Seize the day

The mining industry in British Columbia 2010

pwc

"2010 results reflect the ongoing resurgence of mining in BC. Revenues and earnings reached near record highs."

Cover and facing photo Daniel Henshaw, courtesy of Imperial Metals Corporation

Preface

PricewaterhouseCoopers LLP ("PwC") is pleased to present our latest annual BC Mining Survey, the 43rd year of publication. This year's report summarizes the 2010 financial results and major trends in British Columbia's mining industry. This survey has been independently prepared by PwC with the cooperation and assistance of companies with mining operations in the Province. We are extremely grateful for the continued support of the participants; a testament to the commitment and dedication of the stakeholders in this important sector. The PwC report has gained a reputation as a carefully compiled, independent and reliable snapshot of the state of BC's mining industry and is relied upon and extensively used by industry, government and academia.

The survey continues to benefit from high levels of participation from mining companies—the 2010 survey includes 17 operating metal and coal mines, 1 smelter operation, 12 operations in the permitted or active permitting stage, 8 advanced exploration stage properties and 4 mines in the reclamation stage, for a total of 42 participants for 2010, one more than 2009.

Methodology

Data was gathered from participants on-line by means of a comprehensive, confidential questionnaire. PwC independently reviewed the survey responses for reasonableness and consistency; however, no attempt has been made to bring all companies to a common basis of accounting.

Consistent with the previous surveys, the survey does not include information about the significant number of exploration stage and operating mining companies which have a head office in BC but carry out activities outside the Province.

For the purpose of the PwC's survey, mining activity is defined as the exploration for, and extraction and primary processing of, metals and coal. Primary processing includes processing of raw materials through to refined metals, but does not include fabrication.

The principal products of the companies surveyed are Coal, Copper, Zinc, Lead, Molybdenum, Gold and Silver. Consistent with prior years, the operating results of the Rio Tinto Alcan smelter at Kitimat are not included. Teck's Trail smelter is included, and its operating results may include concentrates which are mined outside the Province.

Since 1968, many mines have opened and closed in BC, and companies are not always consistent in their participation and presentation. Consequently, the historical figures are not fully comparable from year to year but we still consider the results to be representative of the overall industry in British Columbia.

This report has been published by PwC BC Region Mining Practice. We would like to extend our gratitude to the participating companies, the Government of British Columbia, the Association of Mineral Exploration BC, and the Mining Association of BC for their continued support.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Vancouver, BC
May 10, 2011

Participants

Operating

Brule (Western Coal Corp.)
Coal Mountain (Teck Resources Limited)
Elkview (Teck Resources Limited)
Endako (Thompson Creek Metals Company)
Fording River (Teck Resources Limited)
Gibraltar (Taseko Mines Limited)
Greenhills (Teck Resources Limited)
Highland Valley Copper (Teck Highland Valley Copper Partnership)
Huckleberry (Huckleberry Mines Ltd.)
Kemess South (Northgate Minerals Corporation)
Line Creek (Teck Resources Limited)
Max Molybdenum (Roca Mines Inc.)
Mount Polley (Imperial Metals Ltd.)
Myra Falls (Breakwater Resources Ltd.)
Quinsam Coal (Quinsam Coal Corporation)
Trail Metal Smelter Operations (Teck Resources Limited)
Willow Creek (Western Coal Corp.)
Wolverine (Western Coal Corp.)

Development stage — Permitted or Active Permitting

Copper Mountain (Copper Mountain Mining Corp.)
Galore Creek (NovaGold Resources Inc.)
Hermann (Western Coal Corp.)
Mount Klappan (Fortune Minerals Ltd)[1]
Mount Milligan (Terrane Metals Thompson Creek Metals Company)
New Afton (New Gold Inc)
Prosperity (Taseko Mines)
Red Chris (Imperial Metals Ltd.)
Schaft Creek (Copper Fox Metals Inc.)[1]
Table Mountain (Hawthorne Gold Corp.)
Turnagain Nickel Project (Hard Creek Nickel Corp.)
Yellowjacket (Eagle Plains Resources Ltd.)

Exploration

Afton – Ajax (KGHM Ajax Mining Inc.)[1]
Belcourt-Saxon (Western Coal Corp.)
Catface (Imperial Metals Ltd.)[1]
Davidson Moly (Thompson Creek Metals Company)
Lillyburt (Western Coal Corp.)
Ruddock Creek (Imperial Metals Ltd.)
Teck Resources Limited (Head Office)
Teck Resources Limited (Exploration)

Reclamation[2]

Bell (Xstrata Plc.)
Brenda (Xstrata Plc.)
Equity Silver (Goldcorp Inc.)[1]
Sullivan (Teck Resources Limited)

Notes

1. New participants for 2010
2. Participants in the reclamation phase are different than in prior year and therefore results may not be comparable

Participant locations in 2010

Highlights

Gross mining revenues

Gross mining revenues increased by $0.9 billion to $7.9 billion in 2010, returning to 2008 historic levels. The entire industry rebounded from the effects of the global slow-down in recent years, with Coal and metal prices continuing to increase in 2010.

Net income (pre-tax)

Net income before taxes increased by $1.5 billion to $3.7 billion in 2010. The 2010 total includes gains on asset disposals totaling $0.8 billion. Excluding these, net income before taxes increased by $0.7 billion. Some of the earnings reported are generated by joint ventures and do not include income taxes. Therefore, reporting of income taxes is not consistent among participants. Consequently, to provide consistency in results, earnings have been reviewed on a pre-tax basis.

Foreign exchange

Foreign exchange averaged 1.0299 C$/US$ in 2010, compared to 1.1415 C$/US$ in 2009. The Canadian dollar strengthened in 2010 compared to 2009, with an estimated aggregate negative impact of $856 million on gross revenues, excluding the impact of any hedging. In the first quarter of 2011, the Canadian dollar continued to strengthen to an average of 0.9860 C$/US$.

Direct employment

The average number of individuals employed by BC mining companies increased to 8,195 in 2010, compared to 7,688 during 2009. Average earnings in 2010 remained relatively constant decreasing marginally from $110,800 to $108,100.

Return on shareholders investment

Pre-tax return on shareholders' investment increased from 44.3% in 2009 to 62.9% in 2010. Excluding gains from asset sales, pre-tax return on shareholders' investment increased to 49.3%.

Cash flows

Cash flows from operations increased by 32% from $2.2 billion in 2009 to $2.9 billion in 2010, reflecting the increased net revenues generated in the year.

Capital expenditures

Capital expenditures increased by 120% from $568 million in 2009 to $1,252 million in 2010. This is a reassuring measure of the continued investment in mining in the Province.

Exploration

Exploration spending by survey participants, which includes greenfield exploration, and exploration on developing and non-developing properties, increased 29% from $157 million in 2009 to $203 million in 2010. $141 million of these expenditures focused on properties under development, $17 million related to producing properties and $45 million was attributed to greenfield exploration.

Total mineral exploration expenditures in British Columbia, estimated at $154 million in 2009, increased to $322 million[1] in 2010, representing an increase of 109%.

Coal

Shipments of Metallurgical Coal increased by 32% from 16.9 million tonnes in 2009 to 22.3 million tonnes in 2010, while Coal prices saw increases from an average of US$157/tonne in 2009 to US$181/tonne in 2010. Coal, at approximately 51%, remained the most significant contributor to net revenues in 2010.

Copper

Shipments of Copper concentrate decreased from 730,000 tonnes in 2009 to 712,000 tonnes in 2010. Copper concentrate contributed 21% of net revenues in 2010 with an increase in the average price from US$2.35/lb in 2009 to US$3.40/lb in 2010. Total net revenues increased from $1.2 billion in 2009 to $1.4 billion 2010. In the first quarter of 2011 Copper's average realized price increased to US$4.38/lb.

Zinc

Zinc and Zinc concentrates contributed net mining revenues of $755 million in 2010, which was an increase of 29% from 2009's $587 million. This was caused by stronger prices, where the average price of Zinc was US$0.75/lb in 2009 compared to US$0.98/lb in 2010. Shipments also increased 15% from 289,000 tonnes in 2009 to 332,000 tonnes in 2010. In the first quarter of 2011, Zinc prices increased to an average of US$1.09/lb.

