines around Tucson. I spent the first six months there looking for these iron mines only to find out they were copper mines. So, I think I got there through serendipity rather than through detailed research.

David Hammond:

How'd you find graduate school, just like college only with older people?

Douglas Silver:

No, graduate school is quite different, and I don't think people realize that. A lot of people think graduate school's just another degree. But, when you're in college, you're taking a lot of different courses because you're trying to find your way or where your passion lies. In graduate school, you've determined that, and the other people in your class are also in the same field. So, the bonds I created with other grad students are far greater than the ones I created with undergraduates, because we're all focused on basically the same subject, and to get into grad school, you had to have the grades. So, you tended to work with really smart people. You always want to hang out with people smarter than you because you learn faster.

David Hammond:

Do you think that graduate school was your main preparation for entering the real world of work?

Douglas Silver:

No, graduate school for me really widened my knowledge of chemistry and physics. I particularly like physical chemistry because it was so logical, and it was so useful. I think that's the greatest value I got out of it.

David Hammond:

What was your MS thesis topic?

Douglas Silver:

You know, it was groundbreaking. It was the thermodynamics of a scheelite deposit in Southern Arizona.

David Hammond:

I think I've heard of that, maybe, maybe not.

Douglas Silver:

I'm still negotiating the movie rights after 40 years.

11:35 ENTERING THE WORLD OF WORK-ANACONDA COPPER COMPANY

David Hammond:

Okay. Now your first job was with Anaconda Copper Company. How did that come about?

Douglas Silver:

Well, it's quite interesting. Being raised in New Jersey, I had never worked in the mining industry. And so, I'm arriving at a school where most of the grad students had done summer internships or temp jobs with the mining companies. When the mining companies came around to interview us, I was at a huge disadvantage, and I had a really hard time getting my first job. But I was attending a conference in Alta, Utah, and I met John King, who was a district manager for Anaconda. Apparently, I'm much better at interviews in bars than I am in classrooms.

David Hammond:

I think that's true of many folks in the mining industry. Where was your first assignment with Anaconda? What'd you do?

Douglas Silver:

In 1979, John got me a scholarship and then gave me a summer job working in Rico, Colorado, which is next door to Telluride, in Southern Colorado.

David Hammond:

I understand from our time together at Anaconda that you were involved with a fairly significant mineral discovery, albeit quite deep.

Douglas Silver:

I was involved with the team that discovered the Silver Creek porphyry molybdenum deposit. And, it was high grade, but, yes, it was kind of deep - like 4,000 feet. So the operation was a success, but the patient died.

David Hammond:

What happened after you and others made that discovery?

Douglas Silver:

Atlantic Richfield, "Arco", had purchased Anaconda, and they were really struggling to make Anaconda profitable. Because of the discovery and because John King was my ultimate boss, Anaconda decided to build the first ever standalone acquisition team in the mining industry, and John was put in charge of it. He had me promoted and brought to Denver to be on that team.

13:44 THE ANACONDA ACQUISITION TEAM-A GREAT EDUCATION IN VALUATIONS

David Hammond:

What was the evolution of the acquisition team during your remaining time at Anaconda?

Douglas Silver:

The team was around until Arco let us all go. But, for me, I was the junior member of a four-man team. I was about probably 25, 26 years old, and I got a phenomenal introduction, a PhD in how you do valuations and how you find deposits around the world. I got to travel all over the world at Anaconda's expense. So, for me, it was probably the best education I ever got. After a couple years, they decided to rotate other younger people onto the team, and so they gave me to the vice president of exploration in North America. I was his lieutenant, which basically meant I got his coffee and did his budgets and followed him around. Again, this was a tremendous learning experience in management. John Wilson was quite generous with his time, and I learned a great deal about how senior managements of failing copper companies make decisions.

David Hammond:

I believe Art Barber was head of that exploration unit at that time. Wasn't he?

Douglas Silver:

Yes. Art was in charge of both domestic and international exploration. He was the head guy, and I count him as one of my mentors. He was a real gentleman, and he taught me a great deal, because when somebody is that high up in the organization, you always thought that they'd be really tough and really mean. And, he was a true gentleman and taught me a lot and was fun to hang out with.

David Hammond:

Great guy, although, man, could he ever edit a report!

Douglas Silver:

Edit? You should play poker with him. He probably got enough from me to pay off his house.

David Hammond:

I know that you met your wife at Anaconda?

Douglas Silver:

Yes. Anaconda had a very strict rule against fraternization. I think, while I was in the Denver office, there was at least five or six couples that hooked up and got married, including my wife who was a secretary in a different department.

David Hammond:

I remember that well; she was actually in the same department I was in.

Douglas Silver:

That's right. She was admin secretary for the uranium group.

16:00 A BIT OF A TERRIFIYING TIME-LAID OFF FROM ANACONDA

David Hammond:

I know all of us went through the progression of the Anaconda demise. What lessons did you learn about getting laid off?

Douglas Silver:

When Arco had enough of losing money on Anaconda, they started layoffs, and I was caught on the third wave, along with my wife. They let 700 of us go in Denver in one day, and it never even made the local papers. The problem that we had was that we were recently married and my wife was about eight months pregnant. I had no network, and I was basically thrown out on the street. So, it was it was a bit of terrifying time.

David Hammond:

Eventually, you did resolve all that; I believe the next stop was Bond Gold?

Douglas Silver:

Yes. The first thing about getting laid off, as you know, it's a terrifying experience, and I wouldn't put it on anybody. But, the next morning, you get up, the sun comes up, and you really have a choice. You can sit around and be depressed and mope, or you can get with the program and go find another job. I always knew how to hustle, because I was raised in New Jersey. But, when you have a mortgage and a pregnant wife, and everything else, it makes you work a lot harder. The biggest take-away from that is, I assumed that I would be at Anaconda for 30 years, get my gold watch, and sit in a rocking chair. You learn that corporations don't care about labor capital the way they do with asset capital, and networking is your best way to be protected. That was a hard lesson, but it was a good one. You need to network from day one, and always assume you've got maybe a two- or three-year time window with the company you're working for.

17:54 FINDING THAT NEXT JOB-THE IMPORTANCE OF NETWORKING

David Hammond:

What was your process as you tried to resolve this situation?

Douglas Silver:

It was very tough because I didn't know anybody. I mean, I'd only been in the business for a couple years. I went to a couple conferences, but I never really worked at networking. Ken Howard, who ran one of the sub districts, he got me a job with Noranda in Leadville, sitting on a drill rig for the summer. I used that time to start networking and start taking it seriously. I give Ken a lot of credit for paying my mortgage.

18:31 ALAN BOND-THE BEST BOSS EVER

David Hammond:

How did you end up working for Bond?

Douglas Silver:

This talks to serendipity. At Anaconda, the acquisition team had been looking at a project called Colosseum, which was in California. When they decided to get rid of us, they converted the acquisition team into the divestiture team. An Australian company purchased the project and then hired our team. John King led it and he brought me along. I was the project geologist and working on reserve/resource estimations. Unfortunately, the Australians got into a bit of financial trouble, and they sold the Colosseum gold mine to the famous Alan Bond.

David Hammond:

Very famous name of the 1970s and 80s in Australia. He was one of the richest men in Australia. Tell me about him. Was he a good boss?

Douglas Silver:

Alan Bond was probably the best boss I had. He started his career as a house painter and got involved in real estate and made a great deal of money in real estate. And then, he expanded, and he went into the beer industry, which, as you know, in Australia is a national pastime. At one point, he owned half of the beer industry in Australia. But, he was in six or seven industries. He remembered everything that was going on and played at a global level. His big moment of fame came in 1983, when he sponsored the America's Cup Race sailboat that beat the Americans. They beat them after 132 years of America winning. That's when he got international prominence. But, he was a great boss because he was very decisive.

He remembered stuff. I remember once he was asking me how the geology was going at Colosseum, and I gave him some answer. And then, six months later, I saw him, and he asked me the same question. I gave him a different answer, and he corrected me. It woke me up about, you have to be careful with people with photographic memories. But, because he owned the company -- and we built Bond International Gold under him -- because he owned the company, he didn't need committees. He would sit down with everybody. He would hear you out, and then he would make a call and allowed us to move very quickly and be very nimble in building the business.

