

Survey Results

Section I: Investment Climate Ratings Methodology

The following section provides an analysis of 12 policy-related factors that contribute to the ability of jurisdictions to attract exploration investment and on two overall questions (figures 2 and 3) on the attractiveness of a jurisdiction under current and under best practices policies. Companies were thus asked to rate jurisdictions on the following factors on a scale of 1 to 5:

- Uncertainty concerning the administration, interpretation, and enforcement of existing regulations
- Environmental regulations
- Regulatory duplication and inconsistencies (including federal/provincial or federal/state and interdepartmental overlap)
- Taxation regime (including personal, corporate, payroll, capital taxes, and the complexity associated with tax compliance)
- Uncertainty concerning native land claims
- Uncertainty concerning which areas will be protected as wilderness or parks
- Infrastructure
- Socioeconomic agreements
- Political stability
- Labour regulation/employment agreements
- Geological database (including quality and scale of maps and ease of access to information)
- Security
- Mineral potential assuming current regulation and land use restrictions
- Mineral potential assuming no regulation or land restrictions (but further assuming industry “best practice” standards)

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

Respondents were asked to score only jurisdictions with which they are familiar and only on those policy factors with which they were familiar. We have noted in the following figures the one instance where a jurisdiction received fewer than five responses to a question and several instances in which a jurisdiction received fewer than 10 responses.

2004/2005 Survey of Mining Companies

Figures 2 and 3 in the Executive Summary show the percentage of respondents who say that “current” or “best practices” policy either “encourages exploration investment” or is “not a deterrent to exploration investment” (a “1” or a “2” on the scale above).

Figures 5 through 16 show the percentage of respondents who rate each policy factor as either a “strong deterrent to exploration investment” or “would not pursue exploration investment in this region due to this factor” (“4” or “5” on the scale on the previous page). In each case, we pattern response “4” differently from “5” (or “1” from “2” for figures 2 and 3) so readers will be able to judge the strength of these responses. Readers will find a break down of both negative and positive responses for all areas in the appendix.

What Miners Are Saying

“Only consume what you produce. If against mining then do not use materials produced from mining—dream on.”

—President, exploration company

The “BC government [has] improved infrastructure (maps, etc.) and simplified regulations.”

—President, exploration company

“We invested heavily [in Australia] and got sued by a subsidiary when we tried to change the board composition. The courts were prejudiced against our being a ‘foreign company,’ and the Securities Commission (ASIC) was gutless and impotent, clearly not championing shareholder rights and pursuing only high profile cases where a political reward was evident. We won’t touch Australia as a result.”

—Vice-President, exploration company

“Australia and Botswana are both good places to conduct mining operations.”

—Vice-President, producer company with more than US\$50M revenue

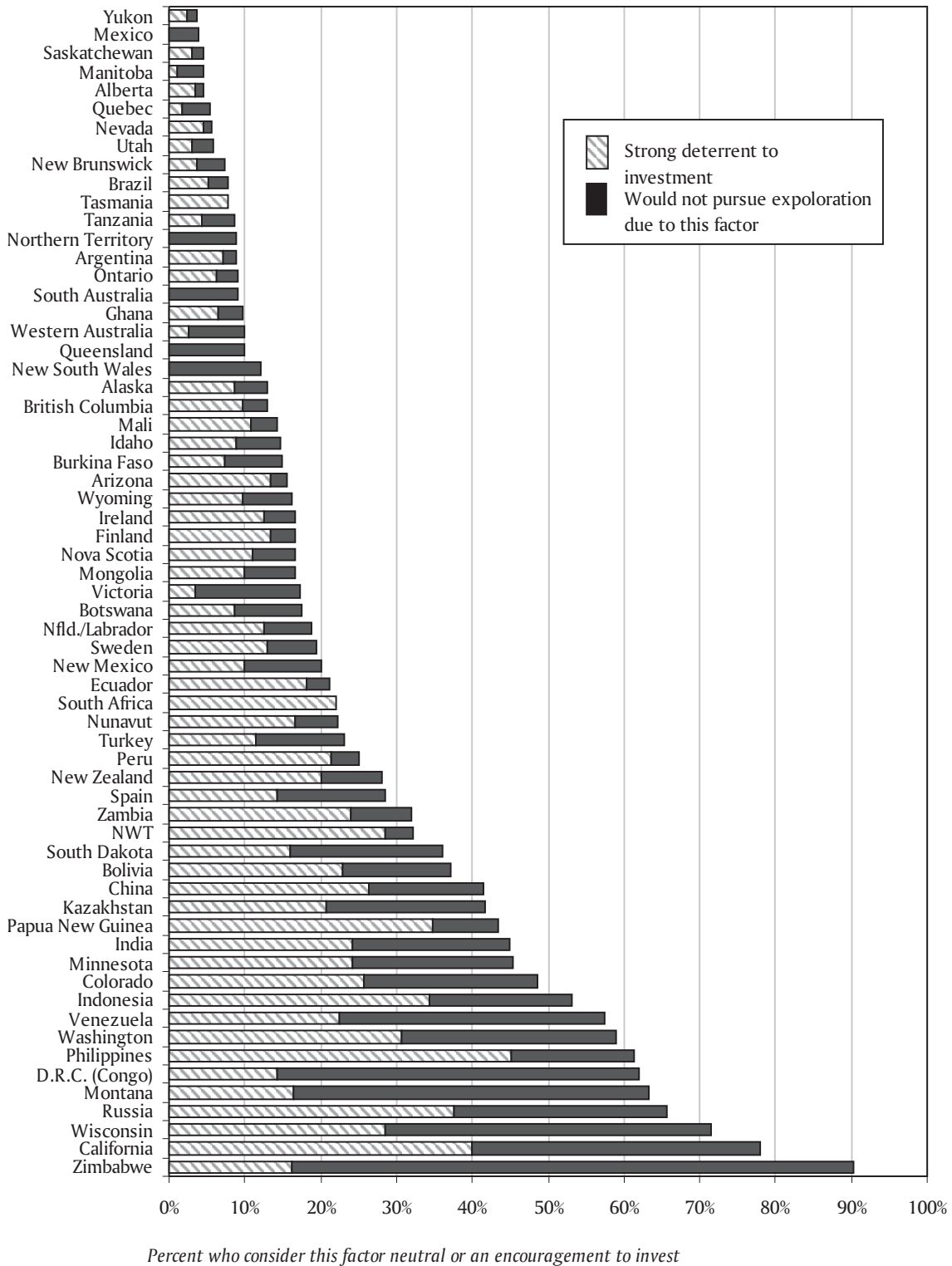
“South Africa discourages any outside investor.”

—President, exploration company

“Stop meddling and squeezing the companies after they have a discovery. Don’t change rules after the fact.”

—President, exploration company

Figure 5: Uncertainty Concerning the Administration, Interpretation and Enforcement of Existing Regulations



What Miners Are Saying

“Russia [has] uncertainty of title; high level of corruption; low personal safety assurance.”

—Vice-President, exploration company

“Quebec recognizes the contribution that mining makes to the provincial economy.”

—President, producer company with less than US\$50M revenue

“Chile [is] very open and the country strongly encourages mining on all scales (local, small scale up to major companies).”

—President, exploration company

“Zimbabwe ... is a total mess and lacks infrastructure, political stability, and cannot guarantee title.”

