EU-Canada Mineral Investment Facility Project

In the context of the Canada-European Union Comprehensive Economic and Trade Agreement (CETA), the overall objective of the project is to create an EU-Canada strategic partnership across the non-energy extractive industry (NEEI) in order to foster investment and growth in both Canada and the EU.

The EU has faced two recent challenges with respect to securing the supply of critical raw materials, leading to a significant import dependency:

1. Increased global competition for certain minerals and metals, and a lack of substitutes
2. EU domestic NEEI sector is unable to meet demand within the EU

The EU is one of the world’s largest producers and net exporters of mining equipment, however European companies are facing increased competition from countries like China.

Canada has been identified as a strategic partner for the EU given its global expertise in mining.

Critical raw materials are essential for downstream European and Canadian industries.

The project therefore sits exactly in the centre of the objectives of the CETA, a productive and constructive relationship between partners and friends.

The Project will first conduct Baseline economic analysis of the level of integration and investment between the European and Canadian sectors leading to a Feasibility Study for an EU-Canada Mineral Investment Facility and the development of an operational network between Canada and the EU that will enable strategic partnerships across all parts of our value chain.

It is a process that is seeking, rather than imposing, conclusions and outcomes. Of course we all seek to promote mining investment, high standards of operational environmental and social performance conduct and sustainability. It is only by fostering co-operation that we can then promote the positive impacts of what we do. Networks, best practices, listening, learning and making the whole value chain better are all essential parts of this groundbreaking study.

Mark Rachovides
President of Euromines

PDAC 2018

PDAC 2018 Convention,
March 4-7, Toronto, Canada

Europe Mining Day
Agnico Eagle Finland
– Proud of our Past, Focused on our Future

Birgitta Brusila
Agnico Eagle Finland Oy

Agnico Eagle Mines Limited is a Canadian gold producer that has been in the precious metals business for 60 years. It began in 1957 as a silver company in Cobalt, Ontario and is now one of the largest gold producing companies in the world. Today, it operates eight mines located in Canada, Finland and Mexico, with exploration and development activities in each of these regions, as well as the United States and Sweden. The Company employs over 8,300 people.

Agnico Eagle Finland Oy is a subsidiary of Agnico Eagle and owns the Kittilä mine - the largest primary gold producer in Europe. It is located in the Lapland region of northern Finland, approximately 900 kilometres north of Helsinki and 150 kilometres north of the Arctic Circle.

History of the Suurikuusikko Gold Deposit

The discovery of the Kittilä deposit came about by accident some thirty years ago in 1986 when the road between Kittilä and the village of Pokka was being constructed. A piece of rock with visible gold was found after a construction crew had blasted some rock.

The Geological Survey of Finland undertook an exploration program to explore the potential deposit and sold the claim to a Swedish junior company named Riddarhyttan Resources Ab, which continued exploration in the area.

In the spring of 2002, Agnico developed a keen interest in this deposit and by 2005 had acquired 100% of Riddarhyttan. The Kittilä mine became Agnico Eagle’s first mining venture outside Canada.
Focused on Future

Bright Future

The Kittilä mine poured its first gold on 14 January 2009 and achieved commercial production four months later. In February 2016, it produced its one millionth ounce of gold. Today, the mine is producing more than 5,000-tonne-per-day and is expected to produce about 200,000 ounces of gold a year.

Operations at the Kittilä mine began in 2008 from two open-pits that operated until 2012. Today, mining operations are conducted solely from underground with a network of ramps and tunnels that extend more than 60 km.

Agnico Eagle Finland has discovered significant new gold reserves and resources at Kittilä since it first invested in the project in 2004. Today, Kittilä is one of the largest known gold deposits in Europe, with reserves containing almost 4.8 million ounces of gold and a mine life estimated through to 2035.

In 2015, a new mineralization zone called the Sisar Zone was discovered 100 to 200 metres east of the main Kittilä ore zone through exploration drilling from the underground ramp. The Sisar Zone lies at a depth of approximately 800 to 1,800 metres below surface.
Responsible Mining

Over its 60-year history, Agnico Eagle Mines has built a strong culture of responsible behaviour, achieving high standards of sustainability performance with a long-term goal of being a responsible miner.

Agnico Eagle Finland’s focus on sustainability is embedded in their day-to-day business. Their approach is supported by Agnico Eagle Mines’ Sustainable Development Policy and Responsible Mining Management System, along with the integration of sustainability-focused standards and codes of practice.

To help achieve these high standards of performance, Agnico Eagle has adopted the Mining Association of Canada’s Towards Sustainable Mining (TSM) initiative at all of its operating mines.

