

Survey Results

Section I: Investment Climate Ratings

Methodology

The following section provides an analysis of 12 factors that contribute to the ability of jurisdictions to attract exploration investment. Companies were asked to rate for each jurisdiction the following factors on a scale of 1 to 5 (with 6 as a “do not know” option):

- Taxation regime (including personal, corporate, payroll, capital taxes and the complexity associated with tax compliance)
- Uncertainty concerning the administration, interpretation, and enforcement of existing regulations
- Environmental regulations
- Regulatory duplication and inconsistencies (including federal/provincial or federal/ state overlap)
- Uncertainty concerning native land claims
- Uncertainty concerning what areas will be protected as wilderness or parks
- Infrastructure
- Labour regulation/employment agreements
- Political stability
- Socio-economic agreements
- Mineral potential assuming current regulation/land use policies
- Mineral potential assuming no regulation or land use restrictions

Scale

1 = encourages exploration investment

2 = not a deterrent to exploration investment

3 = mild deterrent to exploration investment

4 = strong deterrent to exploration investment

5 = would not pursue exploration investment in this region due to this factor

6 = do not know

Figures 4 to 15 show the percentage of respondents who rate various policy factors as strong deterrents to exploration investment. This includes survey respondents who rate the factor either a “4” or a “5” on the scale above. On the pages opposite these graphs, we have included quotes from survey

respondents that help illustrate their feelings about operating in different regions. Figures 14 and 15 show the percentage of respondents who say that mineral potential either “encourages exploration investment” or is “not a deterrent to exploration investment.” Figures 1, 2, and 3, shown in the executive summary, give the composite rates for policy potential, mineral potential, and investment attractiveness. The mineral potential index was created by indexing jurisdictions according to the number of “1s” they received on the above scale. Tables 1-6 summarize the survey results. Table 7 shows the number of companies who indicate that a jurisdiction has the most/least favorable policies towards mining.

Graphical Results

Uncertainty Concerning the Administration, Interpretation, and Enforcement of Existing Regulations

“British Columbia [has] lengthy permitting processes, uncertainty surrounding what was a volatile regulatory regime.”

—President and CEO, Junior mining company

“In Quebec permitting is quick, regulations are fair, administration and compliance are [the] operator’s problem, i.e. tell them (written) what you are doing then go ahead and do it—no writing for permission. Then you comply with regulations or suffer the consequences—authority = responsibility. Quebec is “open for business.” Government Mines Branch has said that “we speak whatever language you speak—forget the politicians; our jobs depend on the mining industry—we work for you.”

—President, Junior mining company

[One mining company] “received all necessary permits from the Ontario government for [its] expansion within 60 days of application. The Ontario government supports the mining industry.”

—President and CEO, Senior mining company

“Ontario has a good overall strategy that aims to remove ‘red tape’ and encourage exploration and development.”

—President, Junior mining company

“Washington State [has] poorly administered regulation, incompetent regulators, inconsistently applied regulations. [They should] mandate permitting time frames.”

—CEO, Junior mining company

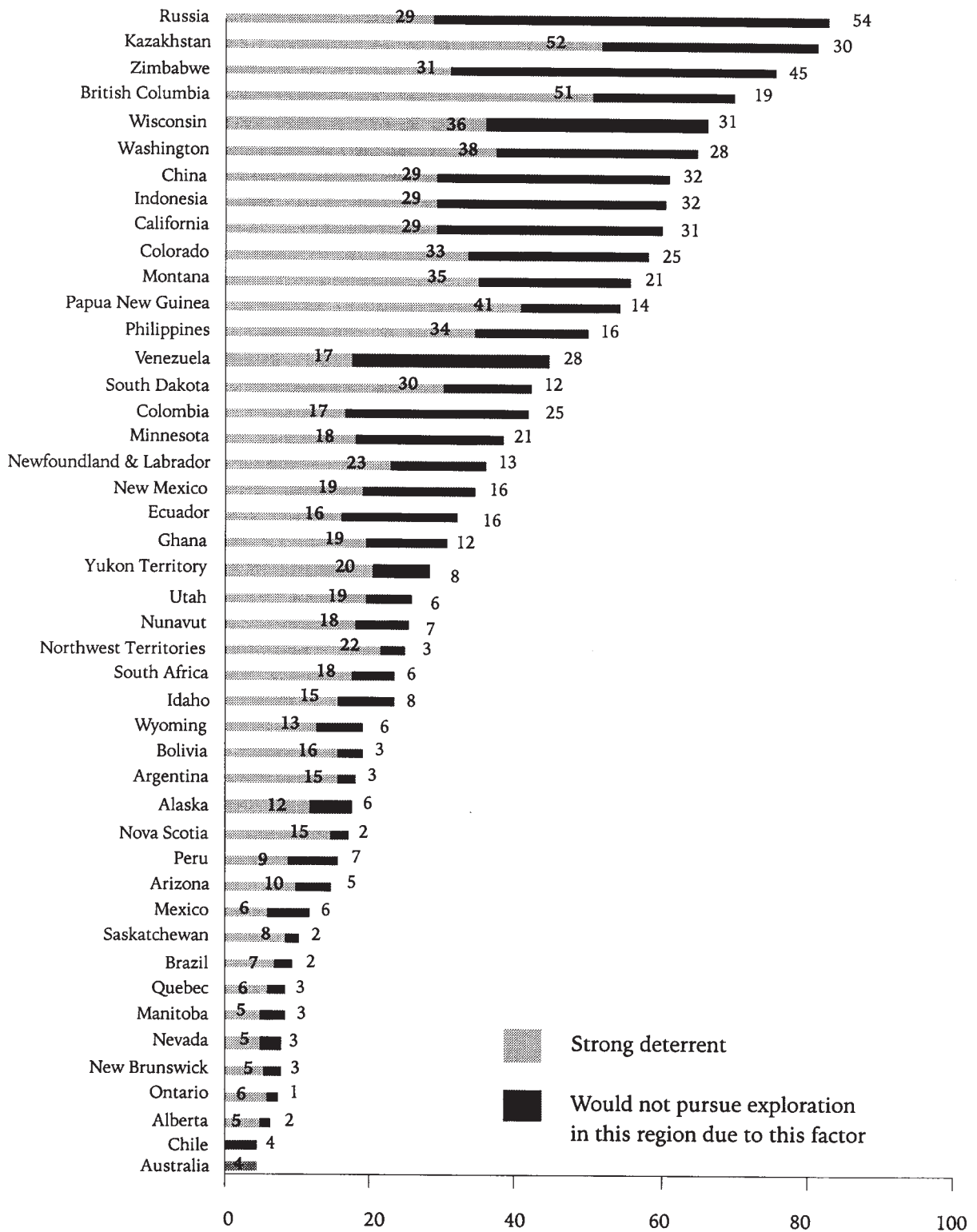
[One company] “received a mining lease and a mine permit to operate a processing plant.... The province subsequently appeared in the Appeal Court of B.C. against its own permit.”

—Owner, Junior mining company

“Discovery to production is possible in under 2 years in Manitoba—[they have] proven so in the past 10 years.”

