

ONTARIO MINING: A MADE-IN-ONTARIO SUCCESS STORY

ECONOMIC CONTRIBUTION STUDY

MARCH 2009



Accounting Professional Corporation
Chartered Accountants 248 Withrow Ave
Toronto, Ontario
M4K 1E4

With the assistance and co-operation of the Ontario Ministry of Northern Development and Mines

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EXECUTIVE SUMMARY

This report discusses the contribution of the mining industry to the overall Ontario economy. It interprets statistics gathered from Ontario Mining Association (OMA) member companies for 2006 and 2007 as well as from other sources such as Statistics Canada, Industry Canada, National Resources Canada, the Toronto Stock Exchange (TSX Group), the Mines and Aggregates Safety and Health Association (MASHA) and the Ontario Ministry of Finance.

The data tells a story. Mining is a relatively small industry in Canada, the smallest for which Statistics Canada keeps separate economic and employment data. However, it ranks fifth in Ontario (out of 18 sectors) in labour productivity (\$GDP per labour hour – see Chart 21). In 2007, each employee in the Ontario mining industry produced, on average, more than \$666,000 of mineral output, up 66% since 1999 (an almost 12% compounded annual growth rate – see Chart 19). Mining pays well: Its average weekly earnings are the highest in Canada, and also in Ontario, when mine services companies, to which many mining companies have turned for highly experienced and skilled contractors, are included (Table 4).

Ontario mines created over 2,700 new jobs in 2007, and employment has risen since 2004 by approximately 20%. This includes the growing employment in mine services companies. See Chart 12, and Chapter 2 generally, for details. Recently, some of this increase in employment has reversed as companies react to a harsher economic environment.

Mining in Ontario had been highly profitable up until the summer of 2008, owing to generally higher commodity prices. In 2007, the Ontario industry posted more than \$3.9 billion in earnings before taxes (Appendix 1). The Ontario industry achieved an average 37% pre-tax return on equity over the four years 2004 – 2007 (Chart 11). The industry contributed beyond its size in provincial tax revenues and generated a large trade surplus (Chapter 3). But the economic downturn in 2008 has hit the mining industry quite hard. Stock market capitalization dropped almost 50% (Chart 9), and world commodity prices (other than gold) have fallen over 50% since 2007 (Chart 4). As miners do not control these prices, they must be low-cost producers to survive.

Furthermore, capital investment is very high and must be done up-front, before production revenues are available. Ontario mining companies invested \$2.7 billion in 2007 in research, exploration, mine construction and equipment, up 58% from 2004 levels (Table 3). This high investment level indicates that mining foresees a strong economic future for Ontario.

Ontario's mining industry is a productivity powerhouse. It is a modern, high-tech, solution-providing industry that delivers benefits to all parts of Ontario that far outweigh the size of the industry relative to many others. It is an industry that was made in Ontario and still believes in Ontario.

INTRODUCTION

This study was commissioned by the Ontario Mining Association to provide interested parties with relevant and current economic information about the contribution of mining to the Ontario economy. Its aim is to provide answers, with the supporting numbers, to the “who, what, where, when, how and why” questions often asked about the industry.

Data was collected from many sources, including Statistics Canada, the Ontario Mines and Aggregates Safety and Health Association (MASHA), and from a confidential questionnaire completed by OMA member companies. Additional data was obtained from public company web sites, Industry Canada, Natural Resources Canada and the TSX Group. Most data sources are current to 2007, and some 2008 data has been obtained to refresh the results in light of recent economic conditions. All figures are in Canadian dollars (C\$), unless otherwise indicated.

The information was analyzed along three major themes, each of which is discussed in detail in the chapters that follow:

- General trends (What, when and where mining is carried out in Ontario)
- Employment & productivity (Who is involved in the industry)
- GDP & taxes (How the industry is performing and why it matters to Ontario)

From this analysis can be seen the challenges faced by the industry and its outlook for the future in Ontario.

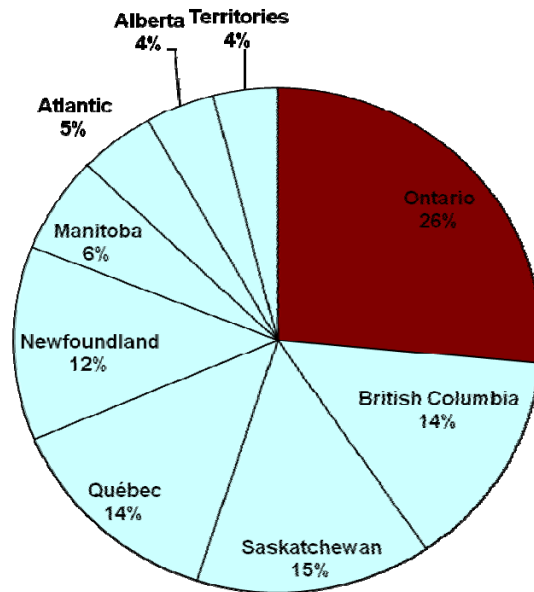
CHAPTER 1

What, When and Where – General Economic Trends in the Ontario Mining Industry

Mining has a long history in Ontario. Museum artifacts indicate that Aboriginals conducted mining activity in Ontario more than 11,000 years ago. Modern mining dates from the 1866 Madoc gold rush to the vast Sudbury Basin nickel deposits that were discovered during the building of the Canadian Pacific Railway in the 1880s. Now, Ontario is also a producer of gem quality diamonds near Attawapiskat. Ontario has a vast mineral endowment, embedded in the Canadian Shield and also in sedimentary deposits around the Great Lakes, including the world's largest underground salt mine. Today, as a province, Ontario is the largest single producer of most metallic and non-metallic minerals in the nation, producing 26% of Canada's total minerals by value in 2007 (Chart 1).

Over two-thirds of this production value is in nickel, gold, and copper (Table 1). But almost one-quarter is quarried material used in construction, such as sand and gravel, cement, lime and clay products, as well as decorative stone (Chart 2).

Chart 1: Canadian Mineral Production (2007 Share by Province)



Source: NRCAN Statistics Online [<http://mmsd.mms.nrcan.gc.ca/stat-atat/prod-prod/2007p-eng.aspx>]

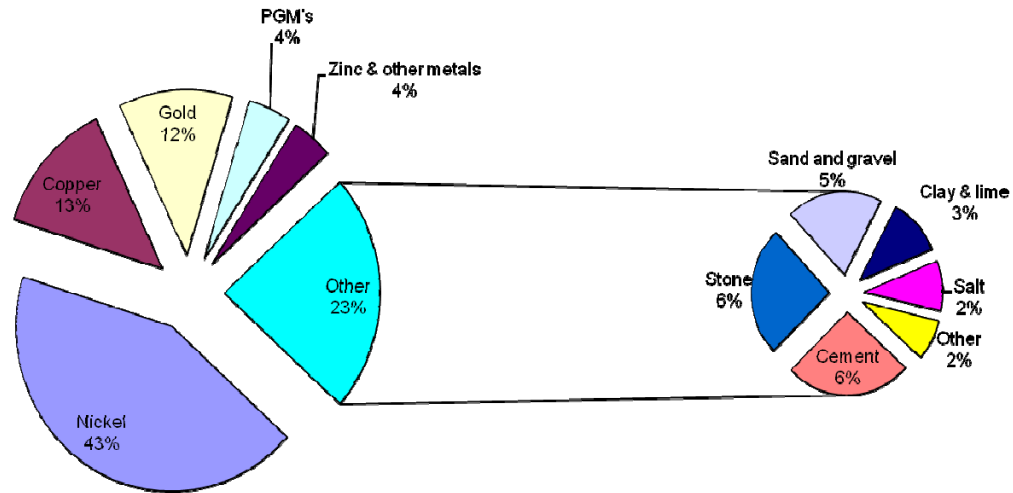
Table 1: 2007 Value of Minerals Produced in Ontario

<i>(\$millions)</i>	2007	Canadian Total	% of Canadian Total	Canadian Ranking
Metals				
Nickel	4,606	9,902	47%	1
Copper	1,403	4,533	31%	2
Gold	1,258	2,377	53%	1
Platinum Group (PGM's) & other	465	543	86%	1
Zinc	300	2,088	14%	4
Cobalt	89	223	40%	1
Silver	61	381	16%	4
Iron Ore, Uranium & other metals	0	6,298	0%	
Total Metals	8,182	26,345	31%	1
Salt	244	427	57%	1
Structural Materials				
Cement	650	1,802	36%	1
Sand and Gravel	629	1,333	47%	1
Stone	490	1,317	37%	1
Lime & Clay products	280	483	58%	1
Total Structural Materials	2,049	4,935	42%	1
Other Non-Metals¹	200	8,668	2%	7
Total Minerals	10,675	40,375	26%	1

Source: NRCAN Statistics Online (http://mmsd1.mms.nrcan.gc.ca/mmsd/production/production_e.asp)

¹ Other provinces produce coal and potash, the absence of which in Ontario accounts for its low ranking in this category.

**Chart 2: What Gets Mined in Ontario
(2007 Estimated Production Value)**



Source: NRCAN Statistics Online [<http://mmsd.mms.nrcan.gc.ca/stat-stat/prod-prod/2007p-eng.aspx>]

Perhaps most importantly, this diversity of production is spread all over the province. Although the mines themselves are mostly in Northern Ontario, sometimes in remote locations, many cities around the province host offices and technical service facilities, not to mention employee homes. By a variety of measures, more than half the mining activity in Ontario occurs in the Sudbury Basin, with the remainder spread more or less equally over the northeast, northwest and southern Ontario regions (Table 2 and Charts 3A, 3B & 3C). This trend has persisted for many years.

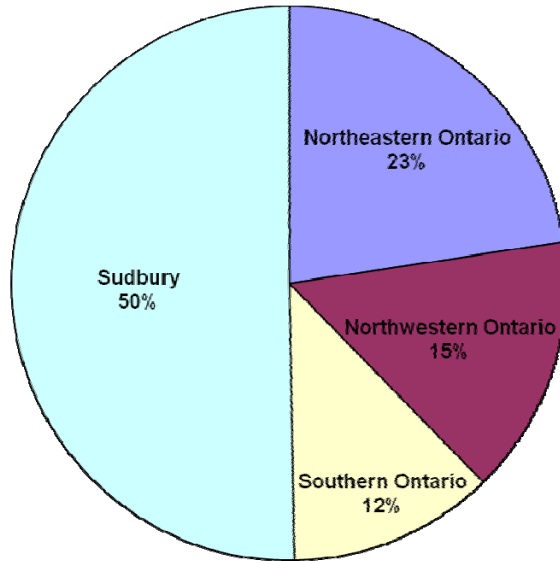
Table 2: Where the Ontario Mines Are

	# Employees	Payroll (\$ millions)	Property Taxes (\$ millions)
Northeastern Ontario	2,933	152	10
Northwestern Ontario	1,958	142	4
Southern Ontario ²	1,556	177	1
Sudbury Basin	6,522	690	19
	12,967	1,161	34

Source: 2008 Industry Questionnaire (figures are 2006-2007 averages)

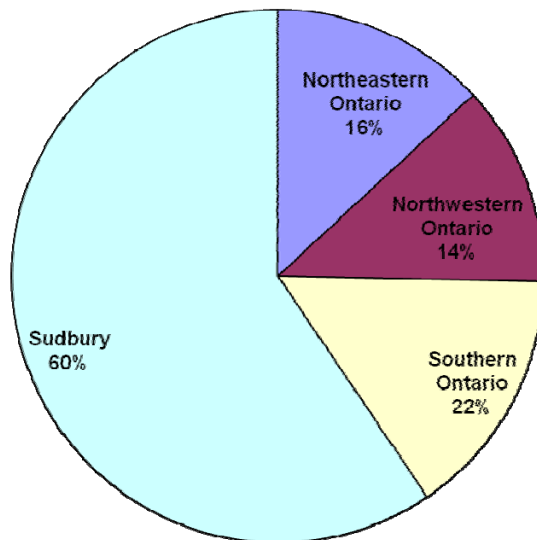
² The lower property tax percentage for southern Ontario reflects the fact that, included in this statistic are the corporate offices of many publicly traded mining companies, the property tax for which is generally buried in the rent they pay (and thus not counted in the statistics).

