



Risks and opportunities for Canadian miners

July 2021

Canada is a significant player in the global mining industry, home to some of the world's largest metal and mineral companies and projects, and a key producer of commodities important to the Canadian and global economy. So, when the COVID-19 pandemic hit last year, it had a major impact on sector stakeholders across the country, including companies, employees, communities and investors.

Like other industries, Canadian miners responded immediately to the pandemic to ensure the safety of employees, the communities in which they operate and the security of supply chains. The industry, while generally considered essential, faced shut downs and drew from its strong health and safety culture to rapidly recalibrate and resume operations.

Today the sector appears well-positioned to take advantage of the post-pandemic recovery.

KPMG's [Risks and opportunities for mining: Global outlook 2021](#) highlights the sector's resiliency facing complex and diverse risks ranging from commodity price fluctuations and economic uncertainty to access to capital and ESG issues. Survey respondents are largely confident in dealing with these challenges.

The survey shows the Canadian-based miners share many of the same concerns as their global peers, but with a few notable differences in areas such as **growth, ESG and industry outlook**. Here we dig a bit deeper to compare concerns among Canadian-based companies with their global peers.*

KPMG's 2021 global mining risk survey



Canadian-headquartered mining companies were 39% of the 228 survey respondents

*Global numbers for comparison exclude Canada

Industry identified risks

Top risks – Global respondents

Top risks – Canadian respondents

Commodity price risk	01	Commodity price risk	–
Global pandemic	02	Global pandemic	–
Economic downturn/uncertainty	03	Community relations and social licence to operate	↑
Community relations and social license to operate	04	Permitting risk	↑
Environmental risks, including new regulations	05	Economic downturn/uncertainty	↓
Permitting risk	06	Political instability/nationalization	↑
Political instability/nationalization	07	Ability to access and replace reserves	↑
Access to capital, including liquidity	08	Access to capital, including liquidity	–
Ability to access and replace reserves	09	Controlling operating costs	↑
Regulatory and compliance changes/burden	10	Environmental risks including new regulations	↓

Growth prospects

Our survey shows about two-thirds of both Canadian and global mining companies are confident about their organization's ability to grow coming out of the pandemic, which initially hit most commodity prices hard, except for gold, given its status as a haven in tough economic times. Prices for many commodities subsequently rebounded and are continuing to rise, likely improving the outlook since our survey.

Still, there were some differences in how Canadian and global companies expect to find growth: About two-thirds of Canadian miners believe organic growth is important to expand over the next three years compared to just over half of global respondents.

M&A activity was cited by 44% of Canadians as important for growth versus 22% globally. The results may not be surprising given the numerous small- and medium-sized miners headquartered in the country, which are often prime M&A targets, and given increased calls for consolidation as a key

Top strategies for growth – Canada



Organic Growth



M&A



Innovation and technological transformation



Productivity gains from existing operations / Joint ventures and partnerships



Growth prospects - continued

growth strategy. The survey shows about two-thirds of both Canadian and global mining companies believe that the **industry needs to consolidate to manage costs and risk more effectively**.

More than half of both Canadian and global miners agree their companies need to **embrace new business models**, such as strategic partnerships, private equity funding and public-private partnerships, to succeed. The survey shows about 40% of both Canadian and global miners agree that **access to capital** has been a challenge over the past three years and about a third of Canadians said it was an issue that has forced them to alter their strategy in the future, versus 42% of global companies. However, more Canadian miners say their ability to access traditional sources of capital has improved over the past year. We have seen increased demand for 'green' metals such as lithium, cobalt and

nickel, which are critical to the world's evolution to clean energy. With more mining companies listed on the Canadian stock exchanges than any other market in the world, many of these companies are raising funds here in Canada, and in the US.

The survey also shows **miners are focused on innovation and technology** to help control costs and grow sustainably. About a third of Canadian and global miners believe innovation and technological transformation will drive future growth. The survey also shows nearly half of global and Canadian miners expect major technology disruption in the industry in the next three years, and just over 80% view it as an opportunity instead of a threat. Still, only a third of Canadian miners say their organization is actively disrupting the sector, versus just over half of global respondents, which could be an **issue for future competitiveness**.



ESG under the spotlight

ESG issues were among the top five risks cited by Canadian and global companies, including community relations, social licence to operate and environmental risks, namely permitting. Only macroeconomic risks, including commodity prices, the pandemic and the global economy ranked higher. Canadian miners are more concerned about “S” in ESG – community relations and social license – compared to their global peers.

Canadian and global miners overwhelmingly agreed they need a clear, measurable ESG strategy and believe their future success depends on it. The survey shows 90% of Canadian miners, versus 79% globally, agree their companies are increasingly being measured on their success against ESG targets. The higher result in Canada could be due to the growing focus investors, government and other stakeholders have on ESG. The mining industry is not alone – institutional and other investors are increasingly adopting sustainable investing strategies for all industries – and companies need to prepare for greater scrutiny around sustainability performance to continue to access capital.





Industry outlook

Canadian miners are more optimistic about their organizations and the overall industry coming out of the global pandemic and economic downturn compared to their global peers. The survey shows 24% of Canadian miners are “significantly more optimistic” about their companies, double the number from the global group. This is consistent with the higher number of Canadian companies who believe access to traditional forms of capital have improved.

The more positive outlook from Canadian mining companies indicates the sector continues to adapt to the challenges it faces – and the pandemic was certainly a big one. The survey suggests miners in Canada and worldwide are readying to embrace change – everything from technological disruption to improving ESG performance – to strengthen their balance sheets and grow sustainably.

For more information about this survey and risk management for today’s global mining industry, connect with us today.





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