—Chief Geologist, Senior mining company

Figure 4: Uncertainty Regarding the Administration/Interpretation of Existing Regulations



Taxation

“Alberta, Alaska [have] low tax levels, welcoming attitudes, and accept natural resources as a responsible industry. The mining industry is very capital and time intensive. For it to remain viable, its participants must deliver investors a competitive return. Commodities prices, capital markets’ interest, payback periods are represent large risks to investors’ capital.

Government must set and adhere to their laws and regulations for extended periods (5 to 10 years), taxation rates must be lower and most considerate of the payback periods (that must be shorter). Successful exploration creates impressive value for a region, but the probability of success is slow—therefore to encourage the rewards must be far above average.”

—CEO, Senior mining company

“[In] Ontario and Quebec political stability and taxation are positive.”

—Vice President, Junior mining company

“In Australia gold mining [is] tax free. Strong support system on every level.”

—President, Junior mining company

“With the elimination of Quebec’s ‘Flow Through Shares’ tax break, it will become more difficult for Quebec-based juniors to finance exploration using the equity markets.”

—Vice President, Exploration, Junior mining company

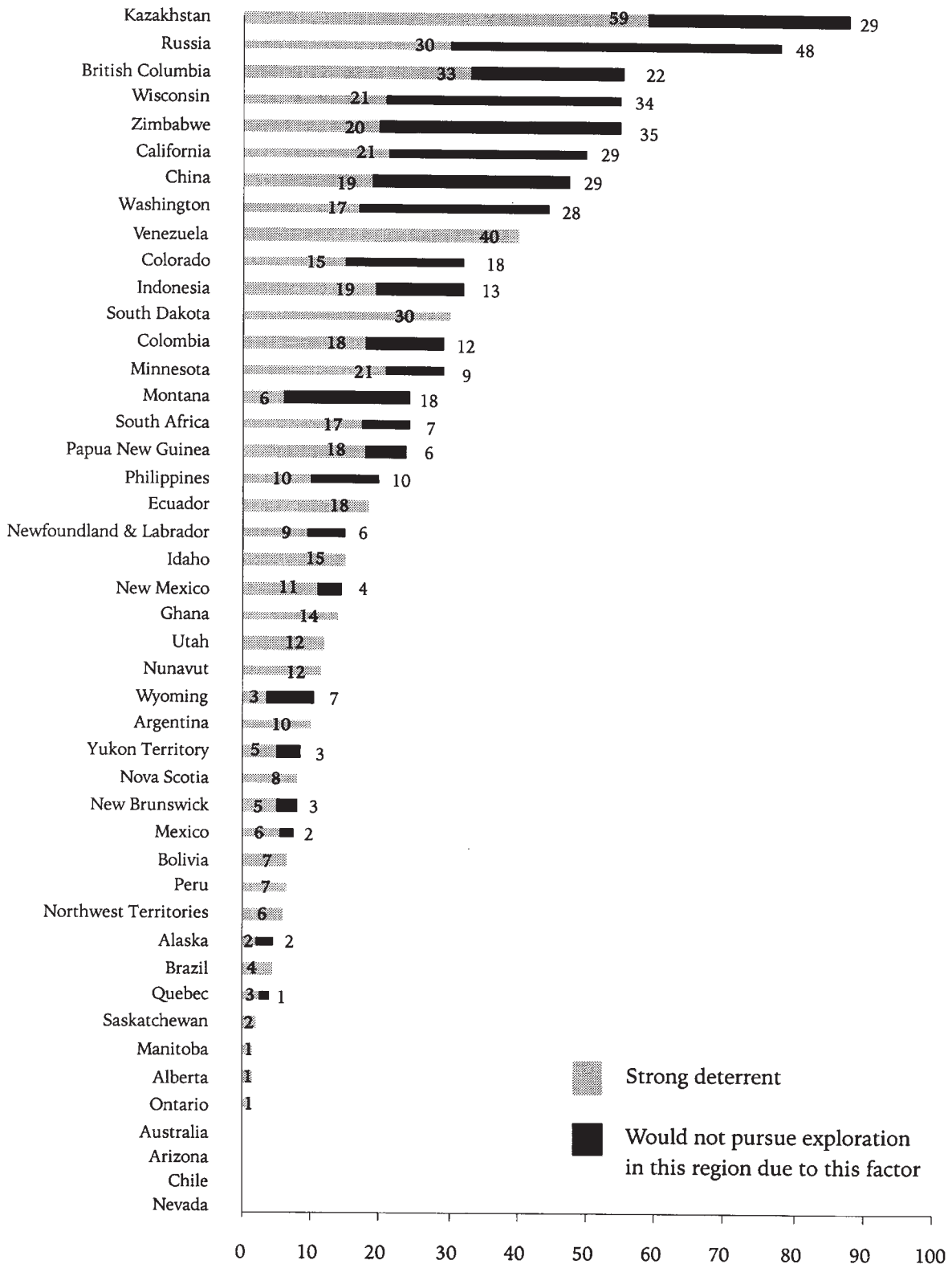
“Quebec [has the most favourable policies]. Tax incentives and exploration assistance; user friendly and cost effective tenure acquisition; competitive work/expenditure requirements—all administered in a proactive and supportive way.”

—Director, Junior mining company

“Manitoba, Canada encourag[es] mineral exploration and mining [with] MEAP grants, flow-through shares.”

—Regional exploration manager, Junior mining company

Figure 5: Taxation



Environmental Regulations

“B.C. takes 5 years to get to a yes in environmental permitting—completely eliminating all but the deepest of pockets from participation. Professional Geoscientists [are] unemployed [at the] highest rate ever.”

—President & CEO, Junior mining company

“The US and Canada should implement a clear, much quick[er] regulatory path for environmental permitting that doesn’t allow for interminable lawsuits from the Sierra Club types.”

—President, Junior mining company

“South Dakota has the least favourable environmental policies. [A company can be] prosecuted, fined, and required to clean up environmental problems created by someone else, and often done many years before. This happens frequently, when one buys a property—one inherits a liability in the eyes of regulators—even though we didn’t create the problem.”

—CEO, Intermediate mining company

“In British Columbia, Canada, environmental regs are constantly changing, [there is] no certainty on parks or land claims issues. [They should] have just one ministry deal with mines/exploration permitting.

Four years ago [a company] received full permitting for a mine in British Columbia. Due to adverse economic conditions the project was put on hold until 2001. [The company was then] forced to re-apply and subjected to a vast array of further environmental reports, all based on hypothetical issues. It is now 7 months later and [the company is] still awaiting final permitting.”

