



BAD PROSPECTS

The Mining Exploration Financial Model that Rewards a Few While Creating Excessive Risks in the Shared Watersheds of British Columbia and Alaska

EXECUTIVE SUMMARY

The transboundary watershed region, a vital and heavily glaciated ecological and cultural area where large salmon rivers flow from Northwest British Columbia (B.C.) into Southeast Alaska, faces escalating pressure from B.C. mining exploration propelled by a complex version of the Prospect Generator Model (PGM).

An Environmental Investigation Agency (EIA) study reveals that the PGM, as employed in this region known to the mining industry as the “Golden Triangle,” shares many of the structural and operational attributes of a Ponzi scheme.

Our investigation found a web-like network of more than 450 Canadian companies that are currently linked through the PGM and focused on claims staking and mining exploration across Northwest B.C. EIA estimates over 80% of these B.C. mining claims are within 5 km of a river or stream and about 18% of claims are on top of glaciers. These “prospect generators” are mining not gold as much as retail investors and uniquely Canadian tax benefits. Most of these companies are only listed on the Toronto Venture Stock Exchange (TSX.V) and generate no revenue.

These companies rely on a continuous stream of funds from smaller investors to pay handsome executive salaries, dig hundreds of kilometers of holes, build

infrastructure such as roads, bridges, and camps along fragile ecosystems like retreating glaciers and wild salmon habitat, and establish joint ventures and option agreements with other companies. Mining-friendly laws like the colonial B.C. Mineral Tenure Act and incentivizing tax policies in Canada and B.C., like Flow-through Shares and the Mineral Exploration Tax Credit, make this salmon-rich region a particularly attractive place for mining executives and major investors to deploy this financial approach as part of a new speculative gold rush.

The hope of retail investors is that one of these prospects will one day become a highly profitable mine, meaning large returns. However, according to the Association for Mineral Exploration, only one in 10,000 claims becomes a mine, which means average investors, Canadian taxpayers, Indigenous peoples, rural residents, and U.S. communities and economies downstream are left shouldering the financial and environmental risks and costs of the Prospect Generator Model and B.C. gold mine



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exploration. Meanwhile, a small cohort of distant mine owners and major investors get rich while carrying almost no risk. Such imbalance distorts the risk-to-reward ratio and raises questions about the long-term financial sustainability for investors and the social responsibility of mining enterprises.

For ten years, Alaska Tribes, municipalities, commercial fishermen, lawmakers, and tens of thousands of U.S. and Canadian citizens have expressed concern about Canada's industrialization and pollution of shared wild salmon rivers. Two large-scale B.C. mines with tailings dams currently operate and one abandoned B.C. mine has been polluting for over 65 years in the region, and over 100 mine projects are in some phase of exploration, proposal, or development. Alaska Senator Lisa Murkowski recently wrote to President Biden urging the U.S. to not support any mine in Canada until the calls of Alaska Tribes and communities for international watershed protections are addressed.

Given the myriad adverse social and environmental impacts perpetuated by the PGM and the lack of benefits to any but a few made clear in this investigation, Canada's support for initiating new gold exploration projects in the AK-B.C. transboundary region and continued support for big tax incentives for mine proponents is puzzling. There is a growing consensus that global gold stocks are more than adequate, with over 90% of newly mined gold used for jewelry or bullion, not renewable energy production; irreversible impacts to Indigenous communities and this biodiversity hotspot are increasing; and researchers predict thousands of kilometers of new wild salmon habitat will emerge here this century as glaciers melt – if they are not first dug up for mine exploration and development. In light of these challenges, it is imperative to revise or terminate British Columbia and Canadian policies that foster PGM-driven exploration and to enforce regulatory changes that prioritize Indigenous rights and environmental protection.

RECOMMENDATIONS

- The United States should adhere to Alaska's Senator Lisa Murkowski's request to President Joe Biden in a letter dated Sept. 15, 2023 "not to allocate any U.S. funding to Canadian projects in the transboundary watershed in general, and to withhold all U.S. support for [mining] projects within Canada" until two conditions are met: (1) Active remediation is "underway at the Tulsequah Chief mine...."; and (2) "...support the request of Alaska Tribes, municipalities, business owners, and residents to establish a robust international framework that strengthens governance while preventing and resolving disputes over the use of shared waters."
- The Canadian federal and British Columbia provincial governments should revise and/or terminate tax benefits such as Flow-through Shares and the B.C. Mineral Exploration Tax Credit to prevent harmful mining exploration under the Prospector Generator Model.
- The British Columbia provincial government should reform the B.C. Mineral Tenure Act to require the Free, Prior and Informed Consent of First Nations in accordance with the United Nations Declaration on the Rights of Indigenous Peoples and should engage with First Nations to review existing claims for potential reassessment. Additionally, B.C. should not allow new mineral claims to be staked while a new claims-staking system is developed.
- The Canadian federal and British Columbia provincial governments should require financial assurance and liabilities for mineral exploration.
- Canadian provinces and territories should strengthen the disclosure requirements for companies to be publicly listed on their stock exchanges.
- The global community should consider the merits of an agreement to limit new gold production and instead use the gold resources already available.

KEY FINDINGS

- 20% of all B.C. mine claims by area are located in this salmon-rich region
- 18% of mine claims in the AK-B.C. transboundary region are covered by glaciers
- Over 80% of B.C. mine claims in this region are within 5 km of a river/stream
- Over 100 B.C. mine projects in some phase of exploration, proposal, or operation here
- Over 450 mine companies are linked in network that shares attributes of a Ponzi scheme
- Most of these companies are only listed on the TSX.V and generate no revenue
- Canada is incentivizing gold prospecting, not international collaboration or climate action
- Canada's/B.C.'s tax benefits for mining companies here = \$500 million in forgone taxes
- Case studies: winners (mining executives, big investors) & losers (retail investors, Canadian taxpayers, downstream communities and economies, wild salmon)