



Critical Minerals Mining in British Columbia: Industry sentiment and recommendations

Executive Summary

Subsequent to an April 2023 meeting with representatives of British Columbia's Ministry of Energy, Mines and Low Carbon Innovation (EMLI), TMX surveyed a sample of TSX and TSXV-listed companies with critical minerals mining properties in B.C. with the intent of understanding their perception of the current mining policy environment and how it could be improved upon. With the goal of identifying policy recommendations that would help attract capital to the critical mineral mining sector in B.C., we have collated and summarized that feedback in this report. As EMLI is currently developing a critical minerals strategy for B.C., we hope that consideration will be given to integrating the following priority recommendations in the upcoming strategy. More detailed feedback and additional recommendations are contained in the following pages.

- Urgently address the mining permitting process delays to reduce project assessment timelines, create clearer permitting processes and improve coordination between the B.C. and federal governments to expedite project approvals.
- The B.C. government should introduce large-scale provincial funding programs for critical mineral projects in line with the level of support provided in Ontario and Quebec inclusive of the following measures:
 - Enhance the B.C. Mining Flow Through Share Tax Credit with higher tax credit rates to attract even more investment in the province as it competes with other jurisdictions for capital.
 - Expand the Mining Exploration Tax Credit with additional credits specific to critical minerals exploration.
 - Ensure appropriate capitalization of the Clean B.C. Industrial Incentive Program and the Clean B.C. Industry Fund to support the development of green power generation or other carbon emissions reduction projects in line with the energy demand growth spun by the mining sector's development.
 - Build social acceptability program by funding:
 - Workers training courses on the topics of safety and environmentally sound mining best practices;
 - Baseline resource and environmental baselines studies for prioritized and targeted development;
 - Capacity-building and engagement support for affected Indigenous groups in priorities areas.
- A public information campaign highlighting the benefits of the industry and standard best practices to help change public perceptions and generate social acceptance.



TORONTO STOCK EXCHANGE
TSX VENTURE EXCHANGE

Critical Minerals Mining in British Columbia:

Industry sentiment and recommendations

TMX Group is home to the world's premier mining exchanges and is proud to be a long-standing partner of the sector. The clean energy transition currently underway combined with the significant critical mineral deposits found in British Columbia present an economic opportunity that will benefit B.C. mining companies and British Columbians, but more broadly, the Canadian economy.

In keeping with our commitment to make markets better and empower bold ideas, we have surveyed a sample of TSX and TSX-listed companies with critical minerals operations in B.C. The intent of this survey was to gather insights about the current state of critical minerals mining in B.C. and what a provincial critical minerals strategy should aim to address. Participating companies have provided feedback on existing advantages and roadblocks; immediate priorities to address through this upcoming strategy; and insights about fostering social acceptance and ensuring best practices in B.C. critical minerals developments.

TMX is sharing this summarized feedback on a non-attribution basis, for consideration by representatives of the B.C. Ministry of Energy, Mines and Low Carbon Innovation (EMLI) tasked with developing and expediting a provincial critical minerals strategy that will position B.C. to continue its global leadership in the sector.



Questions & Answers

Identify existing policies or programs applicable to the mining of critical minerals in B.C. that constitutes an advantage that should be maintained under the upcoming B.C. Critical Minerals Strategy?

When it comes to critical minerals mining, B.C. not only boasts a rich and diverse mineral endowment, but it also holds considerable structural advantages such as a long-standing mining expertise, a supporting regulatory framework and substantial and growing clean-power generation that will facilitate low-emissions critical minerals mining production and processing. Beyond these, contributing publicly-listed mining companies that have critical mineral properties in B.C. have highlighted a number of other policy-related advantages that should be maintained or enhanced as part of the upcoming B.C. Critical Minerals Strategy.