—President and CEO, Junior mining company

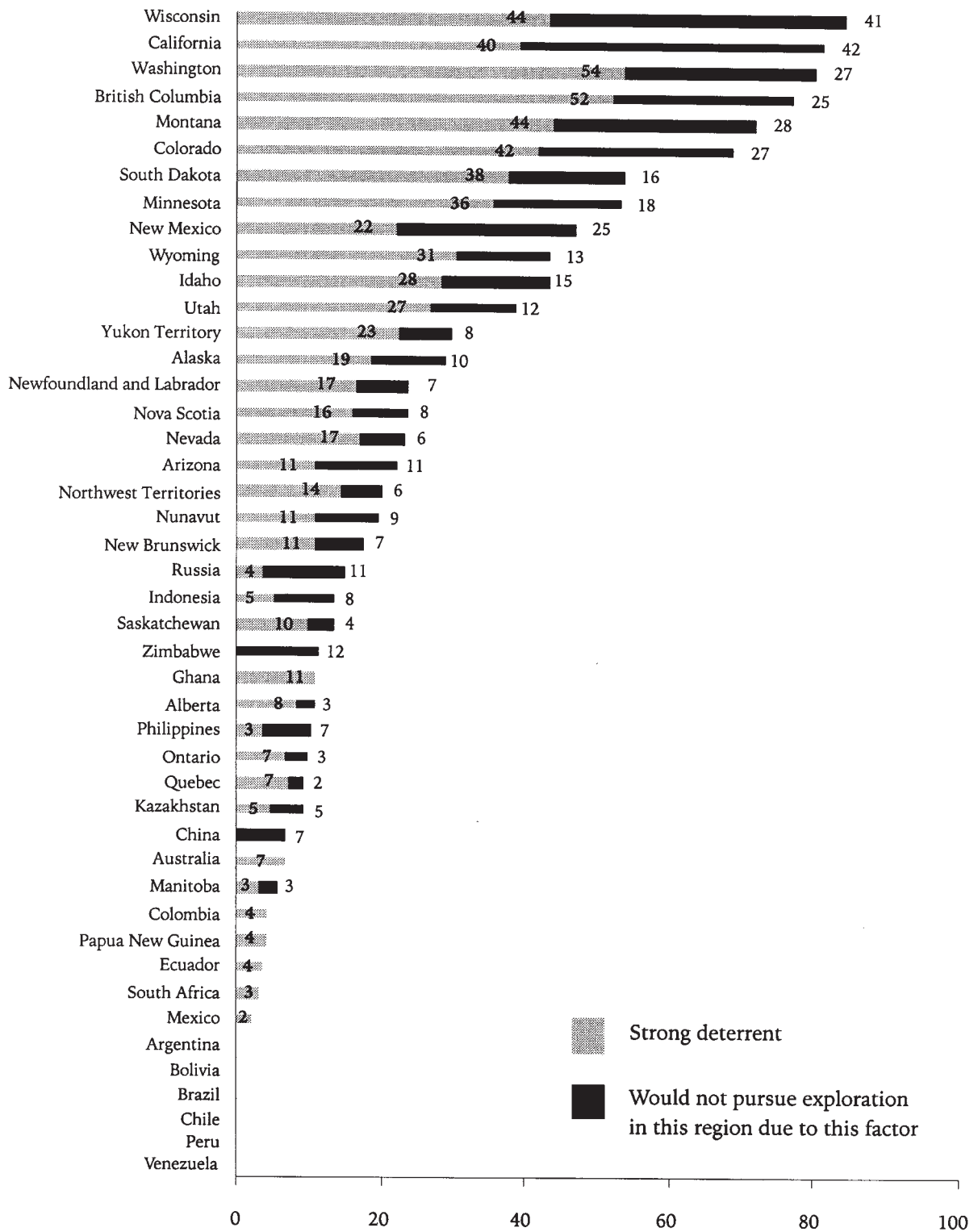
“[In] Canada, the Department[s] of Fisheries and Environment are in control in terms of levels of authority and areas of mandate. One Fisheries officer told me he “hated” mining. An Environment officer (summer student) shut down a 30-man exploration program for a 2 liter “oil spill.”

—President, Junior mining company

“In the Yukon, the environmentalists are in charge of development. Reduce the extensive reviews by bodies who do not know mining.”

—VP Finance, Junior mining company

Figure 6: Environmental Regulations



Regulatory Duplication and Inconsistencies

“I believe that if risk capital is employed, total disclosure has been executed, then the programs should be allowed to be carried out. I don’t believe that bureaucrats should interfere with sound engineered programs in a sound business like manner. The regulations should be clear and unambiguous and no gov’t agency should be able to arbitrarily change regulations without due process. The minister should not have discretion if all regulations are complied with.”

—President, Junior mining company

“In Yukon—there is too much interdepartmental fighting. You can’t have economic development promoting mining while Environment and Fisheries are threatening to shut it down.

Get everyone speaking from the same script.”

—VP Development, Junior mining company

“We do not work in BC but many colleagues do and they report there has been open, unmasked hostility to the industry.”

—Vice President, Junior mining company

“Our company has worked extensively in B.C., Yukon and Alaska. Permits for drilling, and other exploratory work in B.C. and Yukon have been quick and painless. Alaska is also relatively easy at the early stage but more advanced projects seem to become political football with ‘stakeholders involvement’ reaching unreasonable levels.”

—President, Junior mining company

“India and Guinea [have the least favourable policies].

Overlapping government policies, political stability, corruption, socio-economic issues, assigning exploration licences over the same block of land, either by error or to generate twice the revenue.”

—Geologist, Senior mining company

“Venezuela has (or had a few years ago) two ministries, each of which could issue title to the same patch of land!”

—President, Junior mining company

“In 1996, we entered the B.C. Mine Development Review Process. The first committee meeting involved 44 representatives from 18 agencies. Our application so quickly bogged down in irrelevant discussions that we abandoned it. From 1990 to 1997, we spent \$18 million in B.C. Since 1997, we have spent \$0.”

