Persevering Through Adversity

A Brief to the 70th Mines Ministers' Conference, Yellowknife, NWT, August 2013

Submitted by the Canadian Mineral Industry Federation

National Associations:

The Mining Association of Canada
Prospectors and Developers Association of Canada
Mining Industry Human Resources Council
Canadian Institute for Mining, Metallurgy and Petroleum
Canadian Association of Mining Equipment and Services for Export
Coal Association of Canada
Canadian Fertilizer Institute
Canada Mining Innovation Council

Provincial and Territorial Associations:

Ontario Mining Association
Ontario Prospectors Association
Mining Association of British Columbia
Association for Mineral Exploration British Columbia
Association minière du Québec
Saskatchewan Mining Association
Saskatchewan Potash Producers Association
Mining Industry NL
The Alberta Chamber of Resources
The Mining Association of Manitoba
Yukon Chamber of Mines
NWT & Nunavut Chamber of Mines

CMIF members represent the majority of companies engaged in mineral exploration, mining and processing in Canada, and the supply sector that supports these industrial activities. Members account for most of Canada's production of base and precious metals, uranium, diamonds, metallurgical and thermal coal, potash and mined oil sands. We appreciate this opportunity to provide federal, provincial and territorial mines ministers with views and recommendations regarding policy issues of importance to our industry.

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SUMMARY

At present, the minerals industry is enduring a period of protracted and significant market volatility. As many commodity prices decline in the short term and global economic uncertainty persists, majors are facing challenges forecasting future demand patterns while juniors continue to struggle to access financing, particularly at early-stage grassroots exploration. Uncertainty is pushing companies to defer projects in the face of waning short-term demand, yet global medium and long-term demand is likely to increase dramatically.

Despite anticipated periodic volatility, healthy demand for mined materials is likely to persist over the long term as growth forecasts for emerging economies remains strong. This presents a significant opportunity for Canada given the right domestic investment, regulatory and operational environments, the subject of further discussion below. While the super cycle is widely anticipated to resume, Canada's participation in it is not guaranteed. To ensure Canada is prepared to seize the opportunity that the next upswing will present, continued and focused support from governments in the following areas is essential:

- **Support capital raising efforts** to incent mineral exploration, thereby enabling that segment of the industry to endure the current capital crisis and undertake the exploration necessary to address declining domestic base-metal reserves and contribute to the sustainability of global minerals and metals supply chains.

- **Address regulatory uncertainty**, efficiency and timeliness by ensuring that changes to the regulatory environment governing mineral exploration and development are accompanied by clearly defined and well-resourced transition plans which, to the extent possible, minimize the regulatory burden on the mining industry. Specifically, uncertainty should be addressed by:

    - creating a transition plan for *Fisheries Act (FA)* & *Navigable Waters Protection Act (NWPA)* amendments immediately.
    - postponing the implementation of *FA* amendments until the department is ready to bring it into force;
    - integrating consideration of *FA* and *NWPA* approvals in environmental assessments to ensure meaningful consultation and timeliness; and
    - clarifying the interaction of the *SARA* and the *CEAA* processes.
    - continuing to advance regulatory reform in the north, by amending and modernizing the *Mackenzie Valley Resource Management Act* for the Northwest Territories;

- **Improve land access and permitting processes** by maximizing the land base available for, and reduce barriers to, mineral exploration and development by ensuring that land withdrawal decisions are made following a reliable assessment of mineral potential and after careful consideration of economic, social and environmental factors; and,

- **Strengthen workforce capacity** by addressing the industry human resources crisis to ensure a sustainable workforce for the future. Governments must work with industry, schools, Aboriginal groups and other communities to address the sector's skills training, mobility and immigration needs.

- **Strategically invest in infrastructure**: For Canada's remote and northern regions, economic and social development is highlighted as a core priority underscoring both Canada's Arctic Foreign Policy and Canada's Northern Strategy. To enable industry to continue making robust social and economic development contributions to these regions, and Canadians generally through tax and royalty payments, governments should make strategic investments in infrastructure that enhance the economic viability of a host of mining projects.

- **Address declining reserves** by making further investments that enhance geoscience knowledge in Canada, such as in Geo-mapping for Energy and Minerals (GEM) and the Targeted Geoscience Initiative (TGI) programs, particularly in the north, as well as establishing incentives for technological and process innovations that reduce the risks and costs associated with mineral exploration and development.

- **Enhance Canadian mineral innovation capabilities** by supporting crucial research, development and commercialization by funding the Canada Mining Innovation Council (CMIC) through a direct 3 year contribution of $2M/year, enabling this organization the capability to address critical industry-wide innovation priorities.

