

QUESTIONS AND ANSWERS
Mineral Tenure Act (MTA) Regulation Amendments
September 29, 2010

1. What is the *Mineral Tenure Act* (MTA) responsible for?

The MTA governs the issuance, use and provisions associated with mineral and placer tenure. The *Mineral Tenure Act Regulation* (MTA Regulation) prescribes the requirements and obligations of the tenure holders, including “Schedule B” which applies fees to such actions.

The MTA Regulation also contains mineral and placer exploration work requirements (claim maintenance). The exploration work requirements are defined as the value of exploration and development required to maintain a claim for one year. In exchange for this work and submission of geological information, the claim expiry date is extended into the future.

2. What amendments are being proposed?

The Ministry has proposed a single new fee of \$1.75 per hectare for mineral claims and \$6.00 per hectare for placer claims. The proposed amendment streamlines the current 18 different fee categories by reducing seven fees to zero and increasing 11 other fees, resulting in revenue neutral total fee revenue for the Ministry. The reduction in the number of fees will serve to ease data entry and revenue accounting for both industry and government.

The proposed amendments to the exploration work requirements include:

For mineral claims, the current exploration work requirement is \$4.00/ha in years 1-3 and \$8.00/ha in subsequent years. It is proposed these requirements be changed to:

- \$5.00/ha for year 1
- \$10.00/ha for years 2 and 3
- \$15.00/ha for years 4 and 5
- \$20.00/ha for year 6 & 7, and
- \$25.00/ha for subsequent years

For placer claims, the current exploration work requirement of \$10.00/ha will change to \$20.00/ha per year.

In order to match the new exploration work requirements, annual lease rental fees are proposed to be increased as follows:

- For mining leases, the rental fee of \$10.00/ha will change to \$25.00/ha; and
- For placer leases, the rental fee of \$5.00/ha, will change to \$20.00/ha.

QUESTIONS AND ANSWERS
Mineral Tenure Act (MTA) Regulation Amendments
 September 29, 2010

3. What other changes to the *Mineral Tenure Act Regulation* are being proposed at this time?

In order to enable claim holders to stake the same amount of ground with fewer claims, the maximum size of a new mineral claim is being increased to: 100 cells (the current mineral claim size is 25 cells).

For placer legacy claims, the maximum production amounts are being increased from 2,000 m³ of pay dirt to 10,000m³ of pay dirt.

For placer cell claims, the maximum production amounts are being increased from 1,000 m³ of pay dirt to 20,000 m³ of pay dirt.

The required payment to maintain a mineral claim for an anniversary year, referred to as “PIED” (Payment instead of exploration and development) or “cash in lieu,” is being reviewed as follows:

PIED – Mineral claims

<i>Current</i>	<i>Proposed</i>
\$4.00/ha for each of the first, second, and third anniversary years;	Double the value of exploration and development that would be required to maintain the claim (see above proposed exploration work requirements).
\$8.00/ha for each subsequent anniversary year.	

PIED – Placer claims

<i>Current</i>	<i>Proposed</i>
\$10.00/ha	\$40.00/ha

Additional mechanisms are being discussed to better regulate PIED, such as restricting the amount of times it can be used and when.

Portable Assessment Credit (PAC): the proposed increases to PAC are from \$16.00/ha to \$50.00/ha.

The following administrative fee changes are being proposed:

<i>Item</i>	<i>Current</i>	<i>Proposed</i>
Search for, or copy of a record	\$2.50	\$5.00
Ordered through the office of the Chief Gold Commissioner, per request	\$20.00 per request	\$25.00 per request
Ordered through the office of the Chief Gold Commissioner, plus for each page of a record	\$0.05	\$1.00
Certified true copy of document	\$10.00	\$20.00
Visual examination of records, or other provisions	\$25.00 hour, or part of an hour	\$50.00 hour, or part of an hour

QUESTIONS AND ANSWERS
Mineral Tenure Act (MTA) Regulation Amendments
 September 29, 2010

The following fees are being eliminated:

<i>Item</i>	<i>Current</i>	<i>Proposed</i>
Exploration and development fee (mineral)	\$0.40/ha	zero
Exploration and development fee (placer)	\$2.00/ha	zero
PIED fee (mineral)	\$0.40 per hectare, per year	zero
PIED fee (placer)	\$2.00 per hectare, per year	zero
Amalgamation of cell claims	\$10.00/claim	zero
Reduction of cell claim	\$10.00/claim	zero
Expiry date change fee (mineral)	\$0.40 per hectare, per day	zero
Expiry date change fee (placer)	\$2.00 per hectare, per day	zero
Transfer of ownership fee	\$10.00 per claim/lease	zero

4. Why are changes happening now? What is the justification?

In January 2005, significant changes to the *Mineral Tenure Act and Mineral Tenure Act Regulation* were brought into force. These changes facilitated the implementation of Mineral Titles Online (MTO) on January 12, 2005. The MTO process, when contrasted with the cost and time of ground staking, submission of paper and fees, and the in-person review and paper applications, has proven to be more efficient and has resulted in a simplified and easy to use method of acquiring and maintaining title.

