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PDAC Makes Presentation to Mines Ministers

The PDAC made the following presentation to the 54th Annual Mines Ministers' Conference in St. John's, Newfoundland, earlier this year.

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Introduction

Exploration statistics compiled by the PDAC from a number of sources yield an overview of exploration trends in Canada and the world, which, while preliminary, is probably the most comprehensive to date.

Analysis of these statistics shows how, on the domestic scene, Canada is in the midst of a significant recovery in mineral exploration, rising from a 26 year low in 1992 of \$383 million to an estimated \$873 million in 1996. This recovery was initiated and driven by the discovery of two world class deposits at Lac de Gras and Voisey's Bay and has developed primarily on the basis of Canadian junior company spending. Thus sustaining this recovery will be critically dependent on the equity markets.

On the global scene, the total pool of exploration funds has more than doubled since 1992 to approximately \$4.6 billion and Canada has become the primary source of exploration and mine financing worldwide. However, Canadian junior and senior companies are continuing their pattern of aggressive acquisition of properties abroad and allocating a

steadily increasing proportion of their exploration budgets to them.

Since 1992, the number of properties acquired by Canadian companies abroad has more than doubled compared to a flat to declining trend in Canada. Whereas aggregate exploration budgets of Canada's eleven most senior mining companies have almost doubled from 1992 to 1996, the proportion of their spending in Canada in that period decreased from 41% - 26%. Canadian junior companies now account for 15% - 20% of total worldwide exploration expenditures. However, the proportion of their spending in Canada has declined from 60% in 1992 to about 31% in 1996.

There are both positive elements to these trends and aspects of them which are cause for concern. On the one hand, our rapidly developing "international sector" has created significant benefits for the Canadian mining industry and the economy as a whole. On the other hand, our domestic industry has experienced a significant loss in terms of global market share of available exploration funds, and domestic reserves of base metals continue a 16 year decline.

Canada has long enjoyed a pre-eminent position based on its ability to attract exploration capital. However, the world has rapidly changed. Canada must now work harder in order to successfully compete for the investment capital required to foster its domestic mining industry.

To maintain our competitiveness in the long term, efforts should be directed towards the removal of impediments from our investment climate. The immediate priority should be the recreation of an efficient regulatory regime and the strengthening of two of Canada's key competitive advantages, the geoscience knowledge base and our capital markets.



Recreating regulatory efficiency

In the past Canada had, and was acknowledged to have, among the best mining laws and regulatory processes for exploration and mining in the world. They were vital in creating Canada's competitive edge and producing a welcoming climate for the investment so necessary to develop and maintain our industry. In recent years, however, these once excellent laws and processes have become bound up in red and green tape, contributing as the most important single factor to a steady deterioration of our investment climate.

Recreating regulatory efficiency is the right formula for securing Canada's position, in the long-term, as one of the investment targets of choice for exploration and mine development. However, in order that meaningful progress be made on this front, it must become our collective priority now.

The participants in the workshop on regulatory reform which took place during the Mines Ministers Conference in Yellowknife last year, were surprised to learn that initiatives to review the regulatory regime were either proceeding or at least being contemplated in all of the provincial and territorial jurisdictions. Federal programs had been operating for

some time. While these initiatives are undoubtedly a result of a gradually increasing awareness of our regulatory burden, the current forces driving them are a combination of government downsizing to reduce costs and the need for economic stimulation.

The provincial/territorial initiatives can be characterized, on the whole, as fragmented and somewhat generic. With some exceptions they are government-wide initiatives of a general nature which are proceeding along independent paths and with only limited communication or coordination among them. To date, they have not included systematic consideration of the regulatory regime affecting the mining industry specifically and with industry involved in the process.

At the federal level, the subject of regulatory efficiency has been included for discussion in a number of programs and forums, active over the past few years. The mining industry was included as one of three sectors specifically targeted for regulatory review in the program entitled *Building A More Innovative Economy* introduced in 1994. More recently, the current government committed to a continuing program of regulatory reform as part of its new *Minerals and Metals Policy* introduced in 1996. As a result of these activities, some results have been achieved in areas that badly needed attention. However, real progress in achieving a significant measure of regulatory efficiency at the federal level has been disappointingly slow, especially when considered relative to the amount of time and effort which has been invested by both government (in particular, our colleagues in NRCan) and industry.

