



May 7, 2014

The Honourable Zach Churchill
Minister of Natural Resources
3rd Floor, Founders Square
1701 Hollis Street
Halifax, Nova Scotia
B3J 2T
Sent via email: min_dnr@gov.ns.ca

Dear Minister:

Further to my April 11 letter, I am writing to provide additional information about the previous government's claim staking fee hike for your consideration and to again ask that you reduce claims fees to what they were prior to August 26, 2013.

Specifically, I am writing to refute the various rationales for the fee hike that have been raised and to point out that they are tangential to the real issue: the fee hike is causing tremendous harm to the industry by forcing prospectors and explorationists to drop claims. The harm to the industry is completely disproportional to the small amount of incremental revenue (\$75,000-\$85,000) that the fee hike is expected to generate for the government.

According to a recent survey of Mining Association of Nova Scotia and Nova Scotia Prospectors Association members, 79% of prospectors and explorationists expect to drop at least some of their claims within one year of the fee hike, before annual renewal fees are due. 54% of survey respondents plan to drop over half their claims.

In other words, prospectors are giving up their claims and walking away from potential future mines because they simply cannot afford to keep them. The Ivany Commission said mining is an essential part of Nova Scotia's economic future but the government is choking off the future of our industry with these fees.

We believe the staking fee hike issue is best summarized in the "pros and cons" list below:

CLAIM STAKING FEE HIKE

PROS	CONS
<ul style="list-style-type: none"> • \$75,000-\$85,000 in incremental revenue 	<ul style="list-style-type: none"> • Prospectors simply cannot afford it. • Choking off future mines and jobs. • 79% of survey respondents say they are going to drop claims as a result of the fee increase – 54% plan to drop over half their claims. • Giving up millions in potential taxes and royalties from new mines • Harm caused to the industry completely disproportional to the small amount of revenue being generated for the government. • Industry already faces significant challenges, including 800 lost jobs, the highest tax/royalty burden in Canada and a reputation as the worst province for mining companies to invest in. • Contrary to Ivany Commission.

While we believe this graphic is the only analysis that ought to be necessary to reverse the fee hike, please see below our comments on the various rationales that have been raised to attempt to justify the previous government's fee increase.

NovaRoc

It has been suggested that the industry should pay for the government's new online staking system, NovaRoc. We disagree for several reasons:

First, the prospectors and explorationists being forced to pay the higher fees simply cannot afford them. The fee hike is therefore discouraging prospecting, to the detriment of the industry, the government and all Nova Scotians. Our shared goal should be to find and develop new mines, which will result in a healthier industry and millions of dollars in additional revenues for the government. It makes no sense that the previous government imposed this fee increase on an industry that was already struggling to survive – and especially to impose it on the people in the industry with the least ability to pay.

Second, the other five provinces that have implemented online staking systems were able to do so without increasing fees to pay for them, and we see no reason why Nova Scotia cannot do

the same.¹ When we asked a Quebec contact why their government decided not to increase fees to pay for their system, he said it made more sense to have prospectors spend their money on actual exploration than on government administration (“Better use money to make exploration on the land, than in government structure”). We could not agree more.

Indeed, there are success stories from other provinces which show that online staking can reduce staking costs, increase exploration activity and create efficiencies for both industry and the government. According to a November 2013 article in the Regina Leader Post:

”...the staking rate in the province has multiplied by a factor of five [since Saskatchewan’s online staking system was implemented a year earlier]. The online system has reduced approval for claims from a minimum 30 business days to five, a substantial saving of time for exploration companies...The old paper-based system was also costing the industry a lot of money. Under the old system, the cost for staking the average claim of about 3,000 hectares was \$30,000. ‘Today, we are talking about \$1,800 for the same thing,’ said Mike Detharet, director of mineral tenure for the Ministry of the Economy.”²

This is in stark contrast to what we are seeing in Nova Scotia, where the cost of staking has increased, we expect the amount of staking to decrease based on our industry survey, and the promised efficiencies have not materialized.