—President, exploration company

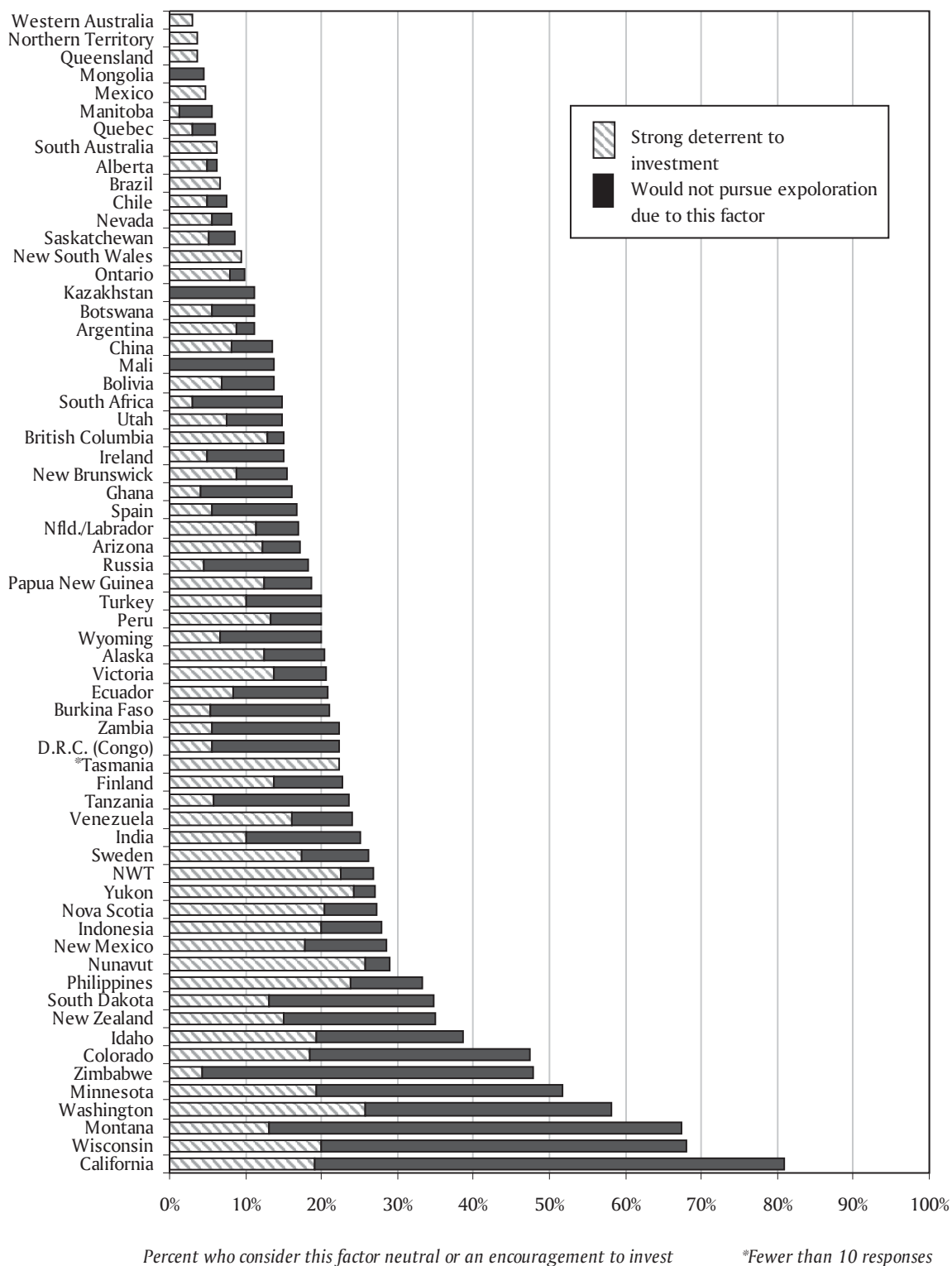
“Despite very good commodity prices over the last year, the stocks, particularly the juniors, have not garnered good attention yet. I do see this changing as commodity prices continue to increase and stockpiles for particular commodities (i.e. copper) continue to dwindle. The majors are relying on the juniors to feed them new discoveries etc. That will keep a lot of companies busy.”

—President, exploration company

“China realizes the importance of basic commodities and has a very stable form of government.”

—Vice-President, exploration company

Figure 6: Environmental Regulations



What Miners Are Saying

“In the mid 20th Century, [Finland] had an active mining industry. With the advent of heavy socialist policies in the latter 20th century, there was little investment money available for exploration in the country. However, starting in the mid 1990’s, this country realized that the only way it was going to generate wealth was to encourage foreign investment. It has instituted a number of financial, political, and geoscience programs to encourage and attract foreign investment in the mineral sector—and exploration and mining in this country is experiencing a renaissance.”

—President, exploration company

“It is a foregone conclusion that [California, Wisconsin, Montana and British Columbia] have been over-endowed with mineral resources that warrant further exploration and development—but their political and environmental policies have been instituted by a small, but vocal group of zealots.”

—President, exploration company

“British Columbia [has] rule of law, pro-development government, safe, mineral endowment, [and] exploration infrastructure (drills, helicopters, geologists, databases).”

—Manager, producer company with more than US\$50M revenue

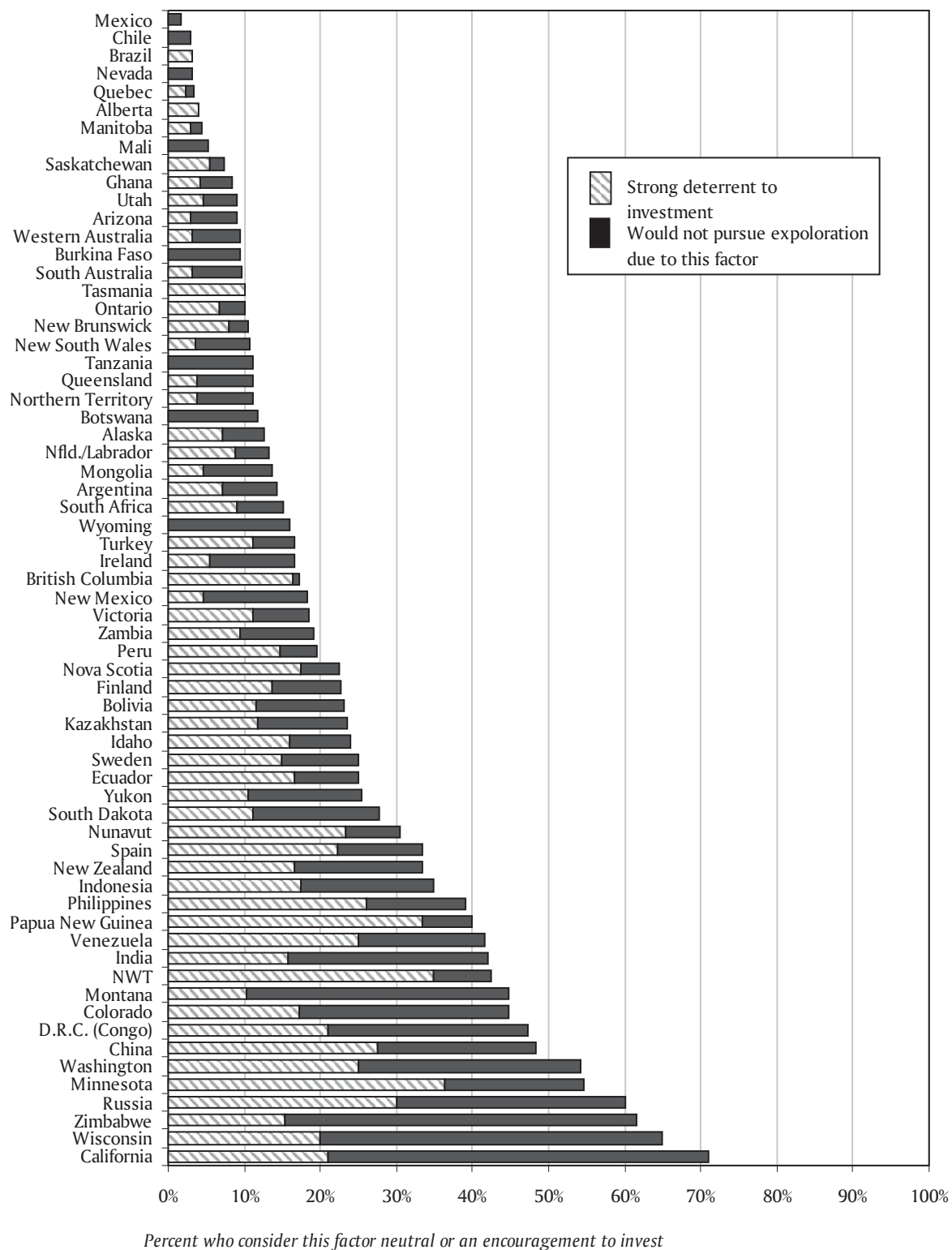
“California is a great jurisdiction for mining because of great exploration and production targets and a very well defined permitting and regulatory environment.”

