



## Market Perspective: Role of Government in Reducing Risk

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Among the many industries that contribute to the wealth of a nation, resource sector projects have the unique ability to identify previously unknown assets. Mineral Sector projects have the ability to add to the tangible wealth of a country. Mineral processing and manufacturing have the ability to add further value to these assets.

Normally, mineral deposits are hidden from view, and the discovery of such deposits is difficult. At this time, for example, a junior Canadian mining company named Kirkland Lake Gold, is developing a new high-grade gold mine below the town of Kirkland Lake. This is significant because gold mining has been carried out at Kirkland Lake since 1911, nearly 100 years ago. The new mine being developed was missed even while 22 mines were discovered, producing more than 36 million ounces of gold from 106 million tons of ore.

Investors accept the risks of mineral exploration knowing that the rewards can be significant. Governments seeking to encourage the Private Sector to invest in the minerals industries have a vital role to play in reducing the risk to investors. In so doing, Governments serve their own interests in assuring themselves a source of new taxes and/or royalties, employment for their citizens, and spin-off infrastructure developments which may last far longer than the original mine.

Governments have the power to increase the risk of projects through establishing an unstable regime in which the rules are unclear and subject to change during the life of a project. Governments need to recognize that companies have the energy and drive to invest, but most companies follow the 'Herd Instinct' – they seek safety in numbers and hope to benefit collectively if any of their peers makes a discovery. These companies return, year after year, to those areas offering the best environment for investment. If a country changes its rules and becomes less favourable, the companies will leave and only those with no alternatives or substantial commitments will stay. As some countries have found, Indonesia for example, once abandoned, it takes a tremendous amount of effort to regain popularity.

The role of Government must first be to ensure that its laws and regulations are competitive with other nations that have active mining sectors. Countries such as Canada, Australia and South Africa offer good role models. Foremost among the criteria needed to ensure investment is the need for land tenure provisions to guarantee that investors will be able to mine what they find. The fear of expropriation of mineral rights is a powerful disincentive even when indirect through, for example, the imposition of new and unforeseen royalties. Governments need to ensure that investors understand the process through the transparent and responsive administration of the Mining Code – the law and its regulations. Companies need to understand the nature of the tax system, and most importantly, the royalties, if any, that will

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## Regional Spotlight: China

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Vice President

WGM once again attended the China Mining Conference, held this year in Tianjin, between October 20 and 22, 2009. Tianjin is about 150 km SE of Beijing and a major port city of +10 million people. This area is known as TEDA, or Tianjin Economic-Technological Development Area, and is one of four municipalities that have "provincial-level" status, reporting directly to the central government in Beijing.



From left to right: Jack Yue, Junior Engineer, Peter Zhang, Chief China Representative, WGM, David Mulroney, Associate Deputy Minister of Foreign Affairs, Government of Canada, and Michael Kociumbas, Vice President, WGM.

While attendance was somewhat depressed from year's past, Canadians once again represented the largest foreign contingent in attendance, with provincial governments and the private sector taking the lead.

We reacquainted ourselves with many of our clients, but more importantly the conference gave us the opportunity to meet some of the emerging private sector firms face-to-face, which have grown in leaps and bounds. Since opening our representative office in Beijing in 2004, we have quickly learned that our local presence was the most crucial step in establishing long-term relationships in China and Asia.

In the past 12 months, despite continued economic turmoil, WGM has seen a huge increase in the number of Chinese clients on the lookout to finance projects beyond China's borders. The mining industry is truly international and China and Canada can forge strong partnerships that can bring benefits to both countries.

## WGM selected for Egyptian Industrial Minerals Study

Cairo - Egypt - The Industrial Modernization Centre ("IMC") is an industrial development agency jointly funded by the European Union, the Egyptian private sector, and the government of Egypt, whose mandate is to provide business development support to Egyptian industrial enterprises. WGM is pleased to announce that it has been selected to conduct a yearlong study on Egypt's Industrial Minerals Sector.

Recognizing the importance of the construction materials industry to the development of Egypt, the IMC has engaged WGM for a comprehensive review and strategic analysis of eight key construction raw materials and associated downstream processing operations. The results of the work will be used to guide government policy development respecting exploitation and development of key construction raw materials, assist industry in improving its operations and competitive position, and encourage investment in the sector.

Partnering with WGM are one of the world's foremost leaders in dimensional stone, WGM's associate firm, Geofield srl, and WGM's local partner, Chimica Edile Middle East, who will provide valuable logistical, infrastructure, research and back office support. WGM has also formed a strategic alliance with the Egyptian Mineral Resources Authority ("EMRA"), under the directorship of Dr. Hassan Bekheit, whose in-depth knowledge of Egypt's industrial mineral geology is second to none.

For more information on the IMC, visit [www.imc-egypt.org](http://www.imc-egypt.org).

## Reducing Risk in Mineral Sector Projects

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be paid on mineral production. The total cost of taxes plus royalties must be competitive and must allow for an acceptable rate of return on the producing mine. To see the effect of exorbitant taxes and royalties, Governments need only look at the effect of such royalties in countries that have fallen out of favour with international investors.