—President, Junior mining company

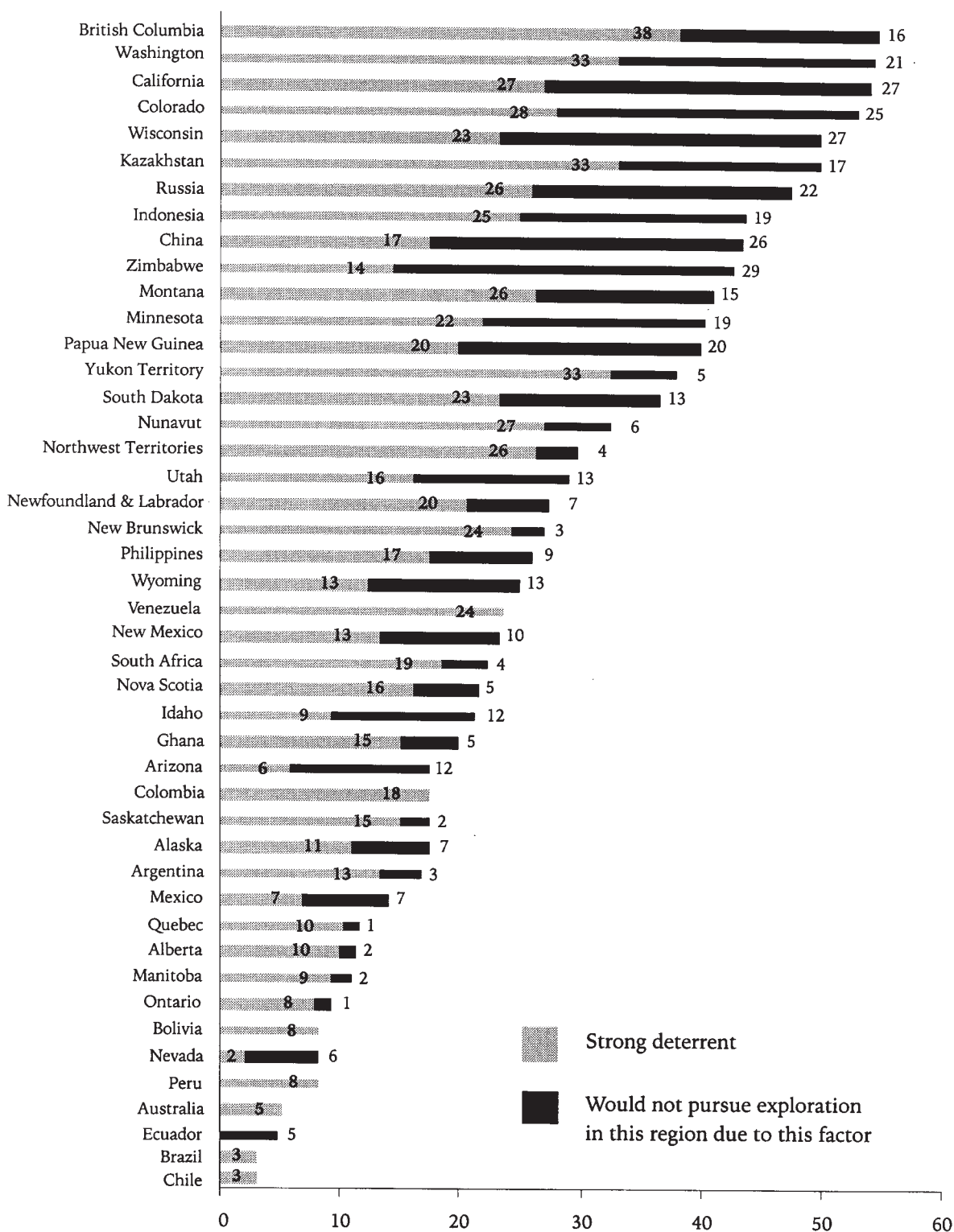
“When mining exploration was one of BC’s leading job producers, the major part of the investment dollar was spent on exploration. Now administration, regulatory fees, and the never-ending filing of paper work eats up most of the dollar.”

—President, Junior mining company

“The ‘contract of work’ policy in Indonesia is exemplary. It is signed by Parliament and the president and consequently the contract is binding and stipulates costs, taxes, and term of agreement.”

—Chairman and CEO, Junior mining company

Figure 7: Regulatory Duplication and Inconsistencies



Uncertainty Concerning Native Land Claims

“[In] the NWT, there is total uncertainty in permitting and land claims process.... Need accountability amongst permitting authorities.”

—President and CEO, Junior mining company

“Canada

1. Needs government (federal and provincial) to define portion of government share of ‘take’ from taxes and royalties from mining to go to first nations/aboriginal communities.

2. Needs government to give guidelines for IBA/PA’s with aboriginal/first nations.

3. Needs to settle land claims!”

—Chief geologist—projects, Senior mining company

“Newfoundland has the least favourable policies—high taxes, treacherous government, abundant land claims by natives.”

—Vice President, Junior mining company

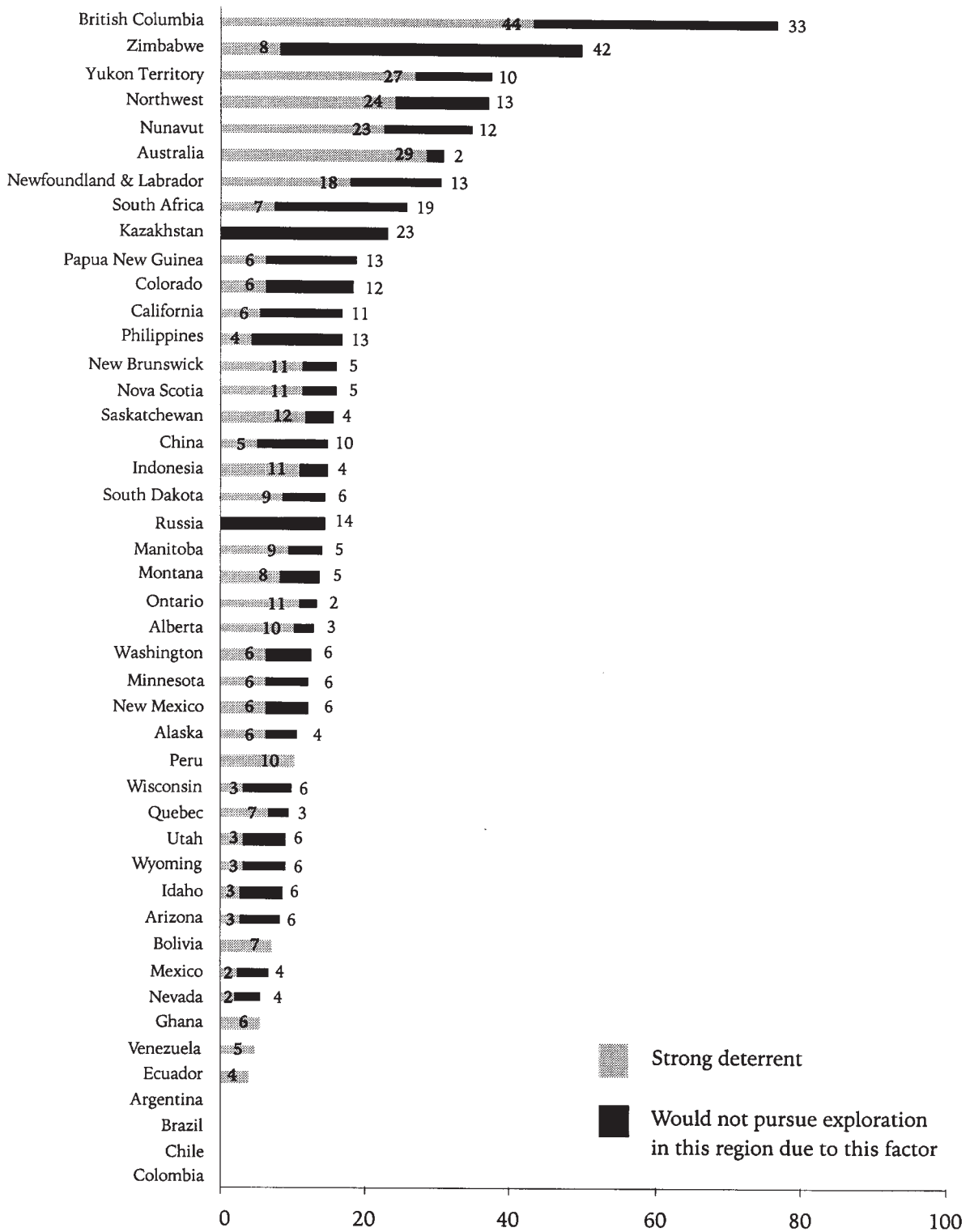
“In Yukon, native land claims [and] protected area strategies are shown to infringe on rights of tenure holders.”