—President, exploration company

“The water boards in the NWT are totally ineffectual and significantly hindering the mining process.”

—Vice-President, exploration company

Figure 7: Regulatory Duplication and Inconsistencies



What Miners Are Saying

“I am concerned especially in the United States about some offices of the BLM [Bureau of Land Management] becoming populated with environmental zealots. This has happened in California, and they have enacted laws that are clearly obstructional to any business that exploits natural resources.”

—President, exploration company

“Nevada and Quebec—the rules and regulations are straightforward and mining issues are well understood.”

—Vice-President, producer company with more than US\$50M revenue

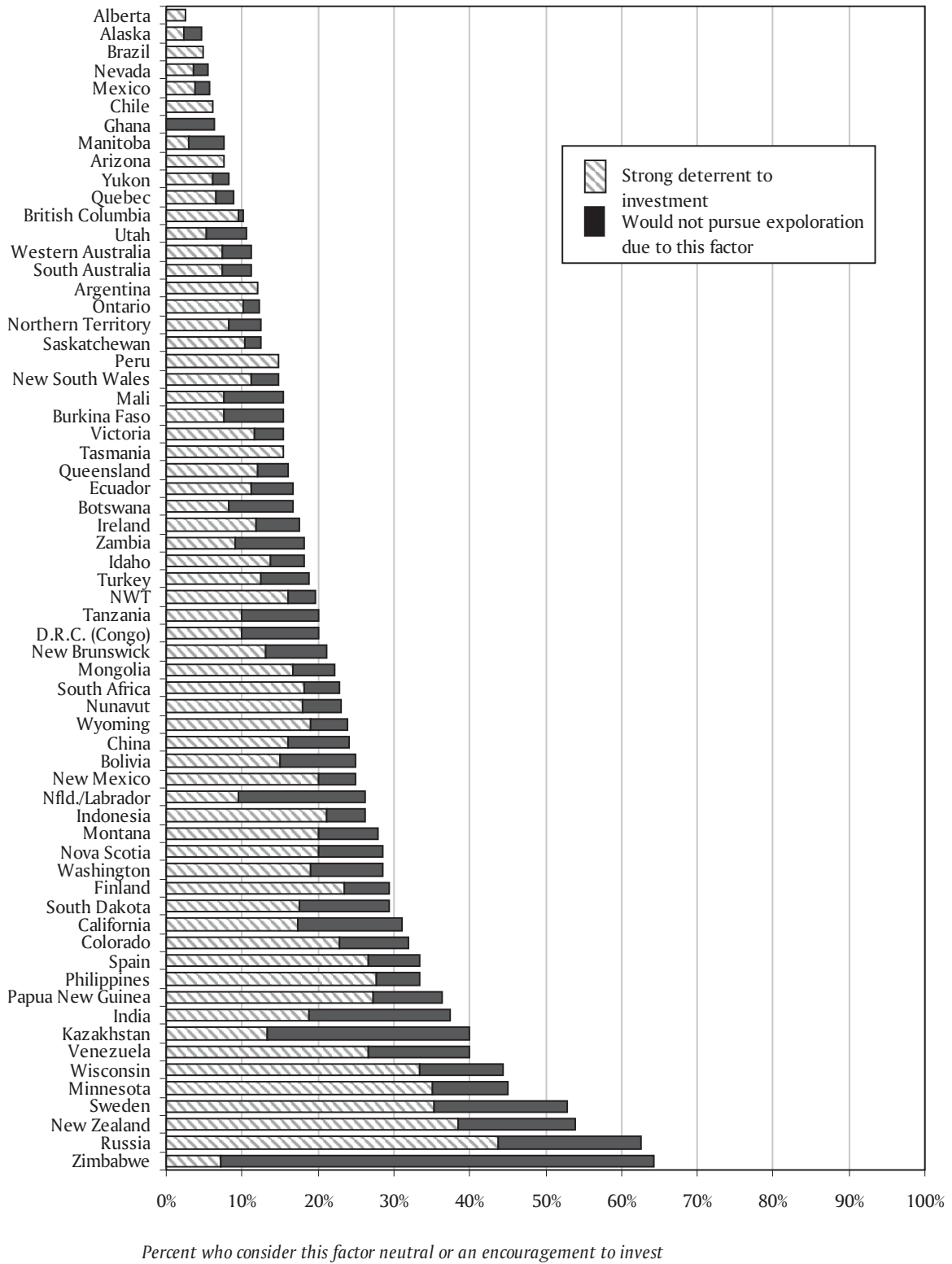
“Venezuela [has an] extreme left wing government and the rules change without notice.”

—Vice-President, exploration company

“This [the mining survey] is a great resource. Keep up the good work.”

—President, exploration company

Figure 8: Taxation Regime



What Miners Are Saying

There is a “tendency for Americans to litigate as soon as something goes wrong. Our insurance policies specifically exclude operating in the States.”

—Official, exploration company

“Courts are generally supportive of NGO-NIMBY causes and are re-writing the rules.”

—President, producer company with less than US\$50M revenue

“It’s not a matter of policy change [to improve the regulatory climate]. Even with the best policies, the courts will get you in the end.”

—Vice-President, exploration company

“Make laws regarding mineral exploration and development consistent and transparent.”

—Vice-President, exploration company

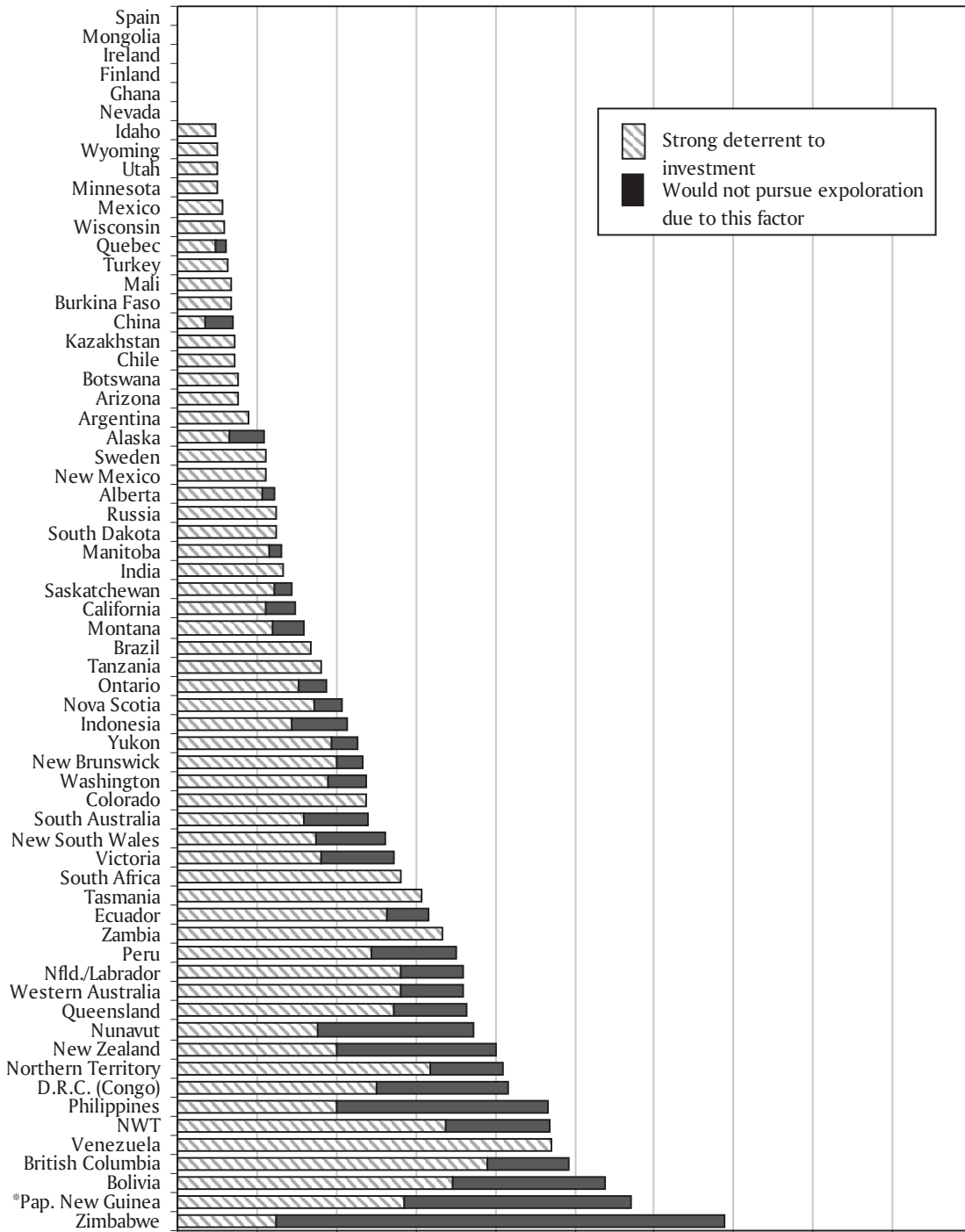
“Establish legal system that works for investor capital.”