Precious Metals

Net mining revenues for Gold decreased from $309 million in 2009 to $224 million[2] in 2010 for a decrease of $85 million, or 28%. The average price of Gold increased by 26%, from US$974.02/oz in 2009 to US$1,226.78/oz in 2010. In the first quarter of 2011 Gold prices continued to climb, averaging US$1,387.73/oz.

Net mining revenues for Silver increased 44%, from $288 million in 2009 to $416 million in 2010. Average prices increased from US$14.70/oz in 2009 to US$20.22/oz in 2010, for an increase of 38%. The average Silver price in the first quarter of 2011 increased to US$31.92/oz.

Molybdenum

Average Molybdenum prices increased from US$11.12/lb in 2009 to US$15.80/lb in 2010, for an increase of 42%. Net mining revenues resulting from Molybdenum were constant, from $241 million in 2009 to $255 million in 2010 based on reported revenues by participants. In the first quarter of 2011 average prices improved to US$17.30/lb.

Lead

Shipments of Lead and Lead concentrates decreased from 73,000 tonnes to 70,000 tonnes, representing a decrease of 4%. The decrease in shipments was accompanied by an average increase in price of US$0.19/lb, from US$0.78/lb in 2009 to US$0.97/lb in 2010. The increase in price led to a 13% increase in net mining revenues, from $139 million in 2009 to $157 million in 2010. In the first quarter of 2011 average Lead prices increased to US$1.18/lb.

Statistical Outlook Summary

($CAD millions, except where otherwise noted)

	2010	2009	2008
Gross mining revenues	$ 7,905	$ 7,019	$ 8,355
Net revenues	6,574	5,733	6,779
Net income (pre-tax)[3]	3,718	2,250	3,234
Cash flow from operations	2,855	2,169	3,423
Industry spending	6,089	5,675	6,116
Payments to governments[4]	691	411	545
Exploration and development expenditures	203	157	86
Capital expenditures	1,252	568	853
Pre-tax return on shareholders' investment (%)	62.9	44.3	97.5
Direct employment (number of employees)	8,195	7,688	7,607
Shipments (000's tonnes)	24,937	21,303	26,840
New capital raised	2,156	6,610[5]	12,290

Notes

1. Mining and Mineral Exploration in British Columbia, Overview 2010
2. Decrease in revenue is attributed to variations in byproduct yields
3. Some of the earnings reported are generated by joint ventures and do not include income taxes. Consequently, to provide consistency in results, net earnings have been collated and reported on a pre-tax basis
4. Includes direct taxes, other levies and payments related to employment
5. Includes $6.3 billion of debt refinancing

Financial results in 2010

2010 reflects the ongoing resurgence of the BC Mining industry. Realized Coal prices increased by 15% and coal remains the most significant component of the provincial mining revenues, representing approximately 51% of total net revenues reported by participants. Copper prices continued to climb, starting in 2010 at a first quarter average of US$3.28/lb and increasing to a fourth quarter average of US$3.90/lb, making the average price for 2010 greater than in 2009. Copper contributed approximately 21% of revenues to the industry. As a result, net income before taxes for the industry rose by 65%, increasing from $2.2 billion in 2009 to $3.7 billion in 2010. The 2010 total includes non-recurring gains on asset disposals of $0.8 billion. Excluding these, net income rose by $0.7 billion or 29%. Overall, operating companies enjoyed strong earnings and cash flows. At the other end of the spectrum, junior exploration mining companies saw improvements in the previously tight credit markets that had curtailed exploration activity after the 2008 market crash. Total mineral exploration expenditures for the year, as reported by the Government of BC totaled $322 million[6] (2009: $154 million).

British Columbia's mining activity has historically been dominated by the Coal sector. An increase in Coal prices was noted during the year, rising from an average price of US$157/tonne in 2009 to US$181/tonne in 2010. Coal shipment volume increased by 28% from 2009 contributing a $486 million increase in net mining revenues. The Canadian dollar strengthened to 1.0299 C$/US$ in 2010 from 1.1415 C$/US$, and this strengthening offset the increased commodity prices.

Copper's contribution to net mining revenues of $1.4 billion, increased by $154 million from the prior year as a result of the average price increasing from US$2.35/lb in 2009 to US$3.40/lb in 2010, which was partly offset by lower shipments.

Zinc sales contributed $755 million in net mining revenues in 2010, up from $587 million in 2009. The increase in sales was primarily attributed to an increase in Zinc prices, which rose from US$0.75/lb in 2009 to US$0.98/lb in 2010.

Gold prices strengthened, increasing from an average price of US$974.02/oz in 2009 to US$1,226.78/oz in 2010. Silver prices increased from an average of US$14.70/oz in 2009 to US$20.22/oz in 2010. Precious metals net revenues increased by $44 million over the prior year's results.

Earnings Summary

($CAD millions)

	2010	2009	2008
Gross mining revenues	$ 7,905	$ 7,019	$ 8,355
Less: Deductions	1,331	1,286	1,576
Net mining revenues	6,574	5,733	6,779
Operating costs and other expenses	3,878	3,581	3,770
Other income	(1,022)	(102)	(257)
Write-down of mining assets	0	4	32
Net income (pre-tax)	3,718	2,250	3,234

Overall, net mining revenues increased by $0.9 billion (from $5.7 billion in 2009 to $6.6 billion in 2010), operating expenses increased by 8% (from $3.6 billion to $3.9 billion), resulting in a net income (pre-tax) increase of $1.4 billion from the prior year ($2.3 billion in 2009 compared to $3.7 billion in 2010). The increase in expenses can be mainly attributed to higher purchases in production materials and supplies and machinery, equipment and construction materials. The increase in net income includes approximately $805 million in gains on capital asset sales.

With the increase in both gross and net mining revenues, total cash from operations also increased, from $2.2 billion in cash inflow in 2009 to $2.9 billion in cash inflow in 2010. Pre-tax return on shareholders' investment increased significantly from 44.3% in 2009 to 62.9% in 2010. Excluding gains from asset sales, pre-tax return on shareholders' investment increased to 49.3%.

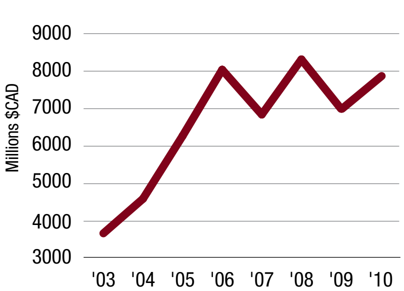
Capital expenditures increased from $568 million in 2009 to $1,252 million in 2010, for an increase of 120%. This increase is primarily caused by higher amounts spent on surface construction, from $123 million in 2009 to $333 million (evenly spent by developing and operating properties) in 2010, for an increase of 171% and machinery and equipment, from $311 million in 2009 to $645 million (largely attributable to operating properties) in 2010, for an increase of 107%. Most importantly for the Province, the increase signals the fact that three new major metals mines are currently under construction or in the commissioning phase (Copper Mountain, New Afton and Mt. Milligan).

