



CAPITAL INVESTMENT

Capital Investment Intentions in Mining Pushing Toward \$15 Billion in 2006

Capital investment in the mining industry, which includes the non-conventional oil extraction industry, is expected to increase to \$14.9 billion in 2006, up 6.2% from 2005. This increase is more moderate than last year due to the completion of major expansion and mine complex development projects in 2005, and is slightly higher than the average for all sectors of the Canadian economy.

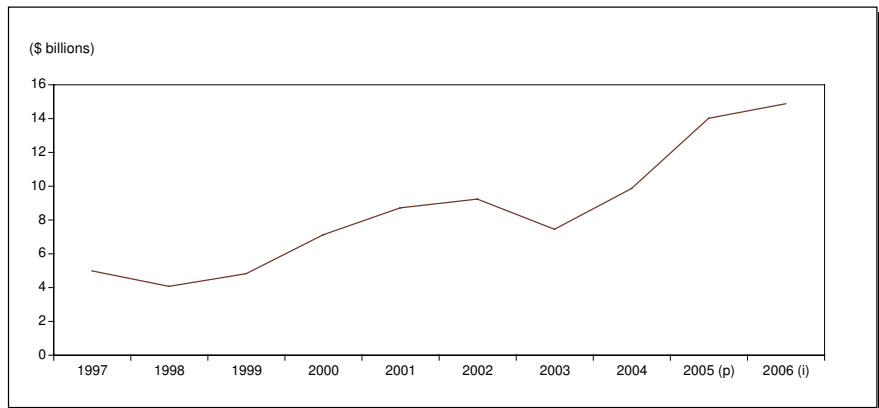
Mining will be responsible for one third of capital investment in the natural resource sectors (forestry and logging, and mining and oil and gas extraction), which are expected to reach \$46.3 billion in 2006, up 6% from 2005. Natural resources are expected to account for 16% of total investment in Canada, virtually the same as last year, and remain second only to the housing sector.

Breakdown by Mining Industry¹

Lofty energy prices and demand will continue to fuel the high level of capital investment in the non-conventional oil and gas projects, which continues to lead the growth in the mining industry, up \$1 billion (11%) to \$10.8 billion.

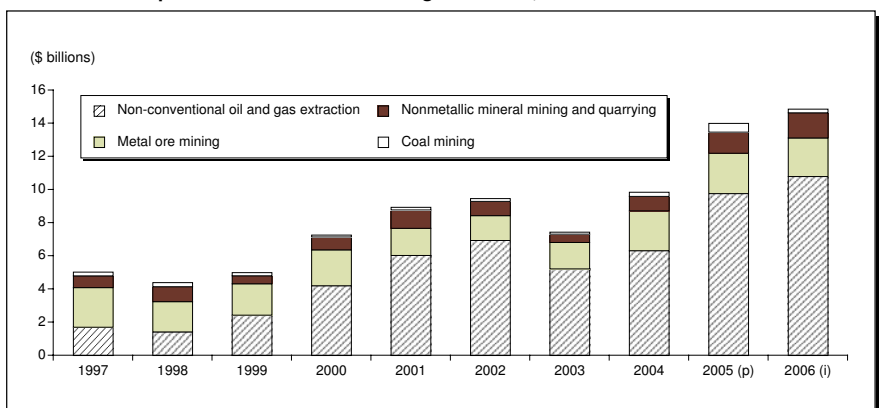
The largest increase, however, will be in the nonmetallic mining industry, up 19% to \$1.5 billion. This is primarily due to diamond mining, which, while up only slightly by 4% to \$656 million, accounts for 43% of capital investment intentions in nonmetal mining. Increases are also evident in potash mining, up 6% to \$294 million, and gypsum mining, up 70% to just over \$22 million. However, a decrease of 12% is expected in capital

Figure 1
Capital Investment in the Mining Industry, 1997-2006



Source: Statistics Canada.
(p) Preliminary actual investment; (i) Intentions.

Figure 2
Allocation of Capital Investment in the Mining Industries, 1997-2006



Source: Statistics Canada.
(p) Preliminary actual investment; (i) Intentions.

