

Northern Mining News

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Response to GNWT Revenue Options Paper 2008

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MINING STATS NWT/NU 2008:

- Three diamond mines in operation and one tungsten mine
- Value of mineral production (2007)
\$1,525,300,000
- Value of mineral exploration (2007)
\$500,700,000

The following is an abbreviated version of a letter written to GNWT Finance Minister Michael Miltenberger on proposed options for tax revenue.

The Chamber of Mines believes strongly that tax increases of any kind should be avoided as they will lead to an increase in the cost of living. High costs are driving people from the NWT; some to pursue other jobs, some to live in the south while continuing to work at our northern mines.

Increased corporate taxes or a new mining income tax will stifle investment in northern mineral projects, already challenged by high costs, inefficient regulation, increasing alienation of land from exploration and lack of infrastructure.

Government Expenditures

The mining industry already pays significant property, fuel, corporate, personal, and payroll taxes. By providing new jobs, our industry has also allowed many residents to live without social assistance, reducing those government expenditures, while at the same time increasing government revenues through increased public housing rents.

The government must live within its means. Savings must be identified through program reviews and value for money

audits performed by independent external agencies such as the Auditor General. The questions to consider: What can we do; stop doing or do differently to cut costs. Chamber members, who operate both large and small businesses, question why it requires almost 10% of our population to administer our territory.

Developing a Northern Resident Workforce

New means of encouraging the development of a skilled resident workforce must be considered.

Industry Challenges

The diamond mines currently account for about half of the NWT's Gross Domestic Product. In 2009, most of the capital investment in diamond mine infrastructure will have been completed. Mine production will peak in about 2013 or 2014. After that, purchases and employment levels will begin to decline as production rates slow. It is important to the residents of the NWT that this peak be extended as much as possible. This can be accomplished by new exploration and by reducing costs and thereby extending the life of existing mines.

Investment Realities

Our territory needs major investment in roads, hydro and

alternative energy sources if we are to expand or even sustain our fragile economy. With our small population, it is unrealistic to assume that we can finance the needed investment ourselves. The federal government has a key role in regulation, land administration, negotiation of aboriginal claims and is a major investor through various programs. The NWT has an opportunity to build on the northern vision expressed by the federal government and make it our own.

Economic Vision

The mining industry has been the backbone of the Northwest Territories economy since the days of the fur trade and has provided substantial wealth to Canada.

The Chamber of Mines would like to see the Government of the Northwest Territories create a vision for the future which uses a diversified mining industry as the basis for a strong economy well into the future.

Such a vision would include low unemployment, high educational standards, environmentally sustainable ways of living in all our communities, and businesses flourishing by being the best in the world at mining in the Arctic.

NWT & Nunavut Chamber of Mines

How the Federal Government Can Promote Mineral Development Today.....

- Build and fund new infrastructure (hydro power, roads, ports)
- Increased funding for geological research in remote areas
- Promote the settlement of Land Claims in the NWT
- Refine the regulatory system

“Although transportation facilities in the Territories are to be greatly augmented by these various programs, large areas will still be denied this aid to economic development. It is therefore obvious that only the first steps have been taken to meet the problem of transportation.”

— Alvin Hamilton, Minister of Northern Affairs and National Resources, 1958



With its ice breaker fleets and huge Canadian Flag on the concentrate shed, the Polaris lead/zinc mine was a good way for Canada to promote its sovereignty in the high arctic.

Federal Assistance for Mining

The following is an abbreviated version of an article written for UpHere Business Magazine.

It was the discovery of minerals that first turned Canada's attention northwards early in the 20th century, with reports of gold, silver, copper, and radium in the Slave-Bear Structural Provinces, the geological heartland of the NWT.

The Slave-Bear is a huge and complex zone of volcanic rocks, fault zones, and sedimentary basins. Prospectors were eager to find minerals, but rarely knew where to begin. The Geological Survey of Canada stepped forward in the 1930s and brought in their top field geologists to explore and map the most interesting sections. Dr. Desmond Kidd and C.H. Stockwell conducted the first surveys around Great Bear and Great Slave Lakes.

Then, in a bold move, the federal government handed the GSC \$1-million in 1935 to investigate the far reaches of Canada's North, starting with the Yellowknife Bay area. Fred Jolliffe and a crew of geology students spent the better part of that summer mapping the rocks between Behchoko and Blachford Lake. Jolliffe's expedition was the start of a long history of federal interest in mapping the north.

Government then began to provide administrative support and to lay down the laws, but it was the huge investments from corporate giants like Cominco – the ones that could actually afford to operate up North – that gave birth to an industry. Private interests took center stage and few expected the small, local committee government to do much to promote mining's growth.

