

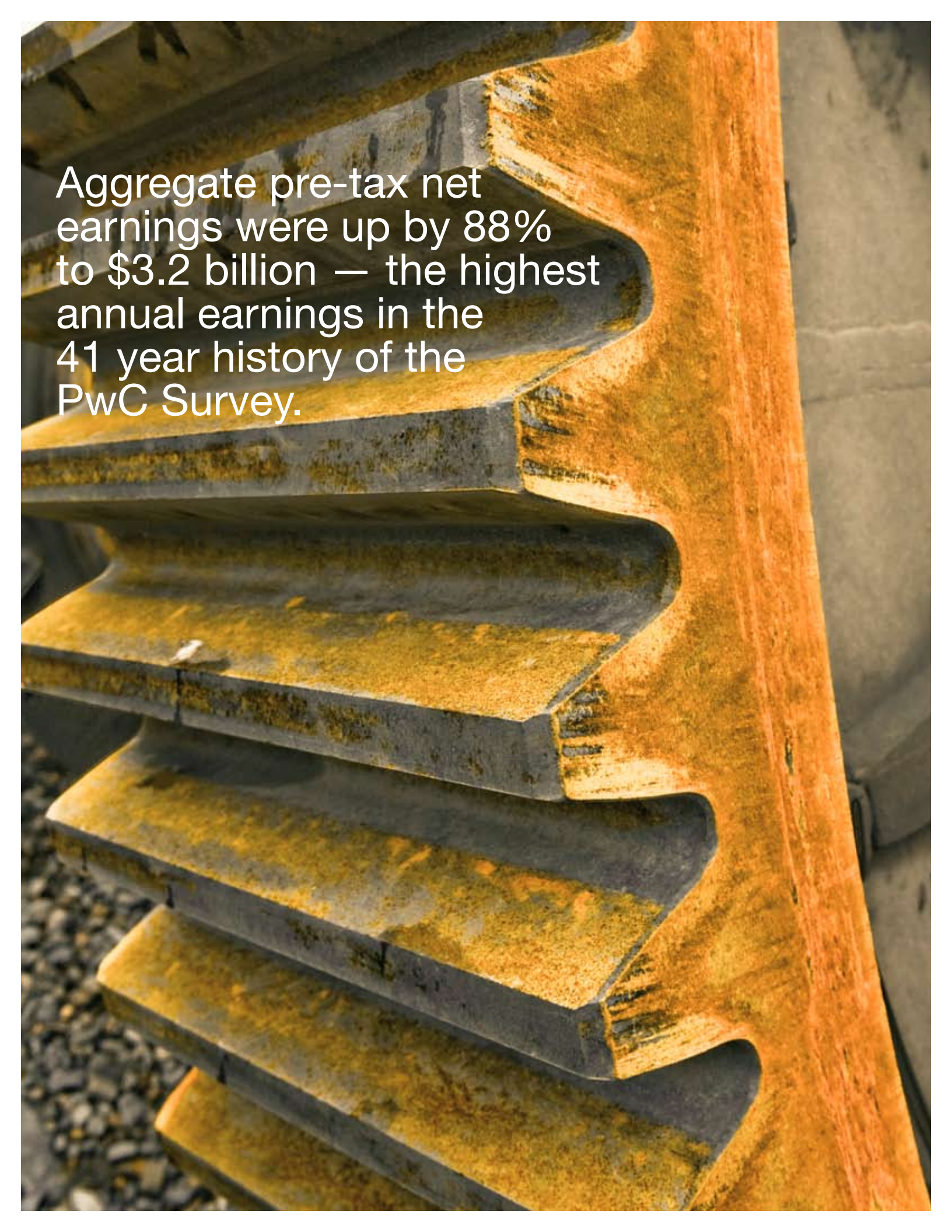
Mining
Industry Survey

Rock solid*

The Mining Industry
in British Columbia 2008

*connectedthinking

PRICEWATERHOUSECOOPERS 



Aggregate pre-tax net earnings were up by 88% to \$3.2 billion — the highest annual earnings in the 41 year history of the PwC Survey.

Preface

PricewaterhouseCoopers is pleased to present our latest annual BC Mining Survey, the 41st year of publication. This year's report summarizes the 2008 financial results and major trends in British Columbia's mining industry. This survey has been independently prepared by PricewaterhouseCoopers LLP ("PricewaterhouseCoopers") 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 PricewaterhouseCoopers report has gained a reputation as a carefully compiled, independent and reliable snapshot of the state of the 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 2008 survey includes 18 operating metal and Coal mining operations, including the Trail Smelter, nine operations in the permitted or active permitting stage, six mines in the reclamation stage and seven advanced exploration stage properties, for a total of 40 participants for 2008, the same number as 2007.

Methodology

Data was gathered from participants on-line by means of a comprehensive, confidential questionnaire. PricewaterhouseCoopers 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 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 PricewaterhouseCoopers 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 PricewaterhouseCoopers 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
5 May 2009

Participants

Operating

Brule (Western Canadian Coal Corp.)³
Coal Mountain (Elk Valley Coal Corporation)
Elkview (Elk Valley Coal Corporation)
Endako (Thompson Creek Metals Company)
Fording River (Elk Valley Coal Corporation)
Gibraltar (Taseko Mines Limited)
Greenhills (Elk Valley Coal Corporation)
Highland Valley Copper (Teck Resources Limited)
Huckleberry (Huckleberry Mines Ltd.)
Kemess South (Northgate Minerals Corporation)
Line Creek (Elk Valley Coal Corporation)
Max Molybdenum (Roca Mines Inc.)¹
Mount Polley (Imperial Metals Corporation)
Myra Falls (Breakwater Resources Ltd.)
Quinsam Coal (Hillsborough Resources Ltd.)
Trail Metal Operations (Teck Resources Limited)
Willow Creek (Western Canadian Coal Corp.)²
Wolverine (Western Canadian Coal Corp.)

Development stage — Permitted or Active Permitting

Copper Mountain (Copper Mountain Mining Corporation)⁴
Galore Creek (Nova Gold Resources Inc.)
Harper Creek (Yellowhead Mining Inc.)⁴
Hermann (Western Canadian Coal Corp.)
Mount Milligan (Terrane Metals Corp.)⁴
Prosperity (Taseko Mines Limited)
Red Chris (Imperial Metals Ltd.)
Sustut Copper (Northgate Minerals Corporation)
Turnagain (Hard Creek Nickel Corporation)⁴

Exploration

Belcourt-Saxon (Western Canadian Coal Corp.)
Cariboo Gold (International Wayside Gold Mines Ltd.)⁴
Davidson Moly (Thompson Creek Metals Ltd.)
Kutcho Creek (Capstone Mining Corp.)⁴
Lillyburt (Western Canadian Coal Corp.)
Teck Resources Limited (Head Office)
Teck Resources Limited (Exploration)

Reclamation

Afton (Teck Resources Limited)
Bell (Xstrata Plc.)
Brenda (Xstrata Plc.)
Bullmoose (Teck Resources Limited)
Quintette (Teck Resources Limited)
Sullivan (Teck Resources Limited)

Notes

1. Commenced commercial production in 2008
2. Placed on care and maintenance in 2008
3. Brule Mine began production in January 2007, and is the successor to the Dillon Mine
4. New participants for 2008

Participant Locations in 2008



Highlights

Gross Mining Revenues

Gross mining revenues increased by \$1.5 billion to \$8.4 billion in 2008, up from \$6.9 billion in 2007. While the entire industry experienced downturns over the latter part of 2008, strong Coal prices and increased demand resulted in record revenues in 2008.

