



AME BC's Top Policy Issues & Recommendations

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2016

The Association for Mineral Exploration British Columbia (AME BC) is the lead association for the mineral exploration and development industry based in British Columbia. Established in 1912, AME BC represents, advocates, protects and promotes the interests of almost 5,000 members who are engaged in mineral exploration and development in BC and globally. AME BC encourages a safe, economically strong and environmentally responsible industry by providing clear initiatives, policies, events and tools to support its membership.

This paper is intended to provide a high-level strategic review of the top policy issues facing British Columbia's mineral exploration and development sector in 2016. It also offers specific recommendations that government and industry can work on together in order to address the identified issues and to implement policy measures that will position the sector for success in 2016 and beyond.

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AME BC's Top Policy Issues and Recommendations - 2016

1. Land Access & Use Recommendations:

- *AME BC recommends that the BC government formally recognize the mineral exploration and development potential value of the land and assess the potential negative impacts and consequences to the industry of overly restrictive and unreasonable legislative or regulatory changes;*
- *AME BC recommends that the BC government recognize AME BC and the mineral exploration and development industry as a primary stakeholder in land access and use planning initiatives and provide opportunities to review and comment on initial stage land planning;*
- *AME BC recommends that the BC government reaffirm its two-zone policy and science-based land use plans and begin a process of re-evaluating land that is currently closed with the goal to implement a standing policy of replacing alienated mineral exploration lands with lands re-opened for exploration;*
- *AME BC recommends that where lands are alienated for mineral or coal exploration and development, the BC government apply the principle of fair market valuation to compensate existing mineral or coal claim and lease holders; and*
- *AME BC recommends that the BC government monitor, track, and publicly report on the statistics regarding BC's actual land use and access, including mineral or coal exploration and development.*

2. Permitting & Environmental Assessment Recommendations:

- *AME BC recommends that the BC government continues to work with the federal government to ensure a single, effective, and efficient environmental assessment and decision process that is science-based, consistent, and predictable;*
- *AME BC recommends that the BC government continue to work closely with the Alaska government through the 2015 Memorandum of Understanding and Cooperation to ensure efficient and constructive dialogue regarding mineral development and proposed mines in the vicinity of the BC-Alaska boundary that have a clear and defined potential transboundary interest; and*
- *AME BC recommends that the BC government continue working with industry to increase permitting efficiency to achieve government's objective of a 60-day, or better, turnaround for Notice of Work exploration permit applications.*

3. Aboriginal Relations & Engagement Recommendations:

- *AME BC recommends that the BC government uphold its duty to consult with Aboriginal communities to create certainty regarding security of mineral tenure and investment;*
- *AME BC recommends that the BC government reaffirm the Supreme Court of Canada's judgment that provincial laws and regulations apply throughout British Columbia, including in Tsilhqot'in title lands;*

- *AME BC recommends that the BC and federal governments engage in government-to-government discussions to build relationships, advance reconciliation and arrive at settled treaties with Aboriginal communities; and*
- *AME BC recommends that the BC government continue to implement a predictable and transparent framework for sharing mineral tax revenues through Economic & Community Development Agreements with Aboriginal communities.*

4. Taxation, Securities & Investment Recommendations:

- *AME BC recommends that the BC government make the BC Mining Flow-Through Share (BC MFTS) Tax Credit permanent to encourage companies to explore for more in British Columbia;*
- *AME BC recommends that the BC government renew the BC Mining Exploration Tax Credit (METC) at a rate of 30% applicable across the whole of the province through January 1, 2020 to provide longer-term stability for the planning of mineral exploration programs;*
- *AME BC recommends that the BC Government work with the federal government and the Prospectors & Developers Association of Canada and AME BC to ensure that legislative changes to the Income Tax Act will result in expenditures for environmental studies and community consultation being considered Canadian Exploration Expenses. In order to ensure nation-wide application, revisions to the Canada Revenue Agency's 2007 Guidelines should be made into regulations under the Income Tax Act;*
- *AME BC recommends that the BC government work with the Canadian Mineral Industry Federation (CMIF) and the federal government to improve industry's access to venture capital, specifically by adopting a regulatory framework that explicitly acknowledges the role of capital markets in fostering economic growth, and prioritizes cost-effective capital raising by venture-issuers;*
- *AME BC recommends that the BC government work with business venture and industry associations to reform the market regulators, including having the regulators be more representative of the industries they serve and more directly accountable to elected officials; and*
- *AME BC recommends that the BC government re-establish a Prospector Support Program and introduce fiscal incentives for grassroots and early-stage mineral exploration, such as for field and sampling costs incurred by prospectors, exemption for a prospector's discovery windfalls and re-introduction of profit sharing or grubstaking.*

