

Annual Report 2012



The Mining Association of Canada

ADVOCACY STEWARDSHIP COLLABORATION

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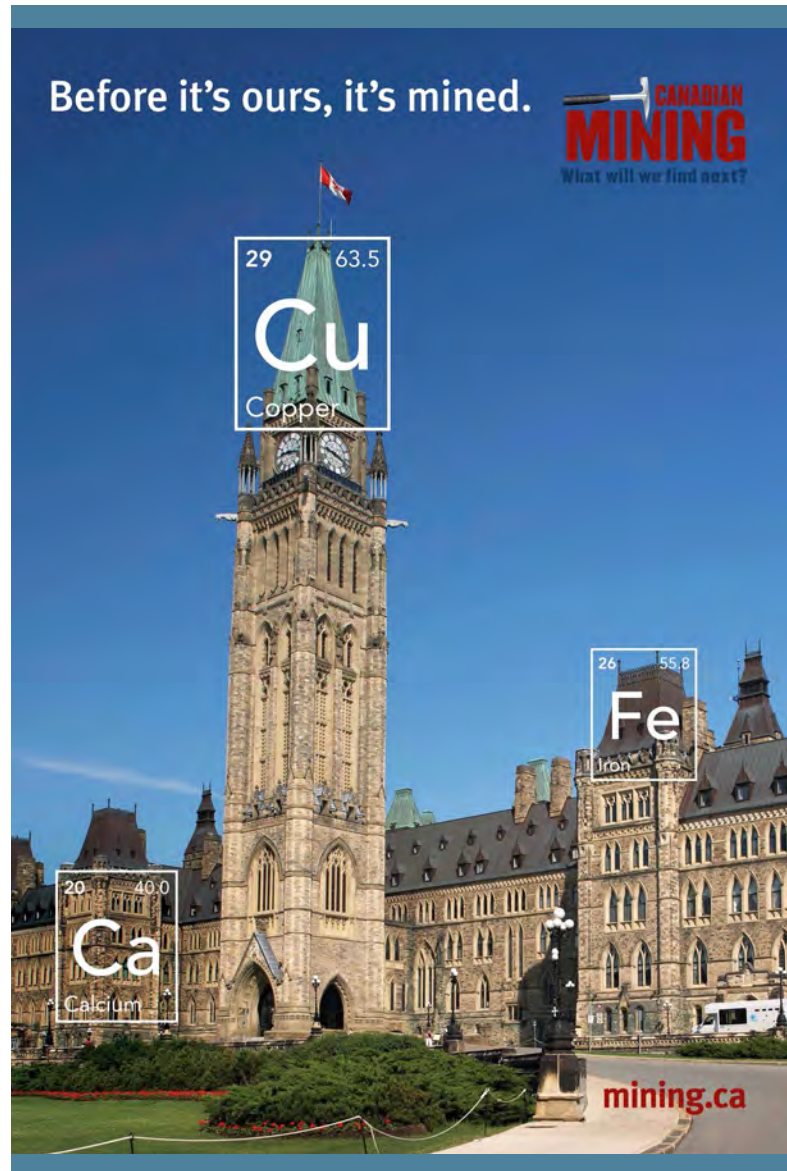
Introduction

About the Mining Association of Canada

THE MINING ASSOCIATION OF CANADA

The Mining Association of Canada (MAC) is the national organization of the Canadian mining industry. It comprises companies engaged in mineral exploration, mining, smelting, refining and semi-fabrication. Member companies account for the majority of Canada's output of metals and major industrial materials.

MAC promotes the interests of the industry nationally and internationally, works with governments on policies affecting minerals, informs the public, and promotes collaboration to solve common issues and foster progress. MAC works closely with provincial and territorial mining associations and other industries, as well as with environmental and community groups across Canada.



Message from the Chair and the President and CEO

Zoë Yujnovich, Chair of the Board of Directors* and Pierre Gratton, President and CEO

The year 2012 was an eventful one for the Canadian mining industry. The sector had just seen an incredible year in 2011, which broke records in exploration spending, mineral production value and exports. In 2012, mining continued to outshine many other sectors in Canada in terms of strength, despite some volatility in the latter part of the year in the commodity market.

Looking back, the year was particularly noteworthy due a heightened pace of regulatory reform, which kept MAC and its members busy analyzing how the legislative changes would affect the industry. Federal Budget 2012 introduced changes to the *Fisheries Act*, and introduced a new *Canadian Environmental Assessment Act*, a *Navigation Protection Act*, and a *Nunavut Planning and Project Assessment Act*. Although MAC supports the government's reform agenda to make the reviews of mining projects more timely and efficient, how some of the reforms will affect project reviews is less clear and some uncertainty will remain until all the pieces are fully implemented. On the taxation side, risks emerged in relation to the federal government's changes to Foreign Affiliate Dumping rules. Fortunately, MAC was successful in securing several technical amendments to prevent the significant unintended taxation of the mining industry, and a commitment from Finance Canada to consider future amendments and ongoing dialogue with the association and its members.

At the same time, we also saw positive federal government actions on trade that will certainly help give the industry better access to strategic markets and investment security. Notably, the government concluded a number of Foreign Investment Promotion and Protection Agreements with important mining jurisdictions, and advanced free trade negotiations with others. The government also announced immigration reforms to help address labour shortages in designated trades, which also bodes well for the Canadian mining sector. Both of these elements are critical to ensuring Canada can remain competitive on the world stage.

MAC and its members made significant progress in two core CSR programs – the Towards Sustainable Mining (TSM) initiative and the work of MAC's International Social Responsibility (ISR) Committee.

The 2012 *TSM Progress Report* showed MAC members made steady improvement in environmental, energy efficiency and community engagement results on an aggregate basis. For example, now 90% of facilities have strong engagement practices within their communities, and there was a 20% jump in facilities that have a comprehensive reporting system for energy use over the previous year. In the year ahead, MAC will focus on improving performance in the areas of biodiversity conservation and energy use and greenhouse gas emissions management.

In 2012, the TSM Community of Interest (COI) Advisory Panel went through a renewal process to ensure it remains relevant, dynamic and a place for rich dialogue between MAC and its communities of interest.



Zoë Yujnovich



Pierre Gratton

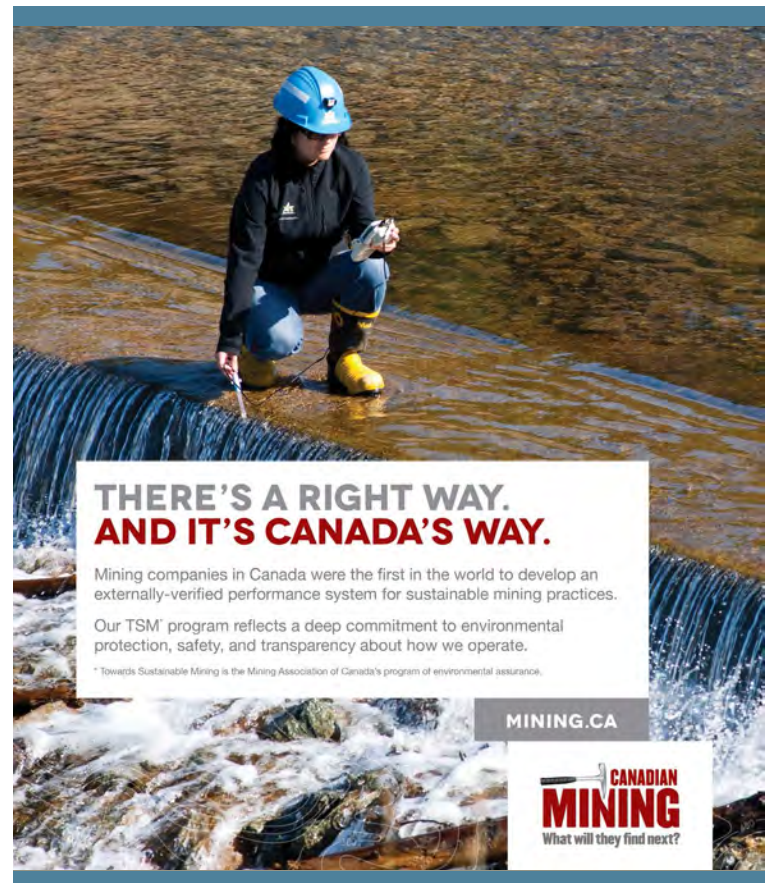
This led to a renewed mandate for the Panel and also introduced several members to the group. The COI Advisory Panel now includes participation from a more diverse group of communities and is much more engaged on a broader set of CSR issues. Enhanced outreach and communications support for TSM is also beginning to pay dividends, with noteworthy plaudits for the initiative in Maclean's magazine and by the social investment community.

In the realm of international social responsibility, MAC and its members also entered into a landmark partnership with the Prospectors and Developers Association of Canada, Publish What You Pay-Canada and the Revenue Watch Institute to improve transparency in the mining sector. The four organizations signed a Memorandum of Understanding in 2012, forming the Resource Revenue Transparency Working Group. The working group will collaboratively develop a framework that would require Canadian mining companies to report payments to host governments. The framework is expected to be completed in the second half of 2013 after approval by the Boards of the four organizations. The framework will then be presented to governments for adoption and implementation.

Public affairs continued to be a major focus for MAC as we worked to educate key stakeholders on the many contributions the industry makes both at home and abroad. To help shape our communications efforts, MAC conducted its first opinion poll in 2012 to gauge Canadians' perceptions of the industry. The results were overwhelmingly positive, with 75% of Canadians indicating a favourable view of the mining industry, and a majority indicating they believe mining in Canada is conducted to better environmental and safety standards. MAC will continue to conduct annual polling to stay informed on how Canadians are feeling about our industry to shape our efforts and address concerns.

MAC continued to enhance its communications efforts, increasing its visibility through regional events and our Canadian Mining advertising campaigns. Media events were held in a number of cities across the country to promote the contributions of the industry both locally and nationally, including luncheon speaking events in St. John's, Kamloops, Vancouver, Toronto and Whitehorse. Stemming from the success of our inaugural Canadian Mining advertising campaign in 2011, MAC developed a new set of advertisements that ran in the nation's capital in the months leading up to our flagship Mining Day on the Hill event.

At the time of writing this report, top of mind for many who follow our industry is whether the mining supercycle is over. When we consider the opportunities facing our sector over the long-term, our answer



is no. The long-term fundamentals are strong as emerging markets like China and India continue to industrialize for the foreseeable future, and Canadian minerals and metals will be sought-after materials to enable that growth.

Another pressing issue is how we can ensure that natural resource wealth benefits all Canadians. The end of 2012 saw an emergence of the Aboriginal movement, Idle No More, part of which advocated for more Aboriginal involvement and participation in the extractive sector. Overall, MAC members have demonstrated, through TSM and their own company actions, a strong commitment to Aboriginal engagement as a critical part of doing business. MAC and its members have also committed to further progress with the recent establishment of a MAC Aboriginal Affairs Committee.

Canada's ability to capitalize on future growth opportunities lies in its ability to remain competitive. This means having access to key markets, an efficient regulatory system, a favourable taxation system, and a robust talent pool to address the looming skills shortage. It also means maintaining a social licence to operate by working closely with Aboriginal partners and other community stakeholders to ensure natural resource wealth benefits all Canadians, Aboriginal and non-Aboriginal alike.

We were pleased to expand MAC membership in 2012 by adding two new full members - New Gold and Anglo American. We also welcomed four new associate members: IDS North America, MMG Limited, Barr Engineering & Environmental Science Canada Ltd., and Rueter Scargall Bennett LLP.

MAC's achievements in 2012 were due to the collective efforts of many people. These individuals include our strong Board of Directors, Executive Committee and TSM Governance Team, and the committed industry representatives who lend their expertise to committees, task forces, working groups and multi-stakeholder groups. We also boast one of the strongest association staff in Ottawa, composed of individuals who are recognized for their expertise and professionalism by government and other associations. With their mix of skills, experience and teamwork, they deliver tangible outcomes that benefit the entire industry. Their work is much appreciated by the Board and members of MAC.

We would also like to especially acknowledge our appreciation for the contribution of Ian Pearce, who served as Chair of the Mining Association of Canada from June 20, 2012 until May 2013, when he left his position as President and CEO of Xstrata Nickel and resigned from the MAC Board. Ian served on the MAC Board and as a member of the MAC Executive Committee for six years and contributed enormously to the association's efforts and the Canadian mining industry.

For more details on the topics discussed here, and on other aspects of MAC's work, we encourage you to read the Annual Report in full.

