

Six Reasons to Invest

in British Columbia's Mining and Mineral Exploration Sector



1. Lasting Indigenous Partnerships

In BC, engagement with Indigenous nations allows for long-term project investment in the mining industry.

- ▶ In British Columbia, Indigenous governments continue to play a key role in advancing and supporting resource development.
- ▶ BC's mining industry has taken measures to build trust with Indigenous communities, share benefits with them and mitigate risk, which make partnerships with Indigenous Peoples meaningful and lead to positive economic growth.
- ▶ Consultation with Indigenous nations is essential to land and resource decision making. It is mandatory for all major project proposals



Recent success stories demonstrate the potential of Indigenous partnerships on world-class mineral development in the province. Advancement of the recently opened Red Chris and Brucejack mines and the fully permitted KSM project, the largest undeveloped gold deposit by reserves in the world, all involved creating strong relationships between proponents, Indigenous and provincial governments. The success of these projects prove partnership and collaboration are the foundations for project development in British Columbia.

- ▶ The interests of Indigenous communities typically relate to potential impacts on Aboriginal rights and title, including traditional practices, cultural resources and environmental concerns.
- ▶ British Columbia guides project proponents to work with Indigenous nations to ensure resource-management decisions respect their rights, knowledge and values.

2. Taking Advantage of Incentives

British Columbia provides many incentives to encourage business investment and innovation. Royalty credits, tax credits and refunds are available for research and development, machinery and equipment investment, and other sector-specific activities.

- ▶ **B.C. Mining Exploration Tax Credit (B.C. METC)**
This program provides a refundable tax credit equal to 20 per cent of qualified mining exploration expenses less the amount of any assistance received or receivable. If the exploration expenditures are incurred in prescribed areas affected by the mountain pine beetle, the credit is increased to 30 per cent. In 2019, BC made this tax credit permanent.
- ▶ **B.C. Mining Flow-Through Share Income Tax Credit (B.C. MFTS)**
An individual who invests in flow-through-shares may receive a non-refundable tax credit equal to 20 per cent of a corporation's B.C. flow-through mining expenditures that are transferred to the individual in a given year. B.C. flow-through mining expenditures are specific exploration expenses incurred after July 30, 2001 and renounced by a corporation issuing the flow-through shares. In 2019, BC made this tax credit permanent.

▶ **B.C. Training Tax Credits**

This program provides refundable tax credits for apprentices and employers who take part in apprenticeship programs administered through the Industry Training Authority.

▶ **Property Tax Credits**

Mine operators and other industrial businesses can claim industrial property tax credits of 60 per cent for school property taxes.

▶ **Cumulative Tax Credit**

Under the *Mineral Tax Act*, a cumulative tax credit is a reduction of Net Revenue Tax (NRT) based on the Net Current Proceeds (NCP) Tax paid. This credit ensures that investors pay either NRT or NCP but not both.

▶ **Investment Allowance**

Investors can claim an investment allowance when they file a Mineral Tax Return to allow for interest on the capital invested in the mine while it is in commercial production.

▶ **New Mine Allowance**

This allowance increases by one-third the value of eligible capital expenditures for new mine developments and significant expansions brought into production before January 1, 2020. It means 133.3 per cent of a mine's qualifying capital expenditures can be added to its Cumulative Expenditure Account to reduce payable taxes once the project is complete.

▶ **Nisga'a Exemption**

Under the Nisga'a Nation Taxation Agreement, a mine operating on or under Nisga'a Lands in northwestern British Columbia is exempt from provincial Mineral Tax.

▶ **Capital Cost Advantages**

Corporations claiming capital cost allowances for income tax depreciation purposes in respect of certain mining activities may put individual capital assets in separate classes instead of pooling them. Eligible assets include certain production machinery and equipment.

▶ **Property Tax Exemptions**

Tangible personal property, such as production machinery, business equipment, furniture and inventories, is exempt from property tax in British Columbia.

3. British Columbia's streamlined regulations and robust industry supports make it easier to do business.

Companies that invest in British Columbia's rich mineral and coal resources benefit from well-defined, transparent review processes for proposed major projects, making it efficient to set up operations in British Columbia.

- ▶ In 2018, the Mining Journal's World Risk Report ranked BC as the least-risky jurisdiction in the world for resource investment for the second year in a row, largely on the back of its world leading mining code.



- ▶ The government of British Columbia received an 'A' grade in 2018 from the Canadian Federation of Independent Business for regulatory and service improvement.
- ▶ Government departments use a coordinated approach, bundling multiple authorizations and permits as a single project rather than a group of individual permits and authorizations
- ▶ Combining authorization and permitting processes for major projects eliminates duplicated effort, reduces timelines and protects environmental standards.
- ▶ British Columbia has a long history of providing secure natural resource tenure to individuals and companies, and its title registry ensures clear rights to mineral resources.

