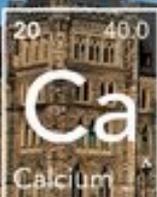
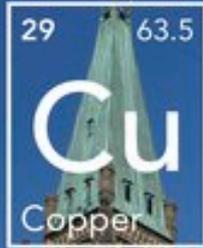


Before it's ours, it's mined.

 **CANADIAN
MINING**
What will we find next?



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Canada as a Global Mining Leader: Inside and Out

Pierre Gratton
President and CEO
*The Mining Association of
Canada*

September 25th, 2013
Belo Horizonte, Brazil



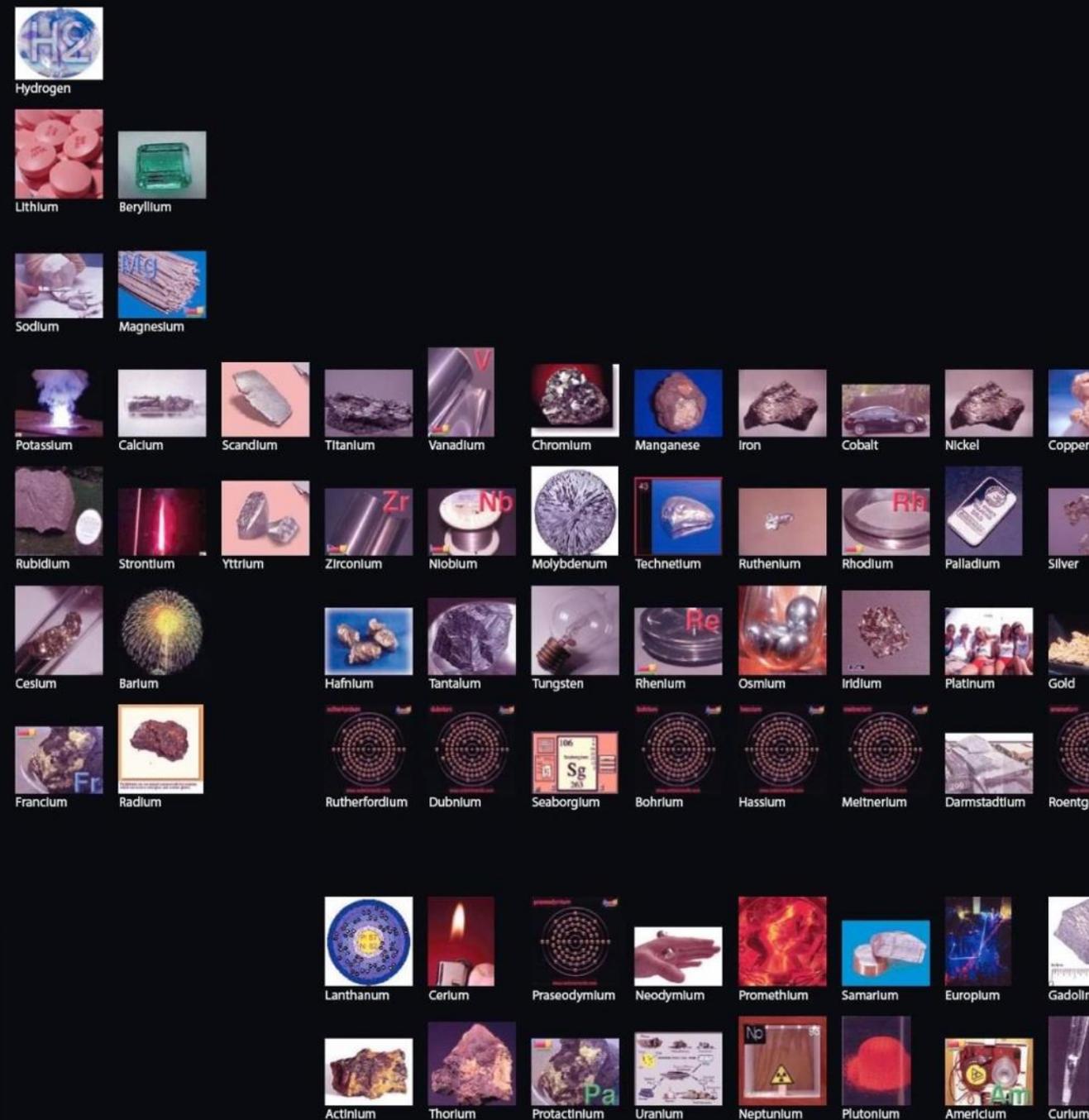
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About MAC

