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For Immediate Release

The Investment Industry's Role in Raising Capital for the Mining Industry

IIAC: What government and regulators need to do to get the mining industry back on track

Wednesday, March 4, 2015 (Toronto) – Canada's investment industry is prepared to invest the time, energy and resources to improve capital raising for the mining industry, but it can't do it alone: There are steps government and regulators can take to ensure the country's natural resource companies remain dynamic leaders on the world stage.

This was the message in a speech delivered by Ian Russell, President and CEO of the Investment Industry Association of Canada (IIAC), as part of the Prospectors & Developers Association of Canada (PDAC)'s 2015 Convention. In the *Return of the State: The Role of Government in Financing Mineral Exploration* session, Russell also provides a series of regulatory and policy fixes which, if adopted, will get the Canadian mining industry back on track.

"The contribution of the mining industry to the Canadian economy is well-known. The industry is involved in exploration, operations, R&D, social responsibility and acquisitions," Russell says. "Less well known is the importance to the Canadian mining industry of the deep and sophisticated financial infrastructure at its core.

"This infrastructure pushes financial resources to where they are needed and where they will make a positive difference. As long as that financial heart is beating strongly and consistently, the industry will have the capital it needs to successfully explore, develop and exploit the natural resources that have made mining so successful and crucial to the Canadian economy."

Russell continues: "But we have reason to be concerned. The sad fact is that the financial heart of Canada's mining industry is under considerable stress. It faces internal and external challenges. If this financial core continues to weaken, the dynamism and global leadership of the Canadian mining industry will correspondingly erode.

"This will have serious consequences not just for the mining industry, but for all of the employees and Canadian communities that depend on it. Given the industry's significant contributions to Canadian employment and overall prosperity, there will be serious consequences for all of us."

Russell explained there is a close, symbiotic relationship between Canada's mining and investment industries: He cited the fact that there are 291 mining companies listed on the TSX. 1,206 are listed on

TSX Venture. Last year – not a good year for the industry – mining companies issued shares worth nearly $9 billion.

Among Russell's recommended fixes is, first, the need for governments to get their policies right. This includes:

- Boosting investor confidence by reducing the large provincial deficits and debt burdens. As Russell says: "Nothing drives away capital like a sea of government red ink. Canada needs to drain it."

- Building mechanisms to better align the economic benefits of large projects with competing social and economic interests.

Second, he says, government needs to get its investment incentives right. Specifically:

- Introducing a tax-deferred capital gains rollover provision, which allow retail investors to defer their capital gains in a small Canadian company and reinvest the proceeds in another one. "We need to encourage investors to take advantage of growth opportunities among small companies," Russell says. "And that includes taking another look at income trusts."

- Given their effectiveness to small companies as a financing vehicle, the federal government should consider allowing small companies to convert to income trusts. That would revitalize capital raising, at a small cost to government revenues.

Third, government needs to get regulatory reform right.

"Regulation is an important aspect of a buoyant investment climate. It generates investor confidence. It provides investors with needed information and market transparency," Russell said. "But over-regulation has the opposite effect. We have to make sure that Canada's regulatory environment encourages investment - without damaging efficient markets and undermining economic growth."

Specifically:

- Conducting periodic review of new rules. Unintended consequences need to be weeded out at the earliest opportunity.

- Moving more quickly with reforms. Good ideas shouldn't be allowed to gather dust.

- Creating a cooperative securities regulator to replace the existing regime of 13 regulators. "Canada is the only country in the world that doesn't have a national securities regulator," Russell points out. "A national cooperative regulator – bringing together 13 provincial securities regulators – would eliminate inefficiencies and overlap. Small companies – including many in the mining industry – would be among the leading beneficiaries of a national cooperative regulator."

Russell concluded: "Canadian miners can find the wealth in the ground. Canada's investment dealers can come up with the capital to help them do it. We look forward to promoting policies that ensure Canada's mining industry has a bright future."

The IIAC – Representing Canada's Investment Professionals

The Investment Industry Association of Canada (IIAC) is the national association representing the investment industry's position on securities regulation, public policy and industry issues on behalf of our 147 IIROC-regulated investment dealer Member firms in the Canadian securities industry. These dealer firms are the key intermediaries in Canadian capital markets, accounting for the vast majority of financial advisory services, securities trading and underwriting in public and private markets for governments and corporations. The IIAC provides leadership for the Canadian securities industry with a commitment to a vibrant, prosperous investment industry driven by strong and efficient capital markets.

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- 30 -

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