

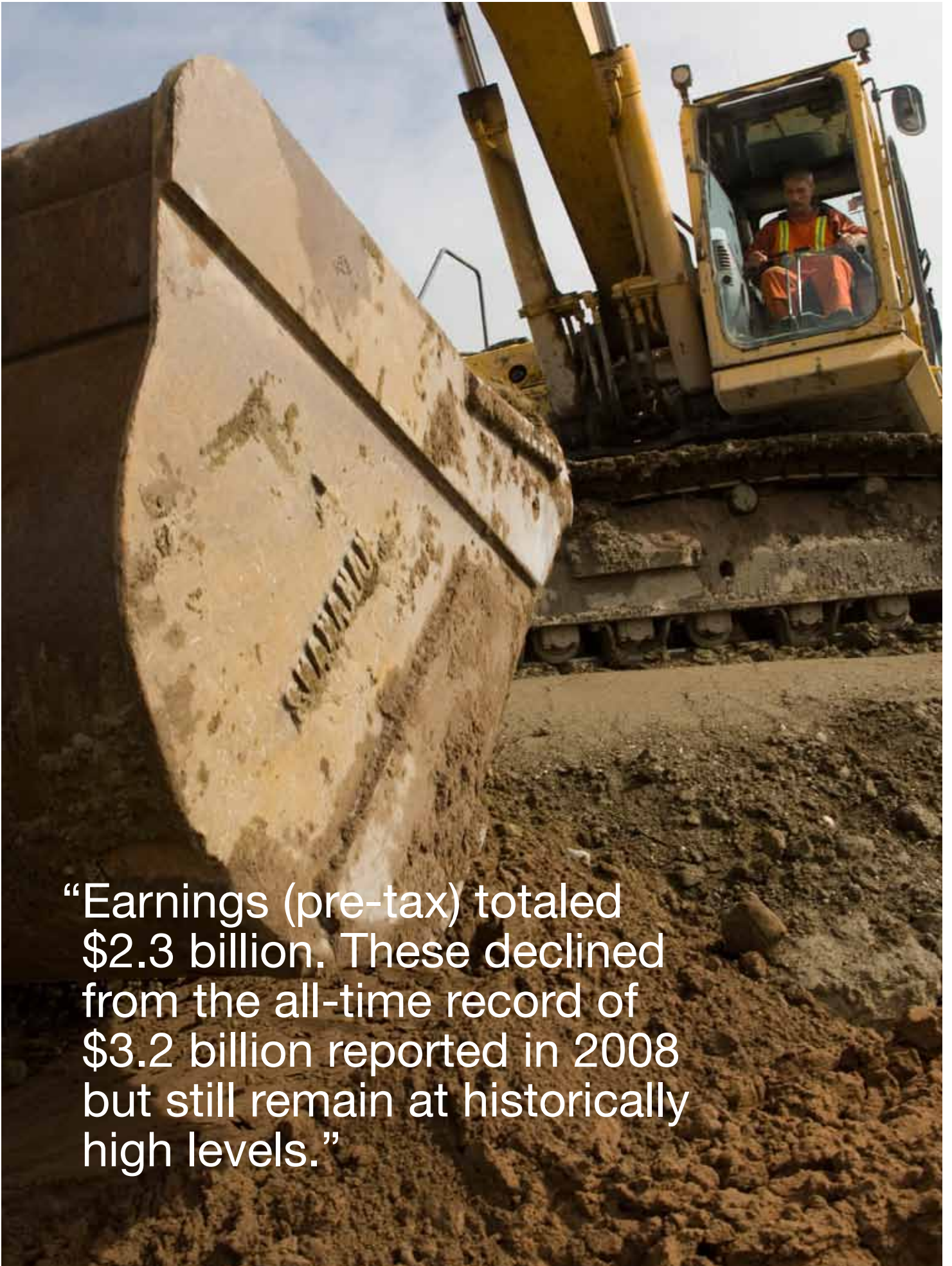
Mining  
Industry Survey

# Rock on\*

The Mining Industry  
in British Columbia 2009

\*connectedthinking

PRICEWATERHOUSECOOPERS 



“Earnings (pre-tax) totaled \$2.3 billion. These declined from the all-time record of \$3.2 billion reported in 2008 but still remain at historically high levels.”

# Preface

PricewaterhouseCoopers is pleased to present our latest annual BC Mining Survey, the 42<sup>nd</sup> year of publication. This year's report summarizes the 2009 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 2009 survey includes 17 operating metal and Coal mines, 1 Smelter operation, 13 operations in the permitted or active permitting stage, three mines in the reclamation stage and seven advanced exploration stage properties, for a total of 41 participants for 2009.

## 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.

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, consistent with the previous surveys.

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 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  
12 May 2010

# Participants

## Operating

Brule (Western Coal Corp.)  
Coal Mountain (Teck Coal Limited)  
Elkview (Teck Coal Limited)  
Endako (Thompson Creek Metals Company)  
Fording River (Teck Coal Limited)  
Gibraltar (Taseko Mines Limited)  
Greenhills (Teck Coal Limited)  
Highland Valley Copper (Teck Highland Valley Copper Partnership)  
Huckleberry (Huckleberry Mines Ltd.)  
Kemess South (Northgate Minerals Corporation)  
Line Creek (Teck Coal Limited)  
Max Molybdenum (Roca Mines Inc.)  
Mount Polley (Imperial Metals Corp.)  
Myra Falls (Breakwater Resources Ltd.)  
Quinsam Coal (Hillsborough Resources Ltd.)  
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.)  
Gething Coal Project (Canadian Dehua International Trading Ltd.)<sup>A</sup>  
Harper Creek (Yellowhead Mining Inc)  
Hermann (Western Coal Corp.)  
Kitsault (Avanti Mining Corp.)<sup>A</sup>  
Mount Milligan (Terrane Metals Corp.)  
New Afton (New Gold Inc)  
Prosperity (Taseko Mines Limited)  
Red Chris (Imperial Metals Corp.)  
Sustut Copper (Northgate Minerals Corporation)  
Table Mountain (Hawthorne Gold Corp.)<sup>A</sup>  
Turnagain Nickel Project (Hard Creek Nickel Corp.)

## Exploration

Belcourt-Saxon (Western Coal Corp.)  
Davidson Moly (Thompson Creek Metals Company)  
Kutcho Creek (Capstone Mining Corp.)  
Lillyburt (Western Coal Corp.)  
Ruddock Creek (Imperial Metals Corp.)  
Teck Resources Limited (Head Office)  
Teck Resources Limited (Exploration)

## Reclamation<sup>B</sup>

Bell (Xstrata Plc.)  
Brenda (Xstrata Plc.)  
Sullivan (Teck Resources Limited)

## Notes

A. New participants for 2009

B. Participants in the reclamation phase are different than in prior year and therefore results may not be comparable

# Participant Locations in 2009



# Highlights

## Gross Mining Revenues

Gross mining revenues fell by \$1.3 billion to \$7.0 billion in 2009, returning to near 2007 levels. The entire industry experienced ongoing effects of the global slow down through 2009, with Coal prices falling almost by half, reductions in the average prices of Copper, Molybdenum, Lead, Zinc and Silver and increased prices for Gold.

## Net Earnings (pre-tax)

Net earnings before taxes fell by \$984 million to \$2.3 billion in 2009, driven primarily by falling coal prices and weakened demand from steel production. Some of the earnings reported are generated by trusts and 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 1.1415 C\$/US\$ in 2009, compared to 1.0660 C\$/US\$ in 2008. The Canadian dollar weakened in 2009 compared to 2008, with an estimated average positive impact of \$464 million on gross revenues, excluding the impact of any hedging. In the first quarter of 2010, the Canadian dollar strengthened significantly to an average of 1.0409 C\$/US\$.

## Direct Employment

The average number of individuals employed by BC mining companies increased to 7,688 in 2009, compared to 7,607 during 2008. Average earnings remained relatively constant, down marginally from \$112,900 to \$110,800 in 2009.

## Return on Shareholders Investment

Pre-tax return on shareholders' investment significantly decreased, decreasing from 97.5% in 2008 to 44.4% in 2009.

## Cash Flow

Cash flow from operations decreased by 37% from \$3.4 billion in 2008 to \$2.2 billion in 2009, reflecting the decrease in net revenues generated in the year.

## Capital Expenditures

Capital expenditures decreased by 33% from \$853 million in 2008 to \$568 million in 2009.

