



information

BULLETIN

MARCH 2008

EXPLORATION

Canadian Mineral Exploration and Deposit Appraisal: 2007 Expenditures and 2008 Intentions at Record Highs

An Eight-Year Upward Trend

Latest statistics¹ confirm a continuing buoyant level of exploration activity² in Canada. In 2007, total expenditures reached \$2.6 billion, up 34% from \$1.9 billion in 2006. An even higher level of spending is indicated for 2008, which would then become the eighth straight year of the current upward trend. Total expenditures have now surpassed \$1 billion for five consecutive years and the 2007 level broke the previous expenditure record of \$2.4 billion³ established in 1987.

A favourable investment climate, sustained by high commodity prices, and the various tax incentives available in Canadian jurisdictions contributed to the robustness in the exploration industry. Close to half of all expenditures reported in 2007 were related to drilling activities. About

6.6 million metres (underground, surface, diamond, and other types of drilling) were drilled, surpassing the record high in 1987. Rock work, the next most important group of activities, represented 9% (\$235 million) of all expenditures, followed closely by geophysics, geology, and the combined total of engineering, economic, and pre-/production feasibility studies at about 8% each.

Provinces and Territories

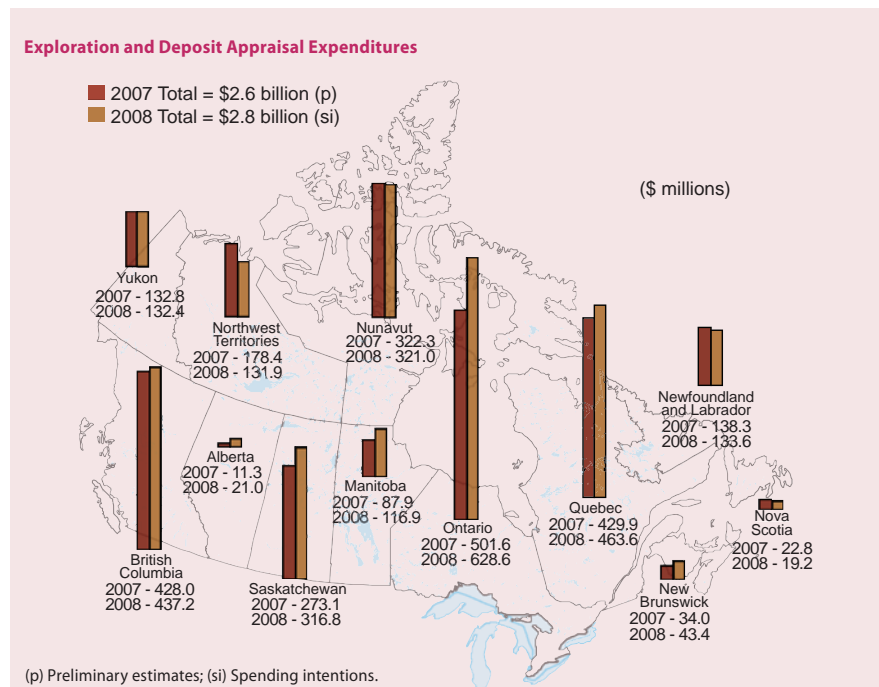
In 2007, expenditure increases were realized in all provinces and territories across Canada except Alberta, with the largest gains in Ontario, Quebec, Nunavut, and British Columbia. These four jurisdictions accounted for 75% of the \$649 million increase. The highest percentage increases for the year, 154% and 106%, occurred in New Brunswick and

Nova Scotia, respectively. All jurisdictions except for the Northwest Territories, Newfoundland and Labrador, Nova Scotia, Nunavut, and the Yukon are indicating increased expenditures for 2008.

Juniors and Seniors

In recent years, junior companies⁴ have funded a greater proportion of Canada's exploration effort. Total expenditures by junior project operators have increased from \$175 million in 1999 to \$1.7 billion in 2007 and are expected to reach \$1.8 billion in 2008. In each year since 2006, juniors have surpassed the previous all-time high recorded in 1987 and, since 2004, have topped the expenditure levels reported by seniors. Only once before, in 1987, did spending by juniors surpass senior spending (51%).

Juniors are now responsible for about 65% of total exploration and deposit appraisal expenditures. In 2008, seniors expect to spend close to \$1 billion in total expenditures, almost twice that of 2005. Since 2005, the number of junior project operators has not fluctuated much, but the number of these companies spending more than \$1 million has increased sharply from 179 in 2005 to 258 in 2006 and 335 in 2007, with 347 indicated for 2008.



¹ Historical comparisons are always expressed in constant 2007 dollars.

² Includes activities from grassroots exploration up to and including the conclusion of the project's feasibility study, under the deposit appraisal work phase, preceding a commitment to production.

³ This number was adjusted to allow comparison with the new statistical series introduced in 1997.

⁴ A junior company is defined as an exploration company that is not a recipient of significant income from producing mines or other businesses, and that is financed mainly by exploration funds raised through the issue of treasury shares.

Global Markets

Favourable fundamentals and investor interest put upward pressure on prices during 2007, resulting in a further increase for most mineral and metal commodities and extending the strong performance that began in 2002. Although price increases, based on a yearly average, were more modest than in 2006, lead and uranium increased significantly by 100% and 83%, while molybdenum and iron ore rose by 22% and 5%, respectively. Decreases were recorded for zinc and coal.

Robust economies, such as in China and, to a lesser degree, in India, accounted for a significant growth in the consumption of mineral and metal commodities. Reduced liquidity and higher material, energy, and labour costs are expected to continue in 2008. These cost pressures are likely to have a significant impact on new projects

under development. Although softness in certain mineral and metal commodity prices is expected, prices should generally remain strong in 2008.

