If It Ain't Broken – Don't Fix It
Bill 79 – A Bill to make Unworkable the Mining Act

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What is wrong with the proposed changes to the mining law, Bill 79 are too numerous to list in a short presentation but I will try to present some of the main points.

First the premise of much of the proposed changes to the law is that there is "Dormance", in other words that properties are not being explored and are being held by companies using existing work credits. Except for a few small cases, this is untrue and in those cases it is often due to complex ownership issues or the inaction of the Government to correct issues that result in the "dormance" of mineral rights. Let me give you a few examples:

1. An often quoted example of "dormance" is claims held by a company west of Rouyn-Noranda. The company and its partners have spent over the years large sums of money outlining zones of what so far is uneconomic copper mineralization. There is not recent indication of work and the company is using accumulated credits from their sizable exploration investment to renew the claims. Note that companies are not obliged to submit work so work may be going on which we are not aware of. This supposedly is an example of "dormance". Let's see, they spent a lot of money over time and continuously pay taxes to maintain their mineral rights in the process setting their own exploration priorities as to where to best spend their money. This is in part a large international company with diverse worldwide holdings. So let's, for the sake of argument, concede to the myopic fools and agree that there is "dormance". The total number of claims affected is 6. Yes six! What a horrific blow to the future of the Quebec mining industry!

   So now you have the context of this high profile example. Now add to this, that I have yet to meet a single company or individual that has approached this company to option and work on the property. Those who are unable or incapable of functioning in a business-like manner tend to blame others for their failings or their inability to achieve their goals. This is such a case. Why do the work to acquire the claims when you can bitch and complain to bureaucrats until they achieve for you what you can't achieve for yourself.

2. We own a package of claims on Grand Calumet Island with known showings and drill intersections of uranium and fluorite. We wish to work the claims in partnership with a company which has optioned them from us and was and is ready to spend significant exploration dollars. Unfortunately, one property owner, and only one, has refused us access to his property despite numerous attempts at negotiation. In fact he even refuses to acknowledge that we own the mineral rights.

   His demand for access to his surface rights is some $3 million dollars in cash and shares as well as a production royalty. Five years of attempted negotiation has got us nowhere. We have asked the Government to intercede to protect our rights by allowing us to expropriate the property a final but not our preferred course of action. The Government fearful of being seen to support a corporation against an

individual refuses to act probably motivated to inaction by the Mount Orford debacle where it had its ass handed to it on a plate by the squeaky wheels. The MRNF's only advice is try again. Five years of "dormance" and counting. Now to make matters worse, the new law proposes to prevent us from paying cash in lieu of work and the Government refuses to freeze the work requirement despite the fact that we cannot access the property. Yes, complain about "dormance" but realize that it is caused in many cases by inaction by the MRNF and the new law will make it even worse for all including, in the end, the people of Quebec.

3. We own mineral claims in the eastern townships on which previous mining occurred. We succeeded in optioning the property to a German company which raised over a million dollars to explore the property in a first phase. An initial program of deep penetration geophysics was planned and all surface owners were contacted. All agreed except for one who kept switching between yes and no. All that was required was permission to lay a few wires across one end of his property for a few days while geophysical readings were taken. In the end, he refused the access unless we signed an agreement to purchase his property and sizable house for a multiple of the market value if a mine was found in the area. Note, the area not his property. This despite our complete disclosure to him of our exploration program including the fact that the prime exploration areas were not on his property or even near it.

   Requests and inquiries to the MNRF for them to intervene fell on deaf ears. The exploration program was cancelled and the over $1 million investment has returned to Germany.

4. As I write this, we are being forced to drop claims in Destor Township because surface rights owners refuse to allow us to access our mineral rights to perform line cutting and geophysics. Repeated contacts and personal meetings have not succeeded in allowing us access. The result: We must abandon the property with the attended loss of mineral rights and potential. Interestingly, some of the property owners contacted the Government and were told that they did not have to give us access. Not that we had rights and that they should sit down and work out an accommodation or compromise. If this continues and is codified in the changes to the law, the Government can raise taxes and fees all it wants, there will be no one to pay them. No jobs, no taxes paid, a decline in population of mining camps such as Rouyn-Noranda and Val D'Or. Just what we need, more Joutel (gone) and Lebel-sur-Quevillon (dying).

