

**Recommendations for British Columbia's 2013 Budget
AME BC's Pre-Budget Submission to the Select Standing Committee
on Finance and Government Services - October 18, 2012**

Executive Summary

Introduction:

The Association for Mineral Exploration BC (AME BC) is pleased to provide the Select Standing Committee on Finance and Government Services with pre-budget 2013 recommendations that will, during these economically challenging times, increase land use certainty, reduce the current permitting delays, build capacity in aboriginal communities and attract global investment to British Columbia.

AME BC is the predominant advocate for successful and responsible mineral exploration and development in British Columbia. Established in 1912, AME BC is a non-profit organization funded by industry representing almost 5,000 individual and corporate members, including junior exploration and major mining companies, geoscientists, prospectors, engineers, consultants, suppliers and students who are engaged in mineral exploration and development in B.C., throughout Canada and in over 100 countries around the world. With expertise in technical, legal, accounting and financial matters, British Columbia is renowned as the global centre for mineral exploration and development.

BC Mineral Exploration & Development Sector:

Mineral exploration and development are foundational economic drivers in B.C., spurring responsible regional development, creating family sustaining jobs, enhancing infrastructure and increasing government revenue to offset B.C.'s rising health care and education costs. Estimates indicate that 2011/12 mineral tax revenues will top \$400 million. As well, almost \$3 billion was raised locally in venture mining capital in 2011, giving B.C. yet another competitive advantage. In fact, sixty per cent of Canadian exploration companies are based in B.C., and 69 per cent of TSX and TSX-V stock exchange listed companies based in B.C. are involved in the mineral exploration and mining sector. These companies are responsible for the largest share of exploration spending in Canada, the United States, South America, Central America, Europe and Africa. On top of that, the record 8,320 participants attending AME BC's Mineral Exploration Roundup 2012 conference last January also demonstrate that British Columbia is indeed a centre of excellence for global mineral exploration and development. Last year made history as a record breaker with \$463 million spent in mineral exploration in B.C., up from \$322 million in 2010. B.C. now accounts for approximately 15% of all exploration spending in Canada. When looking back at B.C.'s last twenty years of expenditure data, however, the lowest level occurred in 1999 with only \$25 million spent in mineral exploration.

As British Columbians competing in a global economy with other mineral-rich jurisdictions we must not rest on our laurels. To attract investment, an "open for business" culture must be nurtured, strategic investments made and public policies that enable responsible mineral exploration and development implemented. Although the global mineral exploration and development sector may still be in a multi-year commodity super-cycle, very challenging equity financing and bear market conditions have been the reality during most of 2012. Members of AME BC, especially the prospectors and junior explorers, are experiencing the impact of these tough economic conditions.

As compared to last year's record breaking pace, activity in the B.C. mineral exploration and development sector appears to be down, but the province continues to attract significant investment from intermediate and major international companies. As a province rich in coal, metals and minerals, B.C.'s fundamentals are strong and it is very well positioned to take full advantage of its geographic position on Canada's Pacific coast and access to strengthening markets. As perhaps a sign of better times ahead, base metals prices at the end of the third quarter in 2012 were up about 12 per cent from the end of the last quarter. Copper, for instance, jumped from about \$3.30 (U.S.) per pound in August to above \$3.80 (U.S.) in September.

There are hundreds of mineral exploration projects in B.C., and many of them have become major projects. Over the next ten years, there is potential for as many as 30 mining projects to be developed, representing up to \$30 billion in capital investment. According to a recent Mining Industry Human Resources Council report, even under baseline economic conditions, the B.C. mineral exploration and development industry is forecast to need almost 4,000 highly skilled and technically trained workers between 2012 and 2022 due to a large number of pending retirements.

