



As the industry recovers and looks to develop a more innovative and greener approach to mineral exploration, the PDAC is urging government to invest in Aboriginal communities, support exploration and development in the North, and renew the METC while also sustaining the existing flow-through share system that has enabled Canada's exploration and mining sector to be a global leader.

BY DEANNA PAGNAN

Budget 2017

As the leading voice of the minerals industry, PDAC was pleased to put forward recommendations for Federal Budget 2017 in support of more than 8,000 members. In its pre-budget submission to the House of Commons Standing Committee on Finance, PDAC made recommendations that would contribute to economic growth and enhance prosperity of Canadians by supporting the minerals industry. As an industry that operates across the country—in urban, rural and remote areas—and is the largest private sector employer of Aboriginal people, the minerals sector is uniquely positioned to offer economic opportunities to all Canadians in an innovative way towards a carbon-neutral future.

While the minerals industry provides significant benefits to Canada, including 375,000 jobs and \$57 billion in GDP (2014), it does face challenges that threaten its continued ability to provide these contributions. If these trends continue, it will further reduce exploration activities and new discoveries. Without these discoveries there will be no new mines to provide meaningful benefits to all Canadians. Current challenges include:

- **Financing for exploration on Canadian exchanges has all but dried up, dropping over 90% from 2007 levels.**
- **Expenditures on early-stage exploration in Canada have fallen almost 70% since 2011.**
- **Access to land is critical to Canada's ability to attract exploration investment and sustain its rate of mineral discoveries. Canada no longer attracts the largest share of global exploration budgets, with Australia officially moving into first place in 2015.**

PDAC's recommendations for Federal Budget 2017 address these challenges and will improve the mineral exploration and development industry's ability to access capital and land.

RECOMMENDATION 1

Sustain flow-through financing

Flow-through financing, a Canadian fiscal policy innovation, makes it possible for thousands of small, entrepreneurial companies—also known as juniors—to raise capital to undertake mineral exploration. Juniors are more successful at making discoveries that are economically viable to develop into mines. Data shows that juniors made approximately 70% of all discoveries in Canada between 2005 and 2014.

Flow-through shares play a critical role by creating an incentive for investors to allocate the risk portions of their portfolios to mineral exploration. Flow-through share financing is particularly important during downturns when other sources of capital dry up. Flow-through shares have accounted for more than two-thirds of all exploration-focused financing on Canadian exchanges over the last decade. Such financing enables some junior companies to explore for metals and minerals (i.e. lithium and graphite) that through innovation will lead to a greener future.

PDAC recommends that the federal government sustain the innovative flow-through share financing mechanism to support the prosperity and growth of junior mineral explorers.

RECOMMENDATION 2

Renew the METC

The Mineral Exploration Tax Credit (METC) is a 15% non-refundable tax credit on eligible expenses, known as flow-through mining expenditures. All funds raised using flow-through shares and the METC must be spent on early-stage grassroots mineral exploration in Canada.

An Intergovernmental Working Group report noted that “although it is difficult to assess what proportion of the increased FTS usage in 2009 is attributable to the 15% METC per se... it is believed that the tax credit contributed to maintaining investors’ interest in exploration, particularly in recent troubled times.”

If Canada is to once again lead the world as the number one jurisdiction to raise capital in the minerals industry, the METC can play a key role. In fact, Australia has recently followed Canada’s tax innovation and introduced its own exploration development incentive in 2015.

Given the importance of the METC to catalyzing investor interest in flow-through shares, PDAC recommends that the federal government renew the 15% METC for one year.

RECOMMENDATION 3

Support mineral exploration in remote and northern Canada

Remote and northern Canada is rich in mineral resources and the minerals industry is a proven private-sector driver of economic activity in these areas. In the territories alone, the industry accounts for 20-25% of GDP.

According to a report produced by PDAC with industry partners, remote exploration projects (more than 50 km from a supply route) have average costs that are 227% of the costs of non-remote projects. In the most remote regions (500 km or more from a supply route) projects have costs that are 280% of the costs of non-remote projects. A second PDAC study revealed the disproportionate impact the infrastructure deficit has on the ability of companies to move a mineral deposit discovery into production in the territories with 85%, 69% and 77% of existing discoveries in Nunavut, Northwest Territories and Yukon remaining undeveloped, respectively.

To support mining in remote and northern areas, the Government of Canada should expedite the creation of the promised Canada Infrastructure Bank and ensure funds are dedicated for the financing of resource-development-related infrastructure projects in remote and northern Canada.

If fiscal policy can facilitate infrastructure investments that reduce costs by 10%, this could result in half a dozen additional precious or base metal mines in remote areas, with significant impacts on northern employment, business development and revenue generation for governments. In addition, rare earth metals would be mined to help Canada to become a leader in metals for a cleaner future.