   "Dormance!" Yes but "dormance" created by Government temerity, inaction, failure to do their job, failure to stand-up to the squeaky wheel, to do what is right for the economy, the investors, the law and the people of Quebec. It is amazing how perceived political gain by all political parties in refusing to uphold common sense is seen as acceptable policy in Quebec even if it hurts Quebec!

   Our last word on "dormance". This false concept arose due to the efforts of one particularly well known nationalist geologist who feels that Quebec has been held back by investment by those from outside Quebec. He has lobbied the MRNF for years pushing his concept until the weaker willed in the MRNF caved into accepting

his position. Any unbiased analysis incorporating all the facts shows that investment from outside Quebec has been instrumental in making Quebec one of the leaders in mineral production, exploration and mining technology. Again the squeaky wheel gets the grease especially when confronted by a Government to timid and an opposition too politically inept to stand-up for what is right, just, and in the long term, the interest of the people of Quebec.

Now let me deal with some (there are too many to be outlined here) of the other flaws in the proposed amendments to the law, section.

Section 26

Section 26 is that part of the mining law which grants the mineral industry access to explore for minerals anywhere the Government holds such mineral rights and where they have not been ceded to others or been withdrawn from staking.
The Quebec prospectors' license has this section of the law printed on it and it is to be produced should anyone deny access to any licensed prospector to study the the crown's mineral potential. The removal of Section 26 as proposed in Bill 79 eliminates this access right, the only right of access that we have. With elimination of Section 26, anyone will be able to prevent exploration: hunters, chalet owners, campers, Zecs, outfitters, fishermen, pretty much every living and breathing human being in Quebec as well as almost every organization, skidoo trail clubs, 4 x 4 trail clubs, basically everyone.

Now the question is, is it logical? Can the industry survive without the right of access? The answer is no it can't. If you wish to drive exploration and mining completely out of the province, remove Section 26 as proposed in Bill 79. I hope you have more common sense than that.

Assessment work distribution area reduced from 4.5 km to 3 km.

I personally worked for over a year on the committee that arrived at the 4.5 km limit. We had massive consultations, huge and acrimonious debates and meetings and arrived at 4.5 km based upon agreement of all parties considering technical, economic and other issues. Now the MNRF wishes to reduce the area to 3 km without consultation and based upon no other issue other than the perceived issue of "dormance". Industry, from the prospector to the major corporations have adjusted and found workable the 4.5 km assessment distribution radius. This proposed change, that is not based upon, sound technical facts but rather upon a perceived and manufactured problem should not be accepted as it will force companies to spend dollars on less perspective ground in order to protect it diverting expenditures from more prospective ground. Any change that diverts funds from the most prospective ground is not welcome and displays a profound lack of understanding of the exploration business.

(SMS) Surface Mineral Substances

The MNRF are transferring SMS's to the surface rights owners. This could in some cases mean that mine tailings will become the property of the surface rights holder as tailings are considered SMS. When the issue was raised, I was told the Environmental Laws make the

company that produced the tailings responsible not the surface rights owner. I don't know about you but if I had a property beside a property where tailings were releasing pollution onto my property through water drainage, I would sue the owner of the tailings.

Why create this prejudice to surface rights owners? Mine tailings should be excluded from the list of SMS's.

