

Mining
Industry Survey

Look who's 40*

The Mining Industry in British Columbia 2007

*connectedthinking

PRICEWATERHOUSECOOPERS 

2007 marks the 40th edition of our in-depth analysis of the results of the BC Mining Industry. Following the unprecedented earnings reported in 2006, 2007 reflects a more moderate, yet very positive result.

Preface

We are pleased to present our 2007 annual BC Mining Survey. This survey marks the 40th edition of our in-depth analysis of the results of the BC Mining Industry. Since 1968, this survey has been independently prepared by PricewaterhouseCoopers LLP (“PricewaterhouseCoopers”) with the cooperation and assistance of companies with mining operations in the Province. The continued support of our participants is a testament to the commitment and dedication of the various stakeholders within the Province. The report has gained a reputation as a carefully compiled and reliable record of the state of mining in BC, and has come to be extensively used by industry, government and academia.

In 2007, the survey covered 19 operating metal and coal mines, one smelting operation, eight operations in the permitted or active permitting stage, six mines in the reclamation stage and six advanced exploration stage properties. That brings the total of participants for the 2007 to 40, as compared to 42 in 2006. We believe that for 2007, the survey covers all but two operating metal and coal mines in the Province and we hope to have 100% participation next year.

Data was gathered electronically by means of a comprehensive questionnaire that was confidentially completed on-line by survey participants. PricewaterhouseCoopers then independently reviewed the survey responses for reasonableness and consistency. No attempt has been made to bring all companies to a common basis of accounting.

Consistent with prior years, 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 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. The Trail smelter is included, and its operating results may include concentrates which are mined outside the Province.

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

This report has been published by the Mining Practice of PricewaterhouseCoopers in Vancouver. We would like to extend our thanks to the participating companies, the Government of British Columbia, the Mining Association of BC and the Association for Mineral Exploration BC.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Vancouver, BC
13 May 2008

Participants

Operating

Basin (Compliance Energy Corporation) ²
Brule (Western Canadian Coal Corp.) ¹
Coal Mountain (Elk Valley Coal Corporation)
Dillon (Western Canadian Coal Corp.) ⁴
Elkview (Elk Valley Coal Corporation)
Endako (Thompson Creek Metals Ltd.)
Fording River (Elk Valley Coal Corporation)
Gibraltar (Taseko Mines Limited)
Greenhills (Elk Valley Coal Corporation)
Highland Valley Copper (Teck Cominco Limited)
Huckleberry (Huckleberry Mines Ltd.)
Kemess South (Northgate Minerals Corporation)
Line Creek (Elk Valley Coal Corporation)
Max (Roca Mines Inc.) ^{1,3}
Mount Polley (Imperial Metals Corporation)
Myra Falls (Breakwater Resources Ltd.)
Quinsam Coal (Hillsborough Resources Ltd.)
Trail Metal Operations (Teck Cominco Limited)
Willow Creek (Western Canadian Coal Corp.)
Wolverine (Western Canadian Coal Corp.)

Development stage – Permitted or Active Permitting

Galore Creek (Nova Gold Resources Inc.)
Hermann Coal (Western Canadian Coal Corp.) ¹
Kemess North (Northgate Minerals Corporation)
Red Chris (Imperial Metals Ltd.)
Sustut Copper (Northgate Minerals Corporation)
Tulsequah Chief (Redcorp Ventures Ltd.)
New Afton (New Gold Inc.)
Prosperity (Taseko Mines Limited)

Exploration

Ajax-Python (New Gold Inc.) ¹
Bellcourt-Saxon (Western Canadian Coal Corp.) ¹
Davidson Moly (Thompson Creek Metals Ltd.) ¹
Imperial Metals Corporation (Head Office)
Lillyburt (Western Canadian Coal Corp.) ¹
Teck Cominco Limited (Head Office including Exploration)

Reclamation

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

Notes

1. Participated in survey for first time in 2007
2. Placed on care and maintenance in 2006
3. Commenced commercial production subsequent to December 31, 2007
4. Mine ceased operations during 2007

Participant Locations in 2007



Highlights

Gross Revenues

Gross mining revenues decreased by \$1.2 billion to \$6.9 billion in 2007, down from \$8.1 billion in 2006. This has been mainly driven by a decrease in coal prices and decreases in overall coal and metal shipments.

Net Income

Net income decreased by \$1.1 billion to \$1.2 billion in 2007.

Foreign Exchange

Foreign exchange averaged CDN\$1:US\$0.9304 during the year, compared to CDN\$1:US\$0.8818 during 2006.

Direct Employment

The average number of people employed by BC mining increased to 7,415 during 2007, compared to 7,345 during 2006.

