

**HONOURABLE GORDON HOGG
MINISTER OF STATE FOR MINING**

**Speaking Notes
KPMG Industry Luncheon/MABC Board of Directors**

Date: June 21, 2008
Location: Vancouver Club
President's Room East
915 West Hastings Street, Vancouver

Time: 1:15 pm

Speech: 10 minutes

Check against delivery

INTRODUCTION

- Thank-you for that warm introduction. I appreciate being invited here today to meet with you.
- I would like to acknowledge the Coast Salish people on whose traditional land we are on today.
- I'd also like to congratulate Pierre Gratton who recently arrived from Quebec to take on his new role as President and CEO of the Mining Association of BC.
- Pierre and I are sharing similar circumstances in that we have both started new jobs focused on an exciting, growing and important industry in British Columbia – mining.
- I know we both take our portfolios very seriously and will do our best to further strengthen relationships between industry and government and work together to ensure B.C. remains at the forefront of the world's most prominent mining regions.

MINING IN BC

- According to recent industry reports, the value of the B.C. mining industry in 2007 is reported to be \$6.9 billion.
- Over half of Canadian exploration companies are based right here in B.C.
- In fact, B.C.-based companies raised \$6 billion in equity capital in this sector or about 37 per cent of the total equity capital raised by Canadian listed exploration and mining companies. That's staggering.
- Other recent statistics are just as astonishing.
- For instance, last year, investment in mineral exploration soared to a record-high of nearly \$416 million, a 1,300 per cent increase from 2001.
- Also since 2001, over 600 new permits have been issued.
- In 2007, 4 new mines commenced production: Swamp Point (Northwest) and Orca (Southwest) aggregate operations, Brule Coal (Northeast) and MAX molybdenum (Kootenay). QR Gold (North-Central) also reopened after being shut down for nine years.
- Merit Mining Corp.'s Lexington-Grenoble Copper-gold mine near Greenwood commenced production in June 2008.
- B.C. also has more than 20 potential mine development projects in the works.
- There were 472 exploration stage projects for minerals, coal, industrial minerals and aggregates throughout B.C. in 2007.

- And the number of exploration projects with budgets in excess of \$1 million was over 100 last year.
- We also have a growing inventory of more than 12,000 mineral occurrences, including metals, coal, industrial minerals and construction aggregates.
- Estimated coal resources exceed 20 billion tonnes.
- The list goes on and on, yet there is still so much untapped resource potential out there – so much waiting to be discovered by exploration companies like yours.
- In this province, less than 44,000 hectares are currently being used by mining, which is approximately 0.05 per cent of B.C.'s total land base.
- That's why government is encouraging exploration...encouraging British Columbia companies to continue investing in our province's mining potential...and encouraging mining operations to stay here rather than relocating to other parts of the world.
- As such, we've implemented, and will continue to implement business friendly policies designed to stimulate mining activity in the province.
- This includes the Mining Exploration Tax Credit, an enhanced tax credit of 30 per cent for exploration in areas ravaged by the mountain pine beetle infestation.
- And exploration outside the areas affected by the mountain pine beetle will still be eligible for the 20 per cent tax credit.
- We are also continuing the Mining Flow Through Share which provides a 20 per cent tax credit to lower the after-tax cost of qualifying grassroots exploration expenditures in British Columbia.
- This tax credit is harmonized with the Federal Exploration Investment Tax Credit.
- We're also committed to encouraging investment by streamlining mining regulations, such as the permitting process.
- In fact, over the past five years the Province has eliminated over 40 per cent of our regulatory requirements and our ongoing commitment for this year is a zero per cent net increase in regulations.
- We're not interested in sidestepping our processes – but we do want to ensure they are as effective and efficient as possible.

FIRST NATIONS

- As you well know, the Province has been working to create a New Relationship with First Nations founded on the principles of mutual respect, recognition and reconciliation of Aboriginal rights.

- Building relationships with First Nations is an incredibly important part of the long-term future of our province.
- That's why we recently provided a \$160,000 grant to your association to assist in building stronger relationships with First Nations.
- Because it's these relationships that enable First Nation communities to participate in meaningful partnerships with government and industry that build trust, respect and certainty.
- A recent example of that is the partnership between the Province and the Tahltan Central Council.
- The Tahltan Central Council/BC Minerals Working Group developed a restoration plan to assess and address the impacts of past mineral exploration and development activity.
- This plan is the first of its kind in B.C. and a shining example of responsible and sustainable mineral exploration and mining in this province.
- Industry, communities, First Nations and government must work together to improve the social and economic circumstances of the communities in which a company operates.
- And work collaboratively to ensure mining can happen in a way that encompasses a broad range of interests.
- With that, one of my first actions as Minister of State for Mining will be the creation of a Minister's Council on Mineral Exploration and Mining...
- The council will be comprised of industry and First Nations representatives who will work closely with my ministry to identify and carry out short and long term goals for mining in British Columbia.
- This includes the potential for expediting mine approvals by harmonizing provincial and federal processes, finding ways to further streamline our regulatory framework, and ensuring the interests of communities and the environment are always being carefully considered.

NORTHWEST TRANSMISSION LINE

- Clearly, mining in the 21st century is all about partnerships. Nowhere is that more apparent than with the proposal for the 335 kilometre Northwest Transmission Line.
- This major project is intended to create economic diversification for the resource-rich Northwest region of the province.

- It's intended to attract approximately \$3.5 billion in investment and bring eight mining projects to the region.
- And it's intended to assist remote communities in the area to move from diesel generation to a cleaner, greener form of electricity.
- It's a project that can generate 2,000 jobs, stimulate over \$300 million in economic activity, and contribute to healthier communities along highway 37.
- It's a project that government supports.
- But we can't do it alone.
- We've made it clear that we can offer \$250 million towards the project – that's more than 60 per cent of the total cost of building the transmission line.
- Today, I am personally inviting British Columbia's mining industry to partner with us in order to raise the remainder of the funds.
- I know that if we collaborate on this, we can achieve a workable solution – a financing plan that will result in the development of this critical transmission line.
- It could come about as a result of a public-private partnership – I know that our friends at KPMG are extremely experienced in the area of P3's...
- Perhaps communities in the region would be willing to come on board and contribute to the plan – I know that local mayors and councils in the region have expressed an interest in the development of the NTL...
- Regardless of how the plan unfolds, we'll need to work in partnership to make the Northwest Transmission Line a reality.

ACCESS TO ENERGY/BUILDING INFRASTRUCTURE

- Challenges such as accessing energy and building new mines in remote areas aren't insurmountable, but they are daunting...
- Obviously, in order for exploration to take place in previously unexplored regions of the province, infrastructure, such as roads and transmission lines, must be built – and this takes time and money.

CONCLUSION

- British Columbia's mining industry is an integral part of the B.C. Advantage – and it plays a prominent role in why B.C. is such an attractive place to invest.

- As the new Minister of State for Mining, I'll look forward to hearing your ideas about how we can work together to ensure our vibrant mining sector continues to grow and thrive.
- Thank you. Please feel free to ask questions.