Pre-Budget Recommendations:

- ***AME BC recommends that the B.C. government extend the B.C. Mining Flow-Through Share (BC MFTS) Tax Credit to December 31, 2016 and consider making it permanent to encourage companies to explore for more in British Columbia;***
- ***AME BC recommends that the B.C. government re-affirm and communicate the two-zone land use and access policy and the security of the mineral tenure that is acquired in B.C.;***
- ***AME BC recommends that the B.C. government publicly monitor, track and report out on the statistics regarding B.C.'s actual land use and access, including mineral exploration and mining;***
- ***AME BC recommends that the B.C. government assess the lost mineral potential and socio-economic impacts of any proposed land use changes before sterilizing potentially mineral-rich lands;***
- ***AME BC recommends that the B.C. government open up no registration areas (where no claims are currently allowed) to compensate for creating more protected or restricted lands;***
- ***AME BC recommends that the B.C. government continue to reduce the permit backlog and work to achieve an average 60-day turnaround for Notice of Work permit applications;***
- ***AME BC recommends that the B.C. government provide the responsible permitting ministries and agencies with the resources they need to address First Nations consultation requirements in a timely manner; and***
- ***AME BC recommends that the B.C. government continue to support Aboriginal capacity building through a \$1 million commitment to the BC Aboriginal Mine Training Association to implement:***
 - ***Pathways to Success training program in B.C.'s Central Interior (\$500,000); and***
 - ***First Nation Referral Officer program in B.C.'s Northwest (\$500,000) to build technical capacity to review Notice of Work permit applications.***

Details - Pre-Budget 2013 Recommendations

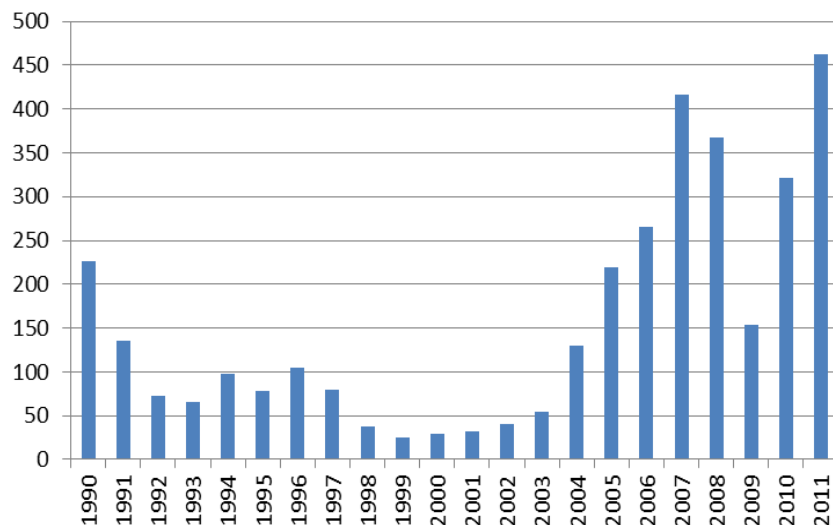
1. B.C. Mining Flow-Through Share (BC MFTS) Tax Credit

The British Columbia mining flow-through share (BC MFTS) tax credit allows individuals who invest in flow-through shares to claim a non-refundable tax credit equal to 20% of their British Columbia flow-through mining expenditures. Any unused credit at the end of a tax year may be carried back 3 years or forward 10 years.

The incentive currently provides an estimated ROI of approximately 3:1; however, the expiry date for the BC MFTS tax credit is December 31, 2013. Ideally, if the flow-through program was made permanent, it would enhance the ability of companies to plan the financing for multi-year exploration programs and attract new investors over the long term.

Last year made history as a record breaker with \$463 million spent in mineral exploration in B.C., up from \$322 million in 2010. B.C. now accounts for approximately 15% of all exploration spending in Canada. When looking back at B.C.'s last twenty years of expenditure data, however, the lowest level occurred in 1999 with only \$25 million spent in mineral exploration.

B.C. Mineral Exploration Expenditures (C\$ millions)



Recommendation:

- **AME BC recommends that the B.C. government extend the B.C. Mining Flow-Through Share (BC MFTS) Tax Credit to December 31, 2016 and consider making it permanent to encourage companies to explore for more in British Columbia.**

2. Two-Zone Land Use and Access Policy

The Government of British Columbia introduced a two-zone land use system in 2002 for mineral exploration and mining activities in order to provide certainty regarding access to land for mineral resource development.