## Notes

1. Obtained from "Mining and Mineral Exploration in British Columbia, Overview 2009", published by the Ministry of Energy, Mines and Petroleum Resources.

## Exploration

Exploration spending, which includes greenfield exploration, and exploration on development properties, increased 83% from \$86 million in 2008 to \$157 million in 2009 as reported by survey participants. \$119 million of these expenditures focused on properties under development, \$12 million related to producing properties and just \$26 million was attributable to greenfield exploration.

Total mineral exploration expenditures in British Columbia, estimated at \$367 million in 2008, decreased to \$154 million in 2009<sup>1</sup>, representing a decrease of 58%.

## Coal

Shipments of Metallurgical Coal decreased by 24% from 22.3 million tonnes in 2008 to 16.9 million tonnes in 2009, while Coal prices saw dramatic decreases from an average of US\$260.63/tonne in 2008 to US\$157/tonne in 2009. Survey participants identified a significant decrease in overseas steel production during the year as the driving factor behind the decrease. Coal remained the most significant component of net revenues in 2009 at approximately 51% of the total.

## Copper

Shipments of Copper concentrate decreased from 850,000 tonnes in 2008 to 730,000 tonnes in 2009. Copper concentrate contributed 18% of net mining revenues in 2008 and increased to 22% of the total in 2009, despite the decrease in average price from US\$3.16/lb in 2008 to US\$2.35/lb in 2009. Total net revenues increased slightly from \$1.19 billion in 2008 to \$1.22 billion 2009. Subsequent to 2009, Copper's average realized price was US\$3.29/lb in the first quarter of 2010. The increase in revenues in 2009, despite average price decreases, is a function of timing. Copper revenues are finally measured and recorded using the month of final settlement, which is typically 2 – 3 months after revenue is initially recognized. A significant drop in Copper prices at the end of 2008 and early 2009, following a price recovery thereafter in 2009, positively impacted Copper revenues reported.

## Molybdenum

Average Molybdenum prices dropped significantly, decreasing from US\$28.42/lb in 2008 to US\$11.12/lb in 2009, for a decrease of 61%, with an all year spot-price low of \$8.03/lb in April 2009. Net mining revenues for Molybdenum decreased significantly, from \$472 million in 2008 to \$241 million in 2009 based on reported revenues by participants. Molybdenum prices were low for the first half of 2009 before increasing slightly in the second half of 2009. Average prices improved to US\$16.06/lb in the first quarter of 2010.

## Zinc

Zinc and Zinc concentrates contributed net mining revenues of \$587 million in 2009, which was a decrease of 20% from 2008's \$736 million. This was caused by a decrease in shipments and average pricing. The average price of zinc was US\$0.85/lb in 2008 compared to US\$0.75/lb in 2009. Shipments also decreased 12% from 327,000 tonnes in 2008 to 289,000 tonnes in 2009. In the first quarter of 2010, Zinc prices increased to an average of US\$1.04/lb.

## Lead

Shipments of Lead and Lead concentrates decreased from 85,000 tonnes to 73,000 tonnes, representing a decrease of 14%. The decrease in shipments was accompanied by an average decrease in price of US\$0.17/lb, from US\$0.95/lb in 2008 to US\$0.78/lb in 2009. The two effects led to a 30% decrease in net mining revenues, from \$200 million in 2008 to \$139 million in 2009. Average Lead prices increased to US\$1.00/lb in the first quarter of 2010.

## Precious Metals

Net mining revenues for Gold increased from \$231 million in 2008 to \$309 million in 2009 for an increase of \$78 million, or 34%. The average price of Gold increased by 12%, from US\$871.71/oz in 2008 to US\$974.02/oz in 2009. Subsequent to 2009, Gold prices continued to climb, averaging US\$1,110.16/oz in the first quarter of 2010.

Net mining revenues for Silver increased 6%, from \$272 million in 2008 to \$288 million in 2009. Average prices decreased from US\$15.02/oz in 2008 to US\$14.70/oz in 2009, for a decrease of 2%. The average Silver price increased slightly to US\$16.92/oz in the first quarter of 2010.

# Statistical Outlook Summary

(\$CAD millions, except where otherwise noted)

	2009	2008	2007
Gross mining revenues	\$ 7,019	\$ 8,355	\$ 6,863
Net revenues	5,733	6,779	5,555
Net income (pre-tax) <sup>2</sup>	2,250	3,234	1,740
Cash flow from operations	2,170	3,423	1,974
Industry spending	5,673	6,116	6,416
Payments to governments <sup>3</sup>	413	545	463
Exploration and development expenditures	157	86	160
Capital expenditures	568	853	964
Pre-tax return on shareholders' investment (%)	44.4	97.5	45.8
Direct employment (number of employees)	7,688	7,607	7,449
Shipments (000's tonnes)	21,303	26,840	24,854
New capital raised	6,603 <sup>4</sup>	12,290	1,069

## Notes

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. Includes direct taxes, other levies and payments related to employment.

4. Includes \$6.3 billion of debt refinancing

# Financial Results in 2009

2009 results reflect the ongoing effect of the global slowdown. Earnings (pre-tax) totaled \$2.3 billion. These declined from the all-time record of \$3.2 billion reported in 2008 but still remain at historically high levels. Coal remains the most significant component of provincial mining revenues, representing approximately 51% of total net revenues reported by participants. A reduction in steel industry demand meant that coal prices declined in 2009. Copper prices started 2009 at a first quarter average of US\$1.57/lb and increased throughout the year; however, the overall average price for 2009 was less than in 2008. Copper contributed approximately 22% of reported earnings. As a result, net earnings before taxes for the industry declined by a third, decreasing from \$3.2 billion in 2008 to \$2.3 billion in 2009. Overall, operating companies enjoyed strong incomes, cash flows and net income comparable with 2007. At the other end of the spectrum, junior exploration mining companies saw limited improvement in the previously tight credit markets that had curtailed exploration activity. Total mineral exploration expenditures for the year, as reported by the Government of BC totaled \$154 million (2008: \$367 million).

British Columbia's mining activity has historically been dominated by the Coal sector. A dramatic decrease in Coal prices was noted during the year, falling from an average price of US\$260.63/tonne in 2008 to US\$157/tonne in 2009. Total Metallurgical and Thermal Coal shipment volume decreased by 20% from 2008 contributing to \$693 million decrease in net mining revenues. The Canadian dollar weakened to 1.1415 C\$/US\$ in 2009 from 1.0660 C\$/US\$, and this weakening helped offset the reduced commodity prices.

Copper's contribution to net mining revenues of \$1.2 billion, increased by \$35 million from the prior year despite average price decreases, due to a function of timing. Copper revenues are finally measured and recorded using the month of final settlement, which is typically 2 – 3 months after revenue is initially recognized. A significant drop in Copper prices at the end of 2008 and early 2009, following a price recovery thereafter in 2009, positively impacted Copper revenues reported.

Zinc sales contributed \$587 million in net mining revenues in 2009, down from \$736 million in 2008. The decrease in revenues was primarily attributable to a decline in Zinc prices, which slipped from an average of US\$0.85/lb in 2008 to US\$0.75/lb in 2009.

Gold prices strengthened, increasing from an average price of US\$871.71/oz in 2008 to US\$974.02/oz in 2009. Silver prices decreased from an average of US\$15.02/oz in 2008 to US\$14.70/oz in 2009. Precious metals contributed an additional \$94 million in net revenues over the prior year's results.

Overall, net mining revenues decreased by \$1.1 billion (from \$6.8 billion in 2008 to \$5.7 billion in 2009). Coupled with a slight decrease in total expenses of 2% (from \$3.55 billion to \$3.48 billion), net income (pre-tax) decreased by \$984 million from the prior year (\$3.2 billion in 2008 compared to \$2.3 billion in 2009). The decrease in expenses can be mainly attributed to lower purchases in production materials and supplies, energy and fuels, and outward transportation.

With the decrease in both gross and net mining revenues, total cash from operations also decreased, from \$3.4 billion of cash inflow in 2008 to \$2.2 billion in cash inflow in 2009. Pre-tax return on Shareholders' investment decreased significantly from 97.5% in 2008 to 44.4% in 2009.

Capital expenditures decreased from \$853 million in 2008 to \$568 million in 2009, for a decrease of 33%. This reduction is primarily caused by lower amounts spent on surface construction, down from \$278 million in 2008 to \$123 million (both development and operating properties) in 2009. Machinery and equipment expenditures also decreased from \$438 million in 2008 to \$311 million (mainly operating properties) in 2009.