—President, exploration company

“China [has] no laws to work with if you are a foreign investor or company working there.”

—President, exploration company

Figure 9: Uncertainty Concerning Native Land Claims



Percent who consider this factor neutral or an encouragement to invest

What Miners Are Saying

Canada “needs to harmonize DFO [Canada’s federal Department of Fisheries and Oceans] in provincial regulatory process in BC to decrease time that it takes to get through environmental review.”

—Manager, exploration company

“It seems most peculiar that the [Canadian] Federal Dept of Fisheries and Oceans can trump provincial jurisdiction where they can identify one little sprat in a stream.”

—Official, producer company with more than US\$50 M revenue

“Scrap or at least re-write the Mackenzie Valley Land Use Regulations to ease red tape on grass roots exploration.”

—President, exploration company

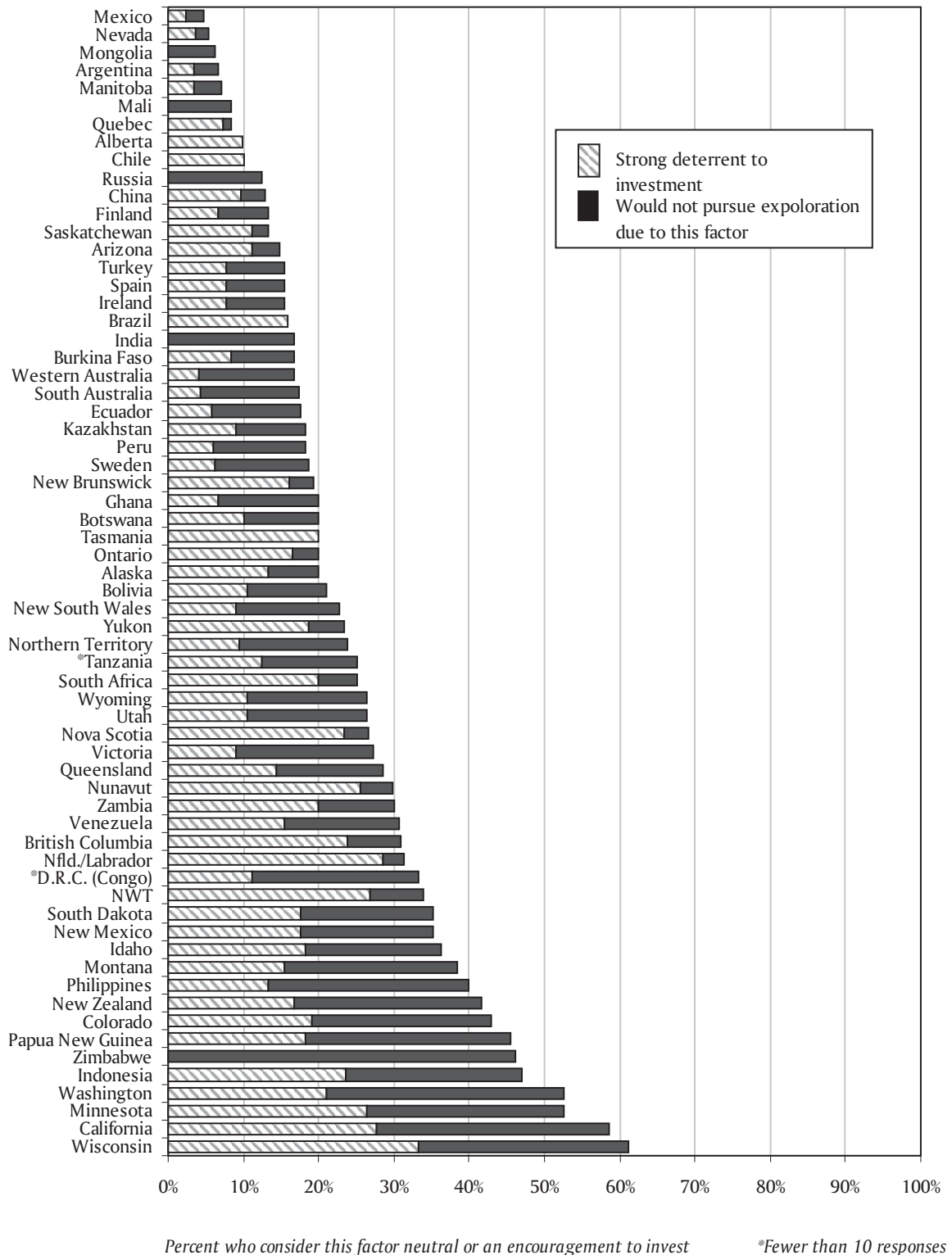
In the “NWT, land claim, land use permitting uncertainties, and protected area strategy are huge hindrance to mineral exploration and development.”

—President, exploration company

In “Nunavut, the Natives are unrealistic. The government is misguided and [creates] too much red tape.”

—President, exploration company

Figure 10: Uncertainty Concerning which Areas will be Protected as Wilderness or Parks



What Miners Are Saying

“Sweden [has] multi-layered and overlapping bureaucracy and regulation, coupled with overzealous and mindless use of bureaucratic power. Slow or no decision making.”

—President, producer company with less than US\$50M revenue

“Peru [has] unpredictable government policies at all levels.”

—President, exploration company

“Honduras appears to be totally opposed to mining and exploration at any level in our experience. From political activism on the local level to federal government policies and regulatory processes. Stay out of Honduras, unless you want to option my properties of course, then it’s buyer beware.”