**Ian Pearce served as Chair of the Mining Association of Canada's Board of Directors from June 2012 to May 2013.*

Report from the Chair of the Towards Sustainable Mining Governance Team

Craig Ford, Vice President, Corporate Responsibility, Inmet Mining

The Towards Sustainable Mining (TSM) Governance Team examines opportunities for improving the mining industry's performance and reputation with key stakeholders.

HIGHLIGHTS

- The 2012 TSM Progress Report showed aggregate performance improvement for 17 out of 18 indicators within the four TSM protocols.
- TSM won PDAC's Award for Environment and Social Responsibility in March 2012.
- Completed a renewal of the Community of Interest Advisory Panel.
- Revised the TSM Energy Use and Greenhouse Gas Emissions Management protocol.
- Interest and uptake for TSM continues to grow in Canada. MAC has also seen a greater level of interest from the financial community as a means to evaluate social and environmental risk management.
- TSM is gaining momentum and recognition as a global standard. MAC introduced TSM at the Canada-Finland Modern Mining Seminar in Helsinki, Finland. MAC has also been invited to make a similar presentation in Turkey in early 2013.

PDAC ENVIRONMENT AND SOCIAL RESPONSIBILITY AWARD

In March 2012, TSM was presented with the Prospectors and Developers Association of Canada's (PDAC) Environment and Social Responsibility Award. This award honours mining companies, organizations or individuals for demonstrated achievement in environmental protection and/or in developing good community relations.

TSM was recognized for its success in helping Canadian mining companies improve their performance in several areas, including biodiversity conservation management, and Aboriginal and community outreach.

UPDATE OF THE ENERGY USE AND GREENHOUSE GAS EMISSIONS MANAGEMENT PROTOCOL

Throughout 2012, MAC members worked to update the Energy Use and Greenhouse Gas (GHG) Emissions Management protocol. Many substantial amendments were made to the protocol to ensure that it remains relevant and reflects the current state of energy management and climate change mitigation. MAC members will begin reporting their performance against the revised indicators in 2014.

The following elements have been incorporated into the revised protocol:

Materiality

The original Energy Use and GHG Emissions Management protocol required all MAC members to report TSM performance for all facilities, regardless of whether energy use and GHG

emissions were considered material. The amended indicators incorporate materiality at two levels, the first is based on total energy use and GHG emissions thresholds and the second is with reference to specific fuel sources.

A threshold has been set for both total energy consumption and GHG emissions that would excuse facilities below the threshold from publicly reporting on their management system and performance targets. Facilities below the threshold would still be required to report on their reporting system.

The second element of materiality allows a facility to avoid including insignificant fuel sources in their management system if they establish a threshold to define material fuel sources.

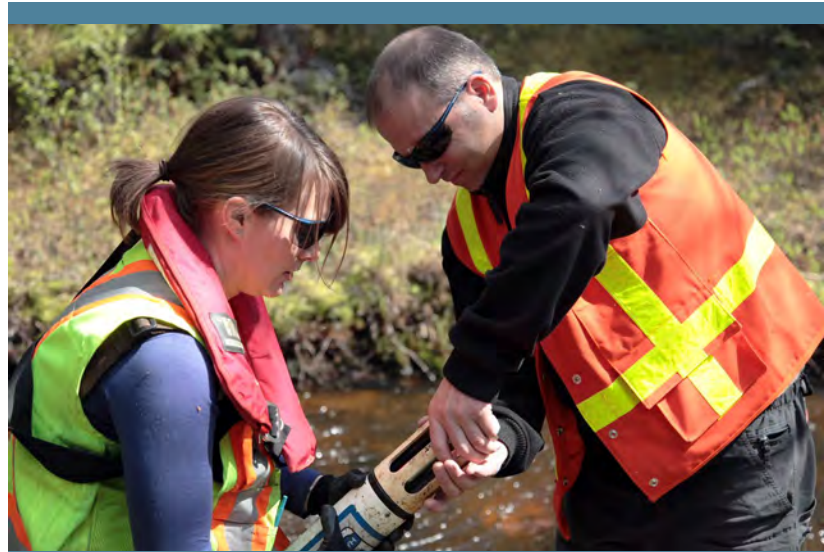
The decision to incorporate materiality into this protocol is based on an analysis of MAC member companies' TSM performance in relation to their total reported energy use and GHG emissions. The results of this analysis indicate that facilities that emit over 50,000 tonnes of CO₂e face a stronger business driver to actively manage and reduce their emissions. On the other hand, emissions are a less material issue for facilities that are emitting less than 50,000 tonnes of CO₂e and these facilities are likely to focus on other environmental, social and economic issues that are more material to their operations.

Business Unit Reporting

TSM has always focused on facility-level reporting, but the new Energy Use and GHG Emissions Management protocol gives companies the flexibility to aggregate facilities into business units for the purposes of target setting. This decision was made out of recognition that climate change is a global issue and companies should be encouraged to set performance targets that achieve the greatest reductions, regardless of geographic location.

Performance Targets

The original protocol required companies to set intensity improvement targets and did not allow facilities to set other types of targets. The revised protocol is more flexible in the types of acceptable targets, including total emissions and multi-year targets.



BIODIVERSITY CONSERVATION MANAGEMENT

Building a better understanding of biodiversity management with the aim of improving the membership's performance in the new Biodiversity Conservation Management protocol was a high priority for MAC

in 2012. To help achieve this objective, MAC partnered with the Canadian Business and Biodiversity Council to hold two workshops with members to better understand existing challenges with the TSM protocol, as well as to learn from companies that are performing well in this area to help build capacity within the membership. External presenters from various organizations, including Ontario Power Generation, Export Development Canada, Parks Canada Agency and NatureServe Canada, were also invited to present on their approaches to biodiversity conservation management. The 2012 biodiversity conservation management workshops led to minor amendments in the TSM protocol.

CRISIS MANAGEMENT PLANNING

In 2012, MAC commissioned an external crisis management and communications consultant to review the crisis management planning reference guide to ensure that it continues to be a modern and relevant tool for mining companies. This review, which also invited comments and input from MAC's Public Affairs Committee, resulted in the addition of guidance on social media and a checklist for site-level crisis communications.

PERFORMANCE IMPROVEMENTS

The 2012 *TSM Progress Report* showed steady improvement in results for the MAC membership on an aggregate basis, including such highlights as:

- Over 90% of facilities have strong engagement practices within their communities.
- The number of facilities with a comprehensive reporting system for energy use has increased by 20% over the last year to 64%.
- Over 80% of facilities have assigned accountability and responsibility for tailings management to the company's Chief Executive Officer or Chief Operating Officer. This demonstrates a commitment to best practices in tailings management at the highest levels of the organization.

In all, 17 out of the 18 indicators under the four TSM protocols showed improvement at an industry aggregate level. The one indicator that did not show improvement was *Effective COI Engagement and Dialogue* in the Aboriginal and Community Outreach protocol. This decline is attributed to a small number of high-performing mines moving from production to closure and being replaced by a few new mines from newly-reporting members with lower scores. In 2013, MAC will focus on improving performance in the areas of biodiversity conservation management and energy use and GHG emissions management.

COMMUNITY OF INTEREST ADVISORY PANEL

In 2012, the Community of Interest (COI) Advisory Panel went through a renewal process. This renewal was initiated by non-industry members of the group and led to a renewed mandate for the Panel, which was designed to ensure it remains relevant, dynamic and a place for rich dialogue between MAC and its communities of interest. With the new mandate, the Panel also developed specific membership criteria that will help to ensure that the Panel has representation from a broad spectrum of communities, organizations and experts.

As part of this renewal process, the Panel welcomed six new members: Victor Goodman, Joy Kennedy, Chief Earl Klyne, Nathan Lemphers, Dr. Philip Oxhorn and Mark Podasly. The Panel also bid farewell and thanked the following outgoing members for their leadership and dedication over the years: Chief Roger Augustine, Richard Briggs, Dr. Ginger Gibson, Larry Haber, Brenda Kelley, Soha Kneen, Christy Marinig and Chief Eric Morris.

In October 2012, the new members of the Panel participated in their first meeting in Fort McMurray, Alberta. This meeting included post-verification reviews from Cameco and Inmet, as well as an oil sands tour provided by Suncor and Syncrude. The fall meeting also included an agenda setting discussion, which identified several topics for future meetings. These topics included community development, international social responsibility, TSM branding and communications, TSM value proposition and integration with other initiatives.

Collectively, members of the Panel have a high level of knowledge about the physical, social, environmental, regulatory, social responsibilities and challenges surrounding mining in Canada. This group continues to provide invaluable advice to MAC members on pressing issues.

TSM OUTREACH AND COMMUNICATIONS

In conjunction with MAC's 2012 Annual General Meeting, the TSM Governance Team held a communications workshop to discuss the value proposition of TSM and explore opportunities to further enhance the reputational value of TSM. During this workshop, several opportunities to enhance communications around the program were identified. This included repackaging the way TSM's commitments and protocols are communicated externally, developing a revised program to present TSM awards, and developing a clear and concise way to articulate what TSM is and its accomplishments to date.

MAC continues to focus on bringing TSM to as many mining facilities as possible. To this end, MAC's Vice President of Sustainable Development travelled to Finland to present TSM to Finnish mining companies at the invitation of Agnico-Eagle Mines and with the support of Inmet Mining. MAC presented at the Canada-Finland Modern Mining Seminar and was also invited to speak with representatives from the Finnish Mining Association about the benefits of TSM. MAC will continue to work with its peers in Finland throughout 2013 to help them better understand TSM's value with the objective of moving towards the adoption of TSM in Finland. If successful, this would mark the first formal implementation of TSM at a national level outside of Canada.



Over the course of 2012, MAC saw an increase in the level of interest from the financial and investor communities in TSM. The program is beginning to be seen as a valuable tool to measure how well companies are managing key environmental and social aspects of their business at the facility level. One example of this is that Sustainalytics, a global leader in sustainability analysis, referred to TSM in an article they contributed to Maclean's Magazine. This growing interest has caused MAC to include an investor outreach strategy in its 2013 plans for TSM.

INCREASED UPTAKE

Over the last year, there has been an increase in the number of facilities participating in the program. The first year of public reporting, in 2005, included results for 42 facilities. In 2011, there were 55 facilities that reported their TSM performance and, in 2012, this increased to 59 facilities. Given that several new companies have joined the association over the last year, this number is expected to increase with 2013 reporting.

PLANS FOR 2013

The main priority for TSM in 2013 will be to implement the recommendations from the TSM communications workshop, which was held in June 2012. This work will be undertaken by a sub-committee made up of representatives from the TSM Initiative Leaders and MAC Public Affairs Committee.

In 2013, MAC will continue to seek opportunities to align and integrate TSM with other standards and initiatives. Specifically, MAC will continue to explore opportunities for equivalency with ISO 14001 audits and alignment with the ICMM's Sustainable Development Framework.

A series of training workshops will be organized in 2013, including a mandatory re-certification workshop for TSM Verification Service Providers, a crisis management and communications workshop and an energy management workshop. TSM self-assessment workshops will continue to be offered upon request.

Recognizing that building investor awareness is an important opportunity to increase the uptake of TSM within the industry, investor outreach will be a priority for MAC in 2013. TSM offers the investment community a unique tool for assessing some of the most challenging-to-quantify risks that can, and should, factor into investment decisions.

In 2013, the MAC TSM Governance Team will also begin discussing members' expectations regarding minimum performance and incentives. The goal is to help improve performance to a certain level, recognizing that MAC has an important brand to protect and grow.

We would also like to thank Gord Ball, who served as Chair of the TSM Governance Team from 2004 to 2012, when he retired from Syncrude Canada Ltd. Gord also served on the MAC Board from 2007 to 2012. His contributions to MAC and to TSM were tremendous and greatly appreciated.



Committee Reports

Environment Committee

Chair: Marc Butler, Director of Regulatory Affairs, Xstrata Nickel

The Environment Committee addresses general environmental issues and legislation affecting the industry.

HIGHLIGHTS

- The March 2012 federal budget included major changes of importance to the mining industry, including amendments to several federal Acts that affect mining projects, and the announcement of a review of the Metal Mining Effluent Regulations.
- MAC worked with government officials to develop a clear understanding of legislative changes introduced in 2012, including a new *Canadian Environmental Assessment Act*, and changes to the *Fisheries Act* and the *Navigable Waters Protection Act*.
- Continued to advocate and stress the importance of integrating review and consultations processes within the environmental assessment of a mining project.