Mineral Commodities

Expenditures for each commodity group except diamonds and coal increased from 2006 levels. Among the leading commodity groups, precious metals led with total expenditures of \$933 million in 2007. Base metals were second at \$613 million, followed by uranium at \$354 million and diamonds at \$308 million. Diamonds continued to show significant levels of expenditures, having averaged 16% of total expenditures in recent years. Uranium has re-emerged as a star mineral commodity with expenditures rising from \$48 million in 2004 to \$354 million in 2007. In 2008, however, no major increase is expected. In 2007, activity at roughly 500

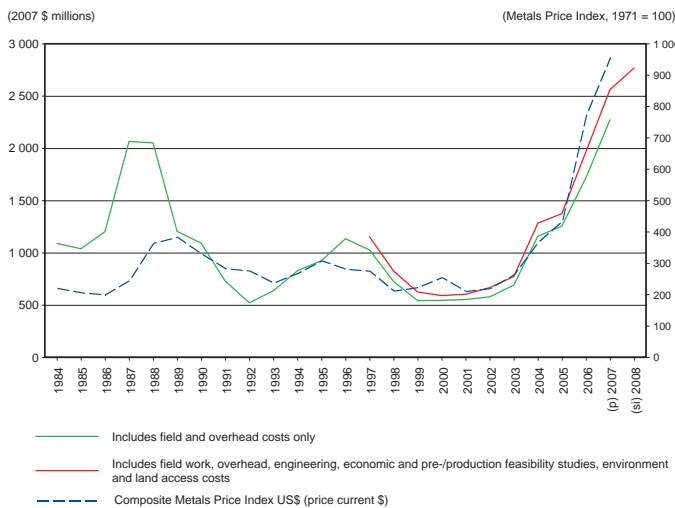
uranium properties represented close to 14% of total expenditures. Saskatchewan remained the leading jurisdiction for uranium expenditure in 2007, followed by Quebec (Otish Mountains), Newfoundland and Labrador (Central Mineral Belt), and Nunavut (Thelon and Hornby Bay basins). However, in 2008, Nunavut should move into third place ahead of Newfoundland and Labrador. Base-metal expenditures in 2007 passed the previous record high of \$582 million³ achieved in 1981. Close to \$762 million in spending on base metals is expected in 2008.

For more information:

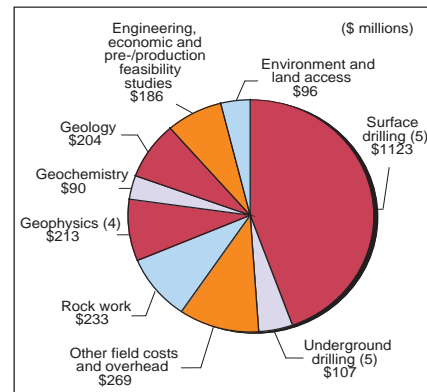
Please visit http://mmsd1.mms.nrcan.gc.ca/mmsd/exploration/default_e.asp.

You may also contact Ginette Bouchard by telephone at 613-992-4665 or by e-mail at gbouchar@nrcan.gc.ca.

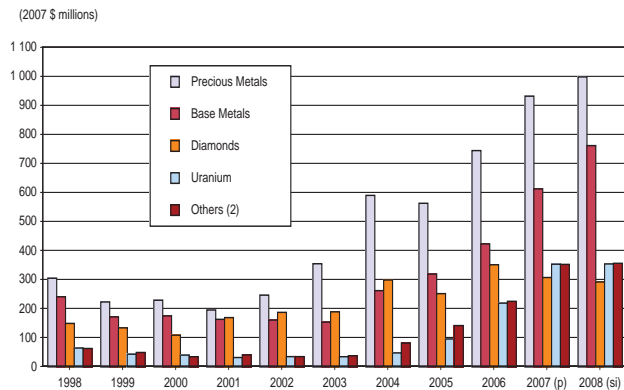
Exploration and Deposit Appraisal Expenditures



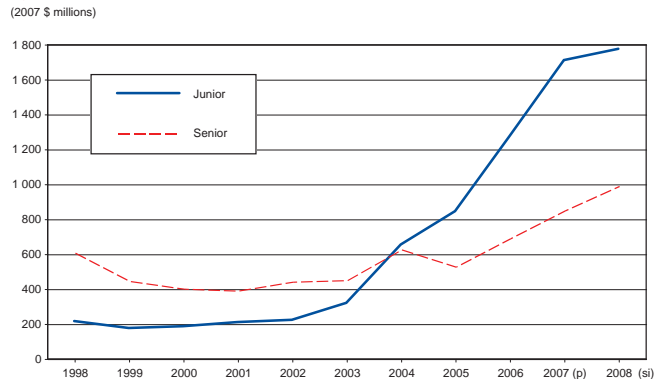
Exploration and Deposit Appraisal Expenditures (1) by Type of Activity, 2007



Exploration and Deposit Appraisal Expenditures (1) by Mineral Commodity, 1998-2008 (3)



Exploration and Deposit Appraisal Expenditures (1) by Junior and Senior Operators, 1998-2008



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. (1) Includes field work, overhead, engineering, economic and pre-/production feasibility studies, environment and land access costs for on-mine-site and off-mine-site activities. (2) Includes coal, iron, other metals, and nonmetals. (3) Commodity breakdown for 2008 spending intentions was estimated based on 2007 preliminary reports. (4) Includes ground and airborne geophysics. (5) Includes diamond and other types of drilling. Notes: Budgets for 2008 expenditures had not all been finalized at the time of the survey. About 808 project operators reported expenditures for roughly 3000 properties across the country in 2007. Data were collected between October 2007 and February 2008.