- **Aboriginal relations**: Work collaboratively, and in consultation with industry and Aboriginal communities to provide more clarity on the scope of the Crown's duty to consult and, where appropriate, to accommodate, when the Crown contemplates conduct that might adversely impact potential or established Aboriginal or Treaty rights.

OVERVIEW OF CANADA'S MINERALS INDUSTRY

Economic Impact of the Canadian Minerals Industry Remains Strong

In 2011, mining contributed $63 billion to Canada's nominal GDP, accounting for 3.9 percent of the Canadian economy. In 2012, the value of Canada's mineral production remained strong at nearly $47 billion. In the same year, according to Natural Resources Canada definitions, the industry employed more than 330,000 workers in mineral extraction, processing and manufacturing – a 10,000 employee increase over the previous year.

Canada features world-leading mineral exploration capabilities with an estimated 800 Canadian exploration companies active in more than 100 countries according to Natural Resources Canada. Although Canada remained the top single destination for global exploration in 2012, its share of global spending decreased from 18 percent in 2011 to 16 percent in 2012. Furthermore, in 2012, expenditures on exploration (not including deposit appraisal expenditures) dropped by $700 million in 2012 to $2.2 billion (from $2.9 billion in 2011), and are projected to decline further to $1.8 billion in 2013 – an almost 40% drop.

Canada is also host to the second-largest mining supply sector in world. Home to nearly 3,200 companies, the sector supports the industry globally by providing capability ranging from drilling equipment to engineering services, thus expanding the industry's economic reach even further. In 2011, industry paid an estimated $9 billion in taxes and royalties to federal, provincial and territorial (F/P/T) governments – a number that, due to data restrictions, excludes contributions made by the mining supply sector. This thriving mining ecosystem, built upon the strengths of domestic exploration and mining, and then globalized, is also at risk if domestic exploration (and ultimately production) declines.

On the provincial scale, mining remains a significant economic driver with many provinces typically deriving a significant portion of their government revenue from the mining industry. In 2012, the total value of mineral production in Ontario exceeded $9.2 billion, in British Columbia $8.3 billion, in Saskatchewan $8.2 billion, in Quebec $8.1 billion, and in Newfoundland and Labrador $4.4 billion, with significant values amassed in other provinces as well. Examples of this growth during the commodities boom of the last decade include:

- a five-fold increase in mineral production value in Newfoundland and Labrador;
- a three-fold increase in mineral production value in Saskatchewan; and
- a three-fold increase in mineral production value in British Columbia.

Beyond provincial jurisdictions, the industry is also important to remote and Aboriginal communities, and generates prosperity in our major cities, notably Toronto, Vancouver, Montreal, Edmonton, Calgary and Saskatoon – each of which serves as a centre for global mining excellence for various types of mining. The industry's trade value decreased 9 percent in 2012 from the 2011 record high to $92.6 billion in exports, or 20.4 percent of Canada's overall total, but remained well above the historical average. A consequence of this global reach is that over half of the freight revenues of Canada's railroads are generated by the mining industry, as well as the majority of freight shipped by vessel.

Global Economic Outlook is Uncertain

Global economic growth has declined for the past three years, falling from 5.2 percent in 2010 to 3.1 percent growth in 2012. In July, The International Monetary Fund revised down its 2013 Global Economic Outlook from 3.3 percent, as published in April, to 3.1 percent, mirroring that of 2012. It is noteworthy that anticipated global GDP growth for 2013 falls below the yearly average seen from 1995 to 2012.

Emerging market demand, having led global economic growth both into and out of the economic downturn, has also begun to slide. Over the same three-year span, GDP growth from the IMF's Emerging Market and Developing Economies has fallen from 7.6 percent to 5.1 percent. For example, the GDP growth rates of Brazil, Russia, India and China – the BRIC economies – have all fallen consecutively over the three-year span, with India and Brazil's growth shrinking the most severely. Despite having fallen, however, China's growth remains strong at 7.7 percent, and is forecast to increase to 8 percent in 2013 and edge upward until the end of the decade, likely with periods of market and demand volatility.

Notwithstanding this trending decline in economic growth, mineral prices and the corresponding demand for many mining products rebounded following the economic downturn and remained at favourable levels until recently. This is largely due to the strength of China's growth and that country's accounting for approximately 40 percent of global base metal demand, and comparable percentages of global demand for a host of other commodities. However, there is increasing uncertainty over the short-term global economic outlook. Concerns over the length of Europe's ongoing recession, the longevity of emerging economies' growth, the market effects of China's commodity stockpiling practices, and uncertainty over the strength of the US economic recovery have caused buoyant mineral prices of a host of mined products to decline (in some cases, quite significantly) in recent months. At the time of writing, metals (including gold, silver, copper, nickel and uranium) had all fallen to two or three year price lows.

