This is the 49th edition outlining the financial results and major trends in BC's mining industry.

Building for the future
The mining industry in British Columbia 2016

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Preface

PricewaterhouseCoopers LLP (PwC) is pleased to present our 49th annual British Columbia Mining Report.

The annual report outlines the financial results of BC's mining industry in 2016. It also highlights some of the challenges and opportunities for the sector, which is a key contributor to the BC economy as well as to Canada's GDP.

BC is Canada's largest exporter of metallurgical coal (used in steelmaking) and one of its largest copper producers. BC also produces significant amounts of gold, silver, lead, and zinc.

2016 was another challenging year for the industry due to the continued volatility in global metal and mineral prices. That said, the picture began to brighten towards the end of 2016. The price of some global commodities, in particular coal and copper, started to pick up again towards the end of year and held their ground into the first part of 2017.

The stability of prices and a more optimistic industry outlook have led to increased investment in the sector. For example, Conuma Coal purchased three mines from Walter Energy last fall and has since reopened two of them, with plans to restart the third this summer.

Meantime, some major BC projects continue to advance: The Brucejack Mine, owned by Pretium Resources, is set to begin commercial production this year, while Seabridge's KSM project is actively seeking investors to move forward amid more promising reserve and resource estimates announced in 2016.

In this report, you will read more about KSM, as well as the revival of mining operations in northeastern BC, which underscores the faith investors have in the province and its people. BC is known across Canada and internationally as an attractive place to invest due to its rich resources, stable political climate, world-class infrastructure, highly skilled workforce and access to Asian markets through a sophisticated port system.

BC mining companies continue to develop and maintain strong relationships with First Nations and other communities, while also working closely and collaboratively with governments on ways to help the sector build for the future.

This report also includes a collection of economic indicators from BC mining companies including revenues, capital investment, expenditures, employment and total payments to government, all of which help to outline the positive impact the sector has on the provincial economy.

The results of this report are based on an in-depth survey independently prepared by PwC with the cooperation and assistance of mining companies with operations and activities across the province. This year's survey included 28 participants. They include 14 operating mines, three projects in the exploration stage, nine in the permitting or environmental assessment stage, one smelter operation and one in the care and maintenance stage.

PwC would like to extend a special thanks to the mining companies who took part in this year's survey, and to the MABC and to AME BC for their support and insight in compiling the report.

We hope you find the information and insights in this report to be useful in demonstrating the industry's importance to BC and to the rest of Canada.

Mark Platt
BC Mining Leader and Partner at PwC

Participants

Operating

Coal Mountain
Teck Resources Limited

Copper Mountain
Copper Mountain Mining Corp.

Elkview
Teck Resources Limited

Endako
Centerra Gold Inc

Fording River
Teck Resources Limited

Gibraltar
Taseko Mines Limited

Greenhills
Teck Resources Limited

Highland Valley Copper
Teck Resources Limited – Highland Valley Copper

Huckleberry
Imperial Metals Corporation

Line Creek
Teck Resources Limited

Mount Milligan
Centerra Gold Inc

Mount Polley
Imperial Metals Corporation

New Afton
New Gold Inc.

Red Chris
Imperial Metals Corporation

Trail Metal Smelter Operations
Teck Resources Limited

Exploration or Development stage

Ajax
KGHM Ajax International Ltd.

Berg
Thompson Creek Metals Company

Blackwater
New Gold Inc.

Brucejack
Pretium Resources Inc.

Galore Creek
NovaGold Resources Inc.

Head Office – BC Exploration
Teck Resources Limited

Harper Creek [1]
Yellowhead Mining Inc.

Kitsault
Alloycorp Mining Inc.

Myra Falls [1]
Nyrstar

KSM
Seabridge Gold Inc.

New Prosperity
Taseko Mines Limited

Ruddock Creek
Imperial Metals Corporation

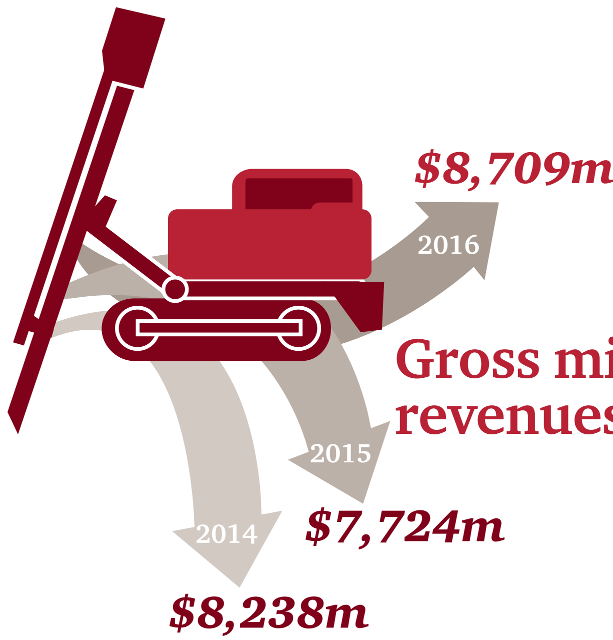
Turnagain
Hard Creek Nickel Corporation

Notes

1. New participant for 2016

Participant locations in 2016

Executive summary



Gross mining revenues pick up

Is the worst over in this latest mining industry economic downturn? The industry is cautiously optimistic as prices of some of the major metal and resource commodities either rose or stabilized in 2016 and this has continued so far in 2017.

While most commodity prices remain well below the record or near-record highs achieved in 2011, there are reasons to be hopeful. Recent activity in BC proves the point: New mines are opening, such as the Brucejack Project being built by Pretium Resources, while some coal mining operations previously put on care and maintenance in northeastern BC have restarted in recent months. Other operations across the province are getting closer to production as they work their way through the permitting process.

Meantime, BC mining companies continue to work hard to keep their costs under control. The industry as a whole has also worked with government on specific measures to ease some cost pressures and to continue to encourage investment in the sector. As a result, the BC mining industry appears well poised for when the recovery does come.

Some of that optimism is reflected in our 2016 survey of BC mining companies. Gross mining revenue rose to $8.7 billion in 2016 from $7.7 billion, driven by higher revenue at Teck's BC coal mines as well as Imperial Metals' Red Chris and Mount Polley operations.