We recently surveyed Mining Association of Nova Scotia and Nova Scotia Prospectors Association members to get their views on NovaRoc and suggestions for how it could be improved.³ The survey highlights the extent to which our experience with NovaRoc has been dramatically different from the Saskatchewan industry’s experience with their online system:

- 64% of respondents said NovaRoc is not well-designed.
- 73% said NovaRoc is not intuitive and easy to use.
- 88% have had problems completing transactions on NovaRoc due to technical glitches or system issues
- When asked to rate NovaRoc overall, the results were:
 - 27% said “very poor”
 - 27% said “poor”
 - 35% said “fair”
 - 11.5% said “good”

¹ New Brunswick, Newfoundland and Labrador, Saskatchewan, Quebec and British Columbia also have online staking systems.

² <http://www.leaderpost.com/MARS+making+claims+staking+easier+cheaper/9186209/story.html>

³ Full survey results are appended for your information.

- 0% said “very good”
- When asked if NovaRoc has improved in recent months, 58% said “No, not at all” and 25% said “Yes, a little.” No one felt that it had improved “a lot.”

Some of the challenges with NovaRoc stem from technical glitches and system issues, as mentioned above. Other challenges with NovaRoc stem from the backlog of assessment reports and prospector statements which DNR has not processed – for several years in some cases. As a result, claims holders often cannot renew claims and keep them in good standing (i.e. if NovaRoc does not show a claim as being in good standing in 2013 because DNR has not yet processed the paperwork, NovaRoc will not accept a claim renewal in 2014). The claims holders have done everything required of them – paid the fees, done the exploration work and filed the reports – but NovaRoc shows their claims as not being in good standing because DNR has not dealt with the backlog of paperwork. This is obviously very frustrating to the claims holders; it can result in them losing claims through no fault of their own; and it makes it difficult to attract investment in their projects because NovaRoc shows their claims not being in good standing.

When asked “Have you had problems completing transactions on NovaRoc due to the Department of Natural Resources not having processed past assessment reports or prospector statements,” 85% of survey respondents said yes. Asked if the report backlog has resulted “in any of your claims showing on the NovaRoc map as not being in good standing,” 75% of survey respondents said yes. When asked if “this lack of being in good standing made it more difficult for you to attract investors or companies to option your claims,” 70% also said yes.

One survey result that is worth noting, particularly since the rest of the survey results were so negative, is that 100% of respondents who sought assistance from Registry staff felt that the staff were “helpful in explaining how NovaRoc works and helping you complete your transactions.” Given the professionalism of the Registry staff, this result did not come as a surprise to us but we ask that it be passed on to them with our thanks.⁴

While it is true that the industry asked for an online staking system, the industry certainly did not ask for the troubled system that NovaRoc has proven to be to date. Many of our members are extremely dissatisfied with NovaRoc and would be even if the government were paying the full cost of it, as other provincial governments are doing. It is particularly frustrating to our members that they have to pay 75% higher fees for a system that has not produced the promised benefits.

Comparisons to other Provinces

In our April 11 letter to you, we included a comparison of how Nova Scotia’s increased staking fees compare to New Brunswick and Newfoundland and Labrador: “The new fees are, on

⁴ We do not know for certain which Registry staff each survey respondent sought help from, but we are referring to people like Andrew Wenning, Joan Kaizer, John Donahue, etc.

average, 53% higher than New Brunswick's and 621% higher than Newfoundland and Labrador's."

We used those two provinces as comparators because they are, for obvious practical reasons, the two other provinces that prospectors can relatively easily choose to work in while living in Nova Scotia (i.e. prospectors can drive to New Brunswick or take the ferry to Newfoundland. They cannot just hop in their car and drive to British Columbia and they cannot generally afford to fly across the country.) The other Atlantic provinces that have mining industries are reasonable points of comparison.

We take issue with DNR's interprovincial comparison ("A Jurisdictional Review of the Fees Required to Keep a Mineral Exploration License in Good Standing") for several reasons:

First, as above, it is not meaningful or helpful to compare fees with provinces that most of our industry cannot practically work in. Our prospectors can choose to work in New Brunswick and Newfoundland; most cannot choose to work further away.

Second, DNR's comparison includes the cost of annual work requirements which is a separate issue from our discussion about claims staking fees. If we are to have an apples-to-apples comparison among provinces, it has to be limited to staking fees and not introduce other costs that are not relevant to the issue at hand. To illustrate the point, when comparing the price of gasoline in different provinces, no one includes the cost of provincially-required motor vehicle inspections, whether they are required by each province and if so, how frequently they must be done. They compare the price "at the pump" in each province, plain and simple.