The Capital Crisis has Become Critical

In response to ongoing economic uncertainty, the capital that flowed back into the industry in 2010 and 2011 has left just as quickly, generating a drought that is even worse than the 2008 recession. Although also true for some majors, access to capital has been particularly challenging for junior companies, as highlighted in the Capital Crisis Report prepared by the Prospectors and Developers Association of Canada (the PDAC) in March 2013, and presented to the Intergovernmental Working Group (IGWG) Finance and Taxation sub-committee during the PDAC Convention. More than 700 of the 1800 mining companies listed on the TSX Venture possess less than $200,000 in working capital – barely enough to cover the costs of being a public company.

The Long View

Despite challenges, the prevailing view is that the Canadian mining industry's economic prospects will be strong over the medium and long term. This view is based on long-term growth projections in China, India and other emerging markets, and on the assumption of a positive and efficient investment, development and operational environment. Even despite recent concerns over the growth rates of the BRIC countries, which have largely been considered the driving force behind global growth, it is widely held that the longer-term fundamentals are solid, and that the current period of heightened volatility is temporary. As the middle classes of the world's most populous countries continue to emerge, and as their consumption patterns more closely resemble those of western industrialized countries, growth, even if at a moderately-reduced pace, is likely to remain strong.

The Mining Association of Canada's research found that proposed, planned and in place mining project investment in Canada amounts to upwards of $160 billion over the next five to ten years. This includes multiple billion-dollar investments throughout the territories and in six provinces, with still significant investments in the other provinces. Major projects are seen in mined oil sands, coal, copper, gold, iron ore, potash, uranium and diamonds, among other sectors, with large investments also occurring in environmental and processing areas. However, as we have seen recently, even major projects (e.g. Cliff's project in the 'Ring of Fire') will be deferred if the return on investment is uncertain. In light of the current global financial challenges and demand outlook, industry needs support from F/P/T governments to navigate the current instability, prepare to capitalize on future growth prospects, and become an even stronger contributor to Canadian prosperity.

Steady and Significant Social and Environmental Progress

The Canadian exploration and mining industry places a high priority on corporate social responsibility (CSR) in the areas of community engagement, the environment, and health and safety. MAC's award-winning *Towards Sustainable Mining* (TSM) initiative and the PDAC's *e3 Plus: A Framework for Responsible Exploration* help companies to continuously improve their CSR practices domestically and internationally. These initiatives are designed to build a strong, sustainable and internationally-competitive Canadian minerals industry that promotes sound corporate and public policy while achieving broad national support.

As proportionally the largest private sector employer of Aboriginal Canadians, the mining industry has a largely positive relationship with the Aboriginal community. A TD Bank study released in June 2011 noted that the past decade's global commodities boom has helped to double the income of Aboriginal Canadians and their businesses. At the company level, business agreements with Aboriginal groups facilitate progress on extractive projects while providing investment in education, training and jobs. Including Memorandum of Understanding (MoU) type agreements guiding projects at earlier stages, there are nearly 260 active bilateral agreements in Canada between companies and Aboriginal groups relating to mineral projects. The potential for stronger collaboration is great.

Transparency and accountability continue to be top priorities for the mining industry. Last year, MAC, the PDAC, the Revenue Watch Institute and Publish What You Pay-Canada proactively signed an MoU to develop a framework for the reporting of payments made by Canadian exploration and mining companies to host governments. The goal of the framework is to aid investor analysis and provide citizens in resource-rich countries with the tools they need to hold their governments accountable for the use of natural resource. Progress over the last year has been significant and positive. In June, the working group released a draft framework for public consultation that creates a high level of alignment with the Dodd Frank legislation in the US (although the Dodd Frank rules recently experienced a setback when they were vacated by the US District Court) and the proposed rules developed in the European Union, supporting movement towards a global standard for this type of disclosure. Upon successful endorsement of the framework by the four organizations involved, the signatories to the MoU will use the framework as the basis to feed into the recently announced federal government plan to implement a mandatory disclosure requirement in Canada.

Internationally, Canadian mining companies operate in dozens of countries, paying taxes, creating jobs, and investing in a number of CSR initiatives. Beyond direct project investments, individual companies are helping to pay for schools, roads, hospitals, clinics, community halls, and child health and nutrition programs. Global CSR initiatives are also housed within the UN, the World Bank, the OECD, the global commercial banks and others. Canada's mining companies are typically leaders in adopting and implementing these kinds of commitments.