Net mining revenues came in at $7.3 billion up from $6.3 billion in 2015, driven by an increase in gross mining revenue and a decrease in smelting and refining charges and freight costs. Pre-tax net income roughly doubled to $1.4 billion in 2016 from $715 million in 2015, due largely to lower impairment losses in 2016.

Cash flow from operations, another key measure of the industry's health, was $2.6 billion in 2016, up over $900 million from $1.7 billion in 2015. Operating cash flows increased at Copper Mountain, Teck Coal's BC mines, Imperial's Red Chris and Mount Polley operations and at New Gold's New Afton mine, to name a few.

During 2016 we saw a drop in exploration and development expenditures, which fell to $102 million among survey participants in 2016, compared to $320 million in 2015. Although this number appears to be concerning, the majority of the decrease was the result of Brucejack moving out of exploration and evaluation and into construction, and helping drive an annual increase in capital expenditures, as the mine moved forward in the year.

Statistical summary

($CAD millions, except where otherwise noted)

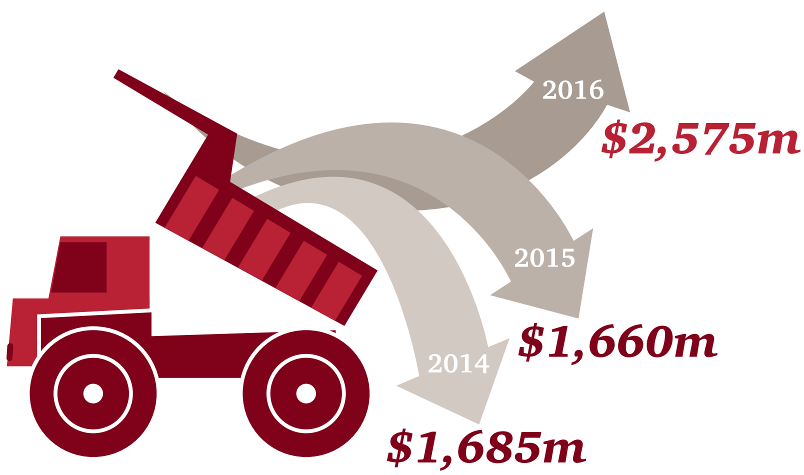
	2016	2015	2014
Gross mining revenues	8,709	7,724	8,238
Net mining revenues [1]	7,341	6,289	6,760
Net income (pre-tax)	1,418	715	288
Cash flow from operations	2,575	1,660	1,685
Total assets	17,537	17,826	18,200
Pre-tax return on shareholders' investment (%)	13.5%	6.3%	2.4%
Direct employment (number of employees)	9,329	9,221	9,954
Payments to governments [2]	650	476	467
Exploration and development expenditures	102	320	234
Capital expenditures	1,370	1,240	1,503

Notes

1. Net mining revenues are reported after deduction of smelting and refining charges, freight costs, and marketing.
2. Includes direct taxes, other levies and payments related to employment.

Total payments to government increased to $650 million in 2016, up from $476 million in 2015. The 2016 number is the highest among survey participants since 2011, and good news for government coffers. The industry has long emphasized its important contribution to the BC economy, including being a major source of employment providing good-paying jobs. In 2016, the number of people working in direct jobs for survey participants increased to 9,329, up from 9,221 in 2015.

All in all, it was a positive year for the BC mining industry, admittedly largely driven by coking coal's strong performance which has seen mines re-open during the year. This is great news for the impacted local communities. 2017 promises more growth with the Brucejack mine coming on stream and so there are good reasons to be optimistic.



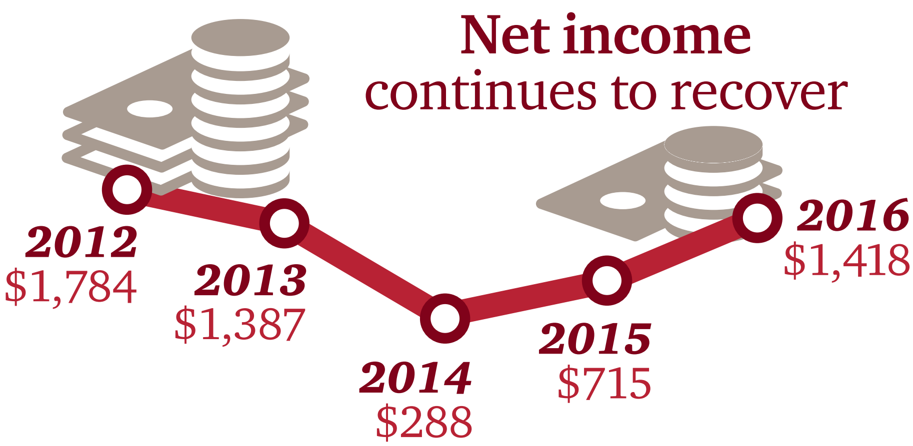
Cash flow from operations on the rise

The financial picture

Earnings summary

($CAD millions)

	2016	2015	2014
Gross mining revenues	8,709	7,724	8,238
Less: Deductions	1,368	1,435	1,478
Net mining revenues	7,341	6,289	6,760
Less: Operating costs and other expenses	6,011	5,693	6,513
Other income	88	119	41
Net income (pre-tax)	1,418	715	288



Below is a summary of the financial picture, based on the results of BC mining companies surveyed for 2016.

Gross mining revenue from survey participants was reported as $8.7 billion compared to $7.7 billion in 2015 and $8.2 billion in 2014. The 2016 year-over-year increase was driven almost entirely by increased coking coal sales, amid higher coal prices. Also, revenues at the Red Chris and Mount Polley mines increased to a combined $470 million in 2016 compared to $144 million in 2015. The Mount Polley mine was shut down for part of 2015 due to the tailings dam breach, and returning online had a positive impact. While some operations contributed positively to the overall increase in mining revenues, others struggled, largely as a result of falling prices, and multiple copper mines incurred significant decreases in gross revenue during 2016.

Net income before taxes rose to $1.4 billion compared to $715 million in 2015 and $288 million in 2014. The overall increase was a result of both profits from coal operations being significantly up in 2016 and close to half a billion dollars less in impairment losses being taken in 2016, as compared to 2015. This points to further signs that the mining industry is recovering from the downturn we have seen in recent years.

Cash flows from operations came in at $2.6 billion compared to $1.7 billion in both 2015 and 2014. The $0.9 billion increase was due to increased operating cash flows being generated across a number of mines in BC in 2016. When you dive deeper into the numbers it is once again apparent that coal operations have had a very strong year. The increase in cash flow from coal operations alone account for $0.8 billion of the increase. A handful of other mines also showed positive cash flow increases while others faced operational challenges that resulted in offsetting decreases to the overall number.