5. Public Geoscience Recommendations:

- *AME BC recommends that the BC government work with industry to develop a long-term sustainable funding model to support Geoscience BC;*
- *AME BC recommends that the BC government continue to support an increase of the base funding for the BC Geological Survey to enable field programs that improve the understanding of BC's geology, geotechnical hazards and mineral and coal development potential; and*
- *AME BC recommends that the BC government modernize the provincial land database systems and link the primary data systems of the Ministry of Energy and Mines, including Map Place, Mineral Titles Online and the Mine Management System.*

Introduction

This paper is intended to provide a high-level strategic review of the top policy issues facing British Columbia's mineral exploration and development sector in 2016. It is in alignment with AME BC's 5-year Strategic Plan and AME BC's Guiding Principles and in general support of the BC government's *Jobs Plan* and its 2012 *Mineral Exploration and Mining Strategy* to translate successful mineral exploration into the responsible development and opening of new and expanded mines in BC. This paper also offers specific recommendations to government in order to address the identified issues and to implement policy measures that will position the sector for success in 2016 and beyond.

Globally, the mineral exploration and development industry has been experiencing a significant downturn, and BC and the rest of Canada are not immune to this reality. Despite the challenges this presents, the industry (much of it based in BC), continues to make enormous contributions to the social and economic well-being of British Columbians and fellow Canadians. AME BC thanks the government for recognizing the importance of the world-leading BC-based mineral exploration and development industry and the contributions it makes to socio-economic development throughout the province.

Sustained investment in exploration is the only path to successfully discovering and developing new mineable deposits that are so vital to our quality of life in BC. The mineral exploration and development industry is central to BC's export driven economy, spurring positive regional socio-economic activity, providing thousands of family sustaining jobs, producing the commodities that we need, use and consume every day and contributing hundreds of millions of dollars every year to support education and health care. Such contributions should not be taken for granted. Despite the current downturn, policy-makers must take concrete steps now to position the industry for future success.

AME BC believes that it is possible to have both a strong mineral exploration and development industry and a sustainable healthy environment. In fact, without minerals and metals we will not achieve the vision of a greener future. Copper, for example, plays a major role in generating cleaner air and water for everyone's benefit. Copper is essentially the green metal of the future, making electricity and innovative technologies, communication systems and transportation networks possible. And BC has a lot of copper to offer the world, especially when markets improve and demand increases.

The current reality, though, is that the TSX Venture composite index - heavily weighted with junior exploration companies - was down 27% in 2015, and is down 76% since 2011. A total of 187 junior mining and exploration companies have been delisted from the TSX Venture exchange since 2011. Half of those were in the last two years - 55 in 2014 and 43 in 2015, as of October. From December 2012 to October 2015, the number of mineral exploration and mining companies listed on the TSX and TSX-V has declined by 19%, from 1,673 to 1,347 companies. The number of companies headquartered in BC has similarly declined by 18%, from 962 to 792 companies. Even with a reduction in the total number of companies listed, British Columbia continues to host 59% of the mineral exploration and mining companies listed on the TSX-V and the TSX exchanges.

Aside from low commodity prices, the companies surviving the current downturn continue to be faced with challenges, such as:

- excessive securities regulations and costs to keep a public company listed and to attract investment or financing; and
- increasing costs to explore and develop mineral resources, often due to unreasonable restrictions or delays related to permitting, environmental assessments and community engagement.

AME BC believes that the policy recommendations provided in this paper, if successfully implemented, will improve BC's competitive position during these economically challenging times by:

- increasing land access & use certainty;
- reducing permitting and environmental assessment delays;
- building capacity and equity in Aboriginal communities; and
- attracting proportionally more venture capital and investment to be spent in BC.

Global Financing Challenges

Globally, total mining-related financing activity across all exchanges has fallen by 13.6% annually since 2007, an aggregate decline totaling more than 60% over that period. Financing for exploration has fallen even more dramatically. In Q4 2014, only \$170 million was raised for mineral exploration on all exchanges, down from a high of \$4.5 billion in Q4 2007. The downturn in exploration financing has led to steep declines in exploration budgets. SNL Metals and Mining recently calculated that the minerals industry's total budget for non-ferrous metals exploration was US\$9.2 billion in 2015, the third consecutive decline, and down 55% from a record-high of \$20.5 billion in 2012. This decline is as worrisome as it is dramatic.