TSM helps the mining industry sustain its position as a leading economic contributor, while protecting the environment, and helps the industry maintain its social license to operate by providing a framework for companies to become proactive and socially responsible operators.

In recognition of their efforts to achieve a higher standard of performance, the Kittilä mine was recognized by the Mining Association of Canada for their outstanding performance in the TSM initiative and for raising the bar in environmental and social performance.

Agnico Eagle Finland also helped to facilitate the adoption of the TSM initiative by FinnMin, the Finnish Mining Association. This marked the first time that TSM was adopted by a mining association outside of Canada.
Our Approach to Sustainable Development

At the core of Agnico Eagle’s sustainable development program is a commitment to create value for its shareholders while operating in a safe, socially and environmentally responsible manner and contributing positively to the prosperity of its employees, their families and the communities in which Agnico Eagle operates.

The Kittilä mine is located in a developed region of northern Finland, close to a popular ski resort. The Company benefits from local infrastructure, including an international airport.

Agnico Eagle Finland values its relationship with the nearby communities of Kittilä and Levi and aims to create benefits and opportunities that contribute to the region’s economic, social and environmental sustainability.

The Kittilä mine contributes to the social and economic development in northern Finland in many ways. It is one of the largest employers in Lapland, employing more than 800 permanent employees and subcontractors’ employees. Over 50% of the employees of the mine live in Kittilä with their families, with more than 90% of the personnel hailing from Lapland.

In accordance with Agnico Eagle’s Sustainable Development Policy, the Kittilä mine strives to purchase all the services and products it needs as near as possible to the mine site location. On average, the Kittilä mine purchases about 27% of all materials and supplies locally for a value of about Euro 47.7 million annually. The goal is to foster the development of the community and boost local businesses.

Thanks to the Kittilä mining operations, the local economic structure has diversified, with the mining investments having a positive effect and attracting more people to fill new jobs in other sectors such as hospitality and hotel services and health care.

Agnico Eagle Finland believes the biggest contribution it can make to the wellbeing of the communities is through the creation of long-term employment opportunities and the provision of economic development opportunities.

The success of the past has set the stage for Agnico Eagle Finland’s next phase of growth which will create new opportunities for its employees and allow the Company to continue creating value for the communities where it operates.

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Exporting Canadian Mining Expertise to Grow a Gold Mining Industry in Greece

Louise Burgess
Eldorado Gold Corporation

A nation’s mineral wealth can be a distinct competitive advantage if leveraged responsibly. In Canada, mining contributes considerably to the Country’s economic strength. Mining could do the same for Greece.

Canadian mining: an engine for global economic growth

Rich in mineral resources, Canada has a thriving mining sector and leading global expertise in all facets of the industry, from exploration and production to mining finance, supply chain and governance. Canadian miners are leaders in environmental excellence, responsible mine management and safety. At home and abroad, Canadian mining is helping to power economic growth. In 2015, the Canadian mining industry:

- Contributed C$56 billion to Canada’s Gross Domestic Product (GDP)
- Accounted for 19% of Canada’s total export value
- Accounted for 6% or C$63 billion of total Canadian Direct Investment Abroad, making it one of Canada’s largest outward investing sectors

Prudent policy decisions, a clear regulatory process, robust trade partners, competitive tax regulation, and investment in infrastructure and innovation have helped to facilitate Canada’s emergence as a global mining leader.

Greece’s mineral potential and opportunity for development

Greece, like Canada, is also geologically rich. So rich in fact, that Greece is considered one of the most well endowed mineral countries in the European Union (EU). The total value of Greece’s indicated mineral reserves exceeded €72 billion in 2012.

With vast untapped resources, Greece has a real opportunity to work with leading mining companies, like current investor Eldorado Gold, to develop its mineral industry. The Canadian gold miner is leveraging its global expertise in safely building and operating mines to develop three mines in northern Greece. Once in operation, the Olympias, Skouries and Perama Hill mines will make Greece one of the largest gold producing nations in the European Union (EU). The mines will also produce significant amounts of copper, silver, lead and zinc, providing some of the raw materials needed for Europe’s sustainable development.
Economic benefits of Eldorado Gold’s investment in Greece

With more than €740 million invested in the development of the Olympias, Skouries and Perama Hill projects, Eldorado Gold is one of the largest current investors in the Country. Capital invested to date has primarily benefitted Greek stakeholders through payments to:

- Greek employees and contractors in the form of wages
- Greek suppliers for goods and services rendered
- The Greek Government in the form of taxes

Subject to receiving the necessary permits and licences, Eldorado Gold expects to invest an additional €92 million over the next five years in developing these assets. This figure could be even higher if further resources were discovered through exploration.