Return on Shareholder's Investment

After-tax return on shareholders' investment remained high, but decreased from 64.8% in 2006 to 41.6% in 2007.

Cash Flow

Cash flow from operations decreased by 31% from \$2.89 billion in 2006 to \$1.98 billion in 2007. This is a result of the decrease in net mining revenue, with total production costs remaining consistent with the previous year.

Capital Expenditures and Dividends

Capital expenditures increased by 87% from \$513 million in 2006 to \$960 million in 2007. Total dividends paid in 2007 were \$635 million, compared to \$1.06 billion in 2006, reflecting the decrease in cash flows being generated by participating companies.

Exploration

In total, exploration and development expenditures (according to those companies that participated in the 2007 survey) increased from \$129 million in 2006 to \$158 million in 2007.

The provincial government estimates an increase in exploration expenditure in British Columbia of 57% from \$265 million in 2006 to \$416 million in 2007.¹ These levels compare to an estimated \$27 million only seven years ago in 2000.²

Coal

Coal prices decreased by 26% from US\$108 in 2006 to US\$80 in 2007. This, coupled with a 10% decrease in Metallurgical Coal shipments (20.7 million tonnes shipped in 2007 down from 22.9 million tonnes in 2006), meant that net mining revenues for Coal decreased by \$568 million from \$1.94 billion in 2006 to \$1.37 billion in 2007.

Copper

Net mining revenues from Copper concentrate decreased by \$337 million or 17% from \$2 billion in 2006 to \$1.66 billion in 2007. Despite the decrease, Copper remains the biggest single component of net mining revenues. The decrease in net mining revenues is due to a decrease of 21% or 211,000 tonnes in Copper concentrate shipments in 2007 offset by a 6% increase in the average price of Copper from US\$3.05/lb in 2006 to US\$3.23/lb in 2007. The average price of Copper continued to climb in the first quarter of 2008, reaching an average price of \$3.54/lb.

Molybdenum

The average price of Molybdenum increased by 23% from US\$24.38/lb. in 2006 to US\$29.91/lb. in 2007 which contributed to a 5% increase in net mining revenues from \$412 million in 2006 to \$433 million in 2007.

Zinc

Net revenues from Zinc and Zinc concentrate decreased slightly by \$58 million from \$1.29 billion in 2006 to \$1.23 billion in 2007. The decrease in net mining revenues is due to a slight 1% decrease in the average price of Zinc from US\$1.49/lb. in 2006 to US\$1.47/lb in 2007, coupled with a decrease of 9% or 33,000 tonnes in shipments in 2007.

Notes

1. "Mining and Mineral Exploration in British Columbia, Overview 2007"

2. "Exploration & Mining in British Columbia – 2000"

Lead

There was a significant increase (102%) in the average price of Lead and Lead concentrate from US\$0.58/lb. in 2006 to US\$1.17/lb. in 2007, partially offset by a 14% decrease in Lead shipments in 2007. As a result, net mining revenues increased by 47% from \$137 million in 2006 to \$202 million in 2007.

Precious Metals

Reported shipments of Gold decreased by 46% in 2007 as one of the larger producers in prior years did not participate in the 2007 survey. This former survey participant ceased operations during 2007. The average price of Gold increased by 15% from US\$604/oz. in 2006 to US\$697/oz. in 2007. The reduction in Gold shipments reported and the increase in the Gold price resulted in a net decrease of 40% in Gold net mining revenues from \$343 million in 2006 to \$205 million in 2007.

Net Silver mining revenues decreased by 33% from \$371 million in 2006 to \$248 million in 2007. This is mainly due to a 51% decrease in Silver shipments from 32.2 million ounces in 2006 to 15.9 million ounces in 2007, offset by a 16% increase in the average price of Silver from US\$11.57/oz. in 2006 to US\$13.39/oz. in 2007.

New Capital Raised

New capital raised increased by 157% from \$408 million in 2006 to \$1.05 billion in 2007. A total of \$253 million was raised by survey participants via flow-through share issuances, compared to just \$9 million in 2006.

Statistical Summary

(\$CAD millions, except where otherwise noted)

	2007	2006	2005
Gross mining revenues	\$ 6,863	\$ 8,076	\$ 6,285
Net revenues	5,555	6,590	4,917
Tax expenses (current and deferred)	534	691	348
Net income for year	1,215	2,348	1,841
Cash flow from operations	1,976	2,885	2,071
Industry spending	6,414	6,749	5,231
Payments to governments	463	799	617
Exploration and development expenditures	158	129	148
Capital expenditures	960	513	345
After-tax return on shareholders' investment (%)	41.6	64.8	54.1
Direct employment (number of employees)	7,415	7,345	7,071
Shipments (000's tonnes)	24,854	25,449	26,630
Dividends	635	1,057	642
New Capital Raised	1,048	408	393