20:59 ON THE JOB TRAINING AS HEAD OF INVESTOR RELATIONS

David Hammond:

Well, I believe that Bond had an IPO, which was a major fundraising effort for them. And, I understand you were pretty well involved in that. Tell me about the roadshow, and how much did you raise?

Douglas Silver:

Remember, I was the project geologist for Colosseum, which means I was going out to Las Vegas every couple of weeks to collect samples and keep it going. Alan Bond had purchased, basically, the mining district of Kalgoorlie, and he and his team in Australia had developed what's now known as the "Super Pit," which was a major contribution of the mining business. He had purchased some other assets as well. We were brought into Denver to present our projects to him, and Colosseum was the smallest project in the book. When I got done with it, he was so impressed with my speaking style that he says, "You're now head of investor relations."

David Hammond:

That must have been a real on-the-job training thing. Because I don't believe you had a lot of background in capital raising.

Douglas Silver:

I had no background in that, other than when I worked for the first Australians that bought Colosseum. We had gone out to do a fundraising across North America and Europe. We went out to raise $38 million. And, this would've been in the early, the mid 1980s, and we failed. And, part of the reason we failed is, obviously, the story wasn't good enough. But also, we were all young bucks, and we'd go out in every city every night and party until late and get up and were exhausted for our talks. We were doing seven or eight meetings a day. So, we failed. When Alan made me in charge of investor relations, I understood the wrong way to raise money, and now we were out raising $300 million, which is the most that had ever been raised for a mining IPO in the New York Stock Exchange.

We made it a point - we were in bed by nine o'clock. We behaved ourselves, we didn't drink much. And, we also had the benefit that Alan had his own private 727 that could sleep 10 people. So, we would fly in his jet from city to city where the investment bankers that were accompanying us got to stay in the airports waiting for delayed flights. It was marvelous.

David Hammond:

So, was that effort successful?

Douglas Silver:

The money-raising effort was very successful. The downside of it was that Alan needed the money for his other ventures, and so he really pushed that we got the top IPO share price we could. Unfortunately, after the IPO, the share price never hit that level again. So, we spent the next couple years with the share price going down, and that created a lot of problems.

23:46 TAKING ONE FOR THE TEAM-LEAVING BOND GOLD

David Hammond:

And, was one of those problems your departure from Bond?

Douglas Silver:

As head of investor relations, I got to deal with investors every day. As the share price continued to drop, the investors got more and more concerned, and some of them got downright angry. I was on a trip in Texas meeting one of our largest institutions, and they proceeded to grill me on everything we were doing wrong. I did my best ability, professional ability, to answer all their questions and tell them what our options were, none of which were apparently acceptable to them. Even though I had gone through every option that was available. As a consequence, I got home, and they had called up Goldman Sachs, who was our investment banker. They said, "Heads gotta roll." Because I was the junior member of the management team, I was put up for sacrifice. But not to say anything bad, Steve Everett, who the president was, Steve Everett's a good man. He gave me a marvelous severance package. But, I took one for the team.

David Hammond:

So, I guess you learned, again, on the job, that building a public company is as hard as many people say?

Douglas Silver:

Yes, it's a lot of work; but, if you're successful, you can make a lot of money. Now that I've been working in private equity and have retired, I'm in private life. If I had a choice, I would probably try to stay private because there's a lot less regulation, and you don't have investors who are second guessing every one of your moves.

David Hammond:

By the way, what happened to Bond International Gold?

Douglas Silver:

After I left, Bond was sold to Lac Minerals, and Lac Minerals subsequently was acquired by Barrick Gold. But, during the time that I was with Bond, we built the Colosseum Mine, we built the Golden Patricia Mine, we built the Bullfrog Mine, the Richmond Hill Mine, and we invented the Kalgoorlie Super Pit. So, it was an amazing time for the mining industry, with so many new mines. We were the fourth largest North American gold producer when we were up and running on all the cylinders.

26:11 LESSONS LEARNED WHILE WORKING FOR BOND GOLD

David Hammond:

Wow. And, the Super Pit at Kalgoorlie is still going out there. So, what did you take away? What's the biggest lesson that you learned from your time with Bond?

Douglas Silver:

I think there were two really critical lessons. One is having a benevolent dictator as your boss is really good because he took good care of his workers because he depended on us, but he didn't suffer fools, and he made decisions quickly. The second is, one of the things that is often missed in investor relations is, don't lie to investors. Investor relations people have this tendency to always promote the company and only tell the good. I had one of the greatest analysts in the New York market sit me down the first time he met me. He said, "Tell me the good and the bad. And, if you do, when things go bad, we'll probably give you more leeway because we know you're being honest." And, it's always been a message I've carried through my whole career. Just tell people the way it is. And, I'm sorry if it's negative information, but I'm being honest with you, and we'll work through the problem together.

27:20 FOUNDING THE DENVER GOLD GROUP

David Hammond:

I think it was during your time with Bond that you founded the Denver Gold Group, which today runs the most influential, precious metals investment conferences in the world? Didn't you have enough on your plate?

Douglas Silver:

Yes, but, you know, having been laid off by Anaconda, one of the things I learned is you always have to have multiple irons in the fire. Even though I had this marvelous job at Bond Gold, I was always thinking about "what if". All the investment bankers would want to fly to Denver to meet with Steve Everett, our president, and pitch him on deals and try to earn commissions. Steve really didn't want to meet with them because he just had such a huge workload. The guy was buried. He was working hundred-hour weeks. So he gave me the job of triaging the investment bankers that he would meet with, which was, you know, wonderful power. And so, what I was thinking about is, Denver didn't really have a vibrant mining industry at that point.

We had a lot of mining people. I mean, Denver has been the center of the US mining industry for decades, but we didn't have a big investor base in Denver. We just had a lot of companies. So, the deal that I cut with these banking people is I would get them a meeting with Steve, if they would present to the Denver mining community about any subject they wanted. This would allow the smaller Denver-based companies to get exposure and meet with the world's biggest investment bankers. That's what formulated the idea of the Denver Gold Group. It was a way of getting investors to come to Denver, since we didn't really have a financial community here, the way that Toronto, Vancouver, and New York have. So, that was the impetus for doing it.

29:10 THE NEXT STEP-CREATING BALFOUR HOLDINGS

David Hammond:

Following your tenure with Bond, I recall that you left them in the latter part of the 80s?

Douglas Silver:

Yes.

David Hammond:

That's when you formed Balfour Holdings, and I'm sure many folks who even know you well still don't know where that name came from?

Douglas Silver:

Balfour is for the letter B, which is my middle name. We have a lot of Scottish names in our family, and I used it because originally, I was hoping to build my own investment company. I wanted a vehicle where I could track my investments and start building a track record. But, I wasn't too good at that. But, because it sounded like a fancy investment company, I just kept it and ended up using it as my consulting company name.

David Hammond:

The business plan was for Balfour to be primarily a consulting firm?

Douglas Silver:

Yes. But I had a business model that nobody had ever done before. And, what I learned at Anaconda was that senior management was making decisions based on what they read in the Wall Street Journal that day. They weren't actually doing formal research, even though they had these massive strategic planning departments, as you know, given that you were part of that world. What they needed is somebody who would do quantitative research at the board level on whatever question they had. I set up Balfour to do that for these companies and built the vehicle in 1987. I continue to still use it on occasion.

31:01 MEMORABLE CONSULTING PROJECTS WITH BALFOUR

David Hammond:

What were the type of clients that you had, and what were the nature of the project assignments that you would get in these engagements?

Douglas Silver:

Listen, my best clients are the ones who paid their bills. If you've been in the consulting business, pretty much every year there'd be one or two that wouldn't pay their bills, and there would go your profits. So, consulting became a wonderful lifestyle. I had some wonderful assignments. I had assignments where a board of directors would call me, and they'd say, "Hey, we got a board meeting in three weeks. Should we invest in Peru, or should we invest in Mexico?" And, I'd have three weeks to put a white paper together. One major gold producer retained me after 9/11, like two days after 9/11, to figure out what 9/11 was going to do to the mining industry. Now, this was intellectually fascinating because I had no precedent, and they basically paid me to think about stuff for about three months, about all the possible ripple effects of where it could go. It was a wonderful assignment because I had to figure it all out. And, I'm happy to say, I think I got it right, because, when the pandemic hit many of the same things I had predicted in 9/11, post 9/11, happened with the pandemic. So, it made giving speeches about the pandemic a lot easier.