The time is right to focus our collective efforts on recreating regulatory efficiency and effectiveness for the mining industry in Canada. However, generating the momentum necessary to achieve substantial progress will require a different approach from the one which has developed to date.

Last year at the Mines Ministers Conference, the PDAC and the Mining Association of Canada called for the initiation of a cooperative, sector-wide initiative of responsible regulatory reform as a means of advancing the process. We now strongly reiterate this recommendation! As previously described, the intent is to seek increased regulatory efficiency and effectiveness in the areas of exploration, mining and environmental regulations, administrative procedures and permitting process, both within and between governments. The objective is to minimize duplication, eliminate redundancy and maximize efficiency, but at the same time maintain existing standards and environmental performance.

Key components of such a cooperative initiative would be:

- increased communication, cooperation and, to the extent feasible, coordination of regulatory reform initiatives among jurisdictions;
- an increased level of industry involvement;
- the initiation of a systematic review of the regulatory regime affecting the mining industry in each individual jurisdiction, with a focus on identifying key strengths and weaknesses;

- development of priorities and the setting of timelines for making progress;
- sector-wide pooling of effort to encourage progress on common issues of major significance such as environmental harmonization, environmental assessment and devolution of federal responsibilities for fresh water fish and fish habitat.

Clearly, each jurisdiction has differences in terms of laws, priorities and regional circumstances that to some extent define the approach being taken in the current initiatives. Even so, a cooperative initiative offers substantial benefits for everyone in terms of its potential to add momentum and focus to the current process. Real progress in recreating regulatory efficiency in Canada offers:

- a means to substantially improve Canada's investment climate and maintain a competitive edge for the longer term;
- improved regulatory standards and performance; and
- reduced costs to governments and the public.

Recommendation

A sector-wide cooperative initiative on recreating regulatory efficiency and effectiveness be implemented now with the goal of developing the most efficient and responsible regulatory regime in the world by the year 2001.



Maintaining geoscience knowledge as a key competitive advantage

The traditional partnership between federal and provincial governments and the domestic mineral industry is based upon sharing geoscience information. The public sector, through its federal and provincial geological survey organizations, provides regional data, including bedrock and surficial mapping and geochemical and geophysical surveys, and the industry provides exploration results which can be both incorporated in the regional data and released to be shared broadly in the private sector. The geoscience knowledge and expertise provided by Canadian geological surveys ranks among the best in the world and has contributed significantly to Canada's competitive advantage in attracting exploration investment.

Another essential aspect of public sector contribution to the health of the Canadian mineral industry and geoscience in general is the traditional role played by both levels of government in the practical training of geoscience students through summer field employment. This is a most important part of the process whereby appropriately trained geoscientists are generated for our future needs and is central to maintaining our reputation as producing the most proficient and well trained geoscientists in the world.

The contribution of our government geological surveys to the geoscience knowledge base is critical to the continued development of mineral resources in this country. Their

products and services are employed by industry in the process of exploration; that is, in reconnaissance work for the selection of areas of particular interest, the development of exploration strategies, and ultimately the finding of new mines in Canada. This country and its provinces cannot continue to enjoy the revenues from the wealth created from our mineral resources without contributing to the knowledge base essential to their discovery.

The PDAC has grave concerns that the geoscience knowledge base is being severely compromised by the continued erosion of funding of our federal and provincial geological surveys. We expressed these concerns in a brief to the 52nd Annual Mines Ministers' Conference in September 1995. At that time, the PDAC released a detailed budget analysis of the provincial and federal geological survey organizations covering the period 1983 to 1994. This revealed a long-term decline of funding which increased in intensity over the latter part of this period reflecting a combination of A-base budget reductions along with the disappearance of Mineral Development Agreements (MDA Funding). We are alarmed to report now that this situation has not stabilized and, in most cases, we have witnessed a continued deterioration in 1995 and 1996.

These reductions in funding have resulted in:

- curtailment of programs;
- staff reductions through early retirements and terminations;
- an aging population of government geoscientists as younger geoscientists are made redundant or are not hired in the first place; and
- fewer opportunities for geoscience students to gain practical field experience.

What can we do together to ensure that Canada maintains and improves the geoscience knowledge base well into the new millennium? How can we ensure that young geoscientists receive adequate training in the field?

Under the heading of Government Services, a Principle of the Whitehorse Mining Initiative (WMI) states that:

"In an era of declining budgets, it's important that governments be more fiscally responsible but not to the point of eroding services essential to ensuring a healthy domestic mineral industry."