This changed after World War II and in the buildup to the Cold War. To protect its sovereign interests, a new Northern policy was born. The Liberals were first to broach the subject, but it wasn't until John Diefenbaker's Conservative government in the late 1950s that it became a reality.

The Diefenbaker government put millions of dollars into infrastructure, primarily roads. The Mackenzie Highway around Great Slave Lake to Yellowknife, the growing gold town, was the first major initiative in the "Road to Resources", with plans to plow it straight into the most remote regions of Canada, where new and fantastic mineral discoveries were waiting to be mined.

The road did not make it as far as Diefenbaker planned, but there were other ideas on the table. A railroad to Great Slave Lake was a must, not only to bring large freight north at cheaper rates but as a means to ship out bulk ore from the massive Pine Point lead/zinc mine. The mine was uneconomical without a way to get the product to market. After years of study and negotiation, the government agreed to spend \$86-million on the project.

Geological surveys continued through the 1960s and placed importance on the far reaches of the Arctic archipelago. A GSC-funded science team drilled three deep diamond drill holes on the Muskox Intrusion, as part of the International Upper Mantle Project, a geological investigation into the structure of the Earth's crust. Between 1966 and 1969 the feds spent \$100-million on

mine development programs. During this period, important mineral deposits were staked and developed, including the Polaris and Nanisivik lead/zinc mines, uranium at Baker Lake, gold at Conwoyto Lake (which later became the Lupin Mine) and Cullaton Lake, and iron ore deposits on Baffin Island.

Under the Liberal party, Ottawa continued a pro-development policy in the early 1970s using a model that promoted sustainable development. The Nanisivik lead/zinc mine on Baffin Island was a pet project of the Federal government to introduce the mining industry to the Inuit of the area, providing them with economic opportunities while promoting a Canadian use of the Arctic.

Will a federal vision for the future of the North continue? Times have changed and so have politics. The federal government no longer holds power to do as it pleases North of 60. New governments have been created to make these important decisions. Yet few can see a future where Ottawa is not a major player in policy and development.

The policies of the 1950s and 1960s were active and enterprising, reflecting the need to maintain control of the Northern territories but in a way that remained democratic to the will and needs of Canadians. We can only hope that new initiatives will build a foundation for a long-lasting mineral industry in the NWT and Nunavut, one that will please all Northerners.

Ryan Silke, NWT & Nunavut Chamber of Mines

News from the Industry

Environmental Assessments:

Several projects in the NWT have been referred to environmental assessments this summer. Canadian Zinc's project at Prairie Creek was brought to an EA in August and so was Tyhee Development's gold project at Yellowknife.

Three applications for uranium exploration in the Upper Thelon Basin were rejected by the MVEIRB while a drilling operation by Bayswater Uranium at Crab Lake, on the fringe of the basin, was approved. The reason given for approving this application over the others

was due primarily to its location, which was not considered to be within the area of significant cultural value outlined by the Akaitcho Dene. Bayswater will have to adhere to considerable conditions during its drilling program including a restriction of activity during caribou migration and rutting.

Bathurst Road and Port a Bust?

OZ Minerals, owners of the High Lake and Izok base metal deposits in the Kitikmeot regions of Nunavut, have withdrawn support for a port and road at Bathurst Inlet, causing the project to be put on

temporary hold. OZ Minerals plans to build their own port and road system at Gray's Bay on the arctic coast. This is upsetting news for other mineral deposits in the area, such as Sabina Silver's Hackett River, which was relying on the construction of a road and port from Bathurst Island to service its proposed mine. The port would also benefit the existing diamond mines as an alternative means to get fuel to their sites. OZ Minerals decision was based on a cost-analysis of the economics of the High Lake and Izok projects, which are scheduled for production in the next decade.

Nunavut Exploration and Mining Week

Mining Week ended with a flourish here in Cambridge Bay with a lunchtime BBQ outside of the Community Learning Center in town. Newmont supplied the burgers, NTI Lands provided drinks, the Hamlet provided the propane BBQ, Nunavut Arctic College the prep kitchen, Gary White (government geologist here) and I provided the flippers, and mother nature provided the 30 knot winds.

Despite the rather un-BBQ weather, we had over 120 people attend. We wished everyone a happy Mining Week and encouraged all to "Hug a Miner today". We were able to feed many a student headed off for the Terry Fox Run this afternoon.

Gary White was on hand to take pictures. Andy Orr, a Newmont geologist from camp participated in the student talks delivered at the school earlier this week.