Mineral exploration companies continue to battle global macroeconomic conditions, low commodity prices and lacklustre investor confidence, which has forced the sector to minimize spending in order to conserve funds. AME BC members, particularly the junior companies based in BC, have resorted to survival mode due to the historic downturn in the venture capital market. Normally, more than 60% of the mineral exploration and development venture capital in Canada is raised by BC based companies. Junior companies, which largely depend on equity markets to finance exploration activities, are struggling to raise capital, particularly for grassroots exploration. As a result, in 2014, junior companies accounted for only 32% of global exploration budgets, their lowest share since 2002 (SNL Metals and Mining). In Canada, junior companies accounted for only 40% of exploration expenditures in 2014, down from a high of 65% in 2007 (Natural Resources Canada).

BC-based Mineral Exploration & Development Sector

Mineral exploration expenditures in BC declined from a high of \$680 million in 2012 to \$338 million in 2014. The expenditure for 2015 is estimated to be less than 2014. British Columbia, however, is still expected to attract 19% of all exploration dollars spent in Canada, compared to just 6% in 2001. And 19 of the top 100 exploration projects in Canada are in BC (both metal and coal projects). Since June 2011, four mine projects in British Columbia have received environmental assessment certificates, and six mines have commenced production. This past summer, the Silvertip and Brucejack mining projects also received their permits.

BC has a well-earned reputation for raising venture capital. Many of the major mines in the world were discovered by BC-based junior exploration companies raising risk capital from speculators. All significant mines in BC were initially financed by equity raised through speculators' subscriptions. In fact, a recent report found that over 70% of all discoveries in Canada have been made by junior companies, highlighting the importance of responding to their financing challenges. Junior exploration companies, unlike majors that have an operating mine and source of revenue, desperately need to secure access to venture capital to fund mineral exploration projects, especially early stage, grassroots projects. For the long term viability of the industry, it is critical to understand that most of the expenditures (approximately 98%) are occurring at advanced exploration and development projects, resulting in only approximately 1-2% for grassroots exploration projects. This is an important issue because exploration, especially the higher risk (but potentially higher return) work undertaken by junior companies in their pursuit of discoveries, is the lifeblood of the mining industry.

On average, a prospect will reach development stage between 15 and 20 years after discovery. In many cases, it takes years longer. The mines currently in production in BC, and those in the environmental assessment process, are a direct result of successful discoveries made through prospecting and exploration work conducted in the past, much of it decades ago. Very few grassroots exploration projects reach the advanced development stage, but each exploration program creates value to British Columbians through community and regional economic development, and by increasing the region's geological knowledge.

Recent mine developments, such as the opening of Copper Mountain mine in 2011, New Gold's New Afton gold mine in 2012 and Thompson Creek Metals' Mt. Milligan copper-gold mine in 2013, are clear indicators of the eventual success that results from persistent prospecting, exploration, and development work. Imperial Metals' Red Chris copper-gold mine went into production in 2015 and Pretium's Brucejack project and Seabridge's KSM project are examples of potential new metal mines in BC.

1. Land Access & Use:

BC's hidden mineral resources belong to every citizen of the province, but access to substantive areas of mineral-rich land in BC is being significantly and unfairly reduced by recent land use designations and decisions. This is contrary to earlier policy pronouncements by government and public land use plan commitments. Any real or perceived issue regarding the lack of mineral lands open to exploration in British Columbia severely hinders future investment in geoscience and grassroots exploration activity which is necessary for making new discoveries, developing mineral resources, and sustaining the industry over multiple generations.

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.

Sub-surface mineral resources in BC are owned and administered by the Crown and managed in the public's socio-economic and strategic interest - for the greater good. The current problem is that too much of the public's mineral-rich lands are needlessly becoming de-facto parks without properly assessing the lost socio-economic opportunities and benefits. Currently, almost 18% of BC is closed to mineral exploration and development through parks, protected areas, and other designations, and an additional 33% is subject to significant and restrictive conditions on mineral exploration and development. The restrictions are unwarranted and are unfair.

