

CANADA



The Canadian mining industry has experienced some tough losses over the past five years. Amid a difficult global economic environment, a downturn in commodity prices and evolving regulations, many Canadian mining companies had to look internally to make critical decisions and weather the storm. This included an increased focus on improving productivity and engaging in widespread cost-cutting. Deep labour cuts have also been felt throughout the industry, which may put companies in a tight spot when an upswing does occur.

But there are bright spots in the future of Canada's mining sector as commodity prices begin to rebound and the industry works to seize the growth opportunities that come with it.



Q&A: **Bryndon Kydd** ASSURANCE PARTNER, BDO CANADA

What is your outlook for the Canadian mining industry?

We've seen early evidence of a turnaround in the Canadian mining industry, including a gradual opening up of capital, improvement in some commodity prices, and generally more positive sentiment from our clients in the industry. But this is not an industry that will come charging back. Companies are tentative and focusing on cost control and selective investment—a strategic approach for a sustained recovery. Barring another significant drop in commodity prices, this trend should continue through 2017 and potentially gather momentum as participants regain confidence in the industry.

How has consolidation affected the mining industry in Canada, and how do you foresee it playing out?

Consolidation certainly has been a factor over the past year and a half, and we've seen more of it during this period in our client base than we saw in the five years preceding. It will be interesting to see if this slows over the coming year as the positive outlook in the industry may motivate sellers to hold out for higher offers that may not be accommodated by cautious buyers. This may be balanced somewhat by the Majors' need for new resources, given the weak spending on exploration over the past five years.

There have been significant changes to mining regulations in Canada. How has this impacted the industry, and how do you expect regulations to evolve?

The government has been balancing support for growing the resource-heavy Canadian economy and catering to a large component of development-resistant voters. Resource development in Canada has been an area of public debate for a long time that has often resulted in the deferral or delay of projects. Recent examples include mines, oil pipelines and LNG facilities, all of which are essential to the Canadian economy. We imagine this uncertainty and debate will continue for the foreseeable future.

What has the Canadian mining sector learned from the most recent downturn?

This has arguably been the longest down cycle ever experienced by the mining industry. The pain that's been felt by so many has triggered, and provided ample time for, reflection on how we function as an industry. It is clear that the industry is in desperate need of innovation and inclusion in order to forge a path to the future.

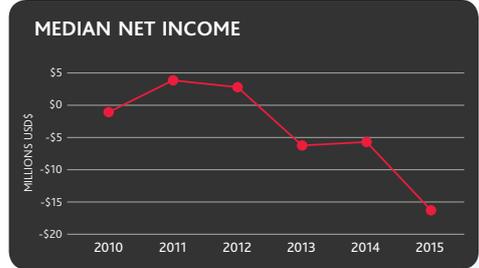
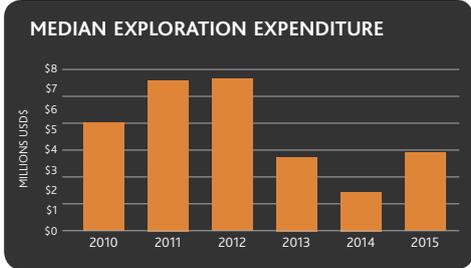
Cost management and technological advancement will be critical to improving profitability. Our industry has been notorious for financial waste during boom periods and reluctant to innovate in favour

of the tried and true. But advancements in robotic technology, geological equipment and advanced software are likely to play a significant role in the industry's recovery.

I attended the 2016 PDAC conference earlier this year, and an important theme that emerged was the importance of corporate social responsibility programmes and inclusion of women and minorities as necessary features of the industry. No longer can organizations ignore the needs of the communities in which they operate or decline input from a broader group of individuals with wisdom and expertise to offer. There is growing acceptance of a more inclusionary community, particularly as a younger generation of professionals gains influence in the industry.

For more information on the mining industry in Canada, please contact Bryndon Kydd at bkydd@bdo.ca.

 **EXPLORATION** appears to be on the rise again, with median exploration expenditure **DOUBLING** between 2014 and 2015.

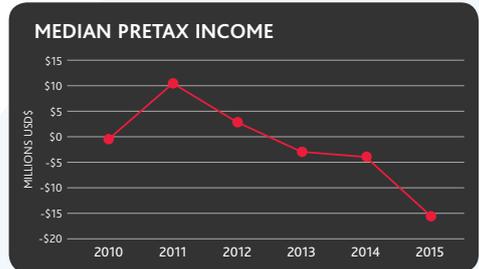
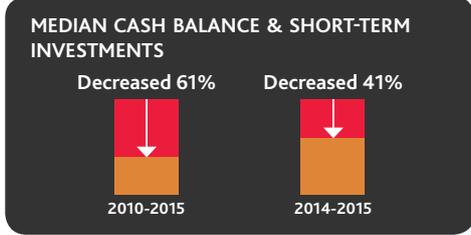


THE MEDIAN PE RATIO ALSO SHOWED SIGNS OF A TURNAROUND

 **Decreased 71%**
2010-2015

 **INCREASED 61%**
2014-2015

 **MEDIAN NET INCOME** felt some tough losses between 2010 and 2015 with a **DECREASE OF 1,508%**.



MEDIAN MARKET CAPITALISATION

Declined 84%  **Declined 44%** 

 **MEDIAN PRETAX INCOME DECLINED 2,092%** between 2010 and 2015, and **DECREASED 257%** between 2014 and 2015 alone.

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Bryndon Kydd
+1 604 443 4713
bkydd@bdo.ca