Perhaps when we have a mine rescue squad in the future we can look at some demonstrations or something else to add to the events for next time. Gary White is putting in a word to get mining week moved to a more pleasant time of the year.

- Alex Buchan, Newmont Mining Corporation



Scenes from the BBQ in Cambridge Bay. Events were held throughout the Territory September 14-20.

SPONSORS: Nunavut Arctic College, Baffinland Iron Mines, Comaplex Minerals, GGL Diamonds, Canadian North, Newmont Mining, Government of Nunavut, Nunavut Geoscience Office, Bayswater Uranium, Peregrine Diamonds, Robinson Group of Companies

Save the Prospector!

The Government of the NWT Minerals, Oil & Gas division announced in July 2008 that the Prospectors Grubstake Program would receive funding cutbacks in the next fiscal year and be entirely eliminated as part of further cutbacks. The program started in 1960 to help encourage

independent prospectors in the search for minerals in Canada's remote north. Many important mineral deposits owe their discovery to independent prospectors. Between 1993 and 1999, at least \$6.5 million was spent by exploration companies on ground staked by prospectors who ob-

tained the government Grubstake funding.

The Chamber is updating this information for the period 2000-2005 with hopes to illustrate the importance of the Grubstake Program in mineral development in the NWT.

Save the independent prospector!



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Mineral Exploration at Port Radium

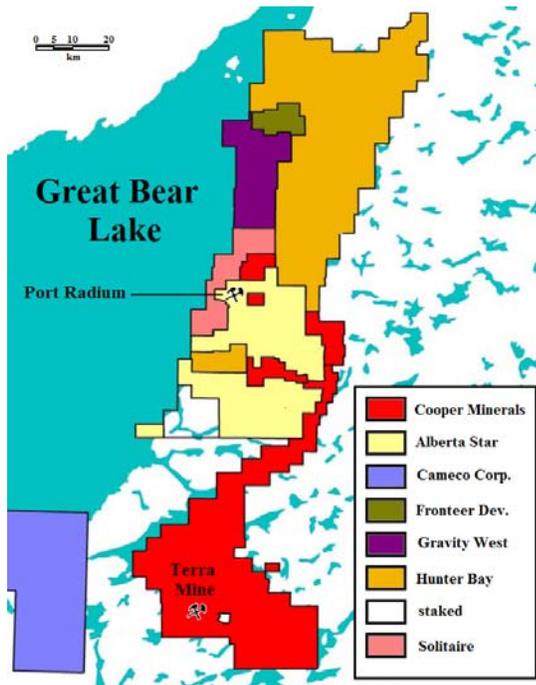
Several junior companies are exploring for minerals around the historic Port Radium mining camp on the east shore of Great Bear Lake. The area is part of the Bear Geological Province, Great Bear Magmatic Zone, and is host to significant uranium and lode polymetallic deposits. The area first saw extensive prospecting and development in the 1930s but has lacked 21st-century exploration geophysics. The mineral belt is host to important IOCG (iron-oxide copper gold) mineralization. Here is a quick summary of what is being found:

Solitaire Minerals owns claims surrounding Mystery Island and Port Radium on Great Bear Lake and is exploring for IOCG potential. An airborne VTEM survey in 2008 identified a 12-km magnetic low probably related to a major fault and an expression of a major alteration zone.

Alberta Star Development owns a large tract of land in the Port Radium area and is focusing exploration on the former Contact Lake and Echo Bay/Eldorado uranium/silver mines. Diamond drilling is continuing into its third year at the K2 deposit at Contact Lake., a significant IOCG target. The area covers an extensive alteration zone including large mineralized gossans that can be traced for over one kilometer.

Cooper Minerals Inc. owns the old Terra silver mine on the Camsell River, south of Great Bear Lake. Diamond drilling was conducted late last year and continued this summer, when four holes were completed in the vicinity of the Terra underground workings. One hole encountered significant polymetallic mineralization separate from the mine's vein systems, over core lengths of 22 meters with 42.3 ppm silver and 0.28% copper.

Hunter Bay Resources Inc. owns a large group of claims on the northern end of McTavish Arm, and has identified at least five anomalous areas. In the summer of 2007, the company initiated a small drilling program under permits issued by the Sah'tu Land & Water Board, but the greater project was referred to environmental assessment, and the company was forced to cancel its program. IOCG is the focus of this company.



Upcoming Mineral Industry Events

Book your calendars now for these important industry events and functions:

- **NWT & Nunavut Geoscience Forum ... November 18-20, 2008 ... Yellowknife, NWT**
- **AME-BC Roundup Conference ... January 26-29, 2009 ... Vancouver, B.C.**