The two-zone system clearly establishes that mineral exploration and development are acceptable (subject to the usual laws that regulate mining) throughout the whole of the province (the mineral zone) except for parks, ecological reserves and lands where mining is prohibited (the protected zone).

Based on some government land use decisions over the last few years, however, access to mineral resources in large areas of the mineral zone is eroding, contrary to earlier policy pronouncements by government. Generally, the land use planning process in B.C. was meant to allow for sharing of knowledge and a balance hearing of values and principles. Unfortunately, it has been our experience that even after land use plans are finalized and protected areas are designated, many conservation groups continue to press for further protection. Ultimately, we see even more land unnecessarily sterilized from future mineral exploration and potential economic development as a result of these pressures to protect land. There is little regard to science, economics or the social well-being of surrounding communities. In fact, we believe that environmental concerns caused by mineral exploration and development activities are grossly over-exaggerated since mineral development has actually only disturbed less than 0.05% of the land base of B.C. over the last 150 years.

Mineral explorers do, however, require reasonable access to large tracts of lands with mineral potential in order to find that very rare and special mineral deposit that may be economically viable, which includes having economically feasible access to the deposit. Typically, mineral tenures in the province occupy less than 15% of B.C.'s geographic area at any one time. It should be noted that although the likelihood of a mineral exploration site becoming a mine is very low indeed, the benefits can be very significant. As described in AME BC's Land Use Guiding Principles, the cornerstones of a successful and sustainable mineral exploration and development industry are: 1). Certainty of access to large tracts of land to conduct temporary, low-impact exploration for valuable mineral resources; 2). Ability to acquire secure mineral tenure; and 3). Opportunity to advance and develop an economically feasible mineral resource project under appropriate legislation.

Recommendations:

- **AME BC recommends that the B.C. government re-affirm and communicate the two-zone land use and access policy and the security of the mineral tenure that is acquired in B.C.;**
- **AME BC recommends that the B.C. government publicly monitor, track and report out on the statistics regarding B.C.'s actual land use and access, including mineral exploration and mining;**
- **AME BC recommends that the B.C. government assess the lost mineral potential and socio-economic impacts of any proposed land use changes before sterilizing potentially mineral-rich lands; and**
- **AME BC recommends that the B.C. government open up no registration areas (where no claims are currently allowed) to compensate for creating more protected or restricted lands.**

3. Permitting and Regulatory System

In a competitive investment world, the efficiency and robustness of a jurisdiction's permitting and regulatory system is a key indicator for global investors regarding the relative attractiveness of risking capital. Permitting delays caused by lack of sufficient resources or inconsistent application of government policies significantly discourage private sector confidence and investment, job creation and, ultimately, economic growth.

Since mineral exploration is the sustaining lifeblood for mining, the province needs transparent and successful mineral exploration and development permitting and regulatory processes that will encourage the spending of

new dollars, sustain the sector through economically challenging times, protect our natural environment and maintain high safety standards.

AME BC appreciates the commitments made in the *BC Jobs Plan* to reduce the backlog of permit applications (Notices of Work) and maintain an average 60-day turnaround time going forward to encourage more investment in B.C.'s mineral exploration. To support this, the B.C. government announced \$24 million in funding for key permitting agencies last year. Staffing levels have increased by over 100 positions, the backlog has been reduced and the estimated average time to issue a permit has decreased from 110 days to 99 days. AME BC also acknowledges the commitment to develop regulations to exempt low-risk exploration and mining activities from requiring *Mines Act* permits while maintaining health, safety and environmental standards. As well, we appreciate the efforts taken to improve the permitting process by introducing multi-year and multi-area permitting as well working towards the expected launch of a new on-line permit tracking system in January 2013.

The B.C. government, however, needs to undertake further focused work towards reducing red tape, increasing efficiency and improving the single window into government as per the "one-project, one-process" philosophy in order to create an effective, timely and transparent permitting review process. In particular, the B.C. government needs to provide the responsible permitting ministries and agencies with the resources they need to address First Nations consultation requirements in a timely manner.

