



## Canadian Junior Exploration Companies highlight upturn in exploration

The annual PDAC survey of Canadian Junior Mining Sector exploration shows the start of an upward trend in 2000 continuing in 2001. More companies are active, more projects are being worked on and more money raised and spent! A new focus has seen the group redirect much more attention to Canada pursuing diamonds, platinum group elements and a broad range of other minerals as well as the traditional precious metals and base metals targets. Since the 2001 survey was undertaken it has become apparent that junior financing conditions have improved further, supporting the continuation of the momentum into 2002.

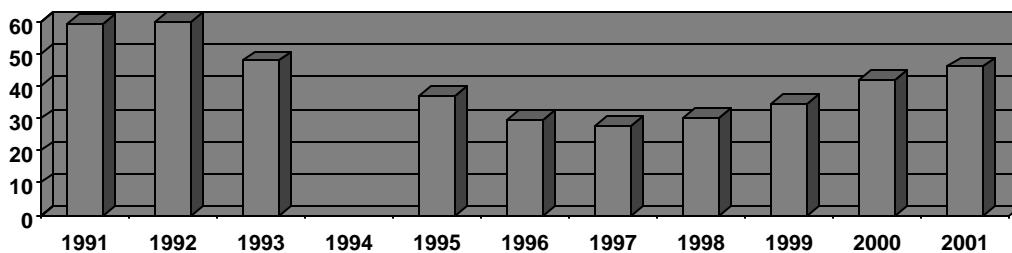
Of 1,000 junior companies contacted, 25% responded and reported average exploration expenditures of C\$811,000 in 2000 up from the low point of \$676,000 in 1998. Equally as important the surveyed companies raised more financing than they spent, reversing a previous trend.

In the report to PDAC, Gamah estimates that the whole Canadian Junior sector spending in 2000 on exploration in Canada was C\$185 millions ( $\pm 15\%$ ) and C\$400 millions ( $\pm 15\%$ ) for the whole world. This can be compared with Natural Resources Canada's (July 2001) estimates of junior sector exploration spending of \$141 millions in 1999, a preliminary estimate for 2000 of \$149 millions and a forecast of intentions for 2001 of \$167 millions.

Gamah's latest, preliminary number for financing raised by the Canadian Junior sector in 2001 is \$1 billion compared with \$700 millions in 2000. This suggests strength in spending in 2001 which is being confirmed by announcements of work programs filling the press releases. Flow through financing, much of it utilising the "super flow through" advantage, is an important component of the 2001 financings. Compared with 1998 and 1999 flow through financing announcements are up more than 70%.

Canada has been the main beneficiary of this recent upturn in exploration activity. The percentage of total, worldwide spending directed at projects in Canada is forecast at 46% in 2001 up from a low of 28% in 1997.

**Percentage of junior companies exploration spending in Canada**



In that same period Latin America's share declined from 35 to 22%, Africa declined from 19 to 9%, while the USA rose from 4 to 9%. South East Asia declined from 9 to 7% and the Rest of World moved up 1.5% to 6.5%.

These junior explorers are also shifting their focus of exploration. Worldwide and regional distribution of spending is shown below with the first number for 2000 and then, in parenthesis, for 2001.

Year	Precious metals	Base metals	Diamonds	Other minerals
World	57% (53)	25% (26)	13% (15)	4% (5)
Canada	39 (43)	31 (25)	24 (27)	6 (6)
Latin America	60 (63)	29 (22)	9 (8)	5 (6)
Australia	37 (67)	0 (0)	63 (33)	0 (0)
USA	89 (79)	9 (14)	1 (1)	0 (5)
Africa	87 (88)	5 (6)	7 (3)	2 (3)
S E Asia	2 (1)	91 (95)	0 (0)	6 (4)
Rest of World	85 (68)	15 (31)	0 (1)	0 (0)

Canadian explorers are targeting diamonds in several parts of the world. This comes largely at the expense of precious metals which have dropped in popularity over the last seven years. The next table shows numbers of projects over seven years expressed as percentages.

Year	Precious metals	Base metals	Diamonds	Other minerals
1995	59%	30%	8%	3%
1996	60	31	7	2
1997	61	30	6	3
1998	58	31	7	4
1999	54	32	4	10
2000	51	32	10	7
2001 (forecast)	50	31	10	9

Many survey respondents added more detail on their forms about their commodity search information from which it was evident that the traditional assumption that *precious metals means gold* is not correct. PGEs have become a major target, vying with diamonds for top spot in Canada.

Canada	2000 (actual)		2001 (forecast)	
	% of \$ spent	% of # of companies	% of \$ spent	% of # of companies
PGEs	19%	27%	19%	27%
Diamonds	24%	18%	27%	18%

PGE exploration is not as capital intensive as diamonds so many more companies have been able to mount exploration programs for a lower total cost. Presumably the geographic areas of the searches are important to these cost differences. Worldwide, PGE exploration represents at least 10% of all expenditures in 2000 and forecast to be 11% in 2001.

The exploration industry had been in decline since 1997, preceding the global recession that caught up with the rest of the world two years later. Two trends demonstrated by results over several years emphasise the positive change in mood evident now.

Year	1997	1998	1999	2000	2001(forecast)
% of responding companies undertaking no spending	20	28	24	24	18
% of responding companies who were able to finance		45.8	51.6	67.4	

If more companies can finance more easily, exploration activity will increase!

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