32:29 CREATING A NICHE IN VALUATION WORK

David Hammond:

I know that you also started doing evaluation work. And, I know that you eventually were actually doing formal appraisal work. You're a certified minerals appraiser; how did that all evolve?

Douglas Silver:

When I was in the acquisition team in Anaconda, I learned about business. I never took a course in college because I just wanted to be a really strong natural scientist. I got a lot of on-the-job training at Anaconda. I really liked doing valuation work because I could put a number on something intangible, like a mine or deposit. When we had the market downturn, nobody was doing business development, but people still needed valuation work. So I joined the American Society of Farm Managers and Rural Appraisers, which runs a two-year, eight-course program that trains you how to do rural appraisals. Each class was a week long and then you had a three-hour exam at the end of it.

If you passed, you could move on to the next course. I did that for two years, and it put me into a very small group of people in the mining industry who knew mining and knew how to do appraisals. Most of the engineering companies that people use these days don't know the proper way to do appraisals. They're actually just doing valuations, but there's more to appraisals than that. It created a tremendous business opportunity for me because there was so few of us in the world that did these things, and I was lucky that I got to work with some of the world's largest mining companies doing internal appraisals; doing appraisals when they wanted to sell an asset and tried to figure out what they thought they could get. I was also involved when they were buying something. They would bring me in as a fresh pair of eyes to tell them what it was worth. It was a marvelous career that I did it for about 20 years, and absolutely loved it.

34:32 BUILDING BALFOUR'S LIBRARY & DATABASE

David Hammond:

I know that as a mineral appraiser you became expert in the use of the market approach to value for mineral assets, and with the massive databases you developed over the years which are so critical for the technique, you were the go-to appraiser for mining valuations. So, did Balfour grow to a large corporation or a large consulting entity?

Douglas Silver:

No, Balfour grew to have a very large library. Back then we didn't really have the Internet, and so I got us on about 4,000 mailing lists, and I would get three to four feet of mail a day. Tu Li, who's Ta Li's wife, came in to help me and she's been my business partner for over 20 years. She had the lovely task of filing all that stuff. But she also had the wonderful task of running my business so that I could do my appraisal work. When we closed Balfour in 2003, we had 78 filing cabinets of annual reports for mining companies - the largest in the world - second only to the Canadian government. But, what I found is the market approach to me is the best of the three appraisal approaches, because it's using real time data for what the market will pay for things.

There was no organized effort to collect this data. Every day I'd get up and download all of the press releases or read them through the magazines. I think we had something like $15,000 of subscriptions each year to look for new deals. I built a very detailed model; a mathematical model on how every deal was to be valued so that it all matched up at the end. And, that's what really created the appraisal business for Balfour. I would have companies call, and they'd say, "You know, Doug, we want to invest in Mexico. What are they paying per ounce of resource?" And, I was the guy with the numbers, the go-to guy with the numbers. Monopolies are always preferred, and it was a very lucrative business.

David Hammond:

Well, I certainly can attest to the size of the files, and your databases have bailed me out more than once, particularly during my dissertation. So, in collecting all these massive amounts of data, we understand what your purpose was. What happened to that important database in later years?

Douglas Silver:

It was kind of sad, you know, with the invention of the internet more and more things became digital. When I decided to close Balfour, I approached the major universities to see if they wanted the files, and nobody wanted 78 filing cabinets. So, we ended up getting a 33-foot dumpster and paid my son for a month's worth of emptying drawers and throwing them into a dumpster. It's too bad because these files went back to the 1960s. And, I could pretty much look at any company's history, which when somebody buys another company, the targeted company may not have their records going back that far. So, it gave me a lot of useful information that nobody else had, but we ended up having to throw it out because nobody wanted it.

David Hammond:

It's really sad because the hours put into it plus, a lot of that older material, which someday someone's going to need to have, has not been scanned. It's not out there in the cloud anywhere. It's basically lost.

Douglas Silver:

Yes. If I was doing that today, I would've shipped it all off to India and had them digitize it, because you're right. You can't find those files today. I was not happy to get rid of it, but, to your second question, I think it was a week after they took the dumpster away somebody called me saying, Hey, do you happen to have a copy of this report? Not anymore...

38:33 TESTIFYING BEFORE CONGRESS ON MINING ISSUES

David Hammond:

I know there's been a number of times when you've testified before Congress on various industry issues - mine and mineral industry issues. Tell us about some of those.

Douglas Silver:

The first time I got contacted by the Subcommittee on Energy and Natural Resources, there was so much civic pride. The idea that they think you know something and that they actually want you to come and testify in Washington is really like Mr. Smith goes to Washington. It's a tremendous honor. And, the amount of time you put into writing your testimony and answering their questions is phenomenal. So, my first presentation in Washington was in 1995, where I was discussing why capital wasn't flowing into the U.S. mining industry. I also have testified on the proposed changes to the Mining Law of 1872, and I've served as a friend of the court to the subcommittee on other issues, particularly on royalties, which we'll get into. What I found is that we experts are considered qualified experts of Congress.

I spent a lot of time and personal money to give them the best advice available. You get into the session, and they're sitting up on the dais, looking down on you and the whole thing is filmed. When you get done, they don't really care. They put it away in a file. They claim it sets a foundation for the future, but, in my 40 years, I've never seen how any of the multiple times I've testified has ever been used for anything. So, a lot of it is just showmanship and getting the various senators on the microphone, giving their piece for their constituents. But, they really don't care. So, the last time I got invited, I said, "No." Now, I don't know a lot of people who turned down a chance to speak to Congress, but it was so disappointing that all three of us who were invited said, "No." Because we were all pretty close to Denver, they moved the hearings to Denver so we would participate, because we saw no point in spending money on airline flights, and they don't compensate. They don't cover your cost. So, they moved the hearing to Denver. And, that was the last time I testified in Congress.

David Hammond:

Sort of a Kabuki theater, right?

Douglas Silver:

Oh, yes.

40:46 DEALING WITH THE MEDIA

David Hammond:

I also know that, and I've seen this many, many times, you've been interviewed by various media from the Wall Street Journal on down. How is that different from testifying?

Douglas Silver:

Well, first of all, I like the media for several reasons. I got to deal with them regularly when I worked for Bond and developed a relationship with a number of the top reporters, particularly those who cover mining. I found them to be very straightforward, professional and just trying to do their jobs. The topics that they covered were always really timely and very interesting to discuss. And, because of my unique situation, regardless of which job I had, I could always give them information that they probably hadn't thought about, because of my data and the way I study the industry. With the media, if they quote you properly, you take their call the next time. If they don't quote you properly, you don't. So, you weed out the bad ones pretty quickly. I have to say the majority of them quoted me properly. I also like the way their brains work. They really can ring fence the issue they're trying to address for that article and keep you in that ring fence when they're asking you questions, which is much the same way scientists analyze problems. I don't think reporters think of themselves as scientists, but the way they try to get their articles framed and answered, it's very science-like, and to me that's sort of a natural appeal.

David Hammond:

Over the last 25 years or so, as you've been involved with various media organizations. Have you seen a change in the ability of journalists to properly cover mineral resource topics?

Douglas Silver:

Unfortunately, they're faced with a real Catch 22. For a reporter to do their job properly, they need to research something, and they need to research it thoroughly, so they get both sides of the story and show the reader the contrasting perspectives. Unfortunately, with the Internet and the short news cycle time, they don't have time to do it. So, two things about media on the Internet: one is they don't always get a chance to research it enough depth because tomorrow they have another subject. The other is the Internet has opened up this fake media, and I'm not talking about Trump's fake media. I'm talking about, there are so many forms of media, which a lot of them are nothing more than opinion pieces, not where the classic journalist would be trying to gather facts and give you the facts.