Financial Results in 2007

2007 was another excellent year for the BC Mining Industry. While not reaching the unprecedented survey results reported in 2006, survey participants still reported strong results. Earnings of \$1.2 billion were reported in 2007 compared to net earnings of \$2.3 billion in 2006. As reported in our 2006 survey the prices of Metallurgical Coal decreased significantly in the first quarter of 2007 and remained at the lower average price of US\$80 per tonne during the remainder of 2007. Since mining activity in the Province has historically been focused on coal production the reduction in the Coal price had a significant impact on net mining revenues in 2007. Although Copper prices are at historical highs, the actual tonnes of Copper shipped decreased by 20% in comparison to 2006. These factors culminated in a reduction of gross mining revenue for the Province of \$1.2 billion, which translated into the reduction in net earnings referred to above.

Similar to Copper, a number of the minerals that gave rise to significant increases in 2006 earnings did not perform as well in 2007. The total net revenue decreases for Metallurgical Coal, Copper, Zinc, Silver and Gold were \$1.2 billion.

While gross revenues decreased by 15% (from \$8.1 billion in 2006 to \$6.9 billion in 2007), supplies and other costs of production remained fairly consistent (up marginally from \$2.32 billion in 2006 to \$2.37 billion in 2007). The consistency in the year-on-year production costs can only be attributed to the continued rise in global mining costs and services. These include steel, fuel and tires, as well as costs associated with hiring and retaining experienced mining personnel.

Cash flows from operations also decreased by \$909 million from \$2.9 billion in 2006 to \$1.98 billion in 2007. Dividends amounted to \$635 million in 2007 as compared to \$1.1 billion in 2006. Return on shareholders' investment remained impressive at 41.6% in the current year, although down from the 64.8% reported in 2006.

Capital expenditures increased by 87% from \$513 million in 2006 to \$960 million in 2007, mostly as a result of increased expenditures on machinery, equipment and surface construction at a number of projects under development. These levels of expenditure are vital to preserve the longevity of the industry in the Province

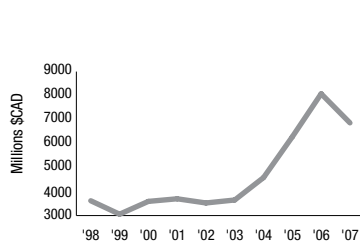
New capital of \$1,048 million was raised during the year, compared to only \$408 in 2006. This is a very positive indicator of the optimism surrounding the mining industry in BC. It is clear that investors are attracted by government's "super flow-through share program" as the capital raised by flow-through share financings increased substantially from \$9 million in 2006 to \$253 million in 2007.

Earnings Summary

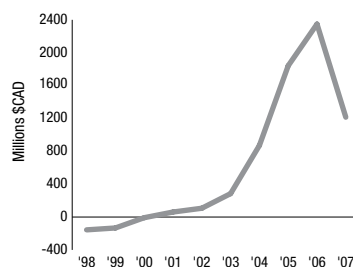
(\$CAD millions)

	2007	2006	2005
Gross mining revenues	\$ 6,863	\$ 8,076	\$ 6,285
Less: Deductions	1,308	1,486	1,368
Net mining revenues	5,555	6,590	4,917
Operating costs and other expenses	3,806	3,551	2,728
Income before taxes	1,749	3,039	2,189
Taxes	(534)	(691)	(348)
Net income for the year	1,215	2,348	1,841

Gross Mining Revenues



Net Income After Taxes



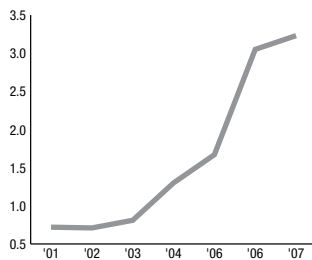
Mineral Revenues, Shipments and Market Prices

In 2007, the mining industry reported a decrease of 16% or \$1.04 billion in net mining revenues from \$6.59 billion in 2006 to \$5.56 billion in 2007. Coal experienced the most significant reductions, declining by \$498 million, while the contribution from Copper operations also reduced by \$337 million. Despite the decrease, Copper remains the most significant contributor to net mining revenues in 2007, generating 29% or \$1.7 billion, with Coal contributing \$1.5 billion (27%) and Zinc and Zinc concentrates \$1.2 billion (22%).