ENVIRONMENTAL ASSESSMENT TIMELINE: KEMESS UNDERGROUND

- ▶ May 11, 2016: Environmental Assessment Office (EAO) formally accepted an application from AuRico metals for an Environmental Assessment (EA) Certificate for Kemess Underground Mine.
- ▶ The 180-day application review period was modified on two occasions:
 - An eight-week (56 days) extension to the application review period of the proposed Kemess Underground Mine to allow time for Tse Keh Nay (TKN) collective (Takla Lake, Kwadacha and Tsay Keh Dene Indigenous nations) to better engage their communities and to address delays in receiving initial working group and TKN comments on the application.
 - The EAO required additional time to conduct a 30 day public comment period on the draft Assessment Report and draft conditions of an Environmental Assessment Certificate and federal conditions of a Decision Statement to align with the federal requirements. The time limit was therefore extended by 44 days.
- ▶ February 16, 2017: EAO referred the decision to ministers
- ▶ March 15, 2017: The Provincial Ministers granted an EA Certificate to the Project. The federal Minister of the Environment issued her environmental decision statement on the same day. She found that the Project “is not likely to cause significant adverse environmental effects referred to in subsection 5(1) of the Canadian Environmental Assessment Act, 2012

Kemess Underground Permitting Dates:

Screening:

- ▶ Start: September 1, 2017
- ▶ End: November 6, 2017

Review and Decision (start of review to referral)

- ▶ Start: November 7, 2017
- ▶ End: June 28, 2018
- ▶ Permit issued: July 6, 2018

- ▶ The mine approval process is the same for everyone whether the proponent is local, national or international.
- ▶ The Major Mines Operations Office (MMOO) improves the coordination of regulatory permits for major mine projects. The MMOO team works directly with proponents, government and Indigenous nations to ensure timely review and completion of applications for new major mines and expansion projects. Team members coordinate multi-agency regulatory permits and work to enhance communication, identify and resolve issues and conduct project reviews efficiently.



4. Vast Resources

British Columbia's mountains and river valleys hold minerals the world needs, from industrial commodities such as coal and copper to precious metals such as gold and silver.

- ▶ Estimated value of British Columbia's 2018 mineral production: \$9.7 billion
 - Coal: \$5.1 billion
 - Copper: \$2.5 billion
 - Gold: \$1.1 billion
 - Molybdenum: \$141 million

Modern day gold rush in the Golden Triangle [2018 Ernst and Young (EY) Report]

- ▶ The Golden Triangle region in Northwest BC has been the site of three gold rushes between 1861 and 1898.

- ▶ In recent years, several factors have triggered a resurgence of exploration and mining activity in the region, including:
 - The discovery of high-grade, potentially economically viable deposits and two new mines, Red Chris and Brucejack;
 - New infrastructure, including the paving of the Stewart-Cassiar Highway, the opening of ocean port facilities for export of concentrate at Stewart and the completion of a \$700 million high-voltage transmission line to bring power to the region;
 - Support from Indigenous nations for sustainable resource development that will bring jobs and economic opportunities; and
 - Higher gold prices.
- ▶ EY survey results reveal \$163.8 million of exploration expenditure was incurred in the Golden Triangle region throughout 2018—a 66% increase over the prior year (\$98.9 million) and almost double 2016 levels (\$85.8 million).
- ▶ The northwest accounted for 50% of the total exploration spend in British Columbia in 2018.
- ▶ There are projects in the northwest region that have EA certificates but require investment to advance toward production.

5. Robust overland infrastructure

Our modern infrastructure network lowers the bottom line for explorers and operators and underscores the advantages of developing projects in British Columbia.

- ▶ The Northwest Transmission Line, completed in July 2014, supplies clean, affordable, reliable hydroelectric power to mining operations throughout the region.
- ▶ Other recent developments include:
 - Highway upgrades
 - Ocean port infrastructure at the ice-free port of Stewart
 - The commissioning of two hydroelectric facilities

6. A Positive Outlook for Future Growth

- ▶ There are over 3,000 mining, mineral exploration and industry service and supply companies operating in BC.
- ▶ Demand and pricing for metallurgical coal will remain relatively strong over the long term, as economic growth within developing markets, especially those in Asia, drive up the consumption of steel.
- ▶ Total metal, industrial mineral and coal exploration expenditures in BC are estimated at \$331.4 million for 2018, up \$84.8 million from the 2017 total of \$246.6 million and up 126.4 million from the 2016 total of 205 million.
- ▶ Canada ranked 1st in early-stage exploration budgets in 2017, increasing to U.S. \$317 million (+15%)
- ▶ Canada had the top share of worldwide exploration spending by country in 2017 with 14.38%
- ▶ The Provincial government has demonstrated strong support for the BC mining sector – including allocating increased resources to regulatory agencies, making mineral exploration incentives permanent and providing continued financial support for international investor outreach



Ministry of
Energy, Mines and
Petroleum Resources



BRITISH COLUMBIA REGIONAL
MINING ALLIANCE

FOR MORE INFORMATION, PLEASE CONTACT:

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<https://amebc.ca/bc-regional-mining-alliance/>

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