Net Earnings (pre-tax)

Net earnings before taxes increased by \$1.5 billion to \$3.2 billion in 2008, driven primarily by Coal. Some of the earnings reported are generated by partnerships and joint ventures and do not include income taxes. Therefore, reporting of income taxes was not consistent among participants. Consequently, to provide consistency in results, earnings have been collated and reported on a pre-tax basis.

Foreign Exchange

Foreign exchange averaged 1.0660 C\$/US\$ in 2008, compared to 1.0748 C\$/US\$ in 2007. The Canadian dollar strengthened slightly in 2008 compared to 2007. In the first quarter of 2009, the C\$/US\$ foreign exchange rate averaged 1.2534 C\$/US\$.

Direct Employment

The average number of individuals employed by BC mining companies as reported in this survey increased to 7,607 in 2008, compared to 7,449 during 2007. Average earnings in 2008 increased from \$101,700 to \$112,800.

Return on Shareholder's Investment

Pre-tax return on shareholders' investment significantly increased, increasing from 46% in 2007 to 98% in 2008.

Cash Flow

Cash flow from operations increased by 70% from \$2.0 billion in 2007 to \$3.4 billion in 2008, reflecting the increased revenues generated in the year.

Capital Expenditures and Dividends

Capital expenditures decreased by 12% from \$964 million in 2007 to \$853 million in 2008. Total dividends paid in 2008 were \$407 million, compared to \$635 million in 2007.

Exploration

Exploration spending decreased 46% from \$160 million in 2007 to \$86 million in 2008 as reported by survey participants.

Total exploration expenditures in British Columbia, estimated at \$416 million in 2007, decreased to \$367 million¹ in 2008, representing a decrease of 12%.

Coal

Shipments of Metallurgical Coal increased by 8% from 20.7 million tonnes in 2007 to 22.3 million tonnes in 2008, while Coal prices saw dramatic increases from an average of US\$80.18/tonne in 2007 to US\$261/tonne in 2008. This led to Coal being the most significant contributor to net revenues in 2008, with net mining revenues for Metallurgical Coal increasing from \$1.4 billion in 2007 to \$3.2 billion in 2008. Annual contract prices announced in April 2009 are in the US \$125/tonne range. Although a reduction from 2008 prices, this level remains significantly higher than 2007 and historical Coal prices.

Copper

Shipments of Copper concentrate increased from 816,000 tonnes in 2007 to 850,000 tonnes in 2008. Copper concentrate contributed the largest share of net mining revenues in the previous year; however the decrease in average price from US\$3.23/lb in 2007 to US\$3.16/lb in 2008 coupled with the timing of decreases resulted in significantly lower net mining revenues for Copper, down from \$1.7 billion in 2007 to \$1.2 billion 2008, a decrease of 29%. Subsequent to 2008, Copper's average realized price was US\$1.56/lb in the first quarter of 2009.

Molybdenum

Average Molybdenum prices remained fairly constant, decreasing from US\$29.91/lb in 2007 to US\$28.42/lb in 2008, for a decrease of 5%. Net mining revenues resulting from Molybdenum increased slightly, from \$433 million in 2007 to \$472 million in 2008. Molybdenum prices declined sharply in the fourth quarter of 2008 and averaged just US\$8.75/lb in the first quarter of 2009.

Notes

1. Obtained from "Mining and Mineral Exploration in British Columbia, Overview 2008"

Zinc

Zinc and Zinc concentrates contributed net revenues of \$736 million in 2008, which was a decrease of 40% from 2007. This was caused by weaker prices, where the average price of zinc was US\$1.47/lb in 2007 compared to US\$0.85/lb in 2008. Shipments also decreased 6% from 349,000 tonnes in 2007 to 327,000 tonnes in 2008. In the first quarter of 2009, zinc prices declined to an average of US\$0.53/lb.

Lead

Shipments of Lead and Lead concentrates increased from 76,000 tonnes to 85,000 tonnes in 2008, representing an increase of 12%. The increase in shipments was offset by an average decrease in price of US\$0.22/lb, from US\$1.17/lb in 2007 to US\$0.95/lb in 2008. The offsetting effect led to a slight decrease of 1% in net revenues, from \$202 million in 2007 to \$200 million in 2008. Average Lead prices decreased to US\$0.52/lb in the first quarter of 2009.

Precious Metals

Net mining revenues for Gold increased from \$205 million in 2007 to \$231 million in 2008, for an increase of \$26 million, or 13%. The average price of Gold increased by 25%, from US\$696.66/oz in 2007 to US\$871.71/oz in 2008. Subsequent to 2008, Gold prices continued to climb, averaging US\$908.71/oz in the first quarter of 2009.

Net mining revenues for Silver increased 10%, from \$248 million in 2007 to \$272 million in 2008. Average prices increased from US\$13.39/oz in 2007 to US\$15.02/oz in 2008, for an increase of 12%. The average Silver price decreased slightly to US\$12.61/oz in the first quarter of 2009.

Statistical Outlook Summary

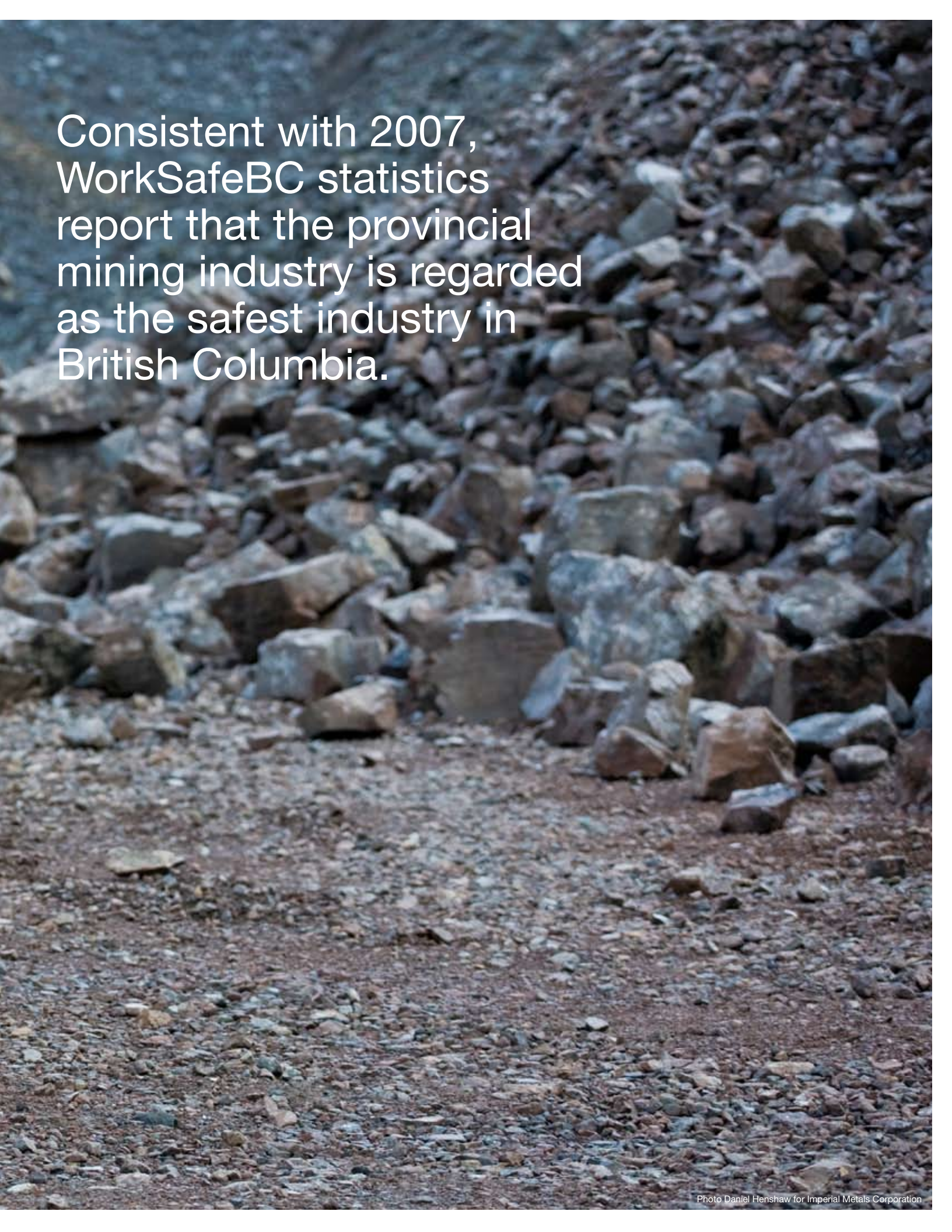
(\$CAD millions, except where otherwise noted)