I don't think a lot of people can tell the difference between when somebody's just running a blog with their own crazy ideas and when you have a proper journalist covering the media. I think that really hurts classical journalism because they're still doing their job, but they're getting outnumbered by all these crazy people, and the crazy people aren't the mainstream media; they're people who are running blogs and have their own wild website. We've all seen the impact of that on American politics and, unfortunately, on American lives, including how it impacts our kids. There is a lot of misinformation, and there's distracting information that doesn't really contribute to society.

44:17 ONE GOOD IDEA-INTERNATIONAL ROYALTY CORPORATION

David Hammond:

Your heyday of Balfour was during the 1990s; moving into the 2000s is when International Royalty Corporation started to evolve. Tell us about the genesis of that concept and why you moved from Balfour Consulting to International Royalty.

Douglas Silver:

Consulting is a marvelous lifestyle, and I was paid a great deal. You know, I remember once one of my clients saying that I charge more per hour than their lawyers. And, I said, "Well, you know, you get what you pay for." I've had a thousand bad ideas in my life, and for all of you who are young and are listening to this, you're going to have a thousand bad ideas. But, I had one good one, and that was International Royalty. What happened there was, I was getting ready to turn 50. My private research showed me that the Chinese super cycle was getting ready to kick in. You know, we're talking about 2000, 2002, in that range. Both of my kids were getting ready for college, and I knew I needed to make a lot of money. I saw that the public equity markets were blowing wide open.

I thought if I'm ever going to run a public company, now is the time to do it, and, fortunately, right at that time, I was doing an appraisal on a royalty company. It was fascinating because I had never studied the royalty industry. Didn't really know much about it. About halfway through the appraisal process, which typically took about a month or a month and a half, Royal Gold showed up and made a bid for this company. Well, my client a woman who owned 90% of the stock of High Desert Ventures, that she and her husband got from building this company. He died quite unexpectedly, and she was sort of stuck with this public company that she owned. She approached me and asked me if I knew anything about acquisitions and sales. And, I said, “Well, of course I did.” Come on! I was a consultant. We always say “Yes”, and then we figure out what that means. I actually did have a lot of experience from the Anaconda acquisition team. So, I quit appraising it and started serving as her negotiator. I spent the next six or eight months negotiating the sale of her royalty company to Royal Gold. In the process of it, I got a PhD in the royalty industry, because I had to go into each round of negotiations, armed to the teeth to get her what she wanted. I'm happy to report that she did get what she wanted.

46:50 BUILDING A PUBLIC COMPANY FROM THE GROUND UP

David Hammond:

After creation of this form of the mineral royalty company, you directed it to become a public company. Tell us a little bit about going that direction versus trying to finance IRC with private equity, especially at that time.

Douglas Silver:

Here's the dilemma: you're a consultant, which means you don't have a lot of money. You want to go build a public company which costs a lot of money. So, how do you do it? Well, it's quite easy. The first thing you do is you surround yourself with your friends who are seasoned professionals at whatever skill sets you need, and you don't have to pay them. So, the first person I got was Doug Hurst, who was a co-founder; he and George Young were the co-founders of International Royalty. Doug and I had known each other for years. He, like me, he was a geologist. He'd served as an analyst for some of the investment banks. He was a mineral economist, like me, by on-the-job training. Doug and I kept running into each other at conferences and talking about the same subjects because he also built databases. It seems to be the purview of Dougs. We build big databases. So, I got together with him, because I knew he'd have a list on his database, and I had a list on my database. And then, we got George Young who was a lawyer because all of this is very legal. We then expanded the team. We brought on Rene Carrier, who was an expert on the Canadian stock exchange compliance. He was a former broker. He had a massive number of skills, and I'd worked with Rene before. I got Rene on our board of directors as my lead director. We got Gord Fretwell, who was a securities lawyer. We added Bob Schafer who had really good networks. He was with Kinross Gold at the time. We just added people to the board who would work for free or work for stock options or work for founder shares.

We basically built the company from that. We then went on the road to raise money. Doug Hurst found the first royalty, which was on Hemlo. The Hemlo royalty was kicking out about half a million dollars a year, which for two consultants was an amazing amount of money. It allowed us to shut down our consulting practices and go full-time. We went on the road, and it was literally like what you see in the movies. We had been to 10 or 12 investment bankers. Everybody had turned us down, and we were on our last investment banker. We had maxed out our credit cards. We went to Haywood and met with John Tognetti, who was chairman. Got about two minutes into the discussion. He says, "Stop." Then he said, "I'll take the deal."

David Hammond:

Wow. The sun did come up, then?

Douglas Silver:

Oh, yes. We were able to buy the Hemlo royalty in 2003. It took us about another year and a half to build the portfolio to the size that you could take public. I went to the BHPs and the Heclas and all my clients and got them to sell me their portfolios. Again, we didn't have any money. So, in the case of BHP, they were wonderful because I'd been their appraiser for years. They said, "Doug, you don't have any money, and you want to buy all these things." I said, "Yes, but I'm going public." And, they said, "Okay, let us know when you're public, and then you can buy our portfolio." So, I got an option without having to put anything down, which was really nice. I did that a couple times because of my personal relationships. This goes back to this issue about networking and having very strong, personal relationships with people. It makes a big difference in doing business, particularly if you don't have any money and you're trying to grow something.

50:42 TREAT PEOPLE RIGHT-DON'T CREATE BAD WILL AMBASSADORS

David Hammond:

And, having a well established reputation of being smart and playing by the rules and wanting to build value for the investors.

Douglas Silver:

Yes. I think there's a bigger lesson, though, and I don't think a lot of people think about this, but you're right. You want to be honest; you want to be professional. But if you hurt somebody or they perceive you've done them wrong, you create a bad will ambassador. Bad will ambassadors will tell anybody who will listen how you hurt them. Goodwill ambassadors will not. Goodwill ambassadors will only respond if somebody asks them a particular question. What happens is you accumulate bad will ambassadors, but the people who like you and like your product, won't say anything about you, unless they're asked. This will greatly impact your ability for deal flow. You and I have seen this, where one of the mining companies will get a bad perception for whatever reason. For a year or two, nobody will take them the good deals because they have a bad perception. Then their competitor, who had a good perception, will get all the deals. The good company will do something wrong and become the bad one. They will switch back to the other one. We've seen this in business, but it's really key that you treat people right and that you're honest and you're straightforward, because you don't want those bad will ambassadors. They will hurt you in ways you won't see coming.

PART 2

00:17 ACQUIRING THE VOISEY’S BAY ROYALTY

David Hammond:

So, International Royalty Corporation did an IPO on the Toronto exchange in 2005. And, I know the IPO was simultaneous with IRC’s acquisition of the Voisey's Bay royalty, which at the time was the most expensive mineral royalty ever purchased. Can you tell us how that all came about?

Douglas Silver:

Yes. Prior to us spending $160 million to buy one royalty, the largest mineral royalty ever purchased was when Franco had bought the royalty on Stillwater. They paid, I think, $36 million. So, we were going way out of the box on this one. We had heard that Altius Minerals had bought a 10% interest in the Voisey’s Bay nickel royalty, which is in Newfoundland, from the two prospectors who discovered Voisey’s Bay. We also knew we were dealing with people from Newfoundland, and Newfoundland has a very unique culture. Wonderful people, and I always enjoyed my trips to St. John, but they're very inward looking. They're not, I don't want to say, parochial. That's not correct, but it's a tight community up there. So, if you're from the outside, they're suspicious of you. And, if you're from New Jersey, they're even more suspicious.

We knew that the other 90% might be available, but we also knew we were going into a different culture from big corporate business. So, I called up Chris Verbiski, who was leading the effort on this royalty and asked him what his favorite sport was, his hobby. Turned out it was fly fishing, which, you know, a man of kindred spirits. So Doug Hurst and I flew up and we met with Chris and his CFO, Chris Daley, and the four of us went to a fishing lodge for three days to get to know each other and to discuss stuff. And, at the end of the third day, we were in a horrible rainstorm. I mean, it was miserable, and Chris Verbiski and I were in the same boat. So we went in early to warm up and we sat down. and he said, "Let's talk about the royalty."