In 2012, the Environment Committee met jointly with the MAC Science Committee in Ottawa in March, June and October. Participation in the meetings has grown, reflecting both increased interest and increased membership. To ensure productive discussions and decision making in a large group, telephone participation was not available at the June meeting, and the Committees decided to maintain in-person participation only. MAC held pre-and-post-meeting webinar briefings for members who were unable to participate. The greater number of issues dealt with by the Committee required the formation of several task forces, and webinar discussions in between Committee meetings.

The March 2012 federal budget included major changes of importance to the mining industry, including amendments to several federal Acts that affect mining projects, and the announcement of a review of the Metal Mining Effluent Regulations (MMER).

The three main changes to legislation included a new *Canadian Environmental Assessment Act* (CEAA 2012), significant amendments to the *Fisheries Act*, and amendments to the *Navigable Waters Protection Act* (NWPA), changing it to the *Navigation Protection Act*. In general, the amendments introduced administrative and process changes, but did not alter the substantive scope of application of these Acts to the mining industry. MAC worked with officials to develop a clear understanding of the legislative changes.

CEAA 2012 came into force in July 2012. For the mining industry, the critical change is a move away from triggering through a federal decision to triggering through *Regulations Designating Physical Activities* (Project List). The Project List that came into force in July was based on the Comprehensive Studies List of the old Act, which had been developed for a different purpose, and was not well suited to becoming a trigger. MAC submitted comments on the Project List and advocated for amendments to resolve issues, particularly related to groundwater extraction, expansions and re-openings. Note that in April 2013, the Canadian Environmental Assessment Agency published proposed amendments to the Project List in Gazette 1 that would resolve the concerns raised by MAC.

A central element of MAC advocacy in 2012 was the importance of integrating review and consultations related to federal decisions within the environmental assessment of a project. MAC was greatly encouraged by the announcement in June 2012 of the policy statement, *Streamlining the Approvals Process for Metal Mines with Tailings Impoundment Areas*, and continues to encourage its full implementation.

The main amendments of the *Fisheries Act* and the NWPA did not come into force in 2012 (coming into force is expected in 2013 and 2014). MAC analyzed the amendments and organized meetings with officials of Fisheries and Oceans Canada and Transport Canada to understand the amendments and discuss interpretation and implementation. In the case of the *Fisheries Act* and the NWPA amendments, the scope of application to mining industry projects is expected to be largely unchanged, but the need and process for obtaining approvals will change.

Both CEAA 2012 and the *Fisheries Act* amendments introduced new authorities for improved federal-provincial cooperation, but the extent to which these would be applicable to mining projects was unclear in 2012.

The MMER Review did not get under way until the end of the year. The purpose of the review is to consider the effluent limits and environmental monitoring requirements of the regulations, as well as expansion to non-metal mines (coal and diamonds). MAC encouraged Environment Canada to pursue the review through multi-stakeholder consultation based on sound science, and worked to identify issues of importance to the mining industry.

MAC continued to work with other resource industry associations on federal Acts that affect resource projects, including the *Canadian Environmental Assessment Act*, the *Species at Risk Act*, the *Migratory Birds Convention Act*, the *Navigable Waters Protection Act* and the *Fisheries Act*.

The Environment Committee also monitored greenhouse gas-related issues, discussed developments in provinces and regions, and shared with other industries concerns about the potential for overlap and inconsistencies.

In October 2012, the Canadian Council of Ministers of the Environment agreed to pursue the Air Quality Management System (AQMS), based on a multi-party proposal developed over previous years. AQMS elements include emission standards for major industrial sectors, revised ambient air quality standards, and comprehensive air zone management by provinces driven by ambient air quality.

MAC monitors international developments that may affect domestic policy or world markets for mineral products. As part of this monitoring, the Environment Committee considered the implications of the United Nations Environment Programme's negotiation of a mercury agreement, which may have inadvertent effects on non-mercury mineral products. Several members participated in a stakeholder consultation workshop and officials briefed the Committee throughout the year on the progress of negotiations.

To boost its effectiveness, MAC belongs to several formal and informal industry groups. They include the Industry Coordinating Group on the *Canadian Environmental Protection Act*, the Industry Steering Committee on Climate Change and Clean Air, the Environmental Health Industry Coordinating Group, the North American Metals Council and the International Council on Mining and Metals.

For more information on MAC's environmental initiatives and the reduction of releases from member facilities, see the *Towards Sustainable Mining Progress Report*, available to download or view on MAC's website at www.mining.ca.

Metals Working Group

Chair: Mike Dutton, General Manager, Regulatory Science and Stewardship, Vale

The Metals Working Group addresses Canadian regulatory and policy developments concerning the assessment and management of substances.

HIGHLIGHTS

- › Continued to monitor developments in the Chemicals Management Plan under the *Canadian Environmental Protection Act*.
- › Proactively engaged government officials to participate in a session on selenium.

The Metals Working Group continued to monitor Canada's Chemicals Management Plan (CMP) under the *Canadian Environmental Protection Act* (CEPA). It also reviewed and advised MAC on information requests issued under CEPA Section 71 during the year, which included the second update of the Domestic Substances List.

In October 2011, Environment Canada announced the second phase of the CMP, which is to run through 2016, and includes assessment of cobalt, selenium, and boron and their compounds. The remaining metals will be assessed in 2016 to 2020. As a result of mineral industry provision of information on selenium, cobalt and boron and their compounds, no mandatory surveys related to the mining industry were necessary during the year. Officials were invited to participate in a special session on selenium at the October 2012 MAC Environment and MAC Science committees meeting.

Health Canada is working to adjust Canada's Workplace Hazardous Materials Information System to reflect the Globally Harmonized System of Classification and Labeling.

Throughout the year, Mike Dutton (Vale) represented MAC on the Industry Coordinating Group on CEPA, Lyle Safronetz (Vale) represented MAC on the Workplace Hazardous Materials Information System Current Issues Committee and Justyna Laurie-Lean (MAC) was the representative on the Environmental Health Industry Coordinating Group.



Public Affairs Committee

Chair: Kara Flynn, Vice President, Government and Public Affairs, Syncrude Canada Ltd.

The Public Affairs Committee provides advice and guidance on MAC's public affairs and communications programming.

HIGHLIGHTS

- Ongoing advocacy, guidance and strategic support for MAC's federal public policy agenda.
- Regional outreach events, including those in partnership with provincial mining associations.
- A successful Mining Day on the Hill lobby event, themed "Value Beneath the Surface."
- Continued support of MAC's Towards Sustainable Mining (TSM) program.
- Continued execution of the communications plan and social media strategy.
- New ad campaign depicting the Canadian mining industry's leadership, the sector's contribution to daily life through contemporary products and green technologies, as well as its commitment to responsible mining through MAC's TSM program.
- Sponsorship of the Canadian Museum of Nature's Vale Earth Gallery – a five-year agreement that will run 2012 to 2017.

FEDERAL ADVOCACY

MAC's advocacy efforts in 2012 predominantly focused on regulatory and economic issues, including the *Canadian Environmental Assessment Act*, *Fisheries Act*, *Navigation Protection Act* as well as taxation, transportation and infrastructure, human resources needs, Aboriginal peoples' participation in mining, and corporate social responsibility.

General outreach to parliamentarians and members of their staff to communicate the mining industry's opportunities and challenges within Canada and abroad was a priority in 2012. Ongoing outreach was also conducted with government officials in various departments and agencies relevant to mining, including the Prime Minister's Office, Natural Resources Canada, Fisheries and Oceans Canada, Environment Canada, Aboriginal Affairs and Northern Development Canada, Transport Canada, the Privy Council of Canada, Human Resources and Skills Development Canada, Finance Canada, Foreign Affairs and International Trade Canada and the Canadian International Development Agency. Outreach and meetings with the above-mentioned stakeholders often involved sourcing input and participation from members of the Public Affairs Committee.

In 2012, MAC appeared before the House of Commons Standing Committees on the Environment and Sustainable Development, Aboriginal Affairs and Northern Development, and Human Resources, Skills and Social Development regarding the *Canadian Environmental Assessment Act*, mining in northern Canada and the skills shortage, respectively.

MAC also appeared before the Senate Committee on Energy and the Environment and the House of Commons Sub-Committee regarding the proposed changes to environmental legislation in Bill C-38, the federal budget bill.

In 2012, MAC was highly active in advocating for changes to the Foreign Affiliate Dumping (FAD) rules that were introduced in the second federal budget bill (Bill C-45). The changes were designed to clamp down on a corporate-tax-base-eroding practice known as debt dumping, but inadvertently captured the mining industry by being implemented too broadly. In response, MAC and the Prospectors and Developers Association of Canada led a multi-stakeholder working group to interface with the Department of Finance. The working group's efforts achieved measured success by securing several technical amendments prior to the bill's tabling, which prevented significant unintended taxation of the mining industry. MAC continues to work collaboratively with the Department of Finance on how the rules can be improved in a manner consistent with the government's priorities.

ABORIGINAL AFFAIRS

In 2012, MAC continued to promote Aboriginal skills training and employment through advocacy efforts, as well as through its support of the Mining Industry Human Resources Council (MiHR) and its *Mining Essentials Skills Development Program*. This work readiness training program was developed in partnership with the Assembly of First Nations, the Inuit Tapiriit Kanatami and the Métis National Council.

Also, MAC worked closely with Teck, New Gold and the Kamloops Indian Band to successfully secure new federal funding for the BC Aboriginal Mine Training Association.

MINING DAY ON THE HILL

The annual Mining Day on the Hill event was once again a highlight, providing an excellent opportunity for MAC members to connect with parliamentarians and senior-level civil servants. This year's event was developed around the theme "Value Beneath the Surface" denoting the mining industry's economic importance to Canada, as well as highlighting the challenges that need to be overcome to ensure it can capitalize on the long-term growth opportunities facing the sector.

In total, 60 MAC delegates took part in the event, including several members of the Public Affairs Committee. In total, 13 mining teams participated in 61 meetings across the National Capital Region. High-calibre meetings involved three ministers, several deputy ministers, assistant deputy ministers, as well as senators and MPs.

Once again, MAC partnered with the Economic Club of Canada for the Mining Day luncheon. The event's keynote speaker was Patricia Mohr, Vice President of Economics and Commodity Market Specialist at Scotiabank. Her address focused on the opportunities for Canada in the international



(Left to Right) Ian Pearce, the Hon. Leona Aglukkaq, and Pierre Gratton at the Mining Day on the Hill 2012 Reception.

mining sector and the outlook for emerging market demand for commodities.

The annual evening reception at the Château Laurier was very successful. Attendees included numerous ministers, MPs, senators, senior officials and industry representatives. The reception was enhanced this year by the Canada Museum of Science and Technology, which provided interesting “mining” artifacts, such as gold exploration tools and even a replica of a satellite. The evening also included the Towards Sustainable Mining (TSM) Performance Awards ceremony to recognize the 2012 winners – BHP Billiton-EKATI, IAMGOLD, Inmet Mining and Suncor – for their outstanding achievements in various environmental and social best practices.

Coinciding with Mining Day on the Hill, an online mining trivia contest with weekly prizes titled It’s Mine[d] was held during the month of November (November 5-30) to encourage Canadians to learn interesting facts about mining and the industry. Four winners were randomly selected among more than 600 entrants and were awarded prizes that were, in part, built with minerals and metals, including a Kobo Glo, Sony Cyber-Shot camera, Apple TV and an iPhone 5.

CANADIAN MINING AD CAMPAIGN

Following the success of the “Before it’s yours, it’s mined” Canadian mining ad campaign, which ran in the fall of 2011 in Ottawa, MAC used the ads in the spring of 2012 to continue the momentum. The ads ran in selected newsprint and online media sites (iPolitics.ca, Hill Times, NationalNewsWatch.com), as well as in downtown Ottawa bus shelters and the Ottawa Macdonald-Cartier International Airport. The campaign’s goal was to present mining’s contribution to daily life by providing the building blocks for useful consumer products, as well as mining’s contribution to the Canadian economy.

In the lead-up to Mining Day on the Hill 2012, MAC developed a new set of ads which featured a strong nationalistic message to highlight Canada’s leadership role in the mining industry. The ads continued to link contemporary and green technologies to various minerals and metals they are made of, as well as its commitment to responsible mining through MAC’s TSM program. Members of the Committee were engaged in the development and execution of the ad campaigns by providing feedback and direction on the ad concepts.

SUPPORT FOR TSM

Throughout the year, the Public Affairs Committee supported the TSM initiative by attending various trade shows. MAC was part of the PDAC (Prospectors and Developers Association of Canada) Convention, the CIM (Canadian Institute of Mining, Metallurgy and Petroleum) Mining and Society Show, GLOBE 2012, and the International Conference on Acid Rock Drainage (ICARD) Conference.