	2008	2007	2006
Gross mining revenues	\$ 8,355	\$ 6,863	\$ 8,076
Net revenues	6,779	5,555	6,590
Net income (pre-tax) ¹	3,234	1,740	3,039
Cash flow from operations	3,423	1,974	2,885
Industry spending	6,116	6,416	6,749
Payments to governments ²	545	463	799
Exploration and development expenditures	86	160	129
Capital expenditures	853	964	513
Pre-tax return on shareholders' investment (%)	97.5	45.8	83.9
Direct employment (number of employees)	7,607	7,449	7,345
Shipments (000's tonnes)	26,840	24,854	25,449
Dividends	407	635	1,057
New Capital Raised	12,290	1,069	408

Notes

1. Some of the earnings reported are generated by partnerships 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.
2. Includes direct taxes, other levies and payments related to employment.





Consistent with 2007,
WorkSafeBC statistics
report that the provincial
mining industry is regarded
as the safest industry in
British Columbia.

Financial Results in 2008

2008 has been yet another record-breaking year for the BC mining industry. King Coal was indeed a merry old soul in 2008, and while Copper was not experiencing as strong prices as the prior year, it was still a major contributor to earnings. As a result, net earnings before taxes for the industry almost doubled, increasing from \$1.7 billion in 2007 to \$3.2 billion in 2008. In general the Province's mining industry experienced an exceptionally strong year up until approximately the last quarter of 2008. Overall, operating companies enjoyed strong commodity prices and increased shipment volume. At the other end of the spectrum, however, junior exploration mining companies faced a cash crunch and tightening credit markets, which curtailed exploration activity. However, total exploration expenditures for the year, as reported by the Government of BC still totaled \$367 million (2007: \$416 million).

In recent times, British Columbia's mining industry has been dominated by the Coal sector. The dramatic increase in Coal prices, skyrocketing from an average price of US\$80.18/tonne in 2007 to US\$260.63/tonne in 2008, was the primary contributor to the record-setting revenues in the province in 2008. Coal shipment volume increased by 8% from 2007, contributing a \$1.8 billion increase in net mining revenues. While the Canadian dollar strengthened to 1.0660 C\$/US\$ in 2008 from 1.0748 C\$/US\$, this slight increase did not offset the gains from increased commodity prices.

Copper's contribution to net mining revenues of \$1.2 billion, while still very significant, declined by \$0.5 billion from the prior year mainly as a result of lower average metals prices and increased freight and transportation charges.

Zinc sales contributed \$736 million in net revenues in 2008, down from \$1.2 billion in 2007. The decrease in sales was primarily attributed to a decline in Zinc prices, which slipped from US\$1.47/lb in 2007 to US\$0.85/lb in 2008.

Gold and Silver prices also experienced strengthened prices, with Gold increasing from an average price of US\$696.66/oz in 2007 to US\$871.71/oz in 2008, and Silver increasing from an average of US\$13.39/oz in 2007 to US\$15.02/oz in 2008. Together, these precious metals contributed an additional \$50 million to net revenues over the prior year's results.

Overall, net mining revenues increased by \$1.2 billion (from \$5.6 billion in 2007 to \$6.8 billion in 2008). Coupled with a slight decrease in total expenses of 8% (from \$3.8 billion to \$3.5 billion), net income (pre-tax) increased by \$1.5 billion from the prior year (\$1.7 billion in 2007 compared to \$3.2 billion in 2008). The decrease in expenses can be attributed to lower purchases in production materials and supplies, professional and technical services, and out-of-province concentrate purchases, amongst others.

With the increase in both gross and net mining revenues, total cash from operations also increased, from \$2.0 billion of cash inflow in 2007 to \$3.4 billion in cash inflow in 2008. Pre-tax return on Shareholders' investment increased significantly from 45.8% in 2007 to 97.5% in 2008, led by Metallurgical Coal revenues.

Capital expenditures decreased from \$964 million in 2007 to \$853 million in 2008, for a decrease of 12%. This reduction is primarily caused by lower amounts spent on surface construction (from \$518 million in 2007 to \$278 million in 2008, a decrease of 46%).

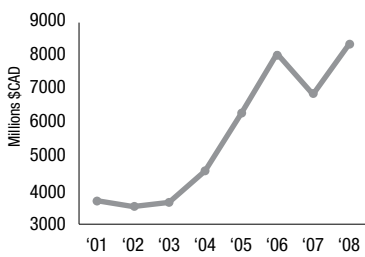
Earnings Summary

(\$CAD millions)

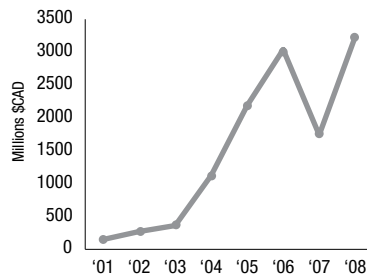
	2008	2007	2006
Gross mining revenues	\$ 8,355	\$ 6,863	\$ 8,076
Less: Deductions	1,576	1,308	1,486
Net mining revenues	6,779	5,555	6,590
Operating costs and other expenses	3,513	3,815	3,551
Write-down of mining assets	32	–	–
Net income (pre-tax)	3,234	1,740	3,039



Gross Mining Revenues

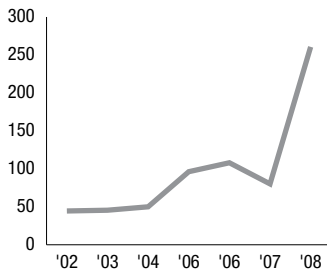


Net Income (Pre-tax)