AME BC is currently addressing multiple land access and use restrictions within the following areas of BC: the west Kootenays, south Chilcotin, central and north coast, the Northwest, areas southeast of Prince George, and the south Okanagan. Access restrictions include the outright banning of prospecting and exploration activities to prohibiting motorized vehicle access (such as in the Pend D'Oreille area southeast of Trail and Cayoosh-Shulaps range northwest of Lillooet) and re-classifying land use in large areas such as the: Great Bear Rainforest, Todagin Wildlife Management Plan area, Ancient Forest Reserve, Telkwa Wildlife Habitat area, Nadina Wildlife Habitat Area and Ungulate Winter Range, Cranberry Sustainable Resource Management Plan and the South Okanagan Protected Areas Framework area. Mineral exploration activities do not pose a significant threat to the ecology in any of these areas and should not be banned or unreasonably restricted. It is absolutely possible to have both a strong and active mineral exploration and development industry and a sustainable, healthy environment where flora and fauna are respected and managed. Balance can be achieved.

In 2002, the provincial government introduced a two-zone land use system for exploration and mining activities. This was done in order to provide certainty regarding access to land for mineral exploration and potential development. In

theory, the two-zone system establishes that exploration and development are acceptable (subject to reasonable laws that regulate these activities) throughout the province (the mineral zone) except for parks, ecological reserves and lands where exploration and mining are prohibited (the protected zone). However, recent restrictions and lack of a clear consultation process to discuss possible restrictions demonstrate that the two-zone system is not currently in effect or well understood within government. Particularly troubling are examples where only certain special interests were consulted about proposed land designation changes.

Despite years of mineral exploration and development that have greatly benefitted all citizens of BC, this province remains fundamentally underexplored and has significant mineral development potential. Minerals are a hidden natural resource, however, and explorers require time and reasonable access to large tracts of land with mineral development potential in order to discover the very rare and special deposit that may be economically viable. Although explorers require access to large tracts of land, the impact of temporary exploration activities to the environment is minimal. In fact, exploration in BC is undertaken in a responsible and an environmentally sensitive manner under a strict regulatory system that AME BC supports. Enforcement of results-based and scientifically sound regulations and laws is paramount to the success of the industry.

AME BC should be viewed as a primary stakeholder in BC's land access and use planning processes. In many cases, the industry is invited to review proposals and submit comments. In some cases, however, full consultation with AME BC and the industry does not always occur, and any subsequent comments provided to government decision makers about important land access and use issues become almost superfluous.

Where land is to be closed for reasons of environmental protection, AME BC expects government to open up other lands, such as no-registration areas where claims cannot be staked, that are currently closed to exploration. Doing so would begin to negate the cumulative negative impacts of having multiple closures and reduced access to explore. This may also open up land with high mineral or coal development potential that may have been inadvertently closed in the past during the planning of parks and protected areas. In many cases, these closures did not fully take into account mineral or coal development potential and loss of future socio-economic development opportunities.

For the future success of the industry, AME BC urges the provincial government to protect the mineral lands in BC for exploration and to put in place clear consistent procedures for consulting the industry more widely and purposefully when restrictions to land use or access for explorers are being considered. Timely and appropriate corrective actions to address AME BC's primary concern about having access to mineral lands will ensure that British Columbia retains its renewed reputation as a safe haven for investment in mineral exploration and development.

Recommendations:

- *AME BC recommends that the BC government formally recognize the mineral exploration and development value of the land and assess the potential negative impacts and consequences to the industry of overly restrictive and unreasonable legislative or regulatory changes;*
- *AME BC recommends that the BC government recognize AME BC and the mineral exploration and development industry as a primary stakeholder in land access and use planning initiatives and provide opportunities to review and comment on initial stage land planning;*
- *AME BC recommends that the BC government reaffirm its two-zone policy and science-based land use plans and begin a process of re-evaluating land that is currently closed with the goal to implement a standing policy of replacing alienated mineral exploration lands with lands re-opened for exploration;*

- *AME BC recommends that where lands are made unavailable for mineral or coal exploration and development, the BC government apply the principle of fair market valuation to compensate existing mineral or coal claim and lease holders; and*
- *AME BC recommends that the BC government monitor, track, and publicly report on the statistics regarding BC's actual land use and access, including mineral or coal exploration and development.*

2. Permitting & Environmental Assessment:

In a competitive investment world, global investors appraise the efficiency and robustness of a jurisdiction's permitting and regulatory systems before risking venture 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 economic growth. Because grassroots mineral exploration is the sustaining lifeblood for mining, a jurisdiction needs transparent and consistently-applied permitting and regulatory processes to encourage sustained investment in exploration and development.