**Chart 3A: Where are the Ontario Mines
(Average 2006-2007 # Employees)**



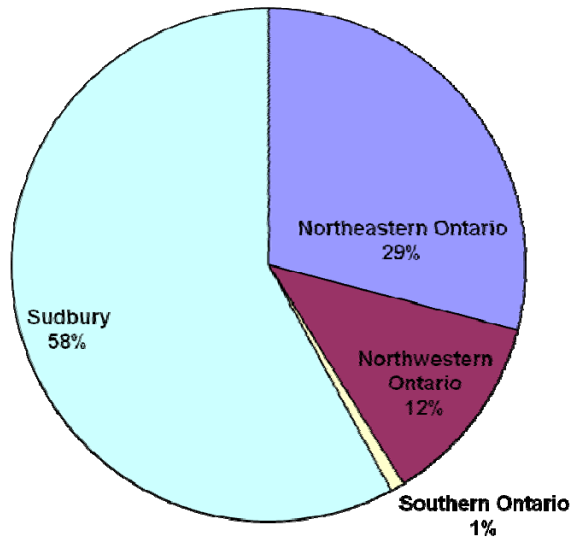
Source: 2008 Industry Questionnaire

**Chart 3B: Where are the Ontario Mines
(\$ Payroll – 2006-2007 Average)**



Source: 2008 Industry Questionnaire

**Chart 3C: Where are the Ontario Mines
(2007 \$ Property Taxes)**



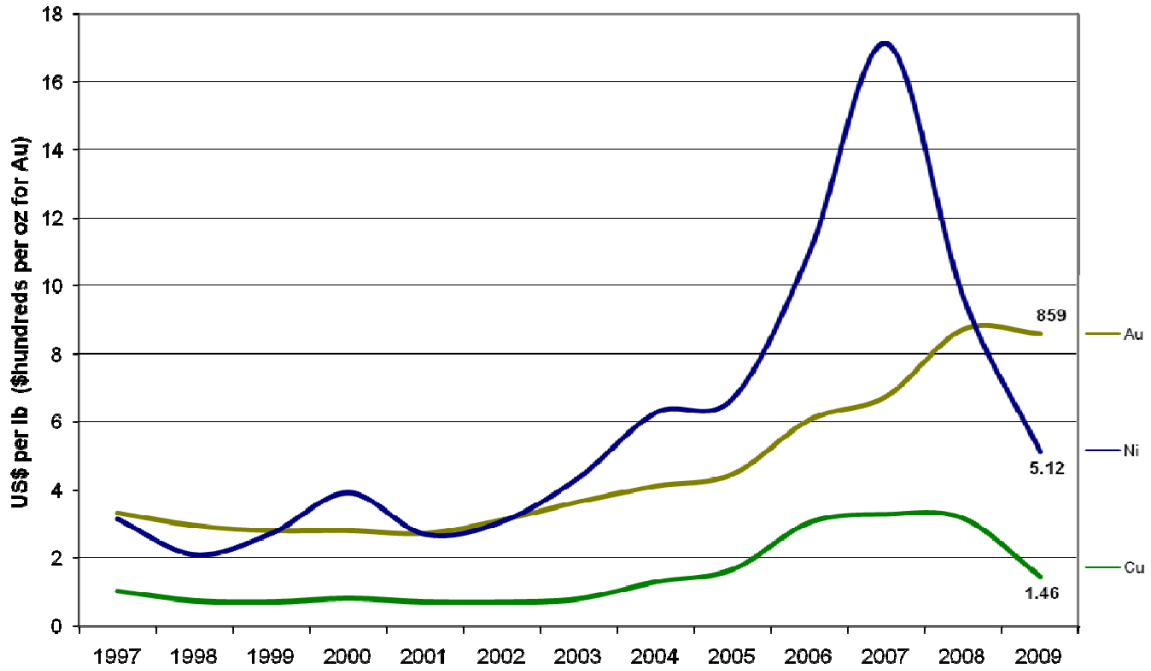
Sources: 2008 Industry Questionnaire

Also noteworthy is the fact that the industry's aggregate payroll is almost \$1.2 billion and that it pays over \$34 million per year in local property taxes to Ontario municipalities. However, these aspects are discussed in more detail in Chapters 2 and 3, respectively.

The mining industry enjoyed rising prices for many of its commodities from 2002 to 2007 (Chart 4A). Although most commodities are priced with reference to the US dollar, the prices are also higher in Canadian dollars (Chart 4B). The plunge in prices in 2008 was softened somewhat by the concurrent drop in the value of the Canadian dollar.

These cyclicalities are common in mining, which, like the oil and gas industry, is not able to set an independent "made in Canada" price for its output. Prices are set in an international market, reflecting global supply and demand. Selling price fluctuations are perhaps the single largest source of economic risk in the industry. This volatility is also reflected in the total value of Ontario mineral production over the past 30 years (Chart 5). Clearly, the recent upswing has come after 10 years of flat or declining production since the last peak (1989).

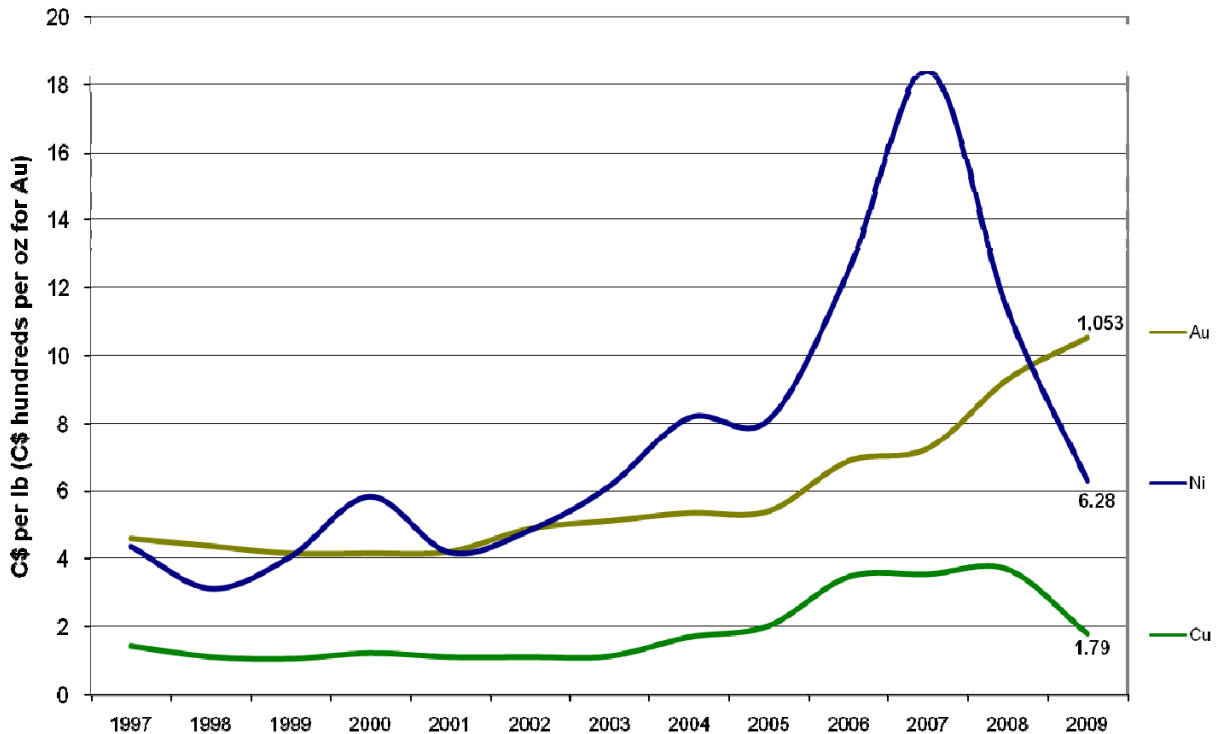
**Chart 4A: US Dollar Commodity Prices
For Ontario's Principal Metals (Annual Averages)**



Sources: US Geological Service and London Metals Exchange

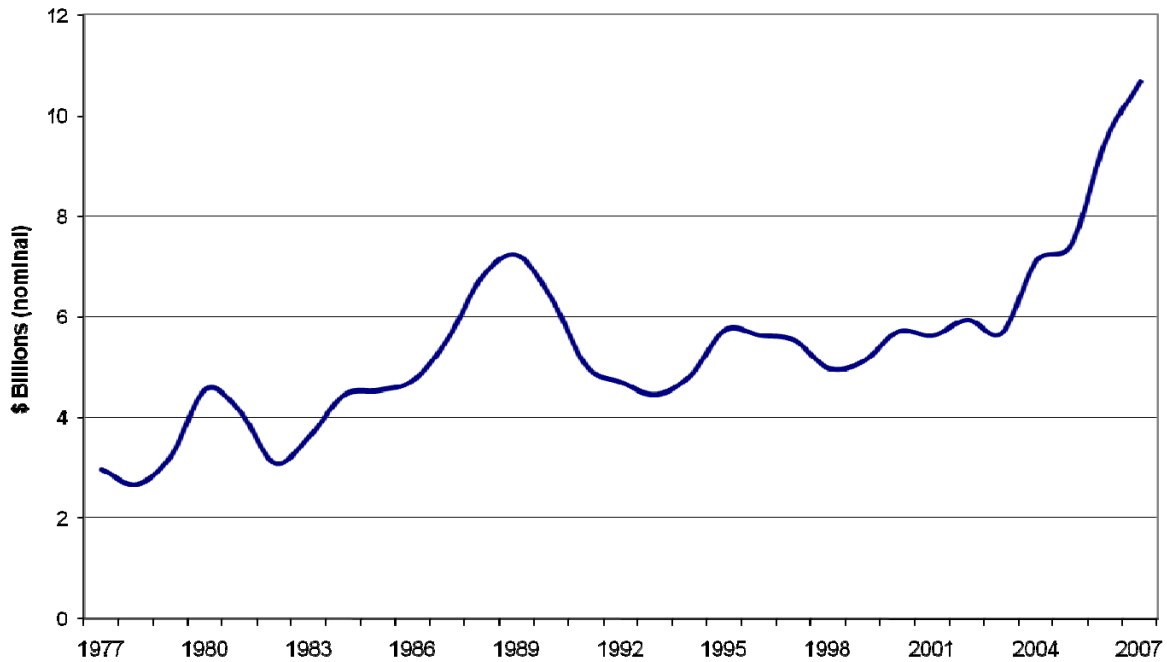
Note – 2009 figures are January averages only.

**Chart 4B: C\$ Commodity Price
For Ontario's Principal Metals**



Sources: <http://www.usagold.com>, London Metals Exchange, and Bank of Canada

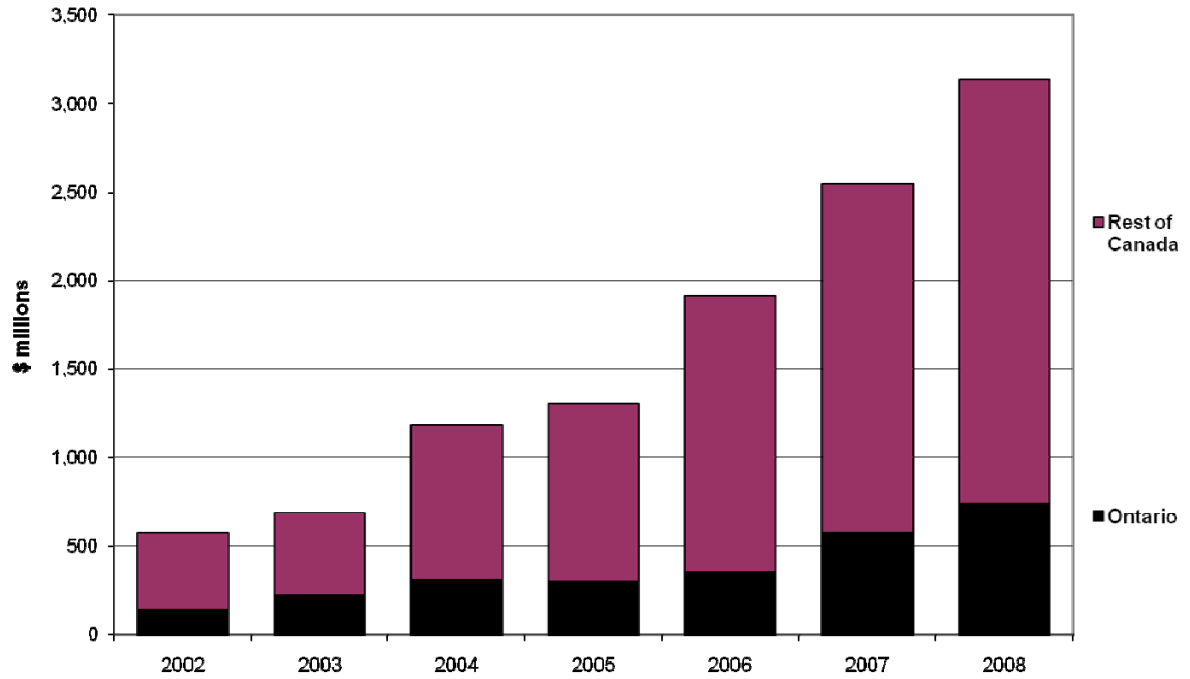
**Chart 5: Ontario Mineral Production
(30 Years)**



Source: http://mmsd1.mms.nrcan.gc.ca/mmsd/production/production_e.asp (2007 data is estimated)

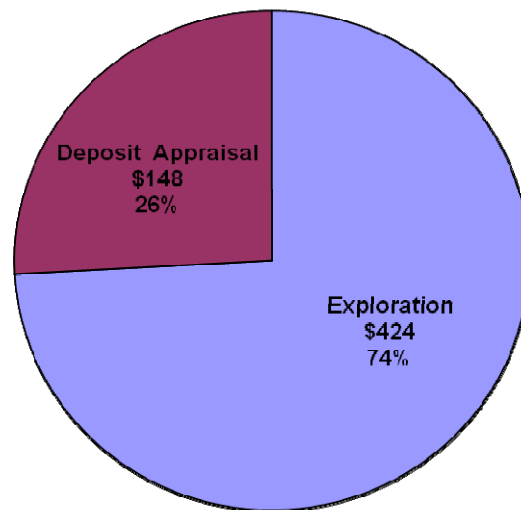
The recent higher price environment produced a surge in exploration activity in Ontario, which has quadrupled since 2002, and almost doubled since 2004 (Chart 6A). As with mineral production, Ontario ranks first in Canada as a destination for mineral exploration, with a 2007 total of \$572 million (out of \$2.5 billion for all of Canada). This shows the industry's faith in the geological potential of Ontario and bodes well for the future of the mining industry in the province.