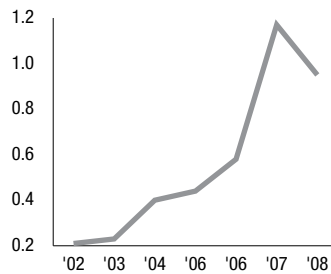


Mineral Revenues, Shipments and Market Prices

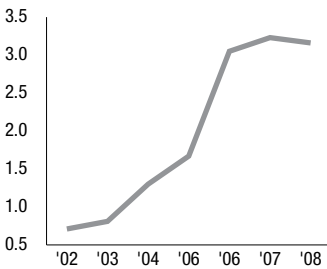
Coal (West Coast)



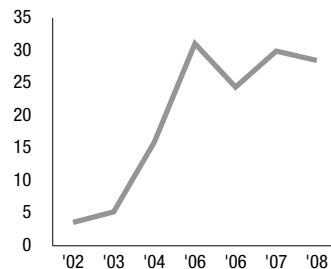
Lead (LME Cash)



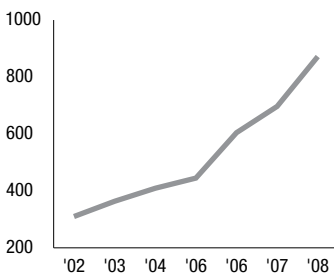
Copper (LME Grade A)



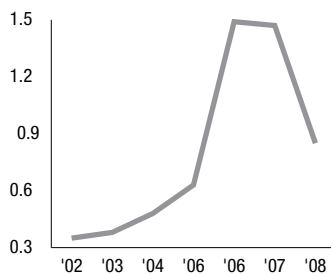
Molybdenum (Dealer Oxide)



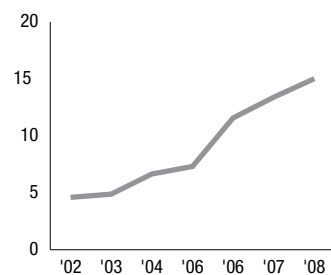
Gold (London Final)



Zinc (LME Cash)



Silver (London Spot)



Gross mining revenues in 2008 amounted to \$8.4 billion, while net mining revenues were \$6.8 billion, representing increases over 2007 of \$1.5 billion and \$1.2 billion, respectively. Coal generated the most significant increase. In aggregate, net mining revenues from Metallurgical and Thermal Coal increased by a huge amount, from \$1.5 billion in 2007 to \$3.6 billion in 2008, an increase of 140%.

Of the total net mining revenue increase of \$1.2 billion, Metallurgical and Thermal Coal contributed to \$2.1 billion of the increase, which was offset primarily by a decrease of \$471 million from sales of Copper, and a decrease of \$495 million from Zinc sales.

Copper concentrates, which were the top contributor to net mining revenues in 2007, dropped to the second most significant contributor to revenues, with \$1.2 billion in 2008 and \$1.7 billion in 2007 (decrease of 29%). Zinc and Zinc concentrates contributed net mining revenues of \$736 million in 2008, for a decrease of 40% from \$1.2 billion in 2007. This was attributed primarily to declining prices (US\$1.47/lb in 2007 and US\$0.85/lb in 2008) and slightly lower shipments of 327,000 tonnes in 2008 from 349,000 tonnes in 2007.

Metallurgical Coal revenues benefited from a substantial increase in Coal price from 2007 as well as increases in shipments. Shipments increased from 20.7 million tonnes to 22.3 million tonnes, for an increase of 8%. The price increase of 225% (US\$260.63/tonne in 2008 and US\$80.18/tonne in 2007), combined with a volume increase of 8%, resulted in net mining revenues from Metallurgical Coal of \$3.2 billion in 2008, or an increase of 129% from the prior year's reported amount of \$1.4 billion. Annual contract prices announced in April 2009 are in the US \$125/tonne range. Although a reduction from the 2008 prices, this level remains significantly higher than 2007 and historical Coal prices.

Copper concentrates experienced fairly constant shipment volume between 2007 and 2008, of 816,000 tonnes and 850,000 tonnes, respectively. This represents an increase of 4% in shipments. The average price of Copper declined slightly, from US\$3.23/lb in 2007 to US\$3.16/lb in 2008, or a decrease of 2%. In aggregate, net mining revenues contributed by Copper concentrates amounted to \$1.2 billion in 2008, for a decrease of 29% from the prior year. The price of Copper declined to US\$1.56/lb in the first quarter of 2009. As of May 1, 2009, Copper futures contracts expiring in May 2010 are priced at US\$2.00/lb¹.

Lead and Lead concentrate sales contributed \$200 million in net revenues in 2008, down slightly from \$202 million in 2007. As with most other metal prices reported in the survey, the average market price of Lead declined to US\$0.95/lb in 2008 compared to US\$1.17/lb in 2007, a decline of 19%. Lead experienced an increase in shipment volume from 76,000 tonnes in 2007 to 85,000 tonnes in 2008 (an increase of 12%). The decline in market price was offset by stronger shipment volumes, resulting in only a slight decrease in net revenues. The price of Lead continued to slide in the first quarter of 2009, with an average realized price of US\$0.52/lb for the quarter. As of May 1, 2009, Lead futures contracts expiring in May 2010 are priced at US\$0.60/lb¹.

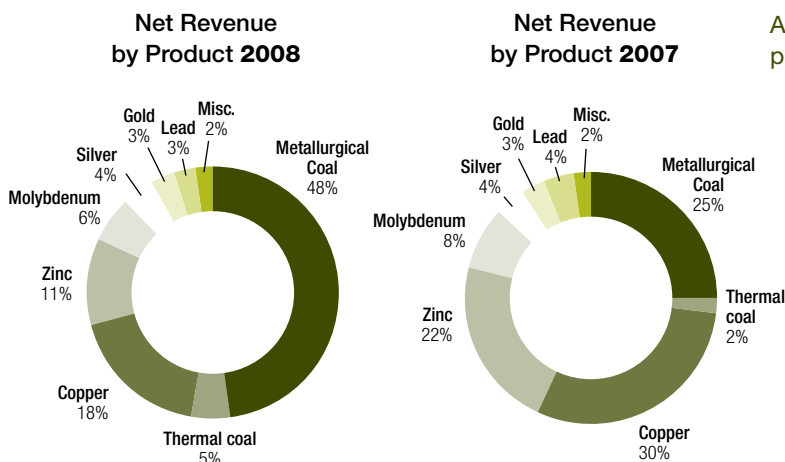
Molybdenum prices averaged US\$29.91/lb in 2007 and declined to US\$28.42/lb in 2008, representing a decrease of 5%. Total Molybdenum net mining revenue increased from \$433 million in 2007 to \$472 million in 2008, for an increase of 9%. However, in the fourth quarter of 2008, the market price of Molybdenum declined very sharply, hitting an average low of US\$9.25/lb for the month of December.

Gold experienced a surge in market price, increasing 25% from an average of US\$696.66/oz in 2007 to US\$871.71/oz in 2008. Gold mining revenues reported are by-products which primarily derive from Copper mining activities, resulting in a small proportion of revenues when compared to aggregate mining revenues. In 2008, the increase in Gold prices led to an upward movement in net mining revenues, with \$231 million in 2008 from \$205 million in 2007 (increase of 13%). Gold continues to strengthen amidst the economic recession, reaching an average of US\$908.71/oz in the first quarter of 2009. As of May 1, 2009, Gold futures contracts expiring in April 2010 are priced at US\$895.60/oz².