The BC government has estimated that there is potential to develop over 20 new mines across the province, representing \$30 billion in capital investment. This estimate includes mines already in the Mine Development Review process and under the BC Environmental Assessment Office process. The BC government must continue taking strategic and tactical steps and invest now in timely permitting order to generate the predicted increase in potential revenues from the next upswing in the mineral and coal development cycle and meet the socio-economic demands of a growing population.

BC will only reach its full potential in mineral exploration and development if the exploration permitting process is continuously improved and a balanced, science-based approach is consistently taken for environmental assessments. AME BC supports increased collaboration between the provincial and federal governments and consistent application of the "one project, one process, one decision" approach to environmental assessments. Changes made to the Canadian Environmental Assessment Act (CEAA) in 2012, such as legislating timelines and substitution agreements between jurisdictions, were significant and appreciated. Mine development projects currently benefitting from substitution agreements and the new CEAA 2012 process include New Gold's Blackwater, Pretium's Brucejack and AuRico Metals' Kemess Underground projects.

AME BC recognizes the clear commitments made in the BC Jobs Plan to reduce the backlog of Notice of Work exploration permit applications and maintain a 60-day turnaround time as it should encourage more investment in exploration, especially grassroots exploration activities. AME BC also acknowledges the September 2013 implementation of new regulations to exempt low-risk exploration and mining activities from requiring *Mines Act* permits while maintaining health, safety and environmental standards. The 2013 implementation of a new online permit application and tracking system, as well as efforts taken to improve the permitting process by introducing multi-year and multi-area permitting, are also acknowledged by AME BC as positive steps in the right direction. In spring 2014, AME BC made it clear to government that the proposed *Mines Act* permit application fees would set a dangerous precedent and be a major disincentive to prospecting and exploring for new deposits in BC. AME BC is pleased to recognize the Government's announcement that fees will not be applied to exploration and development. Further, AME BC also applauds the announcement in 2015 of the increase of base funding of the Mines and Mineral Resources Division by \$6.3 million to \$17.1 million.

AME BC applauds and supports the leadership of the governments of BC and Alaska in establishing a Memorandum of Understanding and Cooperation in 2015 to help define how each government will participate in environmental assessment processes to effectively represent the interests of its citizens on transboundary affairs. AME BC is

confident that the interests of all Alaskans will be effectively represented by Alaskan government regulators participating in BC environmental reviews, where a clear and well defined transboundary matter requires their consideration. It is important that BC projects that are including Alaskan reviewers actually have the potential to have some impact to Alaskan interests, rather than a project review that may be undertaken only because of relative geographic proximity. Adding additional regulatory burden or oversight from national governments will not assure more effective project consideration or representation of the interests of Alaskans.

Recommendations:

- *AME BC recommends that the BC government continues to work with the federal government to ensure a single, effective, and efficient environmental assessment and decision process that is science-based, consistent, and predictable;*
- *AME BC recommends that the BC government continue to work closely with the Alaska government through the 2015 Memorandum of Understanding and Cooperation to ensure efficient and constructive dialogue regarding mineral development and proposed mines in the vicinity of the BC-Alaska boundary that have a clear and defined potential transboundary interest; and*
- *AME BC recommends that the BC government continue working with industry to increase permitting efficiency to achieve government's objective of a 60-day, or better, turnaround for Notice of Work exploration permit applications.*

3. Aboriginal Relations & Engagement:

As per AME BC's Strategic Plan, aboriginal relations and engagement continues to be a top priority area for our membership. AME BC hosted the third annual Gathering Place at the Mineral Exploration Roundup 2015 conference and the *Aboriginal Engagement Guidebook* released in January 2014 was updated and reprinted in May 2015 by popular demand. Industry continues to build and maintain positive relationships with many Aboriginal communities in most regions of the province, but in the absence of clear government policy and clarity on consultation requirements, industry's efforts do not yield the level of success that could be possible.

AME BC continues to work to strengthen relationships with aboriginal communities, leaders, and organizations. Specifically, AME BC has taken the lead and engaged in very positive and mutually respectful discussions with representatives from the BC First Nations Energy and Mining Council (BC FNEMC). In fact, AME BC signed a memorandum of understanding with the BC FNEMC in July 2015. AME BC also maintains strong business relationships with the Industry Council for Aboriginal Business. Similarly, continuous government-to-government engagement and relationship-building between the federal and provincial governments and First Nations is required to advance reconciliation through agreements and treaties and build certainty for the industry. Both industry and government alike need to engage aboriginal communities early in regards to issues related to shared land access and use, but it is the government's duty to consult aboriginal communities on all permitting, land access and land use planning initiatives.