—President, exploration company

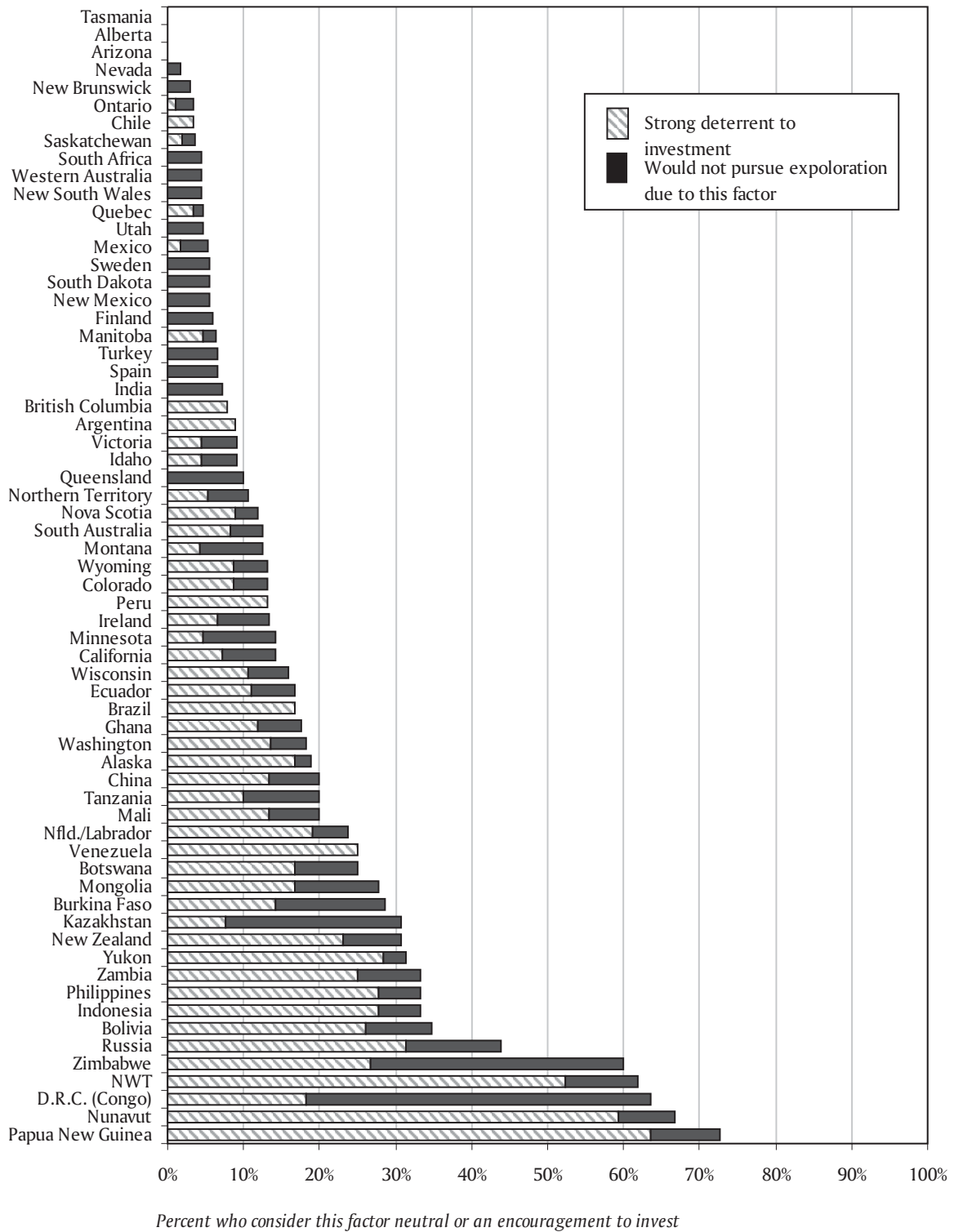
“New Zealand [has] complicated multiple layers of legislation and permitting.”

—Vice-President, exploration company

“Europe [has severe] environmental pressures from government and NGOs.”

—Vice-president, exploration company

Figure 11: Infrastructure



What Miners Are Saying

“Quebec’s Civil Code-based mining laws respect mineral rights pursued by explorationists in case of a discovery. The whole system is comprehensive, easy to understand and bilingual. The province has done an outstanding job of making the whole system readily available online (statutory work reports, claims staked by map-designation) and makes this province very mining exploration-friendly.”

—Manager, exploration company

“Montana [suffers from] initiatives against cyanide [and] not in my backyard mentality.”

—Official, producer company with less than US\$50M revenue

[Memories are long. A number of responses continue to highlight Windy Craggy and Voisey’s Bay

—Editor’s note]

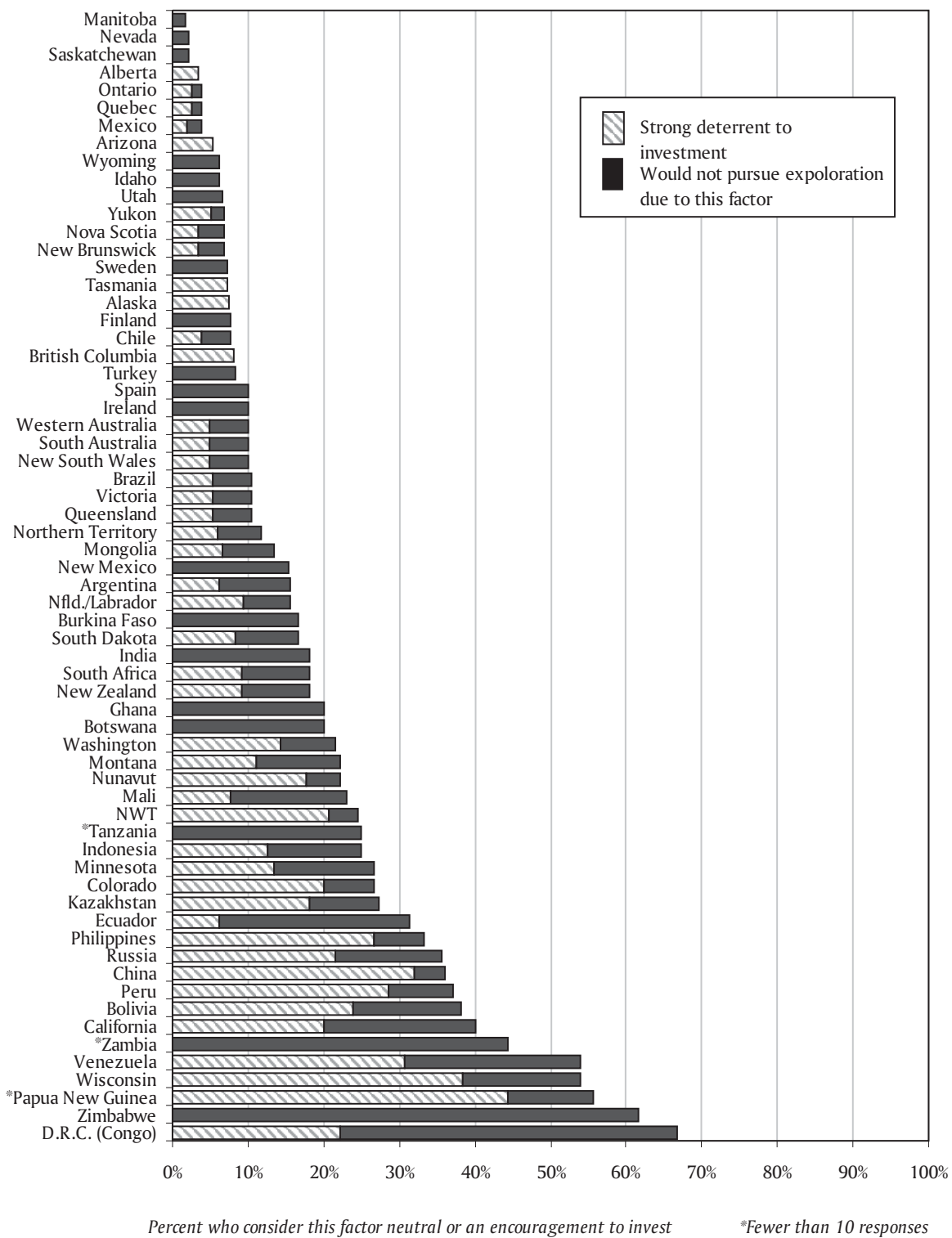
“The old standby [horror story] ... look at how the old government of BC took away the land rights at Windy Craggy and made it into a park!”

—President, exploration company

“Voisey’s Bay [in Labrador] is one of the largest discoveries of the last century, and due to government meddling, it is still not in production.”

—President, exploration company

Figure 12: Socioeconomic Agreements



What Miners Are Saying

The mining survey is “very useful and influential.”

—President, exploration company

“Uncertainty regarding the ability to maintain ownership of operations and ability to repatriate funds, along with ever-increasing security problems [are] a severe deterrent [for] Zimbabwe.”

—Vice-President, producer company with more than US\$50M revenue

“Saskatchewan is a mining province and government is willing to work with exploration companies to encourage new mine development...”