Many of our geological survey organizations are now moving beyond critical limits in their ability to deliver essential geoscience knowledge and expertise. These services have been and will remain key to attracting exploration investment capital to Canada and are fundamental with respect to successful exploration efforts leading to the discovery of new mines and creation of new jobs.

The PDAC is currently working with a coalition of Canadian geoscience organizations, including the Canadian Geoscience Council, the Geological Association of Canada, and the Canadian Institute of Mining, Metallurgy and Petroleum and others, all of whom have mutual concerns about the future of geoscience in Canada.

However, we need the active support and commitment from ministers of mines, particularly with respect to curtailing the ongoing erosion of our geological survey organizations. It is imperative that we work together to ensure that the geoscience knowledge base is not only maintained but improved so that this important competitive advantage continues to serve Canada well into the next millennium.

Recommendation

That ministers of mines take steps to curtail the long-term erosion of our geological survey organizations and actively support a program to maintain and strengthen the geoscience knowledge base as one of Canada's key competitive advantages.



Towards a National Securities Commission

Over the past few years, the issue of a national securities body has been a subject for discussion by both federal and provincial governments. In 1994, federal government officials drafted a memorandum of understanding which asked the provincial governments to participate in a national commission. The memorandum called for a single unified agency to take the place of the provincial and territorial commissions and was endorsed by eight out of ten provinces.

The issue was given further prominence in 1996 when the federal government announced in its throne speech a commitment to establishing a single regulatory agency. Later that year, the British Columbia and Alberta securities commissions announced the signing of a letter of accord which committed the two commissions "to increased coordination and cooperation on regulatory initiatives, policy development and securities enforcement in the two provinces."

The PDAC believes that the establishment of a unified system is in the best interests of the Canadian mineral industry and welcomes moves by governments to accomplish this. We urge mines ministers to endorse the concept and to help to maintain it at the forefront of their respective governments' agendas.

Canadian securities commissions and the stock exchanges perform the dual function of regulating the raising of risk capital on the one hand, and facilitating and encouraging it on the other. During the discussions leading up to the WMI Accord, it was pointed out that there has been a steadily increasing emphasis on the regulatory role and that the existence of 12 securities commissions, all developing their own policies and regulations, was leading to a regulatory process which was "complicated, inefficient, costly and restrictive." This is a particularly onerous situation for the junior sector which has only limited resources available to meet the compliance requirements, yet must rely heavily on the equity markets for financing. The Accord pointed out that "For Canada to compete successfully for global investment capital, an immediate challenge is to make securities regulations and capital markets across Canada more coordinated and efficient which will

help them to facilitate the raising of risk capital, especially for the junior sector."

Canada is the only G7 industrial country that does not regulate its securities industry on a national basis. While our various commissions are in a constant state of disagreement over major issues such as (a) a standard policy for seed capital transactions involving junior resource companies, and (b) implementing the upgrading of National Policy 2A on ore reserve classification systems, other jurisdictions, e.g., Ireland, Luxembourg, and Bermuda, are considering setting up facilities for junior financing.

Internationalization of the mineral industry has created a situation in which many mining-related transactions cross national boundaries, but the bulk of the money continues to be raised in Canada. Last year, mine financings in this country totaled an estimated \$8.9 billion with a large part of these financings sold to offshore investors. Our capital markets and associated services are one of this country's competitive advantages. We must work to maintain this competitive edge, while ensuring, at the same time, that the integrity of our capital markets is protected through efficient and competent regulation. To do this, Canada needs a well funded national securities commission with securities legislation that applies from sea to sea.

Recently, the Canadian junior mining sector has come under fire as a result of a number of stock market collapses, and the technical due diligence standards of our industry have been called into question, particularly those standards relating to sampling techniques, ore reserve classification systems, and reporting requirements. While we would argue that such issues lie within the purview of corporate governance, we believe that the present situation provides an excellent opportunity for our federal and provincial governments to announce that they are working towards the establishment of a well funded, federally regulated securities commission.

Recommendation

That Mines Ministers endorse the concept of a National Securities Commission and support its early implementation, thus ensuring that Canada's capital markets remain at the forefront of mine financings worldwide.



Preparing for PDAC Convention 98

The 1998 Annual Convention & Trade Show will be held in the Metro Toronto Convention Centre and the Royal York Hotel from Sunday, March 8, to Wednesday, March 11. The first circular advertising the event is now ready and is included with this newsletter.