Notes

6. Mining and Mineral Exploration in British Columbia, Overview 2010

> ***"Foreign investment is another sign of confidence that mining is a good thing to do in British Columbia and is a good place to be"***
>
> John McManus, Senior Vice President, Operations, Taseko Mines

Gross Mining Revenues



Net Income (Pre-tax)

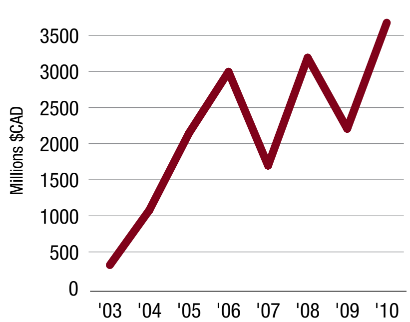
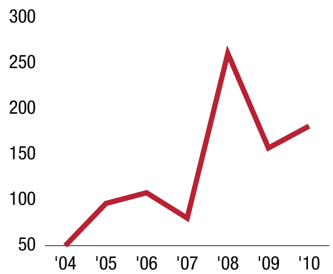


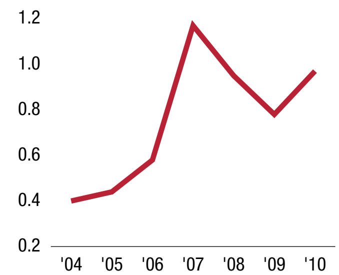
Photo Daniel Henshaw, courtesy of Imperial Metals Corporation

Mineral revenues, shipments and market prices

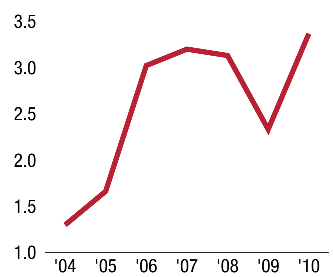
Coal



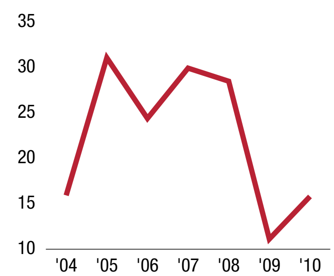
Lead (LME Cash)



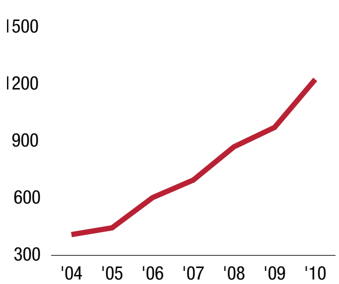
Copper (LME Grade A)



Molybdenum (Dealer Oxide)

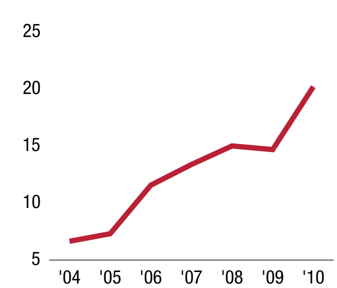


Gold (London Final)



Zinc (LME Cash)

Silver (London Spot)



Gross mining revenues in 2010 amounted to $7.9 billion, while net mining revenues were $6.6 billion, representing increases over 2009 of $0.9 billion in both cases. Coal generated the most significant increase. In aggregate, net mining revenues from Metallurgical and Thermal Coal increased from $2.9 billion in 2009 to $3.4 billion in 2010, an increase of $486 million or 17%.

Of the total net mining revenue increase of $0.9 billion, $486 million arose from Metallurgical and Thermal Coal sales, $168 million from Zinc sales, $154 million from Copper sales and $128 million from Silver sales. These were offset primarily by a decrease of $85 million from Gold sales.

Coal is the most significant commodity for the province representing 51% of the total net revenues. Copper concentrates remained the second most significant contributor to revenues, with $1.4 billion in 2010 and $1.2 billion in 2009 (increase of 13%). Zinc and Zinc concentrates contributed net mining revenues of $755 million in 2010, for an increase of 29% from $587 million in 2009. This was attributed primarily to increasing prices (US$0.75/lb in 2009 and US$0.98/lb in 2010) and higher shipments of 332,000 tonnes in 2010 from 289,000 tonnes in 2009.

Metallurgical Coal revenues increased due to an increase in Coal price from 2009 and increased shipments. Shipments increased from 16.9 million tonnes to 22.3 million tonnes, for an increase of 32%. The price increase of 15% (US$157/tonne in 2009 and US$181/tonne in 2010), combined with a volume increase of 32%, resulted in net mining revenues from Metallurgical Coal of $3.0 billion in 2010, or an increase of 17% from the prior year's reported amount of $2.6 billion. The price of Coal has increased to US$207/tonne in the first quarter of 2011[8].

Copper concentrates shipment volumes decreased between 2009 and 2010 from 730,000 tonnes to 712,000 tonnes or 2%. The average price of Copper increased, from US$2.35/lb in 2009 to US$3.40/lb in 2010, or an increase of 45%. In aggregate, net mining revenues contributed by Copper concentrates amounted to $1.4 billion in 2010, for an increase of 13% from the prior year. In the first quarter of 2011 the price of Copper increased to US$4.38/lb. As of April 1st 2011, Copper futures contracts expiring in May 2012 are priced at US$4.24/lb[8].

Zinc and Zinc concentrate shipment volumes increased, from 289,000 tonnes in 2009 to 332,000 tonnes in 2010 (increase of 15%). The price of Zinc averaged US$0.75/lb in 2009 and rose to US$0.98/lb in 2010, for a resulting increase of 31%. The effect of increased shipments and significant price increases resulted in an overall rise in net mining revenues, from $587 million in 2009 to $755 million in 2010, or an increase of 29%. In the first quarter of 2011 the average price of Zinc rose to US$1.09/lb. As of April 1st 2011, Zinc futures contracts expiring May 2012 are priced at US$1.11/lb[8].

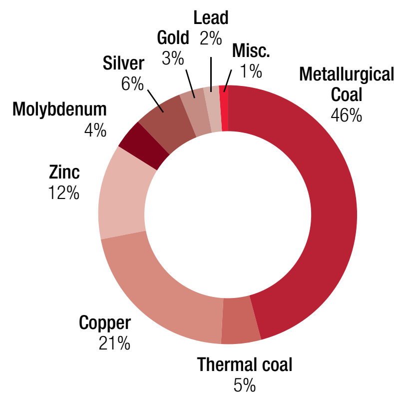
Silver prices increased from an average of US$14.70/oz in 2009 to an average of US$20.22/oz in 2010, for an increase of 38%. Net mining revenue increased, from $288 million in 2009 to $416 million in 2010, representing an increase of 44%. In the first quarter of 2011, Silver prices averaged US$31.92/oz. As of April 1st 2011, Silver futures contracts expiring in May 2012 are priced at $37.76/oz[8].

Molybdenum prices averaged US$11.12/lb in 2009 and increased to US$15.80/lb in 2010, representing an increase of 42% with a high of $17.58/lb in April 2010. Total Molybdenum net mining revenue increased from $241 million in 2009 to $255 million in 2010, for an increase of 6%. As of April 1st 2011, Molybdenum contracts expiring in June 2012 are priced at US$16.97/lb[8].

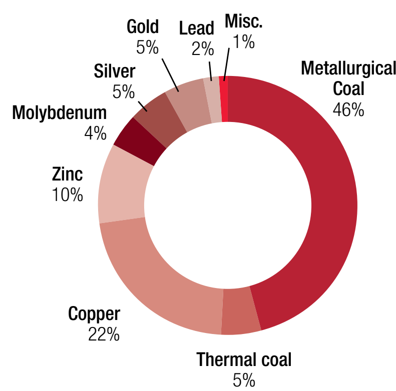
Gold experienced a surge in market price, increasing 26% from an average of US$974.02/oz in 2009 to US$1,226.78/oz in 2010. Gold is a by-product that primarily derives from Copper mining activities, resulting in a small proportion of revenues when compared to aggregate mining revenues. In 2010, there was downward movement in net mining revenues, with $224 million[7] in 2010 from $309 million in 2009 (decrease of 28%). Gold prices continue to strengthen, reaching an average of US$1,387.73/oz in the first quarter of 2011. As of April 1st 2011, Gold futures contracts expiring in April 2012 are priced at US$1,437.20/oz[8] .

Lead and Lead concentrate sales contributed $157 million in net mining revenues in 2010, up from $139 million in 2009. The average Lead price was up from 2009, at US$0.97/lb in 2010 compared to US$0.78/lb in 2009, for an increase of 24%. Lead experienced a decrease in shipment volume from 73,000 tonnes in 2009 to 70,000 tonnes in 2010 (a decrease of 4%). The price of Lead continues to gain strength in the first quarter of 2011, with an average realized price of US$1.18/lb for the quarter. As of April 1st 2011, Lead futures contracts expiring in May 2012 are priced at US$1.20/lb[8].