—President, exploration company

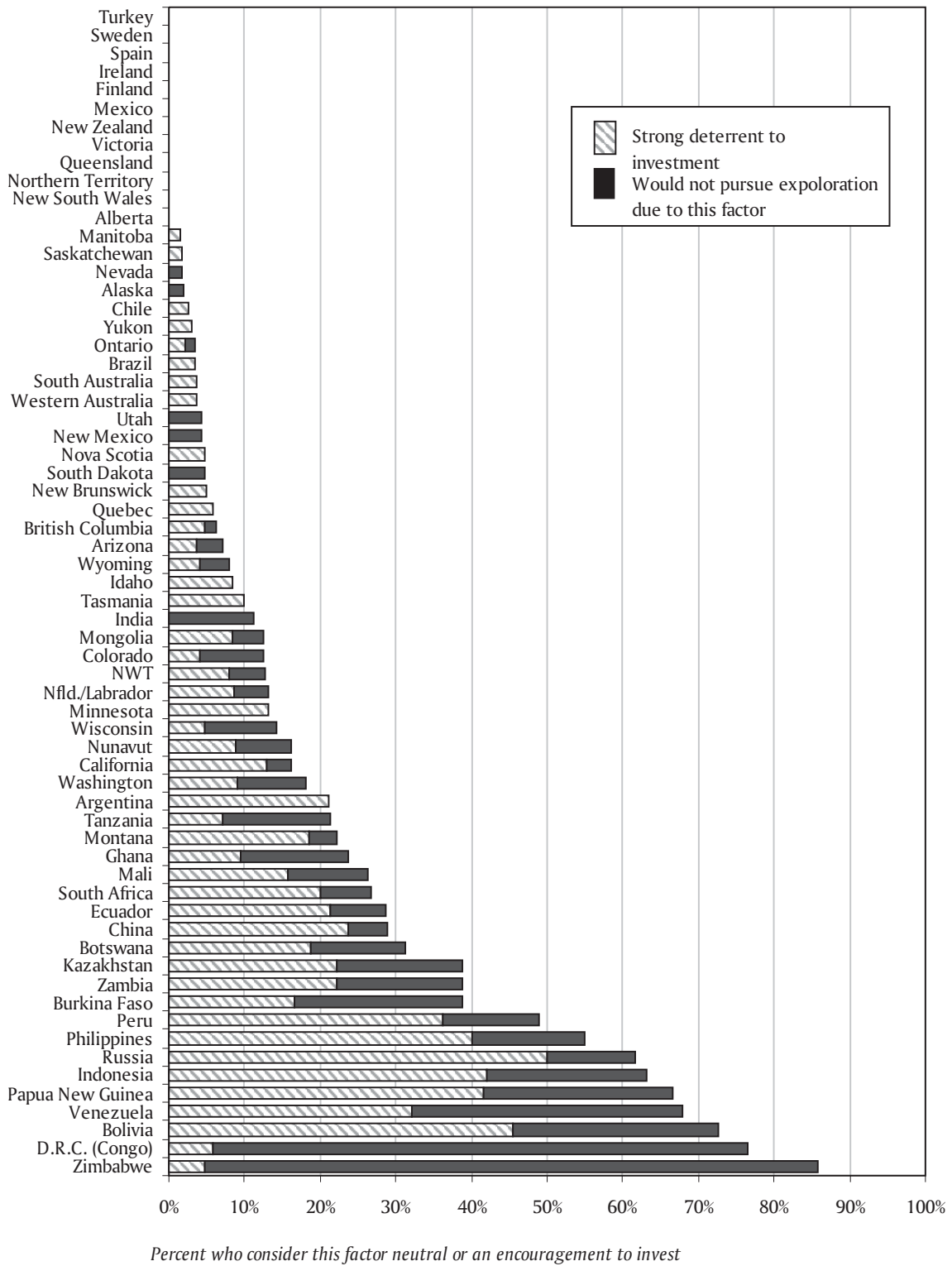
“Chile has been politically stable enough and had favourable tax structures”

—Official, producer company with less than US\$50M revenue

“Nevada has a history of mining. Local government and government people know mining.”

—Official, producer company with less than US\$50M revenue

Figure 13: Political Stability



What Miners Are Saying

“Canada in general has reasonably favourable policies. However, this is decreasing rapidly due to the uncertainty surrounding the First Nations land claims settlements.”

—Vice-President, exploration company

“NI 43-101 [a disclosure regulation in Canada] is ill thought out and forces mining companies to hire consultants with much less competence than the companies that hire them. The requirement to physically visit properties in remote areas, in extreme winter conditions, just to say the consultant was there is inane bureaucracy. The policies are administered by career government and regulatory employees who tend to have very little industry experience and even less common sense in enforcing the regulations.”

—President, exploration company

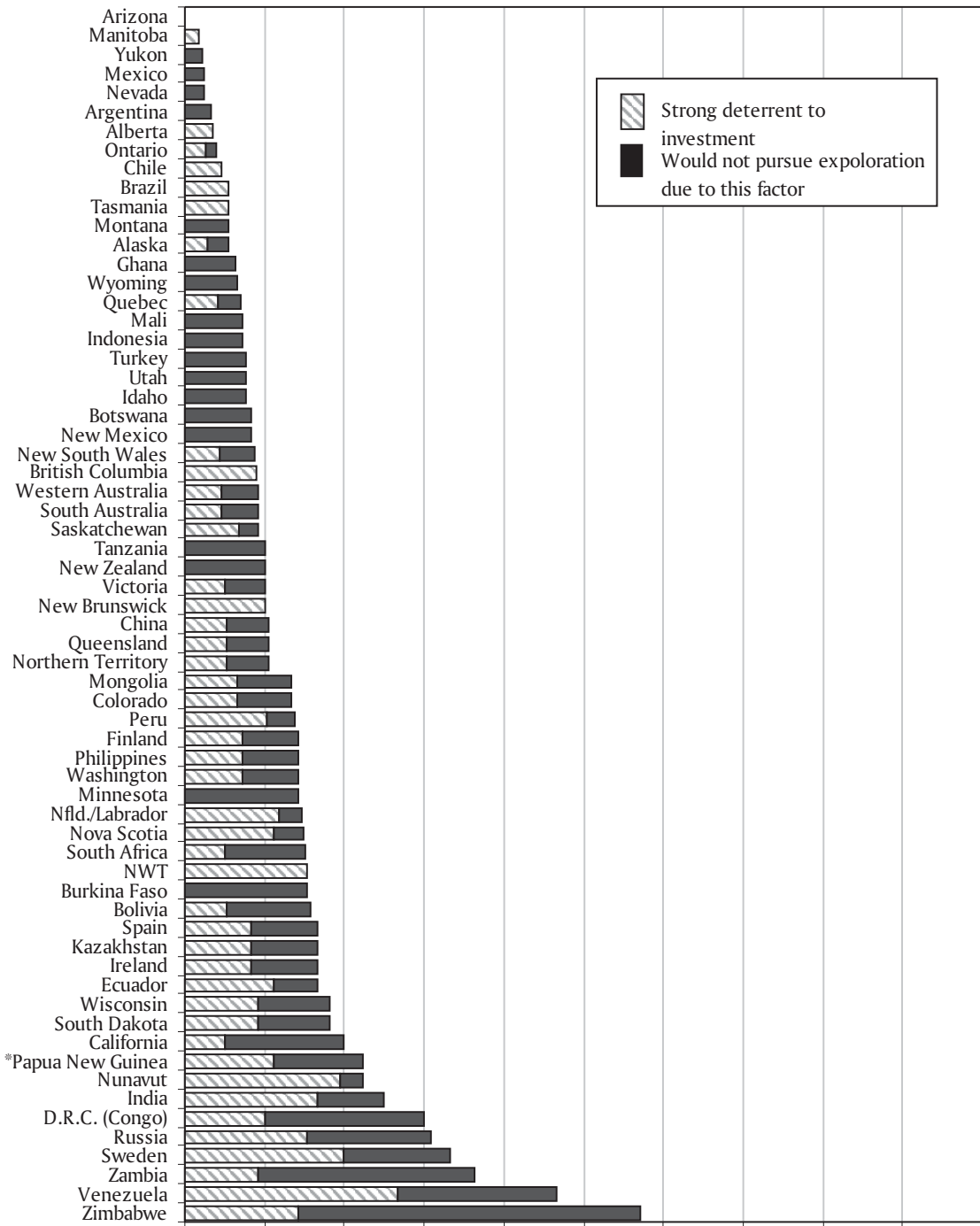
“Ontario has one of the highest mineral potentials but land use expropriation and aboriginal land claim threats are swiftly making Ontario undesirable.”