Based on annual gross revenues of almost \$10 billion from mineral and coal production in 2011 versus the cost of government agencies to support the sector, the industry provides an estimated return on investment (ROI) of approximately 300:1.

Recommendations:

- **AME BC recommends that the B.C. government continue to reduce the permit backlog and work to achieve an average 60-day turnaround for Notice of Work permit applications; and**
- **AME BC recommends that the B.C. government provide the responsible permitting ministries and agencies with the resources they need to address First Nations consultation requirements in a timely manner.**

4. Building Capacity in the Aboriginal Community

The B.C. Mining HR Task Force has recognized the looming shortage of skilled workers in mineral exploration, development and mining. Up to an estimated 16,770 workers (mostly replacements) will be required over the next 10 years in mineral exploration and development, mining and stone, sand and gravel extraction.

AME BC appreciates the commitment from B.C.'s Ministry of Jobs, Tourism and Innovation to sustain the funding of the Task Force until September 2014. Continued funding of this Task Force will help industry attract new Canadians, women and Aboriginals, and enhance partnerships between industry and educational institutions to develop lasting technical, scientific capacity for many generations.

One stellar example of a very successful education and job training initiative that was borne out of a Task Force recommendation was the B.C. Aboriginal Mine Training Association (BC AMTA). BC AMTA began in 2009 with federal government funding of \$4.4 million under the Aboriginal Skills and Employment Partnership program. BC AMTA is a non-profit organization dedicated to providing B.C.'s aboriginal people with the skills they need to

work in the mining industry. BC AMTA was established in partnership with the mineral exploration, development and mining industries to help address the impending labour shortage.

The B.C. mining industry is currently the largest private sector employer of Aboriginal men and women. Currently, six per cent of B.C.'s mining workforce is Aboriginal. Investment in education and training in the growing and youthful Aboriginal population will help to ensure a supply of skilled labour for the future and facilitate an increase in Aboriginal contributions to the British Columbian and Canadian economies. With many operating mines and proposed mines located near First Nations communities the alignment between the industry's need for workers and the Aboriginal population's need for jobs and capacity building is very strong.

The BC AMTA model uses partnerships among mining and exploration companies, industry associations, First Nations, government, and educational institutions to recruit, evaluate, coach, train, and place Aboriginal workers in B.C. mining projects.

Key achievements of BC AMTA in just three years of operation include:

- Over 1100 candidates registered; with 43% under the age of 35 and 1:3 female to male ratio
- 63% of candidates transitioned from unemployment
- 368 candidates now working in the B.C. mining industry due to BC AMTA programs
- 93% retention rate of BC AMTA-trained employees
- \$18.7 million estimated wages and benefits paid to BC AMTA-trained employees to date

Based on government incurring less support payments and the number of newly employed workers now paying taxes paid versus partnership funding to date, BC AMTA is providing an estimated ROI of approximately 3:1.

Recommendation:

- **AME BC recommends that the B.C. government continue to support Aboriginal capacity building through a \$1 million commitment to the BC Aboriginal Mine Training Association to implement:**
 - **Pathways to Success training program in B.C.'s Central Interior (\$500,000); and**
 - **First Nation Referral Officer program in B.C.'s Northwest (\$500,000) to build technical capacity to review Notice of Work permit applications**

Conclusion

AME BC appreciates this opportunity to make a pre-budget submission to the Select Standing Committee on Finance and Government Services. AME BC's recommendations are focused in four critical areas that will contribute to building a stronger mineral exploration and development sector in B.C. in the years ahead.

Mineral exploration and development benefits every corner of the province, and these recommendations will particularly aid the regional areas most in need of high paying jobs and economic development. The sector provides thousands of safe, high-paying jobs throughout the province of B.C., with the real potential to grow. As well, the implementation of these recommendations will help to maintain and build our scientific expertise and technical capacity in B.C., the world's centre for mineral exploration and development.

AME BC looks forward to working with government to implement these pre-budget 2013 recommendations in order to foster confidence, increase land use certainty, reduce the current permitting delays, build capacity in Aboriginal communities and attract global investment to British Columbia.