

The Northwest Territories Readies for a Mining Boom¹

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By Chad Fraser² - Exclusive to Resource Investing News³



⁴Recent talks between Canada’s federal government and the Northwest Territories could have a huge impact on mining in the country’s north.

As The Globe and Mail reported⁵ on January 30, the negotiations, held in Ottawa during the last week of January, centered around “devolution,” or the transfer of control over the territory’s natural resources from the federal government to the territorial administration of Premier Bob McLeod in Yellowknife.

“Devolution will allow our government to work more directly with industry when making decisions about land, water and resource development,” said David Ramsay, the territory’s minister of industry, tourism and investment, in a February 6 phone interview. “That will give industry confidence, because there will be only one decision-making body to deal with. We hope to have a deal in place soon.”

Good time to cut red tape

The talks come on the cusp of what could be a very promising time for mining companies in the north. Around the time the devolution talks were going on in Ottawa, the Conference Board of Canada released⁷ its “Future of Mining in Canada’s North Report.”

That future, according to the Conference Board’s findings, looks increasingly bright. The report forecasts that Canada’s north, which includes the country’s three territories (the Northwest Territories, Yukon and Nunavut) and the northern parts of some provinces, will see its mineral production jump 91 percent from 2011 to 2020, for a compound annualized growth rate of 7.5 percent. In dollar figures, that translates to \$8.5 billion worth of output in 2020, up from \$4.4 billion today.

In the Northwest Territories themselves, the report sees the value of all mine production rising from \$732 million in 2011 to \$1.3 billion in 2020.

“We’re very encouraged by the number of projects that are in development,” said Ramsay. “We could see nine or 10 new mines in the next 10 years. That would create 2,000 to 2,500 jobs, plus related spinoffs.”

But to help ensure numbers like these become reality, the region, including the Northwest Territories, will have to address a number of issues that continue to hold back mining development, says the report. One of those is complex and overlapping regulations—something the devolution talks seek to address. In addition, a major training effort will be needed to ensure the Northwest Territories, whose population is just 41,462 [according](#)⁸ to the 2011 Canadian census, can supply the miners to fill those jobs.

Ramsay believes the best option is for the three northern territories to pool their resources in this area: “We’ve been working together on a pan-territorial mine training initiative,” he said. “We’ve had numerous meetings to advance a proposal to the federal government. We’ve also had good buy-in from industry.”

“We know it’s up to us to train our own, and it’s in industry’s interest, too,” he adds. “We don’t want to see planes flying in with workers from other parts of the country.”

Infrastructure is the key

The biggest challenge, however, is lacking or underdeveloped infrastructure. On that score, the report is unequivocal. “The infrastructure gaps are often the greatest deterrents to mining development in Canada’s remote northern region,” says the report. “Many companies must build their own transportation, communication, and/or energy infrastructure, adding significant costs to projects. To ease this financial burden on industry, governments need to invest broadly in northern infrastructure and make use of public-private partnerships to share risks, costs, and benefits.”

Ramsay points to a number of recent government initiatives to address this issue. “We’ve recently opened the Deh Cho bridge over the Mackenzie River at Fort Providence. The bridge will provide 24-hour access to the North Slave region [including Yellowknife]. We’re also looking at a public-private initiative to extend winter road life to the Slave Geological Province.”

“As well, we’re continuing with the development of the 140-kilometer Inuvik to Tuktoyaktuk Highway, which would be the first road in Canada to run to the Arctic coast. Discussions are also continuing around the Mackenzie Valley Highway, and we haven’t given up on expanding [the] Talston [hydroelectric facility] to extend power into the Slave Geological Province.”

Major mines in the Northwest Territories

The Slave Geological Province covers much of the territory’s north and includes its major [diamond](#)⁹ mines. In 2011, the Northwest Territories produced nearly 10 million carats of diamonds worth just over \$2 billion, [according](#)¹⁰ to the NWT and Nunavut Chamber of Mines. The territory hosts reserves of other resources, as well, including [tungsten](#)¹¹, natural [gas](#)¹², [zinc](#)¹³, [lead](#)¹⁴ and [gold](#)¹⁵.

