

The Canadian Mineral Development Model

Natural Resources Canada

Workshop on Best Practices on Mining Policies and Technologies

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Presentation Overview

- Mining in Canada – brief overview of Canada
- Canadian Legal Framework
- Roles and Responsibilities in the Federal System
- Exploration and Mine Development in Canada
 - Role of geoscience
 - Acquisition of mineral rights
 - Exploration process/permitting
- Environmental Assessment – Responsible Resource Development
- Aboriginal Consultation/Engagement
- Mine Closure and Rehabilitation
- Investment Framework
- Summary



Canada at a Glance

- 35.2 Million people
- 9,984,670 km²
- Federal state with 10 Provinces and 3 Territories
- Provinces responsible for health, education and welfare.
- Federal government responsible for international relations, inter-provincial issues, and defence.
- Federal government can initiate national policies on provincial matters using federal spending powers.



Canadian Legal Framework for Mining

- The Canadian legal system based on British common law system.
- For historical reasons, Quebec has a hybrid legal system:
 - Private law follows the Civil Code of Quebec.
 - Public law (including mining) follows common law approach.
- Mining activities for the most part are governed by the laws of the province or territory in which a mine is physically located.
- Laws of other jurisdictions may be relevant to matters such as financing, the issuance of securities and environmental regulation.
- Shared jurisdiction in a number of areas such as taxation and the environment.



Mining: Division of Roles and Responsibilities

Federal

- Federal lands
- Fiscal and monetary policy
- International relations and trade
- National statistics
- Explosives Regulations
- Aboriginal affairs
- Science and technology

Provincial/Territorial

- Resource ownership and management
- Land-use decision-making
- Royalty design and collection
- Laws and regulation on resource exploration and development
- Operational matters

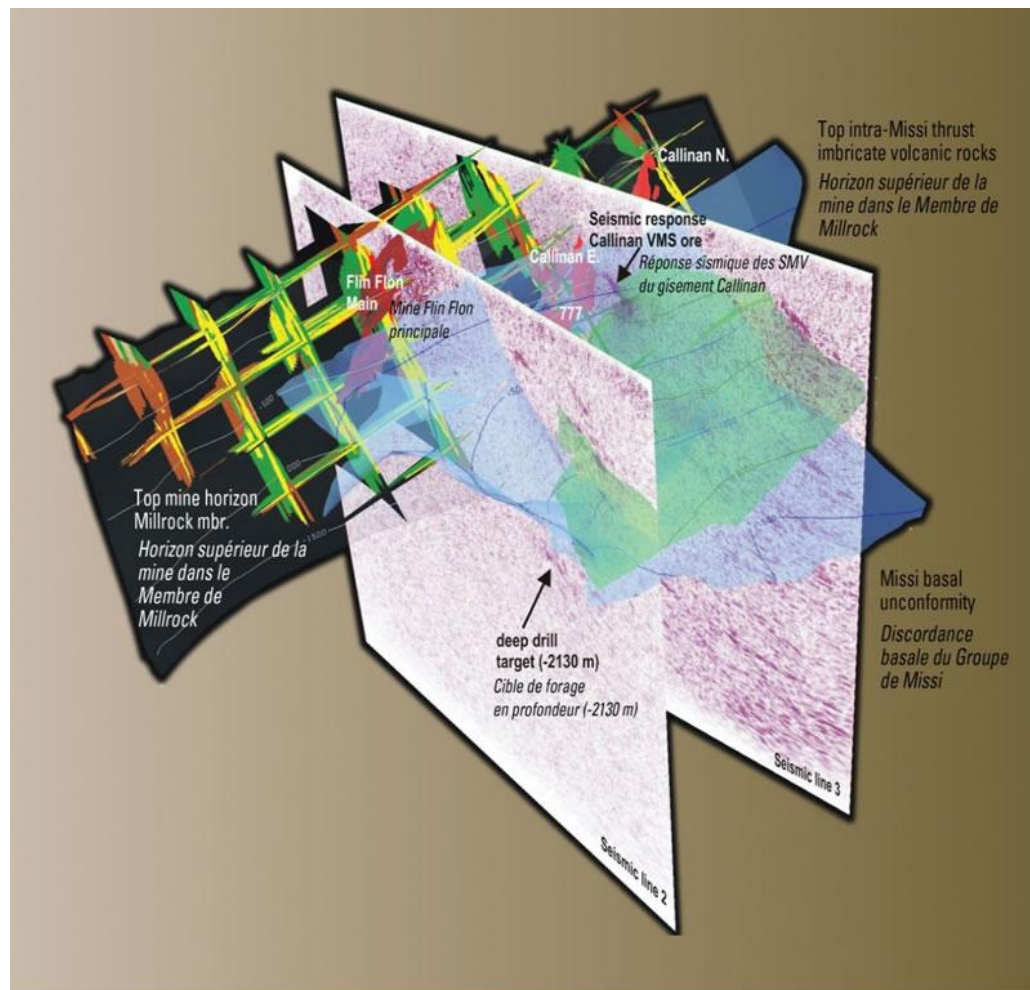
Shared

- Economic development
- Environmental protection and conservation
- Health and safety
- Aboriginal economic development



Geoscience

- Geoscience information provided by governments as a public good acts to attract mineral exploration and guide investment decisions
- Also used for government to inform land-use decisions such as the creation of parks and other protected areas.
- In Canada, such information is readily and openly available:
 - Geological Survey of Canada plus provincial surveys and agencies.