Chris showed me his model. He had spent a lot of money and a lot of time on it. He had a former technical service guy from BHP developed it. It was a marvelous model. We had done our own back-of-the-envelope model, which wasn't anywhere as complicated. But our value was within five or 10% of his. So I accepted his value right out front, and that started developing trust. Then, over the next year, Chris would ask us questions. We would develop white papers for him on it. After a year, he finally offered to sell it to us and we used the IPO to pay for it. That's why we had collected the other portfolios from the other companies. We had them all waiting on the shelf. We went public with something like 65 royalties, but Voisey's Bay was the flagship.

03:19 COMPLETING THE COMPLEX IPO FOR INTERNATIONAL ROYALTY CORPORATION

David Hammond:

That was a huge and highly complex effort to do the IPO and close on the royalties at the same time. Tell us a little bit about this IPO exercise, how it took place, because having been a witness to the events, I know that it was quite an experience.

Douglas Silver:

Oh, yes. It was a nightmare. First of all, we were doing equity and debt. For those of you who haven't worked with debt, debt is about paperwork. There's mountains and mountains of paperwork. And, it's all led by lawyers who enjoy mountains and mountains of paperwork, because then they can keep running the clock on you.

The problem we had is that we had to close in three different cities on the same day. We were in Vancouver where George Young took to closing the BHP portfolio. I was Toronto because we were listing on Toronto, and my law firm was in Toronto. I was heading up not only the equity but also getting the debt put to bed. Doug Hurst flew to St. John's to close on Voisey's Bay and, obviously, none of this would've happened unless Voisey's Bay closed first. So none of us slept for like three days. We had something like 40 lawyers working on this, and we were exhausted.

Doug calls me from St John's, and he says, “Doug, we have a problem.” I said, “What's the problem?” And, Doug Hurst said, “We have run out of things to sign.” And, from that point forward, I have continually sought to get revenge on Hurst.

04:49 PLUSES & MINUSES OF RUNNING A PUBLIC COMPANY

David Hammond:

The IPO for International Royal Company was in February of 2005.

Douglas Silver:

Correct.

David Hammond:

And you found running a public company is quite different from running a private company. What are the pluses and minuses?

Douglas Silver:

The major plus is that you can raise money easily. If you are public and you do a good job, your share price should go up, and you can earn a lot of money. The negative is that, as CEO, you're working 80 to 100 hours a week, including holidays and vacations, trying to get it done. You have to meet a lot of investors. Paul

Zink, who was our president, and I would meet over a hundred institutional investors a year. One of us was always on the road. As you know, I would have to do a hundred days on the road, having these meetings with investors. And most of the time, if they didn't know your company, they would listen. If they did know your company, they were critical. You would go to these meetings, and they would just continually test your competence or declare you're incompetent, or say "why don't you sell to somebody else tomorrow?"

They really didn't understand the relationship between the CEO and the investor. My job is to create value, and their job is to recognize it. When our stock collapsed in the downturn (2009), I was furious that I was working hundred-hour weeks doing the best I could, and my stock was getting hammered. This played a major role in why I decided to sell. I just got so beaten down by investors, always questioning my competence and being so critical of all of our efforts to create value.

06:40 THE INTERNATIONAL ROYALTY BUSINESS MODEL-BUYING BASE METALS

David Hammond:

Once you had IRC's capital structure in place and turned to expanding its royalty portfolio, did you base a lot of the royalty targets that IRC went after off of the databases which you'd developed over the years?

Douglas Silver:

Yes, initially we did, but our business model was quite different. You know, prior to International Royalty, the royalty companies were all heavily focused on precious metals. We had this interesting economic concept that a dollar of cash flow was worth a dollar of cash flow. We found out in hindsight, it's not. A dollar of gold cash flow is somehow better than a dollar of nickel cash flow. But, at the time, this was our business model. These other guys were all chasing gold, silver, platinum and palladium. We were out buying base metals. We had no competition. Doug and I started with our databases, which were quite exhaustive. I mean, we pretty much knew all the royalties in the world. As we did more deals and people found out about us, they would bring us additional deals.

07:48 DISCOVERING ROYALTIES COMPANIES DIDN'T KNOW THEY HAD

Douglas Silver:

As we grew the company, then the investment bankers would bring us deals. The most interesting part was, because our databases were so comprehensive, we would see a major mining company would have, you know, 20, 30 royalties. And we would contact them and say, "Hey, you've got these 20 royalties. We'd like to buy them." They'd say, "No, we don't." "Yes, you do". "No, we don't." "Yes, you do." We'd send them the list. Then about two weeks later, three weeks later, we'd hear from them saying, "Oh, we didn't know we had those royalties." So many of the royalties were tied to exploration agreements and then were just tucked away in a drawer. In fact, in one case, it was. So their land departments hated us because we were showing they weren't following their assets.

But, a really good example was the Penasquito royalty. Penasquito is a mine in Mexico. And, we found out that Rio Tinto had this royalty, and we contacted them to say we wanted to buy it and went, yes, no, yes, no, yes, no. They came back and said, "Yes, we did." And, it turned out, it was in a contract in the drawer of an exploration geologist that had just left the company. So, they said, "Well, you know, Rio Tinto policies, we need to put it up for sale through a proper auction. Bids have to be in by five o'clock on Friday." We sent our bid in on Friday morning for $80 million for this royalty. They called us saying, "Wow, you know, this is amazing offer but we've got to wait until five." And, Royal came in at like 4:59 with a hundred million for a royalty that Rio Tinto, technically, didn't know they had.

So, one of the contributions we've made to the royalty industry is all the major mining companies then started checking their records to see what they had. This happened to us multiple times, not just with Rio, but with other companies where they didn't actually know the royalties they had. So, when we went in and showed them, it gave us an introduction. They appreciated the fact that we were willing to pay for assets they didn't necessarily know they had. For a couple years, we were just sweeping the market because we had no competitors. It was marvelous.

David Hammond:

I think that also happened with Oyu Tolgoi, didn't it?

Douglas Silver:

Oyu Tolgoi. Yes. We tried to buy the royalty on Oyu Tolgoi from BHP, and we put in an offer, and Chip Goodyear said, "Yes." But Bob Friedland had a first right of refusal which he had to execute. I think it took him three or four microseconds later to execute. It was really interesting because we were sad we lost it, because, you know, here's one of the world's best and biggest copper deposits. When we went on the IPO roadshow, we would tell this story about how we lost it to show investors we had really good networks. They all assumed it was Franco-Nevada that had put in the offer, and we actually got points with investors for something we lost, which was really odd. But, yes, I've been on that mine site when they were constructing that mine. It's truly one of the world's biggest, it's huge.

10:41 STAFFING INTERNATIONAL ROYALTY-A SCALABLE BUSINESS

David Hammond:

So, International Royalty Company took off and started running. Did you have a big staff then?

Douglas Silver:

No. Our maximum staff was 11 people, and this is one of the wonderful aspects about royalty businesses. They're exceptionally scalable. When you buy a royalty, because you're not operating the mine, you have to monitor it. But, the rest of it is just clipping coupons. So you can get by with having a fairly small staff. We had 11, of which I think 6 or 7 were the business development guys. We had a couple in accounting and one or two other people. If you look at Franco-Nevada right now, which is the world's largest, I mean, I think their market cap is $35 billion or something, they have like 20 employees. It's the most scalable business of any industry in the world, which means more of your profits are going to the bottom line rather than going to corporate overhead. It's an absolutely marvelous business model.

David Hammond:

I think Warren Buffet agrees with you on that.

Douglas Silver:

Yes. Yes, he does.

11:50 CHANGES IN THE ROYALTY INDUSTRY-FROM ROYALTIES TO STREAMS

David Hammond:

You've talked just a little bit about the gold royalty companies, ones that are focused on precious metals versus those with broader target scope. Are there any other aspects of that you might want to comment on?

Douglas Silver:

Well, I think it's important to see how the business has changed. You know, when we were getting ready to sell IRC in 2010, the business had really changed from buying royalties to buying streams. As you remember, we had that famous board meeting where I presented eight mega deals that we wanted to do: that we needed in order to continue being one of the largest royalty companies. In the end, we were unable to get any of them. It wasn't because we necessarily lost out to a competitor. A lot of those deals were pulled from the market and other reasons that they weren't appropriate. So for us, it was a time to sell. However, since then, if you look at the industry today, there's about 40 royalty companies. And so, the question is the new royalty companies, how are they differentiating themselves from the investor's perspective?