The national voice of the mining industry in Canada:

- Advocacy - to advance the business of mining
- TSM Initiative – stewardship and social license
- 35 members in iron ore, gold, diamonds, oil sands, met-coal, base metals, uranium
- 45 associate members in engineering, environment, finance
- Members engaged in exploration, mining, smelting, semi-fabrication, supply



Presentation Overview



- **Part I - Domestic Focus:** What can Canada share about how to create a favourable environment that supports mining activity?
 - *Canada has transformed its resource endowment into a knowledge advantage that reaches beyond the exploration and extraction of minerals into professional service sectors.*
- **Part II - International Focus:** What are the challenges faced by Canadian mining companies investing abroad?
 - *The expertise of these service sectors, accompanied by targeted policy support, are major components of Canada's competitive advantage on the world stage in confronting challenges.*

Canada: Mining Powerhouse

Exploration

- Largest global cluster of junior mining companies - over 1,200 companies in BC alone.
- Leading global destination for exploration expenditure - 16% in 2012.

Mining

- Producing over 60 minerals and metals; 224 operating mines.
- World class deposits: uranium, potash, met-coal, diamonds, base metals, oil sands.

Finance

- TSX & TSX-V list most mining companies globally – 1,673 as of Jan 2013.
- \$10.3B or 70% of global mining equity in 2012.

Supply

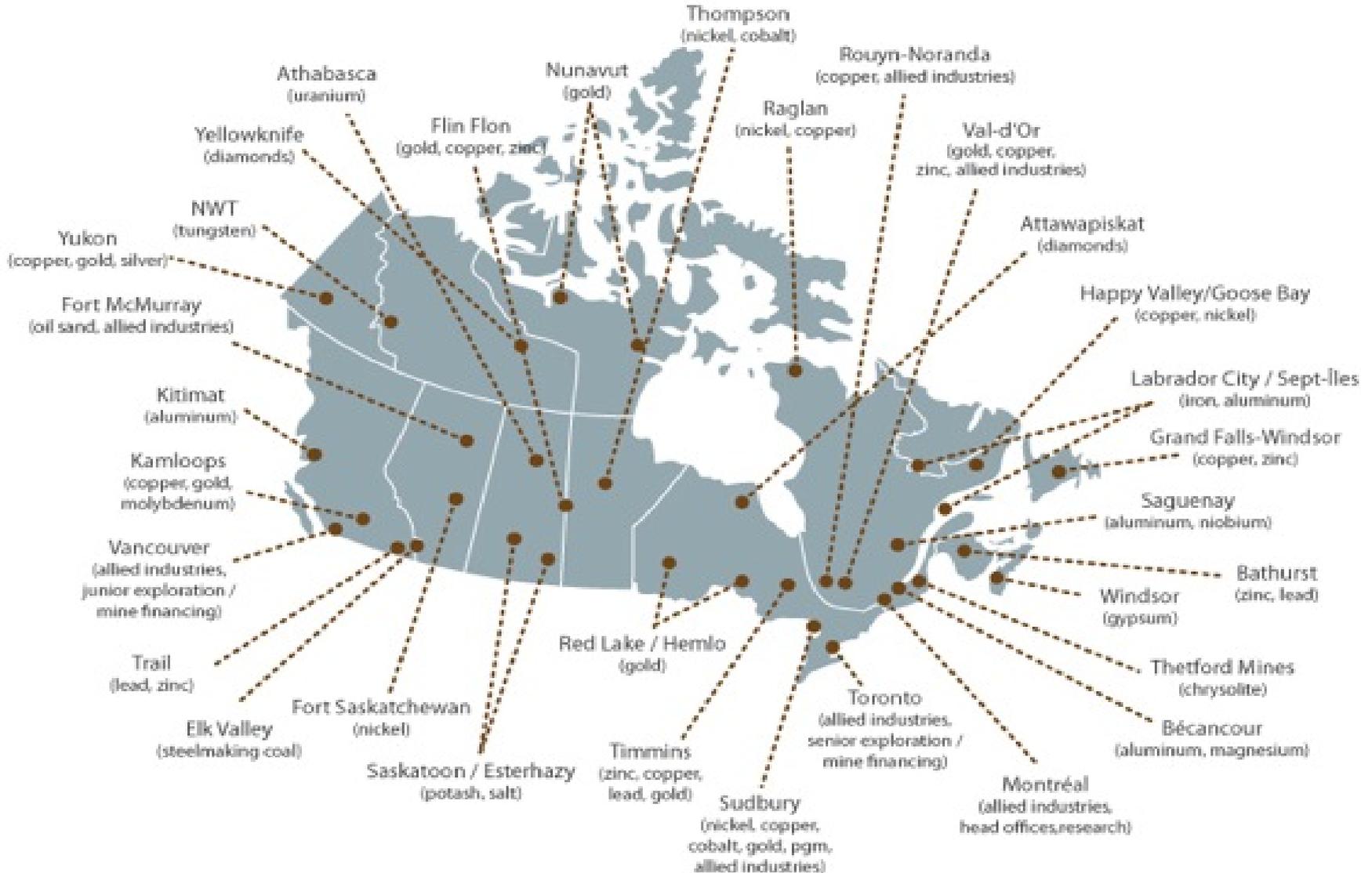
- A leading global mining supply sector – nearly 3,200 companies.

