

Goldletter INTERNATIONAL

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British Columbia - 2005, a pivotal year for mining in BC



During 2005, British Columbia benefited greatly from the international resurgence in mining development and mineral exploration. Mineral exploration expenditures increased for the sixth consequent year and are estimated at Cdn\$ 220 million for 2005, up about 70% from 2004. Through Mineral Titles Online, new mineral tenure acquisitions reached a level of 4.8 million hectares (equivalent to about 190,000 claim units), an increase of about 400% over the previous year.

Both the Mining Exploration Tax Credit Program and Exploration Investment Tax Credit for flow-through investors provide extra incentives to help attract risk capital to the province.

British Columbia's operating mines in 2005 are forecasting a total value of solid mineral production of Cdn\$ 4.9 billion, an increase of 43% over 2004. The province now ranks third in Canada by value of its mineral production. Coal (41%) is the single most important mineral commodity by value, and copper (24%) is second. Gold accounts for 5.6% of mineral production.

In the **Northwest of BC**, the Eskay Creek Underground Gold-Silver Mine, operated by Barrick Gold produced 172,000 ounces of gold in 2005. Current mine life is estimated to extend until 2007.

In **Central BC**, the Kemess Open-Pit Mine, operated by Northgate Minerals, produced 279,962 ounces of gold (at a total cash cost of \$ 205 per ounce net of by-product credits) and 73.7 million pounds of copper in 2005. It is the largest gold producer in the province. The Kemess Mine is forecast to produce 320,000 ounces of gold and 84.6 million pounds of copper during 2006. The cash cost of production, net of by-product credits, is forecast to be \$ 170 per ounce assuming a copper price of \$ 1.70 per pound.

Exploration spending will increase to a total of US\$ 7.8 million of which US\$ 3.8 million will be spent on the newly acquired Young-Davidson Properties. Existing reserves will provide mill feed until 2009, but the mine life could be extended by more than ten years if the Kemess North Deposit is put into production.

The Mount Polley Open-Pit Mine, operated by Imperial Metals, reopened in early 2005, and produced 30.3 million pounds of copper, 30,635 ounces of gold and 234,355 ounces of silver during the year. Planned production for 2006 is 70 million pounds copper, 48,000 ounces gold and 483,000 ounces silver. Mine life is projected to 2011. Imperial Metals also conducted a large property-wide exploration program, including 40,000 metres of diamond drilling. Several new, potentially significant zones of copper-gold mineralization were intersected. Drilling below the Wight pit on the Northeast Zone, intersected 25.1 metres grading 4.43% copper, 1.28 g/t gold and 26.96 g/t silver. Imperial is also examining the potential for underground mining. Proven and probable reserves total 405 million pounds copper, 419,000 ounces gold and 1.7 million ounces silver.

Cross Lake Minerals is expected to announce the reopening of its QR Gold Mine, east of Quesnel, in 2006. It continued to drill for additional resources, especially in the North Zone.

Placer Dome revaluated its Mt. Milligan Gold Copper Project west of Mackenzie. It plans to release the results of its recently updated feasibility study in early 2006.

In **South-Central BC**, the Highland Valley Copper Open-Pit Mine near Kamloops, operated by Teck Cominco and Highmont Mining, is Canada's largest base metal mine. It is the fifth largest open-pit operation in the world, with a daily mill throughput averaging 136,000 tonnes of rock. Production in 2005 was expected to be 172,000 tonnes of copper, 3,000 tonnes of molybdenum and minor by-product gold and silver.

In September 2005, it was announced that the mine life would be extended another five years to 2013. Teck Cominco is also considering a modern hydrometallurgical smelter on site. Mining in the Highmont East pit recommenced in late 2005.

In **Southwest BC**, the Myra Falls underground mine west of Campbell River, operated by NVI Mining, a subsidiary of Breakwater Resources, has been in operation since 1966. Just over 90,000 tonnes of ore were estimated to be processed during 2005 in the mill, producing copper, zinc-silver and gold concentrates. The Company continues to optimise its mining plan and is considering the addition of a lead circuit.

In **Northwest BC**, bc Metals received an Environmental Certificate for its Red Chris Copper-Gold Project, east of Iskut. Its feasibility study identifies the potential for a 30,000 tonnes per day milling operation, producing 47,200 tonnes of copper and 2,208 kilograms of gold annually, over a mine life of 25 years.

The largest exploration program in the province, with Cdn\$ 50 million in expenditures was at NovaGold Resources' Galore Creek Gold-Copper-Silver Project, located southwest of Dease Lake. Utilising ten drill rigs, the Company expanded the previously identified resources and discovered alluvial zones of mineralization.

An economic assessment of the project in early 2005 indicated the potential for a 65,000 tonnes per day milling operation for over 20 years.

A feasibility study on the Deposit is planned for completion during the second quarter of 2006. As of May 2005, and based on an equivalent copper cut-off rate of 0.35%, the Galore Creek Copper-Gold-Silver deposit has a combined Measured and Indicated Resource of 516.7 million tonnes containing .59% copper, 0.36 g/t gold, and 4.5 g/t silver.

In **South Central BC**, Taseko Mines reinitiated work on its Prosperity Copper-Gold Project southwest of Williams Lake, after receiving an extension for its Project Application under the Environmental Assessment process until April 30, 2007.

Current resources are estimated at 490.8 million tonnes grading 0.22% copper and 0.43 g/t gold.

The **Kamloops Region** has a rich geological history, which has led to the development of many mineral deposits in the region, including the Highland Valley Copper Open-Pit Mine and New Gold's New Afton Copper-Gold Project, located just outside Kamloops. About Cdn\$ 18 million is expected to be spent by year-end on underground development, drilling and engineering studies. A Cdn\$ 5 million feasibility study commenced in December 2005.

The Deposit has an independently calculated Measured and Indicated Resource of 68.7 million tonnes grading 1.1% copper, 0.9 g/t gold, 2.6 g/t silver, and 0.1 g/t palladium, which contains approximately 1.6 billion pounds of copper and 1.9 million ounces of gold.

The historic Bralorne Gold Mine near Gold Bridge was the focus of considerable underground development and drilling. The Elizabeth Project of J-Pacific Gold. Near Peachland, Almaden Minerals continued detailed drilling on the Elk Property.

Good results from trenches were returned from the Panorama Ridge gold skarn near the Nickel Plate Mine at Hedley and Goldcliff Resource began drilling there in September 2005.

The "**Golden Triangle**", or the western portion of the "**Golden Horseshoe**" continues to be a focus for exploration in British Columbia. It returned to the limelight in 2002 after a 12-year hiatus following the end of the prolific flow-through era in the late 1980s-early 1990s. In 1990, mineral exploration reached its peak in the Golden Triangle, with some Cdn\$ 100 million being spent, including about 40 drilling programs. Some 40 companies were active in the area, about half "majors" and half "juniors".

In late 1988, Prime Resources announced the discovery of the world-class high-grade Eskay Creek gold-silver deposit, which has been in production since 1995. This discovery fuelled the federal government's flow-through financing initiative, especially in the northwest. In 1990, the "Golden Triangle Fund" spearheaded the rush in the area.

Several new mineral showings were discovered and a few have since become significant mining operations (e.g. Eskay Creek, Snip, Golden Bear and Premier).

2003 saw a significant rebirth in ground acquisition in the "Golden Triangle" area. In 2005, with the new MTO staking system, another wave of staking occurred in the area, where exploration expenditures were estimated at Cdn\$ 90 million, including Cdn\$ 50 million at Galore Creek. The juniors are still leading the way in exploration. It looks only a matter of time until the majors follow suit.