—President & CEO, Junior mining company

“In British Columbia, problems with native land claims and environment policy not overridden by positives in other categories.”

—Vice President, Junior mining company

Figure 8: Native Land Claims Uncertainty



Uncertainty About Protected Areas or Parks

“The most recent example [is] the Tulsequah Chief project being granted a certificate then having this challenged in court and losing through no fault of that company. The judge’s ruling was ambiguous and now the project is essentially ‘dead.’ This has led to comments from investors to ‘Stay out of BC if you want my investment.’”

—President & CEO, Junior mining company

“United States has strict, and in some cases unreasonable, environmental and land access policies.

They should allow responsible multiple land use to provide access to more land for exploration purposes.”

—Vice President, Exploration, Senior mining company

“We have a gold deposit in Timmins, Ontario, and the ‘Ontario Living Legacy’ is trying designate the property as a conservation area. If this happens the likelihood of the property going into production equals zero i.e., Windy Craggy and Hemlo Gold near Yellowstone Park.”

—CEO, Junior mining company

“B.C.—Millions of \$ spent on developing a mine that would have created jobs and the government, under pressure of tree huggers, turns opportunity into parkland, destroying the company and its shareholders.”

—President, Junior mining company

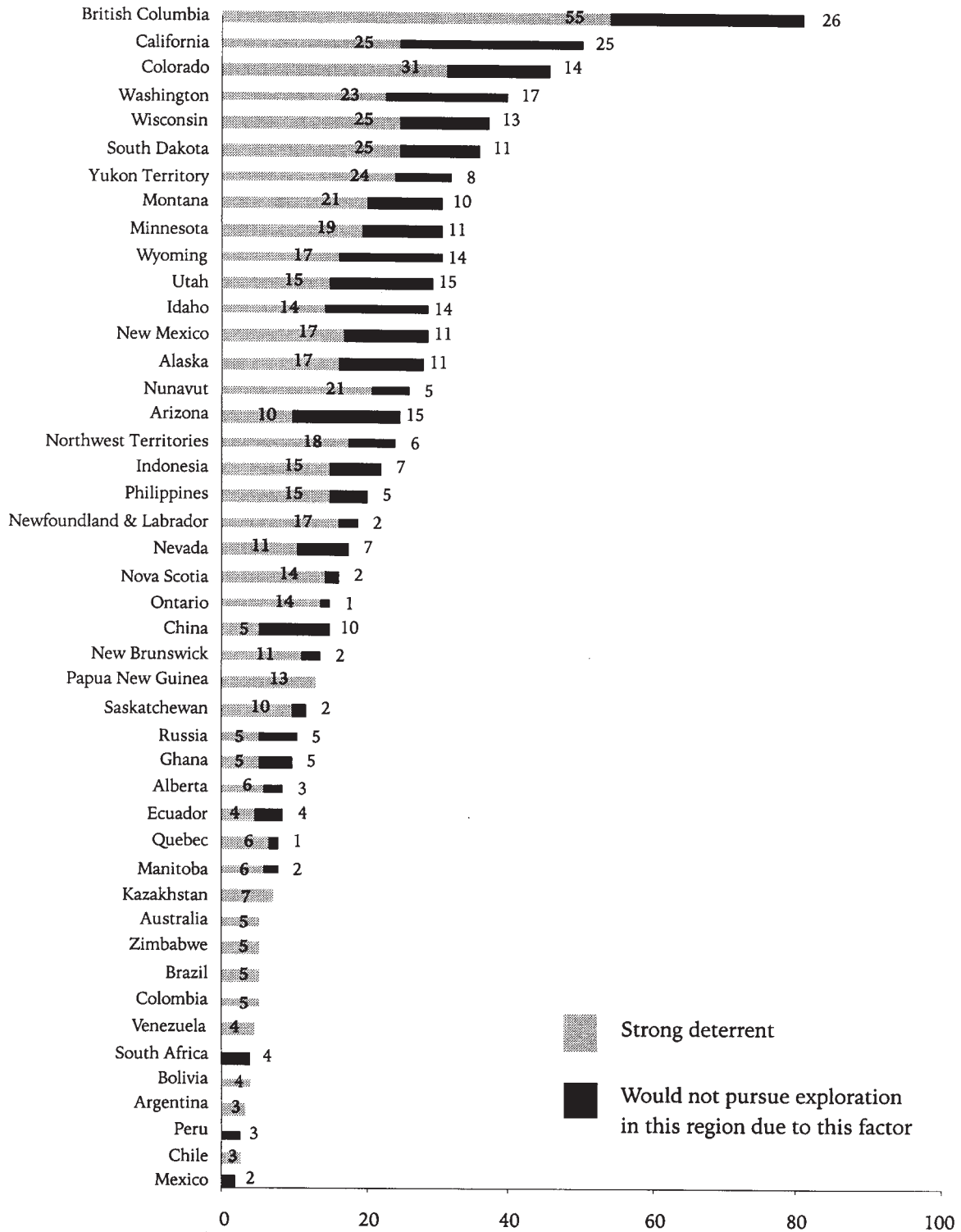
“Washington: Poor administration and interpretation, environmental regulations and protected area uncertainty.”

—President/P.Geol., Junior mining company

“In British Columbia there is an anti-mining stance and difficult access to prospective ground.... They need to open up ground for exploration and encourage it with policies and regulations.”

—President, Junior mining company

Figure 9: Uncertainty Concerning What Areas will be Protected as Wilderness or Parks



Infrastructure

“Quebec has a willingness to provide infrastructure; best admin. & interp. of most workable regs; consistent view supporting the industry.”

—President, Junior mining company

“Quebec’s familiarity with the mining industry has resulted in sound policy on regulations and operations.”

—Manager Project Development, Junior mining company

“Alberta, Nevada, Ontario, Quebec, Manitoba [most favourable policies].... Strong mining, oil and gas sectors, recognition of the importance of resources to the economy. A balanced approach to resource extraction and the environment.”

