

The Renaissance of Mining in British Columbia

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Good afternoon.

Before I begin, I would like to acknowledge the Coast Salish First Nations whose traditional territory we are on today, and to thank the Vancouver Board of Trade for providing the Mining Association of British Columbia (MABC) with this opportunity to discuss the state of our province's mining industry.

I wish to also thank my colleagues on the executive committee, board of directors and staff at MABC, who work tirelessly on behalf of the mining industry, along with friends and colleagues at AME BC and the Mining Suppliers Association of BC. Special thanks go to members of the Mining Week Committee for their hard work planning and organizing this week's events.

Mining Week, a tradition for the past 103 years, celebrates the role this industry plays in making British Columbia a great place to live, work and play. This year we've partnered with the Canadian Institute of Mining, Metallurgy and Petroleum and its annual conference to reach out to a broader industry and public audience. We've also expanded our activities, with events taking place in many communities across the province.

Mining Week began last week with an event in Kamloops, where we were joined by Chief Shane Gottfriedson of the Kamloops Indian Band, Teck Resources, Absorbent Products, local civic, business leaders and New Gold whose New Afton copper-gold project is under construction.

Last Saturday in Princeton, the local Chamber of Commerce hosted a mining day luncheon where we were joined by the Honourable Randy Hawes, Minister of State for Mining, the Mayor, Randy Mclean and local MLAs, the Upper Similkameen Indian Band and local citizens to celebrate progress at the Copper Mountain Project.

Copper Mountain also hosted a family day at the mine site where almost 450 people joined in the mine tour, indicating the overwhelming local enthusiasm for this mine and the economic prosperity it will bring back to community.

Here in Vancouver, Mining Week was kicked off at the CIM Awards Gala on Monday. Another highlight is the Mining in Society Show, which brings the complex activity of mining down to earth, so to speak, so students and people of all ages can understand why this industry is essential to their lives. Last year almost 8,000 students visited the show and this year we are hoping for more.

This morning, PricewaterhouseCoopers released its annual mining survey. While 2009 was a tough year, BC's mining sector fared better than most industries and provided a much-needed boost to the provincial economy.

Thank you to PricewaterhouseCoopers for this annual report—I know it's not easy to get busy miners to fill out a survey.

Tomorrow, Teck will host their popular Annual Celebrity Pie Throw Fundraiser, part of the Mining for Miracles campaign in support of BC Children's Hospital; the BC mining industry's charity of choice for 22 years. This fun event takes place starting at 11:30 at the Art Gallery Plaza.

Since 1988 Mining for Miracles has raised \$13.9 million for the BC Children's Hospital Foundation and I expect this year's contributions will push our donations to the BC Children's Hospital to more than \$15 million

I encourage you to join us at any or all of these events. Visit our website (mining.bc.ca) for more details or speak to any of the MABC staff here today.

Once again, I appreciate this opportunity to present the MABC's annual state-of-the-industry address.

Last year I spoke about *Big Brains and Why Mining Needs Them* to make the case that modern mining is an increasingly complex industry requiring the brightest and best minds to meet technical, environmental and social challenges and help secure the industry's future through public engagement and policy development.

This year, I am going to talk about the resurgence of mining activity in British Columbia, or more aptly what we refer to as British Columbia's Mining Renaissance.

As many here today will attest, the industry hit proverbial rock bottom a decade ago, amid the mass euphoria of the 'New Economy', when mining was dismissed as a sunset relic of the 'Old Economy'.

But mining has made a comeback in recent years, helped by strong demand for metals and commodities from China, India and other developing nations. And for the same reason, the industry has weathered the global financial crisis better than most others.

The first phase of BC's mining revival saw numerous mines restored to production that had closed during the last industry downturn. One example is Gibraltar, a historical swing-producer that has been transformed into one of BC's best assets with a mine life out to 2035, thanks to the significant capital investment of current owner Taseko Mines.

And now, BC is poised for a mining renaissance.

Roca's MAX Molybdenum Mine, southeast of Revelstoke, with its recent approval to increase production two-fold or more, is moving from "small mine" to major mine category, qualifying as our first major metal mine to come into production since Huckleberry in 1997.