Technology

- Sudbury: Canada's mining superstore.
- Regional commodity specific expertise.



CANADA'S MINING INDUSTRY NATIONAL AND REGIONAL PRESENCE



How did Canada achieve this?

1. Natural Geological Disposition:

- Canada has a substantial endowment of natural resources, the value of which was recognized and fostered in the nascent period of Canada's history.
- Natural resources, and mining in particular, have played a key part in the Canadian economy for over 100 years, and valued as such.
- The diversity of over 60 metals and minerals mined in Canada, the role mining has played in our country's history and economy, as well as the country's great geological endowment have fostered a breadth and depth of experience in all aspects of the system.



**THERE'S A RIGHT WAY.
AND IT'S CANADA'S WAY.**

Mining companies in Canada were the first in the world to develop an externally-verified performance system for sustainable mining practices.

Our TSM* program reflects a deep commitment to environmental protection, safety, and transparency about how we operate.

* Towards Sustainable Mining is the Mining Association of Canada's program of environmental assurance.

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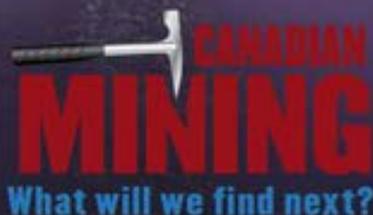


Canadian Mining. The world's secret ingredient.



Around the world, and here
at home, Canadian mining
is powering economic growth.

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Rome wasn't built in a day...

2. The Development of Industry Clusters

- Over time, Canada has leveraged its resources endowment into knowledge-based clusters – *a mining eco-system that reflects and serves the industry's needs.*
- These clusters are based on mining activities, and the skills, services and technology needed to undertake them effectively.
- Created an interconnected system of business generating sub-sectors that have developed and applied knowledge to resolve industry challenges.

Canadian Mining. Energy, minds and resources.



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.