We could just as easily have included in our comparison other costs associated with working in Nova Scotia, including the highest HST in the country, the highest capital tax in the country and among the highest personal income tax rates in Canada. Instead, we limited our comparison to the issue at hand – staking fees.

Third, DNR chose to compare Nova Scotia's fees to five other provinces but left out a couple provinces whose staking fees are significantly lower than Nova Scotia's. For example, Saskatchewan and Alberta do not charge renewal fees, which represents a tremendous cost savings for claims holders compared to Nova Scotia where renewal fees are not only required, but increase dramatically over time (\$20 per claim for Years 2-10, \$40 per claim for Years 11-15, \$160 per claim for Years 16-25, \$320 per claim for Years 26...).

To illustrate the significance of this, over ten years, staking fees cost a total of \$190 per claim in Nova Scotia and only \$9.72 per equivalent claim in Saskatchewan.⁵ A prospector with 50 claims

⁵ Saskatchewan's Year 1 registration fee is \$0.60 per hectare and the average Nova Scotia claim is 16.2 hectares, so the cost in Saskatchewan of registering the equivalent of one NS claim is approximately \$9.72.

in Nova Scotia now has to pay \$9500 in fees over ten years (instead of \$5,424 prior to the fee hike). A prospector in Saskatchewan only has to pay \$486 – a savings of over \$9000.

In Alberta, it costs \$625 for a license in Year 1 and there are no renewal fees, so the cost of staking 50 claims for ten years in Alberta is \$625 compared the \$9500 in Nova Scotia. However, it is worth noting that Alberta allows 9216 hectares to be staked for the \$625 fee, the equivalent of 569 of Nova Scotia's 16.2 hectare claims, which dramatically increases the value proposition for claims holders (i.e. claims holders presumably would not usually stake only 50 claims, but as many as 569 for the same fee). Staking 569 claims in Nova Scotia would cost \$108,000 over ten years compared to the \$625 fee in Alberta.

Alleged “Sitting on Claims”

We understand there may be some concern about claims holders allegedly “sitting on claims” – not actually doing exploration work on their claims while also preventing others from staking those claims and working them – and that the fee hike is seen as a potential way of preventing this.

First, if this is actually happening, we would appreciate DNR providing details, including evidence that this is occurring, information on how many claims are allegedly impacted, how many claims holders appear to be engaging in this activity (or lack of activity), and an explanation of why it is happening.

Second, it is not clear to us how this could be happening in a significant way since both regulations and, in theory, NovaRoc should be preventing this. If a claims holder does not do the required annual work on his/her claims, NovaRoc should be preventing those claims from being renewed and thereby solving the problem as simply as that. If a claims holder does not keep his claims in good standing by both paying renewal fees and fulfilling the annual work requirements, the claims are invalidated and become available to others. It should not be possible to just “sit” on them.

One issue may be that DNR is not properly holding claims holders to account because the backlog of assessment reports and prospector statements which have not been processed often results in claims showing as “pending” when, if sitting on claims is occurring, the claims should simply be invalidated. However, that would not really be an issue caused by claims holders but rather by DNR not processing reports in a timely manner.

If it is true that claims are sometimes staked and not proactively worked, a better solution than the 75% fee hike would be to adopt New Brunswick's and Newfoundland's model of requiring a \$50 work deposit per claim which is refunded when a claim is worked, but is forfeited when a claim is not worked. We proposed this policy in November 2013 in our Mineral Resources Act review submission.⁶

⁶Available at <http://tmans.ca/key-documents>

New Brunswick and Newfoundland also allow up to 30 claims to be staked each year without requiring the deposit. This ensures that small-scale prospectors, who generally have no revenues and therefore no way of paying significant fees, are not harmed.

This policy is a better tool to encourage claims to be worked because it targets prospectors/explorationists who do not work their claims but avoids punishing those who do proactively move projects forward. The staking fee hike, on the other hand, hurts virtually all claims holders and the industry in general.

Conclusion

Despite the extensive time and effort we have put into addressing the issues above – and the obvious importance of the survey results about NovaRoc – we respectfully suggest that none of this is relevant when deciding whether or not to reverse the previous government’s staking fee hike. All of the arguments refuted above are tangential to the real issue.