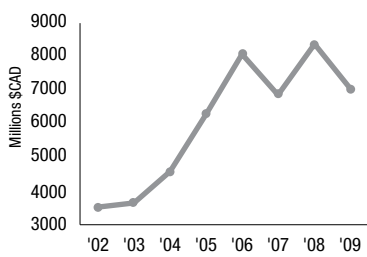
## Earnings Summary

(\$CAD millions)

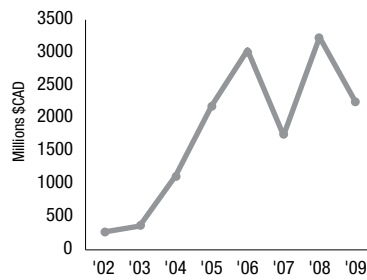
	2009	2008	2007
Gross mining revenues	\$ 7,019	\$ 8,355	\$ 6,863
Less: Deductions	1,285	1,576	1,308
Net mining revenues	5,733	6,779	5,555
Operating costs and other expenses	3,479	3,513	3,815
Write-down of mining assets	4	32	–
Net income (pre-tax)	2,250	3,234	1,740



Gross Mining Revenues

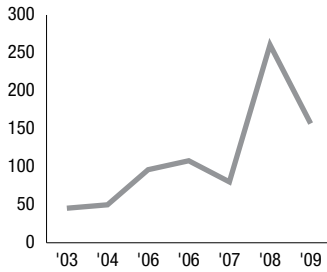


Net Income (Pre-tax)

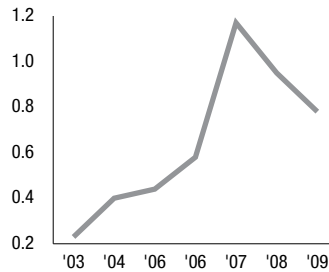


# Mineral Revenues, Shipments and Market Prices

Coal (West Coast)



Lead (LME Cash)



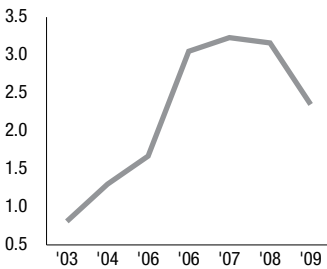
Gross mining revenues in 2009 amounted to \$7.0 billion, while net mining revenues were \$5.7 billion, representing decreases over 2008 of \$1.3 billion and \$1.1 billion, respectively. Coal generated the most significant decrease. In aggregate, net mining revenues from Metallurgical and Thermal Coal decreased, from \$3.6 billion in 2008 to \$2.9 billion in 2009, a decrease of 19%.

Of the total net mining revenue decrease of \$1.1 billion, \$693 million arose from Metallurgical and Thermal Coal sales, \$231 million from Molybdenum sales and \$149 million from Zinc sales. These were partially offset by an increase of \$78 million from Gold sales and \$35 million from sales of Copper.

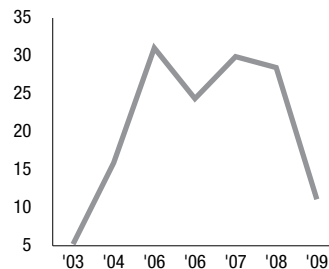
Coal is the most significant commodity in the province representing 51% of the total net revenues. Copper concentrates remained the second most significant contributor to revenues, with \$1.22 billion in 2009 and \$1.19 billion in 2008 (increase of 3%). Zinc and Zinc concentrates contributed net mining revenues of \$587 million in 2009, for a decrease of 20% from \$736 million in 2008. This was attributed primarily to declining prices (US\$0.85/lb in 2008 and US\$0.75/lb in 2009) and lower shipments of 289,000 tonnes in 2009 from 327,000 tonnes in 2008.

**Metallurgical Coal** revenues declined due to substantial decreases in both the coal price and shipments. Shipments decreased from 22.3 million tonnes in 2008 to 16.9 million tonnes in 2009, a decrease of 24%. The price decrease of 40% (US\$260.63/tonne in 2008 and US\$157/tonne in 2009), combined with the volume decrease of 24%, resulted in net mining revenues from Metallurgical Coal of \$2.6 billion in 2009. This represents a decrease of 19% from the prior year's reported amount of \$3.2 billion. This decrease was partially offset by contracts established in 2008, which were at higher price points, thereby reducing the effect of the falling coal prices. The price of Coal has softened to US\$140/tonne in the first quarter of 2010<sup>5</sup>.

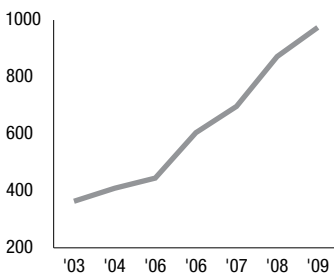
Copper (LME Grade A)



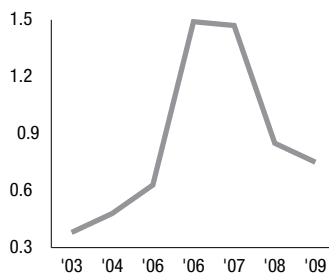
Molybdenum (Dealer Oxide)



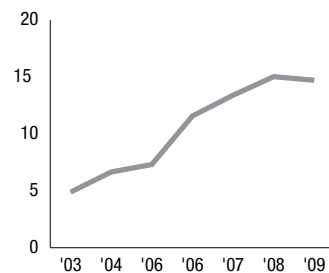
Gold (London Final)



Zinc (LME Cash)



Silver (London Spot)



**Copper concentrates** decreased in 2009 down from 850,000 tonnes in 2008 to 730,000 tonnes, or 14%. The average price of Copper declined by 20% from US\$3.16/lb in 2008 to US\$2.35/lb in 2009. In aggregate, net mining revenues contributed by Copper concentrates amounted to \$1.2 billion in 2009, for a small increase of 3% from the prior year. The increase in revenues in 2009, despite average price decreases, is attributed to Copper revenues being finally recorded using the month of final settlement, which is typically 2 – 3 months after revenue is initially recognized. This was positively influenced by the significant drop in Copper prices at the end of 2008 and early 2009, followed by strong price increases through the remainder of 2009. The price of Copper increased to US\$3.29/lb in the first quarter of 2010. As of April 1<sup>st</sup> 2010, Copper futures contracts expiring in May 2011 were priced at US\$3.58/lb<sup>7</sup>.

**Lead and Lead concentrate** sales contributed \$139 million in net mining revenues in 2009, down from \$200 million in 2008. The average Lead price was down from 2008, at US\$0.78/lb in 2009 compared to US\$0.95/lb in 2008, for a decline of 18%. Lead experienced a decrease in shipment volume from 85,000 tonnes in 2008 to 73,000 tonnes in 2009 (a decrease of 14%). The decline in market price and lower shipment volumes resulted in the overall decrease in net mining revenues. The price of Lead continued to gain strength in the first quarter of 2010, with an average realized price of US\$1.00/lb for the quarter. As of April 1<sup>st</sup> 2010, Lead futures contracts expiring in May 2011 were priced at US\$1.04/lb<sup>7</sup>.

**Molybdenum** prices averaged US\$28.73/lb in 2008 and declined to US\$11.12/lb in 2009, with a spot-price low of \$8.03/lb in April 2009<sup>5</sup>. Total Molybdenum net mining revenue decreased from \$472 million in 2008 to \$241 million in 2009, for a decrease of 49%.

**Gold** experienced a surge in market price, increasing 11% from an average of US\$871.71/oz in 2008 to US\$974.02/oz in 2009. Gold revenue is a by-product that primarily derives from Copper mining activities, resulting in a small proportion of revenues when compared to aggregate Provincial mining revenues. In 2009, the increase in Gold prices led to an upward movement in net mining revenues, with \$309 million in 2009 from \$231 million in 2008 (increase of 34%). Gold continues to strengthen, reaching an average of US\$1,110.16/oz in the first quarter of 2010. As of April 1<sup>st</sup> 2010, Gold futures contracts expiring in April 2011 were priced at US\$1,133.70/oz<sup>7</sup>.