Limit on Life of Work Credits

The MRNF proposes to limit the life of work credits to 5 renewals. In other words if you are able to raise and invest significant working capital during an up period in the mineral cycle (it is cyclic), the Government will penalize you for investing a lot of money in a short period of time on a particular property. Shame on us for making geologically based priorities and investing our or our shareholders money in areas we deem having the best potential. Double shame on us if the cycle turns against us and we can't raise further funds for a period of time. Kick us while we are down; take away our credits and possibly our assets. How incredibly short sighted, all in the name of "dormance". (In case you didn't get it yet there is no "dormance".) So let's give an example. The Raglan nickel deposits were found years ago. Nickel prices were too low and the cost of putting them into production too high for tens of years. The company involved was able, in part due to accumulated work credits to maintain the mineral rights until nickel prices rose enough to allow for production. If they had been forced to abandon the mineral rights, it is probable that they would have never reached commercial production with the attendant jobs, taxes and investment due to fragmentation of title and other reasons.

If the MRNF goes through with this, mining would be the only business where a company could lose its tangible hard asset because of a requirement, not that you pay the required taxes but that you spend an escalating amount of money upon your asset. Imagine if we did this to housing or other commercial business. Unjust, discriminatory and short-sighted.

Elimination of the Ability to Pay Cash in Lieu of Work

The question is how far from reality can the MRNF go? How far can they detach themselves from the industries needs?

We need to maintain the right to pay cash in lieu of work for a number of reasons, for example:

1. If we are prevented from accessing our mineral rights. So far the MRNF has refused to freeze work requirements if access to claims is denied. They have also refused to deal with the problem of access. What this means, is that unless we can pay for work in cash we will lose our claims. All someone would need to do in order to cause a company to lose its claims is deny access for the second renewal period, under the MRNF proposal, the claims would come open for re-staking. Not only that, the original claim holder would not be allowed to re-stake. Is this intelligent or just? No!
2. If for some reason work submitted were not accepted in its entirety, we would not be given the opportunity to pay cash for the part of the assessment refused in order

to meet the renewal requirement and we would lose our mineral titles. Is this intelligent or just? Is it in the interest of mineral development and security of investors' assets? No! NO!

3. Sometimes due to weather, ice conditions, manpower or equipment availability, etc, we are unable to do the work required and must pay in cash instead of work. Believe me the last thing we wish to do is give the Government our hard earned cash. We want to gain geological knowledge from investing our cash in exploration. It is already a huge penalty having to pay in scarce hard cash and not gain geological knowledge and thus advance our project. Preventing us from having this safety valve is short-sighted, non productive and prejudicial to companies, investors and further investment.

Removing this tool and causing us to lose our claims will hurt the industry while not achieving anything in the faux battle against the non-existent "dormance" problem.

Reporting Uranium

The perfect example of responding to the squeaky wheel is the addition to the law requiring reporting of analysis greater than 0.05% U_3O_8. What next? Any perceived (lead, arsenopyrite, sugar, gasoline, white bread, etc) danger in our environment. Where do we start? Where do we stop? How about some common sense here! If an exploration company encounters values greater than 0.05%, it is highly likely that they will report it in their assessment in an effort to maintain prospective exploration ground. In addition, they would likely release the information either in a press release or their annual report where they summarize exploration success and failure. The targeting of uranium as somehow evil is the result of uneducated commentary and pressure by environmental groups and the trepid reaction of the Government and the MRNF to events near Sept Iles where exaggerations (really lies) succeeded in mobilizing the population against an exploration program. The Government has an obligation to be an arbitrator of truth not to be a leaf in the wind blown any which way the wind of public opinion blows. Believe it or not votes acquired through kowtowing to public opinion rather than through governing honestly and effectively will hurt political parties in the end. Quebec sorely needs honest , effective Government and an effective and honest official opposition in addition to an honest, fair and effective press.

One last point as regards this mark of the devil that the proposed amendments to the Mining Law intend to brand on uranium exploration. If it is done, all rational discussion of uranium as an alternative to fossil fuels starts at a disadvantage no matter its' merits. 0.05% uranium is no more dangerous than anomalous amounts of many other minerals in our environment, food, fuels, etc. In addition, 0.05% U_3O_8 is found naturally in nature. Why is it somehow bad or the responsibility of exploration companies? Reporting is not the problem as we generally report most anomalous geochemical analysis for assessment credits. The problem is targeting the minerals and companies that find them as somehow bad and thus laying the ground work for unwarranted public concern. Exploration for uranium is not inherently dangerous and mining of uranium is highly regulated across Canada.

