

MABC

MINING ASSOCIATION OF BRITISH COLUMBIA

Going for Gold... and Copper...and Coal

MABC Presentation to the Select Standing Committee on
Finance and Government Service

September 28, 2009

Mining in BC

- The BC mining industry contributes over \$8 billion annually to the provincial GDP.
- Provincial revenues are collected through direct and indirect taxes and royalties
- 14, 000 direct mining jobs, an additional 35,000 indirect jobs in supporting activities, with total inferred employment in excess of 85,000

State of the Industry

Coking Coal



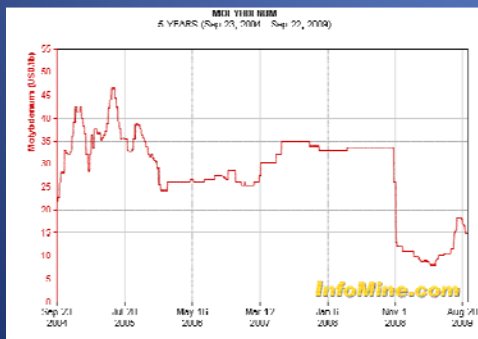
Gold



Copper



Molybdenum



- Copper – \$2.75/lbs (115% increase from low)
- Coal – \$140/tonne (60% decrease from high of last year but still strong)
- Zinc – \$0.83/lbs (73% increase from low)
- Gold – steady increase to \$1,000/oz
- Molybdenum and Nickel have also doubled from their lows of last year

BC's Tax Competitiveness

- Significant Improvements Over Past Decade
 - ✓ Eliminated Capital Tax
 - ✓ Reduced Corporate Tax Rates from 16.5 to 11 percent
 - ✓ Lowest personal income tax rates in Canada
 - ✓ Mineral Exploration Tax Credit Program and Super-Flow-Through
 - ✓ New Mine Allowance
 - ✓ Resource Revenue Sharing with First Nations
 - ✓ Enhanced Mineral Exploration Tax Credit in pine beetle affected areas
- ✓ **HARMONIZED SALES TAX**

Harmonized Sales Tax

- MABC is part of a coalition representing 28 industry organizations supportive of HST
- The HST will reduce costs for the mining industry by an estimated \$80 million annually
- The HST will reduce the annual operating costs of a major metal or coal mine by between \$500,000 and \$1.5 million annually
- The HST will reduce the cost of opening a new mine by as much as \$10 million
- The HST will make our mines more competitive on the global scale
- Will help return laid off workers to work and create new jobs and growth

Current Status of BC Mines

- Two major mines are set to close in BC in the next few years (Kemess and Huckleberry), eliminating 89 million pounds of copper concentrate production annually
- 6 major mines are in advanced development, with an overall economic impact of several Olympic Games over the next two decades
 - New Afton (Kamloops)
 - Mt. Milligan (Mackenzie)
 - Prosperity (Williams Lake)
 - Red Chris (Dease Lake)
 - South Central (Chetwynd)
 - Copper Mountain (Princeton)
- Over 20 mining projects in early environmental assessment.

BC Potential: 6 new mines

- Operating life 12 – 25 years
- 6 new mines are located in 4 different regions of BC, offering broad economic stimulus
- 445 million lbs of copper concentrate; 628,300 oz of gold; 3 million tonnes of metallurgical coal per year
- 3000 construction jobs and 2325 direct operating jobs (representing over 250,000 person years of employment) and almost 10,000 indirect jobs
- Over \$3.4 billion in capital investment, hundreds of millions of dollars in annual operating expenditures

Challenges Facing the Mining Sector

- Permitting Delays
 - Federal /Provincial duplication in Environmental Assessment
 - Continued uncertainty regarding Aboriginal rights and consultation processes
- Infrastructure requirements
 - √ Highway 37 Power line
 - Rail congestion, monopoly pricing
- Climate Change Policy
 - Manage costs while doing our part

Specific Budget Recommendations

- Tax Policy
 - Reduce the tax administration burden to the mining industry by reducing the statute of limitation for the BC mineral tax from 6 to 4 years
 - Extend the BC Mining Flow-Through Share Tax Credit for three years
 - Seamless HST implementation
- Climate change incentives
 - Create a 2 for 1 tax biodiesel carbon tax credit for operations than 10% reduction in fuel carbon intensity
 - Move, over time, towards a revenue neutral Carbon Tax for industry, especially for trade exposed sectors
 - Raise the taxable income threshold for SRED Tax Credits for BC Green Technologies (implementing new technology; R&D in carbon sequestration)

Specific Budget Recommendations

- Sustained Funding For Geoscience BC
 - Commit to long-term funding for Geoscience BC and re-invest in the BC Geological Survey.
 - Geoscience BC continues to be a success that has led to over 1 million hectares of new mineral staking and new major projects could go a long way to re-invigorating exploration spending in this province.
 - Every dollar invested in geoscience stimulates \$5 in new exploration investment by the private sector

Thank You!

Keep the Mining Industry working for British Columbia!

The logo for the Mining Association of British Columbia (MABC) features the letters M, A, B, and C in a bold, dark blue, sans-serif font. The letter 'A' is stylized with a small mountain range silhouette integrated into its center.

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