

# Mining



First shipment of concentrate leaving Duck Pond

The mining industry is a significant contributor to the economy. It directly accounted for about 3.2% of provincial GDP in 2005 and its share was likely higher in 2006 (data not yet available) due to the addition of production from Voisey's Bay. By comparison, mining accounts for only 0.9% of GDP at the national level. The mining industry accounted for 1.6% of employment in Newfoundland and Labrador in 2006 compared with 0.4% at the national level.

In real terms, provincial mineral shipments in 2006 were the highest recorded since the late 1970s. In nominal terms, provincial mineral shipments were valued at about \$2.5 billion last year, representing an increase of 63.7% over 2005. The main contributors to this increase were higher production volumes from Voisey's Bay and increased iron ore prices.

## **Voisey's Bay Nickel Company**

The Voisey's Bay mine began production of concentrate in September 2005 and recorded nearly a full year of production in 2006. The company shipped about 72,000 tonnes of metal concentrate last year despite a strike which

shut down production for eight weeks. The value of shipments was approximately \$1.2 billion—representing almost half the value of provincial mineral shipments. Employment averaged about 850 person years.

The Voisey's Bay development includes the construction of a hydrometallurgical demonstration facility in Argentia and later, a commercial processing plant. The demonstration plant began operating in October 2005 and continued throughout 2006. The purpose of this facility is to test and refine the hydrometallurgical process to determine its commercial feasibility. If this technology proves feasible, Voisey's Bay Nickel Company (VBNC) will construct a commercial hydrometallurgical processing plant capable of processing 50,000 tonnes of finished nickel annually and employing about 400 people during operations. If the hydromet process is not feasible, VBNC will construct a commercial matte processing plant capable of processing 50,000 tonnes of finished nickel annually and employing about 350 people during operations. The company must inform the province of its development choice by November 15, 2008. VBNC

has identified a site near Long Harbour as the location for the commercial plant.

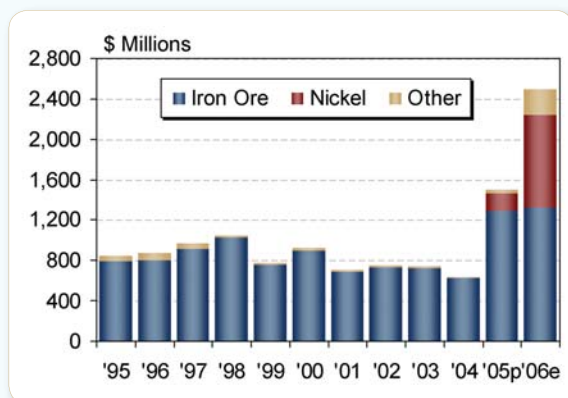
In October 2006, Brazilian mining giant CVRD obtained control of Inco Limited, the parent company of VBNC, and in January 2007, Inco Limited became a wholly-owned subsidiary of CVRD and changed its name to “CVRD Inco Limited”. CVRD is one of the largest mining companies in the world. It is the world’s largest producer and exporter of iron ore and it maintains business activities in 18 countries.

### IOC and Wabush Mines

Iron ore now comprises just over 50% of the total value of provincial mineral shipments. Iron ore shipments in 2006 were on par with 2005, totalling about 20 million tonnes. The value of shipments increased by 3.1% to over \$1.3 billion, due to a rise in iron ore prices.

Major expenditures at the Iron Ore Company of Canada (IOC) mine in Labrador City saw upgrades in both ore transportation and production. A two-year project to upgrade the concentrator was completed in July 2006, five months ahead of schedule and substantially below budget. In September 2006, IOC announced that it had acquired exclusive mining rights to Wabush #3, a mineral deposit located in Labrador West. This has the potential to add to the company’s

#### Value of Mineral Shipments



p: preliminary; e: estimate  
Department of Natural Resources



First shipment of gold ore arriving at South Brook for Nugget Pond facility

estimated 978 million tonnes of reserves and 3.3 billion tonnes of resources. IOC produced 15.8 million tonnes of iron ore in 2006, up 6% relative to 2005.

In 2006, Wabush mines spent more than \$18 million on capital projects. The mine shipped 4.2 million tonnes of concentrate, representing a 17.9% drop over 2005. This decline was mainly due to problems in de-watering the pit.