Net Revenue
by Product **2010**



Net Revenue
by Product **2009**



Notes

7. Decrease in revenue is attributed to variations in byproduct yields

8. Obtained from Bloomberg

Coal infrastructure – Port facilities

With the demand for coal high, British Columbia's ability to ship coal to customers is a potential bottleneck which could limit opportunities for BC mines.

***Ridley Terminals – Port of Prince Rupert*[9]**

Ridley Terminals ("Ridley") is the coal terminal at the Port of Prince Rupert. Ridley's annual shipping capacity is 12 million tonnes (expandable to 24 million tonnes) with Ridley handling a record 8.3 million tonnes of cargo last year with 80% of its volume being coal. The terminal is the closest site for miners to ship their product from coal rich properties in northern BC and it is the nearest port to the crucial Asian market with demand high for steel making and power generation. For mines in other parts of BC however, the cost to transport product to Ridley may reduce their desire to utilize the port.

***Westshore Terminals – Port of Vancouver*[9]**

Westshore Terminals is a coal terminal at the Port of Vancouver. Westshore's annual shipping capacity is 29 million tonnes with Westshore handling approximately 24.7 million tonnes of coal in 2010. Expansion plans expect capacity to reach 33 million tonnes by the end of 2012 (pending permit approvals).

***Neptune Bulk Terminals – Port of Vancouver*[9]**

Neptune Terminals is a coal terminal at the Port of Vancouver. Neptune's annual shipping capacity is 8 million tonnes per year. No publically available information on utilized capacity or possible changes to capacity was noted at the time of publication of this report.

***Rail Transport*[9]**

The two main railway companies that transport BC coal to the ports are Canadian National ("CN") and Canadian Pacific Railways ("CPR"). The main issue involving transportation of coal via rail is related to British Columbia's weather. With landslides and avalanches through the winter season, the main concern for BC coal producers is maintaining access to rail track in order for shipments to reach the coast.

As demand for the Province's minerals increase, port capacity will remain a key element of ensuring that new projects and expansions are able to ship product to the Asian markets.

Source

9. BC Government Website Ministry of Energy, Mines and Petroleum Resources

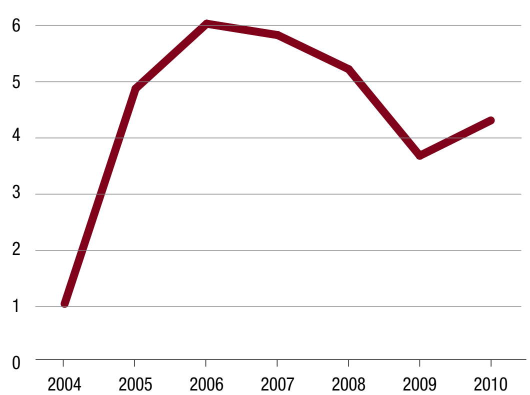
Exploration and development

Mineral exploration and development activities in British Columbia as reported by survey participants, increased from the prior year. In 2010, survey participants reported $203 million in expenditures, up 29% from the prior year expenditure amount of $157 million. Of the overall reported spending in exploration and development, $141 million was incurred on properties under development, $45 million was greenfield exploration, $17 million was development on producing properties within the province.

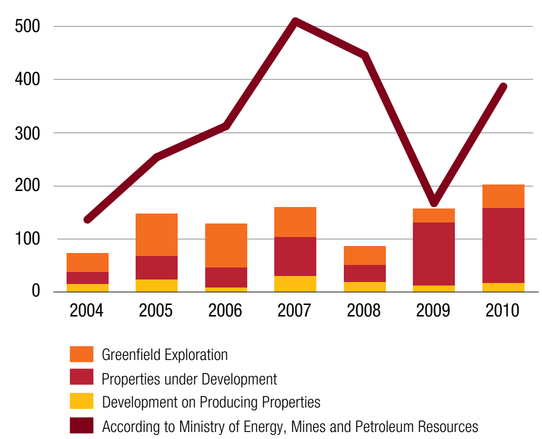
As noted earlier in the survey, reported results do not account for many junior companies and individuals solely involved in exploration activities in the Province and also exclude many exploration activities of mining companies domiciled outside of BC. Thus, the reported results from the survey understate total actual expenditures. The government of British Columbia estimates total mineral exploration expenditures in BC of $322 million[10] for 2010 (2009: $154 million).

Total claims tenured in 2010 covered 4.3 million hectares , an increase of 17% from 2009 claims staked of 3.7 million hectares. In the first quarter of 2011, 1.2 million hectares were registered, consistent with the 1.2 million hectares[11] in the first quarter of 2010.

Claims Staked in BC[11]
(millions of hectares)



Exploration and Development Expenditures in the Province



Notes

10. Mining and Mineral Exploration in British Columbia, Overview 2010

11. Obtained from the Mineral Titles Branch of the Ministry of Energy, Mines and Petroleum Resources

Highway 37 and Northwest Transmission Line

In 2009, a commitment was announced by the government for engineering, environmental assessment and aboriginal consultation for a power line project along the Northwest Transmission Line ("NTL") in BC. The proposed power line will run along Highway 37, located within the northwest BC region which is an area with substantial mineral development potential. According to the Mining Association of BC, "the project has the potential to attract $15 billion in new capital investments and create almost 11,000 jobs, as well as reduce greenhouse gas emissions."[12]

In 2010, the NTL was in the final planning stages at BC Hydro. The NTL project is considered a clean power expansion covering 335 km from the Skeena substation near Terrace northward to a planned substation at Bob Quinn Lake with an expected total cost of $404 million. The NTL project plans to bring power not only to mines and industrial developments, but also communities in northwest BC.

The line is an important catalyst for the level of mining activity in the area. The NTL line will provide low cost power for seven of the twenty exploration or development stage projects currently in the Province. These projects include Red Chris, Galore Creek, Davidson, Kitsault, Mount Klappan, Sustut, Turnagain, and Table Mountain.

In January 2011, the Highway 37 project review documents were submitted to the Provincial Ministry of Forests, Mines and Land and the Ministry of Environment. Federal government approval was also required. The transmission line costs will be funded by the Federal Government for $130 million through the Green Infrastructure Fund and Altagas, who entered an agreement with BC Hydro worth $180 million in exchange for access to the Provincial power grid. The balance remaining is expected to be shared by the Province of BC and companies that want to tie into the line.

In February 2011, BC Hydro received an environmental assessment certificate for the proposed NTL project. The project approval includes new access roads, an upgrade to the existing Skeen substation and construction of the new Bob Quinn substation. The three year construction phase could start in the spring and is expected to generate direct employment for the local communities.

The benefits of this project are substantial as existing sites in the area will receive significant cost savings by avoiding the use of diesel generators and reducing their carbon footprint. In addition, with the construction of the NTL along Highway 37, the benefits for investment in future exploration and development stage mines in the area is also substantial.

Highway 97

The NTL is not the only provincial initiative that will benefit the mining industry. The Ministry of Transportation and Infrastructure is building the first $200 million, five year phase of the Cariboo Connector widening Highway 97 from Cache Creek to Prince George improving the link to the southern part of the province, most notably the port of Vancouver.

The project has the potential to attract $15 billion in new capital investments and create almost 11,000 jobs, as well as reduce greenhouse gas emissions.[12]

Sources

BC Hydro Website

Highway 37 Website

Northwest Power Line Coalition

12. Pierre Gratton, President and CEO; Mining Association of British Columbia

Foreign investment in the BC mining industry

Investment into the BC mining industry is important for continual growth and development within the Province. At the Mineral Exploration Roundup hosted by the Association for Mineral Exploration British Columbia, former Minister of State for Mining Randy Hawes stated mining is crucial to BC's success.

The industry spent $154 million during 2009 on exploration, which more than doubled to $322 million in 2010. This represents the third highest total over the past 16 years returning to 2007 – 2008 levels. This underlines the importance the mineral industry is playing in British Columbia's economic recovery. Exploration investment is a key indicator of mining's future in the Province as it promotes development and the expansion of existing sites.