The only consideration that matters is that the fee hike is causing tremendous harm to the industry without generating a significant off-setting benefit to the government. Discouraging prospecting and exploration for the sake of an incremental \$75,000-\$85,000 in government revenue is simply short-sighted given the millions of dollars in taxes and royalties that a single mine can generate.

The best way to pay for NovaRoc, and even to effectively put the cost of NovaRoc on the industry if that is the government’s goal, is to work with us on finding and developing new mines, and generating millions of additional dollars in revenue for the government.

Thank you for your kind consideration.

Yours truly,



Sean Kirby, Executive Director
Mining Association of Nova Scotia

Cc: Hon. Stephen McNeil, Premier of Nova Scotia
Hon. Diana Whalen, Minister of Finance and Treasury Board
Ms. Laurel Broten, Nova Scotia Tax and Regulatory Review



Constant Contact Survey Results

Survey Name: NovaRoc Apr 2014

Response Status: Partial & Completed

Filter: None

5/3/2014 3:12 PM EDT

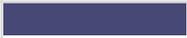
Approximately
how many times have you done transactions on NovaRoc?

Answer	0%	100%	Number of Response(s)	Response Ratio
1 - 3			10	38.4 %
4 - 6			6	23.0 %
7 - 9			1	3.8 %
10 - 12			2	7.6 %
13 - 15			0	0.0 %
More than 15			7	26.9 %
Totals			26	100%

Do you think NovaRoc is well-designed?

Answer	0%	100%	Number of Response(s)	Response Ratio
Yes			9	36.0 %
No			16	64.0 %
Totals			25	100%

Do you think NovaRoc is intuitive and easy to use?

Answer	0%	100%	Number of Response(s)	Response Ratio
Yes			7	26.9 %
No			19	73.0 %
Totals			26	100%

Have you had problems completing transactions on NovaRoc due to technical glitches or system issues?

Answer	0%	100%	Number of Response(s)	Response Ratio
Yes			22	88.0 %
No			3	12.0 %
Totals			25	100%

Have you had problems completing transactions on NovaRoc due to the Department of Natural Resources not having processed past assessment reports or prospector statements?

Answer	0%	100%	Number of Response(s)	Response Ratio
Yes			22	84.6 %
No			4	15.3 %
Totals			26	100%

Have you needed assistance from Registry staff in order to understand how NovaRoc works and to complete your transactions?

Answer	0%	100%	Number of Response(s)	Response Ratio
Yes			24	92.3 %
No			2	7.6 %
Totals			26	100%

Have Registry staff been helpful in explaining how NovaRoc works and helping you complete your transactions?

Answer	0%	100%	Number of Response(s)	Response Ratio
Yes			26	100.0 %
No			0	0.0 %
Totals			26	100%

How do you rate NovaRoc overall?

Answer	0%	100%	Number of Response(s)	Response Ratio
Very Poor			7	26.9 %
Poor			7	26.9 %
Fair			9	34.6 %
Good			3	11.5 %
Very Good			0	0.0 %
Totals			26	100%

When have you done most of your transactions on NovaRoc?

Answer	0%	100%	Number of Response(s)	Response Ratio
2013			6	23.0 %
2014			12	46.1 %
About equally in both years			9	34.6 %
Totals			26	100%

If you used NovaRoc in both 2013 and 2014, do you feel that NovaRoc has improved in recent months?

Answer	0%	100%	Number of Response(s)	Response Ratio
No, not at all			14	58.3 %
Yes, a little			6	25.0 %
Yes, a lot			0	0.0 %
I don't know			4	16.6 %
Totals			24	100%

Please provide, if applicable, specific examples of transactions that have not worked on NovaRoc, or other problems you have encountered with the system.

20 Response(s)

If the Department of Natural Resources has not processed your past assessment reports or prospector statements, has this resulted in any of your claims showing on the NovaRoc map as not being in good standing?

Answer	0%	100%	Number of Response(s)	Response Ratio
Yes			18	75.0 %
No			6	25.0 %
Totals			24	100%

If yes, has this lack of being in good standing made it more difficult for you to attract investors or companies to option your claims?