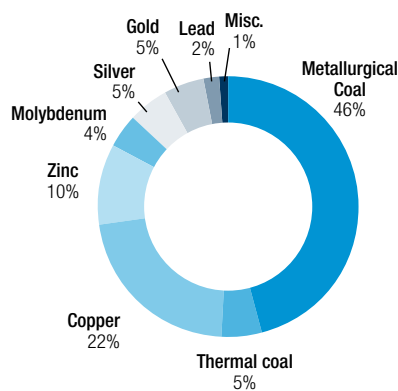
**Notes**

- 5. Realised price as reported by survey participants
- 6. Obtained from the London Metal Exchange via Bloomberg
- 7. Obtained from Bloomberg

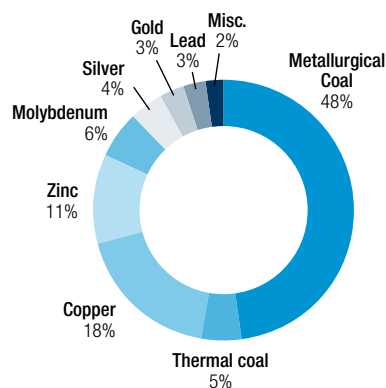
**Silver** prices decreased from an average of US\$15.02/oz in 2008 to an average of US\$14.70/oz in 2009. Net mining revenue increased, from \$272 million in 2008 to \$288 million in 2009, representing an increase of 6%. Silver prices in the first quarter of 2010 averaged US\$16.92/oz. As of April 1<sup>st</sup> 2010, Silver futures contracts expiring in May 2011 were priced at \$18.04/oz<sup>7</sup>.

**Zinc and Zinc concentrate** shipment volumes declined, from 327,000 tonnes in 2008 to 289,000 tonnes in 2009 (decrease of 12%). The price of Zinc averaged US\$0.85/lb in 2008 and dropped to US\$0.75/lb in 2009, for a decrease of 12%. The effect of decreased shipments and significant price decreases resulted in an overall decline in net mining revenues, from \$736 million in 2008 to \$587 million in 2009, or a decrease of 20%. The average price of Zinc rebounded, rising to US\$1.04/lb in the first quarter of 2010. As of April 1<sup>st</sup> 2010, Zinc futures contracts expiring May 2011 were priced at US\$1.11/lb<sup>7</sup>.

**Net Revenue by Product 2009**



**Net Revenue by Product 2008**



# Exploration and Development

As reported by survey participants, mineral exploration and development activities in British Columbia increased from the prior year. In 2009, survey participants reported \$157 million in expenditures, up 83% from the prior year expenditure amount of \$86 million. The overall increase in exploration and development spending was attributed to significant increases in properties under development within the province.

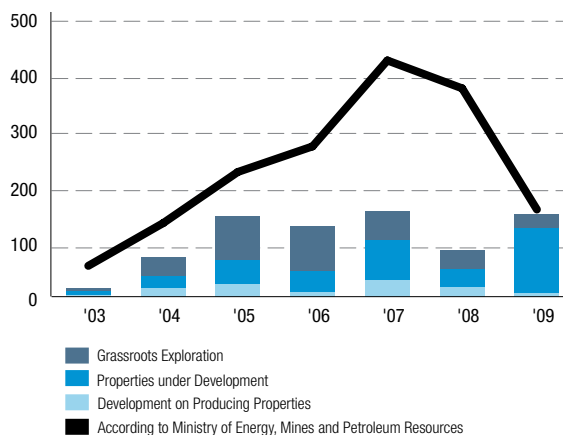
Grassroots exploration, which includes exploration expenses incurred in search of mineral deposits and potential mining areas, decreased from \$35 million in 2008 to \$26 million in 2009. Expenditures relating to properties under development increased from \$33 million in 2008 to \$119 million in 2009, representing an increase of 261%, and development expenditures on producing properties decreased 33%, from \$18 million in 2008 to \$12 million in 2009.

As noted earlier in the survey, reported results do not include the many junior companies and individuals solely involved in exploration activities in the Province and also exclude the 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 \$154 million for 2009 (2008: \$367 million).

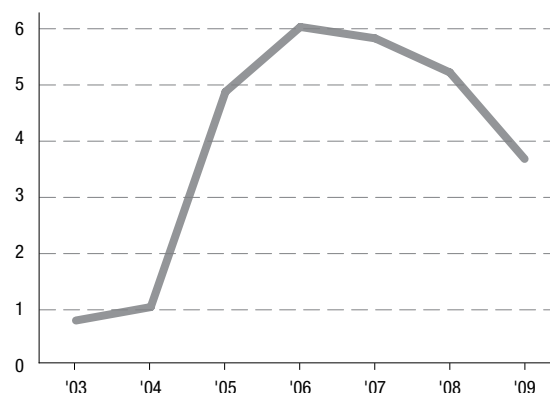
Total claims tenured in 2009 covered 3.68 million hectares<sup>8</sup>, a decrease of 29% from 2008 claims staked of 5.2 million hectares. In the first quarter of 2010, 1.2 million hectares were registered, representing an increase of 0.6 million hectares from the 0.6 million hectares<sup>9</sup> in the first quarter of 2009.

The increase on spending in exploration and development activities focuses effort on existing properties with expected resources. The reduction in grassroots exploration is a trend which the Province needs to reverse if it is to replenish existing reserves and resources.

**Exploration and Development Expenditures in the Province**



**Claims Staked in BC<sup>8</sup>**  
(millions of hectares)



## Notes

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

9. Mining and Mineral Exploration in British Columbia, Overview 2009



# Employment

Total Salary and benefits amounted to \$851 million in 2009 compared to \$859 million in 2008, resulting in marginal decrease of 1%, with less than \$1 million in severances reported by participants. The average number of individuals employed by the mining industry was 7,688, up from 7,607 employees in 2008 (increase of 1%). Average salaries and benefits decreased marginally to \$110,800, a 2% decrease from the prior year average compensation of \$112,900.

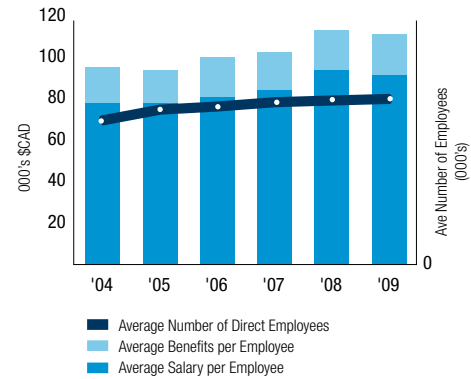
Total training hours fell from 200 thousand hours to 178 thousand hours, a drop of 11% with related costs falling only 5% from \$14,503 thousand in 2008 to \$13,740 in 2009. This resulted in increased cost per hour from \$73 in 2008 to \$77 per hour in 2009.

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<sup>10</sup>.

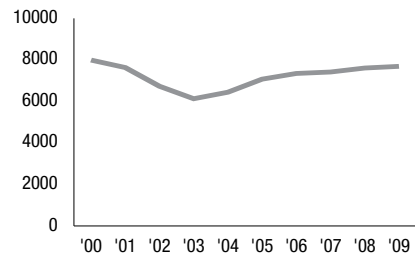
## Notes

10. Information provided by Mining Association of BC

**Average Salary and Benefit Cost per Employee**

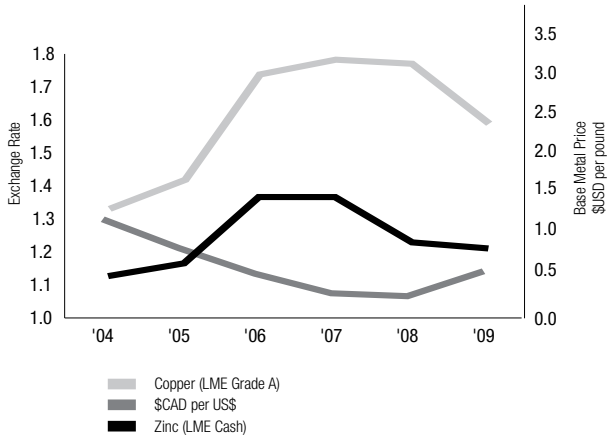


**Direct Employment (Number of employees)**



# 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 for BC mines.

The Canadian dollar has experienced trending strength in the previous five years but weakened during 2009. The Canadian dollar weakened from an average of 1.0660 C\$/US\$ in 2008 to an average of 1.1415 C\$/US\$ in 2009, representing a decrease of 7%. As a result, 2009 metal and Coal reported gross revenues improved by an estimated \$464 million.

The revenue change due to a 1 cent change in value of the Canadian dollar vs. US dollar would cause a fluctuation of approximately \$61 million in 2009 gross mining revenues. The effect on gross revenues of a 1 cent change in C\$/US\$ in 2008 was estimated at \$78 million in gross revenues.