PROGRESS TO DATE

Support by Governments

In some important respects, governments have contributed positively to the Canadian mining industry's competitiveness in recent years. The federal government has made significant improvements to the *Canadian Environmental Assessment Act* (CEAA), increasing process clarity and efficiency. Most recently, by working with industry, the government has made positive amendments to the CEAA Project List, and ensured a smooth transition to the new regulatory framework governing environmental assessments.

In the North, a number of initiatives are underway that will improve clarity to the environmental assessment and permitting regime, the most significant of which is the *Nunavut Planning and Project Assessment Act* (NUPPAA), introduced in Bill C-47which received Royal Assent on June 19^{th}, 2013. Equally important for the Northwest Territories is the modernization of the *Mackenzie Valley Resource Management Act*, amendments to which can contribute to rejuvenating exploration investment in the territory.

These measures are appreciated and welcome responses to previous industry recommendations. Arguing that a modern regulatory system is critical to attracting investment and jobs in Canada, these positive changes will help reduce delays in initiating environmental assessments. The government's commitment to review and amend the *Metal Mining Effluent Regulations* is also positive.

The human resources initiatives set out in Budget 2013 are aligned with industry priorities. Some of the described initiatives include: A Canada Job Grant, support for 5,000 more paid internships, reallocation of funding to support apprentice opportunities and the promotion of education in high employer demand fields. Also, $241 million over five years have been set aside to support Aboriginal training-to-employment programs. The Budget document describes a consultation process between the federal and provincial governments, involving industry, to determine the allocation of funds toward these and other announced human resources programs. Industry looks forward to participating in these consultations to ensure the investment of these funds has the greatest possible impact in addressing the human resources crisis that the industry currently faces.

Geoscience investment is critical to the continued success of the mineral exploration and development industry. Every dollar invested in geoscience by the government triggers five dollars in exploration spending by the private sector and boosts the likelihood of discovering commercial-scale deposits. For this reason, programs such as GEM and the TGI have and will continue to pay economic dividends in the future.

Innovation is also integral. The Canada Mining Innovation Council's development has quickly translated into results, with the council's exploration innovation consortium together with 26 companies and key university researchers visualizing, formulating and implementing the joint CMIC-National Science and Engineering Research Council (NSERC) 5 year, $13M Footprints Project, $8 million of which came from the industry consortia and the remainder from NSERC. Industry welcomes the opportunity to address fundamental challenges to the industry through this open collaborative environment and considers this funding as an important first step. The industry also appreciates the governments' recognition of the crucial role that innovation plays for the mineral industry, and the need for Canada to demonstrate more leadership in this area.

On the tax front, a reduction of the federal corporate tax rate to 15% as of January 1, 2012 is also positive. Additionally, the Mineral Exploration Tax Credit associated with Canada's flow-through shares mechanism, often enhanced at the provincial level, has also contributed to greater levels of mineral exploration and discovery in Canada. The extension of this measure for another year in Budget 2013 is welcomed by the industry, especially in light of the unprecedented financing challenges currently faced by the junior sector.

KEY CHALLENGES REMAIN

Declining Domestic Reserves

Notwithstanding this strength, Canada's mineral sector continues to experience a marked decline in proven and probable Canadian mineral reserves in all major base metals. Since 1980, the most dramatic decline has been in lead (95%), zinc (85%) and silver (80%) reserves, while copper (47%) and nickel (63%) have fallen significantly as well. Without sustained and effective exploration, Canadian mineral production will outstrip reserve additions, with profound implications for the communities and individuals who benefit from the economic opportunities the industry directly and indirectly generates.

Capital Crisis for Juniors

Mineral exploration is the R&D of the metals supply chain, and the headwaters for the stream of economic benefits generated by the industry. The industry is currently starved of the capital it desperately needs, however; risk-averse sentiment among investors is likely to endure until the above-mentioned economic fluctuations stabilize, restoring investor confidence. Without access to capital, this vibrant, flourishing entrepreneurial eco-system will wither, weakening the foundations of an industry that generates significant economic benefits to Canadians.

Declining Tax Support Impacts Competitiveness

Federal Budgets 2012 and 2013 indicate a trend in reduced government tax support to the Canadian mineral industry. The following measures adversely impact the industry's international tax competitiveness:

- the elimination of the Corporate Mineral Exploration and Development Tax Credit;
- the elimination of the Atlantic Investment Tax Credit for resources;
- the elimination of the Accelerated Cost of Capital Allowance;
- the reduction of the Scientific Research and Experimental Development program;
- unintended consequences of the Foreign Affiliate Dumping rules; and
- the rendering of pre-production expenses ineligible for Canadian Exploration Expense Deductions.