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Holistic Approach Was Needed

3. Prudent policy decisions and entrepreneurial initiative have enabled this.

- Policies that foster competitiveness have facilitated domestic development:
 - manageable regulatory landscape;
 - welcoming of foreign investment;
 - robust free trading partners; and
 - public/private investments in infrastructure, innovation, exploration, and mine development and expansion.
- This synergy has developed Canada's world class mineral exploration and mining finance and supply clusters. Tax policies tailored to industry nuances, and institutions designed to cater to industry needs.

A confluence of factors and a long-term vision

- Variations of Flow Through Shares in place since 1954 facilitated exploration/mine development investment.
- Exchanges designed to handle small to mid-range mining equity financings, but offering unique expertise in the \$1-5M range – junior financings – created an embryonic system.
- In parallel, the white-collar supply sector evolved to accommodate demand for specialized services, including: legal, financial, taxation, accounting, real estate and other related areas.
- This synergy, with an appreciation of the value and vision for Canada's diverse geological make-up, has made Canada.
 - 1) host to the largest global junior mining sector;
 - 2) home of the global centre for mining finance,
 - 3) centre of a leading mining supply sector; and
 - 4) the top global destination for mineral exploration investment for 20 of the last 34 years.



Building is one thing; maintaining is another

- The entrepreneurial spirit of Canadian miners and the foresight of Canadian decision-makers have built Canada's mining success.
- These institutions, know-how and capability must continually be applied/preserved to address the challenges facing the industry today:
 - Regulatory challenges
 - Social license issues
 - Aging mines/infrastructure; deeper mines
 - Depletion of reserves
 - Increasing cost and remoteness of deposits
 - Resource nationalism





Example: Foreign Affiliate Dumping Rules

- Rules put in place to prevent cross-border investment from use as a tool to erode the corporate tax base – industry accepts this principle.
- Challenge: rules crafted too broadly and captured the mining industry – unintended consequence of impacting Canada’s attractiveness for mining investment.
- MAC worked with industry and government decision makers to achieve a better balance – several technical amendments/fixes have been enacted.
- Monitoring impacts to the sector to see if more work is needed/if technical fixes are sufficient.



Canada Remains Favourable Globally

Despite challenges – and there always will be – the Canadian mining eco-system remains very favourable globally.

Fraser Institute Survey:

- Survey of how mineral endowments and public policy factors such as taxation and regulation affect exploration investment in 96 jurisdictions – 742 respondents worldwide.
- 3/13 Canadian mining jurisdictions in the top 10 ranking out of 96 global jurisdictions. 8/13 Canadian jurisdictions in the top 20.
- Very favourable historical results.

Behre Dolbaer's 2013 Ranking of Countries for Mining Investment:

- The 25 countries considered in this survey are ranked based on 7 criteria
- Canada placed 2/25, only 2 points behind Australia out of a total of 70 points.