Based on the outcomes of a TSM Communications workshop held in June 2012, it was recommended that MAC and its members strategize ways to better summarize and communicate what TSM is, how the program works and its core strengths. Since then, several actions have been taken to change the way TSM is communicated. For example, MAC has repackaged how the six TSM protocols are grouped. All of the protocols are now grouped under three main categories: Communities and People,

Environmental Footprint and Energy Efficiency. Moreover, based on a recommendation from the TSM Governance Team, a sub-committee has been established with members of the TSM Initiative Leaders and the Public Affairs Committee to develop a short mantra about what TSM stands for and to revise the TSM Performance Awards structure to be better suited to an external audience. Throughout 2013, the sub-committee will meet periodically to work collaboratively on these aspects.

REGIONAL MINING EVENTS

MAC held and participated in numerous regional mining events during the year to promote the strength of Canadian mining from a regional and national perspective. The events involved MAC's President and CEO, Pierre Gratton, providing keynote speeches in various regions across the country. This included a luncheon event at the St. John's Board of Trade with Mining Industry NL (formerly the Newfoundland Chamber of Resources) in April 2012, an event with the Mining Association of BC in Kamloops in May 2012, a keynote address at the Vancouver Board of Trade in September 2012, and a joint event with the Yukon Chamber of Mines in Whitehorse at the Yukon Chamber of Commerce in December 2012. Pierre also presented at the Global Mining Summit in Las Vegas in December 2012 to highlight the Canadian mining industry's leadership among an international audience.



MAC's Pierre Gratton at the Toronto Stock Exchange

MAC also held a reception at the Toronto Stock Exchange in November 2012 in partnership with the Prospectors and Developers Association of Canada and the Ontario Mining Association to highlight Canada's strength as a global hub for mining finance. The Hon. Joe Oliver, Minister of Natural Resources, delivered the keynote address.

Throughout the year, MAC attended and presented at several major mining conferences across Canada, including the PDAC Convention, CIM Conference, GLOBE 2012, BC Roundup and Mines Quebec Conference in Quebec City.

CANADIAN MUSEUM OF NATURE SPONSORSHIP

In 2012, MAC entered into a five-year sponsorship valued at \$50,000 with the Canadian Museum of Nature within its Vale Earth Gallery based on a recommendation from the Committee. As part of the partnership, MAC is mentioned on-site within the Earth's Precious Resources section of the gallery, which highlights society's needs for commodities and everyday products that are made possible in part by mining. These messages closely align with MAC's Canadian Mining ads. MAC and several of our ads are also featured on the museum's website (www.nature.ca) on the Earth Gallery webpage.

MEDIA AND SOCIAL MEDIA ENGAGEMENT

There was a significant increase in media engagement over the course of 2012 stemming from more proactive outreach with media. MAC was quoted in approximately 275 media articles compared to 90 in 2011.

MAC's Twitter presence has continued to grow steadily with approximately 1,200 followers by year-end. Tweet content includes factoids about the Canadian mining sector, positive media coverage, and links to MAC and member company news releases. We invite you to follow us [@theminingstory](https://twitter.com/theminingstory).

PUBLICATIONS

MAC began issuing seasonal newsletters in April 2012 and continued throughout the year. The newsletter is sent to Ottawa-based decision-makers in a high-quality print format, and electronically to industry stakeholders across the country.

Facts and Figures 2012 was developed throughout the year and was formally launched in January 2013 in both print and electronic versions. For a copy of the report, please visit the MAC website (www.mining.ca).

PAUL STOTHART MEMORIAL SCHOLARSHIP IN MINERAL ECONOMICS

In 2012, the Mining Association of Canada (MAC) and its members created the Paul Stothart Memorial Scholarship (\$3,500 value) for Canadian university students who are interested in a career in mineral economics. The scholarship was established in memory of MAC's former Vice President of Economic Affairs, Paul Stothart.

Paul was an accomplished professional who was committed to advancing the Canadian mining industry and produced MAC's annual publication, *Facts and Figures*, during his tenure from 2006-2012. This scholarship will be awarded to students who showcase similar passion for a rewarding career in the Canadian mining and metals sector.

The inaugural scholarship will be awarded for the 2013-2014 school year. For eligibility and application requirements, please visit the MAC website at www.mining.ca.



Science Committee

Chair: Kent England, Manager, Environment and Licensing, Cameco Corporation

The primary focus of the Science Committee is on the application of sound science and technology towards mitigating and/or minimizing the impacts of mining on aquatic and terrestrial ecosystems.

HIGHLIGHTS

- The MAC Science and Environment committees prepared for anticipated changes to the Metal Mining Effluent Regulations (MMER).
- Environmental Effects Monitoring (EEM) program Schedule 5 amendments and the Technical Guidance Document are viewed as improvements to the program.
- MAC Science Committee challenged conclusions of Environment Canada's Second National Assessment of EEM Data.
- Environment Canada's MMER Discussion Paper proposes to make the National EEM Database available to the public.

During 2012, the MAC Science Committee and the MAC Environment Committee met jointly in March, June and October to collaborate on issues of mutual responsibility related to the *Fisheries Act*, the Metal Mining Effluent Regulations (MMER) and Environmental Effects Monitoring (EEM) program.

In March 2012, Environment Canada (EC) published in the Canada Gazette, Part II, the long-awaited amendments to the Schedule 5 of the MMER, which outlined the requirements of the EEM program. In addition, the department released sections of an EEM Technical Guidance Document for review and comment. EC presented both items at the March meeting of the MAC Science and Environment committees. The amendments to Schedule 5 are generally seen as an improvement to the EEM program and result, in large part, to advocacy work MAC and members of the Science Committee have undertaken with EC over the past several years.

Later in March, EC announced that it would undertake a 10-year review of the MMER that would potentially result in changes to effluent limits of substances listed in Schedule 4 of the regulations. Specifically, the addition of new substances to that list and the possible expansion of the regulations to apply to diamond and coal mines. Subsequently, much of the committees' focus was on the anticipated changes and the challenges they would bring to operations, as well as on preparations to respond to them. Activities included a survey of company operational experiences to meet compliance requirements of the regulation, interaction with EC on possible implications for industry, and a session on water treatment technologies for selenium, which is proposed to be added to Schedule 4. MAC and EC have also agreed to undertake a technical workshop on selenium once the 10-year review process gets underway. EC published a discussion paper on the proposed changes to the MMER in November, the content of which will be a major focus of the committees during 2013.

Earlier in 2012, EC published the Second National Assessment of EEM Monitoring Data from Metal Mines subjected to the MMER. The assessment concluded, among other determinations, that "...effects related to the discharge of effluent from metal mines tend to be more inhibitory than stimulatory." Subsequently, a Science Committee discussion of the assessment suggested that there

are inconsistencies in the meta-analytical methods applied. As a follow-up, MAC commissioned two technical reviews of the assessment, which confirmed the Committee's concerns. The study by Huebert (2012) below was presented at the annual Aquatic Toxicity Workshop at Sun Peaks, British Columbia. The two studies are available on the MAC website at:

- [Technical Review of the Second National Assessment of Environmental Effects Monitoring Data](#) (Huebert, 2012)
- [Third Party Report on the Second National Assessment of Environmental Effects Monitoring Data](#) (Nakagawa, 2012)

Under the MMER, the national EEM database is not available to the public. However, in the interest of following up with issues related to the Second National Assessment, MAC filed an application for access to the national database under the *Access to Information and Privacy Act*. At year-end the requested information had not been received. In late November, EC's discussion paper on the proposed MMER 10-Year Review, proposed to make the EEM database publicly accessible. The Science Committee anticipates commissioning further studies on the database once access is attained.

SANDY POND ALLIANCE FEDERAL COURT CHALLENGE

This case was brought against the federal government in June 2010 by an environmental NGO, the Sandy Pond Alliance to Protect Canadian Waters (SPA), challenging the Governor-in-Council to designate natural water bodies frequented by fish as tailings impoundment areas under Schedule 2 of the MMER. MAC and the Mining Association of British Columbia (MABC) jointly applied for and were granted intervener status in 2011, along with Vale, which applied independently.

The MAC/MABC final testimony as a joint intervener was filed on March 30, 2012. Indications at the time were that the court would make a decision by late summer 2012. We were subsequently advised that counsel for the SPA requested a delay in schedule in order to assess the implications of proposed changes to the *Fisheries Act* contained in Bill C-38 on its arguments. Due to further delays in court procedure and apparent oversights attributed to the SPA counsel, in addition to the lack of government response, this case was not heard in court by year-end.

CANADIAN MINING INNOVATION COUNCIL

MAC is a member of the Canadian Mining Innovation Council (CMIC) and sits on the Council's Board of Directors and Environmental Stewardship Committee. CMIC's work focuses on establishing, recommending and coordinating funding for research and development (R&D) projects for mining in Canada. CMIC held its first annual Signature Event in Toronto in January 2012, at which MAC presented on the importance of investment in mining R&D in Canada. In November, MAC sent a letter to the Honourable Gary Goodyear, Minister of State for Science and Technology, in support of a CMIC request for \$75 million of funding over five years for CMIC projects, which are being designed to focus on the life cycle components of the mining industry.

NATIONAL ORPHANED/ABANDONED MINES INITIATIVE

The National Orphaned/Abandoned Mines Initiative (NOAMI) reviews environmental issues related to abandoned or orphaned mine sites in Canada, and works towards eliminating future abandonments. NOAMI held its Annual General Meeting in May 2012 in Cranbrook, British Columbia. During 2012, the initiative focused on three projects: the National Inventory Interactive Database Website, the Return of Mining Lands to the Crown project, and Building a Community Toolkit. MAC contributes to the funding of NOAMI and sits on the NOAMI Advisory Committee.

MINE ENVIRONMENT NEUTRAL DRAINAGE PROGRAM

The original Mine Environment Neutral Drainage (MEND) program (1989 - 1997) and its successor, MEND 2000 (1998 - 2000), contributed enormously to understanding acidic drainage and its prevention, while increasing information and technology transfer. Despite this, acidic drainage remains the most significant environmental issue facing the mining industry, government and the public, with potential liability reaching hundreds of millions of dollars. To this day, on an annual basis, the mining industry continues to bear ongoing costs associated with the perpetual treatment of acidic drainage. By focusing on technologies that meet Canadian needs within an international context, the MEND program attempts to reduce these costs to both existing and future operations.

During the past several years, MEND has made great progress in addressing research priorities identified by the Canadian mining industry, federal, provincial and territorial governments and civil society. MEND has two primary focuses: funding research into acid rock drainage and technology transfer. Technology transfer activities include annual workshops, conferences, presentations and newsletters. The annual funds that MAC provides act as seed capital to fund research proposals. All funds contributed by MAC are matched or exceeded by monies and/or in-kind contributions from other organizations—companies, consultants, universities and government departments.

In 2012, MEND focused much of its efforts on organizing and hosting the ninth International Conference on Acid Rock Drainage (ICARD) in Ottawa from May 20 to 26, 2012. The ICARD is regarded as the leading global conference on the prediction and mitigation of issues associated with mine drainage. The conference was hosted by the MEND program, with financial support from the International Network for Acid Prevention (INAP), Natural Resources Canada, mining companies, suppliers and consultants.

The event attracted 526 delegates from 19 countries, and featured a conference program that was creative, thought-provoking and entertaining. The technical event covered eight pre-conference short courses (~ 250 participants), an exciting plenary session with experts representing industry, government and civil society, three-days of oral and poster paper presentations by world-leading practitioners (127 presentations and 43 posters), a trade show with 25 exhibitors and a two-day field trip to Northwest Quebec where four mine sites were toured.

Tailings Working Group

Chair: Vacant

The Tailings Working Group (TWG) reviews the management of tailings and mine waste to develop industry guidelines for the safe and environmentally responsible operation of tailings and water management facilities. It also promotes effective facility management and risk assessment at MAC member facilities as well as throughout the broader mining industry. The TWG contributes to MAC's Towards Sustainable Mining (TSM) initiative, specifically with the development and implementation of the tailings management protocol, and with joint delivery of TSM and Tailings Management workshops.

HIGHLIGHTS

- Four tailings management workshops were delivered during 2012.
- Tailings Management Guides, updated during 2011-12, were published in English and French on the MAC website and in hard copy.
- Tailings management performance has improved significantly as a result of joint TSM-TWG tailings management workshops.