These measures, in addition to amendments (or intentions to amend) certain provincial mineral royalty and tax regimes, are affecting Canada's international reputation as a stable and consistent investment environment for resource companies.

Land Access for Exploration

The ability to explore large tracts of land is fundamental to Canada's success in exploration and mining. Additionally, the extent to which the land base is available for exploration directly influences how often new mine-worthy deposits are found. The mineral industry continues to face land access challenges due to a constellation of factors, most notably unsettled land claims, lengthy and incomplete land use planning processes and lack of clear decision-making criteria respecting protected area designations. These challenges create uncertainty about the structure and operation of permitting authorities and land ownership as well as land use. In some case, they lead to large interim and planned withdrawals of land for prolonged periods of time thereby reducing the overall land quantum available for mineral exploration. Large tracts of land for typically low-impact exploration are foundational to the success of the Canadian mineral industry.

Increasingly Complex Aboriginal Relations

Mineral companies operating in Canada have seen a constantly increasing level of complexity related to the Crown's duty to consult. This complexity is reflected in the different policy responses by provincial and territorial governments as to what the actual "trigger" is for the duty, how the consultation process will unfold, who leads the consultation process, what procedural aspects are delegated to companies, and what incentives or capacity support exists for the parties involved in the consultation process. More importantly, there continues to be complexity and ambiguity with respect to the point at which the Crown will deem consultation efforts to be "adequate". Added to this is the frequent duplication and lack of coordination of effort by both levels of government on consultation activities for the same project.

Skills Issues Require Strategic Support

According to the Mining Industry Human Resources Council (MiHR), the Canadian mining industry requires 14,500 new workers per year over the coming decade to meet baseline production targets – an increase in 3,500 workers a year over 2012 forecasts. The situation is especially critical as the skilled core of the industry is reaching retirement age and output of post-secondary programs is falling short of needs. For example, the Northwest Territories created employment success that linked training to real jobs in the diamond mines. The three northern territories – industry, government and communities – will collectively be seeking federal support for a new pan-territorial training initiative to build on past successes.

Regulatory Efficiency through an Effective Transition

Despite mining making up 80 percent of the projected workload under the new regime, the federal government has managed the transition to the new CEAA 2012 regulatory model very well. Significant uncertainty remains, however, over how the transition process will work for the new *Fisheries Act* and the *Navigation Protection Act*. There are examples of companies seeking guidance from Department of Fisheries and Oceans officials regarding the development of projects and not receiving the direction required to adequately plan, prepare and undertake measures to obtain approvals and ensure compliance. The absence of a Fisheries Protection Policy and related guidance documents, is creating uncertainty, increasing the potential for unnecessary section 35 reviews and posing risks to the industry's overall development timelines. Without clarity, regulatory effectiveness will decrease, potentially pushing investment elsewhere while projects in the cue will be unnecessarily delayed, costing companies more money and confidence. Budget 2012 acknowledged that a modern regulatory system is critical to attracting jobs and investment in Canada. The economic impact of delivering these reforms improperly includes a decline in new projects as well as a postponement or reduction of new mine-openings, which threaten the future viability of the industry.

Lower Energy Costs Enhance Competitiveness

Mineral extraction and processing operations are energy-intensive and the competitiveness of Canadian facilities is affected by the availability of energy infrastructure, especially transmission and distribution networks, and the cost of electricity and related fuel inputs. In 2010, energy was the third highest operational expense for industry, costing $2.2 billion – a bill that continues to rise in some jurisdictions. With the advent of shale gas and other related natural gas technologies, there has been an abundance of natural gas discoveries both in Canada and the US. Given the lower fuel cost and reduced GHG footprint of natural gas, there are significant opportunities to increase industry's energy competitiveness given the right investment environment. In light of the federal coal-fired electricity regulations, the industry was pleased to hear that the federal government will consider equivalency agreements for those provinces with a heavy reliance on coal-fired power generation (Alberta, Saskatchewan and Nova Scotia).

Infrastructure and Mining Benefits are Co-Dependent

Historically, the mining industry has been a critical foundation for the supply of infrastructure that outlasts mines, living on to serve Canadians. To facilitate the development of high cost remote and northern projects, investment is needed in both physical and energy infrastructure, which is critical to land access, mineral production and the transportation of operational supplies, the labour force and mineral commodities to market. Government investment is needed in areas such as all-weather roads, sea ports, and rail and inter-modal links and there are clear opportunities for public-private partnerships in this regard. This is especially important in light of recent tax reforms stemming from Budget 2013 that make already expensive mineral projects and operations in remote and northern regions even more so. Further investment is also required for ports affected by the International Maritime Organization's MARPOL Annex V amendments to ensure they have adequate port reception facilities.