Silver prices increased from US\$13.39/oz in 2007 to US\$15.02/oz in 2008, for an increase of 12%. Net mining revenue also increased correspondingly, from \$248 million in 2007 to \$272 million in 2008, representing an increase of 10%. Silver prices in the first quarter of 2009 averaged US\$12.61/oz. As of May 1, 2009, Silver futures contracts expiring in May 2010 are priced at \$12.57/oz².

Zinc and Zinc concentrate shipment volumes declined slightly, from 349,000 tonnes in 2007 to 327,000 tonnes in 2008 (decrease of 6%). The price of Zinc averaged US\$1.47/lb in 2007 and dropped to US\$0.85/lb in 2008, for a resulting decrease of 42%. The effect of decreased shipments and significant price decreases resulted in an overall decline in net revenues, from \$1.2 billion in 2007 to \$736 million in 2008, or a decrease of 40%. The average price of Zinc continued its decline, dropping to US\$0.53/lb in the first quarter of 2009.

As of May 1, 2009, Zinc futures contracts expiring May 2010 are priced at US\$0.67/lb¹.



Notes

1. Obtained from the London Metal Exchange
2. Obtained from the New York Mercantile Exchange

Exploration and Development

Mineral exploration and development activities in British Columbia as reported by participants decreased significantly from the prior year. In 2008, survey participants reported \$86 million in expenditures, down 46% from the prior year expenditure amount of \$160 million. The overall reduction in exploration and development spending was attributed to fewer expenditures being made across the board, specifically on grassroots exploration, properties under development, as well as development on producing properties. Overall, the decrease was primarily due to lower expenditures by companies in the development stage.

Grassroots exploration, as reported by participants, which includes exploration expenses incurred in search of mineral deposits and potential mining areas, decreased from \$57 million in 2007 to \$35 million in 2008. Expenditures relating to properties under development decreased from \$73 million in 2007 to \$33 million in 2008, representing a decrease of 55%, and development expenditures on producing properties decreased 40%, from \$30 million in 2007 to \$18 million in 2008.

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. Thus, the reported results from the survey understate total actual expenditures. The government of British Columbia estimates total exploration expenditures in BC of \$367 million¹ for 2008 (2007: \$416 million). The 2008 total estimate, while still very significant, reversed the upward trend noted in each of the past seven years. In general, difficulties in raising funds hindered the ability of junior mining companies to conduct exploration work.

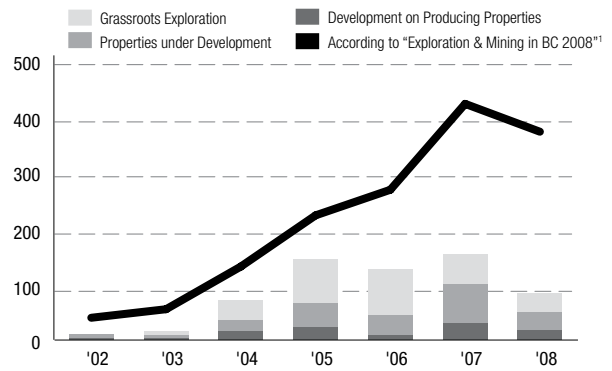
Total claims staked in 2008 covered 5.2 million hectares², a decrease of 10% from 2007 claims staked of 5.8 million hectares. In the first quarter of 2009, 0.6 million hectares² were registered, representing a decrease of 0.9 hectares from the 1.5 million hectares in the first quarter of 2008.

The downward spending on all major types of exploration and development activities mirrors the economic downturn and the lack of availability of financing for the junior exploration market. While there have been some significant Gold related financings to date in 2009, the ability of the junior market in general to raise funding remains depressed.

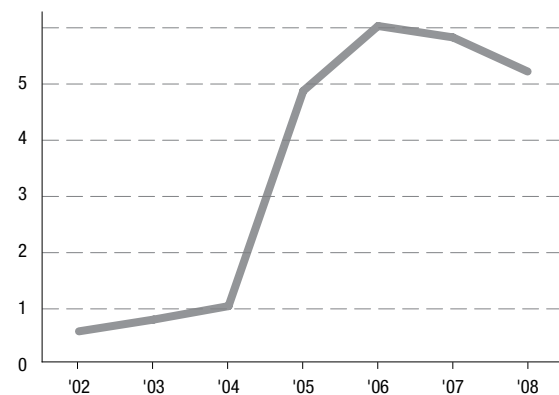
Notes

1. Obtained from "Mining and Mineral Exploration in British Columbia, Overview 2008"
2. Obtained from the Mineral Titles Branch of the Ministry of Energy, Mines and Petroleum Resources

Exploration and Development Expenditures in the Province



Claims Staked in BC²
(millions of hectares)





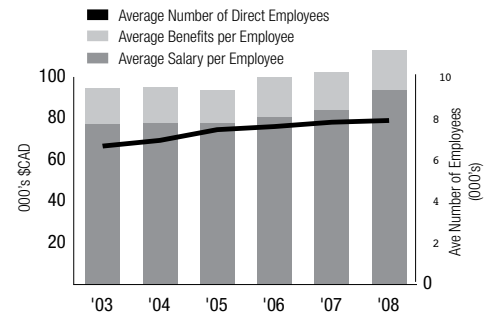
Employment, Foreign Exchange

Total Salary and benefits amounted to \$858 million in 2008 compared to \$758 million in 2007, resulting in an increase of 13%, as a result of more employees and higher average compensation. The average number of individuals employed by the mining industry was 7,607, up from 7,449 employees in 2007 (increase of 2%). Average salaries and benefits increased to \$112,800, or 11% higher than the prior year average compensation of \$101,700.

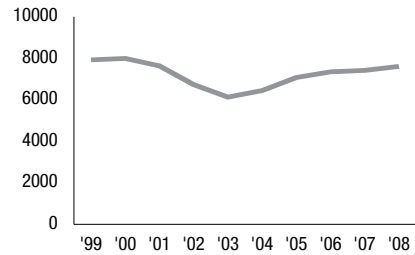
Consistent with the prior year, WorkSafeBC statistics reports that the provincial mining industry is regarded as the safest industry in British Columbia. Since 1993, the employee injury rate has been reduced by half, to 1.9 injuries per 100 worker-years¹.

As at April 2009, the BC Environment Assessment Office reports three metal and Coal mining projects under the provincial review process² and four projects that completed the process in 2008 and the first quarter of 2009².

Average Salary and Benefit Cost per Employee



Direct Employment (Number of employees)



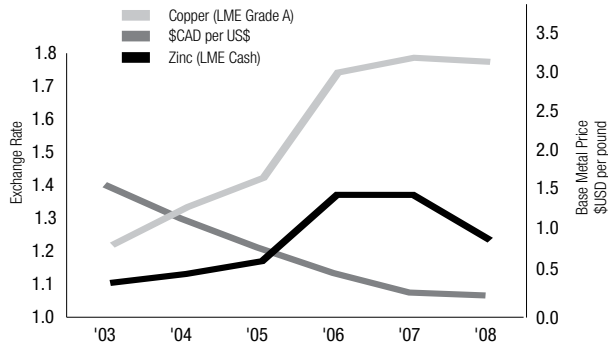
Notes

- 1. Obtained from Mining Association of BC
- 2. Obtained from BC Environmental Assessment Office



Foreign Exchange

\$CAD/US\$ Exchange Rate vs. Selected Base Metal Prices



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

The Canadian dollar has generally strengthened in the past five years, negatively impacting the metal and Coal results reported. The Canadian dollar strengthened marginally from 1.0748 C\$/US\$ in 2007 to 1.0660 C\$/US\$ in 2008.