—Project Manager, Junior mining company

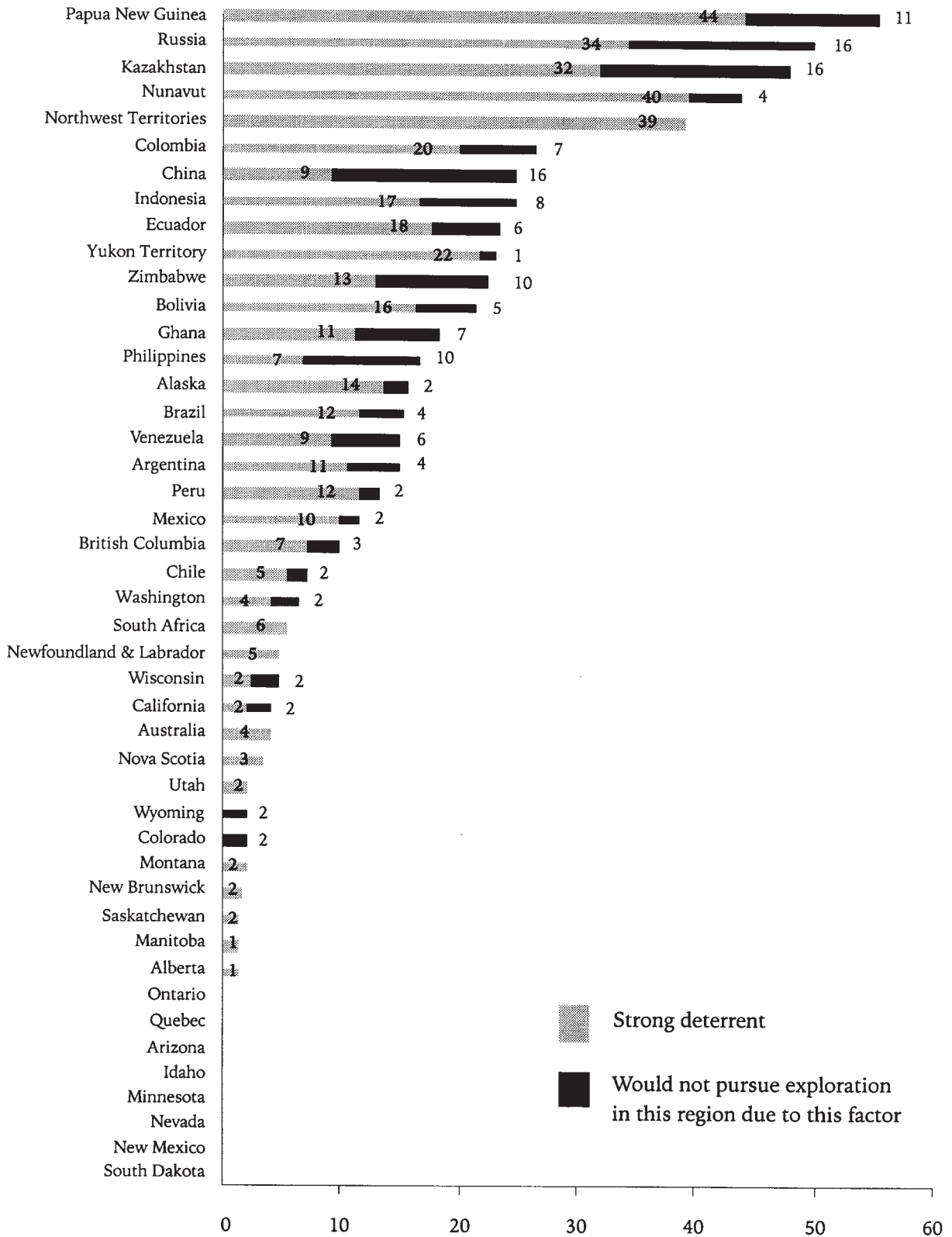
“Mozambique, South Africa, Chile have the most favourable policies.... Low/no taxes, willing to provide infrastructure support.”

—Chief Development Officer, Minerals, Senior mining company

“Quebec = best geological database, very good potential, good regulation, government assistance.”

—President, Junior mining company

Figure 10: Infrastructure



Labour Regulation/Employment Agreements

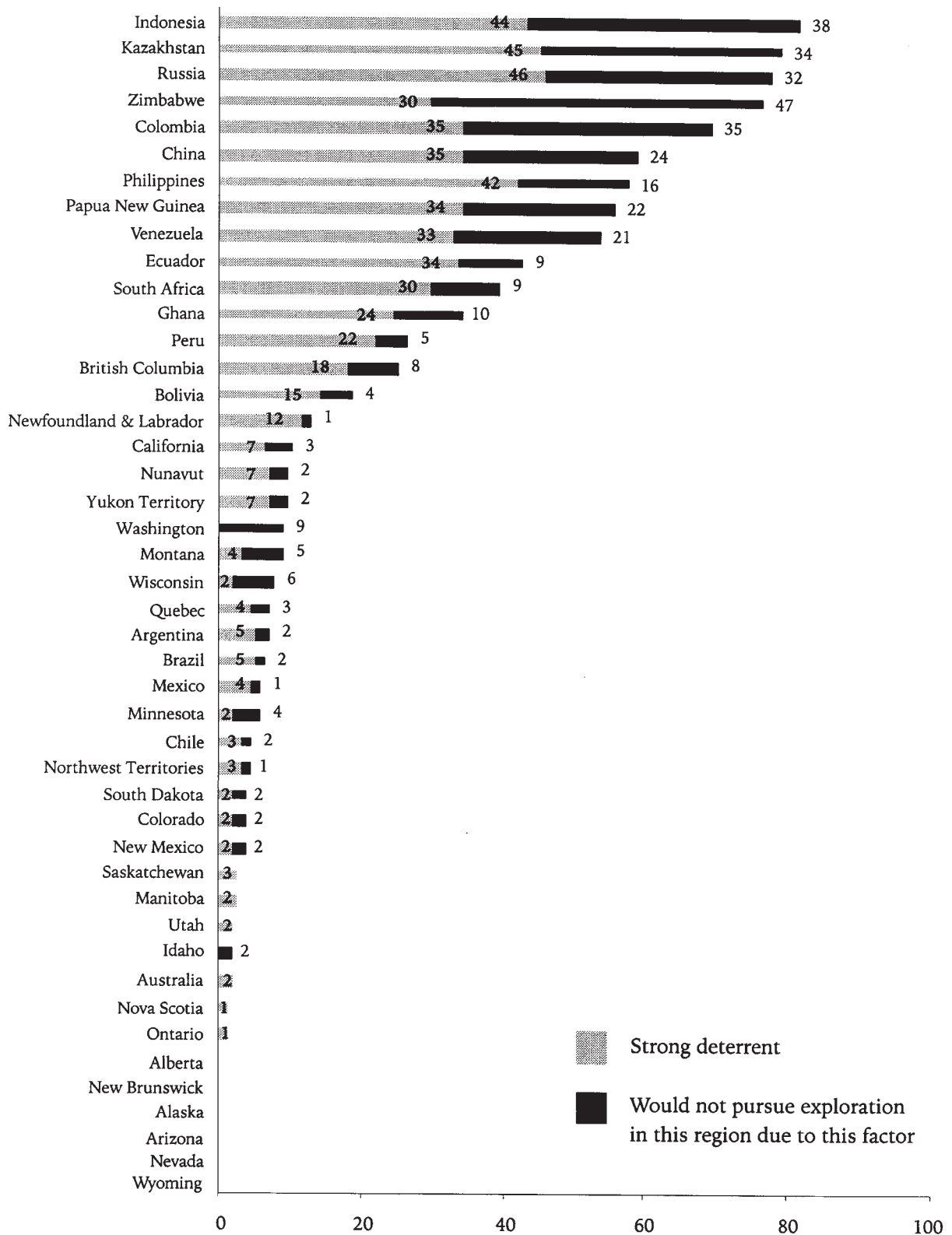
“Quebec gets projects going, and keep existing mines operating.”