As the single largest customer group of our nation's railways, accounting for over half of total rail freight revenues, miners need reliable and consistent rail service. As pipeline constraints see increasing volumes of petroleum shipped by rail, existing rail network capacity is stretched causing congestion and adversely impacting the quality of service. As the federal government prepares for the 2015 statutory review of the Canada Transportation Act, careful thought should be given to the impact that an effective, reliable and consistent logistics supply chain can have on Canada's overall trade competitiveness.

Innovation Key to Enhancing Capability

The industry believes that government research mechanisms do not provide support commensurate with the industry's needs, priorities and contributions. The 2013 Conference Board of Canada's Innovation Index rates Canada at 13th out of 15 of its peers. This is not a function of the lack of funding being invested in Canadian R&D, but rather evidence of incomplete linkage in Canada's innovation chain between development of new scientific data and knowledge and commercialization. In Canada's minerals sector, this "missing link" is due to: the lack of national scale coordination of government and industry research funding; the inability to effectively network and focus Canada's minerals research and development community; and the lack of integration of mineral industry service providers into the sector's innovation continuum.

CMIC, created to address this gap, instigates innovation through coordination of industry-driven research, development and commercialization to address key concerns and advance the Canadian mining industry's competitiveness in these areas. This is being achieved by developing consortia of Canadian research institutions and industry-based innovation centres to better focus and deliver the techniques and technologies required for the minerals industry to increase its global competitiveness. The CMIC Life of Mine Roadmap provides a structure through which all aspects of the sector's primary industries, from mineral exploration through extraction and processing to remediation, are linked together for increased industry effectiveness and efficiency. This approach is evolving into a more inclusive and unique ecosystem, with strong interests from other sectors such as ICT, clean-technologies and aerospace/defense that may provide the breakthroughs required for advancing disruptive change in the minerals industry. Through this approach, CMIC is closing the commercialization gap and covers the complete innovation continuum through incorporation of pure and applied research, start-up companies, small and medium enterprises, foundation and institutional funding organizations. Similar ecosystems in other sectors of the economy have met with significant success. Establishing a national mining innovation ecosystem is no small task, thus support from governments to the CMIC is essential for its success, and recent NSERC funding is a positive step. More, however, needs to be done. This is especially so when other countries are significantly augmenting their mining sector R&D initiatives. Canada must not fall behind in this regard, and industry looks forward to continue working with governments on this priority.

RECOMMENDATIONS TO MINISTERS

1. **Support Capital-Raising Efforts:**

All jurisdictions should:

- Establish mineral exploration focused venture capital funds (as has been done in Quebec) to support grassroots exploration.
- Mandate a reduction in the fees imposed by securities commissions and exchanges, to reduce the regulatory burden faced by the small businesses that make up the junior exploration industry

All provincial/territorial jurisdictions should:

- Increase the total budgets allocated to mineral exploration grant programs
- Increase the amounts that individual prospectors/companies can ask for from those programs
- Increase the percentage of total exploration expenditures that can be claimed (e.g. from 50% of eligible costs to 66%)
- Put in place, or enhance, METC-type incentives that complement the federal METC

The federal government should:

- Extend the Mineral Exploration Tax Credit for three years, as opposed to one year, so that industry will have long-term certainty to plan crucial investments in exploration
- Temporarily enhance the METC from its current level of 15%
- Modify the rules governing the Mineral Exploration Tax Credit to allow a company to claim an "operator allowance" of up to 10% of direct exploration costs as eligible Canadian Exploration Expenses (CEE), in recognition of the costs related to managing the program[1]
- Accord the Mineral Exploration Tax Credit the same percentage credit as the SR&ED
- Establish a targeted tax incentive to incent exploration and mining in remote/northern regions, where operational costs are substantially higher than in other parts of Canada
- Establish a mineral exploration focused venture capital fund that could provide matching grants to support mineral exploration grant programs in other jurisdictions, in exchange for equity stakes in the most promising grassroots exploration projects.
- Allow exploration companies to claim all community consultation costs as Canadian Exploration Expenses, regardless of what point in time they are incurred prior to production in reasonable commercial quantities (not just those that are incurred after a permit has been secured). This would help bring the CEE guidelines in line with recent changes to several provincial mining acts that direct companies to conduct community consultations prior to applying for plans and permits
- For flow-through shares held for at least one year, change the adjusted cost base to 50% instead of zero.