### Aur Resources Inc.

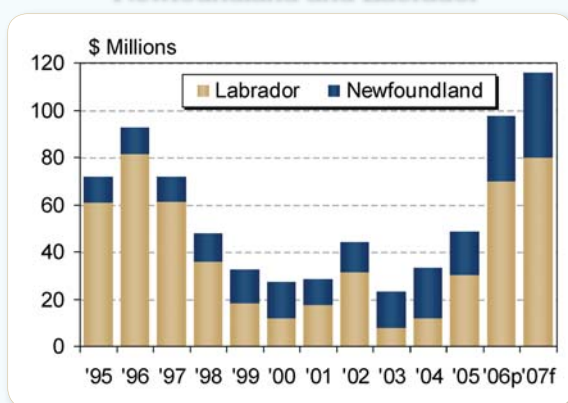
Mining has commenced at the Duck Pond mine—located about 30 kilometres south of the former Buchans mine in central Newfoundland. First shipment of concentrate left the mine on January 23, 2007. The deposit has proven reserves of 4.1 million tonnes and is expected to produce 41 million pounds of copper, 76 million pounds of zinc, 536,000 ounces of silver and 4,100 ounces of gold, in concentrate, annually over the eight year mine life. Employment at the mine is expected to average 192 people annually.

### Other Operations

In addition to the mines mentioned previously, there are several smaller mineral producers in the province supplying an array of products such as slate, dolomite and limestone. In 2006, many of these producers maintained production levels on par with 2005.

Crew Gold Ltd. acquired the Nugget Pond gold processing facility, located on the Baie Verte Peninsula, in October 2006 to process ore from its Nalunaq gold mine in south-western Greenland. Processing of the first shipment of gold ore began in February 2007. The re-opening of the mill will create about 30 direct positions, with local companies being contracted to provide trucking, security and other services.

### Mineral Exploration Expenditures Newfoundland and Labrador



p: preliminary; f: forecast  
Department of Natural Resources

### New Developments and Exploration

Mineral exploration and development activity have been stimulated by growth in mineral prices, particularly in the last three years. Statistics Canada's primary metal products price index rose by about 60% from 2003 to 2006—indicating the strength of metal markets.

In January 2005, Anaconda Gold Corporation announced a production decision for its Pine Cove Gold project, located 6 kilometres north-east of Baie Verte. The company is planning for a 350-500 tonne per day operation, with reserves expected to last about 15 years. Production is expected to begin in late 2007.

The Beaver Brook Antimony mine is located 43 kilometres southwest of Glenwood. The mine

was opened in 1997 but closed in early 1998, due to a significant drop in the price of antimony. Antimony is now trading at over US\$6,000 per tonne, a level not seen since the early 1990s, and the company has announced that it will re-open the mine this Fall. The mine has reserves of more than 1.6 million tonnes and is expected to produce 5,000 tonnes of antimony per year for 10 to 12 years. The re-opening of the mine will create up to 70 jobs.

Rambler Metals and Mining Canada Ltd. will continue exploration at the former copper mine on the Baie Verte Peninsula. The company began de-watering the mine in 2006, and work is expected to be completed in late 2007 or early 2008. In 2007, the company will spend \$15 million on construction of the waste water treatment plant and other infrastructure.

Mineral exploration expenditures totalled almost \$98 million in 2006, the highest level ever recorded and double the 2005 level. This increase is attributed to a rise in exploration for uranium, nickel and iron ore. There were more than 57,000 claims staked in the province in 2006, reaching the highest level of claims staked since 1995. There are currently almost 133,000 claims in good standing.

### Outlook 2007

- The total value of mineral shipments is expected to increase by over 35% in 2007.
- Iron ore shipments are forecast to increase by 2.7% to 20.5 million tonnes, assuming six weeks downtime at IOC because of a labour dispute which began on March 9, 2007. A longer strike period could result in lower production levels.
- VBNC is expected to ship \$2 billion worth of metal concentrate in 2007.
- Industry employment in 2007 is expected to average over 3,500, the highest level recorded since 1990 and a rise of 1.6% over 2006 levels.
- Mineral exploration expenditures are forecast to increase to \$116 million in 2007.