In the first quarter of 2010, the average exchange rate improved to 1.0409 C\$/US\$. The one-year forward bid exchange rate is 1.013343 C\$/US\$. If the rate of 1.013343 C\$/US\$ had been in effect through the whole of 2009, it would have decreased gross mining revenues reported by approximately \$788 million.

# Industry Expenditures

Aggregate expenditures in the mining industry decreased \$443 million, or 7%, with a total of \$5.7 billion in 2009 compared to \$6.1 billion spent in 2008.

In 2009, the largest individual component of industry expenditures was outward transportation costs of \$911 million. This amount was comprised primarily of rail costs of \$465 million (compared to \$612 million in 2008), ship costs of \$126 million (\$171 million in 2008), and wharfage fees amounting to \$194 million (\$228 million in 2008), with reductions primarily attributable to reductions in coal shipments. Production supplies and purchases of \$525 million and out-of-province concentrate purchases of \$746 million were the next highest industry expenditure categories. Total tonnages shipped decreased from 26.8 million tonnes in 2008 to 21.3 million tonnes in 2009.

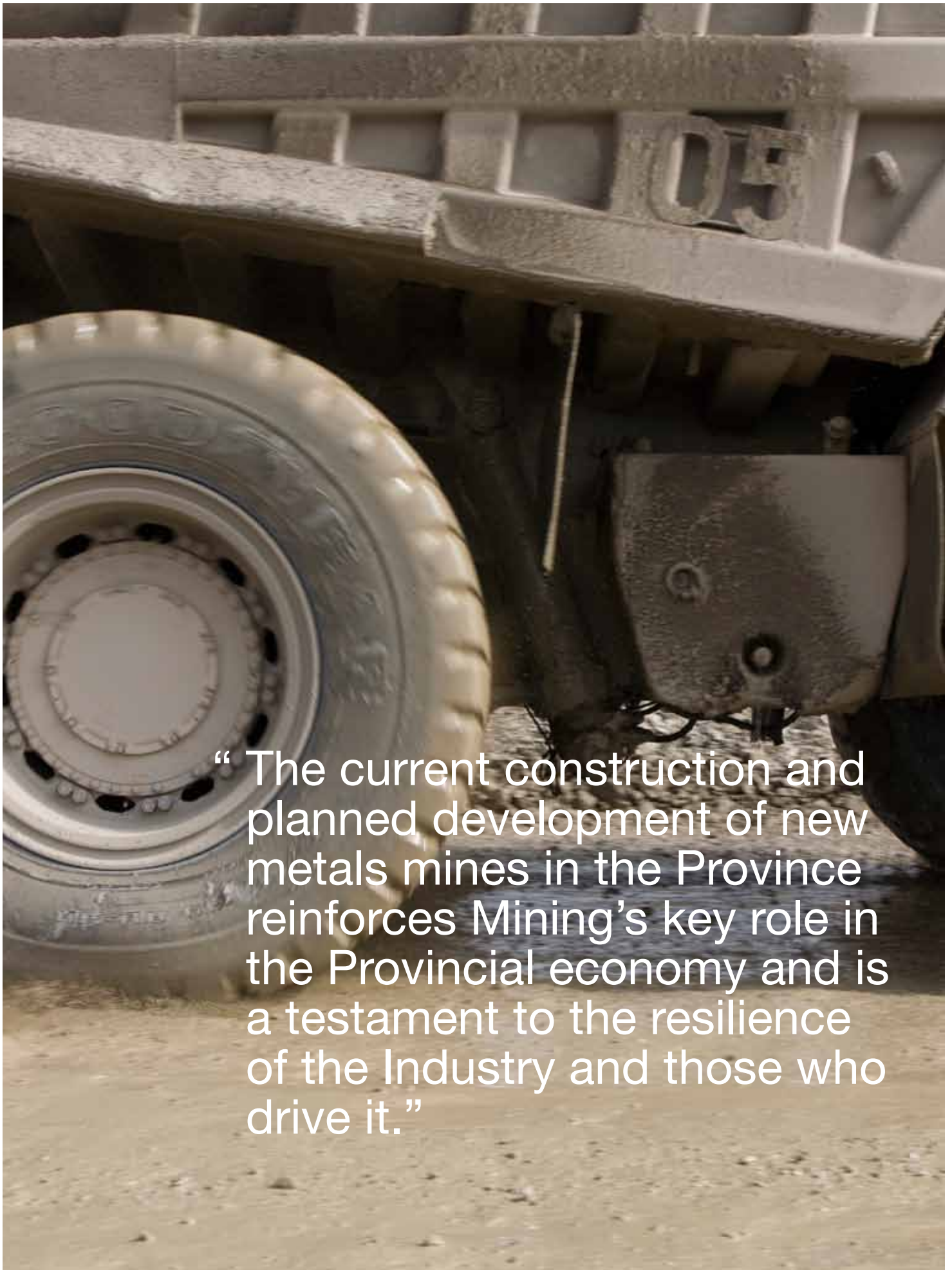
Production materials and supplies decreased by 18% or \$114 million from \$639 million in 2008 to \$525 million in 2009. Energy and fuel costs decreased significantly from \$522 million in 2008 to \$392 million in 2009, for a decrease of 25%.

Direct tax payments decreased by \$122 million from \$365 million in 2008 to \$243 million in 2009.

## Capital Expenditures

Total capital expenditures decreased from \$853 million in 2008 to \$568 million in 2009, for a decrease of 33%. Of this amount \$123 million was spent on surface construction (both development and operating properties) and \$311 million on machinery and equipment (largely attributable to operating properties).

Of the \$568 million incurred in 2009, machinery, equipment, and construction material purchases increased by \$45 million to \$493 million in 2009, compared with \$448 million in 2008.



“ The current construction and planned development of new metals mines in the Province reinforces Mining’s key role in the Provincial economy and is a testament to the resilience of the Industry and those who drive it.”

# 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 2009, the BC mining industry, as reported by the participants in this survey, made total payments to the government of \$413 million, a decrease of \$132 million from the payments of \$545 million made in 2008. As indicated under Industry Expenditures above, direct tax payments fell by \$122 million from \$365 million in 2008 to \$243 million in 2009. Approximately \$96 million of the decrease is attributable to reductions in mineral taxes relating to coal.

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<sup>11</sup>; 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<sup>12</sup>.

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 recent 2010 budget.

In order to assist companies to raise capital for mining exploration, the March 2010 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 \$7 million in 2009 compared with \$2 million in 2008 (\$258 million in 2007), reflecting the ongoing difficulty experienced by the junior mining market in attracting capital in the first half of 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<sup>13</sup>. 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<sup>11</sup>.

The provincial sales tax on mining machines and equipment will be eliminated with the introduction of the Harmonized Sales Tax effective July 1, 2010.

Five 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<sup>11</sup>. No update has been reported since 2007.

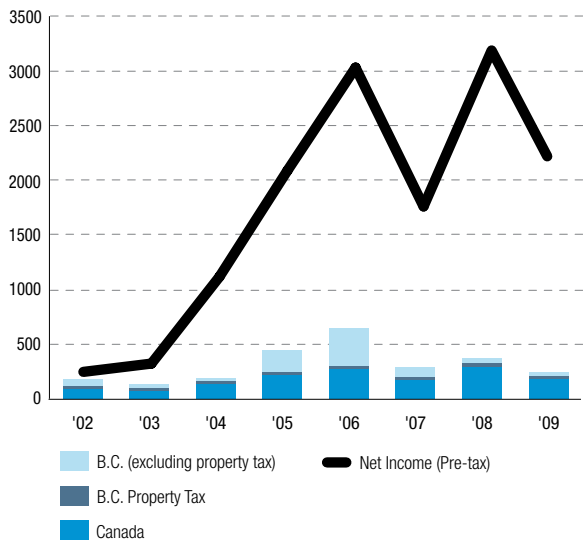
## Notes

11. Obtained from BC government website

12. Obtained from Association for Mineral Exploration British Columbia

13. Obtained from BC Mines & Mineral Exploration Overview 2009

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



# Harmonized Sales Tax in BC

After over 18 years of maintaining PST alongside the federal Goods and Services Tax (GST), British Columbia will be harmonizing their PST systems with the GST. Effective July 1, 2010, the new harmonized sales tax (HST) will be 12% in BC (which is a blended 7% provincial component and 5% GST).

The tax base and application of HST in BC will be substantially the same as the GST, and the Canada Revenue Agency (CRA) will administer the new tax. Registrants will file a single GST/HST return and will only need to deal with one level of government.