Acquisition of Mineral Rights

- Crown ownership of minerals in Canada:
 - Minerals are owned by provincial or territorial governments.
 - Minerals located in offshore waters, the continental shelf and on federal lands are owned by the federal government.
- Federal and provincial/territorial governments are responsible for regulating mineral rights.
- Each jurisdiction has its own mining, environmental and occupational health and safety legislation.
- Canada has two main systems for acquiring mining rights:
“Free-entry” & “Crown discretion”.



Mining Leases

- A mining lease is required prior to the extraction of minerals.
- The holder of a mining lease possesses the right to extract minerals from the area to which the lease applies.
- Mining leases in Canada are:
 - issued for a specific term that is renewable;
 - subject to an annual rental charge and
 - transferable with the prior written consent of the government.
- To obtain a mining lease a miner must:
 - have completed a specified amount of assessment work on the applicable mining claim, and
 - file with the government authority a mining lease application accompanied by the application fee and, in some cases, a plan of survey and evidence that surface rights compensation, if any, has been paid, secured or settled.



Protecting the Environment

- Development or expansion of major mining projects triggers a requirement for federal and/or provincial environmental impact assessments.
- Evaluates proposed mining projects based on potential environmental and social impacts.
- Differences across the country but generally can call for public hearings.
- Projects can either be approved or rejected & sent back to the proponent.
- Governments working to streamline the process.



Responsible Resource Development (RRD)

- A whole-of-government approach to streamline the review process for major economic projects – “one project, one review”.
- The goals of Responsible Resource Development are:
 - more predictable and timely reviews,
 - reduced duplication,
 - strengthened environmental protection, and,
 - enhanced consultations with Aboriginal peoples.



Aboriginal Consultation

- In Canada, indigenous populations known as “Aboriginal Peoples”.
- Rights are protected by law and must be considered when major development projects have the potential to affect those rights.
- Consultations with Aboriginal peoples arise in a number of different ways, including:
 - traditional rights to use of land (such as hunting, trapping and fishing);
 - treaty rights and land claim agreements;
 - unresolved land claims and Indian reserves.



Duty to Consult

- Courts have required a legal duty to consult by the Crown whenever actions may affect Aboriginal rights or land.
- Duty to consult rests with the Crown – not with companies.
- Mining companies risk having government approvals invalidated by the courts should it be determined that the Crown failed to discharge its duty.
- Important that mining companies ensure consultations with potentially affected Aboriginal peoples have taken place.
- Companies often help fund Aboriginal participation in the consultation process and enter into impact and benefit agreements ("IBAs") with Aboriginal communities. Governments not involved.



What's in an IBA?

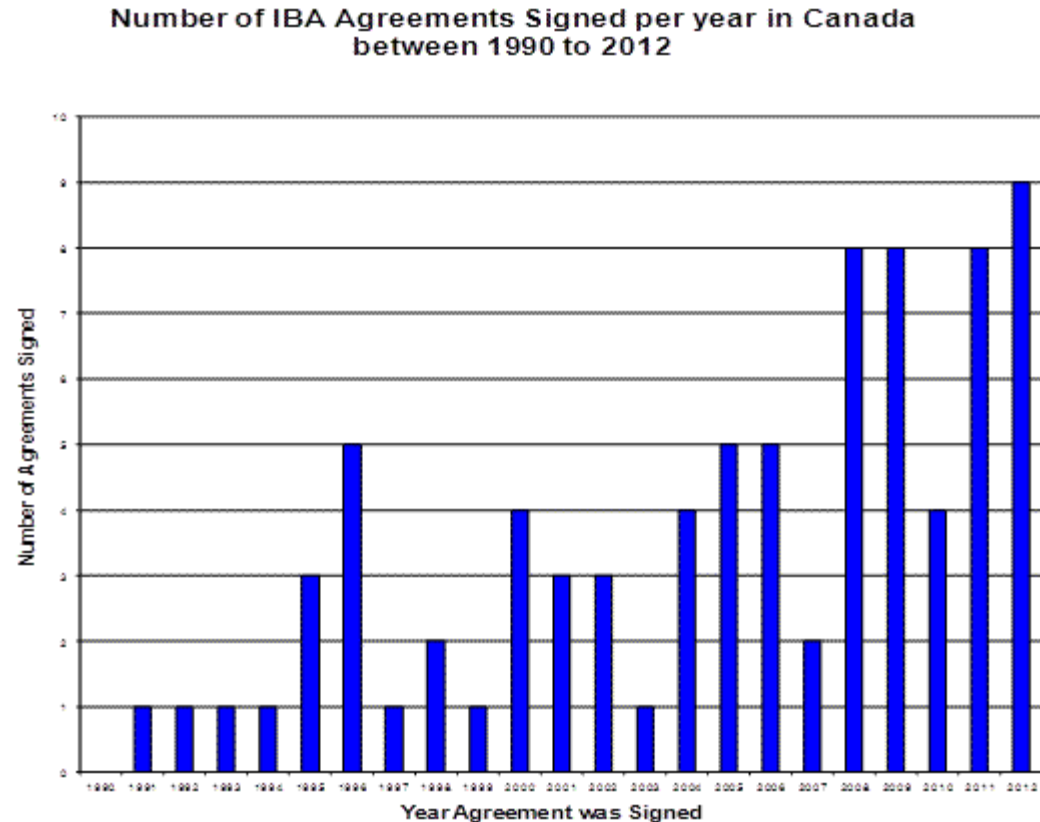
Standard provisions of IBAs:

- Economic and business opportunities
 - Priority contracts to local businesses
 - Assistance in developing local businesses
- Employment and training.
- Social, cultural and community support.
- Financial provisions and equity participation.
- Environmental protection and cultural resources.
- Post-mine closure.
- Other substantive and procedural provisions (e.g. Dispute resolution).



Impact and Benefit Agreements (IBAs)

- Agreements (IBAs) at the development and production stage are becoming a common practice:
 - 79 total active IBA's
 - 24 IBAs signed between 1993-2002
 - 54 IBA's signed in the last decade (since 2002)
 - Considerable growth from 2008 to 2012

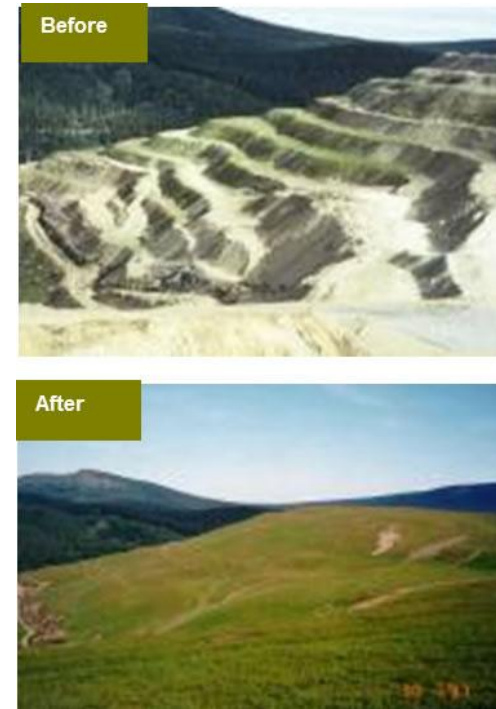


Source: Natural Resources Canada, Minerals and Metals Sector, 2013



Mine Closure and Rehabilitation Plans

- Provincial mining regulations require approval of mine closure plans.
- Designed to rehabilitate and restore mine sites to former use and otherwise protect the environment after the completion and closure of mining.
- Financial securities (or financial assurances or guarantees) for closure plan obligations are required to be filed with closure plans.
- An approved closure plan and the accompanying financial assurance are required prior to mine production.



Competitive Regulatory and Policy Framework

- Designed to meet the specific needs of the mining industry:
 - 8 of Canada's 13 mining jurisdictions rated in the top 20 of the most favourable mining jurisdictions worldwide (Fraser Report for 2013).
- Reflects the jurisdictional responsibilities of the Federal and provincial and territorial governments.
- Internationally-competitive tax regime:
 - Federal Corporate Income Tax (15%);
 - Provincial/Territorial Corporate Income Tax (10% to 16%);
 - Provincial Mining taxes/royalties (10% to 18%).
- Incentives to support exploration and mining:
 - Flow-Through Shares (FTS), including Mineral Exploration Tax Credit;
 - Canadian Exploration Expenses (CEE);
 - Canadian Development Expenses (CDE).
- Improved environmental assessment process.



Canadian Securities Law

- Companies are responsible for the preparation and filing of reports that must comply with:
 - National Instrument 43-101 Standards of Disclosure for Mineral Projects.
 - National Instrument 51-102 Continuous Disclosure Obligations.
- All Canadian provinces have adopted NI 43-101.
- Requires disclosure based on a technical report prepared by or under the supervision of a “qualified person”.
- Mining companies whose securities are listed on the TSX must comply with the TSX's Disclosure Standards.



Foreign Direct Investment

- National treatment for foreign investors.
- No barriers to foreign companies establishing a new business in Canada's minerals and metals sector.
- Full access to geoscience information and statistics on minerals and metals in Canada.
- Repatriation of profits is permitted.
- No currency restrictions.
- No import or export restrictions.
- Double-taxation agreements.
- Low withholding taxes.



Summary

- Canada's approach based on sustainable development, transparency and accountability within a defined legal framework.
- Clear federal, provincial and territorial responsibilities.
- Clear land access and security of title.
- Multi-stakeholder engagement processes.
- Environmental Assessment and Planning for Mine Closure.
- Internationally competitive tax regime with incentives.
- Minimum investment restrictions for foreign direct investment.
- Reliable and accessible geoscientific knowledge.
- Continued investment in research and development.