Capital expenditures were $1.4 billion, up from $1.2 billion in 2015 but down slightly from $1.5 billion in 2014. The higher expenditures in 2016 were due largely to increased construction spending at the Brucejack mine as it ramped up for commercial production in 2017. While Brucejack saw a significant increase in capital expenditures, others were focused on managing required capital expenditures closely, largely in the copper domain, as the industry faced lower prices for most of last year.

Exploration and development expenditures fell to $102 million in 2016 compared to to $320 million in 2015 and $234 million in 2014. It is important to note that this number is based on the list of survey participants and not all projects in BC. The vast majority of the decrease was the result of Brucejack moving out of exploration and evaluation into construction during the year as the mine continued to move forward.

Total payments to government increased to $650 million in 2016, up from $476 million in 2015 and $467 million in 2014. This increase was driven by an increase in corporate income taxes in line with the growth of net income, as well as an increase in employment taxes as the number of individuals working in the surveyed operations increased.

Return on shareholder investment was 13.5% compared to 6.3% in 2015 and 2.4% in 2014. This number has now slightly surpassed the return on shareholder investment in 2013 and the hope is that it will continue to climb towards 2012 levels as we move into 2017.

Labour overview: The number of people working in direct jobs at the surveyed operations increased to 9,329 in 2016, compared to 9,221 in 2015 and 9,954 in 2014. That includes additional jobs at the Mount Polley mine, which was not operating for half of 2015, as well as increased hires at the Red Chris mine.

Direct employment

Number of mining employees in BC

Revival of the Northeast

How industry and community came together to help bring jobs back to the region

Northeastern BC was one of the bright spots in the province's mining sector in 2016. The reopening of two mines — and a third set to open this summer — has brought new hope to a region that had been hard hit by the most recent downturn in commodity prices.

Conuma Coal Resources Ltd. is a key player in this turnaround tale, after buying the Brule, Wolverine and Willow Creek mines out of bankruptcy protection from Walter Energy last fall, amid improving prices for metallurgical coal.

Conuma, a Canadian company owned by West Virginia's ERP Compliant Fuels, reopened the Brule mine southwest of Chetwynd in September, putting 170 people back to work.

In late December, the company said it would reopen the Wolverine mine, just west of Tumbler Ridge, providing jobs for another 220 people. The mines were among a handful in the region that were shut down in 2014 and 2015 due to a downturn in coal prices.

"The opening of the Wolverine Mine by Conuma Coal is the best Christmas present Tumbler Ridge could have asked for," Tumbler Ridge Mayor Don McPherson said in a news release in December. "We have had a tough three years, and this will put people back to work and improve our economic outlook.

Conuma also has plans to reopen the Willow Creek mine as early as this summer. When in full operation, the three mines would employ about 700 people.

"By the time the third mine starts up, almost everyone who wants to be working around here should have work," McPherson said.

While there are still other mines yet to reopen in the northeast, the restart of the Conuma projects is bringing renewed optimism to the region.

"It has been really exciting here the last little while," said McPherson.

A community built on coal

Tumbler Ridge was founded in the early 1980s as place to house workers in the coal industry. A consortium of Japanese steel mills had agreed to buy about 100 million tonnes of coal over 15 years from two area mines, Bullmoose and Quintette.

The town was built for 10,000 people, but brought in about 4,500 before the first downturn hit. By 1998, the price of coal started to drop and fortunes began to fade. The Quintette mine closed in 2000. Three years later, Bullmoose reached the end of its mine life.

The price of coal has been up and down dramatically ever since, rising above US$300 per tonne and falling below US $100 per tonne. To help cope with the volatility, Tumbler Ridge has worked hard to diversify its economy in to sectors such as wind power, natural gas drilling in the nearby Montney play, and tourism.

Still, mining remains a critical part of the local economy. "The town survives without mining, but it flourishes with mining," said McPherson, who has lived in the community since it was built.

Collaboration critical for a comeback

The communities in and around northeastern BC are credited for helping with the mining industry's steady resurgence.

Conuma is working closely with First Nations on revenue sharing agreements as well as the provincial and municipal governments to create jobs and run efficient, low-cost operations.

"If we can help the company make these mines operate as cost effectively as possible, it's good for everybody," McPherson says.

Conuma says it will spend about $40-million on mine improvements to help make the mines run as efficiently as possible, which in turn will help them to better withstand a drop in coal prices. There are also discussions about improving local infrastructure to better support the mining operations.

Karina Briño, former president of the BC Mining Association, credits “extreme and effective collaboration” between industry, government and First Nations for helping Conuma get its mining operations ready so quickly.

“Mining really is a community-based activity that is not only valued but appreciated by the community,” Briño said.

Conuma’s investment strategy

Conuma chose to invest in northeastern BC and buy the former Walter Energy mines based on due diligence, an optimistic outlook for coal prices, and support from a number of stakeholders, according to CEO Mark Bartkoski.

“We felt really good about the properties and the spirit of the people in the community,” Bartkoski said. “It has truly been a testament to positive collaboration.”

Once it bought the mines in early September, Conuma didn’t waste any time getting its first operation up and running, taking advantage of a run-up in prices at the time. The company hired 50 employees in its first week, mined its first coal at Brule by September 22, shipped the first train in October, loaded its first barge in November and then started up Wolverine in December with the first tonnage shipping in January.

“It’s been a wildly aggressive build up,” said Bartkoski. “The market gave us a neat opportunity in the short term and we needed to jump in and take advantage of it.”

Conuma has set a commitment to have at least 85% of it workers come from the local area, and currently has about 92% local workforce.

“We’re very proud of that,” said Bartkoski. While it requires more time and investment to train local workers, “I think, in the long term, it gives us a stronger base and will let us honestly say we support family values and the local communities.”

The company has also been active in the local community, helping to make it stronger.

"One of our goals was to be a blessing to the community, not just through jobs, but in general to work with the schools and different groups to make a positive impact," Bartkoski said. "We came up here with the philosophy that you treat people right and do what you say you're going to do. When you do that, you can build a partnership, long-term. We're getting a chance here to build not a good company, but a great company."

The future of the northeast

As coal prices continue to look more promising, Mayor Don McPherson is hoping other mines will also reopen in the area in the months ahead.