Generally, the introduction of HST is a positive move for many mining companies. The main reason is that entities will no longer incur unrecoverable PST. However, large businesses that make GST/HST taxable supplies both in and outside of Canada of over \$10 million annually do have to be aware that there will be restrictions on recovering the provincial component of HST on the following classes of expenses.

- **road vehicles**, that weigh less than 3,000 kilograms and are licensed for use on public highways, and certain parts, fuel and services for these vehicles
- **energy**, excluding energy used as an integral part of a process of producing tangible personal property for sale; for the design or production of equipment used in the production of tangible personal property for sale; or used directly in the activities that are eligible scientific research and experimental development
- **telecommunication services**, including services such as local and long-distance telephone, cable and pay television, satellite television, facsimile and electronic mail, video, audio and computer link-ups and data transmission, but not including services such as Internet access and toll-free numbers
- **meals and entertainment**, food, beverages and entertainment that are currently subject to an Input Tax Credit (ITC) repayment requirement under the federal Excise Tax Act.

Since PST is currently incurred on most of the foregoing expenses, the fact that a company is not eligible to recover the provincial component of the HST is unfortunate, but it will not create an additional cost to mining companies in BC.

However, of particular interest to the mining industry will be the impact of HST on the purchase of energy, which includes electricity, gas, fuel (other than fuel used in a propulsion engine), and steam that is acquired, or brought into British Columbia for use in the province by a large business.

## I. Recovering HST on energy costs

The requirement to restrict the provincial portion of the HST applies to consideration for a single supply of specified energy, including any consideration attributable to incidental transportation services and fees. It is important to know that the restriction does not apply to:

- energy used by a large business directly in the production of tangible personal property (TPP) for sale by the business or production equipment used by the business in the production of tangible property for sale by the large business;

In other words, the full 12% HST that is paid on energy used directly in the production process will be recoverable. Where energy is not used directly in the production process, the 7% provincial component of the HST will not be recoverable; however, the 5% federal portion will continue to be recoverable.

## II. Energy used for air conditioning, lighting, heating or ventilation

It must be noted that the restrictions that BC is proposing are based on Quebec's current restrictions for QST paid on these same expenses. Further, agreements between the provinces and the CRA have outlined that the restrictions in BC have to be the same as those currently in Quebec. Therefore, any policy for restrictions adopted by Quebec should also be adopted by BC.

The Notices put out by BC have stated that there will generally be an ITC restriction for the provincial portion of the HST paid on energy relating to air conditioning, lighting, heating or ventilation. Currently, the province of Quebec allows mining companies to recover the QST paid on the purchase of energy relating to air conditioning, lighting, heating or ventilation that is used in mining operation as production equipment. Therefore, providing BC adopts the same policy as Quebec, mining companies should receive the same benefit and be eligible to fully recover the HST on such expenses.

## III. Production Proxy

In order to simplify compliance with the restriction requirements with respect to energy, proxies (eligible recovery percentages) have been established that may be used by a large business to determine the portion of energy considered to be used directly in the production of tangible property for resale, or considered to be used directly in activities that are eligible SR&ED activities. An election will be required to be submitted to use a production proxy, but will not be required to use the SR&ED proxy.

### *Production Proxies*

The eligibility to use a production proxy rather than a direct allocation method to determine the percentage of HST recoverable is based on the most significant business activity of a large business that are based on 24 identified codes from the North American Industry Classification System for 2007 (NAICS). In particular, BC has stated that the mining and quarrying industries qualify to use a Production Proxy equal to 96%.

Therefore, large businesses 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, thus eliminating the need to establish a methodology of allocating the energy use between the business' production operations and non-production operations (i.e. administrative buildings).

Before deciding to elect to forego a direct allocation methodology, it might be prudent to undergo an energy assessment to determine what the energy is actually used for.



# 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 three mines that are in the reclamation stage. Reclamation expenditures amounted to \$62 million in 2009, decreasing by \$4 million, or 6%, from \$66 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.

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 2009 of \$30 million, which was slightly less than the 2008 amount of \$33 million.

Congratulations to survey participant Max Molybdenum (Roca Mines Inc.) who won the BC Mining and Sustainability Award in 2009, 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.

# Sustainability Reporting and the Mining Industry

The Sustainability Yearbook 2010 identifies the major sustainability challenges for the mining industry as:

- improving mining safety,
- managing the complexities of environmental and regulatory requirements; and
- adhering to corporate governance standards when operating in politically difficult regions.

In order to achieve sustainable mining outcomes companies are implementing strategies such as community engagement, technological improvement, and climate change mitigation programs. In addition, sustainability reporting is becoming an increasingly important aspect of communicating company policies, programs and performance. Third party assurance of these reports promotes added credibility.

It is evident that governments and regulatory bodies are becoming more involved in the reporting of environmental and climate change related matters. The mining industry is subject to increased scrutiny and a proactive approach to sustainability reporting is essential to ensure long-term success. Guidance issued to support enhanced reporting of sustainability and climate change-related information includes:

- Since December 2004, The Mining Association of Canada (MAC) has been expanding the scope of the “Towards Sustainable Mining” program to help improve the industry’s performance by aligning its actions with the priorities and values of Canadians. Having initially focused on developing reporting protocols for Crisis Management Planning, Energy Use & Greenhouse Gas Emissions Management, External Outreach, Tailings Management, Aboriginal & Community Outreach, Safety & Health, and Biodiversity, MAC is currently developing reporting protocols for Mine Closure, Water and International Application.
- In May 2008, the International Council of Mining & Metals committed member companies to publicly report on their sustainable development performance on an annual basis, in line with the Global Reporting Initiative’s Sustainability Reporting Framework, G3 Guidelines and Mining and Metals Sector Supplement.
- In December 2009, the Ontario Securities Commission released a notice of intent to issue guidance on compliance with existing environmental disclosure requirements under National Instrument 51-102 Continuous Disclosure Obligations.
- In February 2010, the United States Securities Exchange Commission released Interpretative Guidance to public companies regarding the Commission’s existing disclosure requirements. This guidance was issued to help public companies respond to current and potential regulations related to climate change matters (including but not limited to greenhouse gas emissions and environmental risk disclosures).

Of the 23 participants in this survey, Xstrata Plc and Teck Resources Limited were recognized as Sustainability Leaders in the 2010 Sustainability Yearbook. Xstrata was recognized as the SAM Sector Leader and Teck was recognized as a SAM Sector Mover. Their sustainability reports were compared with 21 of their global peers and were noted for addressing the challenges of sustainability in the mining sector.

[pwc.com/ca/sustainability](http://pwc.com/ca/sustainability)

# Greenhouse Gas Emission Reporting Regulations

As Canada and the United States prepare to implement cap and trade programs to reduce their greenhouse gas emission levels, data collection and emissions reporting is increasingly being regulated. Previous Canadian federal Greenhouse Gas emission reporting requirements applied to operations emitting 100,000 or more tonnes of CO<sub>2</sub> equivalent per/year (tCO<sub>2</sub>e). In 2009, the threshold was reduced to 50,000 tCO<sub>2</sub>e/year.

At the provincial level, Alberta was one of the first jurisdictions in North America to introduce climate change reporting regulations. The Climate Change and Emissions Act came into effect in 2007. All facilities that produce 100,000 tCO<sub>2</sub>e/year must reduce or offset their emissions intensity to 12% below their 2003-2005 baseline emissions intensity, and report audited emissions data annually.

Some provincial governments are implementing even lower reporting thresholds. In line with commitments under the Western Climate Initiative, BC introduced a new reporting requirement in 2009 for GHG emission data collection, which began on January 1, 2010 under the BC Greenhouse Gas Reduction (Cap-and-Trade) Act. All facilities that emit over 10,000 tCO<sub>2</sub>e/year must report their emissions, and all facilities emitting over 25,000 tCO<sub>2</sub>e/year must have those reports verified by a third party. To put this amount of emissions in a mining perspective, 10,000 tCO<sub>2</sub>e would be produced by a 200 tonne, 1900 horsepower rigid body truck running on diesel for 30,000 hours at medium application. That is equivalent to 10 trucks working for eight hours per day for a full year.

In Ontario the Environmental Protection Amendment Act GHG reporting regulation was released in December 2009. All facilities that emit over 25,000 tCO<sub>2</sub>e/year must report their emissions and have those reports verified by an accredited third party for 2011 data and annually thereafter.