[1] A precedent for this is the "operator allowance" of 3% that was part of the Canadian Exploration Incentive Program, from 1989-1991

2. **Continue to Address Regulatory Uncertainty**

While the transition to the new CEAA 2012 regulatory model was managed very well, significant uncertainty remains over how the transition process will work for the new *Fisheries Act* and the *Navigation Protection Act*. Expected to come into force later this year and early 2014 respectively, industry currently lacks clarity on how the transition will unfold, and how the new regulatory model will impact important elements of project development. Industry urges government to:

- ***Postpone Implementation Until an Effective Transition Strategy is in Place***– Industry would like to see a more coherent transition strategy from the existing to the new regulatory model ***before*** amendments to the *Fisheries Act* and the new *Navigation Protection Act* are implemented. Without further direction from Fisheries and Oceans Canada, in the form of a Fisheries Protection Policy and associated guidelines, the new regime has the potential to lead to regulatory uncertainty, unnecessary regulatory burden, and longer development timelines. Given the scope of the changes, and the need for industry to be informed in order to advance projects and be compliant, it is imperative that industry receive a greater degree of clarity on what to expect from these measures.

- ***Ensure Integration* –** It is essential that consideration of federal approvals be integrated into CEAA or Northern Board EAs to ensure robust assessments, meaningful consultation and timely permitting. This is particularly important where *Fisheries Act Schedule 2* and *Navigable Waters Protection Act s23* proclamations are required. The federal government should ensure that the "approved approach to streamline timelines for Governor in Council decisions for authorizing the use of natural water bodies frequented by fish – and which may also fall under the *Navigable Waters Protection Act* – as tailings impoundment areas for qualifying metal mines", as described in the *Streamlining the Approvals Process for Metal Mines with Tailings Impoundment Areas* document, are implemented effectively and adhered to consistently.

- ***Species At Risk Act (SARA)* –** Industry would like clarity on the interaction between the SARA and CEAA processes. Under SARA, when critical habitat is identified for a federally-listed species at risk, an automatic prohibition comes into force on federal land and areas of federal jurisdiction such as aquatic habitats and migratory birds. These prohibitions do not apply to provincial land unless provincial action is seen to fail to protect the species in question and the federal government decides to step in and provide effective protection through a "safety net" provision under SARA. Despite this, it has become routine for federal reviewers to require companies to establish protection plans and commitments for federally-listed species as part of the environmental assessment process for individual projects. For most species with small concentrated ranges this is relatively easy to address by a project proponent. However, for more landscape level species such as Boreal Caribou, proponents are currently being asked to develop plans for actions well beyond the footprint of the mine. Unfortunately, little to no guidance exists nor are mechanisms provided by the federal government to enable proponents to understand how to meet these obligations, where proponents' responsibilities begin and end. Provincial and federal governments should work to establish a toolbox of mechanisms to enable proponents to undertake stewardship actions that will benefit threatened species. Biodiversity offsets are one example of the kinds of stewardship actions that could be included in such a toolbox. Further, a functional permitting system, and a shift in SARA from a species-by-species focus on identification and conservation to an ecosystems-based approach that focuses on habitat-protection environmental stewardship is strongly desired.

It is important that these undertakings – designed to balance strong and science-based environmental protection with an efficient regulatory process – continue, and that their implementation bring about clarity for certain remaining questions and greater cooperation among all parties involved.

3. **Improve Land Access and Permitting Processes**
The mineral exploration and development industry continues to face land access challenges. Governments can address existing land access challenges through the swift resolution of unsettled land claims, completion of outstanding land use plans and infrastructure development, particularly in remote and northern regions. Future access issues can be minimized by government adherence to the following land use planning and management principles, adapted from the 2011 PDAC Position Statement on Land Use Planning and Land Access:

- Transparent and balanced processes, which strive for clarity, certainty, efficiency and timeliness;
- No alienation without evaluation, ensuring that withdrawal decisions are made with regard to a reliable assessment of mineral potential;
- Use of integrated and adaptive approaches, that take into account social, environmental and economic factors and provide opportunities for periodic reviews and adjustments;
- Participatory and collaborative processes that bring all affected stakeholders to the table;
- Sufficient resources available for informed decisions and effective implementation; and
- Clearly defined proponent roles and responsibilities in relation to Aboriginal consultation and engagement.