Answer	0%	100%	Number of Response(s)	Response Ratio
Yes			14	70.0 %
No			6	30.0 %
Totals			20	100%

Please provide any additional feedback about NovaRoc that you would like to share anonymously with the Department of Natural Resources.

16 Response(s)

Question 11

Please provide, if applicable, specific examples of transactions that have not worked on NovaRoc, or other problems you have encountered with the system.

Agents cannot be authorized with the power to request that exploration work on non-adjacent licences be included within a single assessment report. I believe this is a technical problem or oversight.

However, most problems are related to the fact that the Registry is so far behind in approving applications for renewal.

1. Some entire mineral licenses can be dropped but they remain on the map for months afterwards. If someone wants to pick them up, they can't.
 2. Some individual claims can be dropped but they also still remain on the map until long afterwards. If someone wants to pick-up those dropped claims, they can't.
 3. With the old paper system, when new claims were made, the anniversary date was always established within three days. With NovaRoc, the anniversary date for new claims can sometimes be three MONTHS later.
 4. Some mineral license are two years out of date so they are unable to be renewed on time.
 5. Some license transfers have taken over a year to complete, so when the renewal date arrives they cannot be renewed.
 6. The NovaRoc system only accepts on-line credit cards, no other form of money. I personally do not like using credit cards online due to security and identity theft concerns. I should be able to pay with old school paper cash or cheques.
-

1. Cannot get a simple receipt for our corporate records
2. Cannot find out situation for work allowances on site
3. Cannot process some claims because of a continuing technical problem.
4. Cannot do consolidation of claims easily (NS job, but it never gets done).
5. Staff are well aware of our issues (except item 1) and we thank them for their support.

In Summary:

System change over with no period of double filing lead to problems.

We have been give support but system designed to make job at NS Dept M and R easier, not from end user point of view. No one ever asked what users wanted. For example receipts and payments made are not clear anywhere.

However, it is a step into the 20 century.

Good luck with your survey.

I have claims renewals that are 'pending' due, I think, to a backlog of reports and expenses to be approved. Some of these are overdue by many months. I am supposed to 'wait for a phone call' to renew these claims. This is no way to run a business... and it is hard to promote ground that shows as not in good standing when searched.

renewing on past credits when past assessment report not totally done

regrouping with multiple date claim blocks

wasn't registered agent of record so had to go thru that process.

overall i think the system is a good step forward but the cost of staking and renewing claims is more of a deterrent than nova roc

Majority of problems relate to Assessment Reports that have both been processed, which has resulted the inability to renew licences. Such assessment reports, and the acceptance of such reports, is so backed up, that a report from early 2013 is still holding up renewals in mid/late 2014.

Just used the reporting service for the first time a few days ago and will determine if Natural Resources has any reason to give me problems. I have done assessment report and paid for license renewal so if there is a problem with approval then I will be bitching big time.

Processing applications for ground which was not renewed over a year ago but the partial renewal remains outstanding and all the ground, even that which should be open is not available yet.

Submitting requests which are not a part of the Novaroc System

Being able to record applications when ground is held....the Dept seems to have lost the distinction

between received, which is a request, and accepted which is the request processed

While NovaRoc could be easily made much more intuitive, one does eventually get used to the clunky interface & work flow after several false starts.

Generally it does not compare well with many other jurisdictions. Mexico's for example is much better even if it is in Spanish. Sad that a Canadian Province cannot keep up with a 3rd world country.

Biggest problem is I don't trust the data.

For any application, but most importantly a Gov't Registry based application, Data Integrity is everything.

Almost every time I am interested in an area there has ended up being a related data integrity issue.

The amount of pending approvals is unacceptable. The expiry dates on many claim blocks are not accurate - most often a long time out of date - so true status is not possible to determine.

Doing a renewal is counter intuitive - should be able to add the Form 10 work categories and have them add up to a total when finished rather than having to work backwards on it.

Refiling claims, Maps not enough information on icons.

I call it the pending office. Only one out seven licences that I renewed are presently not in pending

We've had to "intend to renew" several licenses over the phone due to the Registry not having processed renewals from the previous year.

Due to last year's renewals not being processed the questions are: was assessment applied? were "credits remaining" updated?

We cannot update our claim spreadsheet without the assessment credit update.