In the fall of 2014, Anglo American PLC suspended coal mining at its Trend mine and put plans for its Roman property on hold. The reopening of Teck Resources Ltd.'s Quintette property near Tumbler Ridge has also been on hold due to the lower in coal prices in recent years.

Mayor McPherson is hoping those companies will rethink their plans now that coal prices appear to be recovering.

"I'm optimistic because a lot of the coal companies are getting to the end of their mine life and we're sitting here with mines that are ready to roll," McPherson said. "I'm thinking this could be the turnaround for us."

Realizing that may be wishful thinking, McPherson said Tumbler Ridge would continue to diversify its economy to withstand the future ups and downs.

"We are getting better all of the time," he said. "The size is in question sometimes, but Tumbler Ridge is going to be here for the long term."

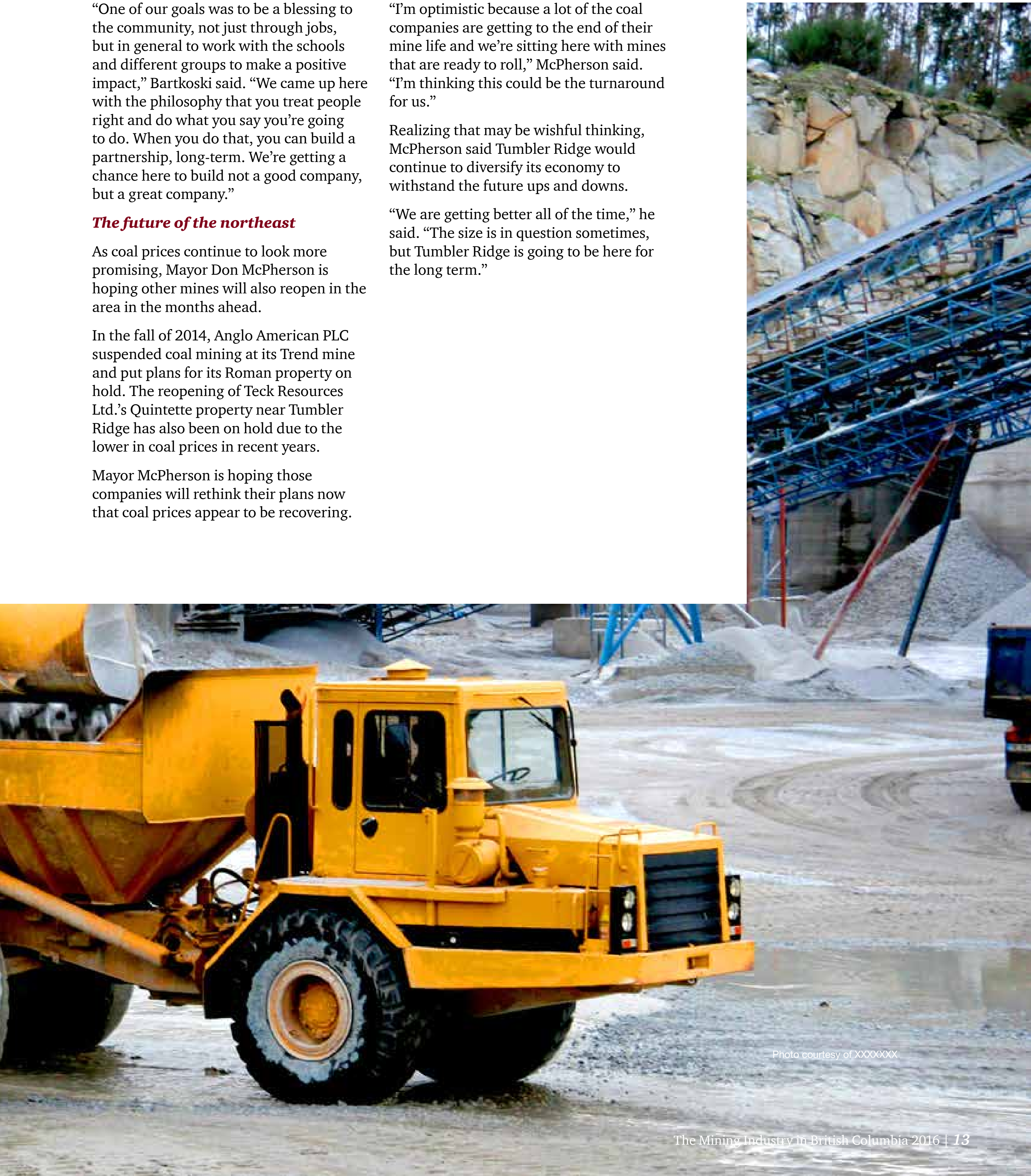


Photo courtesy of XXXXXXX

Market shipments and market prices

Net mining revenue was $7.3 billion up from $6.3 billion in 2015 and $6.8 billion in 2014. Below is a breakdown by commodity:

Metallurgical coal revenue was $3.0 billion compared to $2.0 billion in 2015 and $2.2 billion in 2014. The increase was due largely to an additional 1.0 million tonnes of coal being sold in 2016 compared to 2015. Overall, shipments for metallurgical coal rose to 25.4 million tonnes in 2016 as compared to 24.4 million tonnes in 2015. Metallurgical coal prices averaged US$115 per tonne in 2016, up from US$101 per tonne in 2015. The US dollar strengthened in 2016, further contributing to increased revenues from metallurgical coal. The USD:CAD exchange rate averaged 1.33 in 2016, up from 1.28 in 2015.

Copper concentrate revenue totaled $1.8 billion in 2016 compared to $2.0 billion in 2015 and $2.2 billion in 2014. The decrease in revenue was primarily due to lower sales at Teck's Highland Valley Copper mine, which has entered a heavier stripping phase of its mine life. Taseko's Gibralter mine also experienced lower sales volumes as a result of lower grade and mill throughput. These reductions in sales were slightly offset by increased revenues at other sites, including Copper Mountain, New Afton, Mount Polley and Red Chris. Total shipments of concentrate fell to 926,000 tonnes compared to 1,025,000 tonnes in 2015 and 1,034,000 tonnes in 2014. The price of copper averaged US$2.21 per pound in 2016, down from US$2.50 per pound in 2015.