4. **Strengthen Workforce Capacity**
Governments must work with industry, schools, Aboriginal groups and other communities to address the sector's skills training, mobility and immigration needs. On the immigration front, the introduction of an Expression of Interest system to be put in place for the Federal Skilled Worker category, and the movement to a "just-in-time" system that recruits and fast tracks the applications of skilled workers to meet Canada's labour market needs are positive steps. Outcomes of the comprehensive review of the Temporary Foreign Worker Program, while seeking to ensure the best interests of Canadian workers and businesses, should balance industry's significant need for skilled labour. In the face of the federal government's decision to eliminate the Sector Council program, private sector investment has secured the continuation of the MiHR. Industry is pleased that MiHR remains successful in obtaining programmatic support through the Sectoral Initiatives Program and the Office of Literacy and Essential Skills, and encourages government to continue funding the critical work this organization undertakes.

On the skills front, while industry welcomes the initiatives set out in Budget 2013, governments need to work collaboratively to ensure that, where F/P/T discussions are required, industry is involved and that new programs are negotiated and delivered in a timely fashion. Potential for significant Aboriginal employment opportunities remains strong, but essential training to develop the requisite skills is paramount for success. According to the *Centre for the Study in Living Standards*, the cumulative economic benefit of closing the education and labour market gap between Aboriginal and non-Aboriginal youth by 2026 would be $400.5 billion in additional output. On this point, industry is encouraged by the government's Budget 2013 investment of $241 million over five years to support training-to-employment programs for Aboriginal youth. This measure will help fill the gap created from last year's discontinuation of the Aboriginal Skills and Employment Partnership program.

5. **Make Strategic Investments in Infrastructure**
The ongoing extension of the Highway 37 transmission line in northeast BC is a good example of the positive impacts of infrastructure investment. Notably, this capital cost of $400 million will enhance the economics of an estimated $15 billion in mineral projects. For Canada's remote and northern regions, economic and social development is highlighted as a core priority underscoring both Canada's Arctic Foreign Policy and Canada's Northern Strategy. The minerals industry has played an important role to date in facilitating development in both of these areas, with GDP contributions in the Northwest Territories and Nunavut of 24.2 percent and 26 percent respectively. To strengthen the existing synergy between the minerals industry and northern economic and social development, thus enabling federal and territorial governments to further deliver on their stated policy objectives, government infrastructure investment is needed.

Given the infrastructure challenges in remote and northern regions, and the corresponding increase in development and operational costs, remote and northern projects are not on a balanced playing field with other industries that typically operate in more central, less cost-intensive regions. Given Budget 2013's emphasis on tax neutrality, it is recommended that governments examine a targeted incentive that would support public infrastructure components (such as all-weather roads and ports) of private sector investment in Canada's remote and northern regions. Budget 2014 could also be used as an opportunity to establish a resource-development focused stream within the renewal of the Building Canada Plan that was announced in Budget 2013.

6. **Address Declining Domestic Reserves**
The GEM and TGI programs are an invaluable source of geological data that assists in locating mineral deposits, and these programs should continue. Northern Canada remains significantly under-mapped relative to the rest of Canada. Exploration relies on geoscience to help increase the odds of discovery Without sustained and effective exploration, Canadian mineral production will outstrip reserve additions, limiting opportunity for economic development across Canada.

7. **Enhance Canadian Mineral Innovation Capabilities**
CMIC's early success required that the focus of its financial capabilities be on the exploration component of the Life of Mine roadmap. In order to repeat this success in the remaining segments of the chain, the organization requires additional funding to directly support the industry technical committees critical to project generation and implementation. Once a critical mass of projects is achieved, CMIC will become self-sustaining through income from membership and managing the portfolio of projects. The federal government's economic development strategy can make this happen through a direct 3 year contribution of $2M/year. A tenfold return on this investment would be expected within 3 years.

8. **Aboriginal Relations**

Governments must work collaboratively, and in consultation with industry and Aboriginal communities, to provide more clarity on the scope of the Crown's duty to consult and, where appropriate to accommodate when the Crown contemplates conduct that might adversely impact potential or established Aboriginal or Treaty rights.

Additionally, the rapid resolution of outstanding land claims is critical as it would bring increased certainty to communities and the mineral industry, and help to create the conditions that are needed for communities to foster long-term, sustainable economic development. Progress on the settlement of land claims is a critical step towards the self-sufficiency of Aboriginal communities.

CONCLUSION

Minerals and metals help build the products and infrastructure essential to modern life. The mineral exploration and mining industry makes a significant annual contribution to the Canadian economy and its output is fundamental to the emergence of clean energy and other environmental technologies. The Canadian mining industry faces competitiveness challenges, both at the raw materials stage and value-added processing stage. As detailed in this paper, there are eight priority areas that will enable Canada to transition through the current period of market volatility, and capitalize on the opportunity that lies ahead. Enhanced effort and investment on the part of Canada's Mines Ministers would contribute significantly to this end.