Chart 6A: Ontario Exploration Spending



Source: NRCAN <http://mmsd.mms.nrcan.gc.ca/stat-stat/expl-expl/5-eng.asp> (2008 is company spending intentions)

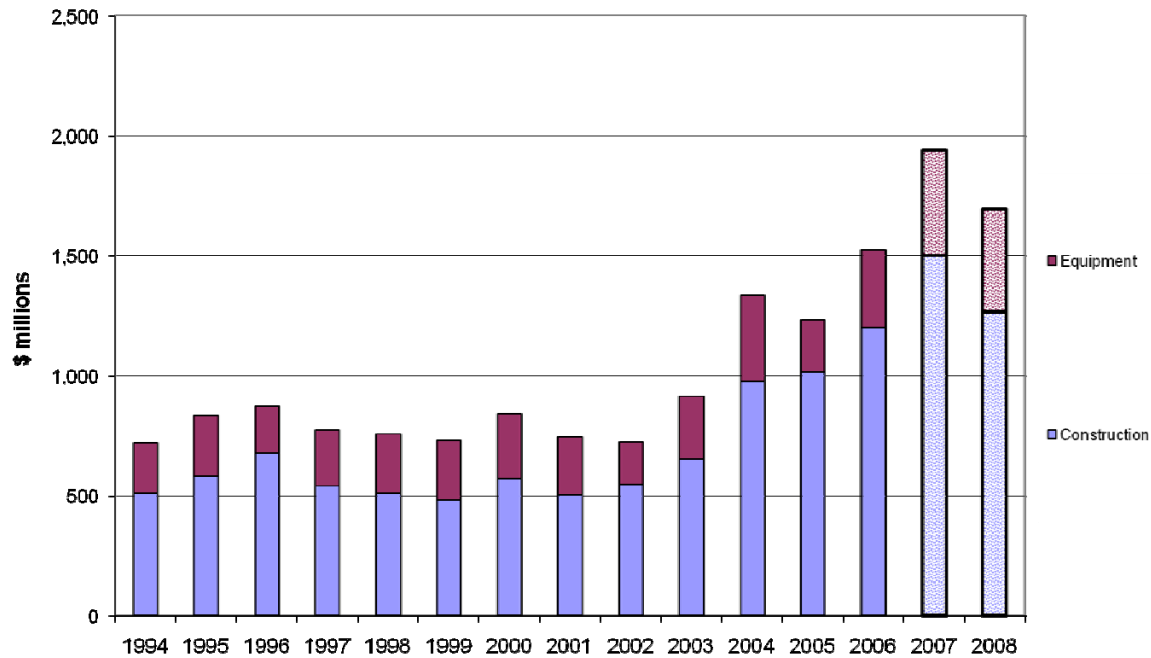
Chart 6B: Ontario Exploration Breakdown (\$ Millions/Year In 2007)



Source: NRCAN <http://mmsd.mms.nrcan.gc.ca/stat-stat/expl-expl/5-eng.asp>

Another critical economic characteristic of mining is the need for up-front capital investment, typically before any project revenues. Not only exploration, but also mine development, construction, plant and equipment costs must all be incurred before any substantive mineral output can be produced. After being relatively stable for a decade, the annual investment in mine construction and equipment in Ontario has more than doubled since 2002, from \$723 million to \$1,944 million in 2007 (Chart 7).

Chart 7: Capital Expenditures - Mining (Ontario)



Source: Statistics Canada CANSIM #029-0005; 2007 & 2008 data are estimates

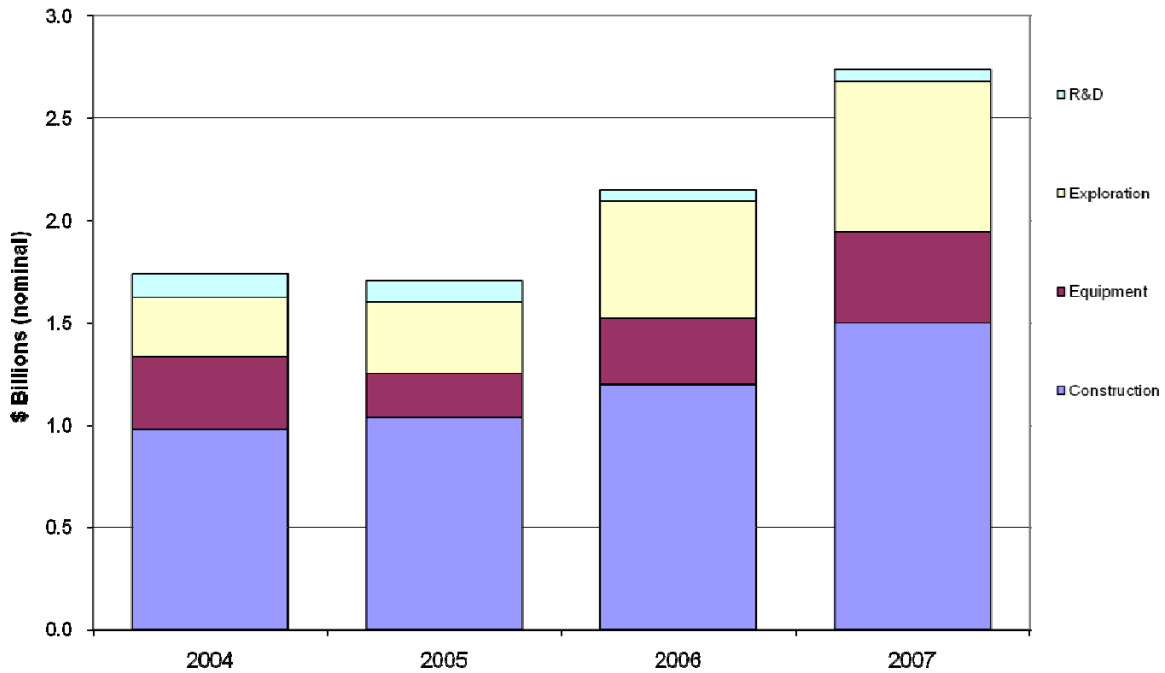
Total capital investment in Ontario mining, including research, exploration, construction and equipment, was over \$2.7 billion in 2007 (Table 3), an increase of 58% from 2004 (Chart 8), and has tripled since 2002. To some extent, this reflects higher prices for these mine inputs, which are in high demand around the world and for which shortages have been reported. But in general, this increase reflects renewed interest in mining in Ontario, including the re-commissioning of old mines as well as new “greenfields” projects.

Table 3: Capital Investment by the Ontario Mining Industry

(\$ millions)	2004	2005	2006	2007
Construction	977	1,035	1,200	1,500
Equipment	356	219	323	444
Exploration	307	321	572	737
R&D	108	109	55	58
Total capital investment	1,748	1,684	2,149	2,739

Sources: see Chart 8

**Chart 8: Total Capital Investment
(Ontario Mining Industry)**

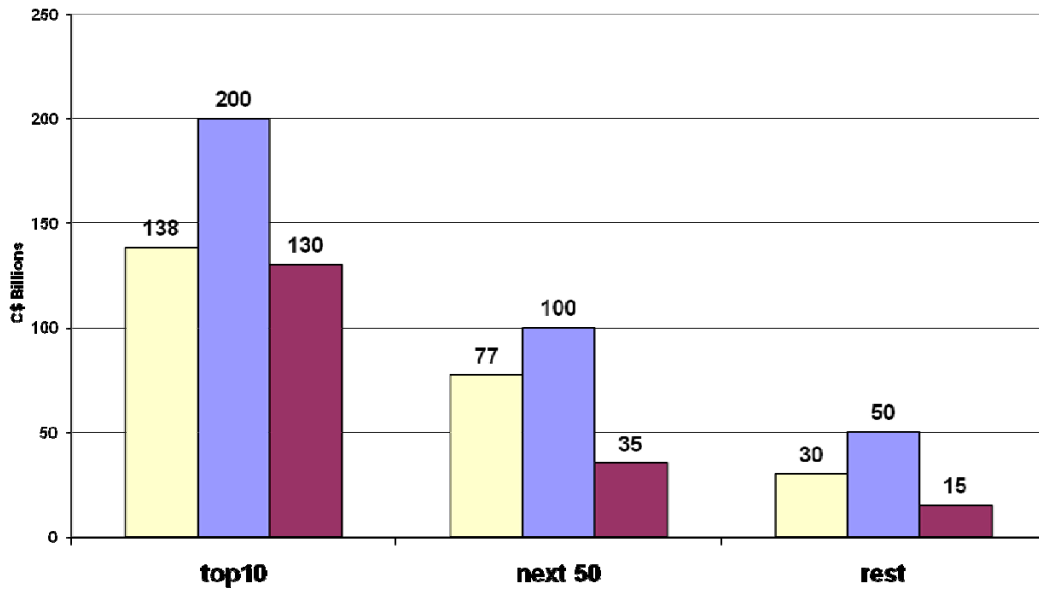


Sources: 2008 Industry Questionnaire, Statistics Canada CANSIM #029-0005 & NRCAN <http://mmd.mme.nrcan.gc.ca/stat-stat/expl-expl/5-eng.as>

Because of commodity price risks and the up-front nature of the capital investment, most mining companies are not typically able to borrow the substantial sums necessary to finance new projects. This is increasingly the case since the onset of the 2008 “credit crunch” that has resulted in very little debt financing being made available to the mining industry. This capital has to be raised in the equity markets. Toronto is the world’s largest mining finance centre and most of the capital for new mining projects in Ontario is raised through equity offerings on the Toronto Stock Exchange (TSX). The market capitalization of TSX-listed mining companies grew rapidly during 2003 – 2007, reaching \$350 billion in March 2008, before collapsing by almost 50% (to \$180 billion) in late 2008 (Chart 9). The aggregate TSX mining issuer market capitalization is still many times higher than in 2002, when it was just \$37 billion.

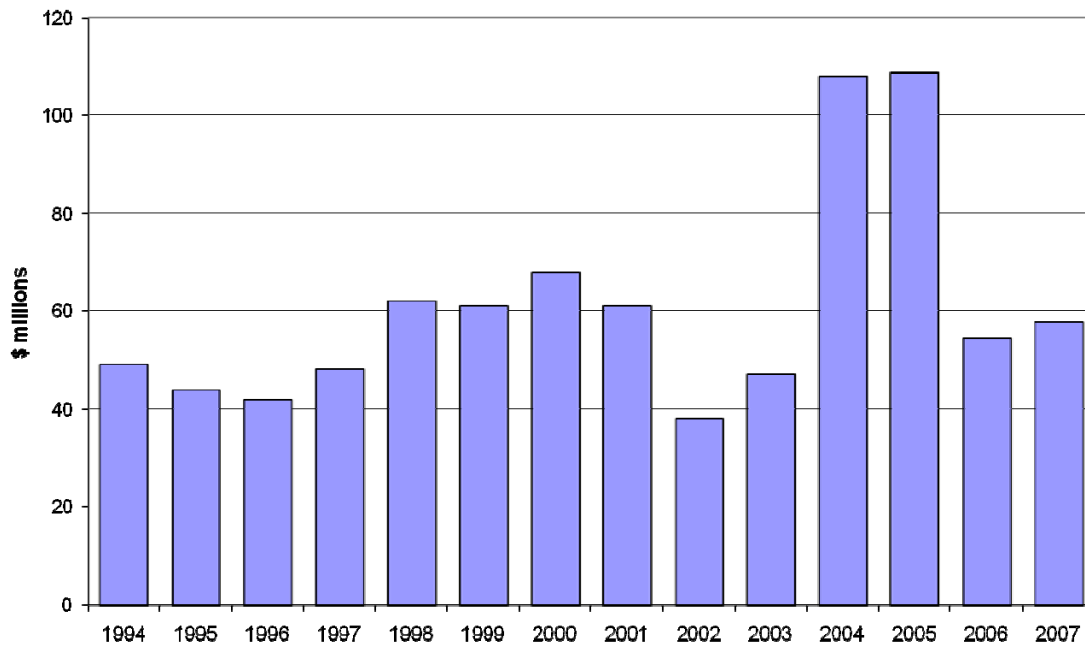
Since mineral producers cannot set their own prices, once in production the goal is to be the lowest cost producer, through high productivity and minimal overhead. During cyclical downturns in commodity prices, many producers are forced to make significant cost reductions, in order to keep the mines operating. Although this often involves job losses, another result is innovative new methods for production, and migration to new technologies that increase output per employee. Much of the research and development, and mine financing, is done in southern Ontario, again illustrating that the mining industry is truly province-wide in its economic impact.

**Chart 9: TSX Market Capitalization
June 2006 - March 2008 - November 2008**



Source: TSX Group

Chart 10: R&D Spending by the Ontario Mining Industry



Sources: 2008 Industry Questionnaire & 2004 OMA Report: "The Economic & Fiscal Contribution of the Mining Industry in Ontario"

Research and development spending was \$58 million in 2007. While this is below the peak levels seen in 2004-2005, it perpetuates the upward trend since 2002, when spending was just \$38 million (Chart 10).

The current financial position of the Ontario mining industry is presented in the combined financial statements (Appendix 1) compiled from the responses to the confidential members' questionnaire. Noteworthy is the net increase in total assets of almost \$9 billion in 2007 and the high return on investment for both 2006 and 2007 (Chart 11). The industry has gone from a break-even position in 2003 to record pre-tax income in 2007. Income tax expense was not included in the income statement since questionnaire responses in most cases did not include corporate-level costs such as income taxes.³

Chart 11: Financial Performance (Ontario Mines)



Sources: 2008 Industry Questionnaire and 2004 OMA Report: "The Economic and Fiscal Contribution of the Ontario Mining Industry in Ontario" (see also Appendix 1)

³ Balance sheet deferred taxes as shown may also be incomplete.