In mineral producing countries, the National Geological Survey is usually the government branch charged with the administration of the resources sector. Geological Surveys are the repository of geoscience knowledge in the country. These Surveys operate with a mandate to acquire scientific knowledge and to publish information concerning the geology and mineral deposits of the country. In publishing its information, the Survey has a vital role to play in promoting investment in mineral exploration. In general, the Survey should not take on the risk of advanced exploration projects as this task is best left to the private sector. Government policy should ensure and facilitate the distribution of information as a primary means of promoting and attracting investment.

Other arms of government also have roles to play. Unfavourable customs tariffs can add to the effective tax load of a mining project. Favourable policies can be put in place to ensure fair treatment for consumables, supplies and

equipment sourced overseas. Fair policies are needed regarding immigration and work permits for foreign professionals, in balance with requirements for the transfer of technical skills to local personnel. Governments can assist with infrastructure development as a means of opening remote areas for exploration investment. Tax holidays can be provided for companies working in areas designated as remote. Policies which credit companies for human resources development programs are also seen as a win-win by all sides as an important means of lowering manpower costs and ensuring a highly trained and sustainable workforce.

Finally, the last decade has increasingly seen movement by mining jurisdictions towards the acceptance of global standards in the management of mineral projects and the reporting of information from these projects. The movement is most advanced in Canada with the requirement that geoscience practitioners be licensed as Qualified Persons. Geoscientists reporting on mineral projects must follow a strict reporting standard mandated under securities rule National Instrument 43-101. Those jurisdictions wanting to increase investment in minerals projects should look to adopting some form of professional association, licensing and global standards as a means of quality assurance to investors.

## WGM to present in Hermosillo, Mexico

Hermosillo, Mexico (March 25<sup>th</sup>, 2010) - At the request of the Canadian Embassy in Mexico, Velasquez (Val) Spring, WGM Senior Geologist, will be delivering a talk on National Instrument 43-101 (NI 43-101) to audiences attending a regional mining conference hosted by Mundo Minero, Mexico's largest national mining magazine. Mr. Spring's talk will focus on the general principles behind NI 43-101, and its impact on public finance of exploration and mining activities around the world.

## WGM featured in *Fortunes Found*

Toronto, Canada - *Fortunes Found*, the latest book by acclaimed Canadian author, Michael Barnes, is the story of the companies and mines that make Canada one of the leading mineral providers in the world, and features several anecdotes of WGM's prolific experience in the international mining scene. *Fortunes Found* is available at Chapters Indigo and other book retailers.

### About the Author

Michael Barnes is a Member of the Order of Canada. The author's themes include Northern Ontario and the resource industries. He has been a Globe & Mail correspondent, CBC freelance radio broadcaster, speech writer, ghost writer, annual report author, script researcher and television writer. His mining books have been accepted by the ROM earth sciences gallery library.

## Event Highlight: Golf for Gold



by: Kurt Breede, P.Eng., [kbreede@wgm.ca](mailto:kbreede@wgm.ca)  
Vice President, Marketing

WGM and Gemcom Software International would like to thank all of our participants at the inaugural "Golf for Gold" charity golf tournament, held at Lionhead Golf and Country Club last August. Special thanks go out to our sponsors, and to the PDAC and Royal Nickel Corp for sponsoring students at this inaugural event.

Congratulations to last year's winning team - Queenston Mining!

Be sure to mark Thursday, August 12th, 2010 on your calendar for the 2nd annual Golf for Gold event! Thanks again to all of our friends, colleagues and valued clients for coming out to support the Canadian Mining Games. Be sure to stop by our booth at the PDAC, for your chance to win a free round!



Above: Winning team (Queenston Mining)

## Where we'll be

PDAC 2010 Feb. 28-Mar. 3  
Toronto, Canada  
Exhibitor (Booth 901)

*Stop by our booth for your chance to win some great prizes including a free round at Golf for Gold!*

CIM 2009 May 9-11  
Vancouver, Canada  
Exhibitor (Booth TBD)

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## Europe as an Exploration Destination

by: Joe Hinzer, P.Geo., [jhinzer@wgm.ca](mailto:jhinzer@wgm.ca)  
President

Attendance at the FEM (Fennoscandian Exploration and Mining) forum in Rovaniemi Finland in December 2009 was the highest ever with well over 600 delegates. Several new mine start ups were announced, the Agnico Eagle, Kittila Gold Mine and First Quantum's, Keivista Ni-Cu-PGE mines in Finland. In neighbouring Sweden, WGM is assisting Northland Resources to finalize their Preliminary Assessment for a large iron ore mine. Northland is also updating the resources of the extension of this into Finland. Exploration activity for iron ore, as well as base and precious metals appears to be having a strong rebirth in this region.

The newest members of European Union are also looking to develop their fledgling economies. The natural resource sector has been identified as a significant contributor to helping bolster their economies. Recent activities to upgrade and modernize governance and the privatization of former

state owned enterprises are further signs of the rebirth of the mining industry in Europe.

The European parliament is also now reviewing a study that indicates that past policies of restricting exploration and mining activities may in fact be detrimental to the sustained long term development of Europe as a whole. Recently concerted efforts have been made to again try and attract explorers and miners to Europe.

In keeping with all this there have also been recent developments on the regulatory front as regulators try to find common ground. PERC, the European equivalent of JORC is actively working to draft and adapt a comprehensive set of guidelines along the lines of NI 43-101 to better regulate reporting issuers throughout Europe.