



Agnico's gold mines are a leading example of the Arctic's economic potential.

All roads set to lead north

The next decades will see mining and energy firms unlocking the Arctic's vast untapped potential

While most mining companies are slashing spending amid the ongoing slump in commodity prices, Agnico Eagle Mines Ltd. has nearly doubled its overall exploration budget, driven in large part by what it sees as the promise of Canada's Arctic.

Exploration spending is ramping up at the company's Amaruq gold project in Nunavut, about 2,600 kilometres northwest of Toronto, based on strong drilling results.

Agnico had earmarked only \$1.5-million in exploration spending in 2014, but wound up pouring \$10-million into the project; and the additional \$15 million earmarked for Amaruq in 2015 has more than doubled to \$35-\$40 million. "As far as we can see, the Arctic is the place of the future for resource development in Canada," says Agnico chief executive Sean Boyd.

Melting polar ice caps, as a result of climate change, are expected to slowly open up the area for more exploration and resource activity in future. This should also help to reduce costs, which are significantly higher in the Arctic due to its remoteness, brutally cold winters, undeveloped infrastructure and sparse populations, which makes sourcing workers difficult.

"Climate change isn't driving exploration, but it's an added benefit over time," says Boyd, whose company has other gold mines in operation and development in Nunavut.

"The allure of the Arctic is that it's relatively unexplored," says Rod Thomas, president of the Prospectors and Developers Association of Canada. "From that perspective the exploration risk is lower, but the costs are so much higher to explore there. It takes a certain level of expertise and a lot of money."

Exploration costs range from 2.2 to nearly six times higher in remote northern regions of the country, according to a recent joint industry report called *Levelling the Playing Field: Supporting Mineral Exploration and Mining in Remote and Northern Canada*. Meanwhile, capital costs are around double.

Lower costs are especially key for an industry struggling with depressed commodity prices. Everything from gold and copper to coal and iron ore has fallen dramatically from record or near record

highs in 2011. Lower prices have also meant a drop in valuations for mining and exploration companies which, in turn, have dried up a lot of investment.

To help make doing business in the Arctic more attractive, the industry has been calling on governments to offer special incentives, such as better tax credits. It also wants the government to help build more infrastructure, such as airstrips, roads, ports and power plants, to open it up to more resource development.

Richard Ross, director of the Global Mining Management MBA program at the Schulich School of Business at York University and former chairman and CEO of Inmet Mining Corp., says public-private partnerships can help to generate investment in Canada's Arctic. Ross says that would benefit not just mining companies, but Canada as a whole.

For example, according to the industry report, the eight mines operating in Canada's territories account for about 15 per cent of overall employment and have generated more than \$800-million in royalties to governments from 2003 to 2012. It says 15 potential new mines could start in the territories over the next decades, depending on markets, creating more than 7,100 full-time jobs, or double the employment levels in 2013.

"If we are really serious as a country about providing opportunities, we need economic development," says Ross. "Right now, what is presented in front of us is the opportunity to mine, to extract minerals and to provide jobs, education, training as well as a sources of taxes and royalties, so we can see positive outcomes both socially, environmentally and economically from this region."

Ross says government can help by investing in not just roads and airports, but expanding access to hydro power and improving connectivity to the grid in

Canada's Arctic. This investment will also help to improve Canada's competitiveness in the global resources industry.

Sergio Marchi, president and CEO of the Canadian Electricity Association, believes Canada needs a stronger national energy strategy that recognizes the needs of Canada's Arctic.

"I do believe that energy is one of those big deals that require a sense of urgency and purpose. It's a central issue in how we have wired our national economy," says Marchi.

"Without that infrastructure, we aren't going to be able to build as viable an economic future as is deserved ... if you don't build it, the investment won't come."

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