Although industry is still challenged by the slow pace of the consultation process between aboriginal communities and government, a growing number of agreements and business partnerships have been struck and serve as models for other jurisdictions. In fact, BC is leading the way internationally with examples of resource revenue sharing agreements (known as Economic & Community Development Agreements) with aboriginal communities that entail the re-distribution of mineral tax revenues between the BC government and aboriginal communities, and AME BC fully supports the certainty and shared prosperity that these agreements bring to everyone.

On June 26, 2014, a Supreme Court of Canada judgment confirmed aboriginal title over a parcel of the land area as defined by the Tsilhqot'in Nation. AME BC notes that government mapping still does not show the area of Aboriginal Title land nor has government announced any policy direction in response to the Court decision. AME BC recognizes that important reconciliation work is underway between the Tsilhqot'in and the BC government and understands the reluctance of the government to prematurely announce any directive. However, the lack of response from government creates a policy vacuum, which in turn feeds negative perceptions of BC. Furthermore, in the fall of 2014, the Tsilhqot'in declared the creation of a tribal park covering approximately 310,000 hectares in the Chilcotin area that largely overlaps the 175,000 hectares of Tsilhqot'in aboriginal title land. AME BC estimates that the tribal park encompasses approximately 195,000 hectares of mineral tenures and a mining lease, but we are not aware of any notice provided to tenure holders impacted by the aboriginal title land or by the proposed tribal park. A recent declaration of Tsilhqot'in law on March 20, 2015 over title land further feeds uncertainty regarding mineral exploration and development in the area.

The Supreme Court of Canada's decision, however, confirms that provincial laws and regulations will continue to apply in the Tsilhqot'in aboriginal title land (175,000 hectares), subject to section 35 of the Constitution Act and the guidelines set down by the Court. An important reminder is that sub-surface minerals and coal resources are generally owned and administered by the Crown and managed in the public's socioeconomic and strategic interest, for the greater good of all BC citizens, aboriginal and non-aboriginal. While this is a complex and precedent-setting case, the path forward is for the federal and provincial governments to continue their duty to consult work with the Tsilhqot'in Nation and all First Nations. The outcome of such consultation by government should be enhanced certainty that will support further investment from the mineral exploration and development industry and create jobs and shared economic opportunity for all British Columbians, including the people of the Tsilhqot'in Nation.

AME BC believes it is essential that a balanced and fully informed discussion take place as the Province of British Columbia moves forward in advancing its reconciliation goals with First Nations. As well, AME BC believes it is equally important that all parties recognize that the Supreme Court of Canada's decisions in Tsilhqot'in and other cases are intended to provide a balanced path forward, one which respects both aboriginal rights and title interests and broader societal interests. AME BC accepts that legal decisions alone will not be sufficient to achieve reconciliation. But AME BC also believes that acknowledging and working within the relevant law is a precondition to achieving success through mutual understanding, trust and respect.

Recommendations:

- *AME BC recommends that the BC and Canadian governments uphold their duty to consult with aboriginal communities to create certainty regarding security of mineral tenure and investment;*
- *AME BC recommends that the BC government reaffirm the Supreme Court of Canada's judgment that provincial laws and regulations apply throughout British Columbia, including in Tsilhqot'in title lands;*
- *AME BC recommends that the BC and federal governments engage in government-to-government discussions to build relationships, advance reconciliation and arrive at settled treaties with aboriginal communities; and*
- *AME BC recommends that the BC government continue to implement a predictable and transparent framework for sharing mineral tax revenues through Economic & Community Development Agreements with aboriginal communities.*

4. Taxation, Securities and Investment:

In 2013, AME BC engaged Ernst & Young LLP (EY) to evaluate mining exploration tax incentives available in BC that were originally introduced to increase the attractiveness of the province as a jurisdiction of choice for mineral explorers, developers and investors. The following outlines some of the findings of their evaluation.

The BC Mining Flow-Through Share (MFTS) tax credit allows individuals who invest in flow-through shares to claim a non-refundable tax credit of 20% of their BC flow-through mining expenditures. BC flow-through mining expenditures are specific exploration expenses incurred after July 30, 2001 and renounced by a corporation issuing the flow-through shares to the investors holding the flow-through shares. AME BC applauded the BC government for extending the MFTS through to December 31, 2015 and we now recommend that it be made a permanent incentive to encourage companies to explore for more in British Columbia and thus remove the uncertainty of the year to year extension.