The high-risk nature of mineral exploration makes attracting investment for typically non-revenue generating companies extremely difficult. Canada's globally renowned flow-through share (FTS) mechanism has generated more than two-thirds of all funds raised for domestic exploration on Canadian public markets over the last decade and represents a primary source of new capital in down markets. As such, there is overwhelming consensus from industry that the **B.C. Mining Flow Through Share Tax Credit must be maintained and, ideally, enhanced with higher tax credit rates to attract even more investment in the province as it competes with other jurisdictions for capital.**

Similarly, the **Mining Exploration Tax Credit was identified as a successful program that should be maintained and expanded with additional credits specific to critical minerals exploration.** A contributor suggested that enhancements be made specifically to incentivize exploration activities in targeted geographic areas where there may be additional reasons to focus activities, for example, in pine beetle infested areas.

Recognizing the importance of ensuring that critical minerals extraction and processing remains in alignment with B.C.'s emissions reduction goals, contributing issuers agree that programs that support the development of green power generation or other carbon emissions reduction projects for larger scale projects should be maintained. **Programs such as the Clean B.C. Industrial Incentive Program and the Clean B.C. Industry Fund are essential,** especially in the transition to an output-based pricing system in 2024. It should be noted that supporting studies and assessments should be funded through these programs to alleviate the burden on project proponents.

Finally, as the sector further innovates and transforms to scale and meet the global demand for responsibly sourced critical minerals, **training and reskilling programs like the Stronger B.C. Future Skills Program would benefit from ongoing capitalization in the coming years.** We also note that there would be an opportunity to improve awareness amongst exploration and development companies that have highlighted the need for more training programs for the labour force.



What are the main obstacles to developing and scaling critical minerals mining in B.C.?

Uncertainty over land claims and permitting for critical mineral mining or “traditional” mining exploration or extraction was raised by every contributor to this survey, regardless of their size. Timelines extending out as far as three years, moratoriums, Indigenous consultation issues, regional inconsistencies and disparities in permitting are all illustration of the types of risks that, in the case of publicly-traded companies, have to be disclosed to potential investors, with profound negative consequences on their perception and desire to invest.

To put it bluntly, issuers’ message on this was clear: deploying a critical minerals strategy without being able to execute through a viable and predictable permitting process is likely an exercise in futility. That said, there is a recognition that a robust Critical Minerals Strategy would enable B.C. to compete with other jurisdictions across Canada and around the world (e.g., Ontario, Quebec, Australia, United States, European Union, etc.) that already have critical mineral strategies in place, in some cases for several years.

Many respondents also highlighted **that the manner in which Reconciliation and Indigenous engagement are addressed in permitting processes and environment assessments is very inconsistent across the province and constitutes another area of significant uncertainty** for project proponents and investors. The cost associated with the baseline and technical studies or to support Indigenous communities’ capacity-building to fulsomely participate in these processes is often prohibitively high, particularly for smaller or junior companies.

The lack of infrastructure in steep and remote areas, such as access roads, clean electricity transmission is another obstacle that should be addressed by B.C.’s Critical Minerals Strategy in order to bring more production online. The funding of access infrastructure development, in a priority sequence informed by the presence of targeted mineral deposit cannot be addressed by industry alone.

Finally, **surveyed issuers lament the poor reputation that mining companies suffer from in B.C. and are asking for support from the provincial government in supporting a change of narrative**. In essence, if the B.C. government wants to develop mining and critical mineral mining, they should help by sharing positive stories about the sector and its contribution to the local and the Canadian economy.

What is the most urgent measure required to ensure B.C.'s competitiveness and supporting levels of capital investments in the mining of critical minerals?

Feedback from surveyed issuers was abundantly clear: **the number one priority for B.C. Government to help attract capital in the critical mining sector is to urgently address the mining permitting process delays.** New measures are needed to reduce project assessment timelines, create clearer permitting processes and improve coordination between the B.C. and federal governments to expedite project approvals. Whether for traditional or critical minerals, the problem remains as critical minerals are often companion minerals, discovered or extracted via a traditional mining project. Processes must be streamlined so significant discoveries can become mines in a reasonable period of time thus creating a climate that is favorable to investors who seek financial returns. Some related suggestions were as follows:

- Long-life permits were suggested as a way to help secure investment
- Identifying key developable critical minerals projects
- Creating a priority list of projects for fast tracking of permits and funds allocation

Evidence of a strong commitment in favor of traditional and critical minerals mining from the B.C. government is another priority highlighted by the contributing issuers. The improvement of permitting timelines would go a long way in achieving this, but so would the increased funding of access and supporting infrastructure in partnership with the federal government. Quebec's Plan for the Development of Critical and Strategic Minerals, with the associated financing of projects in exploration, transformation, recycling, artificial intelligence, research and development. The associated generous tax credits (up to 25%) and exemption (major project tax holiday) were mentioned as strong competing advantages.