CHAPTER 2

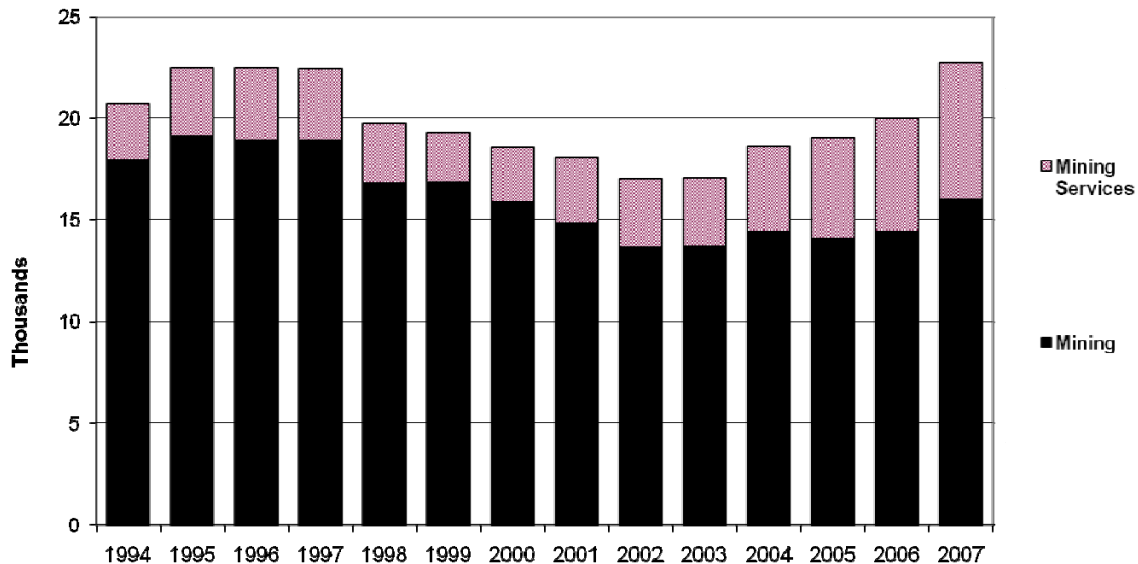
Who is Involved in Mining – Employment & Productivity Trends

Mining in Ontario employs over 16,000 individuals directly, and mine service companies employ a further 6,000. However, mining is the smallest industry for which employment statistics are kept at the national level and its employment levels have only recently increased after years of decline. As discussed in Chapter 1, the cyclical nature of mining often leads to layoffs during periods of low commodity prices. However, Ontario has maintained its share of Canada-wide mining employment (~30%) throughout the period 1994 – 2007.

A noteworthy trend is the increase in mine services employment (Chart 12). This includes contract miners as well as drilling companies and other consultants not directly employed by mineral producers. Their numbers have almost tripled since 1999, indicating the outsourcing of specialized mining jobs. Employers across Canada have seen efficiencies from outsourcing certain skilled positions and this national trend has clearly been embraced by the mining industry.

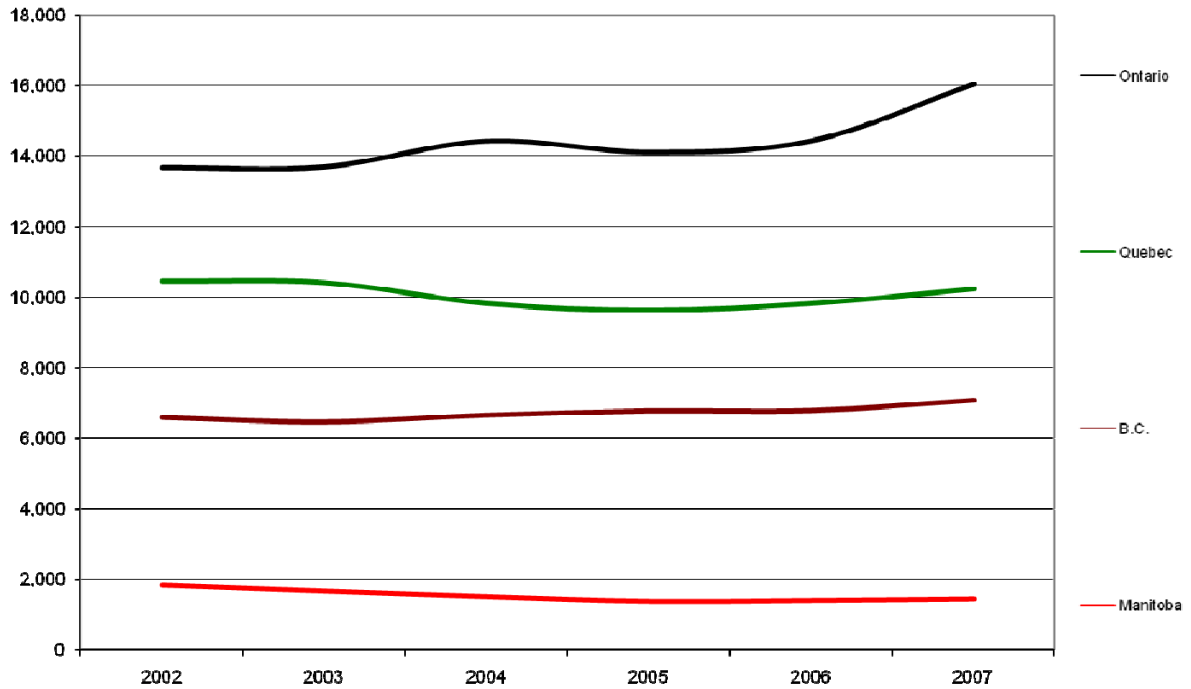
Ontario has outpaced other mining-rich provinces (such as Quebec, Manitoba and British Columbia) in increasing direct mining employment since 2002 (Chart 13). British Columbia recently caught up to, and, in fact, now slightly exceeds, Ontario in employment in the mine services sector (Chart 14). However, Ontario is still well ahead of the other provinces in combined (industry-wide) employment.

Chart 12: Employment in the Ontario Mining Industry

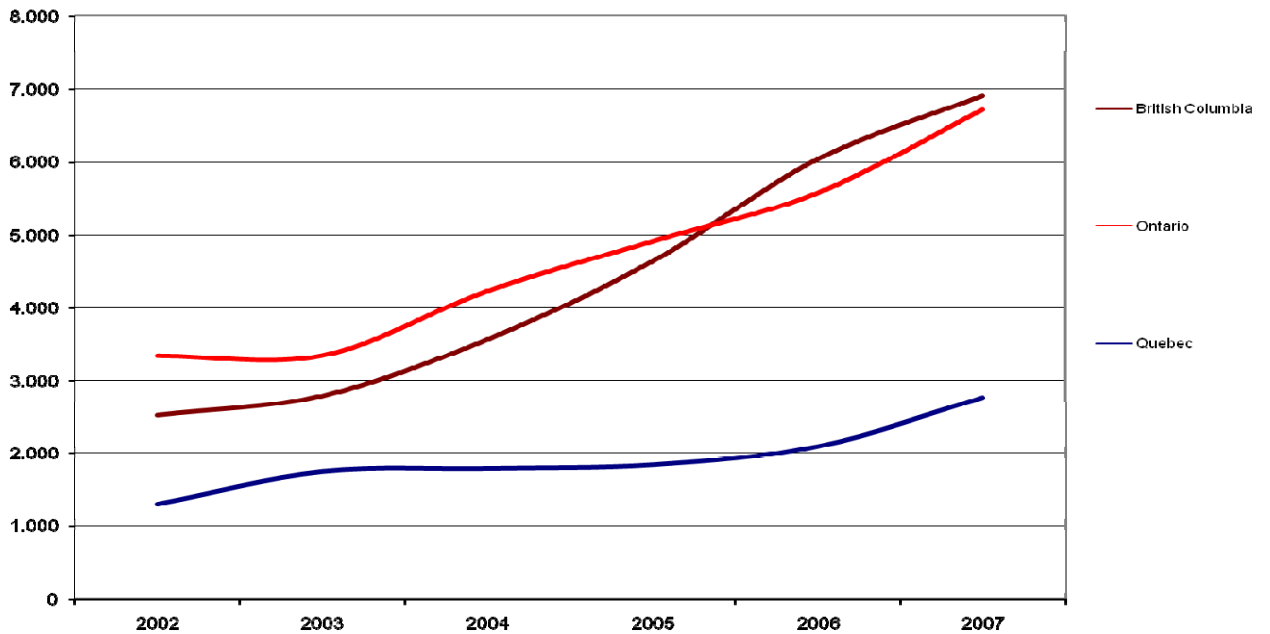


Source: Statistics Canada CANSIM#281-0024

**Chart 13: Mining Employment
Ontario vs. Other Provinces**



**Chart 14: Mining Services Employment
Ontario vs. Other Provinces**



Source: Statistics Canada CAHSIM #281-0724

Jobs in the mining industry have been, and continue to be, among the highest paid of all industries in Ontario (Table 4), approximately 45% above the industry-wide average.⁴ This is especially true of the mine services jobs, reflecting the specialization and training required of such positions. Excluding the mine services jobs, average direct mining wages have actually declined. This reflects the extraction of generally higher-paying mine services jobs from the direct mining workforce (outsourcing). Hence the convergence of wage levels for mining and other resource-based sectors (Chart 15) as well as other major Ontario sectors (Chart 16). Nevertheless, when mine services wages are included in the analysis, the historical premium paid to miners persists both in Ontario (Chart 17) and Canada-wide (Chart 18).

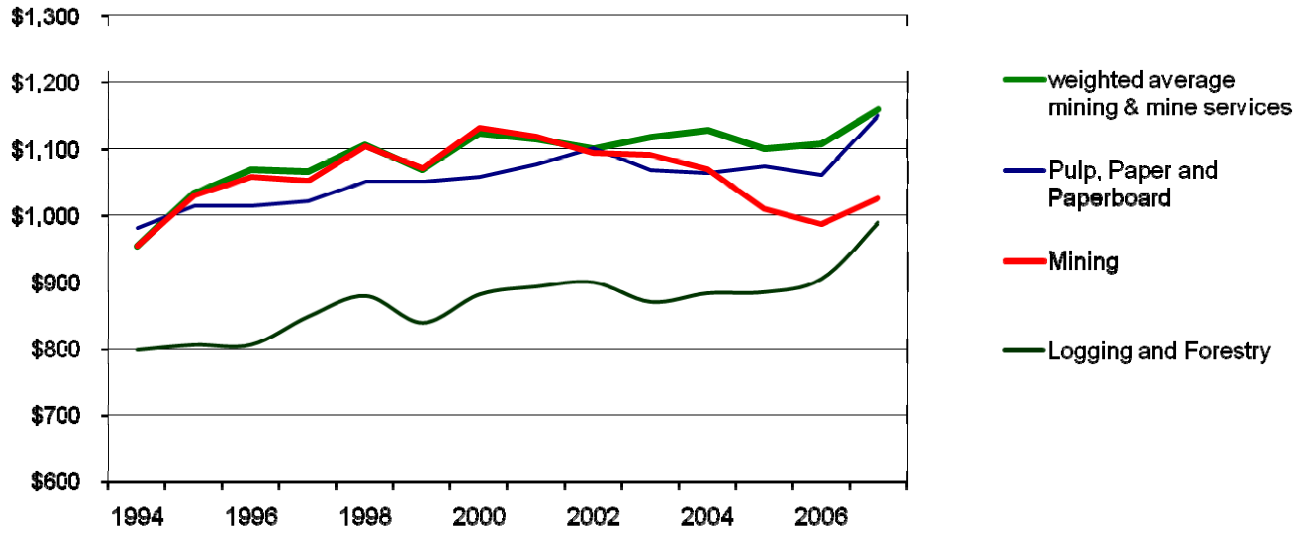
Table 4: 2007 Average Weekly Earnings for Selected Ontario Industries

Sector	Average Weekly Earnings
Services Incidental to Mining	\$1,477
Pulp, Paper and Paperboard	\$1,149
Utilities	\$1,093
Mining	\$1,026
Manufacturing	\$1,006
Logging and Forestry	\$990
Construction	\$940
All Industries	\$803
Service industries	\$751

Source: Statistics Canada CANSIM#281-0027

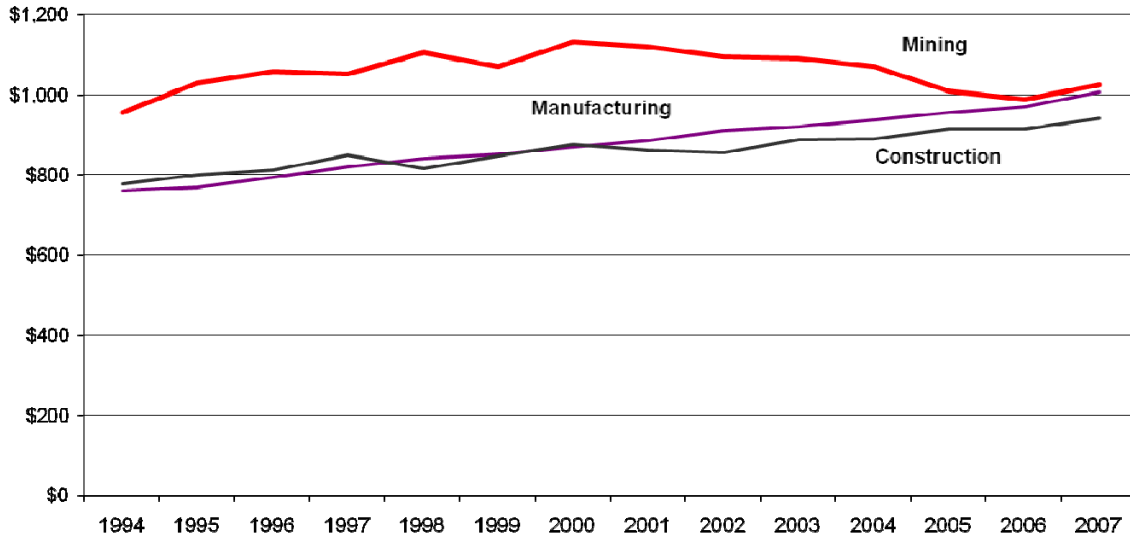
⁴ This combines mining with mining services employees, for a weighted average weekly wage of \$1,159 in 2007.

