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Poor gold prices delay Meliadine West mine start-up

Site near Rankin Inlet could yield a bonanza, but only if rock-bottom gold values rise.

AARON SPITZER
Nunatsiaq News

IQALUIT — With the world price of gold in the toilet, one of Nunavut's most promising mining projects won't be gearing up any time soon.

Meliadine West, a rich gold deposit located about 35 kilometres north of Rankin Inlet, is considered to be one of the brightest hopes on Nunavut's otherwise gloomy economic horizon.

A mine at the property could directly employ 100 Kivalliq residents, generate scores of spin-off jobs, and pump tens of millions of dollars into the region's economy.

But unless world gold prices climb from their current 20-year low, the property won't be worth developing.

"The biggest single factor going against the project right now is the price of gold," said Alan Sexton, who manages the Meliadine West site for WMC International, the property's majority owner.

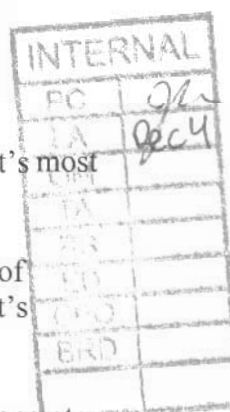
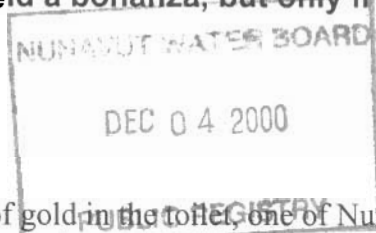
"We need about \$325 an ounce. This morning [Nov. 27] it's at \$270, so we're quite a ways off of that."

Indeed, the price of gold has not climbed above US\$325 in the last three years. It hasn't been as low as it is now since 1979.

High gold values are needed because in mining the up-front costs are staggering. According to Sexton, it would cost around \$250-300 million to build a mine at Meliadine West. "And you need sustained gold prices to essentially pay your mortgage off."

Largest in Nunavut

Over six years of exploration, geologists have identified approximately 4.9 million ounces of gold at the Meliadine site, making it the largest untapped gold find in Nunavut.



If Meliadine ever goes into production, the economic benefits to the Kivalliq region will be huge.

Sexton said an operating mine might have a life of 12 years and employ 300 people, including as many as 100 local residents.

"If you put 100 people to work in the Rankin Inlet area, and multiply that by the four or five people who are part of that family, you're talking about 20 per cent of the population. That's a significant impact."

The mine would also require a building boom in and around Rankin Inlet, with approximately \$30-50 million in infrastructure improvements needed to make the project feasible.

A road, with several bridges, would have to be built from Rankin Inlet to Meliadine. Power lines might be strung parallel to the road. Warehouses and staff homes could be constructed in Rankin.

"It's equivalent to another small town being built," Sexton said.

The town would also require a new dock to accommodate the ship traffic from the project. Mine planners are even considering using icebreakers to lengthen the mine's shipping season.

Also needed would be storage tanks for the approximately 30 million litres of diesel fuel Meliadine would use each year.

The mine itself would be part open-pit and part underground. Gold would be processed and poured into bars on site, and then flown out aboard airplanes.

Over six years of exploration, the project has already left more than \$6.25 million in the hands of local residents and businesses. In 1999, summer exploration work employed 26 Kivalliq residents, hailing from Arviat, Chesterfield Inlet, Rankin Inlet and Whale Cove.

Nunavummiut under-skilled

Sexton said he has high hopes for increased employment of Nunavummiut on the project. But to ensure that that happens, skill levels in the region will have to rise.

"The training levels are pretty low as far as requirements in a mine," he said. "The days of pick and shovel work in a mine are gone. We have miners now who have engineering degrees."

WMC International is also conducting environmental baseline studies at the site, tagging Arctic char and collaring caribou to examine their migratory patterns. The information will be used to determine whether mining operations have an impact on local wildlife.

But mostly, the mining company is just waiting, hoping that gold prices rise.