The B.C. government should introduce large-scale provincial funding programs for critical mineral projects in line with the level of support offered in Ontario and Quebec; two jurisdictions that have been successful in attracting substantial capital in the critical minerals supply chain.

In order to address the issues associated with a fulsome participation of affected Indigenous people at the onset and assessment phases of a project, **government should strongly consider allocating funding to capacity building for these groups.** Indigenous communities need time and funding to be in a position to participate and respond to requests in consultation processes even before projects are in the formal Environmental Assessment (EA) process. Access to funding prior to the formal process, would positively impact EA timelines and the capability of Indigenous to groups to participate and confidently enter into agreement with proponents.

What kind of support is required from the government of B.C. to ensure the safe, sustainable and environmentally sound development of critical mining in the province?

Complementary to enhancing the fiscal and regulatory environment that underpins the critical minerals mining sector, a number of responses indicated that smaller, junior mining exploration companies need support to meet environmental and social expectations surrounding these projects. The difficulty they experience in raising capital combined with the fact that they often are in the pre-revenue phase of their development, is a challenging combination when it comes to funding activities that are beyond their core activities. **As such, government funding should target the following topics to help relieve the financial burden on smaller companies while ensuring a higher standard of execution across the sector:**

- Provide training courses for workers on the topics of safety and environmentally sound mining best practices
- Funding baseline resource and environmental baselines studies
- Capacity-building and engagement support for affected Indigenous groups in priorities areas



How can the government of B.C. facilitate social acceptance and Indigenous involvement in critical mining project developments?

Respondents felt that B.C.'s commitment to the development of critical minerals mining in the province should go beyond the policy and fiscal incentives and include a public affairs component. Project proponents feel under "attack" from environmental non-governmental organizations and they do not have the resources to respond to what they consider fearmongering or misinformation. If B.C. government's assessment is that the benefits from the economic opportunities offered by the scaling of critical minerals outweigh the potential risks with the right mitigations in place, then it should be publicly taking a supportive stance. **A public information campaign highlighting the benefits of the industry and standard best practices is widely seen as something the government should undertake to help flip the narrative and generate social acceptance.**

Social acceptance and project support from neighbouring communities, which includes Indigenous communities, would also benefit from the formal inclusion of Indigenous groups in the permitting process. In addition to community capacity building, **the creation of a process for affected communities to work directly with mining companies on permitting could allow for more harmonious and ultimately, faster development.** This process should include a tool that allows Indigenous people to contribute their traditional knowledge to enhance mining and mineral exploration and development.

Finally, it was suggested that **enhanced social measures should be introduced to enable greater workforce participation as critical minerals mining expands.** This would include designing access and supporting infrastructure with consideration of the needs of neighbouring resources and Indigenous communities and workers skills development programs applicable to mining.

What measures or actions could TMX implement to support mining companies in B.C. that focus on the exploration and development of critical minerals?

True to our client-focused mindset, TMX was also eager to understand how we could better support our critical minerals mining issuers in attracting capital to scale their companies. **Increased visibility for B.C. critical minerals companies through features on TMX's websites and other channels, sponsorship of mining events and associations, along with the creation of a critical minerals index** was identified as a priority area.

Continued engagement with federal and provincial government along with industry stakeholders was also seen as a welcome helping hand and related suggestions were as follows:

- Facilitate the creation of a joint federal / provincial / industry / TMX forum to identifies and prioritize highly developable projects and jointly promote
- Advocate for B.C. government to expeditiously develop and ensure sufficient capitalization of their upcoming Critical Minerals Strategy in a global context
- Urge B.C. to advocate for their fair share of the \$3.8B allocated to the Canadian Critical Minerals Strategy to support the province's goal for the scaling of this sector