Escalating Work Requirements

It is the stated intention of the MRNF to escalate work requirements over time. This is already the case under existing regulations. What is different is that now it is the MRNF's stated objective that after the 4th renewal that work requirements will escalate at a very quick rate in an effort to promote they say, additional work which translates in MRNF speak into an effort to prevent the fictitious "dormance"! Again the MRNF figure it knows better than industry how we should spend our monies and at what rate we should spend it. You know what? If they are so smart, kick all the exploration companies out of Quebec and let the Government explore. After all, all the major mining projects and discoveries in Quebec over the last 20 years have been due to Government expertise, Osisko, Eleanor, Royal Nickel, Joanna, Ironwood, Goldex, Renaud, etc, etc. In case you didn't get it, I'm being facetious.

The existing escalating system functions well, the only ones wishing to change it are the functionaries.

Government "dormance"

If there is any real "dormance" other than a small number of isolated cases, it is at the level of the MRNF.

For example, should a company wish to convert claims to cells something the Government promotes, one can expect to wait at least 4 to 5 years or longer for this to happen. In the meantime, companies can work on areas outside their claims but they will get no assessment credits for the work and there is no guarantee that the ground can be acquired. "DORMANCE"!

If one stakes claims one must wait at least 4 months as things now stand to get ones claim title and the security that expenditures on the claims will be on your claims. "DORMANCE"!

If more than one party stakes at 7:00 AM utilizing the Gestim system, guess what, it takes months for the MRNF to hold their money grabbing lottery. "DORMANCE"!

There is an expression in English, "the pot calling the kettle black". Much of the "Dormance" is caused by the MRNF yet they focus on a small number of other cases rather than correct their own internal problems.

Submit all Work

The MRNF is complaining that the industry is not submitting enough technical work and intends to penalize the industry for not doing so. Well guess what, work is not being submitted due to foolish MRNF policies.

For example, if a company flies an airborne survey over their property which say is 1 km wide, the company will get credits only for the area of their property covered by the survey even if the minimum survey line is 3km as is common or up to 20km is some cases. Why

give the information to the MRNF if we don't get credits for it and if it puts future possible acquisitions in danger?

The Government must tailor the assessment credit system to the industry not to some arbitrary policy. A review of MRNF assessment policies taking into account technical and scientific parameters rather than rigid unrealistic policies would go a long way to increasing the submission of technical work.

Also penalizing companies by not allowing them to apply for tax credits for work that they wish to maintain confidential is basically penalizing those who are successful in identifying information of economic importance. Does it make sense to penalize those who are successful and do good work? In the proposed scenario, success must be penalized. How far from good governance can the MRNF get?

Notice of Acquisition of Claims or cells

The MRNF is proposing to force exploration and mining companies to notify surface land owners upon the acquisition of mineral rights that they have acquired mineral rights under their surface rights whether or not the company intend to work on each and every claim.

Let's put this in the proper perspective, surface rights owners are equal before the law with mineral rights owners who have a right to benefit from our ownership of the mineral rights.We are required to respect surface rights. This means that we should consult with them if we wish to access their surface rights, carry out exploration in a manner that respects their surface rights and repair or pay for any possible damage. On the other side of the ledger, they are required to provide us with access so that we can explore (Section 26) something which is more and more not being respected.

The proposal that we notify surface rights owners that we have acquired mineral rights even before we intend to go on the land is premature and a waste of time and money. The costs associated with the notification and research required to find out who owns what will be prohibitive in many cases. In addition, the present system in which exploration companies directly notify land owners and arrange access on a case by case basis works relatively well in most instances.