**Chart 15: Average Weekly Earnings (Ontario)
Mining vs. Other Resources-Based Industries**



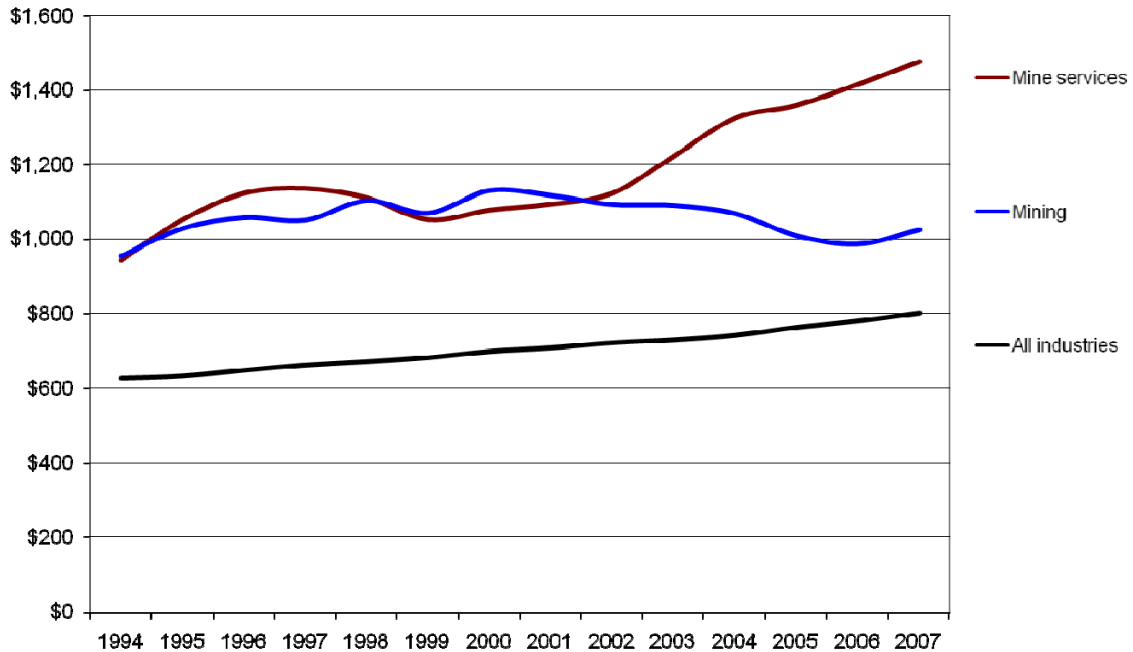
Source: Statistics Canada CANSIM #281-0027

Chart 16: Average Weekly Earnings (Ontario)
Mining vs. Major Ontario Employers



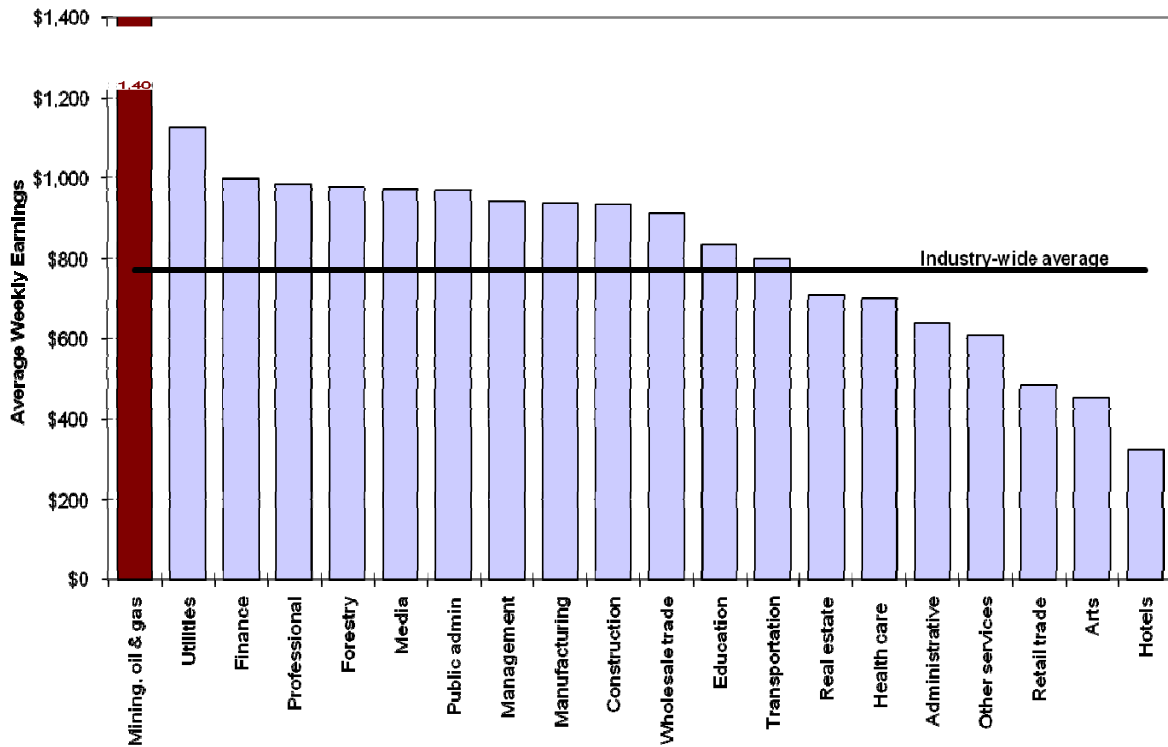
Source: Statistics Canada CANSIM#281-0027

Chart 17: Average Weekly Earnings 1994 - 2007 (Ontario)



Source: Statistics Canada CANSIM#281-0027

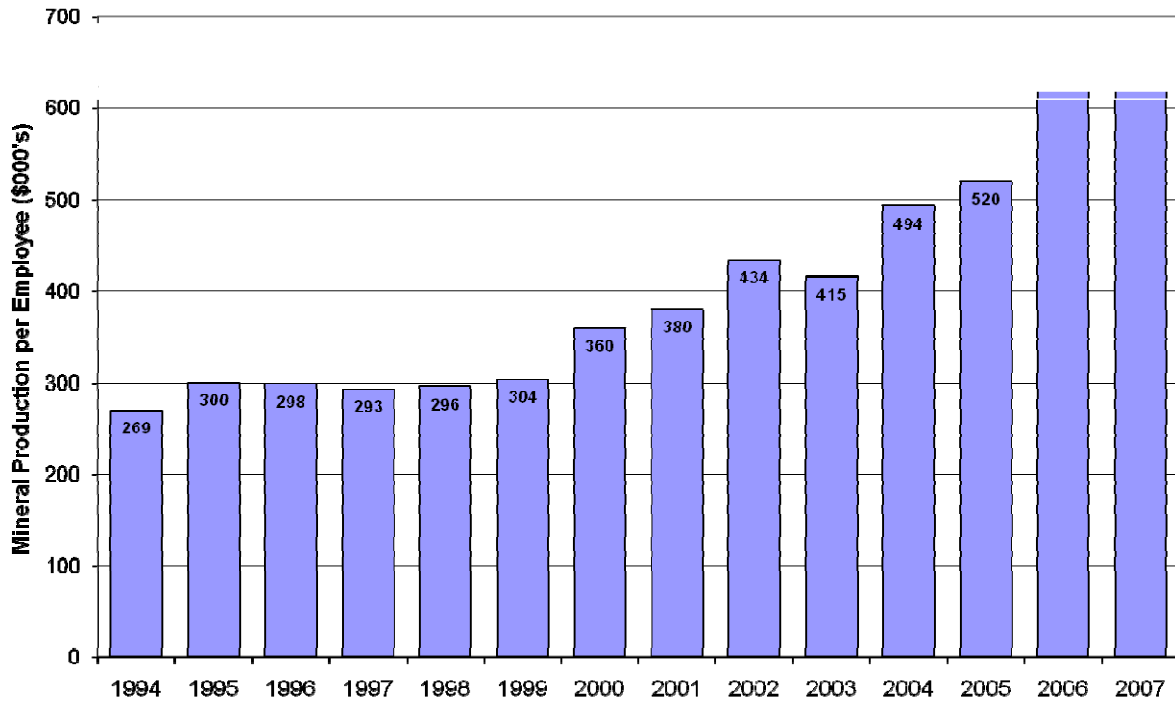
**Chart 18: Which Industry Pays the Most
(2007 Canada-Wide)**



Source: Statistics Canada Online Tables [<http://www40.statcan.ca/01/cst01/labr73a.htm>]

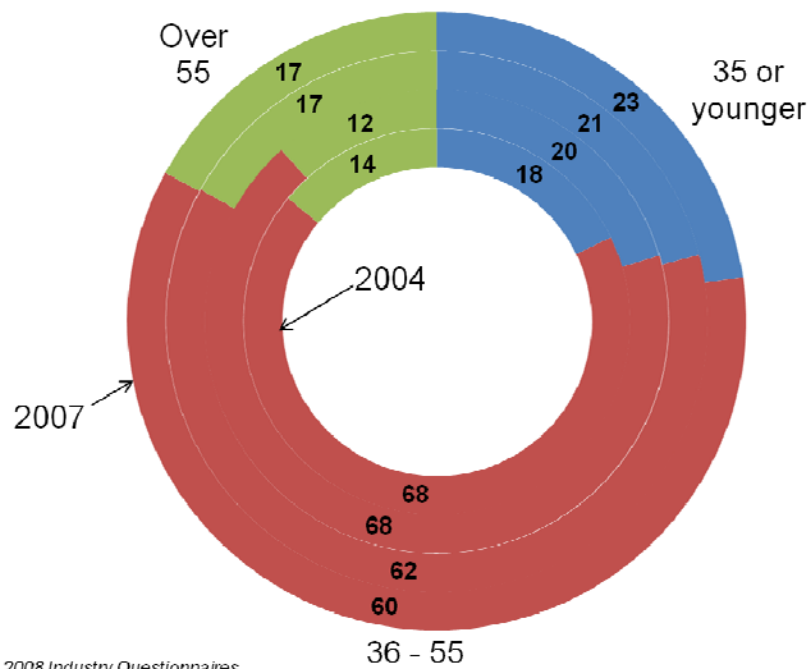
The high wages in mining is consistent with high employee productivity. On average, each mining worker generated over \$660,000 per year in output in 2006 and 2007, which was 27% more than in 2005 (Chart 19). The mining work force averaged \$54 per hour in GDP (2006-2007 average), which, while still almost 30% above the all-industry average of \$41.77 (Chart 21), is nevertheless down significantly from 2005. The difference in the two measures lies in the fact that output and GDP are not equivalent measures. However, there was also a 2007 hiring boom in the industry (Chart 12), and an increasing portion of the workforce is younger (Chart 20). New employees tend to be less productive until they are fully integrated into their workplaces. The mining industry has made investments in research and development of new equipment and processes that allow workers to produce more per hour than ever before. Although the vast majority of mining employees work at the mine site, many are also employed in research labs (Chart 22).

Chart 19: MINING PRODUCTIVITY
Output per Employee



Source: Chart 6 & Table 4

Chart 20: Demographic Profile of Ontario Mines
2004 - 2007



Source: 2006 & 2008 Industry Questionnaires

**Chart 21: Productivity by Industry (Ontario)
2006-07 Average \$GDP/hour**

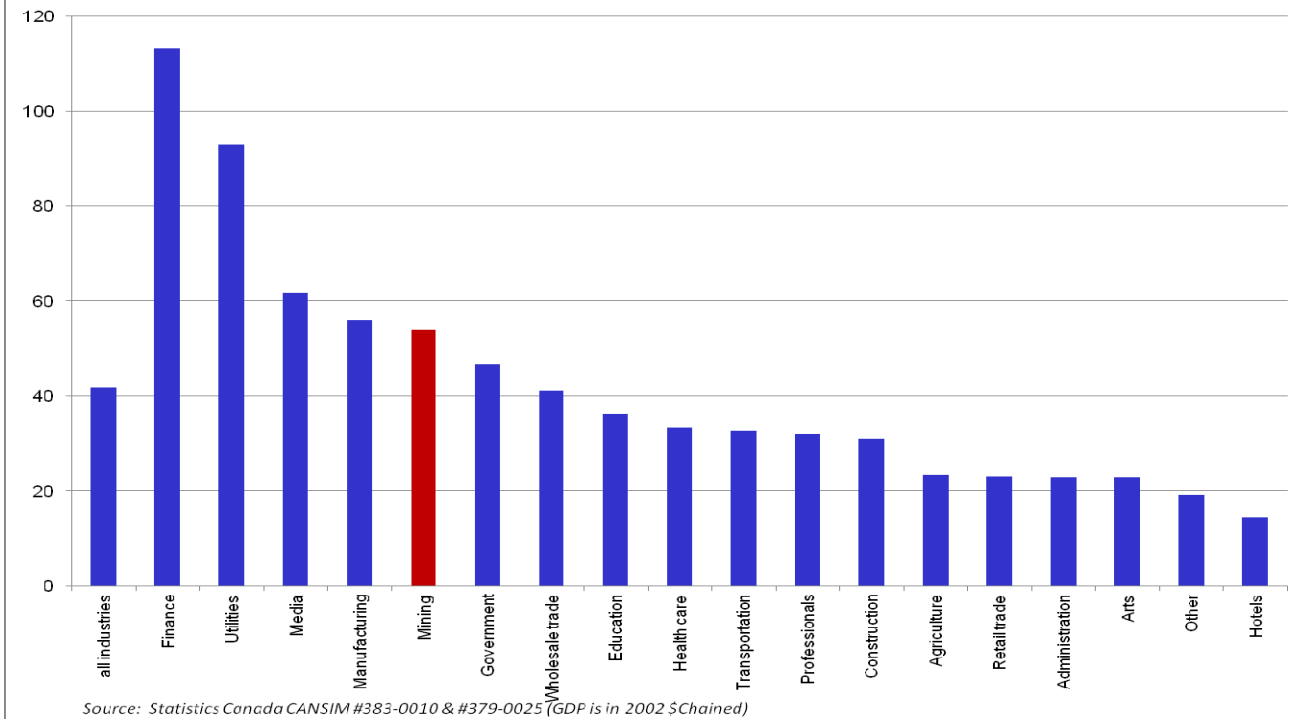
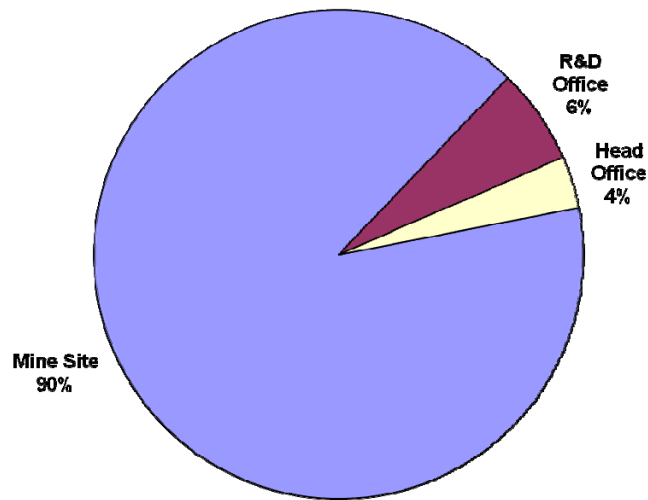