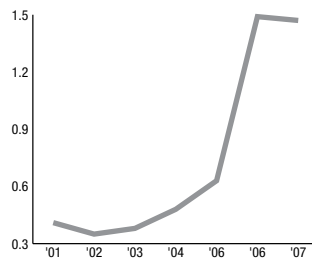
Precious metals' and base metals' commodity prices increased significantly during 2007 and continue to do so in 2008. Relative to 2006, Lead had by far the most significant increase in price as it doubled from US\$0.58/lb to US\$1.17/lb. Gold prices increased by US\$93/oz from average prices of \$604/oz in 2006 to \$697/oz. However, the increases in these commodities' prices were negated by the 26% (\$27.82/tonne) decrease in the price of Coal in 2007, as well as the decrease in total tonnes shipped (including all metals and coal) from 25.4 million tonnes in 2006 to 24.9 million tonnes in 2007.

Shipments of **Metallurgical Coal** decreased by nearly 10% from 22.9 million tonnes in 2006 to 20.7 million tonnes in 2007 and are down by 14% from the number reported two years ago. This decrease in coal shipments, combined with the decrease in coal prices, translated into a reduction in net mining revenues from Metallurgical Coal of \$568 million (or 29%) to \$1.4 billion in 2007. However, we are pleased to note that the price of Coal recovered subsequent to 2007 and soared to US\$138.54 in the first quarter of 2008, which bodes well for the 2008 industry results.

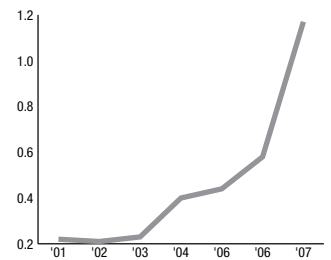
Copper (LME Grade A)



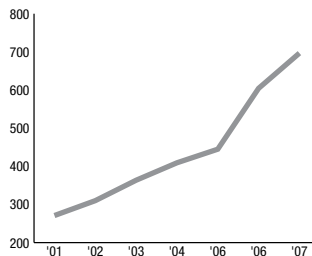
Zinc (LME Cash)



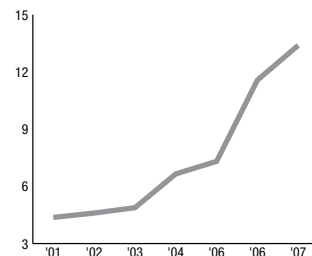
Lead (LME Cash)



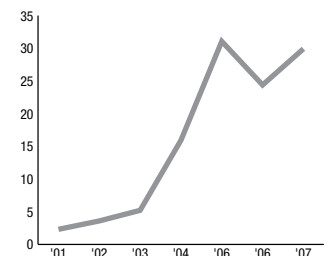
Gold (London Final)



Silver (London Spot)



Molybdenum (Dealer Oxide)



Despite the 6% increase in average **Copper** prices during the year (US\$3.23/lb as compared to average copper prices in 2006 of US\$3.05/lb), net mining revenues from Copper concentrate decreased by \$337 million or 17% from \$2 billion in 2006 to \$1.66 billion in 2007. The decrease is due to the fact that copper shipments during the year (816,000 tonnes) declined by 21% compared to the copper shipments of 1,027,000 tonnes in 2006. However, prices continue to climb and copper prices reached US\$3.54/lb in the first quarter of 2008.

Net mining revenues from **Molybdenum** increased by \$21 million or 5% from \$412 million in 2006 to \$433 million in 2007 due to a 23% increase in Molybdenum prices. The Molybdenum price increased from US\$24.38/lb. in 2006 to US\$29.91/lb in 2007 and remains steady at US\$33/lb in the first quarter of 2008. This reflects a significant increase in Molybdenum prices from 4 years ago, when Molybdenum traded at US\$5.21/lb.

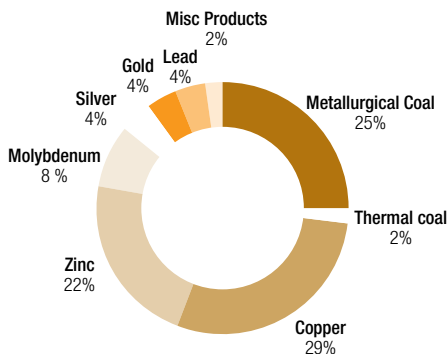
Zinc and Zinc concentrate remained a strong contributor to net mining revenues in the Province during the year, although it decreased from \$1.29 billion in 2006 to \$1.23 billion in 2007. Zinc prices also remained at a consistent level of US\$1.47/lb during 2007, compared to \$US1.49/lb in 2006. However, during the first quarter of 2008 the market price of Zinc decreased to an average price of US\$1.10/lb for the quarter.

Lead prices soared during 2007, rising to an average price of US\$1.17/lbs as compared to US\$0.58/lb in 2006. This 102% increase in Lead prices was partly offset by a 14% (or 12,000 tonnes) decrease in Lead shipments during 2007. Overall, net revenue resulting from Lead increased by 47% from \$137 million in 2006 to \$202 million in 2007. This represents a huge 132% increase from the Lead revenues of \$87 million reported in 2005. Furthermore, the average price of Lead continued to climb in 2008, reaching US\$1.31/lb during the first quarter.

