



# information

BULLETIN  
EXPLORATION

MARCH 2006

## Canadian Mineral Exploration and Deposit Appraisal:

### Exploration Levels Top \$1 Billion Again in 2005 and 2006

#### Expenditures Continue Upward Trend

The latest results from the federal-provincial/territorial Survey of Mineral Exploration, Deposit Appraisal and Mine Complex Development Expenditures (2005 preliminary estimates and 2006 spending intentions), involving 736 project operators at roughly 2300 properties across Canada, confirm a continuing robust level of exploration and deposit appraisal activity. In 2005, total expenditures reached \$1.3 billion, up 10% from \$1.2 billion in 2004, while a further increase of 9% to \$1.4 billion is expected for 2006. Total expenditures have nearly tripled since 2000. The recent increases are mainly due to growing off-mine-site exploration activity, which represents close to three quarters of the total exploration and deposit appraisal expenditures.

In 2005, most of the increase in expenditures resulted from sharp upturns in Saskatchewan (uranium and diamonds) and British Columbia (coal and copper-gold). Other increases were also recorded in Ontario, Manitoba and the Yukon. In 2006, all jurisdictions with the exception of one are expected to show increases in expenditure intentions.

#### Global Markets

Mineral and metal commodity prices continued to rise in 2005 in response to buoyant global demand, driven by the rapidly growing economies of China and India, coupled with supply constraints and active investor demand. With the exception of nickel, major metal prices finished 2005 at or near their highs for the year and up significantly from the

beginning of the year. Indeed, record high price levels were observed for copper, coal and iron ore, while gold traded at its highest level since the early 1980s. The spot price for uranium jumped by nearly 40% during 2005. The recent upward trend for mineral and metal commodity prices that began slowly in 2002 has been a major impetus for the exploration industry to intensify its activities. The outlook for 2006 prices remains positive.

#### Mineral Commodities

In 2005, expenditures for precious metals fell while those for base metals, uranium, and the other mineral commodities group rose from 2004 levels. The precious metals group remained first with total expenditures of \$524 million, but is expected to decline further in 2006. The base-metals group, third in total expenditures behind precious metals and diamonds between 2001 and 2004, surged into second place in 2005 and is expected to keep its ranking in 2006. About \$300 million in base-metal expenditures was reported for 2005 and \$384 million is expected for 2006. Among other commodities, expenditures for iron ore (mostly in Nunavut and Newfoundland and Labrador), coal (mostly in British Columbia), and uranium (mostly in Saskatchewan) were exceptionally high in 2005. Uranium expenditures are forecast to reach an unprecedented \$123 million in 2006, while coal expenditures are expected to decline as some coal projects that are being fast-tracked enter the mine development phase.

#### Exploration and Deposit Appraisal Expenditures,<sup>1</sup> 2004-06

Province/Territory	2004	2005(p)	2005 (p)		2006 (si)	
			Exploration Off-Mine-Site Only	2006 (si)	Exploration Off-Mine-Site Only	2006 (si)
(\$ millions)						
Newfoundland and Labrador						
Nova Scotia	33.2	45.4	37.0	50.7	43.1	
New Brunswick	9.1	8.4	6.9	23.3	19.3	
Quebec	13.4	12.1	8.8	15.3	15.3	
Ontario	227.2	209.2	152.2	234.3	177.2	
Manitoba	306.9	321.1	168.3	339.8	186.8	
Saskatchewan	36.0	43.4	37.3	48.8	38.5	
Alberta	71.8	129.2	126.5	161.4	154.8	
British Columbia	6.3	5.4	2.9	6.2	5.0	
Yukon	151.9	212.3	153.7	185.3	127.9	
Northwest Territories	22.0	48.8	28.0	52.8	36.8	
Nunavut	112.4	93.1	66.2	128.7	70.8	
Nunavut	187.5	170.2	161.1	173.0	154.0	
<b>Total</b>	<b>1 177.8</b>	<b>1 298.7</b>	<b>948.9</b>	<b>1 419.5</b>	<b>1 029.6</b>	
Exploration	903.5	1 049.0		1 134.7		
Deposit appraisal	274.3	249.7		284.8		

(p) Preliminary estimates; (si) Spending intentions.  
Note: Numbers may not add to totals due to rounding.



## Diamonds

Diamond expenditures, which reached a record high in 2004 of \$274 million, fell to \$251 million in 2005 but are anticipated to recover slightly to \$262 million in 2006. These are impressive levels considering that three diamond projects – Snap Lake in the Northwest Territories, Jericho in Nunavut and Victor in Ontario – entered the mine development phase in 2005. Although Quebec and Ontario continue to show substantial levels of expenditures, the Northwest Territories, followed by Nunavut and Saskatchewan with its Fort-à-la-Corne activity, lead all Canadian jurisdictions.