Estimated benefits over the mines’ lives are:
- Creation of ~5,000 direct and indirect jobs
- ~€1.5 billion in salary payments
- ~€3.0 billion in payments to suppliers
- More than €1 billion in direct taxes for the Greek State
- ~€450 million in annual export revenues depending on metal prices
- ~€80 million invested in local community and infrastructure projects

Building mining as an economic driver in Greece

Greece has the building blocks in place to become an eminent mining jurisdiction. It has a highly educated population, well-developed infrastructure, significant mineral wealth, and strict EU environmental, health, and safety regulations. Mining could help drive an economic recovery in the Country, creating both primary and secondary jobs, and generating revenues. To continue to attract foreign investors with leading expertise in the mineral sector, Greece could look to the framework Canada has developed that makes it a leading jurisdiction for mining investment. Prudent policy, regulatory certainty and competitive tax regulation will all help to drive further foreign investment in Greece.

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In-Country Expenditure in Greece 2014-2016

<table>
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<th>Expenditure</th>
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<tr>
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Development of the Olympias underground gold-silver-lead-zinc mine in northern Greece
The EU industrial policy, raw materials and the CETA agreement

Dr. Corina Hebestreit
Euromines

Joint Declaration for an ambitious EU industrial strategy

In March 2017, 125 industrial sectors across Europe called for an ambitious industrial strategy for the EU, which still is the cradle of manufacturing industry and has been at the forefront of industrial revolutions and technological innovations. The EU industry employs over 34 million people across all Member States in supply chains comprising of hundreds of thousands of SMEs and larger suppliers. The European manufacturing industry has tremendous capacity for innovation, boasts a skilled workforce and has earned a reputation for quality.

Between 2000 and 2014, the share of manufacturing in total EU output fell by 3.5 percentage points in nominal value-added terms, from 18.8% to 15.3%, while 3.5 million jobs were lost in manufacturing only between 2008 and 2014.

At the beginning of his mandate, European Commission’s President Jean-Claude Juncker identified reindustrialization of Europe as one his top priorities and confirmed the objective of increasing the share of industry in European GDP to 20% by 2020. Therefore we, the European manufacturing industry, called on the European Commission to reaffirm its commitment to reaching the target of 20% of GDP from industry with a realistic timeline; to propose an Action Plan to tackle the challenges that the industrial sectors are facing in the framework of a Communication that would include concrete steps and milestones; and to commit to implement this Action Plan in a timely manner and regularly report on progress.

The EU Raw Materials Strategy and the European Innovation Partnership are well under way to address the investment and competitiveness of vital raw material supply for the EU’s manufacturing industry. This is being accomplished not only by trying to raise awareness across Member States and the general public, but also by trying to improve the access to and investments into raw material projects both inside and outside of the EU.

Investments into raw materials in Canada and the EU

Canada and the EU have had a longstanding relationship when it comes to raw materials, be it in terms of policy dialogue, knowledge sharing or companies investing in either side of the Atlantic. However, as in many other sectors, the economic crisis had its impact on the investment and trade volume and the newly concluded CETA agreement is very welcome.

CETA addresses all aspects of the bilateral trading relationship, including goods, services, investment, government procurement and regulatory cooperation. The agreement, a product of more than five years of negotiations, will further position Canada and the EU to collaborate on many issues including raw materials and related issues.
The EU industrial policy and CETA

In Article 25.1 on BILATERAL DIALOGUES AND COOPERATION in the objectives and principles it is clearly stated that both countries want to

(c) endeavour to establish and maintain effective cooperation on raw materials issues through the Bilateral Dialogue on Raw Materials; and

(d) encourage enhanced cooperation on science, technology, research and innovation issues.¹

Article 25.4

Bilateral Dialogue on Raw Materials

1. Recognising the importance of an open, non-discriminatory and transparent trading environment based on rules and science, the Parties endeavour to establish and maintain effective cooperation on raw materials. For the purposes of this cooperation, raw materials include, but are not limited to, minerals, metals and agricultural products with an industrial use.

2. The Bilateral Dialogue on Raw Materials covers any relevant issue of mutual interest, including:

(a) to provide a forum of discussion on cooperation in the field of raw materials between the Parties, to contribute to market access for raw material goods and related services and investments and to avoid non-tariff barriers to trade for raw materials;

(b) to enhance mutual understanding in the field of raw materials with a view to exchange information on best-practices and on the Parties’ regulatory policies vis-à-vis raw materials;

(c) to encourage activities that support corporate social responsibility in accordance with internationally-recognised standards such as the OECD Guidelines for Multinational Enterprises and the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas; and

(d) to facilitate, as appropriate, consultation on the Parties’ positions in multilateral or plurilateral fora where issues related to raw materials may be raised and discussed.