The Tailings Working Group did not meet formally during 2012; however, some members of the TWG participated in the delivery of four tailings management workshops, as follows:

- May 6: CIM Annual Convention, Edmonton.
- May 15: TSM-Tailings Management Workshop for Vale operations staff, Thompson, Manitoba.
- August 1: TSM-Tailings Management Workshop for Cameco environmental staff, Saskatoon.
- November 6: TSM-Tailings Management Workshop for Vale's operations staff, Sudbury.

Most workshops are held jointly, or in collaboration with MAC's Towards Sustainable Mining training workshops and, collectively, provide guidance on meeting the requirements of the TSM Tailings Management Protocol, which was designed to help ensure that tailings facilities would be operated through strong risk-based management systems. The primary objective of the workshops continues to be to promote the implementation and use of the MAC tailings management guides. The guides promote the development of a framework for tailings management, the preparation of Operation, Maintenance and Surveillance (OMS) manuals and stress the importance of annual tailings management reviews. They also emphasize the need for regular audit and assessment of tailings facilities and their management.

The English and French versions of the MAC guides were updated during 2011-12, and are available on the MAC website at the links below:

- [*A Guide to the Management of Tailings Facilities* \(2011\)](#)
- [*Developing an Operation, Maintenance and Surveillance Manual for Tailings and Water Management Facilities* \(2011\)](#)
- [*A Guide to Audit and Assessment of Tailings Facility Management* \(2010, 2011\)](#)

The French versions of the guides (Guides de L'AMC) are found on the MAC website as follows:

- [*Guide de gestion des parcs à résidus miniers 2011*](#)
- [*Comment rédiger un manuel d'exploitation, d'entretien et de surveillance des parcs à résidus miniers et des installations de gestion des eaux*](#)
- [*Guide de vérification et d'évaluation de la gestion des parcs à résidus miniers 2011*](#)

As a result of the tailings management workshops, the overall TSM results in this area have increased significantly. Specifically, the percentage of facilities that conduct annual tailings management reviews has increased from 55% in 2006 to 78% in 2011. The annual review is an opportunity for a facility to evaluate the performance of its tailings management system, the continuing adequacy of policies and objectives, and address any need for changes to commitments made to communities of interest. The annual review goes beyond technical performance to address all aspects of the management of tailings facilities.

Despite the improvements, there is still work to be done to ensure that all MAC members are consistently applying the criteria in the tailings management protocol. To this end, MAC continues to support the implementation of tailings management systems across the industry through tailings management workshops, which provide guidance on the application of the protocol and guides. For 2013, MAC has committed to delivering a tailings management workshop at the CIM Annual Convention in May, and discussions are underway with MAC members in several regions for additional operations-based workshops.



Taxation Committee

Chair: Vacant

The Taxation Committee monitors tax issues of national importance, lobbies for tax changes to enhance industry competitiveness and serves as a useful network for members to exchange information on tax and fiscal issues.

HIGHLIGHTS

- › Provided input to the federal budget through pre-budget submissions, a House of Commons Finance Committee appearance, mines ministers briefings and other activities.
- › Advocated for changes to the federal government's Foreign Affiliate Dumping Measures achieving measurable success.
- › Conducted annual ENTRANS study of mining industry payments to Canadian governments that found the sector contributed an estimated \$9 billion in 2011.

FEDERAL BUDGET 2012

Finance Minister Jim Flaherty tabled Budget 2012 on March 29, 2012. It was the seventh budget tabled by the Conservative government, but its first with a majority in the House of Commons. The budget was striking in its broad public policy reach and will arguably be seen over time as the defining budget of this government. Overall, the budget took steps that will reshape the role of the federal government for years to come.

In 2012, the economic focus of the federal government was on reducing the deficit with the goal of moving into a surplus position by 2016-2017. The following measures specifically relate to the mining industry:

- › The budget committed to reform regulatory legislation to implement system-wide improvements to achieve the goal of "one project, one review" for natural resources projects in a clearly defined time period. The changes intend to streamline the assessment and permitting processes for major projects, arguing that a modern regulatory system is critical to attracting investment and jobs in Canada.
- › The Major Projects Management Office funding was renewed at \$54 million over two years, with another \$13.6 million set aside over two years to support consultations with Aboriginal peoples.
- › The budget committed \$1 million over two years to amend the Metal Mining Effluent Regulations (MMER). In particular, it proposed to expand the MMER to non-metal diamond and coal mines, as well as oil sands.
- › The temporary 15% Mineral Exploration Tax Credit was renewed for an additional year, until March 31, 2013.
- › The budget committed \$12.3 million over two years to continue to assess diamonds in the North. This renewed an existing program that is required to assess royalty payments in the North from diamond operations.

- The Atlantic Investment Tax Credit was eliminated for mining and oil and gas activities.
- The Corporate Mineral Exploration and Development Tax Credit was abolished. The tax credit applied to pre-production mining expenditures.
- Budget 2012 reduced the rate of deductible expenditures under the SR&ED program from 20% to 15% for taxation years after 2013. The rate will be pro-rated for taxation years that straddle January 1, 2014. The refundable investment tax credit, which is currently 40% of the 20% investment tax credit amount, will be reduced accordingly to 40% of the new 15% amount.
- Continued reduction of the corporate income tax rate from 16.5% to 15% effective January 1, 2012.

ENTRANS 2012 STUDY

ENTRANS completed a sixth annual study for MAC of the mining industry's payments to Canadian governments. Following its launch in September 2012, MAC was successful in generating good media coverage on the results. The report found the industry paid an estimated \$9 billion in taxes and royalties to governments in 2011 and several provincial governments continue to derive significant revenues from the industry.

Other key findings:

- Royalty/mining tax payments increased by about \$700 million over 2010, with most of the increase coming from Alberta, Saskatchewan, Newfoundland and Labrador, and Ontario.
- The mineral sector has contributed \$69 billion to government treasuries over the past 10 years - \$30 billion to federal and \$39 billion to provincial coffers.

Of particular note was the study's findings that showed a steady increase in overall mining tax and royalty payments since the 2009/10 global recession, whereby payments to governments declined almost 60% compared to 2008/09. In 2010/11, royalties and mining taxes began to recover, increasing by 45% from \$2.2 billion to \$3.2 billion. They increased by a further 20% in 2011/12 to \$3.8 billion, which is well above the 10-year average.

Regionally, Alberta and Saskatchewan accounted for the largest portion of royalties and mining taxes at 64% in 2011 stemming from the provinces' respective strength in bitumen and coal, and potash and uranium.



Newfoundland and Labrador saw royalty and mining tax revenues rise by almost 70% on the strength of higher iron ore and nickel prices, and increased volumes from the Voisey's Bay operation. Ontario's annual revenues more than doubled—from \$72 million to \$180 million—likely attributed to higher gold and copper prices.

FOREIGN AFFILIATE DUMPING RULES

The Foreign Affiliate Dumping (FAD) rules, tabled in the second Budget Implementation Act (Bill C-45) in October 2012, were designed to clamp down on a corporate-tax-base-eroding practice known as debt dumping. The measures, however, were implemented too broadly, thus inadvertently capturing the mining industry's business model.

By imposing extra costs on “investments” made by foreign-controlled Canadian mining companies in foreign affiliates, the FAD rules:

- › Make Canadian junior mining companies less attractive to foreign majors.
- › Render Canada less attractive as a destination for new junior mining companies with foreign projects.
- › Risk eroding Canada's world-class junior mining sector, as well as the Canadian financial and supply sectors that currently support the industry.

MAC and the Prospectors and Developers Association of Canada spearheaded a multi-stakeholder working group to interface with the Department of Finance, which granted a series of consultation meetings throughout November and December of 2012. Having achieved measured success through the implementation of several technical amendments prior to the bill's tabling, MAC continues to work collaboratively with Department of Finance officials on how the rules can be improved in a manner consistent with the government's priorities.



Canadian Mining.
Energy, minds and resources.

2012
Cdn
Canada

Canada's economy is growing faster than many other countries. Mining is a big reason why.

Last year 300,000 Canadian workers increased the value of mineral production by 31%. Around the world, our products are in demand and our commitment to sustainable mining is appreciated.

Great public policy makes a difference. Rigorous, efficient regulation. Support for infrastructure to spur new projects in remote areas. And a collective effort to promote Canadian mining to the 100,000 more people we need to hire over the next ten years.

CANADIAN MINING
What will we find next?

Mining.ca

Transportation Committee

Chair: Vacant

The Transportation Committee contributes to the federal policy, legislative and regulatory environment for the transport of minerals and metals to enhance the competitiveness of Canada's mining industry.

HIGHLIGHTS

- The government tabled Bill C-52 *The Fair Rail Freight Service Act*.
- Active engagement with Transport Canada and the International Maritime Organization on recent amendments to the MARPOL Convention.
- Participation in alliances such as the Coalition of Rail Shippers to seek competitive transportation infrastructure.
- Dialogue with the federal government on transportation infrastructure issues.

Each year, Canadian exports of aluminum, gold, nickel, copper, zinc, iron ore, coal, uranium, potash and diamonds amount to tens of billions of dollars. In 2011, for example, total Canadian mineral export value reached a record high, exceeding \$101 billion and accounting for 23% of Canada's total exports for the year. These mineral and metal products account for much of the volume handled at Canadian ports and around half of total rail freight volume and revenue.

A low-cost, effective and reliable system of marine, rail and truck transportation is essential to the Canadian mining industry's international competitiveness. This is especially so when competing against other countries that have significantly shorter logistical supply chains.

RAIL FREIGHT SERVICE REVIEW

Recently, the federal government undertook a study of the quality of rail freight service provided by CN and CP to identify issues, examine best practices, and recommend commercial or other remedies to improve service. The government appointed a three-person panel to review the information and conduct its own consultations before making recommendations to the government. MAC met with Transport Canada officials and the consultants to provide input from the mining industry.

The final report, entitled *Rail Freight Service Review Final Report*, was released in March 2011 along with the government's response and commitment to table legislation giving shippers a right to a service level agreement. Stemming from the report's recommendations, the government facilitated a commercial process to



negotiate a template service agreement and a commercial dispute resolution mechanism. Jim Dinning was appointed to lead this process in November 2011. MAC, along with Teck Resources, met with Dinning on November 16 to discuss the plans for his review. A task force was subsequently struck, including representation from Xstrata and Teck.

The government responded to the Dinning report in June 2012 reiterating its commitment to table legislation to address shipper concerns. Legislative consultations took place over the summer of 2012, and Bill C-52, *The Fair Rail Freight Service Act*, was tabled in December 2012.

Throughout this process, MAC worked both independently and as a member of the broader Coalition of Rail Shippers. This coalition advances shippers' interests in the area of federal regulatory and policy decisions. It represents sectors that are large users of rail service, including the chemical, fertilizer, propane, forest products, agri-food, mining and import auto industries.

At a high level, Bill C-52 gives shippers a right to a service level agreement (SLA), and provides a dispute resolution mechanism should shippers and the railways be unable to arrive at a SLA through a normal commercial process. The bill, however, presents challenges, and it is our view that the legislation as currently written does not achieve the government's stated intention for the bill. One of MAC's priorities was to have defined service elements included in the bill, the right to which the legislation would grant the shipper. As drafted, the bill grants shippers a right to a SLA without defining what that service is.

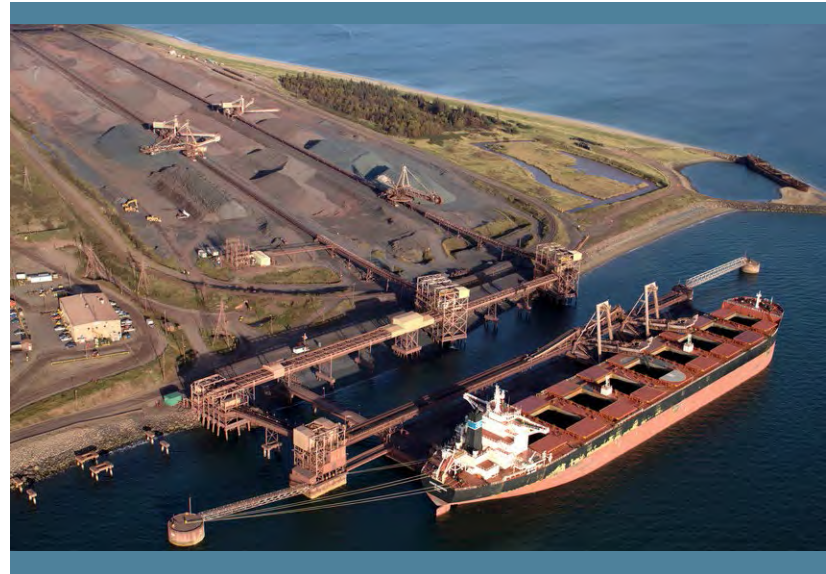
INTERNATIONAL MARITIME ORGANIZATION

The International Maritime Organization (IMO) is the United Nations' special agency responsible for the safety and security of shipping and the prevention of marine pollution by ships. Recent changes to MARPOL Annex V, which aims to prevent pollution of the marine environment, has presented important questions about impacts to the trade and shipment of certain mining products.

