



PROSPECTORS &
DEVELOPERS
ASSOCIATION
OF CANADA

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The Prospectors & Developers Association of Canada (PDAC) is the leading voice of the mineral exploration and development community. With over 8,000 members around the world in all sectors of the mining industry, PDAC's mission is to promote a globally responsible, vibrant and sustainable minerals industry. As the trusted representative of the sector, PDAC encourages leading practices in technical, operational, environmental, safety and social performance. PDAC is known worldwide for its annual PDAC Convention, regarded as the premier international event for the minerals industry.

Canada's Mineral Exploration and Development Sector

The purpose of mineral exploration is to discover mineral deposits that could be developed into economically-viable mines. Canada is the world leader in mineral exploration, with an estimated 800 junior exploration companies listed on Canadian stock exchanges that are active in more than 100 countries. In Canada, 70% of all discoveries over the last 10 years were made by junior exploration companies. Many companies also use the super flow-through share system to fund significant portions of their activities in Canada.

The exploration, development and mining industry generates significant economic and social benefits. From remote communities, Indigenous communities, to large cities across Canada, benefits include:

- Valued at \$92 billion in 2015, mineral exports accounted for 19% of Canada's total domestic exports
- \$71 billion in taxes and royalties to federal and provincial governments between 2003-2012
- More than 373,000 direct and 190,000 indirect high-paying and high-skilled jobs
- More than 3,700 service and supply companies
- Toronto's position as the mine equity finance capital of the world, with 51% of all global mining financing transactions done on the TMX in 2016
- Active exploration of minerals and metals crucial to a low carbon economy (e.g. lithium, graphite, cobalt, uranium, etc.)

State of the Minerals Sector

The minerals industry has faced extremely challenging times over the past five years, particularly with regards to financing for explorers. Between 2012 and 2015 financing for mineral exploration experienced a severe downturn. Global financing for exploration decreased to 15% and 25% (in 2015 and 2016 respectively) from what it was in 2012.

The first half of 2017 has shown signs of recovery with global financing for exploration already exceeding the amount raised in 2016. However, despite these positive indicators the industry continues to face significant challenges that threaten the economic opportunities and the benefits it provides to Canada, businesses, and remote, northern and Indigenous communities. Obstacles include declining base metals



reserves, greater costs to make discoveries, and increases in the length of time it takes to move a discovery into production.

The government can play an important role in enhancing conditions for the Canadian minerals industry that will enable it to thrive and succeed and, subsequently, continue providing significant, wide-ranging economic and social benefits to Canadians and Canadian businesses.

Recommendations for Budget 2018

The minerals industry offers economic opportunities for Canadians and businesses across the country, from urban centres to rural, remote and Indigenous communities. PDAC appreciates the opportunity to provide recommendations for Budget 2018 that will help Canadians participate in the labour market and ensure that businesses are more productive and competitive at home and abroad.

1. Renewal of the Mineral Exploration Tax Credit (METC) for a period of three years

Originally introduced in 2000, the METC is an innovative “made in Canada” policy tool which has complemented the flow-through share regime and helped Canada become the world’s top destination for mineral exploration investment. A key feature of Canada’s tax regime, the METC incentivizes exploration financing by providing individuals who invest in companies that are exploring for minerals in Canada with a 15% tax credit on eligible expenditures.

For Canada to remain the number one country to raise capital for the exploration sector, the METC plays an essential role. While it was renewed for one year in Budget 2017, PDAC recommends the renewal of the METC for a minimum of three years to provide longer-term stability to junior companies, enabling them to plan the financing of multi-year exploration programs. Exploration programs for mineral deposits are carried out in stages over an extended period of time (e.g. initial sampling, preliminary drilling, follow-up detailed drilling, etc.). Mineral industry executives and investors need certainty that they can finance not only the current year of their exploration program, but also any subsequent exploration necessary to fully ascertain the merits of a particular property. This is particularly common when exploration is undertaken in Canada’s far north where the optimum field season is limited. Having certainty that the METC will be available in subsequent years provides much needed predictability for the mineral exploration industry that it can raise the funds on the market that are required to carry out the necessary exploration programs.

A three-year extension will provide greater certainty for investors, thus boosting investor confidence in Canadian projects. It will also provide a sense of stability in the overall marketplace for ancillary companies, suppliers, and service providers, as well as for the cities, rural and northern communities across Canada that depend on exploration and mining for growth, employment opportunities and local trade.

Recommendation 1: Given the importance of the METC to catalyzing investor interest in super flow-through shares and the need for certainty for proponents, PDAC recommends that the government maintain flow-through shares and **renew the METC for a minimum period of three years**



2. Effective, efficient and balanced regulatory regimes

Regulatory and policy factors play a significant role in determining investment decisions, including where to explore and how limited exploration dollars will be spent among competing jurisdictions. Government is in the process of reviewing federal legislation, such as the *Canadian Environmental Assessment Act, 2012* and the *Fisheries Act*, which have critical implications for the future of the minerals industry in Canada.

The outcome of these regulatory reviews has the potential to ensure the Canadian minerals industry thrives and continues to provide benefits and opportunities for Canadians and Canadian businesses, as well as Indigenous communities. Conversely, it could result in an impractical, complex, and inefficient regulatory regime that increases investment risk and creates uncertainty and delays for natural resource projects.

