Open Letter to Global Gold Company CEOs & Boards

As long-term investors in the gold mining sector, we evaluate the success of our investment decisions by looking at a number of factors, including stock price performance, strategic vision & execution, environmental & social records, proper governance, and alignment of incentives. Though the performance of gold mining stocks has been noteworthy recently, we believe that performance continues to fall short in the areas of corporate governance, alignment of incentives and strategic vision & communication with investors. Admittedly, some companies have made significant improvements in these areas recently, but there is still ample room for improvement.

Our aim in sending this letter out is not to focus on criticism-but rather, to offer some solutions that we think would provide for greater alignment of interests between management teams, board members and shareholders. We believe greater alignment is necessary for Boards to effectively manage the best interests of companies. We have provided below some ideas that we think would improve the perception of the industry, to make the sector more attractive to investors:

Corporate Governance

- Establish strict term limits for directors who do not have meaningful stock ownership;
- Broaden board representation from outside a narrow geographic and industrial background and ensure diversity of membership;
- Have a clear disclosed process for selecting directors that includes meaningful dialog with shareholders;
- Disclose the nature of any material current and past professional and personal relationships amongst board members;
- Limit the number of fully-operational corporate boards that directors can sit on with an absolute maximum which is at or below how ISS and Glass Lewis define “overboarded”.

Shareholder Alignment & Compensation

- Include per-share value metrics in calculating compensation for management teams and incorporate those metrics in presentations to investors;
- Define what metrics company management teams will be assessed upon for annual compensation at the beginning of the year (rather than retroactively when circulars are released one year later);
- Ensure a material component of non-equity bonus grants are tied to long-term shareholder returns;
- Implement a balance in the granting of stock grants and options to reward long-term stock price appreciation appropriately;
- Impose strict maximum quantity and minimum time thresholds for how much stock insiders can sell when exercising options;
- Institute progressive levels of minimum insider stock ownership levels that are also proportional to seniority and tenure of each director;
- Ensure that change of control fees are tied to long-term shareholder returns.

Strategy & Execution

- Maintain active data rooms without onerous entry conditions, such as open-ended time and scope-limited standstills, which preclude potential acquirers from taking offers directly to shareholders;
- Articulate a capital return framework which balances the allocation of free cash flow towards dividends, share buybacks, and manageable growth initiatives (for companies in production);
- Delineate and disclose how budgets are allocated between exploration & development activities, general & administrative expenses, and management compensation (for companies in exploration and development);
- Maintain an ongoing dialogue with shareholders regarding future equity capital needs for the business and carefully consider the pros and cons of various equity raising options, while noting that "bought deals" are often considered problematic and shareholder unfriendly by market participants.

Despite the strong performance of precious metals mining equities in 2020, investor flows into active and passive fund strategies have been lackluster. In contrast, flows into physical metals and related ETFs have been record breaking. The contrast suggests that the appeal of mining equities remains limited to specialist funds and has escaped the attention of generalist investors. Despite strong performance, mining shares are still episodically inexpensive. We believe that adoption of these suggested measures will improve current low equity valuations by attracting a wider audience of generalist investors and thereby lower the industry's cost of capital to the benefit of all stakeholders.

Respectfully submitted,

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