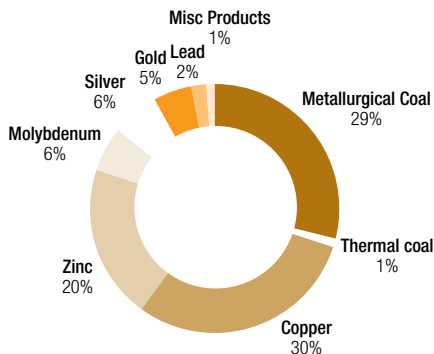
The highlight of the global mining industry over the last few years has been the ever increasing **Gold** price, challenging the previous unthinkable price of \$1,000/oz in 2008. However, since there are very few operations in the Province focused on Gold mining, Gold revenue is mostly generated as a by-product from Copper mining activities. In addition, one of the larger producers of Gold did not participate in this year's survey which resulted in a 46% decrease in Gold shipments reported. That producer ceased production in 2007. As a result gold net revenues reported decreased overall by 40% from \$343 million in 2006 to \$205 million in 2007.

Silver net revenue decreased by 33% from \$371 million in 2006 to \$248 million in 2007, despite a 16% increase in Silver prices from US\$11.57/oz in 2006 to US\$13.39/oz in 2007. Silver prices increased even further during 2008 reaching averaging \$17.68/oz in the first quarter.

Net Revenue by Product
2007



Net Revenue by Product
2006



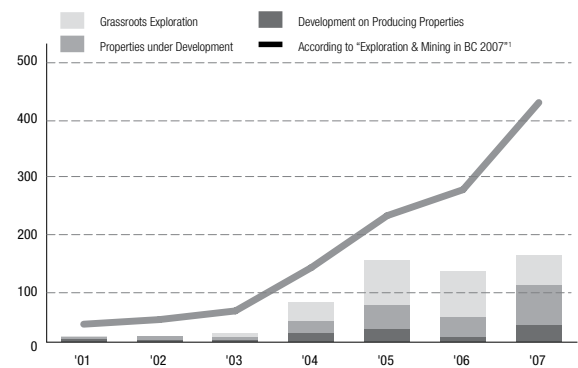
Exploration and Development

British Columbia mineral exploration and development activities reported by survey participants during 2007 increased compared to 2006. Exploration and development spending totaled \$158 million in 2007, up \$29 million from the \$129 million reported in 2006. Of the \$158 million exploration total, \$103 million was incurred on properties under development or in production and therefore reflects exploration at known areas of interest, rather than true “Greenfield” exploration costs.

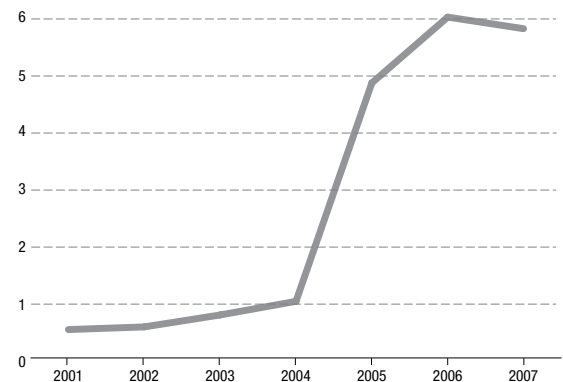
As noted earlier, many of the junior companies and individuals solely involved in exploration activities in the Province, are not included in the survey, nor are the exploration activities in BC of mining companies domiciled outside of the Province. The reported results, therefore, understate total actual expenditures. The BC government has advised that total exploration expenditures by all companies are estimated to be approximately \$416 million¹ in 2007, up about 57% from \$265 million in 2006, making 2007 the eighth consecutive year of increases. Total claims staked in 2007 covered 5.8 million hectares², a decrease of 3% from 2006 claims staked of 6.0 million hectares. Total claims staked from January 1 to April 30, 2008 have already reached 2.6 million hectares². Aside from the increase in commodity prices, the increase in claims staked is a direct result of improvements in the efficiency and effectiveness of the permitting process, including the new online staking system. This continues to make the process more affordable and more efficient.

Overall, the significant increase in exploration spending is encouraging and suggests that the level of annual spending required to identify new mining projects is gradually being achieved.