RECOMMENDATION 4

Investment in Aboriginal communities to support participation in the minerals industry

The minerals industry strongly supports efforts to facilitate the full participation of Aboriginal people in the economic opportunities it generates through training, development, employment and mutually-beneficial partnerships. As a result of efforts in a variety of capacities, Aboriginal employment in the mining and mineral processing industry increased 12% from 2007 to 2015.

There is great potential to further increase participation by Aboriginal people in the minerals industry, particularly given that Canada’s Aboriginal population is younger and growing at a faster rate than the general population, and that a number of communities are located in close proximity to exploration projects and producing mines. The industry is facing an imminent skills and labour shortage, and will require more than 106,000 new workers over the next decade.

PDAC recommends that the federal government support efforts to enhance the participation of Aboriginal people in the minerals industry through:

- Foundational social investments that contribute to improved health and educational outcomes for Aboriginal communities.
- Targeted funds for skills training and entrepreneurship to assist Aboriginal people in securing employment and seizing business development opportunities generated by the industry. **c**

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The Importance of Exploration and Mining in Canada

To showcase the integral role mineral exploration and mining plays in Canada's prosperity, PDAC has compiled data from every province to demonstrate the positive impact of the industry in communities across the country.

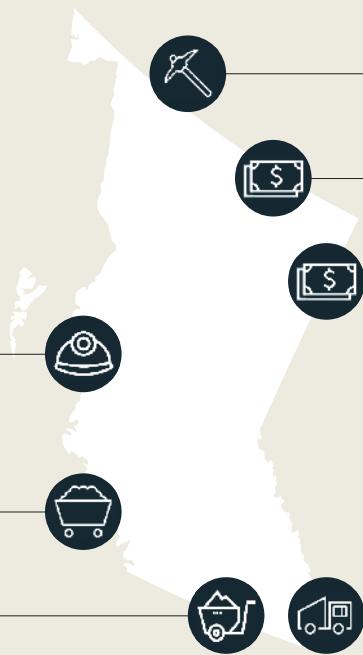
British Columbia

Vancouver is the world's leading centre of expertise for mineral exploration and is home to over 1,200 exploration companies

30,000 people in **120** occupations in more than **50** communities are employed in the mining and mineral exploration industry

60% of Canadian exploration companies are based in B.C.

\$5.9 billion estimated mineral production value in 2015



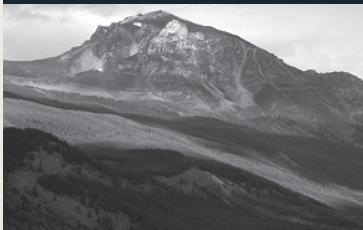
\$331 million exploration and deposit appraisal expenditures in 2015

\$272 million invested in exploration projects in 2015

\$476 million contributed to the government in 2015 by the B.C. mining industry

1,200 exploration companies are located in B.C.

Alberta



\$17 million exploration and deposit expenditures in 2015

\$2.5 billion estimated mineral production value in 2015



Saskatchewan

Saskatchewan is a global leader in potash and uranium production

\$258 million exploration and deposit appraisal expenditures in 2015



90% of Canadian potash is produced in Saskatchewan



\$8.5 billion estimated mineral production value in 2015



The mining industry is the **3rd** largest industry in Saskatchewan



\$860.4 million was contributed to provincial and federal governments by the mining and mineral exploration sector in 2012



Saskatchewan is the **2nd** most attractive jurisdiction for mineral exploration in the world [Fraser Institute]



Saskatchewan hosts almost half of world potash reserves and **8%** of the world's known recoverable uranium reserves



30,500 people work in the mining sector, which is **6%** of total employment, with a payroll of **\$1.5 billion**

Manitoba

3,200 people employed in the mining sector in 2015



Mining is the **4th** largest primary industry in Manitoba



\$35.2 million exploration and deposit appraisal expenditures in 2015



16% of the mining labour work force is Aboriginal people



\$1.3 billion estimated mineral production value in 2015



6% of Manitoba's Gross Provincial Product was from mining in 2014

Ontario

The centre of mining and mineral exploration finance, and Canada's largest jurisdiction for mineral production, employment and investment

7.5% of the mining labour work force is Aboriginal people



256,000 employed in Ontario's mining cluster in 2014



Home to **40** active mines



More mining companies listed on the **TSX** and the **TSXV** than on any other exchange