MTO has significantly reduced the cost of acquiring a claim, and, as a result, concerns have arisen around the amount of ground being held by free miners who do not conduct exploration and development work. A higher front end fee is proposed, which will also work to discourage the acquire-forfeit-reacquire syndrome.

It is also proposed to remove the work registration fee, so that claim holders will be encouraged to maximize the registration of their exploration work and submit the complete geological information of their programs to the public databases.

5. Why are new mineral claim registration fees going from 0.40/ha to \$1.75/ha? Why such an increase?

Prior to the development of the Mineral Titles Online (MTO) system, typical staking costs could range from \$2.00 to \$6.00 per hectare. With the launch of MTO in January 2005, the cost dropped to a 0.40 per hectare registration fee.

QUESTIONS AND ANSWERS
Mineral Tenure Act (MTA) Regulation Amendments
September 29, 2010

Question #5 continued...

Ministry staff looked at the historical data of typical claim holdings and found that the average length of time a claim is held is approximately four years. This typical claim would cost:

Registration fee, per hectare	\$0.40
Year 1 work fee, per hectare:	\$0.40
Year 2 work fee, per hectare:	\$0.40
Year 3 work fee, per hectare:	\$0.40
Year 4 work fee, per hectare:	\$0.40
Total, per hectare:	\$2.00

A new claim fee of \$1.75 was selected to approximate the cost of the claim over the average life span and this allows other fees to be reduced to zero.

The new fee will require free miners to put more thought into the amount of ground actually needed or required. It is expected that the fee change will result in less ground being acquired. It is estimated that approximately 11% of the Province's productive mineral land base is being held by a small number of free miners without the ability or the intention to explore the claims. Approximately 75% of claims registered in 2007 forfeited in 2008, and 73% of the claims registered in 2008 forfeited in 2009 in year one with no work being done.

6. How will revenue from the new fee structures be dispersed?

The new fee structure has been calculated to be as close to revenue neutral as possible based on the average life cycle of tenure (see Question 4). The higher front end fee, on cursory review, may appear to result in a large increase; however, the impact of the larger front end fee is balanced by the elimination of a number of other fees that will no longer be applied for the life of the claim. As a result, any change in the revenue stream should be relatively minor.

7. What is the purpose and goal(s) of the increased fees?

The fees are designed to deliver policy principles such as ensuring a client takes into account the obligations of potential claim holdings as well as covering the costs of mineral title services provided to clients.

The goal is to increase the efficiency of the current mineral subsurface tenure process, increase the amount of mineral land available for actual exploration and development, and to update the fee and work requirement structure to align with current industry exploration costs.

This proposal is not being driven by the need to increase revenue and has been designed to be revenue neutral.

QUESTIONS AND ANSWERS
Mineral Tenure Act (MTA) Regulation Amendments
September 29, 2010

8. What benefits and/or improvements will occur as a result of these changes?

Simplicity and fairness – the proposed amendments streamline the current 18 different fee categories by reducing seven fees to zero and increasing 11 other fees resulting in revenue neutral total fee revenue for the Ministry.

Appropriate amount and rates – the exploration work requirements are in place to ensure that the province's mineral resources are adequately explored. New fee and exploration work requirement levels will better reflect today's costs and exploration methods.

Enhanced service – the reduction in the number of fees will serve to increase transparency and ease data entry and revenue accounting for both industry and government.

Competitiveness – BC is currently at the very low end of cost for exploration work requirements relative to the rest of Canada. The proposed changes to these requirements will make them consistent with the average of other Canadian jurisdictions. British Columbia will remain as a very competitive jurisdiction in terms of fee levels and exploration work requirements.

More Assessment Work Filed – The elimination of fees to register exploration work will make it more attractive for companies to register all their exploration work for maximum credit and submit assessment reports that cover their total exploration work programs. This is coupled with the Ministry's efforts to get more of the assessment reports filed digitally to benefit all users of geological information.

9. What consultations have occurred to date?

The client group directly affected is the mineral exploration sector of the mining industry, consisting of approximately 6,000 individuals and corporate organizations.

The changes proposed for the fee and exploration work requirements were part of a larger review of the mineral title acquisition and maintenance process conducted with industry in 2007-2008. The mineral exploration industry recognizes that an increase in fees and exploration work requirements will reduce speculative activity and ensure that mineral lands are used for valid exploration work.

A survey was sent to all regional associations, industry members and individual prospectors and handed out at industry events to request input on all aspects of the mineral and placer fee and work review. The Mineral Titles Branch received 85 responses to the survey from mineral clients and 25 responses from placer clients. In addition, the Branch met separately with an internal government advisory committee and regional associations.