Foreign investment has increased as demand for BC commodities continues to grow in Asian countries. During 2010, there were significant foreign investments made in BC mines, including Copper Mountain and Gibraltar.

In January 2010, Japan's Mitsubishi Materials Corporation invested $250 million in Copper Mountain's Similco copper mine near the town of Princeton in Southern BC. Mitsubishi Materials Corporation and Copper Mountain Mining Corporation agreed on a re-development plan that takes advantage of existing infrastructure creating a projected restart of mid 2011.

The Similco mine began producing in 1923 and stopped during 1996 due to low copper prices. With this new investment and the reopening of the mine, significant numbers of new jobs have been created and will boost the local economy.

In March 2010, it was announced that Japan's Sojitz Corporation invested $187 million in Gibraltar Copper Mine Ltd owned by Vancouver based Taseko Mines Ltd. With the investment, a 25 percent stake in Gibraltar is now owned by Cariboo Copper Corp which is jointly owned by Sojitz Corporation (50%), Dowa Metals & Mining Co. Ltd. (25%) and Furukawa Co. Ltd (25%).

Sources

Northern Miner Jan 31 – Feb 6 2011 Volume 96 No 50

BC Government Website

Mitsubishi Materials Corporation Website

Employment

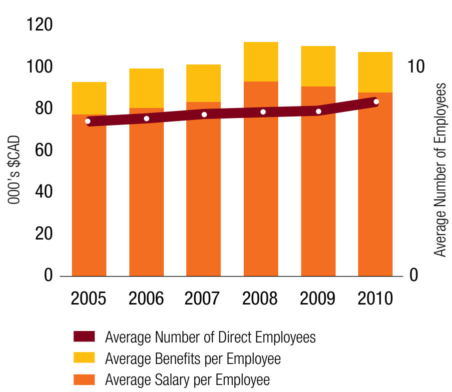
Total salary and benefits amounted to $886 million in 2010 compared to $852 million in 2009, resulting in an increase of 4%, with less than $1 million in severances reported by participants. The average number of individuals employed by the mining industry was 8,195, up from 7,688 employees in 2009 (increase of 7%). Average salaries and benefits remained consistent, with only a marginal 2% decrease to $108,100 down from the prior year average compensation of $110,800.

Total training hours reported fell from 178 thousand hours to 68 thousand hours, a drop of 62% with related costs decreasing 51% from $13.7 million in 2009 to $6.7 million in 2010. This resulted in increased cost per hour from $77 in 2009 to $100 per hour in 2010.

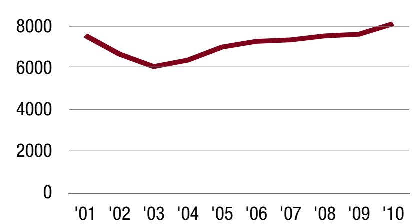
Consistent with the prior year, WorkSafeBC statistics reports that the provincial mining industry is regarded as the safest industry in British Columbia. Since 1993, the employee injury rate has been reduced by half, to 1.9 injuries per 100 worker-years[13].

As at April 2011, the BC Environment Assessment Office reports 3 metal and Coal mining projects under the provincial review process, 22 in the pre-application stage and 1 project that completed the process in 2010 and the first quarter of 2011[14].

Average Salary and Benefit Cost per Employee



Direct Employment (Number of employees)



Notes

13. Information provided by Mining Association of BC

14. Information obtained from the Project Information Centre from the BC Environmental Assessment Office

Foreign exchange

In 2010, the strengthening of the Canadian dollar negatively affected net revenues reported by an estimated $856 million.

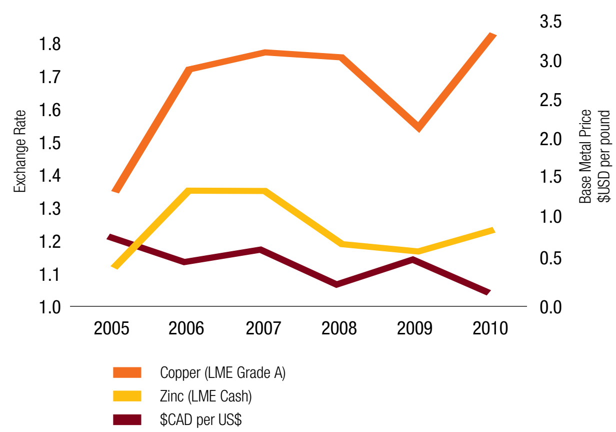
As metal and Coal prices are quoted in US dollars, the CAD to USD foreign exchange rate has a major impact on mining revenues for BC mines.

The Canadian dollar has fluctuated over the past six years from 1.2246C$/US$ to 0.9881C$/US. During 2010 the dollar strengthened from 1.1415 C$/US$ in 2009 to 1.0299 C$/US$ in 2010, representing an increase of 10%.

The revenue change due to a 1 cent change in value of the Canadian dollar versus US dollar would cause a fluctuation of approximately $77 million in 2010 gross mining revenues. The effect of a 1 cent change in C$/US$ in 2009 was $61 million in gross revenues. In 2010, the strengthening of the Canadian dollar negatively affected net revenues reported by an estimated $856 million.

In the first quarter of 2011, the average exchange rate further strengthened to 0.9860 C$/US$. One negative impact of a strengthening Canadian dollar is that it will decrease revenues as reported in this survey as they are driven by US$ based commodity prices. The one-year forward bid exchange rate for May 2011 was $0.9598 C$/US$. If the rate of $0.9598 C$/US$ had been in effect through the whole of 2010, it would have decreased gross mining revenues reported by approximately $88 million.

CAD/US Exchange Rate vs. Selected Base Metal Prices



Industry expenditures

Aggregate expenditures in the mining industry increased $414 million, or 7%, to a total of $6.1 billion in 2010 compared to $5.7 billion spent in 2009.

In 2010, the largest individual component of industry expenditures was outward transportation costs of $974 million. This amount primarily comprised rail costs of $524 million (compared to $465 million in 2009), shipping costs of $105 million ($126 million in 2009), and wharfage fees amounting to $206 million ($194 million in 2009), with increases primarily attributable to increases in coal shipments. Production supplies and purchases of $499 million and out-of-province concentrate purchases of $830 million were the next highest industry expenditure categories. Total tonnages shipped increased from 21.3 million tonnes in 2009 to 24.9 million tonnes in 2010.

Direct tax payments increased by $266 million from $243 million in 2009 to $509 million in 2010.

Capital Expenditures

Total capital expenditures more than doubled from $568 million in 2009 to $1,252 million in 2010, for an increase of 120%. Of this amount $333 million was spent on surface construction (evenly spent by developing and operating properties) and $645 million on machinery and equipment (largely attributable to operating properties).

Of the $1,252 million in 2010, machinery and equipment purchases increased by $334 million to $645 million in 2010, compared with $311 million in 2009, resulting in an increase of 107%. Surface construction increased by 171% or $210 million from $123 million in 2009 to $333 million in 2010. Expenditures related to mine shafts and underground work increased from $60 million in 2009 to $132 million in 2010.

"BC's mining industry is the safest heavy industry in the province"

Pierre Lebel, Chairman, Imperial Metals Corp.

Mining and the Government

Expenditures to the government encompass various types of payments, primarily:

- Direct taxes represent both federal and provincial income taxes based on taxable income, municipal property taxes, federal and harmonized sales tax, and a provincial mineral tax based on operating profit.
- Payments related to employment consist of employee income tax deductions, Workers' Compensation premiums, and amounts relating to Canada Pension Plan and Employment Insurance.

In 2010, the BC mining industry, as reported by the participants in this survey, made total payments to the government of $691 million, an increase of $280 million from the payments of $411 million made in 2009. As indicated under Industry Expenditures above, direct tax payments rose by $266 million from $243 million in 2009 to $509 million in 2010, with $117 million of the increase being attributable to increases in coal mineral taxes.