The BC Mining Exploration Tax Credit (METC) program currently provides a 20% refundable tax credit, with an enhanced rate of 30% for companies exploring in areas affected by the mountain pine beetle, through to December 31, 2016. The mountain pine beetle area covers an estimated 85% of BC and the current METC program requires exploration companies to manage expenditures to artificial boundaries and government staff to monitor and enforce these boundaries. Going forward, to reduce regulatory burden and increase efficiency and transparency, AME BC recommends that BC government make the 30% rate applicable to the whole of BC.

Together, the MFTS and the METC incentives have provided a return on investment averaging more than 6 to 1, based on nearly \$2.3 billion in mineral exploration expenditures from 2010 through 2014. Taking into account the current depressed financial markets, junior companies consider the METC refundable tax credit another form of quasi-financing, putting those dollars to work on future exploration programs in BC and reaping a 'multiplier effect', benefitting both the company and region where those dollars are being spent. An extension of the BC METC through January 1, 2020 would provide longer-term stability to mineral exploration companies that will allow them to plan the financing of multi-year programs. Such a three-year extension would also boost investor confidence and give more predictability to the venture capital market.

Furthermore, AME BC members are incurring the increasing cost of engagement with aboriginal and non-aboriginal communities in BC, even though it is the duty of the Crown to consult with aboriginal communities. In fact, a study conducted for AME BC in 2013 by E&Y found that the weighted average of "consultation" (better called engagement) costs borne by representative companies as a percentage of their total exploration expenditures in 2012 was estimated at over 21%. The real cost of engagement is not currently defined as a qualifying expense under the BC METC as those are expenses incurred in the course of prospecting, carrying out geological surveys, trenching, digging test pits or preliminary sampling. On top of the growing expectation and financial burden to engage aboriginal and non-aboriginal communities, existing tax credits (such as flow-through shares and mining exploration tax credits) cannot be used to offset these critical engagement costs.

This is why AME BC applauds the federal Ministry of Finance announcement on March 1, 2015 of its intention to amend the definition of Canadian Exploration Expense (CEE) to include expenses incurred for environmental studies or community consultations that are undertaken to obtain a right, license or privilege for the purposes of determining the existence, location, extent or quality of a mineral resource in Canada incurred after February 2015. Currently, certain costs associated with community consultation and environmental studies are classified as either Canadian Development Expenses (CDE) or period costs instead of CEE when they are undertaken for the purpose of securing a right, license or privilege to explore for minerals in a mineral resource in Canada. This classification restricts such costs from being eligible to be funded from flow-through share proceeds, notwithstanding their direct association with the

exploration process. With recent legislative changes in the mining acts of various provinces and territories it is becoming increasingly difficult to segregate the portion of such costs that should be considered CEE versus CDE, increasing the risk of misclassification and incorrect renunciations to flow-through share investors.

To resolve this issue, legislative changes to the Income Tax Act will be required, along with changes to the 2007 Guidelines (and specifically the “Description of Expenses”) issued by the Canada Revenue Agency (CRA) with respect to the classification of expenses as CEE vs. CDE. Ultimately, the CRA Guidelines, once revised with input from industry, should be made into regulations under the Income Tax Act. AME BC encourages the BC Government to support solutions brought forward by AME BC and the Prospector & Developers Association of Canada (PDAC) for the federal Department of Finance to develop guidance to establish clear, bright line tests as to which expenditures associated with environmental and community consultations would be considered CEE. This will allow junior companies to determine which costs qualify as CEE and plan and finance future exploration programs accordingly.

AME BC is also supporting the PDAC with its proposals to facilitate capital raising from a broader base of investors and harmonization of securities regulations across Canada, including the creation of a national Capital Markets Regulatory Authority. Such an authority could provide a unique opportunity to implement capital market reforms that can facilitate cost-effective capital raising for the exploration industry. Without these reforms, Canada is in danger of losing its position as the number one jurisdiction for raising mining equity financing, and as the top listing destination for mining companies. Specifically, the PDAC is advocating for this new authority to: expand the pool of capital available to junior company issuers; reduce compliance costs; and implement a more effective enforcement regime.

Many majors depend on prospectors and junior explorers to make discoveries and to advance projects, but it is a high risk and costly undertaking with no assurance of realizing a return on investment. To offset costs and to encourage and incentivise prospecting and junior exploration activity in BC, AME BC advocates for a Prospector Support Program to be reintroduced. Recently, the Venture Capital Markets Association issued a public letter outlining its serious concerns about the demise of BC’s standing as a major venture capital centre and the retail investor because of over-regulation and lack of encouraging higher risk speculative investment. A combination of regulatory and pseudo-regulatory bureaucracies forces issuers to raise millions of dollars for payment of regulation costs in addition to the constructive capital they require. AME BC believes that regulatory reform, including streamlining of the public markets, is required and that the regulators should be more representative of the industries they serve and more directly accountable to elected officials.