## Juniors and Seniors

About 600 of the 736 active project operators in 2005 were juniors, accounting for 58% of the total exploration and deposit appraisal

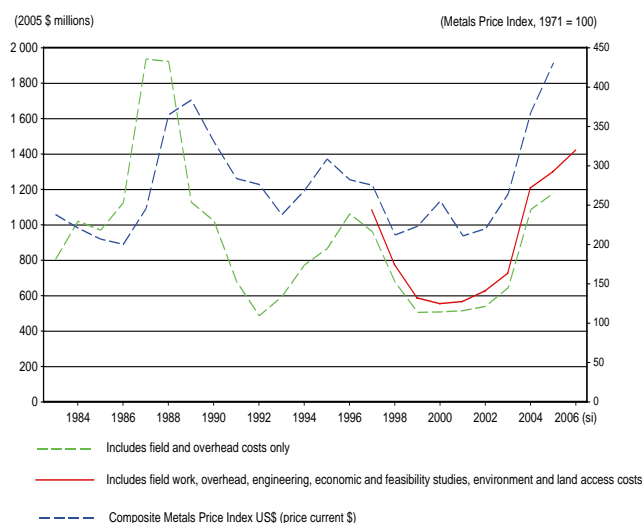
expenditures. A total of \$757 million was recorded by juniors in 2005 and close to \$816 million is expected for 2006. Starting in 2004, spending by juniors surpassed seniors and has dominated the Canadian exploration industry. However, they have not yet surpassed their record expenditures levels of 1987 and 1988 when more than \$1 billion was recorded in each year (in 2005 constant dollars). During the period 2000-2005, the flow-through-share mechanism, combined with the 15% Investment Tax Credit for Exploration at the federal level and similar tax measures in other provinces and territories, has helped boost the juniors' contribution to the exploration sector. In 2005, about 30 junior project operators with expenditures totaling \$85 million were involved in more advanced projects (deposit appraisal),

compared to roughly the same number of senior project operators with expenditures totaling \$164 million.

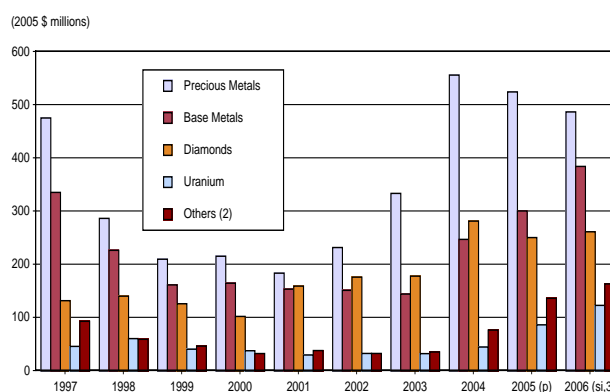
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You may also contact Ginette Bouchard by telephone at (613) 992-4665 or by e-mail at [gbouchar@nrcan.gc.ca](mailto:gbouchar@nrcan.gc.ca).

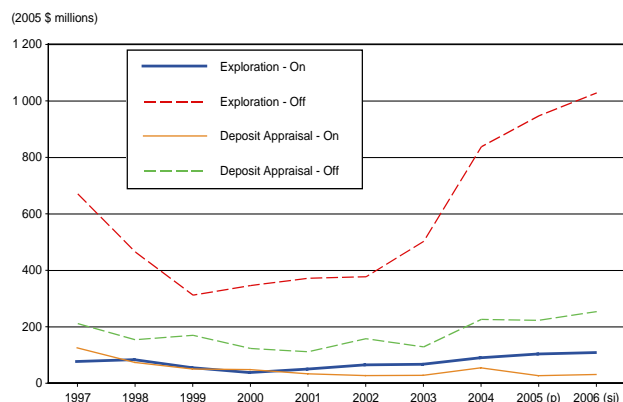
**Exploration Plus Deposit Appraisal Expenditures, and Metals Price Index, 1983-2006**



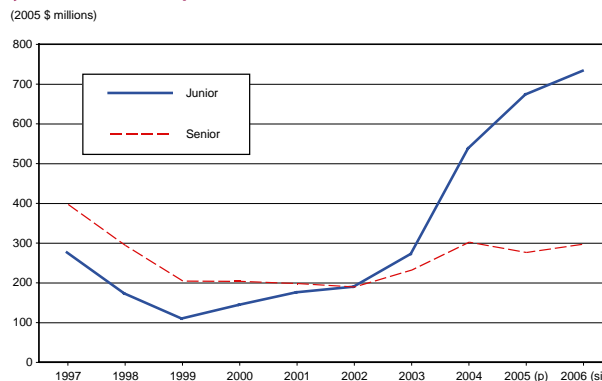
**Exploration Plus Deposit Appraisal Expenditures,<sup>1</sup> by Mineral Commodity, 1997-2006**



**Exploration and Deposit Appraisal Expenditures<sup>1</sup> On- and Off-Mine-Site, 1997-2006**



**Off-Mine-Site Exploration Expenditures,<sup>1</sup> by Junior and Senior Operators, 1997-2006**



Source: Natural Resources Canada from the federal-provincial-territorial Survey of Mineral Exploration, Deposit Appraisal and Mine Complex Development Expenditures. (p) Preliminary estimates; (si) Spending intentions. <sup>1</sup> Includes field work, overhead, engineering, economic and feasibility studies, environment and land access costs. <sup>2</sup> Includes coal, iron, other metals and nonmetals. <sup>3</sup> Commodity breakdown for spending intentions was estimated by pro-rating equally the 2006 total among all commodities reported by each project operator on the 2005 preliminary survey. Notes: The survey was conducted in the fall of 2005; as a result, many 2006 budgets were not yet available and/or project financing was not yet secured. The list of new companies for 2006 may be incomplete. The 2006 revised spending intentions and the final 2005 results will be made available in the summer of 2006.