With the release of Bill 42 in May 2009, Quebec unveiled their latest target to reduce GHG emissions by 6% below 1990 levels by 2010, and 20% below 1990 levels by the year 2020. Quebec is focusing their efforts on reducing emissions from transportation and industry. Like Alberta, facilities in Quebec that emit more than 100,000 tCO<sub>2</sub>e/year have had to report their emissions since 2007. The reporting threshold will likely drop to 10,000 tCO<sub>2</sub>e/year in the near future, with verification of 25,000 tCO<sub>2</sub>e/year in 2012.

Of the 41 mining companies in the 2009 PwC mining survey, seven had reported emissions over 100,000 tCO<sub>2</sub>e for 2008. With a new federal reporting threshold of 50,000 tonnes and provincial reporting threshold of 10,000 tonnes, the number of reporting facilities will increase dramatically. This increases the need for self assessment and risk management programs, to ensure that emissions risks are appropriately managed, including reduction of potential liabilities under future carbon tax and/or cap-and-trade regulations.

[pwc.com/ca/climatechange](http://pwc.com/ca/climatechange)

# What's on the Minds of BC's Mining Industry CEOs?

As the economy starts to recover, PwC has once again initiated a conversation with CEOs of mining companies in BC to find out how they are coping in an ever-changing business environment.

With the support of the Association for Mineral Exploration British Columbia and the Mining Association of British Columbia, PwC invited their member CEOs to respond to a short, anonymous online survey in late April 2010. We received 34 completed responses by publication time. Of those surveyed, 17% described themselves as development companies, 30% have operating mines, and 53% are exploration-focused.

While the vast majority of companies (88%) reported a geographical focus in BC and/or elsewhere in Canada similar to last year's survey, there was an increase in those reporting a South American focus (29%, up from 15% in 2009), while those reporting a focus in the USA (15%) remained unchanged. Other companies also report involvement in Eastern Europe (9%), Asia (9%), Australasia (6%), and Western Europe (3%). The key findings follow.

A solid indicator that recovery in this industry has indeed begun was the positivity of the responses when asked to describe their current operating environment:

- **61% Business as usual** – normal operations;
- **18% Conserving cash** – expecting lower revenues than last year and reducing expenses, but continuing to invest in future projects and programs;
- **9% Spending cuts** – delaying non-critical programs and investments, reducing budgets, reducing non-essential travel and operating expenses, some staff reductions; and,
- **12% Hanging on** – reducing staff to bare minimum, temporary shut down of some operations, maintaining only essential operations and services.

In another optimistic turn, the PwC survey revealed that 50% of respondents consider long-term investments the most important issue. The next most important issue was access to equity markets (32%) with the remaining companies evenly divided between access to debt markets (9%) and cash conservation (9%). When it comes to growth, 50% are actively pursuing new mining properties, acquisitions or mergers, while only 6% are planning a divestiture.

Almost one-third (30%) of respondents feel that the resumption of rapid economic growth is likely and will have the greatest impact on their business over the next five years. This is particularly interesting given the fact that the majority of companies have already resumed business as usual.

The PwC survey revealed that only 38% of the respondents have a corporate social responsibility program in place that includes periodic reporting of progress against targets.

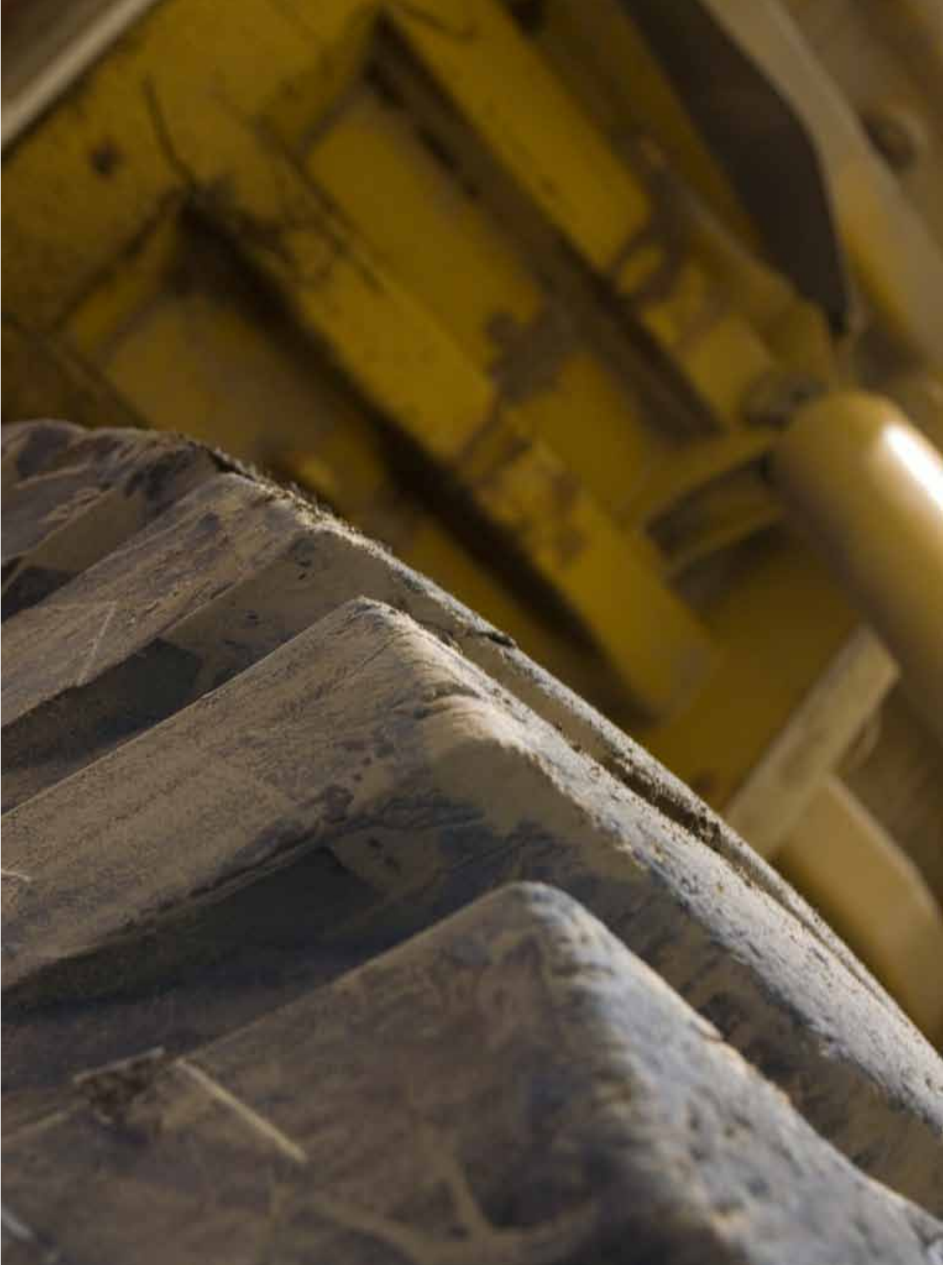
When asked about the importance of the Highway 37 electrification project to current and planned future operations, 24% said it was critical, 15% said it was important, 18% said it was somewhat important, and 43% reported that this project was not important to them, reflecting the geographic location of their projects. It's clear from the responses that the success of the Highway 37 electrification is a critical component in moving a number of the respondent projects forward.

While PwC's survey indicated increasing financial stability and indeed, optimism amongst industry leaders, it also provided insight into the challenges and frustrations the BC mining community is experiencing. When asked what key issues the mining industry is facing in BC, the majority (79%) indicated the permitting process is a major concern. This concern was echoed through strong commentary about a burdensome permitting process. Complaints ranged from an overly complex system, to unreasonable wait times, to a lack of clarity and communication about the process itself.

Again this year, a large number of respondents (41%) indicated land title issues as a major challenge for the industry. In addition, 30% of respondents anticipate that Aboriginal land claims will have the single greatest impact on their business over the next five years.

Citing a continued need for improved clarity around settling Aboriginal land claims in BC, we heard recurring comments about the ripple effect of land title issues, from limiting access to deterring potential investors. While the actual concerns vary amongst respondents, almost every respondent indicated that the industry must take action and work closely with the government to resolve the challenges, particularly around permitting and land title issues.

Based on PwC's 2010 survey of mining CEOs in BC, it appears that while it may be a slightly bumpy ride, surveyed companies are slowly starting to emerge from the downturn with confidence, resuming normal business operations and planning for long-term growth.