Exploration and Development Expenditures in the Province



Claims Staked in BC² (millions of hectares)



Notes

1. Mining and Mineral Exploration in British Columbia, Overview 2007
2. Data provided by Association for Mineral Exploration, BC





Employment, Foreign Exchange

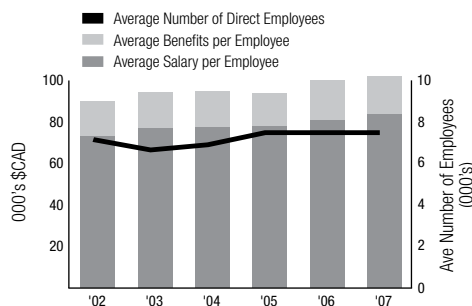
Employment

Direct employment totaled 7,415 individuals during 2007, compared with 7,345 in 2006. Salary and benefits totaled \$755 million in 2007, an increase from \$734 million reported in 2006 which reflects the increase in the average salary and benefits per employee from \$99,900 in 2006 to \$101,900 in 2007. Mining salaries and benefits remain high, reflecting the current demand for, and lack of, skilled personnel.

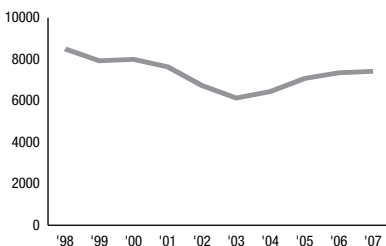
In addition to the current labor shortages there are 20 mining projects in the BC Environmental Assessment review process as at May 2007, equating to another estimated 16,000 direct construction and 15,000 operating jobs.¹

The BC mining industry is regarded as the safest heavy industry in BC. Since 1993, the BC mining industry has reduced its injury rate by 50% to 1.9 injuries per 100 worker-years, as reflected by WorkSafeBC statistics.²

Average Salary and Benefit Cost per Employee



Direct Employment (millions of employees)

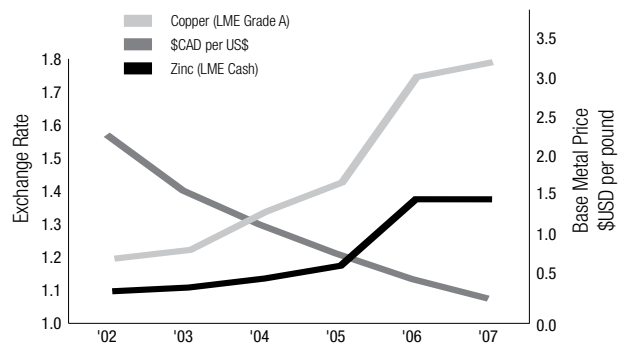


Foreign Exchange

Foreign exchange rates have a notable effect on gross revenues earned by the Province's mining operations as all metal and coal prices are quoted in US dollars. Based on gross revenue reported in 2007, a \$0.01 change in the value of the Canadian dollar would cause a gross revenue shift of \$64 million. The Canadian dollar has continued to strengthen over the past few years, dampening the impact of the significant increases in coal and metal prices since 2002.

The Canadian dollar is expected to remain strong against the US dollar in the medium term as the credit crunch in the US continues. Whether the demand from Asia will continue to drive up commodity prices of coal and base metals sufficiently to mitigate the stronger Canadian dollar remains to be seen.

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



Notes

- Information obtained from the BC Environmental Assessment Office
- Information provided by Mining Association of BC

Industry Expenditures

Industry Expenditures

Total industry expenditures for 2007 were \$6.4 billion, a decrease of \$335 million or 5% from the \$6.7 billion spent in 2006. Unit operating costs continue to climb and capital investment continues to increase as more development projects get under way.

The largest individual component of industry costs is out-of-Province concentrate purchases which relates predominantly to the activities of the one smelter included in the survey.

Outward transportation costs also remains one of the largest components of industry costs, although it decreased from \$1.01 billion in 2006 to \$957 million in 2007. The costs for 2007 are comprised of rail costs of \$604 million, shipping costs of \$114 million and wharfage fees amounting to \$137 million. The decrease in transportation costs correlates with the decrease in tonnes shipped.

Expenditures on machinery and equipment and construction material purchases increased by \$71 million to \$479 million in 2007, compared with \$408 million in 2006. The increase can be attributed to development at one existing operating mine and one significant new development project. Production materials and supplies increased slightly by 3% or \$23 million from \$675 million in 2006 to \$698 million in 2007.

Direct tax payments decreased by \$358 million from \$648 million in 2006 to \$290 million in 2007.

Dividends paid in the year were limited to \$635 million in 2007 compared with \$1.1 billion in 2006 which is indicative of the decrease in earnings in 2007.



Mining and the Government

Direct taxes represents 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 are primarily employee income tax deductions, along with payments for Workers' Compensation, Canada Pension Plan and Employment Insurance.

In 2007, the mining industry made total payments to governments of \$463 million, a decrease of \$336 million from the payments of \$799 million made in 2006. As indicated under Industry Expenditures above, direct tax payments decreased by \$358 million from \$648 million in 2006 to \$290 million in 2007, as a result of the corresponding reduction in net earnings for the year.