The MAX Mine, is this year's recipient of the Mining and Sustainability Award from MABC, and is a great and increasingly rare example of a junior mining company being transformed into a senior miner with prospects in BC and Mexico.

Two other major metal mines are slated to open in the next two years: Copper Mountain near Princeton, which is slated to become Canada's second largest copper/gold mine, and New Gold's New Afton underground mine near

Kamloops. And three more are scheduled to follow a few years after that, including Mt Milligan where construction should begin this summer.

There are also two dozen projects under environmental review, and while not all of these will become mines, this inventory of projects has the potential to sustain our industry well into the next century.

Coal has also made a comeback, including the Northeast Coal Sector, where production had ceased not that long ago, but is now again producing highly valued coal used in steel production.

A mining renaissance is good news for BC. Just one major new mine can generate the same revenue as the recent 2010 Winter Olympics.

Okay, that's an unfair comparison in the sense that no single mine could generate as much euphoria as the recent Olympics (though as Teck showed the world, mining did produce the beautiful medals.

The Olympics were a huge success, and BC was a spectacular host and our athletes did us proud. Scoring the winning goal of our national sport on the international stage was priceless, but it is fair to say that BC will reap immense benefits from its next generation of mines, and for much longer than two weeks.

Let's examine the benefits that will flow from just one proposed mine based on a recent study by the Centre of Spatial Economics conducted for the Prosperity mine.

The mine is a proposed, \$800-million gold-copper mine near Williams Lake, owned by Taseko Mines. Over a projected 20-year life, including construction, it would generate revenues of \$1.7 billion for the federal government and \$3.4 billion for provincial coffers.

That's a major contribution that could help governments offset declining tax revenues and mounting deficits.

The mine will generate \$388 million in Gross Domestic Product in each of these 20 years, adding 0.3% to the provincial GDP. Production revenues of \$7 billion expected over the mine life will be largely seen in exports.

Keep in mind that our industry exports 75% of its products, primarily to Asian markets, and accounts for most of BC's port and rail traffic.

New mines will help reverse BC's significant negative trade balance and mining is one of the only sectors with growing exports, countering a potentially alarming trend in British Columbia.

As for jobs, this one mine alone will generate an estimated 60,000 person-years of employment in BC during its 20-year operating life.

These will be high-paying jobs, as earnings in BC's mining industry average \$122,800 per year. That's 44% higher than forestry workers, and 42%, 35% and 33% higher respectively than workers in the manufacturing, finance and construction sectors.

They will be safe jobs, as mining is the safest heavy industry in BC, thanks to rigorous safety campaigns implemented by companies and industry associations. And they will be skilled jobs, reflecting the fact that mines today are highly mechanized and rely on advanced technologies to make them the most productive in the world.

A new mine such as Prosperity would invest more than \$1 billion in machinery and equipment over the mine life, which is welcome news for the province's 700 mining suppliers.

BC's next generation of mines will have the highest environmental standards and be the most socially progressive mines in the world, reflecting our industry's commitment to operate within a sustainable development framework.

This has been accomplished through public consultation and engagement to ensure that those most affected by new mines will benefit most in terms of jobs, training and business opportunities.

Along with other industry associations, MABC has worked hard to forge strong and progressive relationships with First Nations in British Columbia.

Mining companies have pursued the same objective through cooperative agreements for specific projects.

The BC government has been a leader as well — the first in Canada to negotiate revenue-sharing agreements with First Nations for major new mine projects, and we should see the first of these agreements in the near future between New Gold Afton and the Kamloops Indian Band.

Mining today is the largest private sector employer of Aboriginal people, providing more jobs than forestry, fishing or any other industry

Visit many modern mines today and you'll find Aboriginal men and women working on site as drillers, truck drivers, technicians or in the skilled trades. You'll find Aboriginal-owned businesses that provide supplies and services to mines near their communities. We're now starting to see more Aboriginal men and women in senior and professional roles at mining operations, a welcome trend that we need to actively encourage.