The convention is advertised worldwide, through chambers of mines, commercial counsellors, and other channels. But the most effective way of advertising is undoubtedly

by word of mouth and personal contact. If you are planning a trip abroad and would like to distribute copies of the convention circular to government and industry people who you think would benefit from attending the convention, please contact Lisa McDonald at 416 362-1969, ext. 26, or email her at lmcdonald@pdac.ca. Lisa will be happy to supply you with copies.



Third Lobby Day for Keep Mining in Canada

Keep Mining in Canada is planning to hold its third Lobby Day on Wednesday, November 26, 1997. The day will begin with a breakfast briefing, followed by appointments with Members of Parliament. In the afternoon, mining industry members will be able to attend Question Period in the House of Commons. The day will wrap up with an evening reception for mining representatives, Members of Parliament, and bureaucrats. For more information, contact Carolyn Purden, 416 480-7342 or email her at cpurden@kmic.ca.



1997 Junior Mining Award

Teachers who use the Education Committee's MINING MATTERS program in their classrooms agree to use the unit within a one-year period, to send in a brief evaluation of the unit, and to submit examples of students' work for consideration for the Junior Miner of Ontario Award. This year's award was presented to Heather Moore, a student at Manitouwadge Public School, based on the following composition:

Many minerals are mined, especially in Canada. Some of the minerals are: gold, silver, nickel, copper, and zinc. Mining provides many jobs for people. When a mine opens in a town or city, it provides many jobs even for people who don't work in the mine. Store owners will get more money from the people who buy things from them, real estate agents for selling houses to the miners, and construction workers for the new houses they will build. There are two types of mining, open pit and underground. Open pit is used only when the ore body is close to the surface and underground when the ore body is too far down to just dig up. Other minerals that are mined, and aren't as noticed as much as silver and gold are: cement, sand, and gravel, stone, limestone, and clay products.

We learned about a lot of things in our mining centres and they were really fun. Especially the centre where the mineral conducted an electric charge. I never really realized that so many things that we use in our everyday life is made out of minerals. I was actually surprised at how fun the centres actually were. I thought that they would all be boring and all that we would do is write stuff down. I mostly think that they were fun because they

were hands on and because you got to work with your friends. I never knew that Manitouwadge and a lot of other mining communities probably wouldn't be here without mines. A mine supports all the other industries and stores. I think that sometimes people don't appreciate how much mines are needed in Canada and the world. If there wasn't any mines half the world would probably be unemployed. Therefore I conclude that mining is interesting and very important and I really liked doing the centres and learning about mines and minerals.



GSC Cancels Minerals Colloquium

The Geological Survey of Canada has announced that it is cancelling Minerals Colloquium 98, which was to have been held January 19-21, 1998, in Ottawa. The GSC attributes its decision to internal budget reductions and to the many upcoming geoscience conferences which will feature GSC Minerals Program posters and presentations.



Upcoming Events

Graham Farqharon of Strathcona Mineral Services will be the keynote speaker at a day-long seminar organized by the Mineral Economics Society of the Canadian Institute of Mining, Metallurgy and Petroleum. *Taking the Dream to Reality - The Methodology and Limitations of Exploration* will be held on September 29 in Toronto. For information, contact Kent Pearson at 416 369 8716.

Investing in Mineral Prospects and Mine Developments: Evaluating Costs, Risks and Returns is a four-day course being offered in Kingston, Ontario, by Queen's University this fall. The course, scheduled from October 4-8, is designed to provide members of the investment community with a technical and analytical framework in which they will be able assess the costs, risks and returns associated with mineral exploration and acquisition opportunities. Participants will likely have significant financial expertise but lack strong technical backgrounds in geology, mining engineering, or related fields. For more information or to register, contact Diane Matier, Seminar Coordinator, Donald Gordon Centre, Queen's University, Kingston, Ontario K7L 3N6; telephone 613 545 2221; fax 613 545 2915.



Guidelines to Regulatory Requirements and Procedures Affecting Exploration, Development and Mining in Canada

This series of twelve volumes, one for each province and territory in Canada (except PEI), is designed to make mining & environmental regulatory requirements in this country accessible, manageable, and understandable. Each volume sets out the regulatory procedures & requirements in a standard format which follow the mining sequence from prospecting through advanced exploration to mining & closure. Also included are sample copies of permit application forms & the names of key government contacts.

Price: \$65.00/volume; \$45.00/volume for PDAC members

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