If the Government is concerned that people are unaware that companies could have mineral rights overlapping with their surface rights, the government has a duty to make this fact known. This can be done in the following simple and inexpensive ways:

1. Require that notaries provide all purchasers of surface rights in the Province with a one page notice that this is the case quoting the mining law and directing surface rights owners to Gestim where they can do their own checking at anytime during their ownership of the surface rights.
2. Publish in newspapers and/or other media once a year a notice reminding people that surface and mineral rights overlap and directing people to Gestim or local MRNF offices where inquiries may be made.

The above proposal would be less costly, quicker and all encompassing. The onus would be on the surface rights owner to be informed,the same requirement as in all laws which is that you are required to be aware of the law. Mining companies would continue to directly contact surface rights owners should they wish to enter upon surface rights as is presently the case.

Lack of Access to Explore Mineral Rights

A huge problem not addressed by Bill 79 is what to do if surface rights owners deny access to explore for minerals. There is no mechanism because the MRNF refuses to get involved and/or allow for temporary expropriation in those cases where no solution is possible. This issue over all others will lead to the demise of Quebec's mining industry.

Remember mineral rights are equal rights under the law to surface rights but somehow this is being ignored and turned on its head by the Government and the MRNF. My personal feeling is that the Government and the MRNF are fearful of protecting the interests of Quebecers and the mining industry due to the perceived political advantages over proper application of the law or justice. In the end, all Quebecers will suffer if no new jobs are created and taxes paid through the discovery of new mines.

What is needed is a quick, impartial and time constrained system in which both parties to a disagreement about land access can request a binding arbitration in a system that does not exceed three (3) months. The relatively short period will prevent undue costs to the parties and will make for a system that address the particular parameters of the problems (weather, assessment requirements, bush conditions, etc.)

Failure to effective deal with this growing problem will cripple our industry.

Elimination of Use of Credits on CM or BM to Renew claims with 4.5 km

Under the existing system:

1. Work credits may not be accumulated on a mining concession or on a BM. They expire after 1 year.
2. Industry can use only 25% of expenditures on a CM or BM to renew claims with 4.5km

The new Government proposal will eliminate the right to use the 25% of expenditures in the one year period that the work is done. There is no reason to do this. It penalizes companies that explore on mining properties with proven potential and forces, in some cases, useless expenditure on adjoining ground with less potential. Again a rule change that has no real economic or technical reasoning. Quite frankly, it is just mean spirited as are many of the numerous penalties included in the changes to the law. This proposed change should be eliminated to allow companies to decide how to best spend their exploration dollars.

CONCLUSION

I titled my presentation "If it Ain't Broken – Don't Fix It", a recent quote from Mr. Paul Acker, Vice-President Exploration and Acquisitions, Virginia Mines Inc. at a meeting on March 16, 2010 about the proposed changes, which was the first public consultation on the proposals put forward as Bill 79. Usually the various Government agencies consult with their client groups before proposing changes to a law. In this case, pre-conceived agendas such as "dormance" couldn't stand up to the light of day so changes were formulated and put forward in the dark. Now the public consultation is on, in which every voice will be heard. Unfortunately, many if not most of the voices will not have sound business, scientific, environmental or industry understanding but they will be given equal weight by parliamentarians and journalists who don't know better, don't understand the issues or really care about what the short term or long term effects of their decisions will be, other than political advantage.

Interestingly at the March 16th meeting in Quebec city, every single person who spoke had serious problems with almost all the major proposals in Bill 79. Not one person, people who work in the industry, voiced the slightest support for the concept that there was "dormance". The presentation of Bill 79 for public debate and consultation without first consulting in a meaningful way with industry is a travesty and reflects the disconnect between the upper levels at the MRNF and the industry it is engaged with. It never should have reached this point with its numerous harmful proposals. I would respectfully request that you refuse Bill 79 in its entirety and send it back to the MRNF with a mandate to consult properly this time, and present a Bill that suits the true interest of Quebec.

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