Given the high proportion of aboriginal youth and the number of new mines scheduled to come on stream in BC within the next decade, we believe there is potential for greater involvement of this valuable talent pool in the years ahead.

Toward that end, we've worked in partnership with the federal and provincial governments, First Nations communities and organizations, various educational institutions and others to provide an Aboriginal skills and education program designed to further enhance First Nations participation in BC's mining industry. The mining industry is actively working with communities and

government to solve the human resource challenge that it faces as new mines are developed in the coming decades.

Let's go outside BC for a moment to see what mining can accomplish today. The Northwest Territories, where there are three major diamond mines, in the last 12 years have generated \$600 million in Aboriginal business revenues, increased Aboriginal secondary school enrollment from 36 to 56 percent and reduced Aboriginal recipients on social assistance by 50 percent.

We have the opportunity over the next decade to do something similar in BC. As Kelly Lendsay, President and CEO of the Aboriginal Human Resources Council, said:

"Whereas many industry sectors do not see aboriginal people as a workforce, consumers or partners, the mining sector has been on the leading edge of aboriginal inclusion efforts in employment, partnerships and business development for thirty five years."

We believe these are win-win partnerships as they provide a framework for First Nations to play a stronger role in securing their economic future on terms that respect their traditional values and aspirations. They help prevent disagreements over land use and other conflicts. They include practical tools to help First Nations communities find jobs for their young people without having to leave their communities, and to help the industry meet its need for well-trained, highly skilled workers.

We are going to need workers in communities throughout the province. The new mines in British Columbia will be scattered across the province, because as the old saying goes: 'Mines are where you find them.'

As I mentioned briefly, the first two mines slated to open in next 24 months are ideally situated in southern BC, near Kamloops and Princeton, which have well-developed infrastructure and services. A recent poll shows that 90% of Kamloops residents approve — either somewhat or completely — of mining in the

region, with only 4% disapproving. The results for Princeton are similar, with 87% generally approving of mining. These high approval ratings reflect the fact that both communities have a long and enduring mining tradition.

The economic engine of the Kamloops region has long been Highland Valley, Canada's largest base metal mine, which operates 24/7 using gargantuan-sized haul trucks and mining equipment. Highland Valley was first mined for high-grade copper more than a century ago, and was expected to close for good in 2019, however a new study by operator Teck Resources shows potential to extend the life of this world-class mine yet again.

Kamloops residents are also looking forward to a revival of the nearby Afton mining camp, or more specifically, development of a \$560-million underground mine below and adjacent to the Afton open-pit, copper-gold-silver mine operated by Teck for two decades before its closure in the late 1990s. The aptly named New Afton Project owned by New Gold is expected to begin production in the second half of 2012.

Princeton is poised for a mining revival at Copper Mountain, initially discovered in the late 1800s. Underground mining began in 1923, followed by intermittent open-pit mining from the mid-1960s to mid-1990s. Operator Copper Mountain Mining is spending approximately \$438 million to restore the project to production and produce about 100 million pounds of copper, starting in mid-2011.

Another project poised for production is Mt. Milligan, northwest of Prince George. Forestry was the economic engine of the region until the mountain pine-beetle and weakness in the US housing market took their combined toll. Local communities are eager to see the \$915-million copper-gold project move forward in order to help retain their skilled workers. The McLeod Lake Indian Band has confirmed its strong support for the proposed open-pit mine, which would have a life of at least 22 years.

Terrane Metals plans to begin construction this fall, with commercial production slated for early 2013.

We heard earlier about the strong support for mining in Kamloops and Princeton, but the North has a much smaller population spread out over a much larger area. A poll conducted earlier this year in Smithers found that 86% of residents approve, either somewhat or completely, of mining in the region. Smithers is a service center for many northwestern BC industries and 73% of polled residents believe mining will benefit their local economy. These are encouraging results as they suggest that mining's economic contribution is recognized and welcome.

In Northwestern BC there are 19 metal projects at various stages of the permitting pipeline, reflecting the region's highly favorable geology for a variety of mineral deposit types. The list of proposed new mines includes some of the biggest and best copper-gold deposits ever discovered in this province, if not the world, including some that would have been mined long ago were it not for the lack of infrastructure.