The BC government provides assistance to individuals and corporations in the BC mining industry which incur certain qualifying "grass-roots" exploration through two special mining exploration tax credit programs:

- *BC Mining Exploration Tax Credit "BCMETC"* – a 20% refundable provincial income tax credit program for individuals, active members of partnerships, and corporations carrying out grass-roots exploration for qualifying resources in BC; and
- *BC Mining Flow Through Share Tax Credit "BC MFTS"* – a non-refundable 20% provincial income tax credit program for individuals investing in flow-through shares that finance qualifying grass-roots exploration by companies in BC.

The refundable tax credit program was previously extended to 2016 and the non-refundable flow-through credit program was extended to December 31, 2013 in the 2010 budget.

In order to assist companies raise capital for mining exploration, the March 2011 Federal Budget extended the 15% "super flow-through program" for another year to flow-through share agreements entered into before April 1, 2012. Therefore, the credit is available for expenditures that are incurred before 2013, or in 2012 with respect to funds raised with the credits in the first three months of 2012 pursuant to the look-back rules. This program combined with the 20% provincial tax credit program described above, should continue to support investor interest in early stage grass-roots exploration in BC in the near future. Survey participants did not report any flow-through share funding in 2010 compared with $7 million in 2009.

In its February 20, 2007 provincial budget, the BC government introduced legislation to provide an enhanced refundable provincial tax credit of 30% for qualified mineral exploration undertaken in prescribed Mountain Pine Beetle affected areas. The enhanced refundable provincial tax credit is available for individuals, active members of partnerships, and corporations carrying out grass-roots mineral exploration in BC in the prescribed affected areas. The prescribed Mountain Pine Beetle affected areas are defined by Regulation.

The BC government also announced in its 2007 provincial budget that it would extend the "new mine allowance" provided to operators subject to the BC Mineral Tax. The new mine allowance was intended to encourage the development of new mines by allowing for an enhanced 133% deduction of capital costs incurred to bring a new mine into production between December 31, 1994 and January 1, 2016.

The provincial sales tax on certain production mining machinery and equipment was eliminated with the introduction of the Harmonized Sales Tax on July 1, 2010.

Direct Tax Payments in Relation to Net Income (Pre-tax)

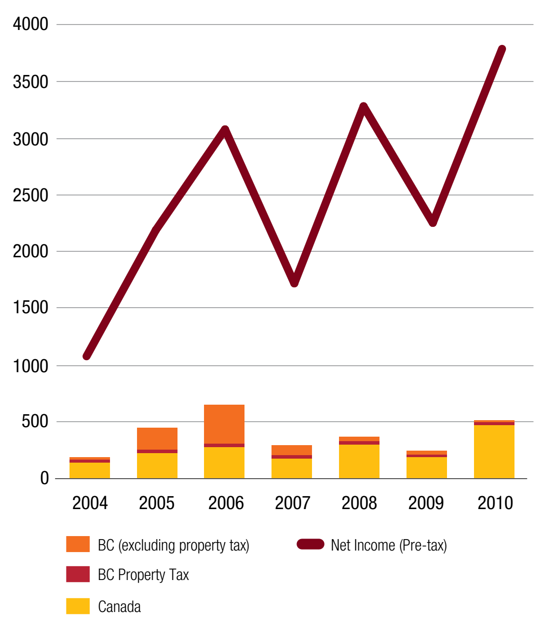


Photo Daniel Henshaw, courtesy of Imperial Metals Corporation

Harmonized Sales Tax in BC – Update for the mining industry

On July 1, 2010 the province of BC implemented the HST. The overall impact to the mining industry was favourable, producing anticipated cost savings in key areas such as capital expenditures.

Under the HST, although mining companies pay a higher rate of tax at the time of acquiring property and services, they are able to recover the 12% HST incurred by claiming input tax credits ("ITCs"). Consequently, mining companies enjoy a significant benefit with the removal of the non-recoverable Provincial Sales Tax ("PST") on the acquisition of taxable tangible personal property (which included software, hardware, certain vehicles, furniture, and non-manufacturing property). Overall, harmonization has resulted in lower costs, particularly with respect to mining expansion and should boost the competitiveness of the BC mining industry.

On July 1, 2010 the province of BC implemented the HST. The overall impact to the mining industry was favourable, producing anticipated cost savings in key areas such as capital expenditures.

As expected, there were certain concessions made to entice both BC and Ontario to harmonize their existing provincial sales tax regimes with the GST. In particular, amendments were introduced to the Excise Tax Act to impose a recapture[15] mechanism for the provincial portion of the HST on certain purchases made by a "Large Business" (a person is a Large Business if the sum of its GST/HST taxable supplies, both in and outside of Canada, and that of all associated entities, exceeds $10 million annually).

Therefore, mining companies that are a Large Business are required to recapture and remit the provincial component of the BC HST (or 7%) on the following classes of purchases:

1. Qualifying Motor Vehicles (weighing under 3,000 kg, including certain repair parts and services)
2. Specified Energy (other than energy used in producing goods for resale)
3. Specified Telecommunication Services (including cable and pay television, facsimile and electronic mail, but not including services such as internet access and toll-free numbers)
4. Specified Meals and Entertainment

Of particular interest to the mining industry is that the specified energy restriction does not apply to energy used by a Large Business directly by it in the production of (i) tangible personal property ("TPP") for sale by the business, or (ii) production equipment used by the business in the production of tangible property for sale. Where energy is not used directly in the production process, the 5% federal component of the HST will continue to be recoverable whereas the 7% provincial component will not.

The recapture does not apply to specified energy used directly in scientific research and experimental development ("SR&ED") activities in BC in respect of which SR&ED claims are made.

Production Proxy

Where at least 10% of all production in Canada in the previous fiscal year was carried on by the mining company in BC, a large business may elect to use a production proxy, rather than actual costs, to determine the amount of energy that is not used directly in the production of tangible property for resale, or directly in activities that are eligible SR&ED activities.

The production proxy looks to the most significant business activity of a large business and links such activity to 1 of 24 identified codes from the North American Industry Classification System for 2007 ("NAICS"). BC has stated that the mining and quarrying industries qualify under a specific NAICS code that translates to a Production Proxy of 4%.

Accordingly, a qualifying mining company engaged in mining and quarrying operations in BC would be eligible to recover 96% of the provincial portion of the BC HST paid on the purchase of all energy used in BC (4% would relate to non-production activities), thus eliminating the need to establish a methodology of allocating the energy use between the business' production operations and non-production activities (i.e. administrative buildings).

Photo Daniel Henshaw, courtesy of Imperial Metals Corporation

Notes

15. The concept of recapture is essentially that the registrant does not receive a full recovery of that tax and it becomes an expense.

Reclamation and environmental management

Reclamation is the process that includes, but is not limited to:

- maintaining water and air quality
- minimizing flooding, erosion and damage to wildlife and aquatic habitats caused by surface mining
- topsoil replacement and re-vegetation with suitable plant species
- restoring of mine site and removal of infrastructure

Our survey participants include four mines that are in the reclamation stage. Reclamation expenditures amounted to $54 million in 2010, decreasing by $8 million, or 13%, from $62 million in 2008.

It should be noted that these environmental expenditures do not include costs incurred by development stage enterprises in the Environmental Impact Assessment process.

Congratulations to survey participants Copper Mountain Mining and Terrane Metals (acquired by Thompson Creek Metals) who won the BC Mining and Sustainability Award in 2010 recognizing commitment to mining and mineral development that meets the growing needs of all communities while maintaining a healthy environment and vibrant economy for present and future generations.

"We have to do a lot of work getting people to understand what mining is, how beneficial it is and how non-harmful it is."

John McManus, Senior VP Operations, Taseko Mines

Greenhouse gas emission regulations

Greenhouse Gas reporting regulations[16] were introduced in BC in 2010, which require third party verification of amounts over 25,000 tonnes[17] of CO_2 equivalent (tCO_2e)/year.

