

2005 – A PIVOTAL YEAR FOR MINING IN BC

By Michael McPhie

I hesitate to call it a “boom,” but the financial performance of BC’s mining industry grew rapidly in 2005. We estimate our industry has grown to \$5 billion in mineral production, up from \$4.5 billion in 2004.

Mineral exploration expenditures – a big part of our “research and development” – will be much higher than the estimated \$175 million to \$200 million forecast for 2005, already a 40% increase over 2004.

Existing mines are going flat out to take advantage of strong commodity prices. And while the search for new mines has intensified because of higher prices, prices themselves do not make or break our industry.

The mining and mineral industry’s future, like its past, depends on a number of key areas such as the availability of a comprehensive geoscience database, availability of skilled workers, a competitive tax regime, access to infrastructure, and a stable and progressive public policy environment.

Although mining investors are demonstrating that they are increasingly more confident in BC, as is evidenced by the economic numbers above, the truth is that BC still captures only a very small percentage (less than 10%) of the \$3 billion in investment dollars raised by Vancouver companies. Despite the efforts of the provincial government to create a more stable policy environment and the increase in exploration spending, the last major metal mining operation to be brought into production in this BC was back in 1998. More than 8 years ago.

Our challenge now is to bring new mines into production...

The future could be much brighter though. There are currently 23 potential new mines in various stages of regulatory review and permitting. These projects represent billions of dollars in new investment potential, thousands of new jobs and the opportunity for significant wealth creation throughout the province.

Many of these projects are in regions of the province that will face significant challenges in the next 5 to 10 years as the pine beetle infestation takes its economic toll on communities. Mines, like the Highland Valley operation that generates more than \$100 million in economic activity in Kamloops alone, can provide long term economic engines that create high paying, highly skilled jobs that support families and communities.

Our challenge remains though in working these projects through the various layers of permitting and assessment in a reasonable period of time. In many cases it can take more than seven years to go from discovery, through the permitting process and into production. Smart regulations, streamlined environmental assessment processes, consultation guidelines and other initiatives by the federal and provincial authorities all help. However, the fact remains that the permitting process continues to be highly inefficient, poorly coordinated from a provincial-federal perspective and, in the end, does not necessarily lead to better decisions around projects.

Hot spots: Production and Mineral Exploration is up Throughout the Province

BC coal production is growing. The 10 coal mines in BC produced 27.1 million tonnes this year, up 2 million tonnes over 2004 and generated in excess of \$1 billion in economic activity.

There are some 650 active exploration projects in the province, up 30% from the previous year. That's a big increase by any measure. Much of this activity is taking place in the northwest of the province but it is certainly not the only region enjoying the benefits of greater spending and employment. From Vancouver Island, to the interior, the southeast and to the north, all regions of BC are seeing increased activity, which bodes well for the future.

A Sustained Period of Growth?

Some veteran industry observers suggest this upward trend could well be the beginning of a sustained period of strength and growth for mining and minerals in BC. Whether that turns out to be true depends on many factors, some of which are beyond our control.

Ultimately though, the long term success of our future rests with our ability to be better than people expect. Environmental stewardship, innovation and efficiency, maximizing our contribution to sustainability, full engagement with BC's Aboriginal community and a clear commitment to corporate social responsibility are the underpinnings of the modern mining and minerals industry in this province. We must continually strive to earn our right to operate and gain the full confidence of British Columbians. If we can do this, which I am confident we can, our industry will once again be viewed as an industry of choice and our future will indeed be bright.

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Michael McPhie is President & CEO of the Mining Association of BC, which speaks on behalf of mineral producers, the major component of a \$4.5 billion industry in British Columbia, Canada. In doing so, it has come to be regarded as the predominant voice of mining in British Columbia