The EU’s feasibility study on a Minerals Investment facility

Attracting finance continues to be an issue for the mining sector

Traditional capital raising continues to be an issue in the sector. In 2015, capital raised was down by about 10% year on year. There was a sharp decline in loan finance to the sector, and most loans were used for refinancing existing facilities rather than going into new projects. Over the past 12 months, as the risk of default has increased, banks are only extending trade and long-term financing at an increased cost to those mining and metals companies with sufficient security to back the debt.

¹ Comprehensive Economic and Trade Agreement (CETA) between Canada, Of the One Part, and the European Union and its Member States
In January 2016, both credit default swap (CDS) spreads and yields peaked, with credit access remaining constrained since. The backdrop of challenging market conditions has led to a number of alternative financing strategies being pursued. There were 11 major streaming deals in 2015 worth US$4.2b, up from US$2.2b two years earlier. There have also been a large number of royalty agreements, offtake and forward sales, as well as asset-backed financing on inventory and trade receivables. Companies are also looking at their portfolios, which may lead to divestment of non-core assets or offering minority positions to joint venture partners to reduce capex requirements and maintain operational flexibility.

This enables financial headroom to cope with volatility and convince lenders of future viability.

**Canadian investment baseline in the EU extractive industry**

The export of metal and mineral products to the EU is an important economic activity for Canada, with products going to every corner of Europe, from Bulgaria to Spain. Canada exported $20.3 billion worth of metal and mineral products to the EU on an average annual basis between 2011 and 2013.

During 2011 and 2012, Canadian mining assets were present in Bulgaria, Poland, Romania, Slovakia, Finland, Ireland, Sweden, United Kingdom, Greece, Italy, Portugal, Spain and Germany.

However, in the overall context of Canadian mining assets, the EU accounts for only 1% of both junior and senior assets globally. Positively, there has been some growth of Canadian mining investment in Europe in recent years, partially attributed to major transactions such as First Quantum Minerals’ acquisition of Inmet Mining, and investments on the part of Eldorado Gold in Greece. Canadian investments in the location EUROPE in 2014 included $12,058 million represented by 70 companies. Equally, there are considerable investments of European companies in Canada, such as from KHGM and K+S.

**Feasibility Study for an EU-Canada mineral investment facility**

Embedded in the Raw Materials Initiative (first and second pillars) and in the Strategic Implementation Plan of the European Innovation Partnership on Raw Materials (third pillar) is the agenda to carry out a feasibility study alongside stakeholder dialogue and related events to support the RMI objective of guaranteeing access to a secure and sustainable supply of Raw Materials for the EU. Against this overarching objective, the project will assess the need for an EU-Canada mineral investment facility (MIF) and conclude whether an EU-Canada MIF would be beneficial. An EU-Canada Mineral Investment Facility (MIF) has the potential to offer mining companies better and cheaper financing in the context of a capital-constrained market.

**Mining companies operating in Europe face challenges obtaining their social license**

In 2004, the Leoben Report commissioned by the European Commission found that mining companies struggled to obtain their social license to operate from local communities. This was in part due to a lack of understanding on the importance of the industry to the European economy, as well as a mistrust of the level of impact on the environment of mining operations from a number of major incidents. In some Member States, public opposition to mining projects has resulted in delays or cancellation of mining permits altogether. It is critical that mining companies take the appropriate measures to obtain their social license to operate, which means that, fundamentally, mining companies have as their core values environmental stewardship and benefits-sharing.

**Next steps**

The study is scheduled for 18 months and started in January 2017. It includes two stakeholder consultations on 15th June 2017 in Europe, and in November 2017 in Canada and a major conference and representation at the PDAC 2018.

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The EU's feasibility study on a Minerals investment facility
First Workshop in Brussels

On June 15, the first workshop was held to discuss challenges and opportunities around investment possibilities between the EU and Canada across the entire non-energy extractive industry (NEEI) value chain. The workshop was attended by critical members of the NEEI value chain who are potential future partners in the endeavor. Discussions included a recently released EU Feasibility Report on the partnership and challenges that must be taken into account moving forward. Stakeholders reached a consensus that such a partnership would be mutually beneficial to all parties and shared a commitment to work together across all aspects of the sector.
Euromines

Euromines is the recognized representative of the European metals and minerals mining industry. The members’ main objective is to promote the industry and maintain their relations with European institutions at all levels. Euromines provides services to its members with regard to EU policy and forms a network for cooperation and the exchange of information throughout the sector within Europe. The association also supports contacts with the mining community throughout the world.

Euromines members are large and small companies who with their subsidiaries in Europe and in other parts of the world provide jobs to more than 350,000 people. Their activities and operations produce more than 42 different metals and minerals.

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