QUESTIONS AND ANSWERS
Mineral Tenure Act (MTA) Regulation Amendments
September 29, 2010

10. What impacts will these changes have upon current owners?

It is expected that a recorded holder (registered owner) will have more incentive to conduct and register all of their exploration and development work as they will no longer be charged fees to submit work to maintain their tenures. This, taken together with the higher front end fees, will likely discourage a recorded holder from allowing a claim to forfeit and then re-acquiring the ground.

The ministry recognizes that some recorded holders may not be able to afford to continue to maintain all of their current tenure holdings and may need to decide to reduce the amount of ground they hold to what they can realistically explore and develop.

11. What will happen to claims that are over four years old? Will I still have to pay the work registration fee?

All existing mineral claims in the province will be reset to first year claims regardless of their expiration date. Once the proposed changes come into effect, the recorded holder's claim will be treated as if it is in year one. All old existing tenures, prior to this change, will benefit by no longer having to pay additional fees.

The changes to the fees and exploration work requirements will apply to all existing claims and not just tenures acquired after implementation.

An existing tenure will not be required to pay the work registration fee upon implementation of the changes.

It is recognized that industry must plan in advance for the amount of exploration work required to maintain their tenures based on the existing exploration work schedule. It would be unreasonable to change the exploration work schedule and apply them to existing tenure without giving industry time to plan and adjust their programs. Therefore, upon implementation of a new exploration work schedule, all existing tenures will be treated as if they were in their first anniversary year. For example, upon implementation, a claim that is currently in its fourth anniversary year with an expected \$8.00 per hectare work requirement will be treated as if it is in its first anniversary year with an expected \$5.00 per hectare.

12. What will happen to work I registered prior to the amendments being made?

Once the proposed changes to the *Mineral Tenure Act Regulation* come into effect, the recorded holder's claim will be treated as if it is in year one for the purposes of filing exploration and development work. The age and current expiry date of your tenure will remain unchanged when the proposed changes come into effect. Work that has been registered up until that point will not be lost. It will only be when calculating assessment work requirements that your claim will be treated as if it were in its first year.

QUESTIONS AND ANSWERS
Mineral Tenure Act (MTA) Regulation Amendments
September 29, 2010

Question #12 continued...

For example, under the current work schedule (\$4.00/ha/yr for years 1-3 and then \$8.00/ha/yr for the 4th and subsequent years), having a tenure that is currently in its 10th anniversary year with an expiry date of June 30, 2015, the next year of assessment work that you register (moving your expiry date from June 30, 2015 to June 30, 2016) would be calculated at a rate of \$8.00/ha and you have to pay a \$0.40/ha registration fee. With the proposed changes, your next year of assessment work that you register (moving your expiry date from June 30, 2015 to June 30, 2016) would be calculated at \$5.00/ha/yr and you will not have to pay any registration fee.

13. If I let my claim lapse after one year and then get it back, why am I being penalized by the new high cost?

The purpose of acquiring a claim is to conduct mineral exploration. It is a personal choice to acquire a claim, let it forfeit, and then re-acquire. For some tenures, this cycle of forfeiture / acquisition / forfeiture has resulted in ground being held for years with no work being completed.

14. What does this mean for industry?

The proposed MTA Regulation amendments will result in:

- higher “front end” fees;
- fewer fees for the remaining life of a tenure;
- higher exploration work requirements;
- no fees to submit exploration work;
- re-learning of the rules and processes for mineral tenure acquisition/maintenance; and
- adjustments to business practices and decisions in relation to the new work requirement structure.

While higher front end fees may require more planning before acquiring title, this will enable parties to reconsider their size of claim and may discourage excessive acquisitions, resulting in more mineral land being open for exploration. This will reduce costs to both industry and government.

New exploration work requirements can be implemented at the appropriate time in the exploration funding cycle. The first year will be low recognizing the initialization of the property in the exploration cycle and the expected lack of knowledge on the ground. The staged increases will force a significant review of claim holding patterns over time and ensure a “needs” test is conducted.

Bulletins will be prepared and information sessions will be established to ensure effective communication and training on the new fees and exploration work requirement levels.

QUESTIONS AND ANSWERS
Mineral Tenure Act (MTA) Regulation Amendments
September 29, 2010

15. What is the timing for the changes?

Regulation amendments require Lieutenant Governor in Council (Cabinet) approval and therefore a specific date/time cannot be provided. The Ministry intends to have amendments completed for sometime in the Spring 2011.

16. Who can I contact for more information?

Comments, suggestions and questions can be submitted via email to the Ministry of Energy, Mines and Petroleum Resources, attention Lindsay McDonough, at Lindsay.McDonough@gov.bc.ca.

Please submit your comments and suggestions by Friday, October 29, 2010.