Today these projects are getting a new lease on life, thanks to strong demand from the developing world for metals and mined commodities and the recently announced Northwest Power line project, which will electrify Highway 37.

Why is a power line so important? Because it could attract some \$15 billion of new mine investment to this province.

BC is fortunate to have hydroelectric power that lights up our cities clustered along the US border and powers our computers, Blackberries and other gadgets we can't live without.

But in northwestern BC, the Highway 37 Corridor from Meziadin Junction to Dease Lake is currently served by unreliable and expensive diesel power, which

results in frequent brown-outs that tend to occur when they're least welcome, under its own Murphy's Law.

It's hard to imagine an infrastructure project that would have greater return on investment than the proposed Northwest Transmission Line. Studies show that in addition to the \$15 billion of new mine investment it would help to generate 10,700 new jobs and \$300 million in annual tax revenues to government.

The 333-kilometer long transmission line will help support the BC government's efforts to reduce greenhouse gas emissions by 33% by 2020.

The \$404-million Northwest Transmission Line also has the support of the federal government, which has committed \$130 million through the Green Infrastructure Fund. The new 287-kilovolt line will provide clean energy, create high-paying mining jobs and support the economic diversification of the region.

Now just imagine, if the one \$800 million mine project has the potential to generate the same revenues as the recent 2010 Winter Olympics, by opening up the Northwest for development we're talking the equivalent of at least 15 more Winter Olympics every year.

We also support the electrification of Northeastern BC and are extremely pleased by the BC government's bold decision to support development of the Site C Dam in the Peace River District to help meet BC's future electricity needs and maintain BC's competitive advantage of low-cost power.

Of course these projects won't all be developed at once. Some are more advanced than others, while others have technical, logistical or other challenges. Projects in this remote wilderness region face a rigorous permitting process, involving both federal and provincial governments.

This reality was played out on the national stage when the Supreme Court of Canada was asked to rule on the fate of Red Chris, a robust copper-gold porphyry project being advanced toward production by Imperial Metals. While

both federal and provincial approvals were in hand for this project, several groups challenged the right of federal authorities to make project review scoping decisions under the Canadian Environmental Assessment Act in order to harmonize with the provincial review process. The Court ruled as Solomon might have, in that it declined to set aside the federal government's favorable assessment of Red Chris.

All other projects, however, will be required to undergo full assessments as required under CEAA — at least until proposed amendments now before Parliament (an uncharacteristically swift response by Ottawa to the Red Chris decision) is passed and enacted.

The Red Chris saga highlights the most daunting challenge for any new mine development in BC today: the complex and costly regulatory and permitting environment in which the industry must operate.

An environmental assessment can take years to complete, requiring studies from dozens of experts. The final document can come in at 9,000 pages or more, almost requiring a forklift to transport. The project proposal must go through a regulatory gauntlet of 19 federal acts and 14 federal regulations, the highest for any extraction industry, in addition to the provincial process.

The federal government is supposed to harmonize with the provincial process, but delays are common, as occurred with the Mt. Milligan Project, which received provincial approvals well before federal approvals. Let's be clear. We are not disputing the need for stringent environment standards and robust environmental reviews.

Our industry has made significant progress over the past few decades in terms of managing and mitigating our environmental impacts. We understand the need to be socially progressive and responsive to First Nations issues. But we also believe that a robust and rigorous environmental assessment can and should be efficient.

Efficient environmental assessment processes avoid unnecessarily stressing the finite resources of government regulatory institutions and can and should lead to more effective public participation. And an efficient use of limited government resources means avoiding duplication — we do not need both levels of government conducting identical reviews of the same project.

We're heartened that our calls for a "One Project, One Process" framework for environmental assessments are being heard. The BC government signaled in the recent Throne Speech that it intends to work with the federal government and provinces and territories to pursue amendments to CEAA to create a unified review process. The recent federal throne speech said the same. The amendments before Parliament represent a step in the right direction, but more action is needed if BC is to truly seize the opportunity before it.