# Conclusion and Outlook

2009 yet again reaffirmed how important the mining industry is to the provincial economy. Though gross revenues decreased from the record high of 2008, the reported earnings remain at historically high levels. The industry weathered the global economic downturn better than most and Coal and Copper reaffirmed their stalwart positions as the most significant contributors of earnings to the BC mining industry.

The industry generated \$2.3 billion in net income (pre-tax) in 2009 compared to \$3.2 billion in 2008. Pre-tax return on Shareholders' Investment on BC Operating Mines declined, but was still an attractive 44.4% in 2009, down from the unprecedented 97.5% in 2008. Metallurgical and Thermal Coal continue to represent the largest portion of revenues and 87% of total product shipments in 2009. Copper's contribution to revenues remained high and increased year-on-year even as average Copper prices declined during 2009. Coal and Copper mining activities are the mainstay of the BC mining industry as reported in this survey representing 71% of net revenues. The Molybdenum market suffered a severe downturn in the fourth quarter of 2008 and prices remained depressed through 2009 with some gains in Q1 2010.

Total cash flow from operations of \$2.2 billion (a decrease of 37% from 2008's \$3.4 billion) was a direct result of the decline in earnings, and the mining industry contributed \$5.7 billion in mining expenditures, including payroll & benefits of \$851 million. The industry maintained its 2008 levels of employment and average salary per employee, illustrating the continued demand for experienced and skilled workers in the industry, even in a difficult global economy.

So, what does this all mean? The results suggest that the BC Mining Industry learned to weather the difficult economic times experienced in the trough of the last industry cycle downturn and has emerged relatively unscathed from the recent global meltdown. And that's just the start of it. In early 2010, Roca's Max Moly mine received their new mine permit, advancing from small mine status to become BC's first major new metal mine in over a decade. They won't be alone as the new kids on the block for long. Two operations completed the provincial permitting process in 2009 – Copper Mountain and Mt. Milligan (Mt. Milligan awaits final federal authorisation, expected this summer) and Prosperity completed its B.C. environmental assessment.

Copper Mountain is under construction and is due to commence operations in mid 2011. The New Afton project is also underway and is scheduled to commence operations in 2012.

Terrane Metals has raised the financing for construction of the first phase of the Mt. Milligan Mine which is scheduled to commence development in mid-2010. And the good news is not just confined to the new mines being built. Significant extensions to the lives of existing mines have been announced in the last two years. Highland Valley extended the life of its operations to at least 2019, Taseko's Gibraltar mine is scheduled to run beyond 2035, and Endako recommenced its previously postponed mill expansion plan and are planning a "super pit". With the Supreme Court of Canada's Red Chris ruling in January 2010, this important Copper-Gold project can advance to final permitting. Prosperity, the biggest of the new mines, is nearing completion of its federal environmental assessment.

This all augers well for the presence and prosperity of the mining industry in BC in the near term, with copper and gold being the primary commodities behind this new wave of mines and advanced projects. In order to maintain this resurgence, infrastructure investment remains at the forefront of issues for BC companies. On February 2, 2009, 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, and a \$250 thousand agreement was signed between BC Hydro and Tahltan Central Council for socio-economic and environmental assessment work during 2009.

On April 23, 2010 increased weight limits for trucks were announced that will allow commercial trucks to haul larger mining loads from the Yukon south along Highway 37 to the Port of Stewart, benefiting both the environment and the local economy. Under the bulk haul program, shipping companies can enter into agreements with the Province to operate trucks that comply with axle weight limits, but exceed gross vehicle weight restrictions. The program has the potential to expand to other appropriate routes around the province where larger mining loads would be permissible, and is available to any mining company that wishes to enter into an agreement with the Ministry of Transportation and Infrastructure.

All are positive steps and clear evidence that the industry and the provincial and federal governments are committed to getting projects up and running. This is great news for companies with advanced projects and known resources. There is more uncertainty however, for junior companies. This was evidenced by the fact that grassroots exploration continued its downward trend from \$83 million in 2006 to just \$26 million in 2009. In 2009, survey participants reported \$7 million in flow-through capital investments, which was a slight increase from the \$2 million flow-through investments reported in 2008, but still a figure that continues to be dramatically lower than the \$258 million in 2007. The new mines being planned and built today are centred around historically identified deposits. New deposits need to be found to replace these. This can only be done by encouraging investment in the Province. The extracts from the CEO survey included in this report highlight that company CEOs continue to see improvements in the permitting process and resolution of land title issues as fundamental in bringing investment and exploration dollars back into BC. The Province also needs to take steps to retain what have traditionally been areas of competitive advantage – areas like cheap power. This takes planning and infrastructure development and follows the mantra of “build it and they will come”.

These are all concerns and issues which need to be addressed to secure the long term future of the industry in the Province. But that should not cast a shadow over the recent success enjoyed by BC’s Mining industry. The construction and current planned development of new major metals mines in the Province reinforces Mining’s key role in the Provincial economy and is a testament to the resilience of the industry and those who drive it. We look forward to providing an update on that continued success in 2010.

# Eight-year Financial Summary

(\$CAD millions, except where otherwise noted)

	2009	2008	2007	2006	2005	2004	2003	2002
Gross mining revenues	\$ 7,019	\$ 8,355	\$ 6,863	\$ 8,076	6,285	\$ 4,584	\$ 3,649	\$ 3,525
Net mining revenues <sup>14</sup>	5,733	6,779	5,555	6,590	4,917	3,488	2,698	2,523
Pre-tax net income <sup>15</sup>	2,250	3,234	1,740	3,039	2,189	1,125	362	271
Cash flow from operations	2,170	3,423	1,974	2,885	2,071	1,143	598	567
Total assets	7,696	6,204	6,370	5,251	4,777	3,969	3,510	3,843
Pre-tax return on shareholders' investment (%)	44.4	97.5	45.8	83.9	64.8	39.8	13.8	10.2
New capital investment <sup>16</sup>	(1,592)	11,159	(248)	(129)	169	126	28	(73)
Industry spending	5,673	6,116	6,416	6,749	5,231	4,013	3,299	3,338
Direct employment (number of employees)	7,688	7,607	7,449	7,345	7,071	6,442	6,128	6,729
Payments to governments	413	545	463	799	617	344	278	333
Shipments (000's tonnes)	21,303	26,840	24,854	25,449	26,630	27,841	25,304	24,135
Exploration & development Expenditures <sup>17</sup>	157	86	160	129	148	73	15	11
Capital expenditures	568	853	964	513	345	217	117	190

## Notes

14. Net mining revenues are reported after deduction of smelting and refining charges, freight costs, and marketing deductions.
15. 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.
16. 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.
17. 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 2009

## Mining Production

Coal Mines	Annual rated plant capacity (metric tonnes)	Actual tonnes produced	% of capacity	Days mill operated	Average employment <sup>18</sup>	Contract employment
Coal Mountain	3,500,000	2,363,000	68%	220	206	–
Elkview	7,000,000	4,800,000	69%	273	809	–
Fording River	10,416,000	6,037,000	58%	257	993	–
Greenhills	4,375,000	3,450,000	79%	272	490	–
Line Creek	3,600,000	2,021,000	56%	213	337	–
Quinsam Coal	1,560,000	700,000	45%	340	120	20

Metal & Precious Metal Mines	Annual rated mill capacity (metric tonnes)	Actual tonnes produced	% of capacity	Days mill operated	Average employment <sup>18</sup>	Contract employment
Endako Mine	10,980,000	9,759,000	89%	365	277	15
Gibraltar	16,790,000	12,976,000	77%	342	389	10
Highland Valley Copper	49,640,000	44,888,000	86%	365	1,112	152
Huckleberry	7,000,000	6,134,600	88%	365	231	–
Kemess South	18,650,000	18,353,000	98%	365	331	–
Mount Polley	7,000,000	7,046,000	101%	365	361	–
Myra Falls	1,460,000	450,000	31%	300	210	–

### Notes

18. Average number of employees actually working during fiscal year

# 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 the Leading advisor and professional services provider to the mining industry in B.C. 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

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](http://www.pwc.com/ca/mining)

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This is a condensed version of results of the 2009 survey.

Complete survey results, including appendices,  
are available on the PricewaterhouseCoopers web site at:

[www.pwc.com/ca/mining](http://www.pwc.com/ca/mining)

and on the MABC web site at

[www.mining.bc.ca](http://www.mining.bc.ca)



Photo courtesy of Highland Valley Copper

