

Mining in Canada's North

by Daina Lawrence

Canada's North is set to become a mining powerhouse within the next decade, according to a recent report by the Conference Board of Canada. Nevertheless, challenges such as lack of infrastructure and misperceptions by domestic and foreign investors may keep companies in this area from reaching their true potential.

Released in January, the Conference Board's report, entitled *The Future of Mining in Canada's North*, outlined positive growth in this sector within the next decade. According to the document, "the mining sector in Canada's North is forecast to almost double its output and employment by the end of the decade – staggering growth compared to the Canadian economy as a whole."

The report also forecasted that overall northern metal and non-metal mineral output will grow by 91% by 2020 from 2011. The annual gross domestic product of northern mining is also expected to expand to \$8.5 billion by 2020, up from \$4.4 billion in 2004.

It's not that easy, however, the resource potential is there, but the challenges are great and not the least of which is an image issue, says Anja Jeffrey, Director of the Conference Board of Canada's Centre for the North. "I honestly believe, speaking to different jurisdictions, that there is a perception issue here, explains Jeffrey. "There is still the perception that doing business in the in the north is difficult because of regulatory hurdles. You can't just solve these problems with one stroke and, for some reason places like the Northwest Territories (NWT) have, unjustifiably, a reputation that it's difficult to do business there." However, it's apparent that NWT challenges can be overcome as the territory is home to two world-class diamond mines



Rendering of the proposed NICO pit, mill and camp site in the Northwest Territories, Canada. Photo courtesy Fortune Minerals Ltd.

– Ekati and Diavik.

The Centre for the North's, authors also outlined infrastructure, skilled labour access and government red tape as some of the challenges companies with projects in the territories will face. "Infrastructure is definitely the biggest hurdle," says Jeffrey, not to mention the cold, unforgiving climate, lack of year-round roads and high costs of fly-in/fly-out projects.

There are also plenty of advantages, and if companies set up shop in the north they can take advantage of abundant resources and not have to move too far to tap another project after their current mine life is depleted – like **Agnico-Eagle Mines Ltd.**'s [AEM-TSX; NYSE] Meliadine gold project in Nunavut, explains Jeffrey. "In Nunavut, Agnico-Eagle has the Meadowbank gold mine that will be depleted by 2017," she says. "Now what is it that makes it profitable for Agnico-Eagle to continue its operations? They can move south of Rankin Inlet and bring their equipment, people and expertise." Agnico-Eagle's open-pit, Meadowbank Mine, is its largest gold producer, with 2.2 million ounces of proven and probable resources (24.5 mil-

lion tonnes at 2.8 g/t).

Fortune Minerals Ltd. [FT-TSX] is also not shying away from the northern challenge. Its NICO gold-cobalt-bismuth-copper project, 160 km north of Yellowknife, NWT, has so much mineral potential that the company is willing to take on any current and future challenges, explains president and CEO, Robin Goad. In fact, this type of project is what his company was built on.

"We originally were incorporated and went public with a northern focus," says Goad. "Our projects were historically focused on the Northwest Territories." The weather is also not as bad as people may think; the project is located well within the tree line and the weather is comparable to the northern areas of Ontario or Manitoba.

The open-pit and underground NICO project has proven and probable reserves totaling 33 million tonnes containing 1.1 million ounces of gold, 82 million pounds of cobalt and 27 million pounds of copper. The project also contains 102 million pounds or 15% of the world's supply of bismuth – an unusual mineral used as a

non-toxic replacement for lead; it is also used in the antacid medication, Pepto-Bismol. NICO's mine life is expected to be almost 20 years.

To be able to function in the area for those two decades and truly reach the maximum mineral potential, Fortune Minerals plans on investing heavily in required infrastructure. "Infrastructure is definitely something we are very aware of in the Northwest Territories because you have to be operating in an area that has the potential to be developed if you're successful in finding a mineral deposit and that's all about being relatively close to infrastructure," says Goad. Subject to financing, Fortune Minerals expects to have construction underway at the mine by next year. One of the first major items on the list is the construction of a year-round road, which would run from the local communities of Whati, Gamete, and Behchoko to the site. There is also talk of taking on a hydro project in the future, but all of these ventures come with a big price tag.

"The Northwest Territories is an expensive place to do business. It has a high cost of living, labour is expensive and typically the projects that you explore are fly-in/fly-out projects," explains Goad. "We have winter road access to our site, which is good for bringing in some of our bulk materials, but the more day-to-day access to the site was by aircraft."

Fortune Minerals has about \$20 million in financing and Goad says the company is looking at strategic investment from companies in places like China, Japan and South Korea.

Another expensive issue is skilled labour access and high levels of staff turnover. Due to the shortage of skilled labour in the north, many of these workers must be flown in, explains Goad. "Certain types of labour are hard to source; however, it's not so difficult to find people to drive pit trucks or to do less skilled labour," says Goad. "But skilled trades are certainly a challenge all over Canada, not just in the North, and [it is difficult] to attract them to a rotational work schedule and a camp facility, [and] it's expensive to bring them in."

Goad adds that having a Fortune Minerals refinery in Saskatchewan has helped to mitigate staff turnover due to its more southern location. Engineers, metallurgists, and other skilled workers at the refinery are not on a rotational schedule and can commute home at the end of the day, which increases employee retention.

One of the more ground-breaking aspects of this project is that it will be one of the first mines to get underway in the NWT following devolution in the territory – meaning regulatory powers and responsibility will shift from federal to territorial jurisdiction. "We've been doing this department by department – [mining] is the last of the big transfers," explains Shaleen Woodward, executive director, Devolution Implementation Planning and Coordination at Government of the Northwest Territories. "This brings us to a functional status where we now look more like a province." Woodward explains that the goal is for the transfer to be smooth and for the NWT government to mirror federal legislation.

"Initially, we don't envision a huge impact," says Woodward. "We are aiming for a seamless transition and, if that works, the biggest difference you will notice is less Canadian flags and more bears on things," she laughs, making reference to the NWT symbol of the polar bear. The one thing that resource companies may notice after devolution is in full swing will be the increased speed in government decision making. "We make decisions more quickly and we are more nimble," says Woodward. She explains that more often than not people work in the same building as the deputy minister, or other high-ranking individuals and one can simply walk down the hallway to ask a question and get an answer.

Canada's third territory, Yukon, is unquestionably open for business and has seen a great deal of exploration activity in the last few years – especially following the Underworld/Kinross gold discovery. In addition, since 2005, the Yukon has seen three mines developed and taken to pro-

duction: Alexco's Bellekeno silver mine, the Capstone Mining Minto copper mine and Yukon Zinc's Wolverine mine.

Changes in jurisdiction, new infrastructure construction and abundant resources are all working towards the objective of developing Canada's northern mineral resources. Anja Jeffrey says there is a real opportunity to tap into this virtually untapped market, but the main way to get there is through communication and closing the current gaps in perception and education about what it is really like to operate in the northern territories. "This is an area that's only going to grow and it's really important we get it right," she says. "We need a much more cohesive and comprehensive conversation in this country about what the North is contributing." ■