—President, exploration company

“Quebec ... has the infrastructure and a supportive government. The public is also familiar with mining.”

—President, producer company with less than US\$50M revenue

Figure 14: Labour Regulations/Employment Agreements



Percent who consider this factor neutral or an encouragement to invest

*Fewer than 10 responses

What Miners Are Saying

The best jurisdiction is a “tie between Manitoba and Quebec due to stability, continuity of policy, financial assistance, superb government technical support, online information and databases and land acquisition methodology.”

—Official, exploration company

“Exploration [companies] spend lots of dollars in trying to find something of economic value with less worry on the feasibility of extracting that value. The big companies... strongly examine feasibility of extraction and will flinch eagerly if they don’t sense an encouraging environment.”

—President, exploration company

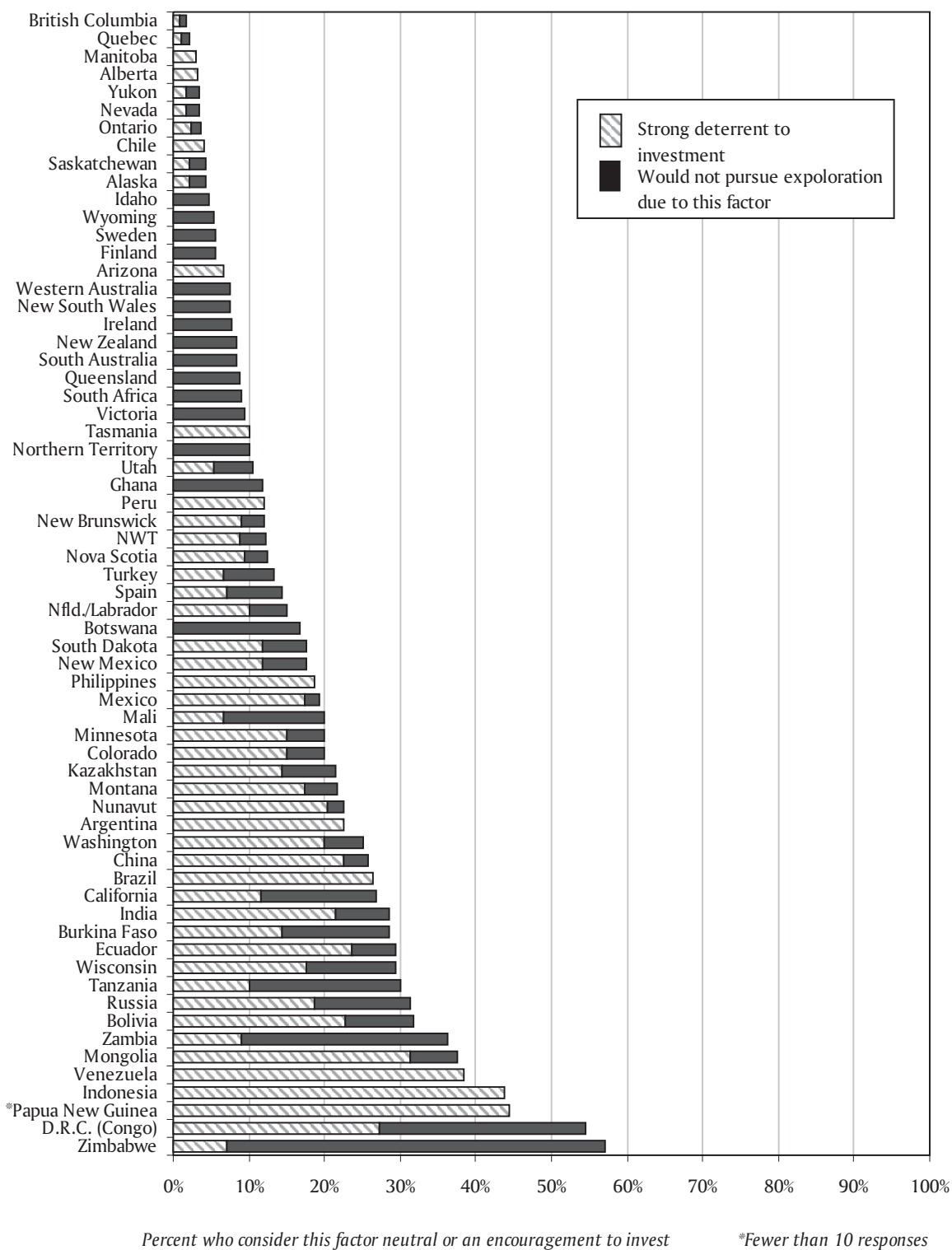
“Mexico [has a good regulatory environment due to a] long mining heritage and understanding by the general populace and government that mining is a respectable industry that brings jobs while guarding environmental damage.”

—President, exploration company

“We have run into some regulatory issues in Mexico (Sinaloa state to be exact). They have changed some of their mining laws recently and it has left properties in limbo in terms of are they exploration or exploitation properties (it used to be 7 years and a property automatically reverted to exploitation).”

—President, exploration company

Figure 15: Geological Database



What Miners Are Saying

In “California and Montana, environmental lobby groups shut down anything to do with resource development.”

—President, exploration company

“Curtail NGO’s ability to overrun villages with imported protesters.”

—Manager, exploration company

“Peru [suffers from] lack of stability and misinformation amongst indigenous [people] spread by NGOs.”

—Official, exploration company

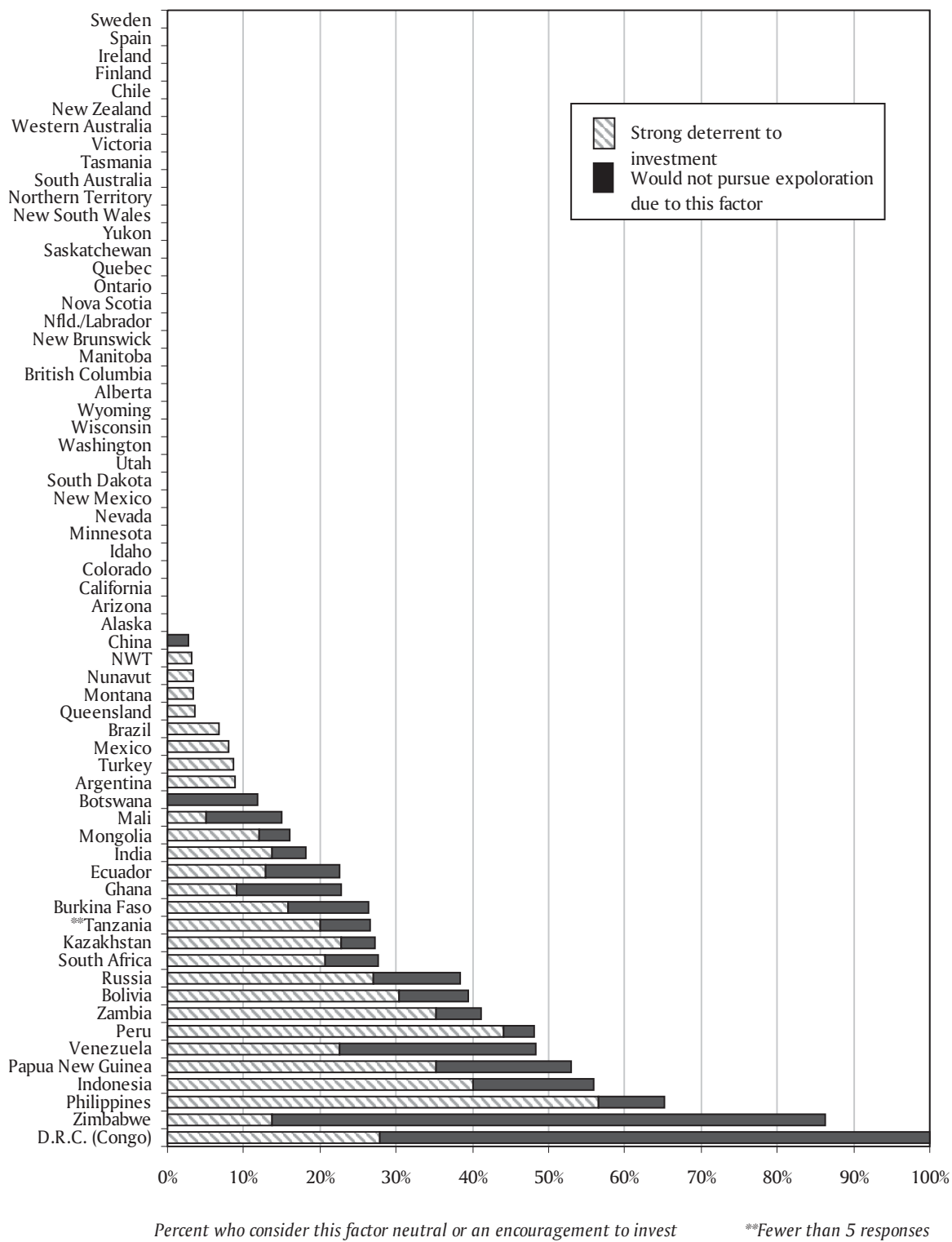
“Reconsider mining to be a strategic part of the US economy.”