MARPOL is short for the International Convention for the Prevention of Pollution from Ships. Annex V is specifically focused on the treatment of ship garbage. Cargo residues, according to MARPOL, are a form of garbage and are dealt with in Annex V. Recently, amendments to Annex V created a new set of criteria determining that certain cargo residues are no longer allowed to be discharged into the sea as of January 1, 2013. Instead, dry residues and/or wash water containing residues meeting any of the criteria will have to be discharged at port reception facilities, thus potentially hampering trade and complicating the shipping element of the logistics supply chain.

MAC and members from Teck, Vale and Xstrata Nickel have been engaged on this file. By working with Transport Canada officials, MAC was successful in the development of a position paper that Canada as a member state adopted as a circular and spoke to at a subcommittee meeting at the IMO. MAC members from Teck and Xstrata Nickel attended IMO subcommittee and committee meetings in London to ensure industry's perspective was heard on this issue. Further, efforts were coordinated with the ICMM and Intercargo on the development of an additional circular to the IMO on this issue.

MAC continues to follow this issue at the IMO closely and has established a working group with interested member companies, and a broader stakeholder community, to strategize and determine the best course of action going forward. The group was recently informed by Transport Canada that domestic implementation of these measures would occur over a 2-4 year horizon. One of the challenges anticipated by the group is regulatory inconsistency among shipping jurisdictions as each implements the new measures on their own schedule. MAC is committed to working with interested parties in an attempt to ensure as smooth a transition as possible to the new regulatory model.



INFRASTRUCTURE

During the year, MAC continued its dialogue with the federal government on transportation infrastructure issues. Of particular importance are projects that could open up regions of Canada to enhanced mineral exploration and economic development. A submission was made to Infrastructure Canada outlining the importance of adequate infrastructure investment in Canada's north to unlock significant mineral potential.

GENERAL

To address other issues, a member of the MAC Transportation Committee sits on the federal government advisory committee that deals with Transport Canada concerning the transportation of dangerous goods. MAC is also monitoring an environmental regulatory initiative in the northern US states that could impact Seaway and Great Lakes shipping.

International Social Responsibility (ISR) Committee

Chair: Scott Yarrow, Vice President, Sustainability, Xstrata Nickel

The increasing focus on the practices of the Canadian mining industry operating internationally resulted in the International Social Responsibility (ISR) Committee's establishment in 2011. The ISR Committee's mandate is to identify and address evolving issues that can impact the reputation of MAC member companies operating abroad and to commission expert reviews of evolving best practice to determine whether MAC should formulate policy positions on certain matters.

HIGHLIGHTS

- The Resource Revenue Transparency Working Group was formed, comprised of MAC, the Prospectors and Developers Association of Canada, Publish What You Pay-Canada and the Revenue Watch Institute.
- Initiated work on a human rights framework.
- Continued with the research program that was initiated in 2011. Published a report prepared by On Common Ground examining progress made on the recommendations from the National Roundtables on Corporate Social Responsibility and the Canadian Extractive Sector in Developing Countries.
- Continued to support the federal government's CSR Strategy by co-chairing the CSR Centre of Excellence and working with the CSR Counsellor to raise awareness about grievance mechanisms and dispute resolution.
- The Canadian International Institute for Extractive Industries and Development (CIIED) was announced by the federal government and MAC participated in several rounds of consultation.
- MAC appeared before the House of Commons Standing Committee on Foreign Affairs and International Development to speak about partnerships for development. The Committee subsequently released a report strongly in favour of such partnerships, including those that include CIDA funding. MAC conducted active media relations to support CIDA's direction.

RESOURCE REVENUE TRANSPARENCY WORKING GROUP

In early 2012, MAC began discussions with Publish What You Pay-Canada, the Revenue Watch Institute and the Prospectors and Developers Association of Canada regarding the possibility of working collaboratively to improve transparency with respect to reporting payments to governments derived from extractive activities. In September 2012, the four organizations announced they had signed a Memorandum of Understanding (MoU) to formalize this joint effort. The announcement attracted significant national media attention including coverage in the Globe and Mail, iPolitics.ca, La Presse, Ottawa Citizen, Vancouver Sun, Radio-Canada, CKRW Radio (Yukon), Mining Weekly, Mineweb, and the Canadian Council on Africa magazine. Even MiningWatch re-Tweeted our press release.

The MoU established the Resource Revenue Transparency Working Group, which is made up of representatives from the four organizations. The working group's objective is to develop a framework for a mandatory reporting mechanism that would require Canadian mining companies to report payments made to host governments on a country-by-country and project-by-project basis. Once developed, this

framework will be presented to the Canadian government, provincial governments and/or securities regulators to be recommended for adoption. If successful, this initiative would allow for the identification and collection of the data necessary to enable local communities and stakeholders to hold governments to account for revenues derived from mining development. As part of its mandate, the working group will develop a mandatory reporting mechanism that will aim to:

- › Require the reporting of payments from Canadian mining companies to governments on a country-by-country and project-by-project basis.
- › Allow for the identification and collection of the data necessary to inform local communities and stakeholders to hold governments to account for the revenues derived from natural resource development and to determine whether their governments collected what was owed.
- › Minimize the reporting burden on companies and avoid overburdening stakeholders with unnecessary or inconsistent data.

Since the MoU's signing, the working group has been developing specific elements of the framework. The process began in September 2012 with an industry consultation workshop in Vancouver to identify any critical issues or areas of concern from an industry perspective to inform the early stages of the project. The working group is committed to consulting with industry and stakeholders regularly throughout the framework's development and will organize future consultations as progress is made.

In early 2012, MP John McKay informed MAC of his intention to develop a private members bill aimed at making the disclosure of payments to governments mandatory for Canadian extractive companies along the same lines as the work being done by the working group. Mr.

McKay shared a draft of his new bill with interested parties, including MAC, for comment. MAC shared several comments with Mr. McKay and informed him that we would not support his bill neither would we oppose it due to the work being done by the working group. All of MAC's comments were subsequently incorporated into later drafts of his bill. Mr. McKay agreed to delay the introduction of his bill while the working group developed a framework aimed at addressing this issue. As of the end of 2012, Mr. McKay had not introduced his bill in the House of Commons.



HUMAN RIGHTS

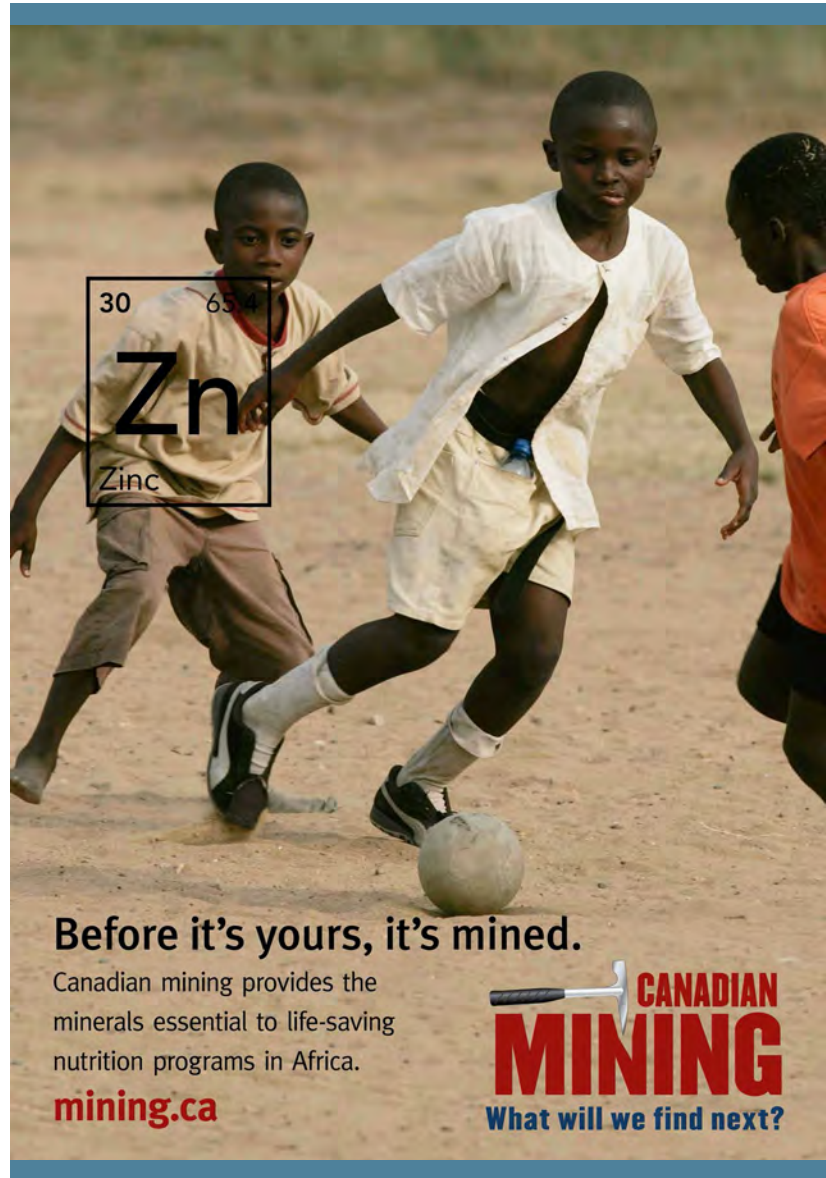
In 2012, the ISR Committee and the MAC Board of Directors established human rights as a priority for MAC. The ISR Committee has initiated work on what it has termed the Big, Bold Initiative (BBI), which is the development of a framework that will incorporate the key elements of leading human rights

management systems. The goal is to have a framework that will be applicable to all mining companies at any point during the mining life cycle. The proposed framework will consist of management system elements to effectively manage human rights-related issues and serve as a practical tool for companies of all sizes.

The field of human rights has evolved to encompass a broad spectrum of issues that can pose material business challenges and opportunities for mining companies, regardless of where they operate. The recent work by Dr. John Ruggie, formerly the United Nations' Special Representative to the Secretary-General on Business and Human Rights, has done much to elucidate the human rights duties of states and businesses. Specifically, it is the responsibility of business to respect human rights and provide access to remedy for human rights matters that may emerge in the conduct of its business activities.

For mining companies, the business case for proactively and responsibly addressing human rights is clear. Our presence, particularly where host country governance and respect for the rule of law are weak, can exacerbate unresolved conflicts and create new ones. It has been conclusively demonstrated that such conflict can destabilize local societies, making it difficult to earn and maintain a social licence to operate. It has become an expectation that business will play an active role in building human capital by respecting human rights and providing access to remedy, regardless of the strength of host country governance. Moreover, a proactive approach to human rights management is good business as it builds strong relationships directly with local communities. It also demonstrates responsible risk management through the application of a single, high standard across an enterprise. Proactive management of human rights creates value for companies by helping to build trust with host communities and governments, and thereby, reducing the need for third-party involvement in potential conflicts.

The elements of the framework will be selected based on the experience of MAC members and those that are incorporated into a number of recently-developed human rights frameworks. Each element will



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be accompanied by attributes that represent leading practices and should be incorporated into each respective element during implementation. The framework will also seek to ensure that guidance from the work of Dr. John Ruggie is incorporated, especially the elements pertaining to respect and access to remedies. Attributes will be developed at a sufficiently high level so that these can be effectively implemented at any point in an operation's life cycle.

MAC members will be able to implement the practical tools included within the framework, regardless of their position in the mining life cycle. Moreover, the expertise of senior companies and their willingness to share experiences should assist all MAC members with implementation of the framework, regardless of the resources that are available.

This approach to the BBI was deemed a practical way to deliver value to MAC members and to demonstrate a leadership approach to human rights. Several MAC members have already developed human rights policies and, thus, the step of developing a MAC human rights policy at the outset was considered duplicative and not of highest priority. Nevertheless, once fully developed, the elements constituting the MAC Human Rights Framework can readily be condensed into such a policy.