The revenue change arising from a 1 cent change in value of the Canadian dollar vs. US dollar would cause a fluctuation of approximately \$78 million in 2008 gross mining revenues. In 2007, a 1 cent change in the C\$/US\$ rate would have caused a \$64 million fluctuation in gross revenues. In 2008, the strengthening of the Canadian dollar negatively affected gross revenues by an estimated \$69 million.

While there has been a strengthening in the Canadian dollar, due to the significant increases in metal and Coal prices, gross and net mining revenues continued to grow. In 2008, while mining revenues decreased for Copper, zinc, and Lead, the figure continued to surge for Metallurgical Coal, Thermal Coal, Silver, Gold, and Molybdenum, eliminating the negative impact of the rising Canadian dollar.

In the first quarter of 2009, the average exchange rate decreased to 1.2534 C\$/US\$. One positive impact of a weakening Canadian dollar is that it will increase revenues as reported in this survey, as they are driven by US\$ based commodity prices. As of May 1, 2009, the one-year forward bid exchange rate is 1.1794 C\$/US\$¹. If the first quarter rate of 1.2534 C\$/US\$ had been in effect through the whole of 2008, it would have increased gross mining revenues by approximately \$1.5 billion.

Notes

1. Obtained from Bloomberg



Photo Daniel Henshaw for Imperial Metals Corporation

Industry Expenditures

Aggregate expenditures in the mining industry decreased by \$0.3 billion, or 5%, with a total of \$6.1 billion incurred in 2008 compared to \$6.4 billion spent in 2007.

In 2008, the largest individual component of industry expenditures was outward transportation costs of \$1.2 billion. This amount was comprised primarily of rail costs of \$612 million (compared to \$604 million in 2007), ship costs of \$171 million (\$114 million in 2007), and wharfage fees amounting to \$228 million (\$137 million in 2007). Production supplies and purchases of \$639 million and out-of-province concentrate purchases of \$630 million were the next highest industry expenditure categories and these expenditures decreased \$59 million and \$395 million, respectively. Total tonnage shipped increased from 24.9 million tonnes in 2007 to 26.8 million tonnes in 2008.

Direct tax payments increased by \$75 million from \$290 million in 2007 to \$365 million in 2008. Dividends paid in the year decreased to \$407 million in 2008 compared to \$635 million in 2007.

Capital Expenditures

Total capital expenditures decreased from \$964 million in 2007 to \$853 million in 2008, for a decrease of 12%.

Of the \$853 million in 2008, machinery, equipment, and construction material purchases decreased by \$31 million to \$448 million in 2008, compared with \$479 million in 2007, resulting in a decline of 6%. Production materials and supplies decreased slightly by 8% or \$59 million from \$698 million in 2007 to \$639 million in 2008. Energy and fuel costs increased significantly from \$392 million in 2007 to \$522 million in 2008, for an increase of 33%.



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 provincial 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 2008, the BC mining industry, as reported by the participants in this survey, made total payments to the government of \$545 million, an increase of \$82 million from the payments of \$463 million made in 2007. As indicated under Industry Expenditures above, direct tax payments increased by \$75 million from \$290 million in 2007 to \$365 million in 2008, primarily due to an increase in mineral tax payments.

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:

1. 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
2. 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.

In order to assist companies to raise capital for mining exploration, the March 2009 Federal Budget extended for another year the 15% "super flow-through share program", which 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. However, survey participants reported that flow-through share funding totaled just \$2 million in 2008 compared with \$258 million in 2007, reflecting the difficulty experienced by the junior mining market in attracting capital in 2008.

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

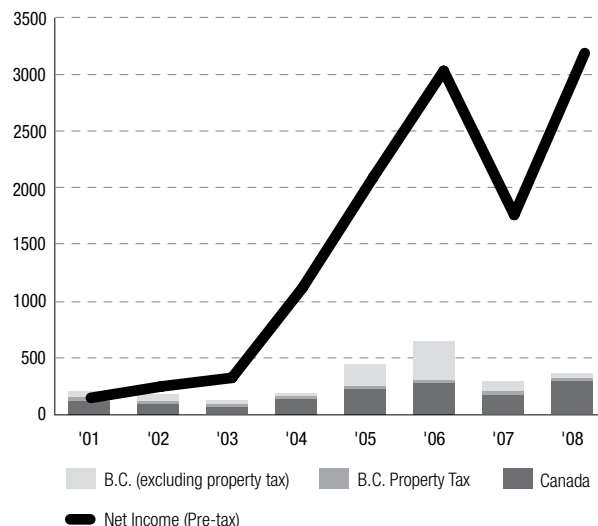
that it would extend the "new mine allowance" provided to operators subject to the BC Mineral Tax. The new mine allowance was intended to encourage the development of new mines by allowing for an enhanced 133% deduction of capital costs incurred to bring a new mine into production between December 31,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

Four years ago, in January 2005, the BC government implemented a Mining Plan to revitalize the provincial economy. There were four cornerstones to that plan, which encompassed all actions that the government outlined it would take to reach its objective. These cornerstones were:

1. Focus on Communities and First Nations
2. Protecting Workers, Protecting the Environment
3. Global Competitiveness
4. Access to Land

In the "BC Mining Plan: Report on Progress" published in 2007, 96% of the actions items were reported as either completed or in progress. Of the 57 commitments, 29 actions were completed, 26 were in progress, and two were scheduled to begin in 2007. No update has been reported since 2007.

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







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 six mines that are in the reclamation stage. Reclamation expenditures amounted to \$66 million in 2008, increasing by \$1 million, or 2%, from \$65 million in 2007.

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

Estimated future reclamation costs are now included under the caption of “asset retirement obligations” on the balance sheets of reporting companies. Asset retirement obligations are reported by companies under the rules of the Canadian Institute of Chartered Accountants. Application of the asset retirement obligation standard resulted in an additional non-cash expense to net income in 2008 of \$33 million, which was consistent with 2007 amount of \$33 million.

In 2007, participants spent \$13 million on lower-emission equipment compared to just \$2 million in the year prior. Survey participants reported no expenditures on lower-emission equipment in 2008.

What's on the minds of BC's mining industry CEOs?

Elsewhere in this report you will find the financial results of the operating mines and properties being explored in BC. As we are in what has been described as an unprecedented global economic recession, we thought it would be helpful to find out what's on the minds of the CEOs of mining companies based in British Columbia.