Here’s a snapshot of the territory’s four producing mines. Below, we take a look at three exploration and development projects.

- **Snap Lake:** Owned by DeBeers Canada, [Snap Lake](#)¹⁶ is the country’s first underground diamond mine and DeBeers’ first outside Africa. The operation is located 220 kilometers north of Yellowknife and produces 1.4 million carats a year. The diamonds are found in a kimberlite rock deposit that slopes downward at an average angle of 12 degrees below Snap Lake.

- **Ekati:** This open-pit and underground diamond operation is located 310 kilometers northeast of Yellowknife and 200 kilometers south of the Arctic Circle. In November 2012, BHP Billiton (NYSE:[BHP](#)¹⁷,ASX:[BHP](#),LSE:[BLT](#)) [announced](#)¹⁸ that it is selling its diamonds business, including its 80-percent stake in Ekati, to Harry Winston Diamond Corp. (TSX:[HW](#)¹⁹,NYSE:[HWD](#)) for \$500 million. The sale should close shortly. Over the past three years, Ekati has produced over 3 million carats of rough diamonds annually, [according](#)²⁰ to BHP's 2011 annual report on the operation.
- **Diavik:** Harry Winston also owns 40 percent of this diamond mine, which is adjacent to Ekati. A subsidiary of diversified major Rio Tinto (NYSE:[RIO](#)²¹,ASX:[RIO](#),LSE:[RIO](#)) owns the other 60 percent. Diavik produced 7.2 million carats in 2012, up from 6.7 million in 2011, [according](#)²² to the Energy Business Review.
- **Cantung:** This underground tungsten mine, owned by [North American Tungsten](#)²³ (TSXV:[NTC](#)²⁴) is located near the Yukon border. In the company's 2012 [fiscal year](#)²⁵, the project produced 273,000 metric ton units of tungsten concentrate, up 22% from fiscal 2011. North American spent \$25.2 million on capital expenditures, which helped open new zones at the mine. The company is also looking at recovering tungsten from tailings ponds.

Exploration and development projects preparing to fuel the sector's growth

Here are three examples of exploration and development projects currently ongoing in the Northwest Territories.

- **Gahcho Kué:** This diamond property, 51 percent owned by DeBeers Canada and 49 percent by Mountain Province Diamonds (TSX:[MPV](#)²⁶,NYSE:[MDM](#)), is 280 kilometers northeast of Yellowknife and 80 kilometers from Snap Lake. The project is currently undergoing an environmental review; the partners envision a diamond mine on the site that will produce 4.5 million carats annually over 11 years, [according](#)²⁷ to DeBeers.
- **Prairie Creek:** Canadian Zinc (TSX:[CZN](#)²⁸,OTC Pink:[CZICF](#)) has most of the mining infrastructure in place for this [operation](#)²⁹ and is now working through the final permitting stage to operate the mine. The mine is located in the Nahanni National Park Reserve, which was expanded in 2009. However, Canadian Zinc has received assurance from the Canadian government that it will be able to operate the mine. Canadian Zinc expects the zinc-lead-[silver](#)³⁰ mine to have a minimum life of 10 years, with the possibility of expansion.
- **NICO:** This deposit, owned by Fortune Minerals (TSX:[FT](#)³¹), contains proven and probable reserves of 33 million MT containing 1.08 million ounces of gold, 82 million pounds of [cobalt](#)³², 102 million pounds of bismuth (which is used to make alloys that melt at low temperatures) and 27 million pounds of copper, [according](#)³³ to Fortune's website. The company envisions a mine with a mill throughput rate of 4,650 metric tons of ore per day, giving the project a 19.8-year life. The mine is in the final stages of the environmental assessment process.

Securities Disclosure: I, Chad Fraser, hold no positions in any of the companies mentioned in this article.

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