And, what we're seeing is they're becoming very commodity focused, you know, like there's Uranium Royalty Corp now, which only does uranium royalties. We see several of these being battery metal where they're chasing nickel, vanadium, copper, the battery metals. So the ground that we broke with IRC, where you could invest beyond precious metals, particularly in this market, because the three biggest companies, the four biggest royalty companies, have such a monopoly on the precious metals royalties. We're now seeing people differentiate, and there's about 40 royalty companies right now. And, they're chasing all different manners of minerals and metals and everything else.

13:46 TWO SIDES TO A ROYALTY COMPANY-ACQUIRING & CREATING ROYALTIES

David Hammond:

So, there's really two sides to a royalty company. One is acquiring existing royalties and the other is financing operating companies or projects through creation of a royalty.

Douglas Silver:

Right.

David Hammond:

Would you say for most of the, perhaps 40 royalty companies currently out there, which way do they lean, or is there a combination of target strategies?

Douglas Silver:

Pretty much everybody is running a combination right now. But I have to preface that. All of the major royalties in the world, the largest royalties in the world, are pretty much owned by one of the large royalty companies right now. That wasn't true when we set up IRC. So, there's not a lot of large royalty product available anymore. Now, there's still thousands of small royalties. And, if you're going to differentiate yourself, like with uranium royalties - yes, they're the only group chasing uranium royalties, so they can have them all, right? For everybody else, the smaller royalty companies that are staying in precious metals, a lot of them are having to do royalty or stream creations. And, again, as I mentioned, the switch over to streams has grown, and the reason is quite simple. If you look at a large royalty company that has four or

$500 million year in revenue, the institutional investors expect them to grow at least 10% a year.

That being said, say, $40 million. You can't buy a royalty, an NSR royalty, that generates $40 million a year. You have to go with streams, and streams cost hundreds of millions, if not billions of dollars. But, in return, you get $40, $50, $60 million a year out of it. So for the big companies, they don't really have a choice. They still buy stuff that they like that's smaller, but for them to incrementally grow their revenues, they've got to do streams. For the smaller, precious metal companies, they have to find situations that require financing and convince the owner to sell them a stream or a royalty rather than do equity. And so, you have multiple factors depending on which part of the space you're in, and that's playing a huge role in today's market.

16:00 THE IMPORTANCE OF A FLAGSHIP ROYALTY

David Hammond:

I recall you describing now almost 20 years ago your concept that a successful royalty company has to start off in their early years with a flagship royalty. Do you think that, as obviously with IRC and Voisey’s Bay, or Royal with Cortez, that kind of fundamental building block is still important today?

Douglas Silver:

Absolutely, it's critical, and it's for several reasons. One is your flagship better be a world-class deposit. If it is, now the investors will credit you for having a royalty on a world-class deposit. The second is if it's a flagship. It means it's a big one, which means it's giving you big revenues. I think one of the challenges for the micro royalties, the small guys, is they have no revenues or the revenues they have don't even cover their working capital. So you're of no interest to investors if you don't have your working capital. The third point is, it sets the theme for what you're going to do going forward. You know, when we bought the royalty on Voisey’s Bay, it pretty much established we weren't a precious metal royalty company. Although we did buy precious metals when we could, because we got the message that a dollar of gold cash flow is more important than the dollar nickel, once you buy your flagship, it pretty much sets the tone for where, what part of the royalty sector you're representing. Those are the reasons why having a flagship is really important.

17:40 SELLING INTERNATIONAL ROYALTY CORPORATION

David Hammond:

We went through the downturn with everybody else in the commodity sector, and the share price did come back. We had some additional capital raising which we did and ending up around 2009, 2010, when the sale of the company occurred. Can you give us a little insight on the background for the sale and f how it evolved and something about the motivation? And I won't coach you here.

Douglas Silver:

Yes. Remember, Dave was my strategic planner saying, “Sell, sell, sell,” but you did that from the day after we went public, you know. The story behind this sale was really quite interesting. It was my objective to build a billion-dollar company. Why? Why not? You know, not a lot of people get a chance to do that. It sounded like a fun target, nice round number and we were on our way. When our stock got hammered in the downturn, I got approached by Franco-Nevada and by Royal Gold, and Franco said, "Doug, we know your company inside and out. We'd like to buy it. We'll never make you an offer unless you're in the mood to sell." Dave Harquail is a real gentleman. He continues, "However, we have two issues that we don't understand and that we would need to study. So, could we sign a limited NDA and look at these two issues?" And, I thought, "Yes, why not?" About a week later, Tony Jensen from Royal Gold called me. He says, "Doug, you know, I'd really like to buy your company. But we have these two issues that we need additional information on. Would it be possible for us to sign a limited NDA and look at these two issues?" At the same time! Although we owned the Voisey's Bay royalty, and it was our flagship, as I said, we couldn't make the leap in buying another flagship. We were having real trouble with that. The second problem was President Obama had threatened to raise the inheritance tax. And, when I ran the numbers, I was basically working for free. If he had passed that inheritance tax (and Mr. Biden's making the same noise now), there was absolutely no reason for me to be working hundred-hour weeks.

As I said, the third reason was that I was getting worn out by investors who were continually complaining, and I just got tired of the negativity. I try to live a life of positivity and always try to be upbeat and they were just beating me down. So when Franco and Royal came in so close with the same request, it was a sign to me. It was time to sell. I was also wondering if the Supercycle was getting a bit mature. You know, we may have peaked in hindsight, but our timing on selling was perfect. For you younger people, never plan anything on market timing. You'll always get it wrong. So, those were the reasons we put IRC up for sale. We negotiated with both companies. Again, if you're ever selling an asset, you want to have at least two bidders, so you can get deal tension. At the end of the day, Royal made us the best offer and, we ended up selling it to them for Canadian $745 million, which was a 70% premium to where we started after the downturn. So, the investors were very happy with me, and many of them who had been complaining called to say, “Let me know what you're doing next.”

David Hammond:

Go figure.

21:22 THE NEXT CHAPTER-RED KITE

David Hammond:

So, that closed one chapter on your life. Moving on to the post-IRC era, tell us about your first couple years after the IRC sale, and then, what that eventually led to.

Douglas Silver:

We sold IRC on the fifth anniversary, to the day. The fifth anniversary of when we formed the company and, I did the appropriate thing. I took a year off to work on my fishing and skiing but had a horrible realization that my friends who were still working couldn't go fishing or skiing on Tuesdays. My social life has always been in the mining industry, so to be relevant, you need to do something.

Meanwhile, because of our success with IRC, I was approached by many of the private equity firms to join them. And, most of them had the following pitch: “Doug put 50% of your net worth into our firm, and we'll give you 5% of the returns.” Or, I can go fishing.

Oscar Lewnowski was one of the founders of Red Kite. Oscar approached me with an entirely different idea. He said, "Look, if you look at royalties and streams and offtake agreements, it's really a continuum." And, he was spot on. I mean, streams are more like an offtake than a royalty. He continued, "I am an expert on offtakes. We're building this fund to raise money to build mines and we want to fill out the continuum. You're an expert on royalties and streams. How about joining us?" It was very appealing because he was right and because nobody else was thinking that way, Again, we had an inside track on having a major competitive advantage. So I joined Red Kite. But Red Kite was originally a hedge fund, and their private equity fund was designed as a hedge fund, which really didn't work for us.

23:20 CREATING THE ORION MINING EQUITY FUND

Douglas Silver:

Oscar and I went out and raised about a billion dollars and created another fund. After a couple years we realized that we were conflicting with the hedge boys because to us in the PE world, building mines is long term - four or five years, where to a hedge fund, long term is lunch. So we ended up separating the companies in 2013, and we spun off Orion. Then, we built Orion into what it is today the largest private equity fund in mining.

23:56 TWO WORLDS: PRIVATE EQUITY VS. PUBLIC SECTOR

David Hammond:

So, what's some of your takeaways from being in the world of private equity versus the public sector?