Let me pause here to pay credit where it is due. The BC government has played a key role setting the stage for the mining renaissance, through strong tax reform including personal and corporate tax reductions, the elimination of the productivity-killing capital tax and, most recently, with the HST. The province has put in place a robust and efficient environmental assessment process (yes, Ottawa, you can have both), and they've championed environmental harmonization with the federal government.

Beyond these policy initiatives, mining's renaissance is enabled by people in government, and I want to take a moment to acknowledge and thank those who often get overlooked: public servants who do their job in providing a stable, predictable, timely and responsible regulatory environment. We miners are reluctant to admit that permitting is as timely or predictable as we would like, but under the leadership of Greg Reimer, we have not only a mines branch but now other regulatory agencies working extremely hard to move mining projects through the system, without compromising effective regulatory oversight. And they are doing so in a time of fiscal restraint and cutbacks.

Before I conclude, let me place BC's mining industry in a global context. Why is the industry so keen to build new mines at a time of economic uncertainty? The US economy is still weak and Europe has several economies in crisis.

One reason is that BC — as Canada's Gateway to the Pacific — is more closely aligned with Asian markets that are now powering the global economy.

BC's mining future rests with the developing world, rather than with the more mature Western economies.

BC's mining renaissance is the direct result of an economic renaissance taking place in the emerging economic markets, led by China and India, the world's most populous nations.

It is no coincidence that the many of the projects on the road to production will be significant producers of copper, the metal that literally lights up this world, or molybdenum, the metal that strengthens steel.

And it is why much of BC's mining growth is driven by coal: BC's high-quality steel-making coal, much of it exported to Pacific Rim markets, is critical to the industrialization of these countries.

As Don Lindsay astutely recognized in his leadership role at Teck Resources, the future of BC's coal sector is very bright as our province hosts one of the top three steel-making coal reserves in the world. Mining, by its nature, drives international trade and investment, just as it drives regional economic development on a local scale. We are the first to go where new opportunities exist. Our industry was a catalyst for successful free trade agreements in the Americas. Today, as the world competes for the economic attention of China, or more broadly Asia, miners are at the front of the line. Mutually beneficial alliances between BC-based mining companies and established Asian corporations are becoming increasingly common, with recent partnerships

including Copper Mountain and Mitsubishi, Taseko and Sojitz, and most significantly, Teck and the China Investment Corporation.

The world needs BC mines as much as BC needs the contributions they make to the economy, which has been buffeted by weakness in forestry, construction and other industry sectors. But this wave of demand for metals and commodities comes at a time when the regulatory environment for new mine development is increasingly restrictive. This convergence of these factors represents a challenge and an opportunity for the industry going forward. The opportunity for BC is to be a reliable and responsible supplier of metals and commodities to the world, including China, India and other emerging economies.

In my speech, I have focused on Kamloops Princeton and the Northwest. Let me conclude with Vancouver. Our city is very much a part of the mining renaissance as well. Vancouver was a mining town a century ago, and it's still a mining town today, with hundreds of mineral exploration companies headquartered here, along with the world's foremost engineering firms, environmental consultants and supporting financial and legal firms.

It's a safe bet that Vancouver has more mining expertise within its downtown core than any place on the planet, and with the resurgence of mining we hope to see more head offices located here.

We need that expertise and brain power to design, develop, construct and operate BC's next generation of mines. Our industry cannot survive much longer on past successes. Our existing mines are showing their age after decades of service. We need the new mines of which I have spoken to reach into a stronger future, a more inclusive future, and a more progressive future.

BC has world-class mineral deposits and world-class mining expertise. What we need now is a streamlined, unified, timely, cost-efficient, science-based regulatory and permitting process. We believe that federal and provincial governments understand the benefits of a "One Project, One Process" system

and the benefits new mines will bring to all Canadians. After a rocky few decades, the stars are lining up for the industry, with strong demand for the products we produce from the world's fastest growing economies and strong approval for a power line that will allow for the development of some of our biggest and best undeveloped mineral deposits, such as Red Chris and the immense Galore Creek copper-gold project in northwestern BC.

The time has come for BC's mining renaissance to begin.