Chart 22: What Types of Jobs are in the Ontario Mining Industry

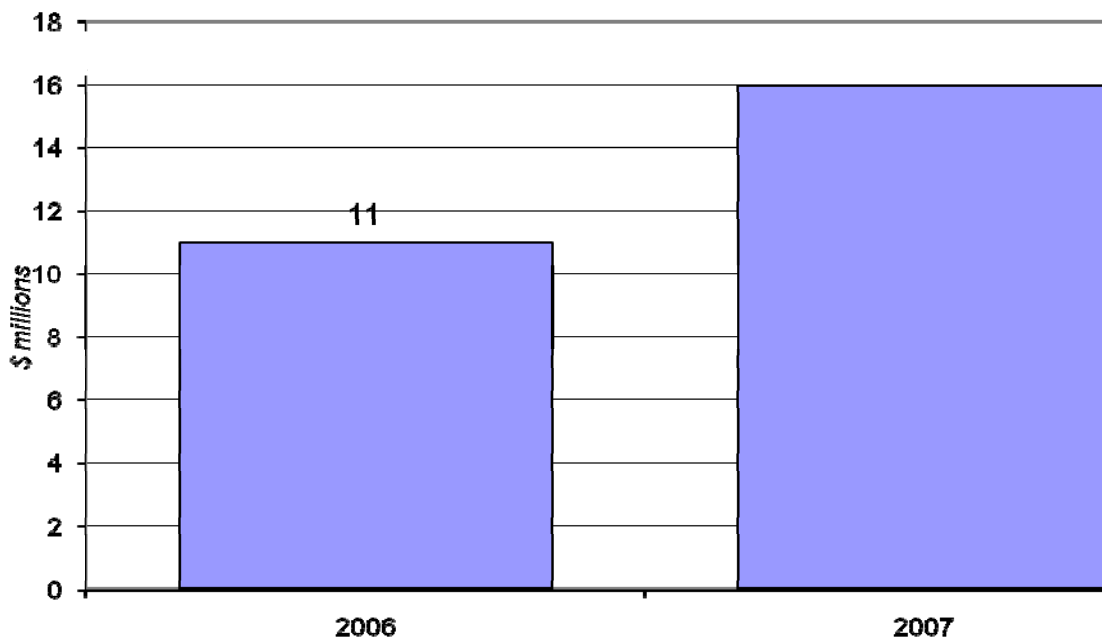


Source: 2008 Industry Questionnaire

Workers are well-trained, both before they start working and throughout their careers. Safety training totals over \$16 million per year industry-wide (Charts 23), and now averages approximately \$1,000 per worker per year (Chart 24). This has led to fewer accidents and lost-time injuries over the past 14 years (Charts 25 & 26). Both these trends help productivity for the industry and show that investments in training pay off for both employers and employees. Safety training has helped reduce both serious (lost-time) and total medical injuries in the mining industry to 0.6 and 7.6 per 200,000 hours, respectively, in 2008. The 0.6 per 200,000 hours worked lost-time injury rate in 2008 represents an 87% improvement from the rate of 4.7 per 200,000 hours worked in 1985.

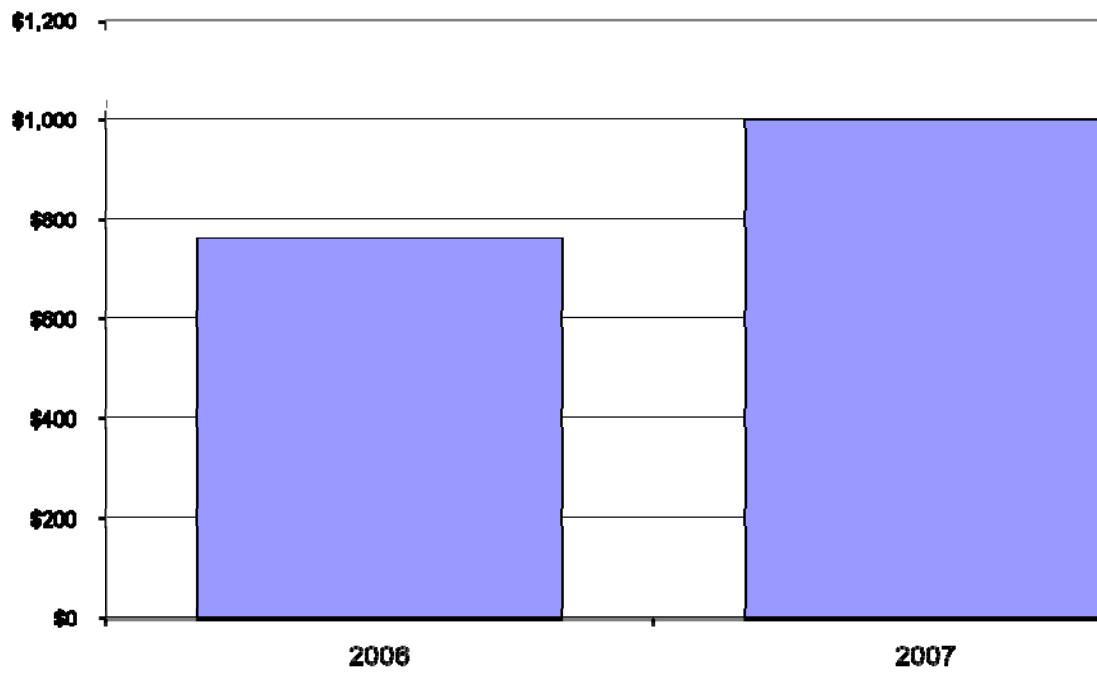
Overall, employees in the Ontario mining industry are safe, highly skilled, highly paid and highly productive.

Chart 23: Safety Training Expenditures by the Ontario Mining Industry



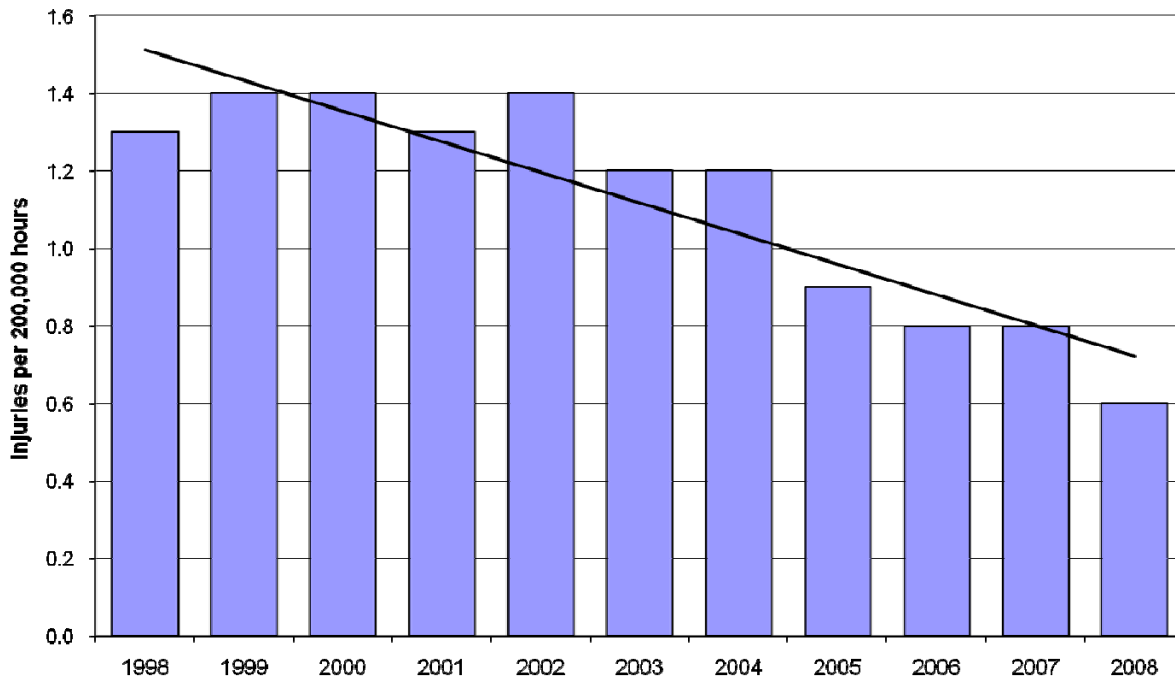
Sources: 2008 Industry Questionnaire

**Chart 24: Safety Training Expenditures by the Ontario Mining Industry
(per Employee)**



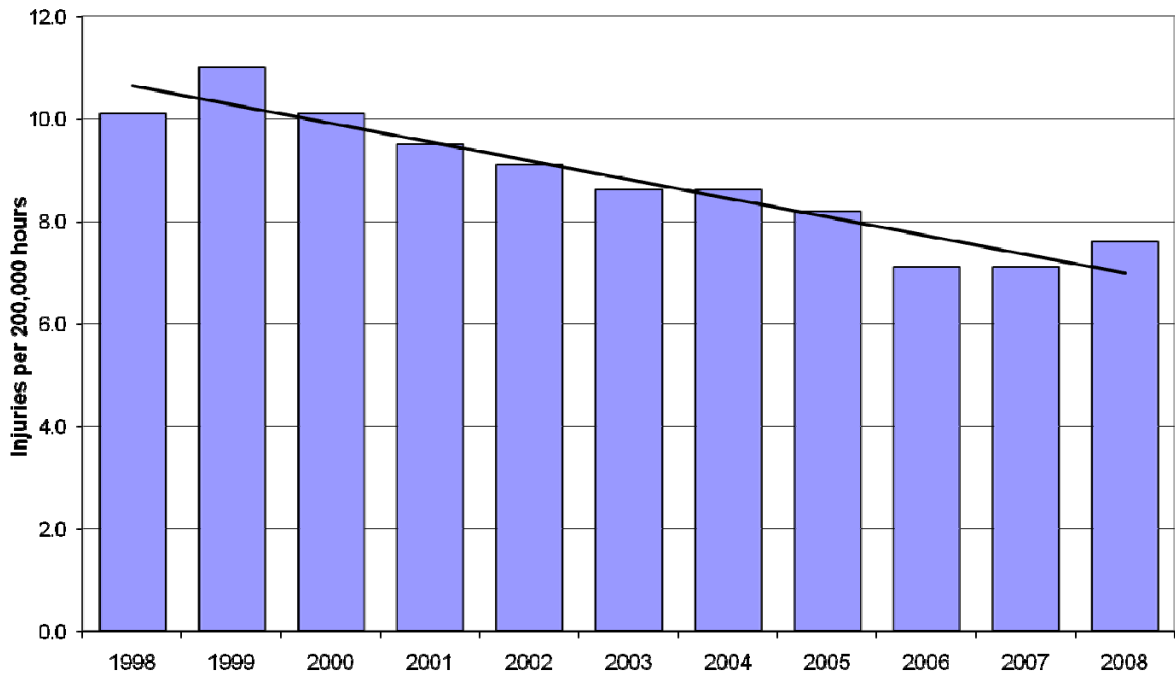
Source: 2008 Industry Questionnaire

Chart 25: Lost-Time Injuries at Ontario Mines



Sources: Mines & Aggregate Safety and Health Administration (MASHA) Database

Chart 26: Total Medical Injuries at Ontario Mines

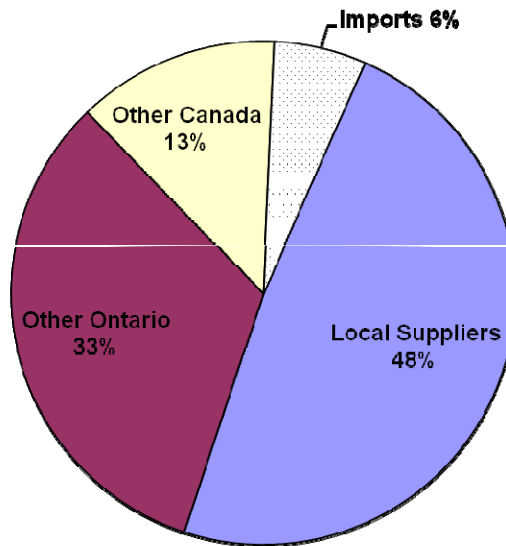


Sources: Mines & Aggregate Safety and Health Administration (MASHA) Database

CHAPTER 3 How and Why Mining Matters to Ontario – GDP & Tax Impacts

As noted earlier, mining takes place all over the province of Ontario (Charts 3A, 3B & 3C on pages 10-11), and it especially affects local communities that are near the mine sites. Many of the economic effects of mining are felt locally. Procurement in general is estimated to be sourced almost 50% from local suppliers (Chart 27), and the total value of goods and services procured within 80 kilometres of mine sites in Ontario has more than quadrupled since 2001 (Chart 28).