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

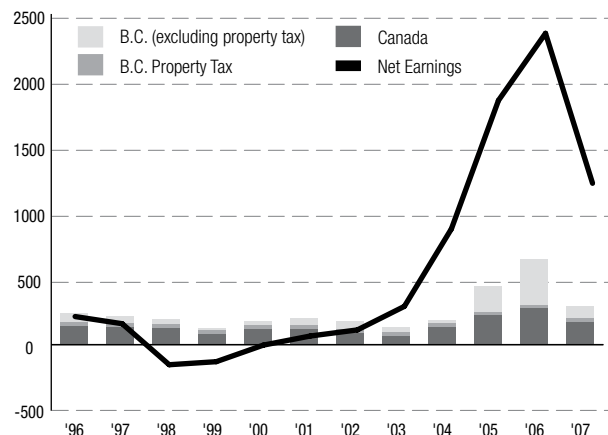
1. a refundable 20% provincial income tax credit program for individuals, active members of partnerships, and corporations carrying out grass-roots exploration for qualifying resources in BC; and
2. a non-refundable 20% provincial income tax credit program for individuals investing in flow-through shares that finance qualifying grass-roots exploration by companies in BC.

As with the 2007 federal budget, the March 2008 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. Survey participants reported that flow-through share funding totaled \$253 million in 2007, compared with \$9 million in 2006, reflecting the effectiveness of the government's policies to attract capital investments in the Province.

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 is 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.

Direct Tax Payments in Relation to Net Income





BAG
3
Highland Valley Copper
14830
MOLYBDENUM SULPHIDE
CONCENTRATE
PRODUCT OF CANADA

W.T.
3523
BAG
1
Highland Valley Copper
LOT# 14831
MOLYBDENUM SULPHIDE
CONCENTRATE
PRODUCT OF CANADA



Reclamation and Environmental Management

The process of reclamation includes maintaining water and air quality, minimizing flooding, erosion and damage to wildlife and aquatic habitats caused by surface mining. The final step in this process is often topsoil replacement and revegetation with suitable plant species. Since its announcement in 2004, the mining industry in BC has supported the Mining Association of Canada's "Towards Sustainable Mining" (TSM) initiative.

Our survey participants include six mines that are in the reclamation stage. Reclamation expenditures amounted to \$65 million in 2007, increasing by \$2 million or 3% from \$63 million spent in 2006. It should be noted that these environmental expenditures do not include the costs incurred by development stage enterprises in the Environmental Impact Assessment process. In addition mine life extensions at certain mining operations in the Province are expected to push out environmental expenditures to future periods.

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 2007 of \$33 million (2006: \$23 million).

The stakeholders in the BC Mining Industry continue to demonstrate their commitment to sustainability and conservation. One example of the increased awareness of mining operations (and the importance of minimizing its impact on the environment) is that participants in the survey spent \$13.4 million during the year on lower-emission equipment compared to just \$1.5 million in the prior year.

Conclusion and Outlook

The resurgence of the global mining industry continues, with commodity prices surpassing most long-term forecasts. Following the unprecedented earnings reported in 2006, 2007 reflects a more moderate, yet very positive result for the mining industry in BC. The industry generated \$1.2 billion in net earnings, a very positive return on investment of 41.6%. Consistent with 2006, the industry experienced increased commodity prices for precious metals and base metals. The price of gold appreciated throughout 2007 and surged further in 2008 to the previously uncharted levels of US\$1,000/oz. Copper again experienced healthy gains in value as it rose to US\$3.23/lb in 2007, while the price of a pound of lead doubled from 12 months ago.

Coal prices declined however, down by 26%. The Province's mining industry currently produces larger volumes of coal than any other commodity reported in this survey and consequently the price reduction in coal was the single biggest driver in the overall reduction of \$1.1 billion in net earnings. However, the mining industry still generated operating cash flows of approximately \$2 billion and also contributed \$6.4 billion in mining expenditures, including payroll and benefits of \$755 million. The average salary per employee continues to increase, up by 2% in 2007, illustrating the consistent demand for experienced and skilled workers in the industry.

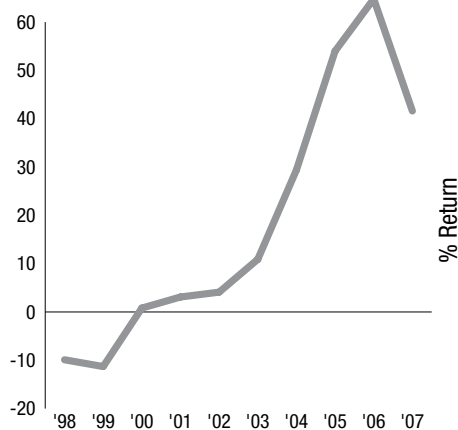
Another heartening factor identified from the survey is that Grassroots Exploration reported by the Government continues to increase, while the government's initiative to encourage investment through its flow through and super flow through programs resulted in an investment of \$253 million by survey participants, a huge increase from the \$9 million flow-through investment reported last year.