¹ Data for the mining industry include only mines currently in production or committed to production.

investment spending in stone and sand and gravel quarrying, down to \$209 million. Significant increases expected in capital investment spending in gold and silver mining, up 22% to \$810 million, are expected to contain the decline in metal mining investment, down 4% to \$2.3 billion. A decrease of 11% is expected in capital investment spending for copper-zinc mining, down to \$318 million.

Capital investment in the coal mining industry is also expected to decline by 58% relative to 2005, but only 15% less than the five-year average spending of \$257 million, dropping to \$225 million. The declines in metal mining and coal mining capital investment spending are largely due to the completion of mine complex development and expansion programs.

The Mining Industry is Investing Across Canada

Capital investment in the mining industry is expected to occur in all provinces and territories across Canada with the exception of Prince Edward Island and the Yukon. More than three quarters of the spending will occur in Alberta, where spending is expected to be just shy of \$11.0 billion, followed by Ontario with an 8% share, the territories with roughly 5%, and Saskatchewan and Quebec, each with a 4% share. Mining investment will be a significant component of total capital investment in the territories² (25%), Alberta (17%) and Saskatchewan (7%).

Driven by oil sands and diamond mining projects, as well as increased metal prices, mining investment in plant and equipment

will increase in six provinces and the territories this year. The largest increase is expected in Ontario, up 31% to \$1.2 billion, followed by Saskatchewan where capital investment is expected to increase 11% to \$552 million, and Alberta, up 9%. Investment in the territories will be more moderate this year as some of the diamond projects near completion; however, an increase of 5% to just over \$655 million is expected.

Both British Columbia and Newfoundland and Labrador will see sizable decreases in capital investment spending, 69% and 58% respectively, as a result of the completion of major expansion and mine complex development projects that had been under way in previous years. Decreases are also expected in New Brunswick (11%) and Quebec (10%).

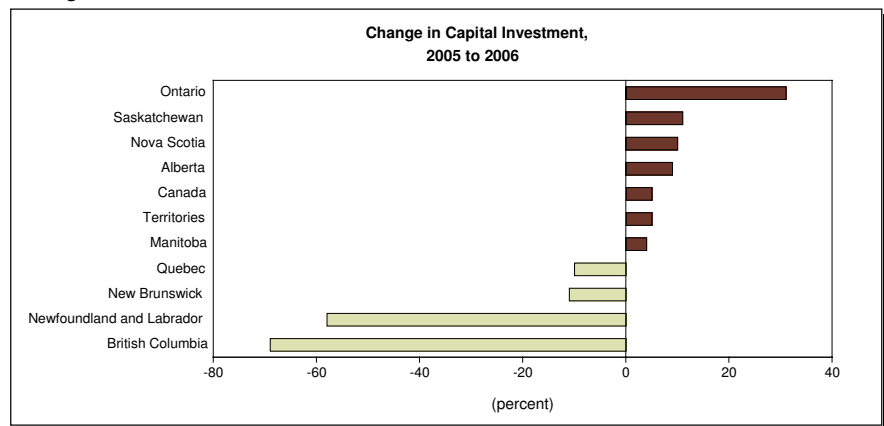
Share of Mine Complex Development on an Upswing

Non-residential construction in the mining industry is expected to reach \$10.7 billion in 2006, up 26% and accounting for 72% of all anticipated investment spending. Investment in machinery and equipment is expected to decrease by almost 25% to \$4.2 billion.

Investment in the Mining Industry Stronger Than It Looks

Capital investment in the mining industry could reach \$14.0 billion in 2005 as indicated by the preliminary figures, \$1.9 billion more than last year's intentions. This is an increase of 42% over 2004 actual spending and more than the 32% gain anticipated given last year's figures, signaling that investment in the industry is stronger than expected.

Figure 3
Mining Investment in the Provinces and Territories Less Robust Than 2005



Source: Natural Resources Canada.

² The territories refers only to the Northwest Territories and Nunavut where capital investment in the mining industry is indicated.

For more information on the mining industry in Canada, please visit www.nrcan.gc.ca/mms or send an e-mail to info-mms@nrcan.gc.ca