

November 24, 2014

Hon. Diana Whalen  
Minister of Finance  
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Hon. Zach Churchill  
Minister of Natural Resources  
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Dear Ministers:

I am writing to respectfully request that the Mineral Incentive Program, which is scheduled to expire this year, be made a permanent program to support the mining industry's ability to grow and create jobs for Nova Scotians.

### **Background**

While the mining and quarrying industry is a large and important industry in this province – we employ 5500 people and generate \$420 million per year in economic activity – we also face significant challenges:

- The Ivany Commission said traditional industries like mining and quarrying "will provide the essential foundations for Nova Scotia's rural economy."<sup>1</sup> At the same time, Ivany also highlighted the challenges our industry faces, including the need for government to "provide a modern and responsive legislative framework to support and promote sustainable mineral resource management."
- According to 2013 research commissioned by the Department of Natural Resources, Nova Scotia's mining and quarrying industry lost approximately 800 jobs in the past five years, and its economic output shrank by \$80 million per year.<sup>2</sup>
- According to PricewaterhouseCoopers, we are the highest cost jurisdiction in Canada in terms of tax/royalty payments to the provincial government.<sup>3</sup>
- According to the Fraser Institute's global survey of mining executives, Nova Scotia is seen as the least attractive province for mining companies to invest in, and government

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<sup>1</sup> <http://onens.ca/>, page 54

<sup>2</sup> [http://novascotia.ca/natr/meb/data/pubs/13ofr03/ofr\\_me\\_2013-003.pdf](http://novascotia.ca/natr/meb/data/pubs/13ofr03/ofr_me_2013-003.pdf)

<sup>3</sup> [www.pwc.com/ca/canminingtax](http://www.pwc.com/ca/canminingtax), see exhibit 6, page 21 of the 2013 edition

policies are a major reason.<sup>4</sup> 2013 was the fifth year in a row that Nova Scotia ranked last in Canada.

Our industry faces tremendous challenges, both because of the global downturn in the industry and because of Nova Scotia-specific policies that are preventing the industry from growing and creating jobs for Nova Scotians.

### **Mineral Incentive Program**

Nova Scotia's Mineral Incentive Program (MIP) plays an important role in encouraging the mineral exploration that ultimately leads to new mines and significant job creation.<sup>5</sup>

The MIP, which is scheduled to lapse this year after a three-year run, is designed to "increase and promote mineral exploration, leading to mineral discoveries and new, producing mines in Nova Scotia." We believe strongly that the MIP is fulfilling this mandate and contributing to the preservation of jobs and the future growth potential of the mining industry. If we don't do exploration today, there won't be mines tomorrow.

The majority of prospecting and exploration is carried out by individuals and companies that do not have revenue streams from producing mines and who raise most of the money they require on the equity markets. This, combined with the fact that the global equity markets for mining are arguably the worst they have been since the Great Depression, underscores how important it is for the government to continue to support prospecting and exploration in Nova Scotia.

### **Benefits of the MIP**

Because the mineral development process is long, often requiring many years and even decades to go from the discovery of a mineral deposit to the launch of an actual mine, the MIP's short term goal was to help advance projects, not to lead directly to the establishment of new mines within the program's three-year timeframe. The program has fulfilled this goal and helped leverage impressive additional investment from the private sector. For example:

#### Highlands Gold

IAMGOLD received a \$50,000 MIP grant in 2014 for exploration on its Highlands Gold project in Cape Breton. The grant mainly helped pay for a 1000 to 1200 metres diamond drill program.

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<sup>4</sup> <https://www.fraserinstitute.org/research-news/display.aspx?id=20902>

<sup>5</sup> MIP details are at <http://novascotia.ca/natr/meb/nsmip/nsmip.asp>

According to company officials, IAMGOLD's total exploration investment this year is expected to be approximately \$400,000.

In other words, the MIP helped leverage a private sector investment in exploration eight times larger than the grant provided by the government, and helped advance the project toward becoming a producing mine.

### East Kemptville

Avalon Rare Metals received a \$40,000 MIP grant in 2014 for exploration on its East Kemptville tin-zinc-copper-indium deposit.<sup>6</sup> Seven drill holes totalling 984 metres were completed by the company between July and September, 2014. These holes were designed to "twin" or intersect the resource near a number of historic drill holes in order to validate historic analytical data.

Total expenditures on their 2014 drilling program and other related work totalled approximately \$575,000 – a multiplier of approximately 14.5.

### Stirling

In 2012, Thundermin Resources spent approximately \$360,000 on an exploration program on its Stirling base metal property in Richmond County, Cape Breton Island, for which the company received a \$50,000 grant from MIP. This work led to the discovery of significant additional copper sulphide mineralization in an area approximately 10 km south of the past-producing Stirling zinc-lead-copper-silver-gold mine. This area is viewed by Thundermin as being extremely prospective for base metal deposits and warrants further diamond drilling in the future.

In 2014, Thundermin completed approximately 15 km of induced polarization and magnetic surveys over a package of prospective rocks close to the past-producing Stirling base metal mine. The final results of this survey are not yet completed but initial indications suggest that further work, including additional IP and Mag surveys and diamond drilling, will be required in this area as follow-up to the recently completed work. Thundermin will have spent approximately \$75,000 at the completion of its 2014 program for which it is to receive a MIP grant of \$25,000.

Between 2012 and 2014, Thundermin is spending approximately \$435,000, of which \$75,000 or approximately 17% will have been funded through MIP.