—VP Mining, Junior mining company

“B.C.: Political lunacy, environmental and permitting nightmare, corruption, labour regulations, land claim issues.... [BC should introduce] a legal requirement for political candidates to possess a minimum I.Q. of at least 70.”

—President, Junior mining company

Figure I I: Political Stability



Political Stability

“Chile has the right combination of stability, environmental regulations (may be changing), and clear land use regulations. The population generally is supportive of mining.”

—Chief Geologist, Senior mining company

“Zimbabwe is politically unstable, rule of law ignored and on the brink of violence. Remove present government and replace with democratic rulers with regard for laws.”

—Vice President, Senior mining company

“Former Soviet countries are the least favourable jurisdictions for investment. [There is] general uncertainty in many areas—security of title.... Remove the political uncertainty and the regulatory duplicity that accompanies it.”

—VP Exploration, Senior mining company

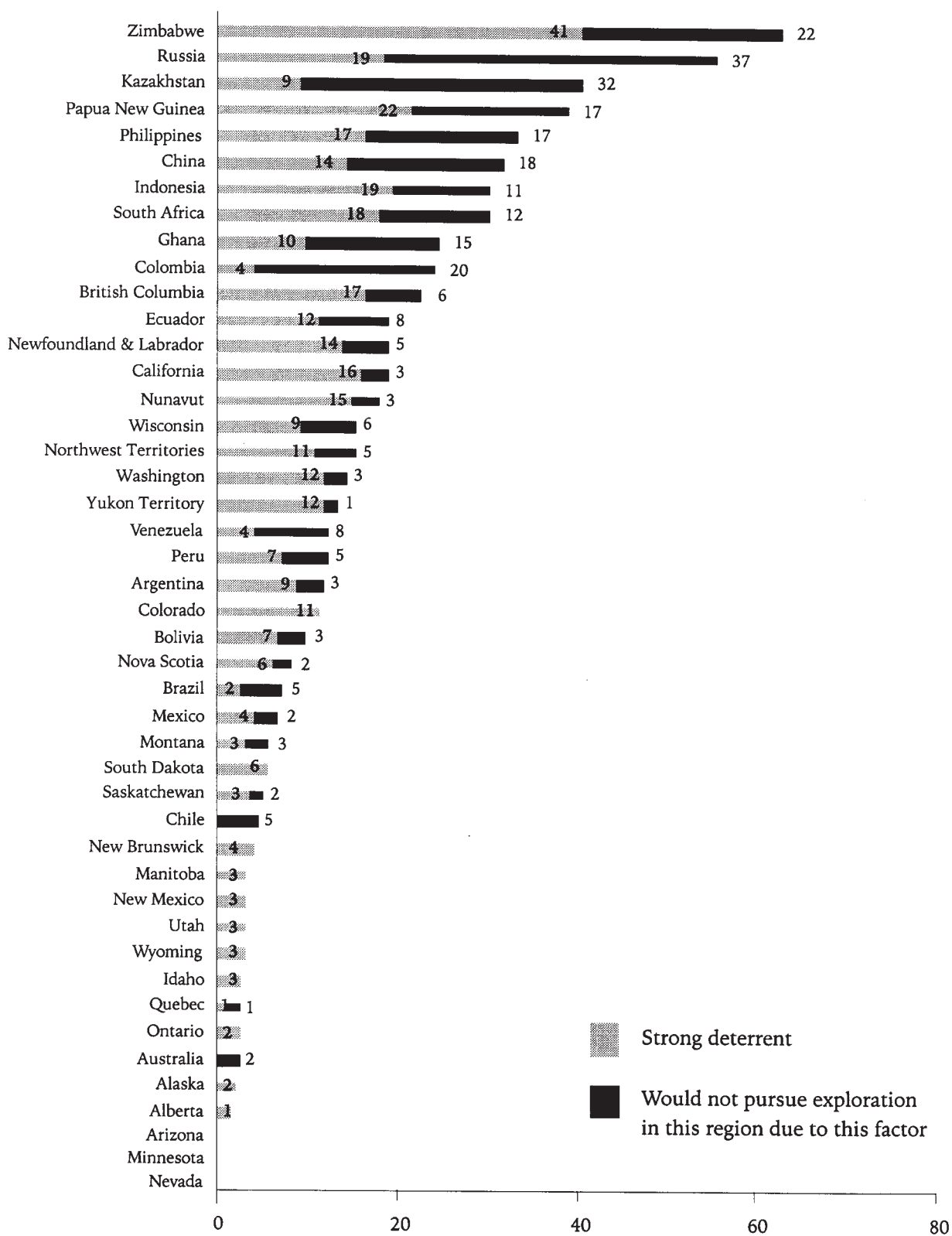
“Russia has political instability and insecurity re tenure/ownership.”

—Senior consulting geologist, Senior mining company

“In Malaysia and Indonesia there is corruption, political instability, and an ineffective legal system.”

—Senior Manager, Senior mining company

Figure 12: Socioeconomic Agreements



Socio-Economic Agreements

“The restrictions imposed on Inco in operating [the] Voisey Bay deposit is tantamount to expropriation without compensation. After the millions of dollars spent on the project and then not [being] allowed to mine unless an (uneconomic) smelter is placed in the province is political grandstanding by the NF government.”

—Mining Geologist, Junior mining company

“Peru is highly receptive to mining, sustainable environmental standards, and communities and government desiring proper activity, welcome mining.”

—President & CEO, Junior mining company

“In Northwest Territories and Nunavut, rules are constantly changing, subject to interpretation, complicated regulatory regime—high cost of doing business. They should sort out the administration of the MVRMA (or get rid of it!)”

‘Community consultation’ is an unwritten requirement of the MVRMA. Before companies are allowed to submit an application for a basic land-use permit, they must meet with up to six communities at the discretion of the board. Each meeting may cost up to \$10,000 (planes, salaries, meeting costs, etc.). Prospectors and junior companies cannot afford this and as a result they have canceled all small work programs. Community consultation used to be the TOB of government, not companies.... This step also adds considerable time to the application process!”

—President, Junior mining company

“Despite the change in government in British Columbia, we still need to see strong leadership on land claims, environmental regulation, and taxation that can allow our company to properly assess the rest of its exploration dollars.... Settle native land claims once and for all.”