Zinc revenue climbed to $877 million compared to $818 million in 2015 and $711 million in 2014. Shipments increased slightly to 312,000 tonnes compared to 308,000 tonnes in 2015 and 304,000 tonnes in 2014. Zinc prices averaged US$0.95 per pound in 2016, up from US$0.87 per pound in 2015. Zinc revenues in BC were generated primarily by Teck's Trail operations.

Lead revenue was $255 million in 2016, up significantly from $141 million in 2015 and $162 million in 2014, amid higher shipments and prices. Lead shipments climbed to 97,000 tonnes in 2016 compared to 82,000 tonnes in both 2015 and 2014. The average price of lead in 2016 was US$0.85 per pound compared to US$0.81 per pound in 2015. Teck's Trail smelting and refining operations were also the main source of lead revenues in BC.

Gold revenues jumped to $651 million in 2016 compared to $519 million in 2015 and $461 million in 2014. For BC mines, gold is a typically a byproduct that is primarily derived from copper mining activities. The revenue increase was partially driven by gold sales from Mount Polley, which resumed operations in June 2016 after a temporary closure in 2015.The other significant contributing factor was an increase in gold revenue was due to higher gold prices combined with a stronger US dollar relative to the Canadian dollar. The price of gold averaged $1,248 in 2016, well above its average price of US$1,160 per ounce in 2015.

Silver revenue came in at $589 million in 2016, compared to $535 million in 2015 and $487 million in 2014. The average price of silver was US$17.11 per ounce in 2016, up from US$15.71 per ounce in 2015. In BC, silver is generally produced as a byproduct of metals such as copper, gold, lead, and zinc.

Average market prices

Government incentives and fiscal policy

As the global mining industry and commodity markets continue to recover, mining companies are once again cautiously looking to invest in finding new mines.

A supportive federal and provincial tax regime is key to encouraging this renewed local and global interest in prospecting and exploration which are vital to the long term sustainability of the mining industry in BC.

There are both federal and provincial tax incentives in place to attract investors to the sector across BC and Canada. As an ongoing commitment of government support, both the Federal Government and BC government have recently extended some of these tax incentive programs.

In March 2017, the Federal Government extended the Mineral Exploration Tax Credit (METC) through March 2018. The METC is a measure designed to encourage junior mining companies to raise new equity through flow-through shares to finance early stage grassroots exploration.

Diane Nicolson, Chair of AME BC, says that this vital tax credit facilitates direct and immediate assistance to the development of new mines and to the exploration sector. “Mineral exploration and development generate tremendous investment and economic activity across our country each year, while creating high-wage jobs and contract opportunities for Canadian workers, businesses and communities. We are extremely pleased that the Federal Government has acknowledged the importance of these contributions, and done its part to facilitate ongoing investment in Canada’s mineral exploration and development sector.”

A taxpayer claiming the METC can also claim the 100% Canadian Exploration Expenses (CEE) deduction, which applies for both federal and provincial/territorial income tax purposes. The Federal Government has also extended the eligibility of CEE to include environmental studies and community consultation expenses incurred as a pre-condition to obtaining an exploration license or permit.

According to AME BC, more than 80% of the respondents to a recent PDAC survey stated that flow-through shares and the associated federal METC for individuals are critical to their survival and a direct incentive to attracting and retaining further investment.

The BC government also stated in its 2017 BC Budget that it will extend its BC mining flow-through share tax credit through December 31, 2017. In BC, when the federal 15% METC for investors is combined with the 20% mining flow-through share tax credit, investors can receive a combined effective 32% tax credit.

Taxpayers who conduct grassroots exploration in BC continue to be eligible for a refundable income tax credit of 20% (30% in pine beetle-affected areas) for qualifying expenditures. To mirror the incentive provided by the Federal Government, the BC government also extended the eligibility of CEE to include environmental studies and community consultation expenses incurred as a pre-condition to obtaining an exploration license or permit.

In addition, the 2017 BC Budget also provided increased funding of $18 million over the next three years to the Ministry of Energy and Mines, to support mine permitting and oversight, including compliance and enforcement.

Miners developing new projects or expanding existing ones in BC are still entitled to claim the BC New Mine Allowance for BC mining tax purposes until December 31, 2019. It allows companies to claim an additional allowance equal to one-third of the capital cost incurred during development of the new mine or eligible expansion project.

Companies operating metal and coal mines in BC are also able to defer a portion of their BC Hydroelectricity payments. The deferral program was introduced in 2016. Under the terms of the program, qualifying companies are be able to defer up to 75% of their electricity costs based on a sliding-scale of metal prices. Interest charges are applied to the deferred amounts, starting at 8% p.a.

Innovation in the mining industry continues to be supported by the federal and provincial Scientific Research and Experimental Development ("SRED") program.

Ted Bell, Partner and PwC's National Leader for SRED and other Tax Incentives observed, "Many activities involving the development of processes and product quality can qualify for SRED since they have the purpose of technological advancement. For example, a mining company could be working on ways to improve the efficiency of fragmentation during blasting in an open pit mining situation. Such situations typically give rise to eligible work under the SRED program. There are also advances in remote sensing that are used to better define ore bodies and increase the efficiency of the overall mining effort, as well as advances in the visualization and logistics of moving ore and overburden in more efficient ways. All of these areas where mining companies are breaking new ground and pushing technology forward can have aspects of eligible SRED associated with them."

In their February 2017 budget, the BC government has extended the provincial BC SRED credit for another five years to include SRED carried on in BC before September 1, 2022.

When it comes to areas where the mining industry is less enthusiastic about government policy, the Provincial sales tax (PST) and Carbon tax in BC continue to create challenges for BC mining companies from a cost perspective. Under the current GST and PST regime, mining companies remain eligible to recover the 5% GST portion while any PST payable remains a cost of doing business in BC (subject to various exemptions available for the mining industry). This added cost has made BC less competitive than other provinces where harmonized sales tax ("HST") exists and where costs can be recovered via input tax credits.

On a more positive note, the 2017 BC Budget proposes to phase out the 7% PST on electricity purchased by businesses (including mining) by April 1, 2019. As electricity comprises a substantial cost to mining operations, this proposal should come as a welcome relief to mining companies.

BC's carbon tax puts the BC mining industry at a distinct competitive disadvantage to other jurisdictions that do not have similar policies in place.