Chart 27: Where Ontario Mines Buy Their Supplies

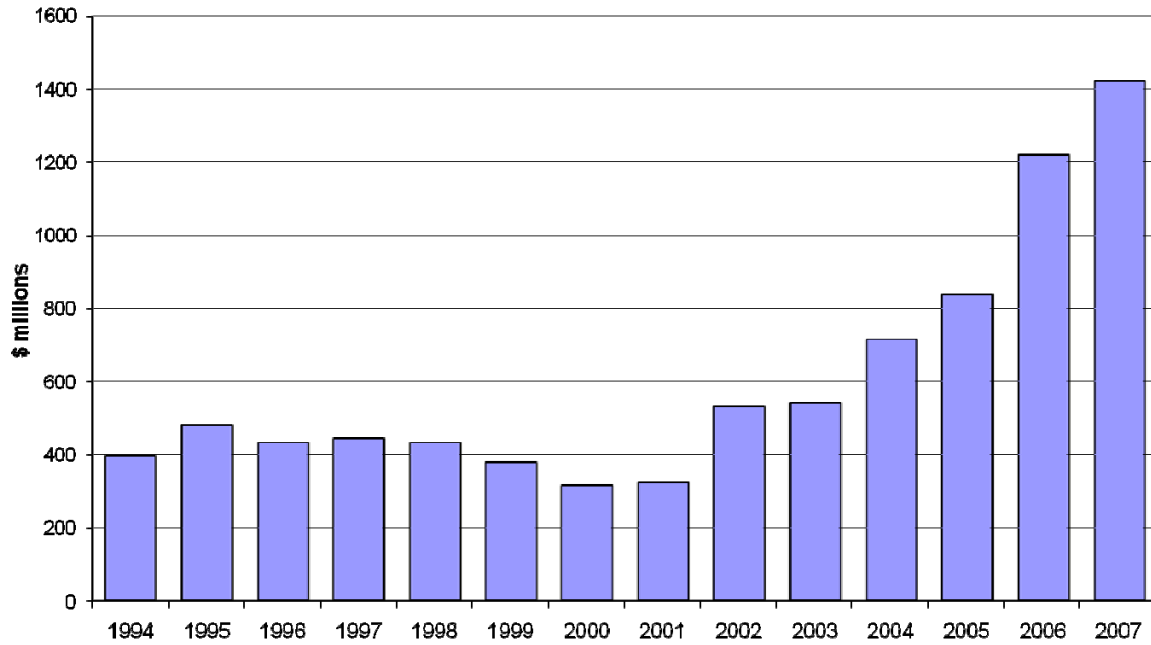


Sources: 2008 Industry Questionnaire

A further 33% of supplies are sourced elsewhere in Ontario, and 13% elsewhere in Canada, so import “leakage” is just 6% for the Ontario mining industry. Essentially, 94% of the (non-labour) operational inputs to the Ontario mining process are Canadian.⁵ When this is combined with the fact that over 80% of mineral output is exported to markets in the United States, Europe and the Far East (Chart 29), the Ontario mining industry contributes immensely to improving Ontario’s international balance of trade.

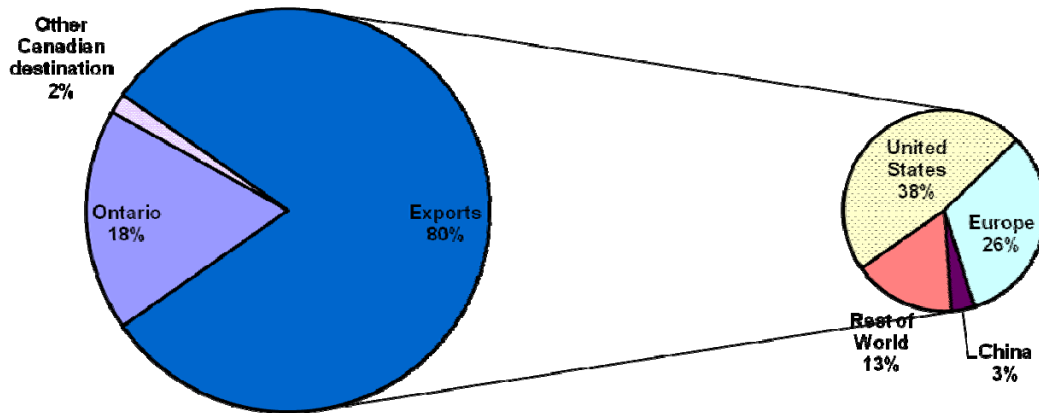
⁵ 81% are sourced within Ontario (Chart 27). However, the scope of this report did not allow for backward tracing of the sources of local suppliers’ goods (e.g. fuel and explosives). Conversely, virtually all labour is sourced in Ontario, which represents approximately 30% of total production costs and is not included in the above graphs and figures.

Chart 28: Mine Site Procurement from Local Suppliers
(within 80 km of mine site)



Sources: 2008 Industry Questionnaire and 2004 OMA Report: "The Economic and Fiscal Contribution of the Ontario Mining Industry in Ontario"

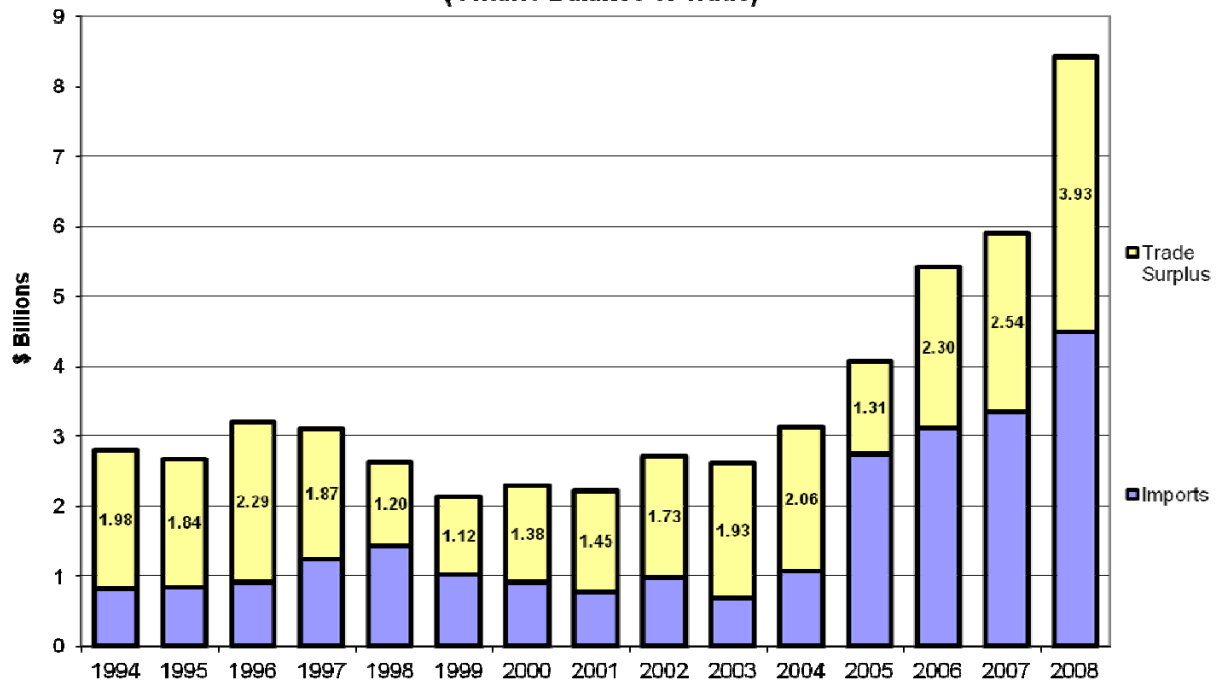
Chart 29: Where Ontario Mines Sell Their Products



Sources: 2008 Industry Questionnaire

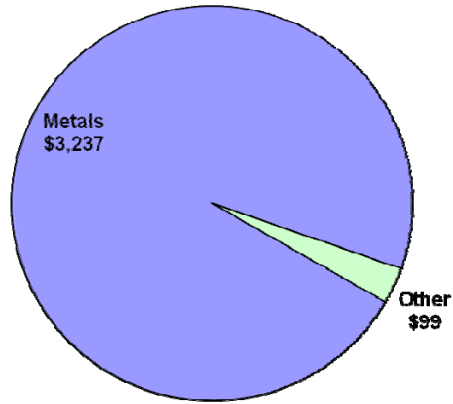
The Ontario mining industry enjoys a strong trade surplus (\$3.3 billion average for 2007-2008), almost entirely related to metals mining (Charts 30 & 31). The non-metals market is much more local. Although non-metals (e.g. salt, sand & gravel) comprise 34% of Ontario mine production (Chart 2), they account for less than 6% of mineral exports. Nevertheless, Ontario also enjoys a trade surplus in non-metallic minerals (Chart 32). The \$3.3 billion net trade surplus in minerals of all types reduces Ontario's overall trade deficit.

**Chart 30: Metals Mining Exports
(Ontario Balance of Trade)**



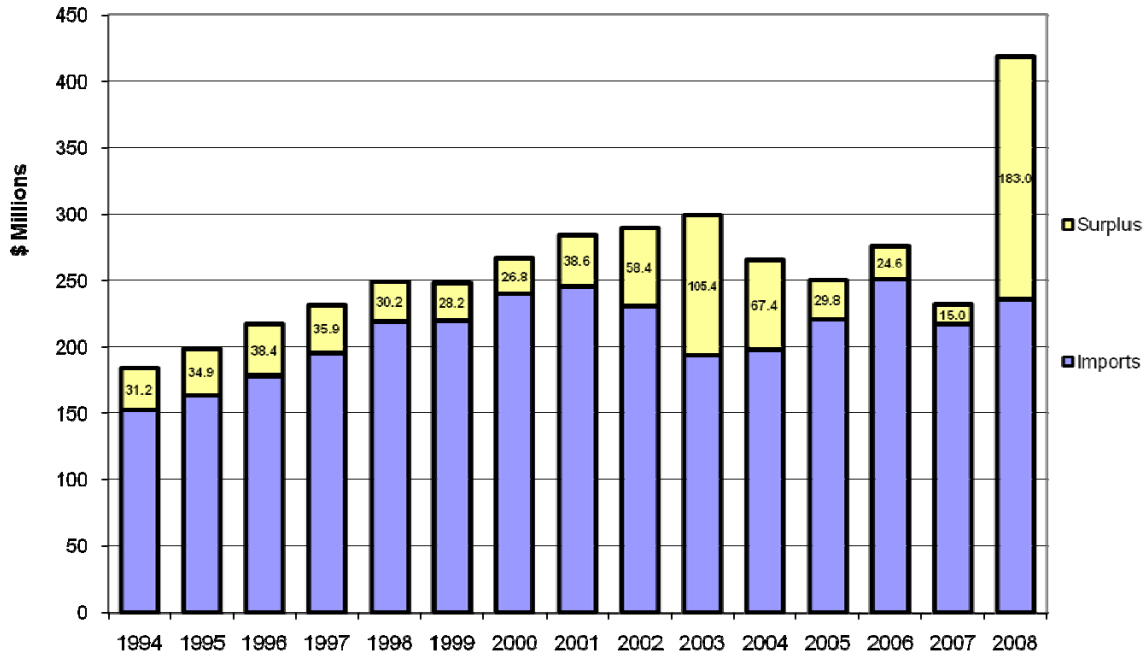
Source: Industry Canada Trade Data Online [http://strategis.ic.gc.ca/bsz/mkvt/tst/engdoc/tr_homep.htm]

**Chart 31: Trade Surplus from Ontario Mines
(2007-2008 Average, In \$ millions)**



Source: Derived from Charts 30 & 32

**Chart 32: Non-Metals Exports
(Ontario Balance of Trade)**



Source: Industry Canada Trade Data Online (http://strategie.ic.gc.ca/esc_mrkt/totst/engdoc/tr_homep.html)

The total value of mineral production was \$10.7 billion in 2007 (Chart 5 on page 13). This represents approximately 1.8% of Ontario's 2007 GDP.⁶ Government revenues from Ontario mines are also rising with higher profitability and production values. The industry paid over \$600 million in taxes to all levels of government in both 2006 and 2007 (Table 5), almost 50% higher than the previous two-year average and double the previous 10-year average. This includes property, income, capital and payroll taxes, as well as WSIB premiums. Particularly noteworthy is the fact that more than half of the tax revenues are local or Ontario taxes, rather than federal taxes (Chart 33).⁷ Tax payments to Ontario amounted to approximately 3.4% of total Ontario business tax revenues,⁸ which is noticeably higher than the industry's GDP share (1.8%).⁹

Table 5: Government Revenues from the Ontario Mining Industry

	2004	2005	2006	2007
Federal	226	209	328	256
Ontario	192	179	316	319
Municipalities	37	38	33	34
Total	455	426	677	609