—President, exploration company

“Australia (Northern Territory) [has a good regulatory environment] because of a serious desire to build the exploration and mining sector in the region, and a sensible and balanced can-do attitude towards regulation.”

—Official, exploration company

Figure 16: Security



What Miners Are Saying

“We chose Ghana for gold exploration ten years ago because of its impressive mining tradition, political stability, common law legal system, coastal location, decent mining code, and open pittable opportunities in a context where the direction of the price of gold was most uncertain. We are not looking elsewhere.”

—President, exploration company

Many “African countries... have restrictive legislation on employment, high taxes, and mandate local processing.”

—President, exploration company

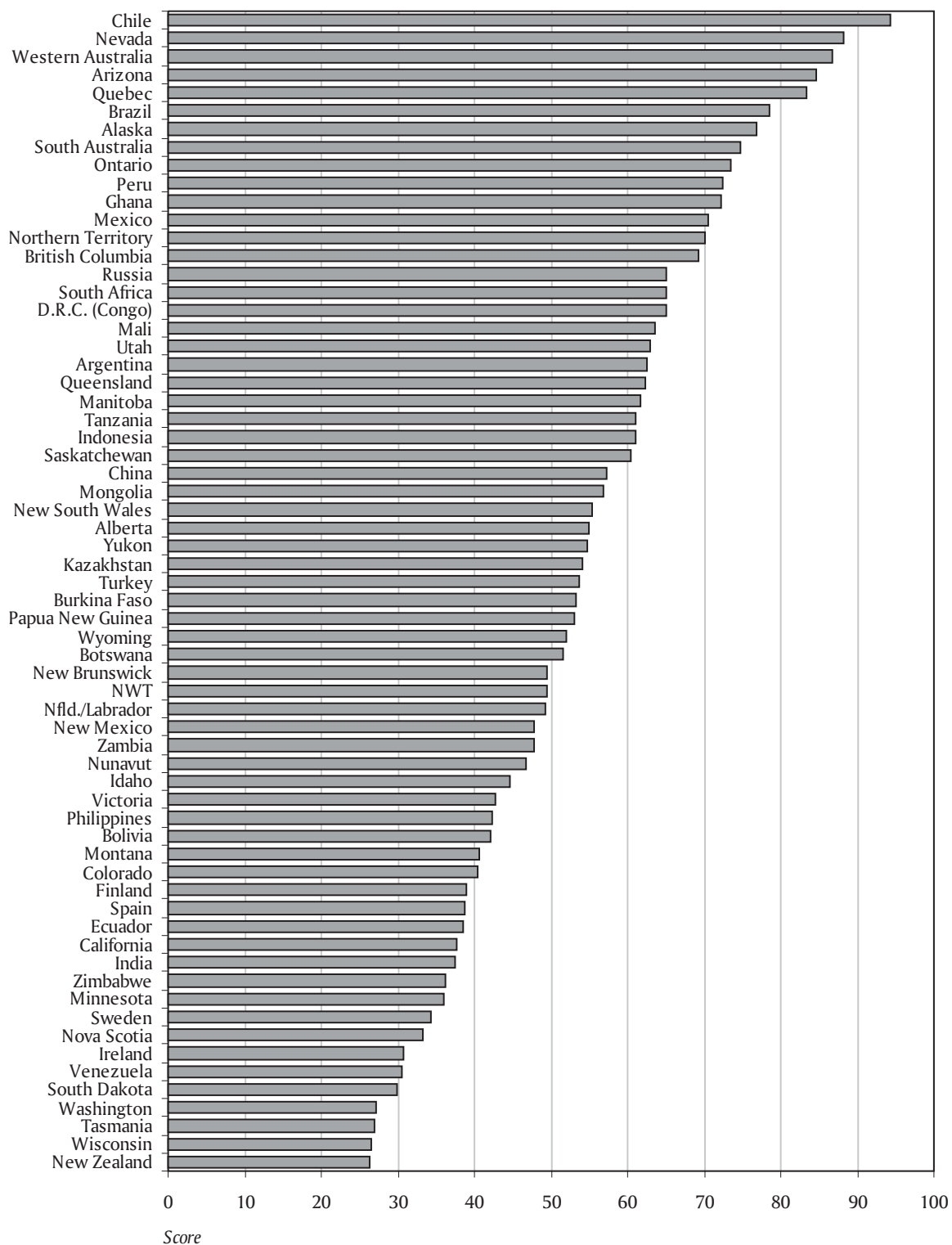
Over “the past decade, the potential of west [and central] Africa is starting to unfold and these countries and their neighbours are realizing the benefits of large mining developments. Governments are now working with mining companies to encourage mining exploration and investment.”

—Manager, exploration company

“Canada... maintains a balance between mining companies and those affected by mining/exploration activities. There are some unresolved issues, but for the most part has in place a workable system.”

—President, exploration company

Figure 17: Composite Policy and Mineral Potential



Section II: Investment Patterns

Companies have been increasing investments over the past five years, doubtless due to increasing global growth over the period and to the increasing demand for commodities being created by newly industrialized nations, most notably China. Among exploration companies, 79 percent said they had increased spending in 2005, compared to just 9 percent that indicated decreases from 2004. For producer companies with more than US\$50 revenue, 85 percent indicated increased spending compared to just 7 percent with decreased spending. For producer companies with less than US\$50 revenue, 80 percent increased spending compared to 12 percent that decreased spending. Just over three quarters of other respondents indicated increased spending compared to 11 percent with decreased spending.

Overall, our respondents indicated that they spent \$1.83 billion in 2005 compared to \$1.31 billion in 2004. The numbers for some of the categories were noticeably affected by one or two respondents indicating involvement in large new projects in 2005.

Table 4: Has Your Total (Worldwide) Exploration Expenditure Increased, Decreased, or Remained the Same Over the Five Year Period, 2000-2004?

Exploration companies (number)

- 130 Increased
- 15 decreased
- 19 unchanged

A producer company with more than US\$50 revenue (number)

- 12 increased
- 1 decreased
- 1 unchanged

A producer company with less than US\$50 revenue (number)

- 20 increased
- 3 decreased
- 2 unchanged

Other (number)

- 76 increased
- 12 decreased
- 11 unchanged

Table 5: What Commodity is Assigned the Largest Portion of Your Budget?

	Number	Percent
Gold	107	50%
Copper	32	15%
Other	26	12%
Nickel	17	8%
Silver	11	5%
Diamond	9	4%
Zinc	8	4%
Platinum	4	2%

Table 6: Who Responded to the Survey?

- 101 presidents
- 36 vice-presidents
- 30 managers
- 10 consultants
- 37 others
- 108 did not indicate

Finally, it remains true that “all that glitters is gold” with half those responding to this question indicating that gold received the largest part of their companies exploration budget. No other metal came close.

The majority of our respondents might agree with the statement, “All that glitters is gold.” The clear majority said gold consumed the largest portion of their exploration budgets. Copper also performed strongly, as did copper, diamonds, and nickel. Companies showed less interest in silver, platinum, and zinc (see table 5). Table 6 provides a breakdown of the positions of the respondents.