In 2016, the Federal Government proposed a price on carbon pollution. This tax will be introduced at a minimum rate of $10 per tonne in 2018 and is expected to rise by $10 each year to $50 per tonne in 2022 (BC's current rate is $30 per tonne). Under this proposal, those provinces and territories that choose cap-and-trade systems will be required to decrease emissions in line with both Canada's target and the reductions expected in jurisdictions that choose a price-based system. If neither the price nor cap and trade system is in place in an affected province or territory by 2018, the Federal Government will implement a price in that jurisdiction.

These changes are viewed as a start towards a more equal playing field on carbon tax across Canada, however being carbon cost competitive with foreign mining jurisdictions remains another matter.

Seabridge: spotlight on KSM Mine

The promising KSM project is 'shovel ready' and waiting for a financial partner

Rudi Fronk
Chairman and CEO, discusses Seabridge Gold and the Kerr-Sulphurets-Mitchell Project in the BC mining industry

One of the most promising new mines being developed in British Columbia today is the KSM Project, 100%-owned by Toronto-based Seabridge Gold.

KSM, located 65 kilometers northwest of Stewart, BC and approximately 35 km northeast of the Alaska border, is one of the largest undeveloped gold projects in the world. The project has proven and probable reserves of 39 million ounces of gold reserves and 10 billion pounds of copper. That's contained within a much larger resource of 84 million ounces of gold and 35 billion pounds of copper, located in one of the safest mining jurisdictions in the world.

"KSM has some of the best economics you'll ever see on a development opportunity and is one of the few projects in the world that is shovel ready," says Seabridge chairman and CEO Rudi Fronk, a mining engineer who founded the company 18 years ago.

All of the necessary permits are in place to begin construction of KSM, including environmental assessment certificates received from both the federal and provincial governments in 2014, following a seven-year application process.

Seeking a financial partner

As the company's development work continues, it's actively seeking joint venture partners to help develop the project, which is expected to cost about US$5.5 billion.

"In our view, there are less than 10 companies in the world today that could actually build and operate a mine the size of KSM," Fronk says. "Seabridge is not one of them. We have a dialogue going on now with the largest base metal mining companies in the world, as well as the large gold companies."

Fronk says his preferred structure is a joint venture that sees Seabridge hang on to as much of an equity interest in the project as it can, while minimizing its capital contribution. His goal is to have a joint-venture partner in place in the near future.

"Fortunately, as you look forward now in the industry, the issue that the big companies face is declining production profiles," Fronk says. "This is a project that we've now demonstrated can produce more than a million ounces of gold and over 300 million pounds of copper a year for the first seven years. It's a project that would be meaningful and accretive to any of the large mining companies."

Community support key

KSM has advanced to its current stage due in large part to support from local communities, including First Nations. The company has negotiated a benefits agreement with the Nisga'a Nation, for example, which is supportive of the project.

"The reality is without the support and endorsement of the indigenous peoples, you will not get your project approved," says Fronk. "We recognized that early on. Before we even filed our project description document with the regulators, we sat down with the five different indigenous groups we were told to deal with, explained who we are and kept them fully engaged during the environmental assessment process."

He said the company had more than 40 meetings with First Nations communities over an eight-year period.

They were also flexible with the design of the project, in response to community feedback.

"We've made a number of significant changes to the project to accommodate some concerns around water management and fish management," Fronk says. "Unless you're willing to make changes like that, you're going to have a struggle to get a project approved."

The gold market and outlook

It has been a challenging five years for the gold industry as prices fell from a record of more than US$1,900 an ounce in 2011 to as low as $1,050 in 2016. The lower price environment forced some gold companies to take massive write-downs on projects in recent years, while the industry responded by implementing measures to cut costs and streamline operations. Since 2016, the price of gold has seen something of a recovery, currently trading around $1,250 per ounce. With the price environment improving, the outlook for 2017 is positive.

"I think the major gold companies have done a decent job in cleaning up their mistakes of the past," says Fronk. "At the top of the market, they were paying a lot for acquisitions and took on a lot of debt. This past year, they focused on cleaning up their balance sheet, reducing debt and selling non-core assets, and for the mostpart they've been successful."

Fronk sees gold as more of a currency than a commodity and believes it will rise again given the current market conditions.

"Gold does well when financial assets are out of favour and does not perform well when financial assets are in favour," Fronk told said in an interview during the recent Prospectors & Developers Association of Canada conference in Toronto in March.

"We believe that the general stock market now is overvalued. In a market correction, we expect to see money coming out of the stock market, and some of that will find its way into gold. In addition, if you look at the level of sovereign debts around the world, coupled with quantitative easing that continues in many of the larger countries, you have to like the backdrop for gold."

Seabridge's next steps

While Seabridge continues to advance KSM, it's also working on future projects, including its newly acquired Iskut project in northwestern BC.

In March, the company raised another $14.3 million in a bought-deal financing to advance the KSM and Iskut projects, and another $20 million in a flow-through financing to fund exploration at both projects.

Fronk points to the advancement of Pretium Resources Inc.'s Brucejack Project, which is financed and under construction, as an example of what mining companies in Canada and BC can accomplish.

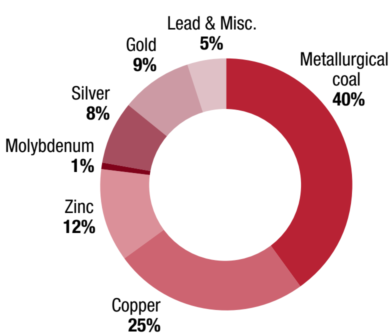
"At KSM, I'd point to the higher grade zones we've added over the past few years," Fronk says. "Clearly, we will continue to follow up on the success we have had in exploration to date in the months and years to come."

Commodity performance and outlook

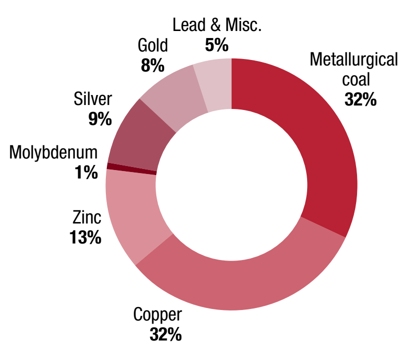
Average prices for many of BC's key commodities increased in 2016 compared to a year earlier, with a couple of exceptions. While prices of most commodities remain well below record or near record levels set in 2011, the uptick in most prices suggests the worst may be over in the current cycle.