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<sup>6</sup> <http://avalonraremetals.com/news/display/index.php?id=12341>

### Touquoy

The short timeframe of the MIP makes it necessary to look to its predecessor programs to illustrate how grant programs like the MIP help lead to the establishment of new mines. (Nova Scotia had programs to assist prospectors and individual explorers between the 1980s and 2003. The province had no programs focussed on stimulating mineral exploration after 2003 until the MIP was established three years ago.)

In approximately 2001, a prospector grant of \$5000 was awarded to claims holders in the Moose River area, what we now refer to as the soon-to-be-launched Touquoy gold mine. The grant allowed the claims holders at the time to do additional exploration and generate data that helped them option the site to Atlantic Gold, the company that expects to begin production at the site in the next several years.

Today, Touquoy is expected to create 300 jobs during the construction phase and 150 jobs during ongoing operations. The mine's annual payroll will be approximately \$13 million.

Atlantic Gold's recent purchase of Acadian Mining also means that Touquoy is expected to serve as a catalyst for the establishment of other potential gold mines nearby, with ore from the other sites expected to be processed at Touquoy's mill.

While the mineral development process is long, our industry's capacity to create jobs, particularly in rural areas, is very significant. Touquoy is an example of how grant programs like the MIP can help advance that process and expedite the creation of large numbers of jobs for Nova Scotians.

### **Other Provincial Programs**

Most other provincial governments support exploration in their jurisdictions through either:

- Direct stimulus to exploration through programs similar to Nova Scotia's MIP. This is the approach taken by Newfoundland and Labrador, New Brunswick, Manitoba, Saskatchewan and Yukon.
- Tax incentives for exploration, principally by offering tax credits for exploration-related expenditures, and equity partnerships with junior mining companies: this approach is taken by Quebec, Ontario and British Columbia.

Allowing the MIP to lapse would put Nova Scotia's mining industry at a disadvantage compared to other provinces in attracting exploration investment. It would further exacerbate the challenges we face, such as our poor reputation in the global mining industry as a place to invest.

The commitment other provinces have made to their MIP-equivalent programs is also further evidence that these programs are effective.

For example, both Newfoundland and Labrador and New Brunswick have grant programs that are substantively similar to Nova Scotia's Mineral Incentive Program. Their programs have existed for many years and are now considered permanent, ongoing programs.

#### Newfoundland and Labrador

Newfoundland and Labrador assessed its MIP-equivalent programs in 2004, the Prospectors Assistance Program (PAP) and the Junior Company Exploration Assistance Program (JCEAP).

An independent study concluded that "Both PAP and JCEAP are very important to the Newfoundland and Labrador mineral exploration and prospecting programs... Both PAP and JCEAP have been important to Newfoundland and Labrador prospecting and exploration industry in establishing viable exploration targets and in moving them toward pre-development and development...without PAP and JCEAP, the level of exploration activity within Newfoundland and Labrador would be significantly and substantially reduced."<sup>7</sup>

The study found that "grants available through PAP led to 35 Option Agreements, which resulted in nearly \$7 million in work commitments being generated within the province." The total value of grants given out during the study period, 1999 to 2002, was only \$1.1 million, so the value of work commitments was approximately seven times the value of the grants given out.

The study also found that "JCEAP has leveraged additional expenditure, over and above the program's commitment, for exploration activity within Newfoundland and Labrador exploration

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<sup>7</sup> "An Evaluation of the Department of Natural Resources' Prospectors Assistance Program and Junior Company Exploration Assistance Program." A Report Prepared for The Department of Natural Resources, Government of Newfoundland and Labrador, by Dr. Wade Locke, Wade Locke Economic Consulting, March 15, 2004. Available at [http://www.google.ca/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=OCB8QFjAA&url=http%3A%2F%2Fwww.nr.gov.nl.ca%2Fmines%2F6en%2Fpublications%2Fmiscreports%2FMIP\\_Report.pdf&ei=NGZrVOqIMpenyASpl4DQ&usg=AFQjCNGUayf7VcygDh321mUWhsjh8lyVZA&bvm=bv.79908130,d.aWw](http://www.google.ca/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=OCB8QFjAA&url=http%3A%2F%2Fwww.nr.gov.nl.ca%2Fmines%2F6en%2Fpublications%2Fmiscreports%2FMIP_Report.pdf&ei=NGZrVOqIMpenyASpl4DQ&usg=AFQjCNGUayf7VcygDh321mUWhsjh8lyVZA&bvm=bv.79908130,d.aWw)

industry...\$10.3 million in exploration expenditure can be linked to the JCEAP program” compared to only \$5.6 million in grants given out between 1999 and 2002.

The Government of Newfoundland and Labrador renewed both programs and they continue to encourage prospecting and exploration in the province today.

### New Brunswick

The Government of New Brunswick currently has two main grant programs that support exploration, the Junior Mining Assistance Program (NBMAP) and the Prospector Assistance Program (NBPAP).

While data about them is not publicly-available, we understand that, for example, the Junior Mining Assistance Program gave out \$3.5 million in grants between 2001 and 2010, and generated exploration expenditures of over \$16 million, a multiplier of 4.6.

Further evidence of their success is the simple fact that these programs were established over two decades ago and they continue to be permanent, ongoing programs, not subject to specific renewals.

### **Conclusion**

The Mineral Incentive Program is a strategic and cost-effective investment in the future of Nova Scotia’s mining industry. We respectfully request that the government make it a permanent program to support the mining industry’s ability to grow and create jobs for Nova Scotians.

Thank you for your consideration.

Yours truly,



Sean Kirby, Executive Director  
Mining Association of Nova Scotia