Overall, we need governments to urgently adopt and enhance fiscal incentives that sustain grassroots mineral exploration in order to maintain the pipeline of projects that could become mines. As well, we need to continue to reform the fragmented and complex securities regulatory system in Canada to support cost-effective ways to raise capital and help maintain BC’s and Canada’s global leadership in raising mining equity finance.

Recommendations:

- *AME BC recommends that the BC government make the BC Mining Flow-Through Share (BC MFTS) Tax Credit permanent to encourage companies to explore for more in British Columbia;*
- *AME BC recommends that the BC government renew the BC Mining Exploration Tax Credit (METC) at a rate of 30% applicable across the whole of the province through January 1, 2020 to provide longer-term stability for the planning of mineral exploration programs;*
- *AME BC recommends that the BC Government work with the federal government and the Prospectors & Developers Association of Canada and AME BC to ensure that legislative changes to the Income Tax Act will*

result in expenditures for environmental studies and community consultation being considered Canadian Exploration Expenses. In order to ensure nation-wide application, revisions to the Canada Revenue Agency's 2007 Guidelines should be made into regulations under the Income Tax Act;

- *AME BC recommends that the BC government work with the Canadian Mineral Industry Federation (CMIF) and the federal government to improve industry's access to venture capital, specifically by adopting a regulatory framework that explicitly acknowledges the role of capital markets in fostering economic growth, and prioritizes cost-effective capital raising by venture-issuers;*
- *AME BC recommends that the BC government work with business venture and industry associations to reform the market regulators, including having the regulators be more representative of the industries they serve and more directly accountable to elected officials; and*
- *AME BC recommends that the BC government re-establish a Prospector Support Program and introduce fiscal incentives for grassroots and early-stage mineral exploration, such as for field and sampling costs incurred by prospectors, exemption for a prospector's discovery windfalls and re-introduction of profit sharing or grubstaking.*

5. Public Geoscience:

AME BC appreciates the provincial government's continued commitment to applied geoscience demonstrated through the \$5 million in funding for Geoscience BC announced in June 2015. Geoscience BC, which the provincial government originally announced at AME BC's Mineral Exploration Roundup in 2005, is an industry-led, not-for-profit, applied geoscience organization that works in partnership with industry, academia, government, Aboriginal and non-Aboriginal communities to fund applied geoscience projects with the objective to attract mineral and oil and gas exploration to British Columbia. Economic focussed geology is the primary activity of Geoscience BC.

In a complementary fashion, the government's BC Geological Survey (BCGS) plays a leading role to the public and industry by conducting field and mapping surveys, compiling geological reports and releasing geoscience data that stimulates responsible mineral exploration and attracts investment. Moreover, the BCGS is the ultimate repository of geoscience data and information for government, industry and public use. BC could gain a competitive advantage by modernizing the provincial land database systems (such as the Natural Resource Permitting Project) and linking the primary data systems of the Ministry of Energy and Mines, including Map Place, Mineral Titles Online and Mine Management System.

AME BC members were pleased to see that the BC government moved their regional geologists back into the Ministry of Energy and Mines in 2013, which is an acknowledgement of geologists and their important role in government. In particular, government geologists provide professional expertise to smaller companies and locally based prospectors, and importantly, are government's eyes and ears on the ground. As well, government geologists provide a vital role in providing technical information and advice to the public, aboriginal communities and government agencies regarding geology, mineral resources and exploration and development activities. They also provide necessary baseline information and service to the public to assist in land access and use planning, geotechnical assessments, emergency geohazard preparedness and transboundary issues with neighbouring jurisdictions in Montana, Idaho, Washington, Alaska, Yukon, Northwest Territories and Alberta.

Recommendations:

- *AME BC recommends that the BC government work with industry to develop a long-term sustainable funding*

model to support Geoscience BC;

- *AME BC recommends that the BC government continue to support an increase of the base funding for the BC Geological Survey to enable field programs that improve the understanding of BC's geology, geotechnical hazards and mineral and coal development potential; and*
- *AME BC recommends that the BC government modernize the provincial land database systems and link the primary data systems of the Ministry of Energy and Mines, including Map Place, Mineral Titles Online and the Mine Management System.*

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