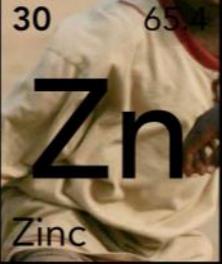
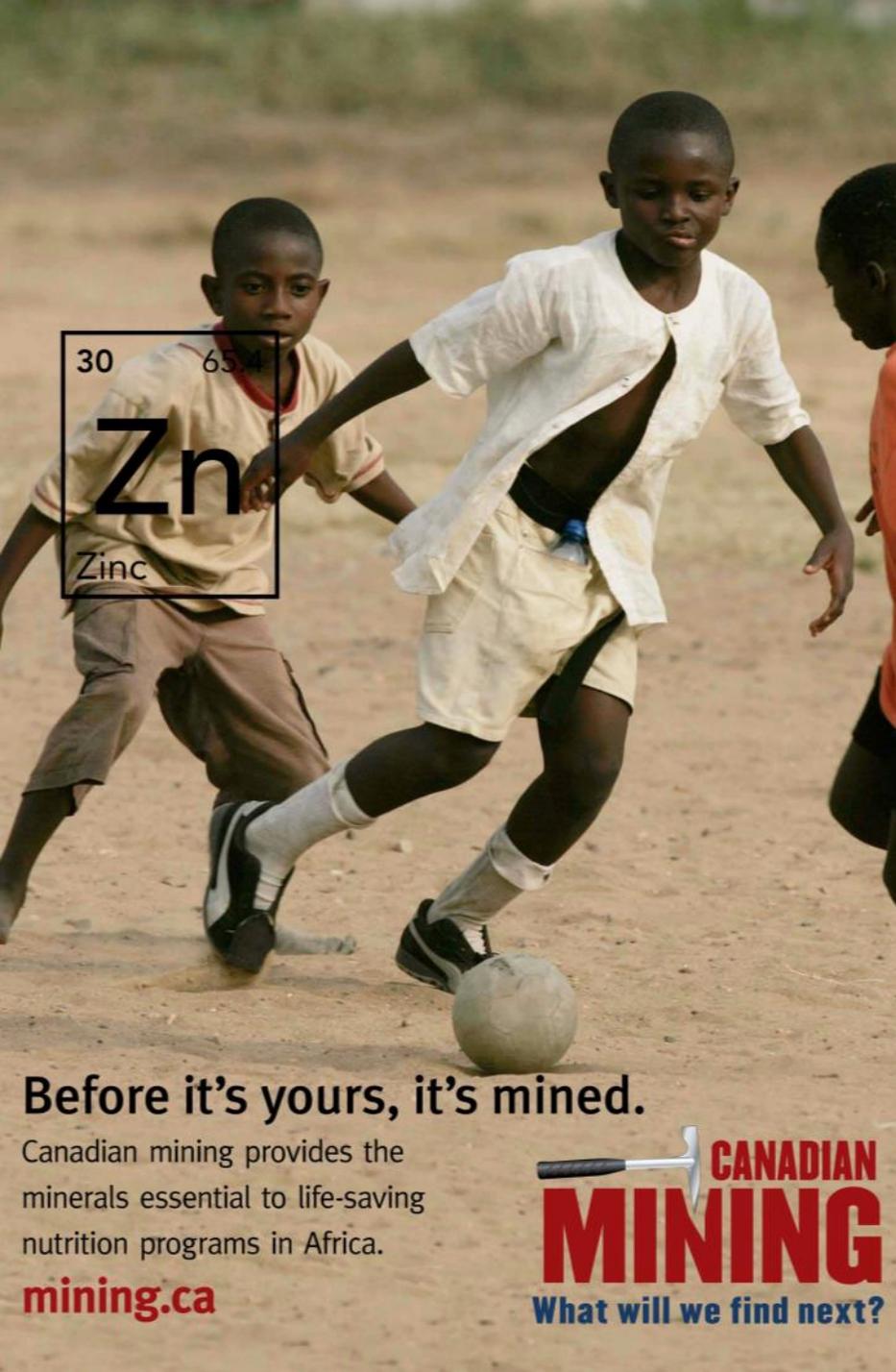
Success has made Canada a Leading Foreign Investor

- **Canadian mining invests heavily abroad:**
 - In 2011, the sector accounted for \$58.6 billion, or 9% of Canada's direct investment abroad.
- **Geographical Investment Analysis:**
 - 48%, or 4367/9041 mining projects listed on the TSX/TSX-V are international
 - 491 TSX/TSX-V Mining Companies in Latin America in possession of 1526 mining properties.
 - Of the \$10.3 billion in mining equity raised on the TSX and TSXV in 2012, \$6.6 billion was for projects in the Latin America, Africa, Asia and Australia.

Part II - International Focus

What are the challenges faced by Canadian mining companies investing abroad?

- Assessing the merit of international investment is a risk evaluation proposition.
- The risks that Canadian miners face investing internationally can be viewed from the perspectives of:
 - The investing company,
 - The hosting jurisdiction; and
 - Canadian foreign policy objectives and programs.