With the support of the Association for Mineral Exploration in British Columbia and the Mining Association of British Columbia, PwC invited their member CEOs to complete a short online survey in April 2009. We received 33 completed responses by publication time. The vast majority (94%) reported a current geographical focus in BC or the rest of Canada, while South America (15%) and the USA (15%) factored in some company's plans, with others (9%) reporting involvement in Western Europe, Australia (9%), Asia (6%), and Eastern Europe (3%). The key findings are as follows:

When asked to pick a description that best suits their company's current operating environment, the responses were more upbeat than we expected:

- **15% Acquisitive** – actively looking to acquire mining companies or projects;
- **6% Business as usual** – normal operations;
- **27% Conserving cash** – expecting lower revenues this year, but continuing to invest in future projects and programs;
- **24% Moderate spending cuts** - delaying non-critical programs and investments;
- **15% Major spending cuts** – expecting a prolonged downturn, cutting future programs down to one or two, staff reductions, and suspension of non-essential travel; and finally,
- **12% Hanging on** – reduce staff to bare minimum, temporary shut down of some operations, maintaining only essential operations and services.

Many mining companies have been deeply impacted by the downturn, and the PwC survey revealed that 42% of the CEOs felt conserving existing cash was the most important issue at present, with 30% choosing investing for the longer term, and the remaining companies (28%) indicated that accessing debt or equity markets was most important.

Encouragingly, 83% of respondents reported that the economic downturn and lower metals prices have had no effect on the expected economic life of their operating mines. At the other end of the spectrum, 10% of respondents reported that they expected a greater than 60% reduction in expected mine life. The majority of CEOs (52%) felt that operating mines in BC would have no particular competitive advantage or a minor advantage over those in the rest of the world once the global demand for Coal and other minerals improves.

PwC's survey asked the respondents to identify their main product, and forecast a long term price for that commodity. The findings included:

Gold: US\$800 - \$1000 per ounce, with the most common response of US\$900;

Copper: US\$1.75 - \$3.00 per pound, the most common response being US\$2.00;

Molybdenum: US\$12 - \$20 per pound, with the most common response being US\$17;

Metallurgical Coal: US\$100 - \$150 per tonne, with the most common response being US\$120.

Company CEOs were relatively bullish about price recoveries. The survey findings show 40% think prices for the commodities they mine will stabilize in the next year, and 43% predict it will take 2 years, while none forecast price stabilization to take 5 years or more. This optimism was somewhat dampened by recurring comments about the perceived lack of clarity and process around settling Aboriginal land claims in BC, resulting in land access issues and a disincentive for investment in the mining sector. Some respondents felt that more could be done to accelerate and streamline the environmental permitting process, and others were looking for government policies that were more favourable towards natural resources developments.

Based on PwC's limited survey of BC's mining CEOs, at one end of the spectrum there are some companies who were able to reap some benefit from the recent strong Coal and metals markets and are now either looking to take advantage of the opportunities presented by the downturn, or are holding their own. At the other end we have a few less fortunate companies who are hunkered down and doing all they can to weather the current economic storm.

Conclusion and Outlook

2008 yet again reaffirmed how important the mining industry is to the provincial economy. It was yet another year in the trend of record setting years, and reflects the highest ever earnings reported in this survey. Although the general economy deteriorated during late 2008, the strength of Coal and metals prices over the year ensured that the results for 2008 were spectacular.

The industry generated \$3.2 billion in net income (pre-tax) in 2008 compared to \$1.7 billion in 2007. Pre-tax return on Shareholders' Investment on BC Operating Mines reached an unprecedented 97.5% in 2008, from 45.8% in 2007. This impressive performance flies in the face of the general downturn and was enabled by Coal prices that were 225% greater than that in 2007 (US\$260.63/tonne in 2008 vs. US\$80.18/tonne in 2007). As Metallurgical and Thermal Coal represents 86% of total product shipments in 2008, surging Coal prices are the main contributor to revenue and earnings growth. Copper's contribution to revenues remained high but did decline year-on-year as Copper prices declined during 2008. Coal and Copper mining activities are the mainstay of the BC mining industry as reported in this survey. Molybdenum also contributed significantly in 2008, as the Molybdenum prices remained high for the first three quarters of the year. However, the Molybdenum market suffered a severe downturn in the fourth quarter of 2008 and prices remain depressed to date through 2009.

Increased cash flow from operations of \$3.4 billion (increase of 70% from 2007) was a direct result of the growth in earnings, and the mining industry contributed \$6.1 billion in mining expenditures, including payroll & benefits of \$858 million. The average salary per employee continued to increase, up by 11% in 2008, illustrating the consistent demand for experienced and skilled workers in the industry.

A clear sign of the economic uncertainty, was evidenced by the lower levels of exploration reported by survey participants. In 2008, survey participants reported just \$2 million in flow-through capital investments, which was a significant decrease from the \$258 million flow-through investment reported in 2007.

Overall, results reported in 2008 were spectacular, driven by the continued growth in Coal and metals prices that spilled into and continued through the majority of 2008. Results for 2009, however, will not reflect the same levels of earnings, due to declines in commodity prices. Coal prices have softened but still remain high compared with historical prices. Average Copper, Zinc and Molybdenum prices have declined significantly and will not make such a positive contribution in 2009 as they have in the current year.

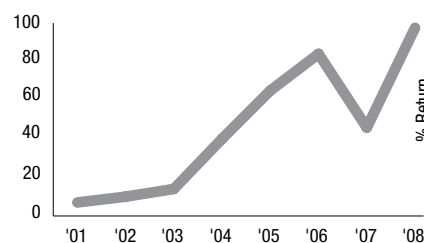
While a number of new Coal producers came on stream during 2007 and 2008, there have been no new major metal mining projects brought into production in recent years. A number of Copper and Gold projects remain at the permitted or active permitting stage and have not progressed beyond that point.

Some face environmental and regulatory issues, some face infrastructure issues such as power supply. Whatever the issue, they will need to be resolved in order to allow the current known projects to progress. And all this needs to happen within a climate of stable forecast prices and available credit, something the industry hasn't seen much of lately. However, Coal prices remain high, even if nowhere near the meteoric levels of 2008, and Gold appears to have fulfilled its expected store of wealth role in uncertain times with prices climbing. Copper prices have also experienced a resurgence in recent months.

Infrastructure investment remains at the forefront of issues for BC companies. On September 26, 2008, a \$10 million expenditure 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 power line would run along Highway 37, located within the northwest BC region which is a region 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". As at February 2009, the Highway 37 Coalition had been in discussion with First Nations and the government on this potential project.

In conclusion, while performance in the mining industry set records in 2008, there remains uncertainty about the industry's future. At the end of 2008, some companies have been moving from an opportunistic stance to a defensive one, in which conservation of cash and decreased exploration is priceless. There is demonstrated progress in the 10-year mining plan implemented by the government in 2005, and the BC government has been taking steps to encourage investment in the BC mining industry. However, as noted by comments arising in our CEO survey, there remains room for improvement in the timeliness of the permitting process and in resolving land claim issues. In today's economic environment, making BC an attractive location for mining and attracting the investment needed to sustain BC's mining industry for the future is more important than ever.