—President and CEO, Junior mining company

Figure 13: Labour Regulation

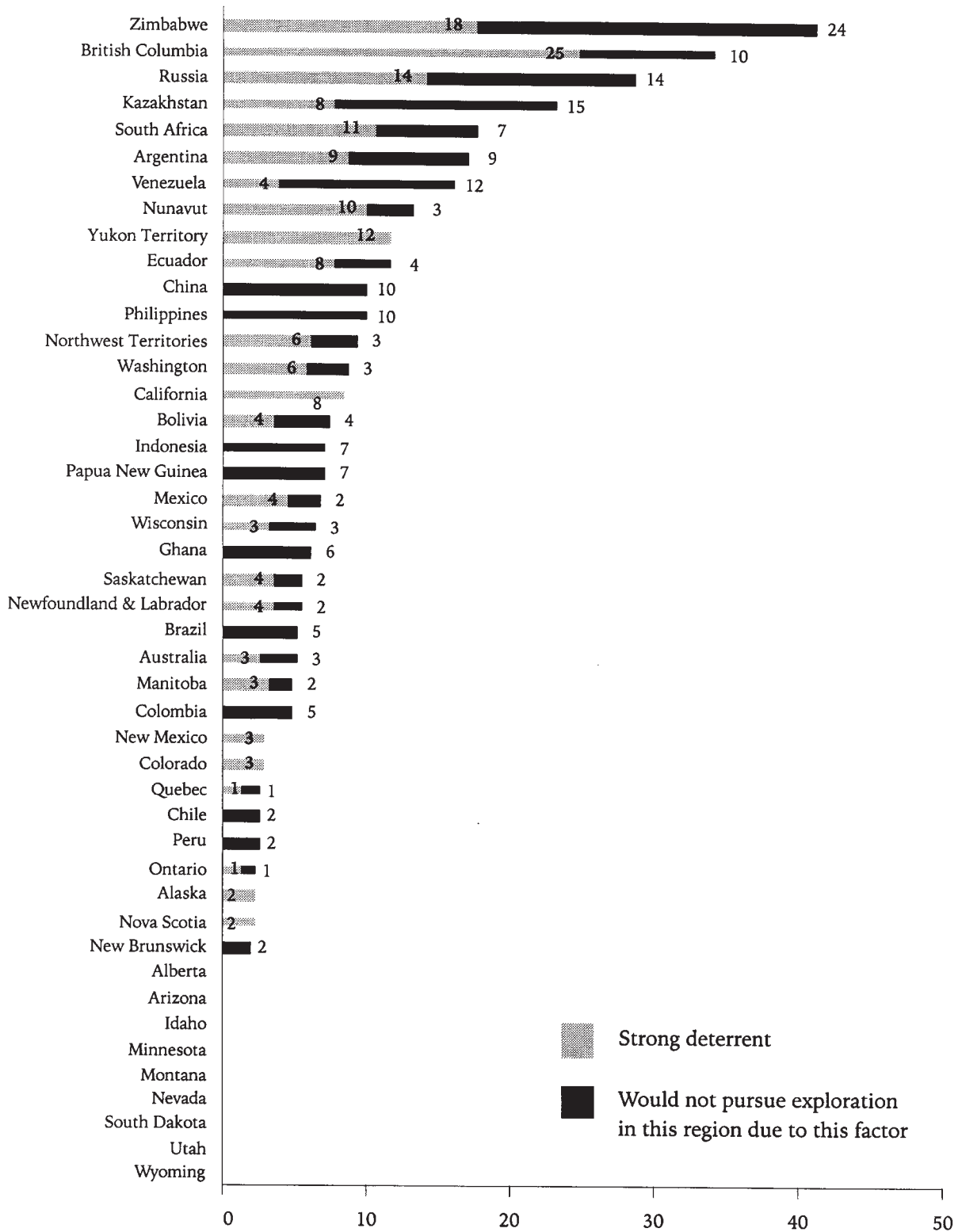


Figure 14: Mineral Potential Assuming Current Regulation

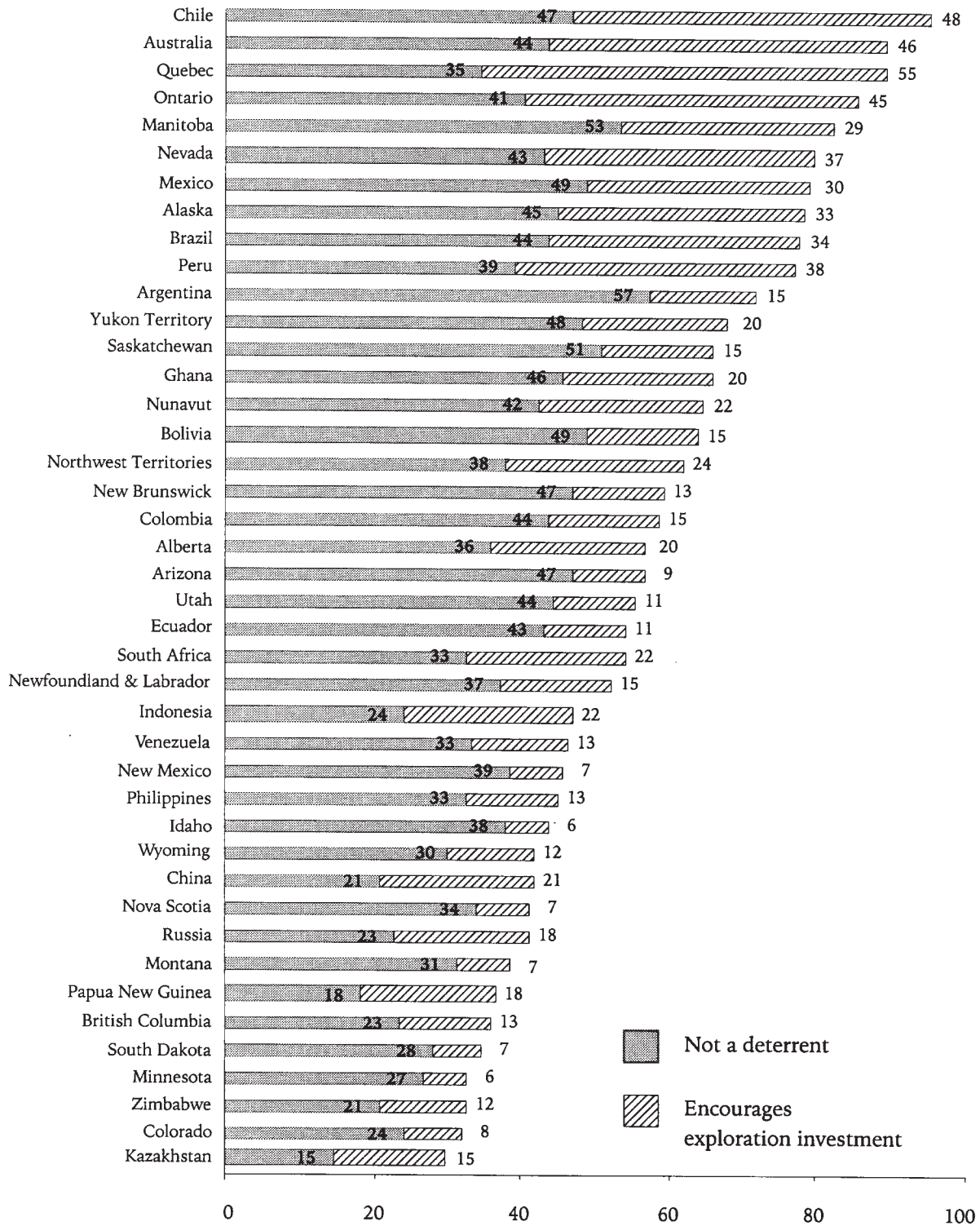


Figure 15: Mineral Potential Assuming No Regulation and Further Assuming Industry Best Practices Standards