Metal	Spot price at March 31, 2017	2017 Analyst consensus estimate at March 31, 2017
Gold ($/oz)	1,249	1,241
Silver ($/oz)	18.27	17.41
Zinc ($/lb)	1.25	1.26
Lead ($/lb)	1.06	1.02
Copper ($/lb)	2.64	2.57

Net revenue by product **2016**

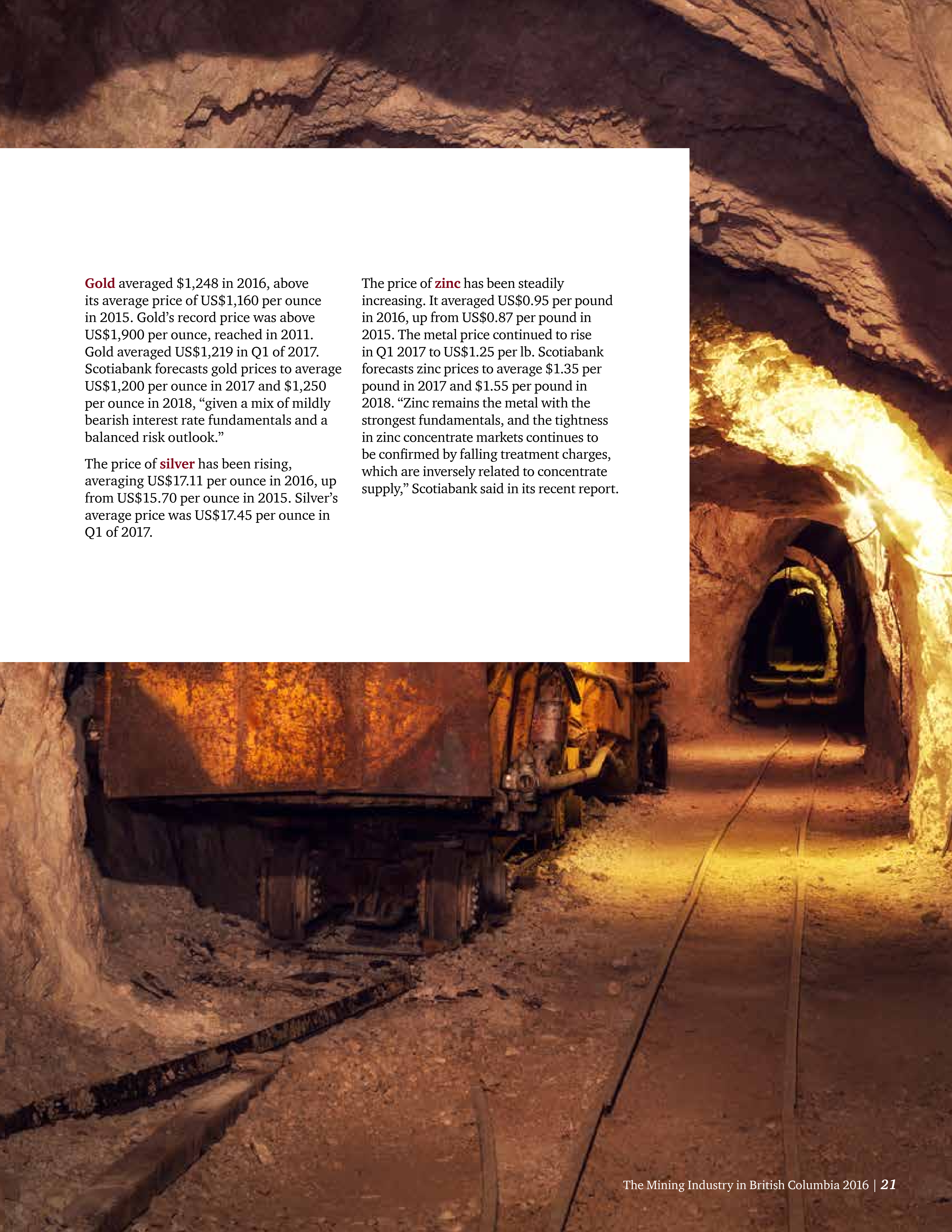


Net revenue by product **2015**



Metallurgical coal prices below averaged US$115 per tonne in 2016, up from US$101 per tonne in 2015 and down from US$126 per tonne in 2014. Coal prices surged last fall amid supply shortages. Prices retreated as more supply came on the market, but then spiked again in early 2017 after a cyclone hit Australia at the end of March, damaging infrastructure and disrupting global supply. That caused spot prices for the highest-grade products to push through the US$300 per tonne mark for the fourth time since 2008. Prices started to correct in late April to US$250 per tonne. Scotiabank is forecasting seaborne hard coking coal prices to average US$180 per tonne in 2017 and US$120 per tonne in 2018. "The metallurgical coal market is expected to be driven by Chinese supply-side regulation in the near term following the rollout of the 276-working day rule that roiled seaborne markets last year," Scotiabank said in a report released on March 2, 2017. "This working day policy is part of Beijing's ongoing supply-side rationalization strategy, combatting overcapacity and attempting to improve industry profitability"

Copper prices remained volatile in 2016, trading at an average of US$2.21 per pound, down from US$2.50 per pound in 2015 and compared to US$3.12 per pound in 2014. That compares to early 2011, when copper traded at a record of just over US$4.60 per pound. The average copper price in Q1 of 2017 was US$2.65 per pound. Scotiabank is forecasting copper to average US$2.50 per pound in 2017 and $2.65 per pound in 2018. "The combination of already-high production losses, continued supply uncertainty, and the potential for stronger Chinese demand ahead of the National Congress later this year are all near-term bullish for copper prices," Scotiabank said in its commodities report released on April 12, 2017.



Gold averaged $1,248 in 2016, above its average price of US$1,160 per ounce in 2015. Gold's record price was above US$1,900 per ounce, reached in 2011. Gold averaged US$1,219 in Q1 of 2017. Scotiabank forecasts gold prices to average US$1,200 per ounce in 2017 and $1,250 per ounce in 2018, "given a mix of mildly bearish interest rate fundamentals and a balanced risk outlook."

The price of **silver** has been rising, averaging US$17.11 per ounce in 2016, up from US$15.70 per ounce in 2015. Silver's average price was US$17.45 per ounce in Q1 of 2017.

