

Opinion: The coming resurgence of Canadian mining

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A potash mine in Saskatchewan. CHRIS HENDRICKSON / POSTMEDIA WIRE

The mining cycle always comes back — let's take full advantage of the opportunity on our doorstep.

After spending the better part of the last half-decade in a bear market, the mining industry is feeling the early effects of two forces that will

influence both companies in the sector and investors with the patience to play the long game. Those who bought when almost everyone was ignoring natural resources will soon be rewarded for placing careful bets and biding their time. Considered against the backdrop of slower exploration activity and a lack of new deposits ready to come on-stream, the convergence of these forces is setting the stage for a powerful resurgence in the mining sector that will have an impact here in B.C. and across Canada.

China's plan to urbanize rural areas, which have yet to experience the type of growth seen in the country's coastal cities, combined with U.S. President Donald Trump's \$1-trillion plan to modernize America's crumbling infrastructure, represents great opportunity for the mining sector in Canada and globally. Regardless of one's political views, it would be imprudent to ignore these developments as they will generate vast new demand for metals and other materials, the inevitable result being higher commodity prices — especially for iron, copper and zinc.

Signs are already pointing in that direction. BMI Research, one of the world's most respected market analysis firms, recently upped its 2017 copper price forecast to \$5,500 per tonne from \$5,150 on solid Chinese demand growth and supply interruptions. Meanwhile, iron ore averaged \$84.90 per tonne during the first two months of 2017, compared to less than \$45 during the same period in 2016. Finally, RBC Capital raised its previous forecast for zinc by eight per cent with the belief that it will hit \$2,976 per tonne this year.

As commodity prices rise and even more potential sources of growth emerge on the horizon, Canada's mining industry is ideally situated as a secure, sufficient and stable base of supply to help meet demand. The mineral exploration and mining industry contributes around \$56 billion to Canadian gross domestic product annually, directly employs more than 373,000 workers (plus a further 190,000 indirectly), and is the largest private-sector employer of First Nations peoples. It is also an often-overlooked contributor to economic activity in three of our country's leading financial centres — Toronto, Montreal and

Vancouver.

Blessed with an abundance of natural resources, Canada is the world's top producer of potash and uranium, the world's third-largest producer of diamonds and ranks in the top five in output of nickel, cobalt, cadmium, zinc, salt and molybdenum. Additionally, the Labrador Trough, a geological belt straddling the Quebec-Newfoundland-Labrador border, is one of the world's most promising regions for clean high quality iron ore. With the mineral in abundance, a highly skilled local workforce and access to global transportation routes, the area presents mining companies with a rare infrastructure ready environment for project development.

Canada's long history in mining has already teamed up with a more positive global economic outlook to boost the primary equity markets that Canadian resource companies turn to for capital. At the annual Prospectors and Developers Association of Canada convention held last month in Toronto, the excitement among investors and the financial community in general was palpable. According to the prospectors association, mining companies raised \$1.1 billion via public markets during 2016 for exploration to take place in Canada, a 74-per-cent increase from the \$630 million raised a year earlier. This is another sign as to which way the arrow is pointing.

It is no secret that Canadians tend to be risk-averse. We prefer to make investments when we feel comfortable — hardly the mindset needed for buying low and selling high. With the wounds of the recent bear market yet to fully heal, doubters have been quick to question whether China's urbanization plan and President Trump's infrastructure spending will really materialize. However, if these two policies can be realized, then those Canadian risk-takers who have played the long game will soon be rewarded for their patience and foresight. All of which will result in a resurgence in Canada's mining industry and the thousands of jobs that will come with it.

Mark Morabito is chairman and CEO of King & Bay West, a Vancouver-based merchant bank and technical services company that

specializes in the resource sector.

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