\$10.8 billion estimated mineral production value in 2015



\$393 million invested in mineral exploration in 2015



\$1 billion contributed to all levels of government annually

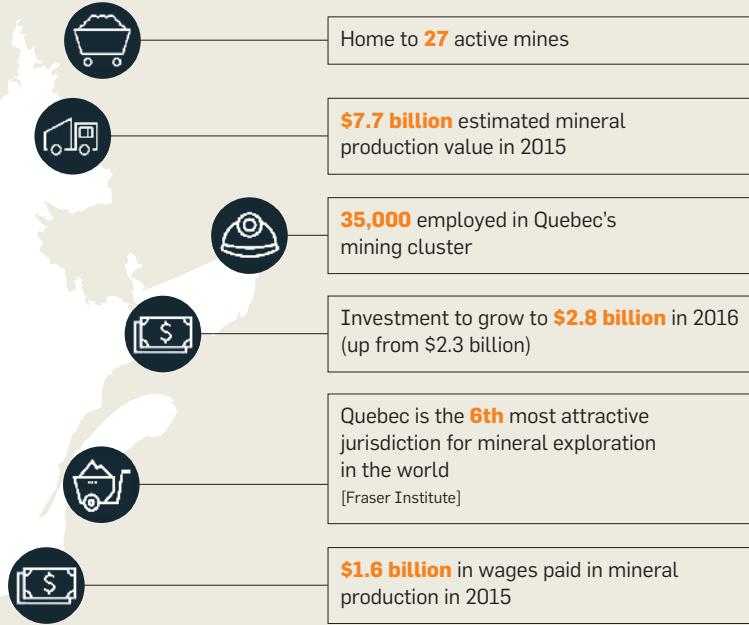


62% of the world's mining and mineral exploration trades happened on the TSX and the TSXV in 2015

Budget 2017

Quebec

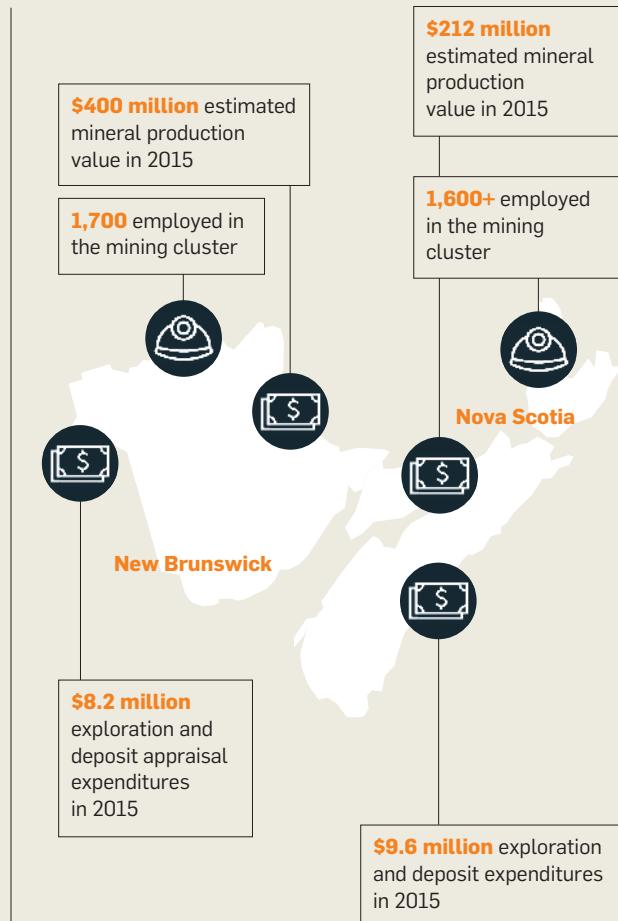
An internationally-renowned jurisdiction for mineral exploration, and home to 200 mineral exploration companies



Newfoundland & Prince Edward Island



Nova Scotia & New Brunswick



Northwest Territories & Nunavut



1,140 workers in exploration and mining support services in 2014



32% of Nunavut's mining sector jobs were in exploration in 2013



97% of the resident mining workforce were Inuit people in 2014



Nunavut

\$215 million exploration and deposit appraisal expenditures in 2015



\$567 million estimated mineral production value in 2015



8 in 10 people in NWT have positive feelings about mining and mineral exploration companies operating in the NWT

[NWT and Nunavut Chamber of Mines]



86% believe a strong mining sector is vital to the long-term health of the NWT economy

[NWT and Nunavut Chamber of Mines]



82% of respondents want to see more mining projects in the NWT and hope to see the governments of Canada and NWT promoting such activity

[NWT and Nunavut Chamber of Mines]



Northwest Territories

\$1.7 billion estimated mineral production value in 2015



\$100 million exploration and deposit appraisal expenditures in 2015



99.8% of the total value of exports in the NWT were from minerals and metals in 2015



Yukon

Yukon's economy is strongly linked to the global mining industry



\$73.4 million exploration and deposit appraisal expenditures in 2015



\$250 million estimated mineral production value in 2015



95.5% of the total value of exports in the Yukon were from minerals and metals in 2015



18% of Yukon's GDP was from mining related activities in 2014