The price of **zinc** has been steadily increasing. It averaged US$0.95 per pound in 2016, up from US$0.87 per pound in 2015. The metal price continued to rise in Q1 2017 to US$1.25 per lb. Scotiabank forecasts zinc prices to average $1.35 per pound in 2017 and $1.55 per pound in 2018. "Zinc remains the metal with the strongest fundamentals, and the tightness in zinc concentrate markets continues to be confirmed by falling treatment charges, which are inversely related to concentrate supply," Scotiabank said in its recent report.

A perspective from the MABC

There are reasons to be optimistic about the mining industry today, especially here in BC.

Commodity prices are starting to stabilize, mining projects across the province are advancing and some operations put on care and maintenance have recently reopened. The progress comes as investors continue to view BC as a safe, mining-friendly jurisdiction with rich resources, world-class infrastructure, a highly skilled workforce and access to Asian markets through a sophisticated port system.

The government, in collaboration with industry, has also taken some important steps to help mining companies stabilize their operations amid growing cost pressures. An example is the five-year electricity power rate deferral program for BC mines that was introduced by the province and BC Hydro in early 2016. In its most recent budget in March 2017, the BC Liberal government also committed to reduce the PST on electricity by 50% in October 2017 and fully eliminate it by April 2019. This is good news for the industry given that electricity is the second largest cost at most mines in BC, behind labour.

BC needs to remain competitive

Measures like these are key to helping the province remain a competitive place to do business both nationally and globally. The cost of doing business is a top consideration for investors when determining where to inject their capital.

In BC, electricity rates, as well as the provincial carbon tax, have made the industry less competitive. To be clear, the mining industry is not opposed to a price on carbon.

Karina Briño
Former President and CEO of the Mining Association of British Columbia discusses the BC Mining industry outlook

However, it puts trade-exposed industries like mining at a disadvantage. It has become a tax on production. We believe government needs to have more consideration for emissions-intensive, trade-exposed industries, similar to what other countries do protect those sectors.

MABC is also urging the federal government to look at what different jurisdictions, including B.C., are doing to do our share to help reduce emissions.

Projects are progressing

Meantime, the BC mining industry continues to build for the future. Pretium Resources' Brucejack mine begins commercial production this year, while Seabridge Gold's KSM project continues to advance towards construction, buoyed by more positive drill results announced last fall.

Another bright spot in the province is the northeast, where Conuma Coal purchased three mines from Walter Energy in September 2016, and has so far opened two of them; Brule and Wolverine. The company has plans to restart the Willow Creek mine in the summer of 2017.

There is also optimism, amid a steady recovery in some commodity prices, that other mines will reopen and newer projects will continue to advance.

Especially noteworthy was AuRico Metals' announcement in March 2017 that its Kemess Project became the first in the mining industry to have its environmental assessment decision approved under the new single provincial and federal process.

Meantime, the industry continues to collaborate with communities, First Nations and other stakeholders to ensure that its projects meet the highest environmental standards and operate with a strong social license.

Future looks bright

The BC mining industry is on solid ground as we head into the second half of 2017. More capital is slowly becoming available for junior companies and their smaller projects, while larger operators are beginning to boost investment to help build a more sustainable industry for the future.

While we need to remain cautious about the cyclical nature of the mining industry, there's reason to feel upbeat. Better times are ahead for the mining industry — and in particular mining in BC.

Karina Briño was the president and CEO of the BC Mining Association for six years, until April 30, 2017. She has returned to her native Chile to take on a new role in the mining industry.

Conclusion and outlook

There's renewed optimism in BC's mining industry. Commodity prices are stabilizing and increasing in some cases, mines are advancing and reopening, and investment is returning to the sector.

While it may be too soon to call it a recovery, the outlook is brighter today than it has in been in recent years.

The results of our latest survey show there are reasons to be optimistic. Gross mining revenue among participants was up in 2016 compared to a year earlier, as was cash flow from operations and capital expenditures. Jobs are also slowly returning to the sector as mines advance, open and restart across the province.

While several challenges remain — including the volatility of commodity prices, keeping costs down, and attracting more investment in the short and long term — the future looks promising.

From our perspective, BC's mining industry should be commended for its endurance during the past six years of the latest mining cycle downturn. It hasn't been easy, of course, and tough decisions were made by companies in order to survive.

Still, BC's mining industry remains resilient.

The industry also continues to do the right thing for its stakeholders, including employees, communities, government and investors. BC not only boasts rich resources, a highly skilled workforce and a stable political climate, its mining industry is committed to sustainability and stakeholder engagement with First Nations and other communities around their operations.

BC is already seen across Canada and around the world as an attractive place to invest and do business in mining. We expect BC's reputation to remain strong in the years to come.

Financial summary

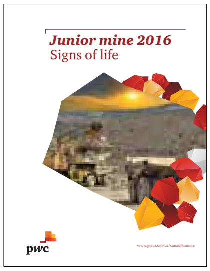
Five-year financial summary

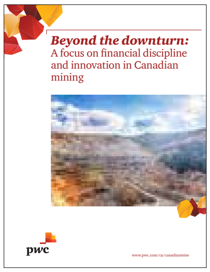
($CAD millions, except where otherwise noted)

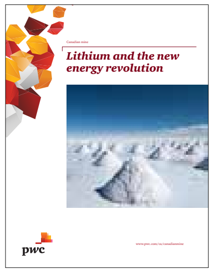
	2016	2015	2014	2013	2012
Gross mining revenues	$ 8,709	$ 7,724	$ 8,238	$ 8,537	$ 9,157
Net mining revenues [1]	7,341	6,289	6,760	7,008	7,844
Net income (pre-tax)	1,418	715	288	1,387	1,784
Cash flow from operations	2,575	1,660	1,685	2,568	2,230
Total assets	17,537	17,826	18,200	17,568	13,933
Pre-tax return on shareholders' investment (%)	13.5	6.3	2.4	13.0	22.8
Direct employment (number of employees)	9,329	9,921	9,954	10,720	10,419
Payments to governments [2]	650	476	467	511	504
Exploration and development expenditures	102	320	234	185	305
Capital expenditures	1,370	1,240	1,503	1,785	2,746

Notes

1. Net mining revenues are reported after deduction of smelting and refining charges, freight costs, and marketing.
2. Includes direct taxes, other levies and payments related to employment.







Canadian mine

Canadian mine is a publication series that provides a view of the entire industry, from the junior mining sector to the top producers on the TSX This year's theme: In these times of fiery competition, how are today's decisions helping build the Canadian mine of tomorrow?

www.pwc.com/ca/canadianmine

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