The earnings reported in 2007 bode well as the industry generated lucrative returns on investment, despite the lowest coal prices in three years. However, these earnings continue to deplete known reserve and resource bases. In order to continue to ensure the longevity of the mining industry, British Columbia must continue to identify and develop new projects.

The industry and those who regulate it must ensure that economically viable projects are guided through the permitting and development stages in order to encourage new investment and to secure the benefits from projects already identified. History has shown that the development cycle and timetable to bring a mine from initial discovery to operational status may exceed 10 years. The development stage is encumbered with a number of social and regulatory hurdles which must be negotiated in order to bring an operation into production. At the end of 2006, we reported that 25 projects were in the permitting stage. Of these projects, only three projects progressed to operational status during 2007. At the end of 2007, there were 32 operations awaiting permitting.

In conclusion, the results reported within this survey are very encouraging to say the least. Commodity prices remain at high levels in the medium term as demand continues to be driven by Asia, rather than the US. There are a number of projects in the permitting stage which should allow the industry to continue to benefit from favourable base and precious metal commodity prices. However, in order to ensure the long term longevity of the industry, the challenge remains for stakeholders and regulators to act in the short term to encourage investment in and development of these promising new projects.

**BC Operating Mines
Return on Shareholders' Investment**





Ten-year Financial Summary

(\$CAD millions, except where otherwise noted)

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Gross mining revenues	\$ 6,863	\$ 8,076	6,285	\$ 4,584	\$ 3,649	\$ 3,525	\$ 3,699	\$ 3,591	\$ 3,057	\$ 3,617
Net mining revenues ¹	5,555	6,590	4,917	3,488	2,698	2,523	2,614	2,557	2,105	2,485
Net income for year	1,215	2,348	1,841	871	285	107	61	(8)	(133)	(156)
Cash flow from operations	1,976	2,885	2,071	1,143	598	567	609	454	202	364
Total assets	6,103	5,251	4,777	3,969	3,510	3,843	4,071	3,940	3,762	3,414
After-tax return on shareholders' investment (%)	41.6	64.8	54.1	29.4	10.9	4.1	3.1	0.8	(11.3)	(9.9)
New capital investment ²	(269)	(129)	169	126	28	(73)	48	(127)	(39)	(11)
Industry spending	6,414	6,749	5,231	4,013	3,299	3,338	3,483	3,407	2,958	3,457
Direct employment (number of employees)	7,415	7,345	7,071	6,442	6,128	6,729	7,630	7,990	7,922	8,493
Payments to governments	463	799	617	344	278	333	371	382	311	425
Shipments (000's tonnes)	24,854	25,449	26,630	27,841	25,304	24,135	26,249	26,582	25,066	24,830
Exploration & development Expenditures ³	158	129	148	73	15	11	10	17	19	22
Capital expenditures	960	513	345	217	117	190	235	209	154	157

Notes

1. Net mining revenues are reported after deduction of smelting, refining and transformation charges.
2. Net new capital investment is calculated as new capital raised minus loan capital and advances repaid.
3. 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 2007

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	2,145,000	61%	186	180	–
Elkview	7,000,000	5,047,000	72%	270	809	–
Fording River	10,416,000	7,867,000	76%	313	878	–
Greenhills	5,300,000	4,143,000	78%	285	476	–
Line Creek	3,600,000	2,394,000	67%	236	309	–
Quinsam Coal	1,560,000	698,000	45%	247	105	–
Western Canadian Coal ²	3,000,000	1,379,132	46%	N/R	107	423

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	9,808,000	89%	365	278	40
Gibraltar	13,413,000	9,712,000	72%	365	360	–
Highland Valley Copper	49,640,000	42,593,000	86%	365	1,048	123
Huckleberry	7,063,000	6,477,600	92%	365	N/R	N/R
Kemess South	18,650,000	17,802,000	95%	331	390	–
Mount Polley	7,300,000	6,482,000	89%	365	362	45
Myra Falls	1,460,000	726,000	50%	342	432	–

Notes

1. Average number of employees actually working during fiscal year
 2. Includes the results of Dillon, Wolverine, Willow Creek, Brule
- N/R Information not reported by survey participant





Photo: Imperial Metals Corporation

PricewaterhouseCoopers Mining Services

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This is a condensed version of the 2007 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.

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