BC Operating Mines
Pre-tax Return on Shareholders' Investment



Eight-year Financial Summary

(\$CAD millions, except where otherwise noted)

	2008	2007	2006	2005	2004	2003	2002	2001
Gross mining revenues	\$ 8,355	\$ 6,863	\$ 8,076	6,285	\$ 4,584	\$ 3,649	\$ 3,525	\$ 3,699
Net mining revenues ¹	6,779	5,555	6,590	4,917	3,488	2,698	2,523	2,614
Pre-tax net income ²	3,234	1,740	3,039	2,189	1,125	362	271	150
Cash flow from operations	3,423	1,974	2,885	2,071	1,143	598	567	609
Total assets	6,204	6,370	5,251	4,777	3,969	3,510	3,843	4,071
Pre-tax return on shareholders' investment (%)	97.5	45.8	83.9	64.8	39.8	13.8	10.2	7.1
New capital investment ³	11,159	(248)	(129)	169	126	28	(73)	48
Industry spending	6,116	6,416	6,749	5,231	4,013	3,299	3,338	3,483
Direct employment (number of employees)	7,607	7,449	7,345	7,071	6,442	6,128	6,729	7,630
Payments to governments	545	463	799	617	344	278	333	371
Shipments (000's tonnes)	26,840	24,854	25,449	26,630	27,841	25,304	24,135	26,249
Exploration & development Expenditures ⁴	86	160	129	148	73	15	11	10
Capital expenditures	853	964	513	345	217	117	190	235

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 partnerships 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.
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.

Statistics 2008

Mining Production

Coal Mines	Annual rated plant capacity (metric tonnes)	Actual tonnes produced	% of capacity	Days mill operated	Average employment ¹	Contract employment
Coal Mountain	3,500,000	2,522,000	72%	219	213	–
Elkview	7,000,000	4,665,000	67%	239	837	–
Fording River	10,416,000	8,093,000	78%	322	979	–
Greenhills	5,300,000	4,625,000	87%	320	506	–
Line Creek	3,600,000	2,366,000	66%	231	328	–
Quinsam Coal	1,560,000	730,000	47%	345	133	20

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	10,767,000	98%	365	278	–
Gibraltar	16,698,000	13,906,000	83%	365	405	–
Highland Valley Copper	49,640,000	44,888,000	90%	366	1,100	138
Huckleberry	7,000,000	6,031,600	86%	365	N/R	N/R
Kemess South	18,650,000	16,924,000	91%	366	373	–
Mount Polley	7,017,000	6,849,000	98%	365	396	35
Myra Falls	1,460,000	592,000	41%	282	284	–

Notes

1. Average number of employees actually working during fiscal year.

N/R – Information not reported by survey participant.

PricewaterhouseCoopers

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.

PricewaterhouseCoopers is a Leading advisor and professional services provider to the mining industry in B.C. and around the world.

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

PricewaterhouseCoopers' 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.

PricewaterhouseCoopers 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 Web site at www.pwc.com/ca/mining

Audit and Assurance Group and Tax Partners

Lenard Boggio
lenard.f.boggio@ca.pwc.com
604 806 7016

John Bunting
john.k.bunting@ca.pwc.com
604 806 7797

Michael Cinnamond
michael.cinnamond@ca.pwc.com
604 806 7029

John DeLucchi
john.delucchi@ca.pwc.com
604 806 7575

Bryan Disher
bryan.disher@ca.pwc.com
604 806 7122

Garry Eng (Tax)
garry.eng@ca.pwc.com
604 806 7037

Dean Larocque
dean.larocque@ca.pwc.com
604 806 7173

John Larsen
john.e.larsen@ca.pwc.com
604 806 7577

Mark Platt
mark.r.platt@ca.pwc.com
604 806 7093

John Paul Pressey
john.paul.pressey@ca.pwc.com
604 806 7097

Ken Scott
ken.scott@ca.pwc.com
604 806 7175

Peter Speer
peter.speer@ca.pwc.com
604 806 7629

Senior Managers

Rodrigo Camargo
rodrigo.camargo@ca.pwc.com
604 806 7712

Amy Cunningham
amy.e.cunningham@ca.pwc.com
604 806 7229

Brian Fearncombe (Tax)
brian.p.fearncombe@ca.pwc.com
604 806 7465

Timothy Johnston (Tax)
timothy.w.johnston@ca.pwc.com
604 806 7831

Lana Kirk
lana.kirk@ca.pwc.com
604 806 7102

Craig McMillan
craig.mcmillan@ca.pwc.com
604 806 7724

Charmaine Neilsson (Tax)
charmaine.neilsson@ca.pwc.com
604 806 7573

Mark Patterson
mark.patterson@ca.pwc.com
604 806 7160

Linda Shen
linda.shen@ca.pwc.com
604 806 7030

Steven Spence
steven.j.spence@ca.pwc.com
604 806 7217

Sean Wilson (Tax)
sean.wilson@ca.pwc.com
604 806 7187

Managers

Jaimini Amin (Tax)
jaimini.amin@ca.pwc.com
604 806 7038

Sunil Amin
sunil.c.amin@ca.pwc.com
604 806 7115

Andrew Bishop
andrew.a.bishop@ca.pwc.com
604 806 7149

Aaron Chung (Tax)
aaron.chung@ca.pwc.com
604 806 7092

Eric Dumont
eric.dumont@ca.pwc.com
604 806 7634

Sofia Ehrner
sofia.ehrner@ca.pwc.com
604 806 7729

Eduardo Garcia
eduardo.m.garcia@ca.pwc.com
604 806 7329

Dennis Gunn
dennis.gunn@ca.pwc.com
604 806 7233

Erfan Kazemi
erfan.kazemi@ca.pwc.com
604 806 7820

Brooke Ko (Tax)
brooke.ko@ca.pwc.com
604 806 7798

Jonathan Lee
jonathan.m.lee@ca.pwc.com
604 806 7062

Rebecca Moriarty
rebecca.moriarty@ca.pwc.com
604 806 7104

Jean-Jacques Mukula
jean.j.mukula@ca.pwc.com
604 806 7206

Oksana Novakovska
oksana.novakovska@ca.pwc.com
604 806 7563

Lisana Pereira
lisana.r.pereira@ca.pwc.com
604 806 7673

Marion Prosser
marion.r.prosser@ca.pwc.com
604 806 7270

Vilja Roman
vilja.roman@ca.pwc.com
604 806 7506

Robert Russell-Smith
robert.h.russell-smith@ca.pwc.com
604 806 7003

Andrew Slack
andrew.n.slack@ca.pwc.com
604 806 7291

Tiffany Spurling
tiffany.b.spurling@ca.pwc.com
604 806 7190

Eric Talbot
eric.m.talbot@ca.pwc.com
604 806 7152

Sarah Tarbuck
sarah.k.tarbuck@ca.pwc.com
604 806 7761

Eddie Ting (Tax)
eddie.ting@ca.pwc.com
604 806 7167

Doug Warden
doug.warden@ca.pwc.com
604 806 7220

Gareth Williams (Tax)
gareth.o.williams@ca.pwc.com
604 806 7704

Grace Zheng
grace.zheng@ca.pwc.com
604 806 7296



Please direct any questions about this survey to:

Michael Cinnamond, CA
PricewaterhouseCoopers
michael.cinnamond@ca.pwc.com
604 806 7029

or

Erfan Kazemi, CA
PricewaterhouseCoopers
erfan.kazemi@ca.pwc.com
604 806 7820

This is a condensed version of results of the 2008 survey. Complete survey results, including appendices, are available on the PricewaterhouseCoopers web site at www.pwc.com/ca/mining, and on the MABC web site at www.mining.bc.ca.

Key contributors to the survey:

Michael Cinnamond

Erfan Kazemi

Kevin K. Chan

Jason Ng

Jim Nelson

Patrick Gunn

Diane Erdstein

www.pwc.com/ca/mining

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