Also, not having a paper trail for these "intended renewals" is a problem. The Registrar should issue a signed statement that the license-holder called in with intent to renew, and put on a "safe list".

Question 14

Please provide any additional feedback about NovaRoc that you would like to share anonymously with the Department of Natural Resources.

Hard to have our auditor look at the claims. How should that be done is an issue for us.

That is verification of claims for future investors.

I have dropped ground (partial renewals) in 2012, 2013 and the map still shows dropped ground as under licence.

I hope that overall, this will prove to be a good investment. I am pleased with the capabilities of the system. I can understand that there will be "bugs" to workout; however, I am displeased with the time this is taking.

There is no flexibility within the system. One cannot even make payments for ground held and due for renewal, if last year's renewal has not been processed.

Claims show as active, which are under renewal application, not pending. Cannot distinguish a processed renewal from a pending one which impacts the watching should that ground become available

Topography is not easily available as a layer

The rules have not been clearly established as to when notice will be public as to availability of ground...expiring ground or rejected applications.

Put together a quick meeting with the user community and clean up the interface & workflow portions of the app.

Put extra internal resources on the pending documents until caught up. Should be no longer

than 1 week to get first approval status response. Stop obsessing for example on cartographical scale/cosmetics - in this day and age any image can be easily sized to any desired scale digitally - this might improve the turnaround time of submitted assessment reports.

NS is much more nit picky with Assessment reports than any other jurisdiction in Canada I have dealt with - it does not provide any extra value - what we all want is the digital data to import into our own GIS systems, not pretty static reports.

claims too costly!!!!

NovaROC will be a step in the right direction once the kinks have been worked out. The biggest issues are all related to the fact that licences are not in Good Standing, (Report Reviews and Approvals).

The onus is often left to the client when it is the responsibility of the DNR to manage licences in a timely manner.

Revenue is lost to the DNR and valuable ground is held up because the approval system is so back logged.

* Every approval/review/final decision seems to be vetted through the Minerals Registrar, John MacNeil, which is a VERY unproductive way to run a system that is supposed to be more efficient. In my opinion NovaRoc has made the whole staking process MUCH MORE INEFFICIENT compared to the way the process used to be handled. And that aside, I have not seem ANY improvements in NovaRoc with known system restrictions or bugs since the day it was launched Aug 26, 2013! Again, this does not create any greater efficiency's if the system upgrades or re-builds have been or continue to be delayed.

This dies not seem to be being addressed in a timely manner. If we are paying higher staking fees for this system (NovaRoc), then we should demand a system that at least works - at minumim equally as good but arguably better than the older system. That is simply not the case as of today!

This whole system is totally dysfunctional and is leading to a situation which is making continuing rational exploration in the province impossible.

The persistent declaration of high level NSDNR representatives that the system works is absolute nonsense.

I hate to be so blatant about the situation, but this is my livelihood and after 54 years in the mining industry on four continents, I will not put up with incompetence.

The people dealing with the registry are either totally ignorant of the workings of the system or, more than likely, don't give a fiddlers fart about the mining industry.

It is time for a full appraisal of your staff and to take remedial action.

The dates shown in the Client Portfolio for EL's are listed under "Expiry Date" column.

This is confusing!

I do not see the value of listing these dates in this location. The most important dates are the Anniversary Dates. If a NovaROC client thinks that their claims are owned until the "Expiry Date" then they might miss their renewal date. This almost happened to me. If "Expiry Date" is considered as vital then add another column to this page as Renewal Date or Anniversary Date.

The Renewal Date or Anniversary Date should not be hidden under the Search Menu.

Lost option which was made two and one half years ago because department didn't respond within three weeks of an official notification that I was able to access property. I went through a section 100 of the provincial mines act. After numerous calls and registered letters it came down to a meeting with myself the deputy minister and don james and land owner. The land owner did not show up at meeting. I kept the company up to date to what had transpired on the day of each notification and meeting. I was told if I could get an official note from government, saying we had access we could finish option. the company (Beatrix venture ltd) tsx. v(eme)was going to merge with (emerge resources corp)and the agm meeting was august twenty ninth two thousand thirteen and if we could complete option agreement. Those four licenses which are on map # 11f 4d are still in pending as of today may first two thousand fourteen.