CANADA'S CSR STRATEGY

Throughout 2012, MAC continued to support Canada's CSR strategy, "Building the Canadian Advantage: A Corporate Social Responsibility Strategy for the Canadian International Extractive Sector". MAC's support focused on two of the four pillars: working with the CSR Counsellor to build awareness of grievance mechanisms within the industry and co-chairing the CSR Centre of Excellence.

MAC participated in several discussions with the CSR Counsellor, Marketa Evans, including a workshop in early 2012 jointly hosted by the Counsellor and the Compliance/Advisory Ombudsman (CAO) from the International Finance Corporation. This workshop was organized to share case studies from the CAO on collaborative problem solving tools, successes and lessons learned. Two cases were highlighted: the Yanacocha mine (2001-2006) and Nicaragua Sugar (2008-present). MAC also hosted a workshop with the CSR Counsellor and member companies to examine the implications of building third-party escalation mechanisms into local level grievance mechanisms.

In early 2012, CIDA announced its intention to create a Canadian International Institute for Extractive Industries and Development (CIIEID). The Institute's mandate would be to act as a worldwide centre for expertise in the extractive sector, relating to developing countries' needs. This includes improving and strengthening resource-extraction governance; increasing capacity building in policy, legislation, regulatory development and implementation; and educating skilled workers, providing technical training and assistance, and applying research. The Institute would be supported by an initial \$25 million contribution from CIDA. MAC participated in several rounds of consultations regarding the potential design of the Institute, including an initial roundtable with Minister Bev Oda. MAC's input focused on the need for the CIIEID to deliver capacity building programs at the local level in addition to national governments, and the need to ensure its work is practical and applied.

In late 2011, CIDA announced three pilot project partnerships between CIDA, development NGOs and mining companies. These partnerships included a project in Burkina Faso with IAMGOLD and Plan

Canada, a project in Peru with Barrick Gold and World Vision, and a project with Rio Tinto and the World University Service Canada in Ghana. In early 2012, these announced projects generated a public debate in the media about whether CIDA should be involved in funding partnerships with development NGOs and mining companies. In response to this debate, MAC contributed multiple letters to the editor and op-eds speaking to the value such partnerships have in enhancing the effects of development projects in host countries. MAC's involvement and coordination with other organizations in favour of such partnerships resulted in a very compelling case for why these partnerships are the right thing to do.

As part of this debate, the House of Commons Standing Committee on Foreign Affairs and International Development initiated a study to look at the role of the private sector in international development. MAC appeared before the Committee on this study to stress that by aligning with the private sector, CIDA is aligning with the market economy and, therefore, to far more likelihood of enduring success. The Committee subsequently released a report strongly in favour of such partnerships, including those that include CIDA funding. The Committee also highlighted and supported MAC's work with the Resource Revenue Transparency Working Group (discussed above).

RESEARCH AREAS

In early 2012, MAC released the first of four reports commissioned by the ISR committee. The report, produced by On Common Ground, provided an analysis of the status of recommendations arising from the Roundtables on Corporate Social Responsibility and the Extractive Sector. Following the report's release, MAC held briefings with officials from the Prime Minister's Office, the Privy Council Office, the Department of Foreign Affairs and International Trade, the Canadian International Development Agency, and Natural Resources Canada. MAC used the meetings not only to communicate the report's findings, but also to provide an update on the work of the ISR Committee. The response from officials was very positive and there was great deal of appreciation for MAC taking a leadership role by undertaking the research and sharing the findings.



The ISR Committee's second report, which compared Canada's legislative regulatory regimes to those found in select developing countries with Canadian mining development was compiled by Fasken Martineau. The purpose of this report was to better understand the current state of accountability for Canadian mining companies operating in developing countries and how their regimes differ from Canada's. The report's conclusions clearly identify a need for government, industry and civil society to come together to build strong governance capacity in developing countries. This report was posted on the MAC website at the end of 2012.

Monkey Forest Consulting was commissioned to conduct research on global considerations and practices involving Free, Prior and Informed Consent (FPIC). The purpose of this report is to help the ISR Committee and the MAC membership as a whole to understand both indigenous and non-indigenous community perspectives on the issue of FPIC, as well as how it is being applied throughout the world. This project is expected to be completed in 2013 and is meant to contribute to the current conversations around the issue. As such, the ISR Committee intends to release this report publicly.

A fourth research piece was also developed in 2012 involving current corporate disclosure practices. The ISR Committee engaged Stratos to review current and future disclosure expectations and requirements for Canadian companies. The purpose of the report is to examine the changing landscape for transparency and disclosure, and will provide a snapshot of current disclosure practices across a sample of companies. This report will help support MAC members in building an understanding of the range of disclosure expectations and requirements currently in place and those that are anticipated in the future. The ISR Committee plans to publicly release this report in 2013.

PLANS FOR 2013

In the year ahead, the primary priorities of the MAC ISR Committee will be as follows:

- The Transparency Initiative with the PDAC, the Revenue Watch Institute and Publish What You Pay-Canada.

A draft framework for the disclosure of payments to government is expected to be complete in the first half of 2013.

Pending endorsement by the boards of each of the four partners, the second half of 2013 will be focused on building support amongst provincial security regulators and stakeholders from the investment community to have the framework adopted at the security regulator level.

- The Big Bold Initiative – Human Rights Framework.

The ISR committee will focus on compiling examples of leading human rights practices from across industry that represent the best of what is currently being accomplished.

After the initial compilation work, the ISR committee will bring all the various elements together to form a coherent management system framework for human rights and mining.

As this framework is developed, the ISR committee will look to outside experts to provide feedback on each of the elements and advise on any gaps that are not currently being addressed by industry.

Energy Committee

Chair: Vacant

The Energy Committee promotes overall energy management, including improved energy efficiency and greenhouse gas intensity performance.

HIGHLIGHTS

- › Monitored government progress on setting targets and regulations for GHG emissions.
- › Continued measuring and reporting GHG emissions of MAC member companies.
- › Improved company results under the TSM energy/GHG performance element.
- › Review of the Towards Sustainable Mining (TSM) energy use and greenhouse gas emissions management protocol.

The Energy Committee encourages continuous improvement in energy efficiency and reducing greenhouse gas (GHG) emissions among MAC members. Every year, the Committee engages the Canadian Industrial Energy End-Use Data and Analysis Centre (CIEEDAC) to prepare industry data on energy, and GHG consumption and emissions. For example, according to CIEEDAC's 2012 report, direct emissions from Canada's 227 operating mines (metal and non-metal) account for just 0.72% of the country's total GHG emissions. MAC also participates in the Canadian Industry Program for Energy Conservation, and serves as Chair of the Mining Sector Task Force.

In response to slower than expected TSM performance improvement by member companies in the area of energy use and GHG emissions management, the Energy Task Force commissioned a review of the TSM protocol and member company performance to determine the root cause for weak improvement. The review looked at both the contents of the protocol, as well as training and support relevant to energy and GHG management offered by MAC. The review's findings suggested that the protocol should be updated to reflect the current state of climate change mitigation policy and practice to ensure that it remains relevant. In June 2012, the Energy Task Force completed a process updating the energy use and greenhouse gas emissions management protocol.



Climate change remains a prominent issue in both the political and policy context. In recent years, climate change has been the subject of a drawn-out legislative and regulatory process in Canada.

MAC and its members have been involved in federal consultations on measures to regulate GHG emissions for many years. Although the process has been slow, progress has been made in some

areas. For example, the federal government has announced standards for vehicle fuel efficiency and coal-fired power plant efficiency.

While Copenhagen negotiations failed to reach binding agreement on GHG reduction targets, there was agreement to transfer \$30 billion in mitigation funds to developing countries by 2012 and to develop a new funding mechanism to help reduce deforestation. Canada subsequently submitted its formal GHG reduction target as called for in the Copenhagen Accord (2020 GHG emissions 17% below 2005 emissions). Finally, in December 2012, Canada officially withdrew from the Kyoto Protocol agreement.

Throughout this long process, MAC has highlighted the importance of global competitiveness, the uniqueness of specific facilities and situations, and members' progress on energy efficiency and GHG reduction. MAC has also informed the federal government that the mining industry seeks a simple, low-cost and single-window reporting system under the federal GHG regulatory regime. Given the many different targets and tools that have emerged at the provincial level in recent years, it is clear that developing a single, consistent national policy and reporting system will be difficult.

MAC and the Energy Committee continue to emphasize the role that energy efficiency and process investment could play in dealing with climate change, clean air and productivity issues. To that end, MAC has highlighted the usefulness of federal incentives and programs for energy efficiency.

MAC members continue to inventory, measure and report on their climate change actions, positioning the industry well for any future reporting requirements.



Other Work Areas

MAC monitors and participates in government trade activities and works to promote open flows of trade and investment to enhance the international competitiveness of the Canadian minerals and metals industry.

HIGHLIGHTS

- › Supported the federal government's negotiation of Foreign Investment Protection Agreements.
- › Supported the negotiation of Free Trade Agreements.
- › Monitored trade and economic developments, and provided input when appropriate.

The mining industry ranks alongside financial services and oil and gas as the most international of Canada's industry sectors. The Canadian mining industry accounted for about 23% of all Canadian goods exports, and an average of 10% of Canada's stock of direct investment abroad. Canada is also home to about 60% of the world's public mining companies. Over the decade leading up to 2011, the TSX and TSX-Venture exchanges transacted over 80% of global mining equity financings, and in 2011 alone, 90% of all global mining equity financings.

This success is influenced in part by a network of government support delivered through Canada's "trade infrastructure". This includes the overseas network of embassies and trade commissioners, the trade finance capacity through Export Development Canada, and an array of Free Trade Agreements and Foreign Investment Protection Agreements.

FOREIGN INVESTMENT PROTECTION AGREEMENTS

In recent years, the federal government has adopted an ambitious agenda to broaden and modernize Canada's trade infrastructure. As of 2012, Canada has 24 Foreign Investment Protection Agreements (FIPAs) in force, six of which have come into force since 2006. A further nine FIPA negotiations have been concluded.

FIPAs are bilateral agreements that place investment-treatment obligations on each country. They also give foreign investors access to independent rules and arbitrators should disputes arise between the investor and the host government. These mechanisms provide Canada's overseas investors with an added layer of security and, while the enforcement components are rarely used, the mere existence of a FIPA gives foreign governments a set of rules on fairness and transparency.

FREE TRADE AGREEMENTS

From 2006 to 2012, four Free Trade Agreements (FTAs) have been brought into force. Additionally, 15 other sets of FTA negotiations and four sets of exploratory discussions remain ongoing. Among the ongoing negotiations are: the Canada/European Union Comprehensive Economic Trade Agreement (CETA), the Trans-Pacific Partnership (TPP), and negotiations between India and Japan. It is understood that negotiations between Canada and the European Union are approaching a close, while an ambitious timeline has been set for negotiations with India and the TPP, which is expected to conclude before the end of 2013. Whether these deadlines will be met or not is uncertain. However, the fact that the parties involved have set robust goals is indicative of their desire to advance mutual trade agendas.

FTAs with Peru and Colombia are particularly relevant to the mining industry. Successful agreements with these countries can help mining companies by lowering their cost of imports, minimizing technical barriers, enhancing investment security and improving regulatory cooperation. Although negotiations concluded with Colombia in 2008, the Canada-Colombia Free Trade Agreement only came into force in 2011.

MAC remains actively engaged with the federal government on a range of international trade and investment issues, and will remain involved in files such as the Canada-EU CETA agreement as it draws nearer to completion. MAC will closely monitor (with interventions as needed) other trade-related issues, such as progress in the multilateral World Trade Organization (WTO) Doha Round negotiations and implementation of policy responses on international corporate social responsibility.

In its meetings and discussions with foreign governments, MAC highlights the importance of efficient regulatory processes, modern infrastructure, investment in geological mapping and openness to foreign investment. Two-way flows of foreign investment can provide important conduits for gaining access to new technology, management skills and foreign market opportunities.

FOREIGN DIRECT INVESTMENT

In December 2012, the Government of Canada announced changes to the *Investment Canada Act* that involve the treatment of State Owned Enterprises (SOEs), as well as an increase in the threshold of investment that would trigger a review.