Significant 2011 dates for BC Greenhouse Gas emission reporting and verification:

- *January 1*
  Compile data for 2010 report (while collecting data for 2011)
- *March 31*
  2010 emissions reporting required for all emitters over 10,000 tCO_2e/year. Reporting is required for 2006-2009 data for each year with emissions over 20,000 tCO_2e (for all organizations).
- *September 1*
  Submission of 2010 verification supplemental report with verification statement (audit opinion) for emitters over 25,000 tCO_2e/year.

Facilities in Ontario and Quebec emitting over 25,000 tCO_2e/year must also report their emissions and have those reports verified by an accredited third party starting in 2012. O. Reg. 452/09 in Ontario is a first step in the implementation of the proposed cap and trade program in that province. Quebec's Regulation Respecting Mandatory Reporting of Certain Emissions of Contaminants into the Atmosphere has the same reporting and verification requirements. In both ON and QC, the first report covering 2010 emissions is due on June 1, 2011.

The BC Ministry of Environment continued various emissions initiatives throughout 2010. In February, BC hosted the Leaders' Forum of the Pacific Coast Collaborative, where the leaders of BC, Washington, Oregon and California agreed to the Action Plan on Innovation, the Environment and the Economy and Action Plan on Ocean Conservation and Coastal Climate Change Adaptation. The annual carbon tax increased the price of gasoline by $0.0112/L in July, in addition to the increase of $0.024/L in 2008 and $0.012/L in 2009, for a total current additional tax of $0.0472/L. In September, the Ministry of Environment released a second Greenhouse Gas Inventory Report for 2008 emissions.

Other western North American legislation may affect BC and Canadian operations. California passed Assembly Bill 32: Global Warming Solutions Act ("AB 32") in 2006, requiring the state to reduce its greenhouse gas emissions to 1990 levels by 2020. In November 2010 the state voted down Proposition 23, the Suspension of AB 32 (2010), which would have stalled AB 32. A new set of rules governing the cap and trade program was approved by the California Air Resources Board on December 16, 2010 for implementation starting in 2012. If BC follows suit with cap and trade regulations, companies will need to plan carbon preparedness programs and quantify the financial impact of cap and trade schemes on their organizations.

Notes

16. Greenhouse Gas Reduction (Cap and Trade) Act Reporting Regulation

17. Each facility or linear facility that emits over the 25,000 tonnes level.

First Nations and the mining industry

The Changing Landscape

According to the BC First Nations Energy and Mining Council, the nature of the Crown's duty to consult and accommodate First Nations interests is a "significant impetus for meaningful relationships between First Nations and industry."

Arising from Section 35 of the *Constitution Act* of 1982, this legal duty obliges the federal and provincial governments to consult and potentially accommodate the interests of Aboriginal groups whose rights could be impacted by Crown actions or decisions. It applies where treaty rights will potentially be impacted, but also where a First Nation asserts that Aboriginal or land rights will be infringed. In BC, assertions of Aboriginal title cover most of the province, and the duty to consult has major implications for the mining industry.

What role does the industry play in the Crown's duty to consult? Project proponents have no legal obligation. But increasingly, mining companies are taking proactive steps to ensure that consultation takes place with First Nations well in advance of and beyond procedural requirements. Early engagement is seen by many as a business imperative for any proponent wanting to successfully proceed with development on a First Nation's traditional territory. It can complement the government's consultation activities arising from the Crown's legal duty, and provide an opportunity for a smoother progression through all stages of the mining process.

New revenue-sharing arrangements in the Province

In August 2010, British Columbia became the first province to share direct provincial tax revenue generated from new mines or mine expansion with First Nations. Resource revenue sharing will not have an additional cost for the mining industry. This is a commitment to sharing tax revenue that the province would receive from new mine developments regardless of the revenue-sharing agreements.

Two separate historic agreements with First Nations were signed during 2010.

The first agreement was signed between the Province and the Stk'emlupsemc and Skeetchestn First Nations for revenue sharing for the mine at New Afton, near Kamloops when production begins in 2012. The government agreement allocates nearly one third, approximately $30 million, of the anticipated provincial royalties over the expected 12 year life of the project to First Nations. As well, the New Afton agreement will provide jobs and training for First Nations, which sends an important message to First Nations across British Columbia.

The second agreement was signed between the Province and the McLeod Lake Indian Band for revenue sharing for the Mt. Milligan Mine west of MacKenzie. The agreement involves a reported $35-$38 million in provincial mining royalties expected to be distributed to the band over the estimated 23 year life of the project.

Other discussions regarding revenue-sharing arrangements are ongoing with the Nak'azdli Indian Band, the Upper North Similkameen Indian Band and the Tahltan First Nations with regards to the Mt. Milligan Mine, Copper Mountain Mine and Red Chris Mine respectively.

The Transformative Change Accord was signed by the Provincial and Federal Governments and Leadership Council representing the First Nations of BC in November 2005. The two objectives of the Accord were to:

1. Reconcile Aboriginal rights and title with those of the Crown and establish a new relationship based on mutual respect and recognition and
2. Close the gap in economic opportunities by considering the implementation of revenue-sharing agreements.

The BC government's mining revenue-sharing policy provides an opportunity for the communities to benefit from the development of mineral resources in their territories. The agreements provide the financial capacity to achieve objectives the First Nations have identified for their community.

Two separate historic agreements with First Nations were signed during 2010.

Sources

BC Government Website

Canadian Mining Journal Website

CIM Magazine Vol 5 No 7

Conclusion and outlook

2010 was a great year that continued to reaffirm how important the mining industry is to the provincial economy. As part of the 2010 survey process, we conducted interviews with some of the key figures in the BC mining industry. The interviewees, without exception, saw 2010 as a real turnaround year for the industry. Not a turnaround in terms of revenues or net earnings, which have been at historic highs for the last few years, but rather a turnaround in terms of construction. There are three major new metals mines in the construction phase, and a pipeline of projects, like Red Chris, ready to go. This is a level of activity not seen in over a decade and it signals an industry that's poised for growth.

BC is leading the way in finding innovative ways to move projects forward. Two major revenue sharing arrangements have been put into place, the first in Canada, and these provide a roadmap for how the industry and First Nations can work together in the future. The Government has also made a firm commitment, both at the provincial and federal levels, to the Highway 37 Northwest Transmission Line. This will help make some very significant projects in the North West of the Province possible, and it will provide power to other industrial and residential users. The commitment to move the Highway 37 initiative forward came after years of sustained lobbying by the mining industry and its supporters. That's the kind of pioneer spirit that's needed to succeed.

It's also the kind of spirit the industry needs to keep displaying to deal with ongoing challenges that heavy industries in today's economies inevitably face.

These include:

- Continuing to work on land access issues which can limit or block access to resources
- Educating government, industry members, stakeholders and the population-at-large about about the nature, and benefits of mining in BC
- Planning for the infrastructure necessary to be able to move and ship product to customers around the world.
- Building a new young industry workforce who can sustain the Province's existing operations and provide the backbone for its growth

So, there's still work to be done. Mining is and must continue to be an integral part of the provincial economy. The reported results for 2010 show that the industry has that potential, with new mines poised to come on line and increased foreign investment and exploration dollars being put into the ground. All the stars are aligning for significant industry growth —commodity prices are high and demand is strong. The opportunities are there to grow; BC's mining industry and the provincial and federal governments must act on those opportunities. It's time to seize the day.

Photo Daniel Henshaw, courtesy of Imperial Metals Corporation

All the stars are aligning for significant industry growth —commodity prices are high and demand is strong. The opportunities are there to grow; BC's mining industry and the provincial and federal governments must act on those opportunities. It's time to seize the day.