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Canadian mining provides the minerals essential to life-saving nutrition programs in Africa.

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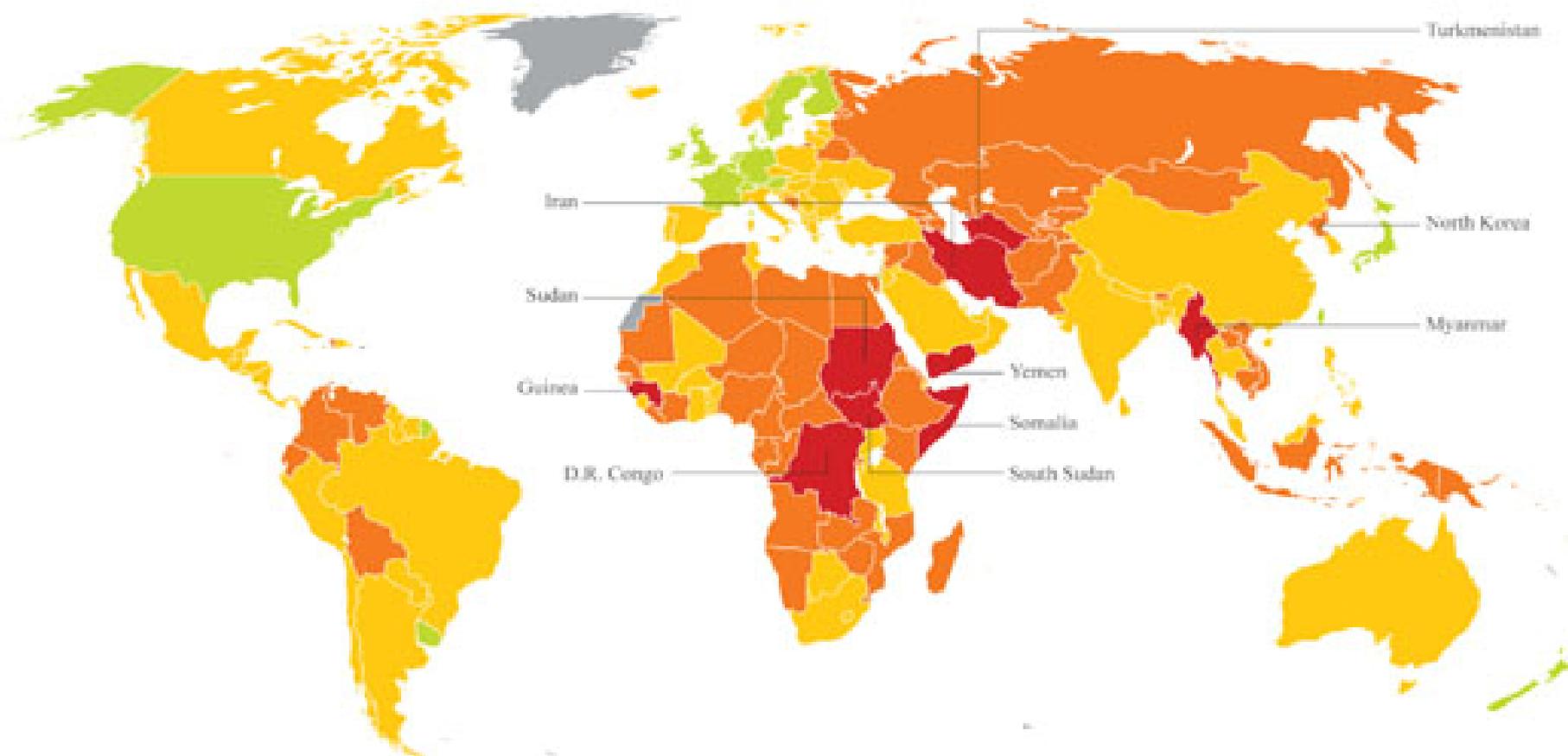


Host Jurisdiction Challenges

Resource Nationalism

- Because industry rebounded quickly from the economic downturn, it became a target for debt laden governments.
- Many jurisdictions changed their tax/royalty regimes including Mongolia, Tanzania, Ivory Coast, Ghana and Quebec amongst others.
- Governments lag in realizing the reality of mining globally has changed and consider seeking to offset their economic challenges by taxing industry.
- Maplecroft Resource Nationalism Index lists the majority of African nations as either high or extreme risk. In South America: Ecuador, Venezuela, Colombia and Bolivia are listed as high risk.