Regulatory reforms must strike a difficult balance between process reforms that enhance public confidence, and the need for timely, clear, evidence-based, consistent processes that address the operating realities of companies while maintaining Canada's ability to attract investment. A strong and vibrant minerals industry that operates on this basis will be well-positioned to continue generating economic opportunities across the country—particularly for Indigenous and remote communities—while delivering local, regional and national benefits and producing the minerals and metals needed by modern societies.

Recommendation 2: Ensure that Canada's regulatory regimes are **effective, efficient, predictable and balanced** in order to reduce uncertainty, delays and costs that undermine Canada's investment climate

3. Support for innovation in the minerals sector

Innovation is critical for advancing efforts to improve efficiency and productivity in the search for the new mineral deposits needed for modern society, as well as for enhancing environmental performance.

With support from industry, the Canada Mining Innovation Council (CMIC) developed the Towards Zero Waste Mining (TZWM) innovation strategy as a way to fundamentally transform the industry. The TZWM strategy is aligned with the government's innovation, climate change and clean tech priorities. It will stimulate mining technology innovation in Canada to achieve zero waste in mining and mineral processing within 10-20 years. This will lead to significant reductions in greenhouse gas emissions, water use, tailings discharge, and significant improvements in energy efficiency, environmental protection and operational productivity.

The industry is seeing rapid evolution with new exploration techniques emerging each year. However, there is still the need for "boots on the ground". Ongoing mapping of Canada's landmass is a critical precondition for ensuring vitality of Canada's minerals industry. Geological surveys can also play a more



direct role in de-risking these technologies at deposit-scale exploration and assessing their utility in improving discovery rates. Expanded geological mapping in Canada, especially north of 60, coupled with these technological advancements and possible production of large datasets (“big data”) developed in partnership with industry, will support cost-effective, safe and more efficient exploration that would also reduce the footprint of the industry at the exploration stage.

Recommendation 3: PDAC recommends that government **support innovation** in the minerals sector by:

- Collaborating and investing in CMIC to implement the TZWM innovation strategy
- Investing in the testing and de-risking of new exploration techniques and technologies
- Significantly expanding rigorous geological studies (mapping, petrophysics, geophysics etc.)

4. Support mineral exploration in remote and northern Canada

The minerals industry is a proven private-sector driver of economic activity in remote and northern Canada. In the territories alone, the industry accounts for a significant percentage of GDP and has paid in the order of \$800 million in taxes and royalties to governments over the last 10 years. This economic contribution starts with exploration and discovery.

Research shows that, due to transportation infrastructure deficit, it can cost up to 6 times more to explore, and 2-2.5 times more to build new mines in remote regions. PDAC research shows that a disproportionately high percentage of known mineral deposits remain undeveloped in Canada’s three territories, compared to non-remote parts of the country (e.g. 85% of known deposits in Nunavut remain undeveloped). If fiscal policy can facilitate infrastructure investments that reduce costs by even 10%, this could result in the development of half a dozen additional mines in remote areas, leading to additional new discoveries. This would have significant impacts on northern and Indigenous employment and business development as well as revenue generation for governments.

PDAC applauds the commitment in Budget 2017 to create the Canada Infrastructure Bank and believes that if it is designed well it could help unlock natural resources in remote and northern Canada.

Recommendation 4: The federal government should **support northern and remote mineral exploration and development** by:

- Ensuring that the proposed Canada Infrastructure Bank facilitates investments in remote and northern projects to enable the discovery and development of mineral resources, by establishing a dedicated pathway or “Northern Desk”
- Funding the resource road proposals submitted by all three territories using federal infrastructure programs administered by Transport Canada



5. Investment in Indigenous communities to support participation in the minerals industry

The minerals industry strongly supports efforts to facilitate the full participation of Indigenous Peoples in the economic opportunities it generates through training, business development, employment and mutually-beneficial partnerships. In addition, the industry often makes social investments that both improve the quality of life in Indigenous communities and support Indigenous participation in the resource economy. As a result of efforts by companies in a variety of capacities, the minerals industry is the largest private-sector employer, on a proportional basis, of Indigenous Peoples in Canada.

There is potential to further increase participation by Indigenous Peoples in the minerals industry, particularly given that:

- Canada's Indigenous population is younger and growing at a faster rate than the non-Indigenous population
- Many communities are located in close proximity to exploration projects and mines
- Industry is facing a severe skills and labour shortage that will require over 100,000 new workers within the decade
- Mineral projects create significant opportunities to develop businesses that provide services and supplies.

Many Indigenous communities are faced with various barriers, such as poverty, poor housing conditions, and education or essential skills gaps. Investments to improve health, living conditions, early childhood development, and secondary or post-secondary graduation rates are critical to building the capacity of Indigenous Peoples to fully maximize the opportunities generated by mineral exploration and mining, and ultimately to a better quality of life.

Recommendation 5: PDAC recommends the federal government support efforts to **enhance the participation of Indigenous Peoples** in the minerals industry through:

- Foundational social investments (housing, water, infrastructure) to improve health and educational outcomes for Indigenous communities
- Targeted funds for skills training and entrepreneurship to assist Indigenous Peoples in securing employment and seizing business opportunities