Eight-year financial summary

($CAD millions, except where otherwise noted)

	2010	2009	2008	2007	2006	2005	2004	2003
Gross mining revenues	$ 7,905	$ 7,019	$ 8,355	$ 6,863	$ 8,076	6,285	$ 4,584	$ 3,649
Net mining revenues[1]	6,574	5,733	6,779	5,555	6,590	4,917	3,488	2,698
Net income (pre-tax)[2]	3,718	2,250	3,423	1,974	2,885	2,071	1,143	598
Cash-flow from operations	2,855	2,169	3,423	1,974	2,885	2,071	1,143	598
Total assets	8,546	7,710	6,204	6,370	5,251	4,777	3,969	3,510
Pre-tax return on shareholders' investment (%)	62.9	44.3	97.5	45.8	83.9	64.8	39.8	13.8
New capital investment[3]	67	(1,585)	11,159	(248)	(129)	169	126	28
Industry spending	6,089	5,675	6,116	6,416	6,749	5,231	4,013	3,299
Direct employment (number of employees)	8,195	7,688	7,607	7,449	7,345	7,071	6,442	6,128
Payments to governments	691	411	545	463	799	617	344	278
Shipments (000's tonnes)	24,937	21,303	26,840	24,854	25,449	26,630	27,841	25,304
Exploration & development Expenditures[4]	203	157	86	160	129	148	73	15
Capital expenditures	1,152	568	853	964	513	345	217	117

Statistics 2010

Mining Production

Coal Mines	Annual rated plant capacity (metric tonnes)	Actual tonnes produced	% of capacity	Days mill operated	Average employment[5]	Contract employment
Coal Mountain	3,840,000	2,189,000	57%	208	226	0
Elkview	6,570,000	5,460,000	83%	302	841	0
Fording River	8,395,000	7,535,000	90%	328	1,079	0
Greenhills	4,964,000	4,653,000	94%	341	521	0
Line Creek	3,117,000	2,564,000	82%	300	407	0
Quinsam Coal	1,500,000	700,000	47%	350	122	11

Metal & Precious Metal Mines	Annual rated mill capacity (metric tonnes)	Actual tonnes produced	% of capacity	Days mill operated	Average employment[1]	Contract employment
Endako Mine	10,980,000	10,176,000	93%	365	328	14
Gibraltar	16,790,000	13,604,000	81%	358	463	10
Highland Valley Copper	49,640,000	42,488,000	86%	365	1,190	153
Huckleberry	7,000,000	5,684,600	81%	365	233	0
Kemess South	18,800,000	18,748,000	100%	365	291	0
Mount Polley	7,300,000	7,244,000	99%	365	385	0
Myra Falls	1,460,000	502,000	34%	305	284	0

Notes

1. Net mining revenues are reported after deduction of smelting and charges, freight costs, and marketing deductions.
2. Some of the earnings reported are generated by trusts and joint ventures and do not include income taxes. Consequently, to provide consistency in results, net earnings have been collated and reported on a pre-tax basis.
3. Net new capital investment is calculated as new capital raised minus loan capital and advances repaid. For 2009 this includes $6.3 billion of debt refinancing in the calculation.
4. The value of exploration and development expenditures presented here is the total reported by companies which participated in the survey and does not include expenditures made by non-participating exploration companies based in BC, or expenditures by companies domiciled outside of the Province.

Notes

5. Average number of employees actually working during fiscal year

PwC's mining services

Mining, with its own laws, taxes, business practices and investment policies, is a complex industry. Add globalization and a growing need for high-tech solutions, and it's easy to see why mining companies need business advisors with industry experience and expertise in a host of specialized disciplines. That's where we fit in.

PwC is the leading advisor and professional services provider to the mining industry in BC and around the world. We work with more mineral exploration companies, producers, and service providers than any other professional services firm, and we audit the majority of the large international mining houses, among them the world's largest metal, industrial mineral and coal producers.

We provide specialized advice to BC mining companies of all types – whether they have mines, mills, or corporate offices in BC.

PwC's presence in traditional and emerging markets, and experience with private industry, institutions and governments enables us to meet client needs at a moment's notice in the areas of:

- Audit and assurance services
- Merger, acquisition and business transaction services, including corporate finance
- Risk management services
- Business process outsourcing
- Environmental services
- Financial advisory services
- Solutions
- International, domestic and transfer pricing tax services
- Corporate restructuring, insolvency, and distressed asset services

PwC considers the annual British Columbia Mining Survey part of our commitment to this important industry. For more information about our mining services, call one of the contacts listed below, or visit our website at **www.pwc.com/ca/mining**

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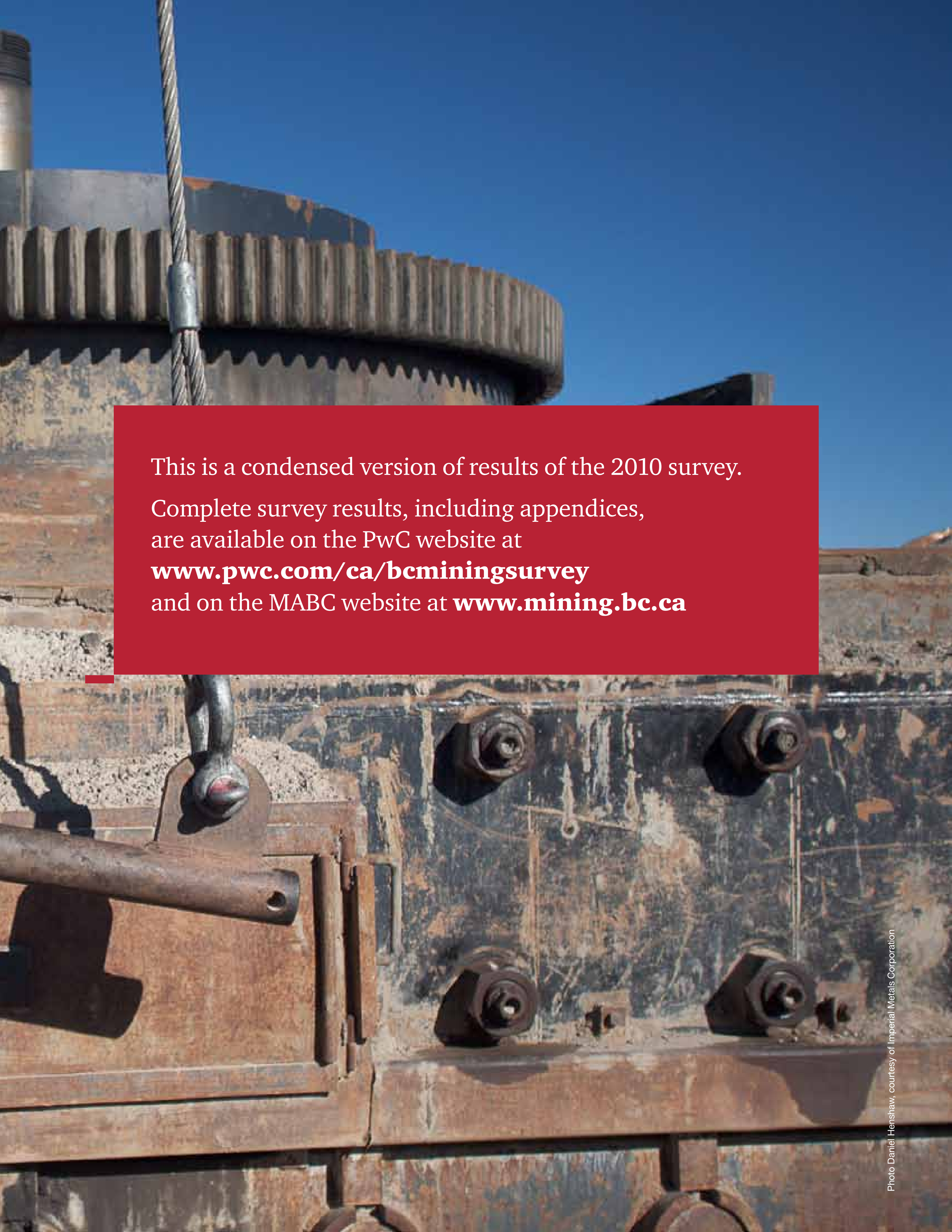

This is a condensed version of results of the 2010 survey.

Complete survey results, including appendices, are available on the PwC website at **www.pwc.com/ca/bcminingsurvey** and on the MABC website at **www.mining.bc.ca**

Photo Daniel Henshaw, courtesy of Imperial Metals Corporation

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