

# information

BULLETIN

SEPTEMBER 2007

## UPDATE ON EXPLORATION

### Canadian Mineral Exploration and Deposit Appraisal: *Expenditures Could Reach \$2.5 Billion in 2007*

An unprecedented level of exploration and deposit appraisal activity is expected in 2007. Expenditures could reach \$2.5 billion (current dollars).

The level of exploration and deposit appraisal activities<sup>1</sup> in Canada continues to be buoyant. After surpassing \$1 billion in 2004, first indications are that total exploration and deposit appraisal expenditures could be near \$2 billion in 2006 and as high as \$2.5 billion in 2007. This 2007 total would represent the highest level of spending ever recorded in Canadian exploration history. In constant dollar terms, only spending in the 1987-88 period, when mineral commodity prices were also high and incentive programs provided support to the activities of the junior companies,<sup>2</sup> compares with current levels of spending.

Activity is intense across Canada with roughly 700 project operators active in about 2000 projects in 2006 alone. Major increases are expected in all jurisdictions except Alberta in 2007, and upsurges of close to or above \$100 million are anticipated for Ontario, Quebec, and British Columbia.

Since 2004, spending by junior company project operators surpassed spending by senior project operators and their share may surpass 65% of total spending in 2007. The favourable investment climate, and consequently the high level of financing available in Canada, helped the junior sector increase its level of spending, especially at former sub-marginal or neglected mineral deposits.

All mineral commodities are benefitting from this impressive growth in the

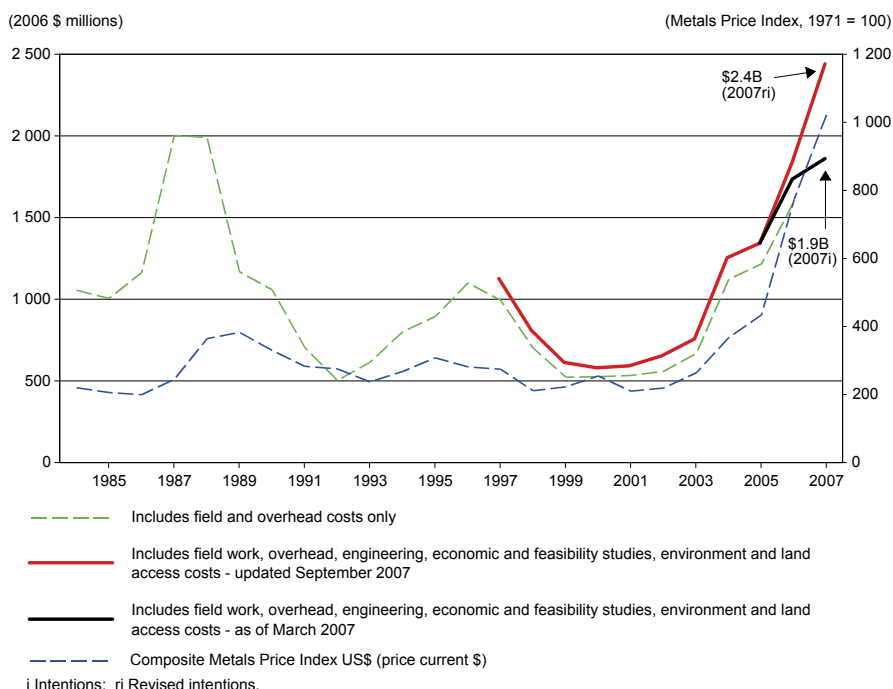
level of activity in the mineral resource development sector. However, increases in base-metal expenditures and the re-emergence of uranium as a star commodity are noteworthy. In 2007, base-metal expenditures could reach an historic peak while uranium, also at a record high, could become the third most important commodity category surpassing diamonds.

However, challenges remain in the exploration industry – the ultimate measure of success will be how the increased level of exploration translates into important new discoveries and increased ore reserves in Canada.

<sup>1</sup> Includes activities from grassroots exploration up to and including the conclusion of the project's bankable feasibility study, under the deposit appraisal work phase, preceding a commitment to production. Those activities are monitored through the Federal-Provincial-Territorial Survey of Mineral Exploration, Deposit Appraisal and Mine Complex Development Expenditures.

<sup>2</sup> 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.

**Exploration Plus Deposit Appraisal Expenditures and Metals Price Index, 1984-2007**



**Note: Only a national expenditure trend is presently available as survey data have not yet been fully processed.**

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*See 2006 highlights  
on reverse side.*



## Highlights on Preliminary Exploration Expenditures, 2006 (As of March 2007)

### Canadian Mineral Exploration and Deposit Appraisal Expenditures Continue to Climb

Total expenditures reached \$1.7 billion in 2006, up 32% from \$1.3 billion in 2005. Expenditures have now surpassed \$1 billion each year since 2004.

The recent increases are mainly due to more off-mine-site exploration activity, which, in 2006, continued to represent about 75% of total expenditures. Off-mine-site deposit appraisal expenditures were also important in 2006, exceeding \$300 million for the first time since the tabulation of these statistics began in 1997. This is expected to continue as more known deposits, after a short period of resource re-evaluation, are fast-tracked toward production decisions.

In 2006, the largest gains, in current dollar terms, were experienced in Saskatchewan, British Columbia, and Quebec.