Maplecroft Resource Nationalism Index 2012





Host Jurisdiction Challenges

Social License to Operate (SLTO)

Increased activism and digital networks of stakeholders mean challenges, varying depending on jurisdiction, can arise quickly and escalate:

- **Skills Issues** – fulfilling the need for a skilled workforce, and balancing operational and SLTO obligations
- **Transparency** – of payments from industry to government
- **Regulatory Issues** – attempts to fill the gap between community expectations and existing laws can present challenges without addressing legitimate concerns.
- **Community Support/Indigenous Rights**



Company Challenges

Capital Allocation and Access - #1 Risk E&Y

- 2012/13 volatile markets: weaker prices and rampant cost inflation in parallel with massive capital expenditures into growth projects have challenged anticipated profits.
- Approximately \$30 billion of asset impairments were recorded in December 2012 by the top 6 majors alone.
- Juniors are crunched for cash: since the downturn, investors are seeking low-risk short term yields, and rejecting the higher risk nature of exploration investment.
- Mid-tier companies are exposed to a fragile balancing act between investor's thirst for yield and tolerance of risk.
- Juniors are restricted from accessing capital where majors have a significantly reduced appetite to deploy it.

Canadian Foreign Policy and Programs

Aggressive Free-Trade Agenda:

- **Foreign Investment Promotion and Protection Agreements (FIPAs)** - protect/promote investment through binding rights/obligations.
 - Investor confidence through legal backstop.
 - 24 FIPAs in force – 11 FIPA negotiations have concluded – 15 negotiations ongoing.
- **Free Trade Agreements** – 10 FTAs in place – 1 concluded awaiting enactment – 13 FTA negotiations and 3 exploratory discussions ongoing.
 - Canadian government works closely with MAC on FIPA and FTA negotiations where the industry is a stakeholder – key mining jurisdictions
- **Trade Commissioner Service** – provides on-the-ground intelligence on foreign markets to inform cost-effective decisions/investments. Presence in over 150 cities worldwide.

Export Development Canada (EDC):

- Canada's export credit agency supports export trade by helping companies respond to international business opportunities.
- Insurance and financial services to exporters/investors and their international buyers, and support Canadian direct investment abroad.
- In 2012 EDC helped more than 7,400 Canadian companies do business in 187 countries – more than 30 per cent of this business was conducted in emerging markets.
- Exercise a CSR oversight for their financial clients, from which mining Canadian mining companies benefit.

Canadian Foreign Policy and Programs

Revamping approach to development

- **Canadian International Institute for Extractive Industries and Development** – \$25M investment to help developing countries benefit from their natural resources responsibly.
- **Office of the Extractive Sector Corporate Social Responsibility (CSR) Counsellor** – a government office to help reduce and resolve conflict between project-affected communities and companies outside of Canada.
- **Industry Transparency Initiative/Government Transparency Announcement** – the Government of Canada announced a commitment to legislate mandatory financial reporting requirements for Canadian extractive sector companies
- **Trade/Development Policy Shift** – Int'l Development targets and foreign economic interests to be mutually supportive.



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Afterthought: Canadian Investment Challenges

- Canadian companies face the same challenges abroad as operators from other jurisdictions.
- Canada may have increased policy support to help address/appease/diffuse some of these issues before they arise or escalate.
- There is no magic bullet, and the nature of issues changes over time.

For Additional Information

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Canadian mining provides the materials that make the devices the world uses to communicate.

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