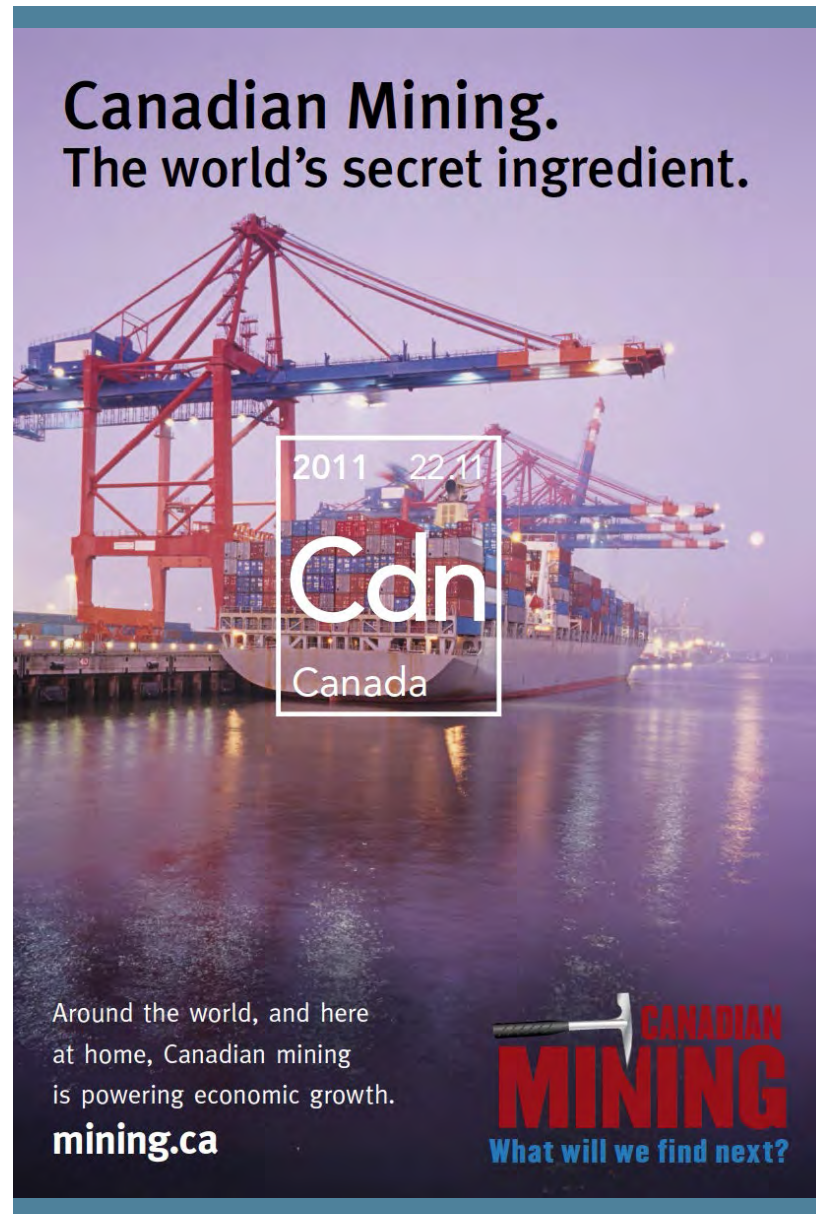
As part of the foreign investment review process, the burden of proof is on foreign investors to satisfy the Minister that a particular investment is likely to be of net benefit to Canada. Investments by foreign SOEs to acquire control of a Canadian oil sands business will, going forward, be found to be of net benefit on an exceptional basis only. The announcement accompanied a statement of intention that the Minister of Industry would also closely watch: the degree of control or influence a SOE would likely exert on the Canadian business being acquired; the degree of control or influence a SOE would likely exert on the industry in which the Canadian business operates; and the extent to which a foreign state is likely to exercise control or influence over the SOE acquiring the Canadian business. Non-controlling minority interests in Canadian businesses proposed by foreign SOEs, including joint ventures, will continue to be welcome in the development of Canada's economy.

Based on a recommendation by the Competition Policy Review Panel in 2008, the government will be progressively increasing the review threshold to \$1 billion. This will focus reviews on the most significant transactions. The basis for the threshold's calculation will also be changed from asset value to enterprise value. The intention is to more accurately reflect the market value of businesses and capture the increasing importance of the service and knowledge-based industries of the economy. In the case of investments by SOEs, the existing net benefit threshold of \$330 million in asset value will remain in place and will be adjusted annually to reflect the change in nominal gross domestic product in the previous year.

COMBATING PROTECTIONISM

MAC has also been involved in OECD discussions concerning trade in raw materials and the emergence of trade barriers. There are growing signs of protectionism in countries like China, which has introduced export taxes and other barriers to enhance the flow of raw materials to the domestic market for value-added purposes. The US, the EU and Mexico launched a challenge against China at the WTO because of these practices. Canada and other countries have joined the challenge as third parties.

In July 2011, the WTO released a report stating that China's export restrictions on nine raw materials - bauxite, coke, fluorspar, magnesium, manganese, silicon carbide, silicon metal, yellow phosphorus and zinc - are inconsistent with WTO regulations. China lost an appeal, and had until the end of 2012 to implement various recommendations.



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Mining Industry Human Resources Council (MiHR)

Executive Director: Ryan Montpellier and Board Chair: Patricia Dillon

The Mining Industry Human Resources Council (MiHR) is the national human resources council for Canada's mining industry. It collaborates with communities of interest to identify and address human resources challenges facing the minerals and metals sector.

ADDRESSING THE HR CHALLENGES OF INDUSTRY

MiHR contributes to the strength, competitiveness and sustainability of the Canadian minerals and metals sector by leading the collaboration of industry stakeholders in the development of solutions to national HR challenges. The Council is governed by an 18-person Board of Directors that provides direction and support to ensure that the stated mission, values and activities deliver tangible results for industry. Members of the Board of Directors represent a cross-section of mining industry employers, organized labour, mining associations, equity groups and post-secondary educators from across Canada.

MiHR projects are executed within a strategic plan which comprises three key priority areas:

- › Attraction, Retention, Transition
- › Skills, Learning, Mobility
- › Research for Industry Sustainability

STRATEGIC PRIORITY: ATTRACTION, RETENTION AND TRANSITION (ART)

This priority requires MiHR to address several labour market issues identified in previous research. Specifically, the lack of diversity, the anticipated skills shortage and the misconceptions widely held by youth, parents, educators and career counsellors about working in the Canadian mining industry. Activities in this area help:

- › Address attraction, retention and transition challenges.
- › Raise awareness among industry stakeholders about the sector's career opportunities.
- › Diversify the workforce by increasing underrepresented groups (women, Aboriginal peoples, immigrants, etc.).

HIGHLIGHTS

- › **Mining Essentials:** Mining Essentials (ME) is a work-readiness training program developed in partnership with the Assembly of First Nations to meet two goals. First, to provide Aboriginal peoples with the skills and confidence needed to enter the mining workforce, and second, to provide industry with a ready-to-work, local workforce, based on a nationally validated pre-employment program. In 2012, ME was delivered at three sites, one delivery is currently underway and two will start in spring 2013. Several sites are waiting for funding confirmation from various provincial and federal sources and may begin later this year. French translation and design of the original curriculum is complete and an MoU is being negotiated for signature between MiHR and Le Comité sectoriel

de main-d'œuvre de l'industrie des mines (CSMO) to roll out the program through 12 sessions over the next two years in Quebec.

- **Explore for More Earth Sciences and Mining Career Outreach Project:** MiHR continues to promote mining careers through its 'Explore for More' brand to youth across Canada. MiHR regularly distributes career materials to students, educators, guidance counsellors, teachers, and Aboriginal peoples. In 2012, MiHR signed a licensing agreement with the Government of Nunavut to distribute mining career material to every student in the territory and develop new career profiles of Inuit people working in mining in the north. Through MiHR's career-focused website (www.acareerinmining.ca) and social media channels (Facebook, Twitter, YouTube), thousands of career seekers are reached each month. MiHR's Virtual MineMentor Program continues to engage students and industry, with 18 new mentorships being established in the first two months of 2013 alone. MiHR will continue to share key messages surrounding career awareness at various exhibits and career fairs, and will be attending CIM's M4S at the May 2013 convention.
- **SHIFT – Changing the Face of Canada's Mining Industry:** The SHIFT project established a "Diversity Network", which includes representatives from several companies from across Canada (Vale, Agnico-Eagle, BHP Billiton, Noront, De Beers, Cameco, Iron Ore Company of Canada, IAMGOLD). The shared knowledge and best practices of the network were used to create a report published in spring 2013. This is in addition to the *Impacts of Technology and Intergenerational Workforces* report, *Managing Multigenerational Workforces in Mining* report and *Lessons Learned: A Report on HR Components of Aboriginal Community and Mining Company Partnership Agreements*, released at the end of 2012.



STRATEGIC PRIORITY: SKILLS, LEARNING AND MOBILITY (SLM)

This priority area addresses the sector's needs related to labour mobility, skills recognition and the harmonization of training across Canada. In 2006, MiHR and industry partners began developing the Canadian Mining Certification Program (CMCP). The program was launched nationally in 2011 following a pan-Canadian pilot at seven sites and will contribute to an appropriately skilled, effective and mobile mining workforce.

HIGHLIGHTS

- The Canadian Mining Certification Program (CMCP): Since its launch in May 2011, the CMCP has certified nearly 500 workers, over 300 of which have received their recognition in the past 12 months. The program is governed by a Standing Committee on Certification, chaired by Steve Ball from Vale.
- In 2012, the Canadian Diamond Drillers Association (CDDA) announced that its new Drilling Excellence Certification Program – aimed to increase safety, quality and environmental management among drilling companies in Canada – requires participation in the CMCP (or, in Ontario, Common Core training) to assess additional support that could boost certification numbers amongst these employers.
- Companies currently implementing the CMCP include: Teck, Rio Tinto-Diavik, Cementation, New Gold, De Beers Canada, Copper Mountain, Imperial Metals Corporation, Imperial Oil-Esso, Boart Longyear, Foraco, among others. Under this program, national certification is available for workers in the following occupational groups: Underground miners, Minerals Processing Operators, Surface Miners and Diamond Drillers. MiHR has also received growing interest in the international application of the National Occupational Standards and Certification.
- Overall, the program continues to gain momentum and a number of companies are currently evaluating the feasibility of implementing the CMCP at their sites in 2013.

STRATEGIC PRIORITY: RESEARCH FOR INDUSTRY SUSTAINABILITY (RIS)

This priority area provides up-to-date labour market information (LMI) on the Canadian mining industry. By conducting research-based activities and disseminating the findings, MiHR provides valuable intelligence to its stakeholders and ensures that our programming is responsive to industry needs. This LMI enables industry to proactively address labour market challenges such as recruitment, retention, diversification and training.

HIGHLIGHTS

- **National, provincial and sub provincial LMI:** In 2012, MiHR produced several regional LMI research reports in the Yukon, British Columbia, Saskatchewan and six distinct regions in northern Ontario. In addition, there has been interest for MiHR to consult for international LMI clients. The annual national mining labour market outlook report will be published in May 2013.
- **Workforce planning case studies:** In addition to the LMI research, a series of detailed case studies on strategic workforce planning will be available in the summer 2013 to help employers plan for the critical gaps that are forecast. Topics for case studies include knowledge transfer, redeployment of workers, mobility of talent, capacity planning, succession and leadership, workforce forecasting at the organizational level, integrated planning, and strategic partnerships for addressing skills gaps.

- **Mining in the oil sands:** This project is underway and its findings will be reported summer 2013.

A YEAR OF CHANGE FOR MIHR

In an effort to reduce public spending, the federal government (Human Resources and Skills Development Canada) announced the abolishment of the Sector Council Program and substantial changes to the funding for all sector councils, including MiHR. As a result, effective March 31, 2013, MiHR will have lost a significant portion of its core funding for operational costs.

MiHR has consulted extensively with MAC and its member companies to review funding and governance options for MiHR. In fall 2012, MAC approved a \$350,000 contribution to MiHR to ensure the Council's sustainability. MiHR is now in the process of implementing a number of changes to its governance structure, by-laws and strategic plan to more closely align with the priorities of MAC and its member companies. A new Board structure will be implemented in 2013.

MiHR is confident that it will be successful in securing ongoing project funding through a new program at HRSDC called the Sectoral Initiatives Program (SIP). Through a collaborative effort, two new multi-million dollar project concepts have been developed and submitted to the new SIP program from the mining sector to address labour market challenges in mining.

For more information on the MiHR Council or any of its programs, visit the MiHR website (www.mihhr.ca) or contact MiHR's Executive Director, Ryan Montpellier, at rmontpellier@mihhr.ca.





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***Left MAC Board in early 2013*

****Joined MAC Board in early 2013*

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