Douglas Silver:

Well, first of all, the world of private money is marvelous. When we were public at IRC, we had something like 15,000 investors, but when we're raising a billion dollars in Orion, we had maybe 30. In the public market world, the IR person's job is to open doors and set up meetings, but the investors want to meet with the CEO or the president of the company. In the private equity world, the investors have such large pools of money that they don't have time to deal with you. So, they prefer to deal with the IR guy. If they have a question, they'll feed it to the IR guy, who'll go to the president or the CEO or the CIO, and he'll feedback the answer. It's quite a different structure. Another thing about being private, you're a lot stealthier. You can run around and nobody knows what you're doing. For instance, when we were buying one royalty in Chile, I knew that Tony Jensen from Royal Gold was our counter bidder and we both live in Denver. I had to make sure when we flew down for the big meeting that I wasn't on his plane. I had to fly out of my way to make sure I wasn't on his plane. In the private world, nobody knows what you're doing so you could move a lot quicker. It's much stealthier.

The other thing is about the investors. The investors are large pension funds and high-wealth individuals, universities, endowments. Things like that. Think about it. They're entrusting you with pensioners' money. You have a huge moral obligation not to speculate with that money. So when you do your due diligence, you need to be a lot more serious about how deep you go and how thorough you are, and make sure that you're absolutely minimizing the risk, because this is pensioners' money. It's not speculative, like rolling the dice money in the public equity markets. You need to be a lot more serious about how you treat the money that's been given to you.

26:04 NATIONAL MINING HALL OF FAME & OTHER HONORS

David Hammond:

Now let’s come back to talking about what you're doing post Orion, which you retired from, I believe, in 2020.

Douglas Silver:

Yes. In December.

David Hammond:

Great! So, 2018, you were inducted to the-- That is one of the biggest honors for anybody in the minerals sector. How do you feel about that?

Douglas Silver:

Well, yes, it is a huge honor. And, you tell me, Dave, you're the one who sponsored me. I guess they didn't have a big candidate pool that year.

David Hammond:

Yeah, it was a little thin. Over the course of your career, you've received many other awards from industry and academia. Is that a hard thing to do?

Douglas Silver:

Early in my career, when I started this business, the Vancouver Stock Exchange was known as the scam capital of the world, and miners have been known at occasionally to exaggerate the truth. I decided that in my career, I wanted to be judged on what I accomplished and not on what I promoted. I've always been very humbled that I get any award, but if you're in the business for 40 years, you really have had to have done at least one thing right, and get recognition for it. I've just been fortunate that I've had more than one success and I appreciate the awards.

27:34 EXTRACURRICULAR ACTIVITIES-RESEARCH IN COLORADO

David Hammond:

Now let's talk a little bit about your extracurricular activities. I'm sure a lot of people don't know that you spent a decade studying freshwater shrimp and are considered as probably the top expert on the ecosystem of the Dillon Reservoir in Colorado. Does this avocation have a connection to mining?

Douglas Silver:

Well, I think I can make the bridge because humans can rationalize anything. My first love has always been aqueous ecosystems. As a child, I played in the ocean. I'm passionate about fishing, and I wish Jacques Cousteau had adopted me. However, it didn't happen. So when I sold IRC in 2010, I wanted to go back to my roots and study Dillon Reservoir where I have a ski condo looking out on the water. I wanted to get into the Colorado Department of Wildlife's records on Dillon and I knew the only way I could do it was to offer to sponsor projects. So I contacted them and, by the way, never reach out to anybody with an email saying, "I'd like to give you money." Apparently, it's been done before, and it took about six emails before they replied, "Well, Colorado State University's Fishery Science Department does all of our research. So, here's their number." Apparently, in the world of fishery science, you should not reach out with an email to offer to give them money. I finally got them to meet me, and we sat down. And so, what happened is this wonderful relationship with Dr. Brett Johnson at Colorado State University where I sponsored grad students. But I did it differently from how most people do sponsorships. I said, "Here's the deal. I will pay for their graduate degree, but I get to do the research with them." So we tried to find a small project to start with to see if we all got along. They wanted to make sure the check would actually clear. We started studying the freshwater shrimp in Dillon Reservoir, which are an invasive species and fascinating story unto itself. That led into me sponsoring four or five graduate students over a decade. Colorado Parks and Wildlife was wonderful letting us get access to lakes you can't take boats on. I've sampled over 70 waters in

Colorado, and, on all these waters, not only were we doing hard science, but we're also fishing, which is, as you know, is part of the deal here. The other thing that was really interesting is that, because fish live underwater, it's very hard to quantify them. In mining, you can go out and break a rock and send it in for an assay. You know exactly where that sample is. You can't do that with fish. So, there's an entire world of indirect statistics that I got to learn about, and it's absolutely fascinating how accurate they are and how they use them. So, the connection to mining is, mining allowed me to go back and be a fishery scientist.

David Hammond:

But, I also know that you were just not a sponsor, but you were actually a laborer in this as well.

Douglas Silver:

Yes. I would spend my summers on the research boat. It was funny because, when Orion hired me, they said "You know, Doug, we're really honored you're going to join us. You know, you'd be the oldest member of our team." And, I said, "Yes, I want you to think of me as a teacher. I want my summers off." And, they said, "You're kidding." I said, "No, watch me." So, I would be on the CSU research boat and having 20-year-olds push me around for 10 to 12 hours a day. In return for all my hard work, they allowed me to measure and classify 118,000 shrimp. Each one is the size of your pinky nail.

David Hammond:

But it keeps you off the streets, I guess, for a while?

31:21 A DEVOTION TO EDUCATION

David Hammond:

Even beyond your support of the programs at Colorado State University, I know you are heavily invested in education in many, many forms. Why is this so important to you?

Douglas Silver:

Well, it goes back to what I was saying before. I was raised in New Jersey. There's not a lot of mining in New Jersey. So when I went to grad school, I had a really hard time getting my first job and, this sent me on a path that I wanted to make sure other students didn't have to go through the same scenario. Right now, in my career, because of what I've done, I have the unique ability to access very senior people in the international mining industry. So I would go down and give lectures at the University of Arizona and at Colorado School of Mines and, if I see a real star, I would call up a CEO and said, "Here's somebody you seriously want to hire," and see if I could open a door to get them a job. I also like to do my own research (as you're well aware, given the number of times I've given you assignments on my behalf). The problem with doing research is that there's no point doing it if you can't share it. I like giving public speeches, and I would lecture at these universities with some specialized research I was doing as an outlet for doing this research.

32:46 SUPPORTING THE UNIVERSITY OF ARIZONA & THE LOWELL INSTITUTE

David Hammond:

Some viewers may not know about the extent of your support and involvement with the University of Arizona. Could you outline for us just some of the roles you've taken on with the mining and geoscience departments down there, and the Lowell Institute, the School of Engineering.

Douglas Silver:

I ran into Dr. Mary Poulton at an SME conference. She was standing behind the University of Arizona booth, and I said, "Oh, how are things going?" And, she relies, "Doug, we don't have enough money to pay for light bulbs." And, I thought, "What?" She was dead serious and she was trying to rebuild the Mining Engineering Department. So, I gave her a bunch of my IRC founder shares to fund light bulbs and paper for the copier and things like that. I then started working with Mary on rebuilding the department. One thing about Mary is she has wonderful access to mining people, and she put a cracker jack team of people together as her advisory board for the department. That eventually led to creating what's now known as the Lowell Institute, where I was one of the founding members along with a lot of other well-known people in the mining business. Eventually, I became chairman of that. In addition, in order to be heard in the College of Engineering, because mining was such a small part, she wanted somebody loud and opinionated.

David Hammond:

She got the right one.

Douglas Silver:

Yes. So, I was nominated, and I spent about 10 or 11 years on the advisory board for the College of Engineering. Then I switched over to the College of Science and I was there for three or four years. I think, in total, I was on the advisory boards there for about 15 years, as well as working on the Lowell Institute and other initiatives. You and I were putting on online short courses. We did all sorts of things. I was going to Tucson about six or seven times a year during that interim.

I stepped down a couple years ago and now that Steve Enders is head of the mining department at CSM, (he was one of my compatriots at Arizona), he now has me on his Executive Committee, doing similar type stuff at the Colorado School of Mines.

David Hammond:

Well, you certainly have made a lot of contributions both financially and enormously in the time that you've devoted to mineral education.