### Juniors and Seniors

Total expenditures for junior project operators have increased from \$141 million in 1999 to \$1.1 billion in 2006. Among the 630 junior project operators in 2006, 42 were reporting deposit appraisal projects totaling \$196 million, compared to a reported 34 projects totaling \$103 million the previous year. The juniors are now bearing more and more of the risk and responsibility for Canadian discovery successes.

### Global Markets

Mineral and metal commodity prices continued to rise in 2006, extending the strong performance that began in 2002. Ongoing favourable supply/demand conditions, coupled with increasingly active investor demand, put upward pressure on prices during the year, although softness in certain mineral commodity prices is expected in 2007.

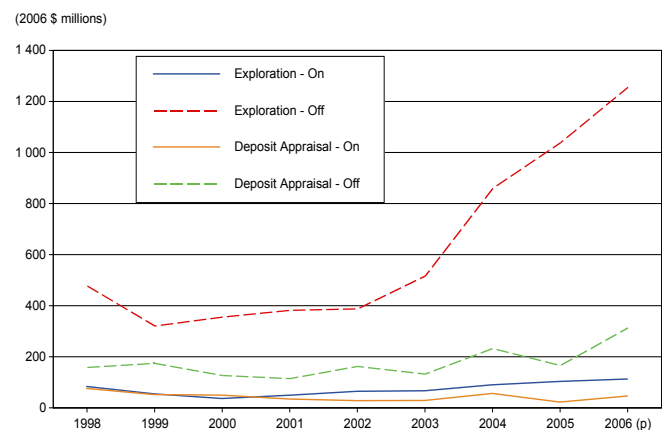
### Mineral Commodities

Precious metals remained in first place with total expenditures of \$667 million and base metals were in second place at \$380 million, followed closely by diamonds at \$303 million and uranium at \$190 million. This expenditures level for uranium doubled from 2005, with more than 350 projects contributing close to 12% of the total expenditures in 2006. Saskatchewan remains the leading jurisdiction for uranium expenditures with Newfoundland and Labrador second. Iron ore expenditures have also doubled to reach around \$60 million. Base metals are also doing well with major projects coming on stream and expenditures on the rise.

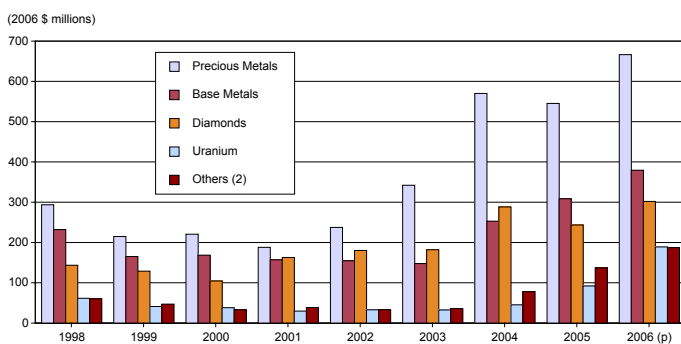
### Exploration and Deposit Appraisal Expenditures,<sup>1</sup> 2005 and 2006

Province/Territory	2005	2006 (p)	
		2006 (p)	Exploration Off-Mine-Site Only
(\$ millions)			
Newfoundland and Labrador	48.7	97.6	76.1
Nova Scotia	6.5	6.7	5.4
New Brunswick	10.1	12.8	12.8
Quebec	205.1	260.2	222.8
Ontario	294.0	341.6	179.6
Manitoba	52.9	46.9	36.0
Saskatchewan	133.9	236.3	235.1
Alberta	6.6	16.0	15.4
British Columbia	218.1	304.0	161.6
Yukon	54.0	76.2	57.5
Northwest Territories	96.3	129.8	74.2
Nunavut	178.7	199.7	180.7
<b>Total</b>	<b>1 304.8</b>	<b>1 727.8</b>	<b>1 257.1</b>
Exploration	1 119.9	1 368.6	
Deposit appraisal	184.9	359.2	

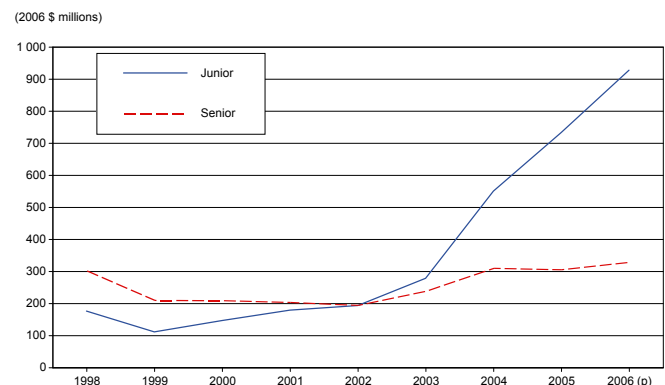
### Exploration and Deposit Appraisal Expenditures<sup>1</sup> On- and Off-Mine-Site, 1998-2006



### Exploration Plus Deposit Appraisal Expenditures,<sup>1</sup> by Mineral Commodity, 1998-2006



### Off-Mine-Site Exploration Expenditures,<sup>1</sup> by Junior and Senior Operators, 1998-2006



(p) Preliminary estimates.

<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.