Source: 2008 Industry Questionnaire

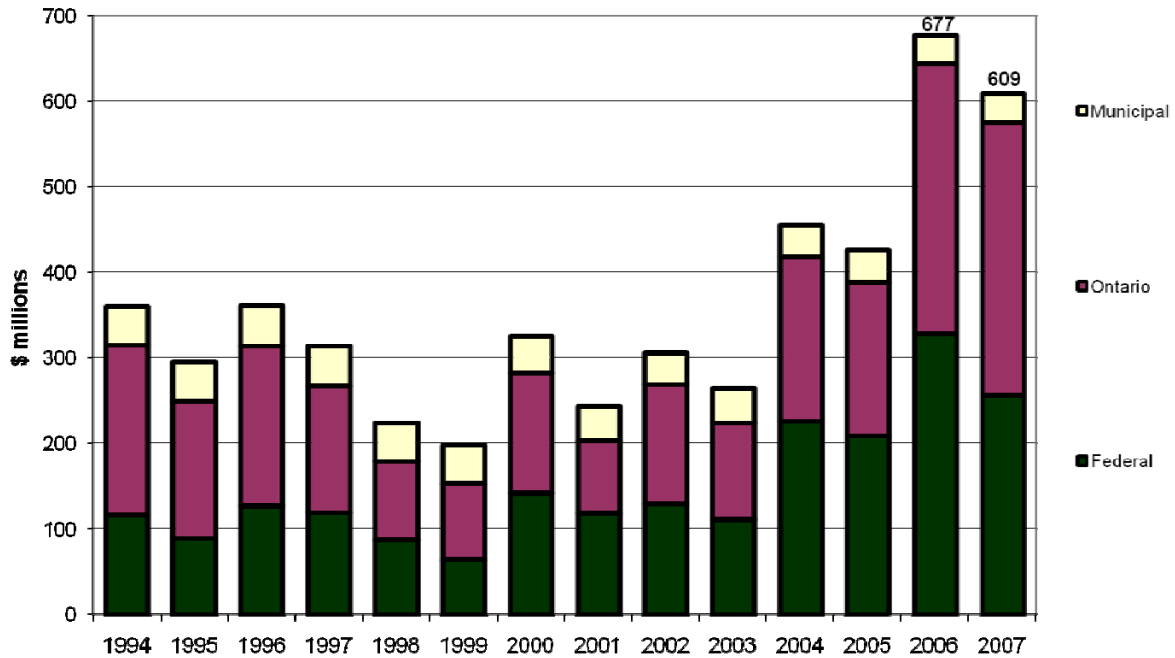
⁶ Ontario GDP at market values for the 2007 fiscal year was \$585 billion (see Weekly Updates on Ontario Ministry website (<http://www.fin.gov.on.ca/english/economy/ecupdates/update.html>)).

⁷ However, many survey respondents did not include income taxes in their responses, which may have a larger federal component.

⁸ That is, corporation taxes, employer health taxes, mining taxes, and preferred share taxes.

⁹ As noted above, many respondents did not include income taxes in their responses, understating the industry's total tax contribution. In the 2006 study, taxes represented just 0.8% of total Ontario business taxes whereas the industry represented 1.3% of GDP. There is generally a lag in tax payments as a result of accelerated deductions.

Chart 33: Payments to Government by the Ontario Mining Industry



Sources: 2008 Industry Questionnaire and 2004 OMA Report: "The Economic and Fiscal Contribution of the Ontario Mining Industry in Ontario"

The above figures do not include personal income taxes arising from the \$1.2 billion payroll that the industry has maintained for many years. This represents approximately \$350 million in further tax revenues for the federal and Ontario governments.

The upward trend (in Chart 33) reflects the increased profitability as well as higher capital investment and employment levels for the Ontario mining industry in recent years.

Overall, the Ontario mining industry matters to Ontario for its direct \$10.7 billion in mineral production and related tax revenues, and the jobs this production sustains, but also for the fact that it is largely a "made in Ontario" industry that contributes disproportionately to both the provincial tax base and the province's international balance of trade.

APPENDIX 1: COMBINED FINANCIAL STATEMENTS

The following financial statements represent the aggregate balance sheet and income statement for major Ontario mineral producers according to the 2008 OMA survey results. The statements are unaudited and have been prepared for general information purposes only. No eliminations for inter-company transactions or investments have been made. Figures are rounded to millions of Canadian dollars.

ONTARIO MINING INDUSTRY AGGREGATE BALANCE SHEET

(Unaudited)

(\$ Millions)

	31 DECEMBER	
	2007	2006
ASSETS		
CURRENT		
Cash	\$ 175	\$ 108
Accounts receivable	1,761	1,743
Inventories	1,513	1,443
Other current assets	64	51
	<u>3,513</u>	<u>3,345</u>
LONG-TERM		
Property, plant & equipment	11,291	4,368
Deferred development costs	3,644	2,193
Long-term investments and other	276	53
	<u>15,211</u>	<u>6,614</u>
	\$ 18,724	\$ 9,959
LIABILITIES		
CURRENT		
Account payable	\$ 1,179	\$ 1,326
LONG-TERM		
Long-term debt	3,048	1,931
Asset retirement	345	287
Employee retirement	1,488	126
Deferred taxes	639	617
Other	140	242
	<u>5,660</u>	<u>3,203</u>
	<u>6,839</u>	<u>4,529</u>
SHAREHOLDERS' EQUITY	<u>11,885</u>	<u>5,430</u>
	\$ 18,724	\$ 9,959

ONTARIO MINING INDUSTRY AGGREGATE INCOME STATEMENT

(Unaudited)

(\$ Millions)

	31 DECEMBER		
	2007	2006	2005
REVENUES			
Mining	\$ 8,833	\$ 6,621	\$ 5,879
Other	1,957	1,583	178
	<u>10,790</u>	<u>8,204</u>	<u>6,057</u>
EXPENSES			
Production costs	5,548	4,646	3,554
Depreciation, depletion and amortization	911	555	638
Interest	70	69	127
Exploration	87	71	148
General & administrative	169	141	256
Reclamation	47	28	44
Other	5	20	48
	<u>6,837</u>	<u>5,530</u>	<u>4,815</u>
Earnings before taxes	\$ 3,953	\$ 2,674	\$ 1,242

APPENDIX 2: GLOSSARY OF ACRONYMS

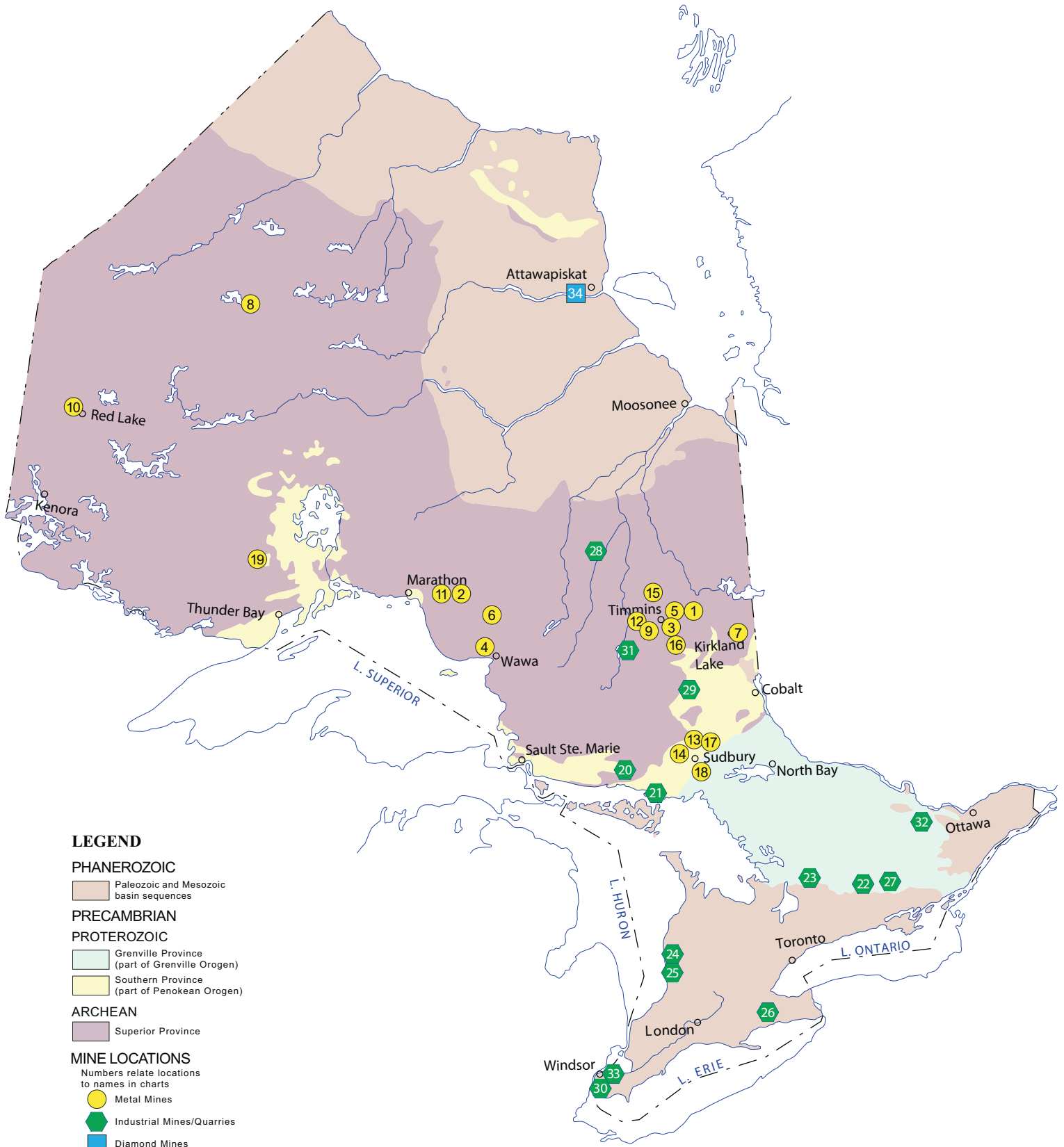
Au	Gold
CPP	Canada Pension Plan
Cu	Copper
EHT	Employer Health Tax
EI	Employment Insurance
G&A	General and Administrative (expenses)
GDP	Gross Domestic Product
MASHA	Mines and Aggregates Safety and Health Association (Ontario)
Ni	Nickel
NRCAN	Natural Resources Canada (a federal government department)
OMA	Ontario Mining Association
PGM	Platinum group metals (primarily platinum & palladium)
R&D	Research and development (costs)
Statscan	Statistics Canada (a federal government department)
TSX	Toronto Stock Exchange
WSIB	Workplace Safety Insurance Board
Zn	Zinc

APPENDIX 3: MAPS

PRINCIPAL MINING AREAS OF ONTARIO



Mines in Ontario



Mines in Ontario

GOLD MINES (yellow circles)			
Mine	Commodity	Owner	
1 Clavos Mine	Gold	St. Andrew Goldfields Ltd.	
2 David Bell Mine	Gold	Teck, Barrick	
3 Dome Mine	Gold	Goldcorp Inc.	
4 Eagle River Mine	Gold	Wesdome Gold Mines Ltd.	
5 Hoyle Pond Mine	Gold	Goldcorp Inc.	
6 Island Gold	Gold	Richmont Mines Inc.	
7 Macassa Mine	Gold	Kirkland Lake Gold Corporation	
8 Musselwhite Mine	Gold	Goldcorp Inc.	
9 Pamour Mine	Gold	Goldcorp Inc.	
10 Red Lake Mine Campbell	Gold	Goldcorp Inc.	
11 Williams Mine	Gold	Teck, Barrick	
BASE METAL MINES (yellow circles)			
12 Kidd Creek Mines	Copper, Zinc	Xstrata Plc	
13 Levack Mine McCreedy West Mine	Nickel, Copper	FNX Mining Company Ltd.	
14 Lockerby Mine	Nickel, Copper	First Nickel Inc.	
15 Montcalm Mine	Nickel, Copper	Xstrata Plc	
16 Redstone Mine	Nickel, Copper	Liberty Mines Inc.	
17 Sudbury Operations: Clarabelle, Copper Cliff North, Copper Cliff South, Creighton, Garson, Gertrude, McCreedy East/Coleman, Stobie	Nickel, Copper	CVRD Inco Limited	
18 Sudbury Operations: Fraser, Onaping/Craig, Thayer Lindsley, Strathcona	Nickel, Copper	Xstrata Plc	
PLATINUM GROUP METAL MINES (yellow circles)			
19 Lac des Iles Mine	Platinum Group Metals	North American Palladium Ltd.	
MAJOR INDUSTRIAL MINERAL OPERATIONS (green hexagons)			
20 AMP Quarry	Carbonatite	Agricultural Mineral Prospectors Inc.	
21 Badgeley Island Quarry	Silica	Unimin Canada Ltd.	
22 Blue Mountain Operations	Nepheline Syenite	Unimin Canada Ltd.	
23 Cavendish Twp Mine	Vermiculite	Regis Resources Inc - Vermiculite Canada	
24 Goderich Brine Field	Salt	Sifto Canada Inc.	
25 Goderich Mine	Salt	Sifto Canada Inc.	
26 Hagersville Mine	Gypsum	CGC Inc.	
27 Henderson Mine	Talc	Canada Talc Division of Dynatec Minerals Division	
28 Kapuskasing	Phosphate	Operations phosphate Agrium Inc.	
29 North Williams Mine	Barite	Extender Minerals of Canada Ltd.	
30 Ojibway Mine	Salt	The Canadian Salt Company Ltd.	
31 Penhorwood Mine	Talc	Rio Tinto Minerals Group	
32 Tatlock Quarry	Calcium Carbonate	OMYA (Canada) Inc.	
33 Windsor Brine Field	Salt	The Canadian Salt Company Ltd.	
DIAMONDS (blue square)			
34 Victor Mine	Diamonds	De Beers Canada	