35:19 A LOVE FOR FLY FISHING

David Hammond:

I don't think we can leave the discussion without talking a little bit about your love of fly fishing. So, how did that all come about?

Douglas Silver:

I really wanted to be an oceanographer because of my summers in Montauk, Long Island and following Jacques Cousteau. I was never any good at group sports. You do not want to watch me swing a baseball bat. It's embarrassing and humiliating. I can't hit a ball to save my life. So I was destined to take up an individual sport rather than a group sport and because I liked fishing it was a natural place for me to go. I did fly fishing it when I was a child, but not very actively. I picked it up about six or seven years ago. And now, it's pretty much the only form of fishing I do.

David Hammond:

And, I know that you take some very interesting fly-fishing trips all the way around the world.

Douglas Silver:

It's funny because retired people often say they like to travel. Well, I've spent my whole life traveling. A lot of times when people are retired, they say, "Oh! I want to go and go to England and look at the cathedrals and the castles and all that." You know, when I did that as a junior in college, we said, ABC, "another bloody castle", "another bloody cathedral". My interest is in fly fishing around the world for exotic species. In mining I had that privilege of traveling to places National Geographic doesn't know about. But yes, I've been to Mongolia. I've been to Bhutan. I've been to Chile. I've been all over the world. And, in my golden years or my silver years, I intend to do a lot more fly fishing on some really, really exotic trips.

David Hammond:

I'm envious.

37:09 ONE CAREER REGRET

David Hammond:

So, throughout your career in the minerals industry, and all the things that you've been involved with, what are your biggest career regrets?

Douglas Silver:

My biggest regret is that I never worked in a mine. In the final days of Anaconda, they had scheduled me to go to the Carr Fork Mine, which is next to Bingham Canyon in Utah, to do a two-year stint and learn mining, but they canceled it. Instead, they laid us all off. So I never have actually worked in a mine. I think you learn a lot as a geologist, you learn a lot more about the connection between the geology that you're studying and the cost to get the rock out of the ground. You also learn a lot more about the nuances of how mines operate. I mean, you can sit in classes and learn the basics, but when you actually work in a mine, you get untold experience and things they don't teach in the class. Although I've spent my life valuing mines and financing mines and all that, I still, in the back of my mind, I always regret that I didn't do that. The other thing I wish I had gotten somewhere along the line was an MBA, because all of my business training has been on the job. Although it's been a wonderful education, I still wonder what I'm missing in my background that I could have gotten if I'd have taken you know, an organized MBA course.

38:32 INVOLVEMENT WITH SME & AIME

David Hammond:

You've been a very active supporter of SME, a member for many, many years. I'm going to give you some statistics. I know these because I had to compile these once. You're the only person to give more than one keynote at the SME annual meeting--you have given three. You have published over 60 articles, given 15 speeches, been a moderator of a keynote session at least three times, been a session chair four times, and created SME's first online video. You received five SME awards, including the Distinguished Member Award. And, today, you are still writing articles for Mining Engineering magazine.
Why do you support SME so much?

Douglas Silver:

SME and AIME are wonderful organizations. I first got involved in 1992 - that long ago. I had to look it up. In my early days, when I was trying to create my consulting practice, these professional societies really helped me build a business network. I don't think the young people appreciate that so much, but that's what the societies are for. They're for bringing people together. When you're young, and you don't know anybody, this is a wonderful place to meet people. If you give speeches to an audience, and, particularly, if you give a good speech, there will be follow-up. They will contact you. As I got better known and I kind of moved up the food chain and, eventually, ended up doing keynotes, I got even more exposure, and I got exposure at a higher level.

I remember, in my early days, if I went to SME and gave a good speech, I could draw $20-50,000 dollars of work out of it, which was a lot of money compared to what your SME dues were. So, exceptionally cost-effective to do this. It's also fun. It kept me in business and opened the door to new opportunities and, as I say, it's, it's got to be the easiest way to build a business network. SME has been very good to me, whether they've given me awards or given me opportunities to speak. It's been very symbiotic.

41:02 PLANS FOR THE FUTURE

David Hammond:

So, here we are in the latter part of 2021, when this interview is being conducted. You have retired from Orion. Where are you at now? And, other than fly fishing, what do you see ahead?

Douglas Silver:

In my heart of hearts, I'm a research scientist. I'm currently building a fly-fishing app, which we hope to launch this year or flip. I'm chairman of Chakana Copper Corporation. I wanted to go back to my geology roots. And, they have the most fascinating breccia pipes in Peru with phenomenal intercepts on high-grade copper. I'm a director of Metalla Royalties and Streaming. I wanted to stay in the royalty business because I have an expertise on that. And then, I'm an advisor to several other companies that have some very intellectually challenging problems that I'm hoping to work them through. I do plan to take at least two exotic fly-fishing trips. And, I'm writing a book on the modern mineral royalty industry, which is going to be published through SME. Some challenge me to ever using the word retirement. It's really more of a state of mind, than it is something you do. The days when our parents retired and they gave them the gold watch and put them in a rocking chair are long gone. I have high energy levels, and, if I can still give back, why not? But I am spending progressively more time in the fishing area than I am in the mining area. But, I'm still active in both because, as I said, my social life is in mining. I've got to keep up with my friends.

42:40 DEALING WITH CHANGE: SOME ADVICE

David Hammond:

Your career has taken you on a number of different paths starting as a zoologist and a geologist. And, along the way, you've had many, many fascinating experiences. But it's all involved a lot of change. Any comments about change in a person's professional career or any career?

Doug Silver:

Yes, change is good! There are a lot of people who are terrified about change. The best way to learn about change is get laid off, because you have no choice and, like I said, you get up the next morning, and you've got to change. I like change. When I see something that's more interesting than what I'm doing, I want to do it and there's nothing in this world you can't learn. I think there's a misperception that when you go to college, you learn everything you need for the rest of your career. That's really not true. College and grad school are about teaching you how to think, how to problem solve but you'll use those skills for the rest of your life. So, I changed from geologist to investor relations and, I had no investor relations courses in college or grad school, but it's not that hard to learn. There are very few professions that you can't learn in a matter of months and so, I embrace change. In about every five or 10 years in my career, I would make one of these radical changes but it was always more interesting, and, in my case, it was more lucrative.

44:17 ADVICE TO YOUNG PEOPLE ENTERING THE MINERALS INDUSTRY

David Hammond:

Well, along the same line, if you're talking to new people coming, young people coming into the minerals industry, what career guidance would you give them?

Douglas Silver:

I had to ponder this question for quite a bit. Although I may have worked in different sectors of the mining industry, I've never worked outside of the mining industry. I happen to think it's the most exciting business in the world. I mean, anytime you get to be out in nature, messing around with nature, play out in nature. I mean, how can that not be fun. We get to go to places that people don't even know about. That's really cool. I mean, I've been 9,000 feet below the surface in the gold mines in South Africa. I've been 14,000 feet building a gold mine in Chile. I've been north of the Arctic circle a half dozen times for fishing and mining. We get to go to really cool places. But, I think, more important, is that, in doing that, you also get to interact with different cultures. You learn more about the world, and you learn more about you. We're truly an international business. So if you're parochial, stay in the US or wherever you live, but if you want to really understand this planet, traveling to different cultures is really key.

I think the other thing is that mining gets a bad rap. We truly create value for society. I hear all this talk these days about electric vehicles and all that; we're going to have a green economy. Yes, and what's going to fund that green economy? Our metals. So, yes, you can think mining is bad and green economy is good, but you don't get the green economy without us. So we have a bad reputation, some of it, notably earned particularly in the early days in the 1800s. But this business has advanced so much and, we're so sophisticated now with respect to technology, with respect to stakeholders' issues, with respect to responsibility and disturbance in land, that I think that the next generation can take us over the top on this and get mining back to being a respected industry in the world.

David Hammond:

Well, thank you, Doug. And, I'm thanking you on behalf of AIME for your time in sitting down to talk about your career. You've had an incredible career, and I know it's still far from over. And, I'm sure that viewers of this interview will be fascinated. I they don't already know about your contributions to the mining business, hopefully they will do so now. So, all the best for the years ahead.

Douglas Silver:

Thanks, Dave. Where do I send the check?