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# Banking on big nickel deposit

*If northern mine proves feasible, it means work for 400 people*

By Martin Cash

**T**HE Manitoba mining industry got a sneak peak at a potential new nickel mine on Friday, and it could be a big one — on the same scale, according to some, as the half-billion-dollar mine being developed at Lalor Lake.

Victory Nickel Inc. has spent close to \$30 million developing the property called Minago over the last 10 years and it is only a couple of weeks away from receiving a third-party feasibility study that could set the table for another \$450-million mining project in northern Manitoba.

"We do not know what the feasibility study will say, but we are certainly hoping for good results," said Rene Galipeau, Victory's vice-chairman and CEO. "This could be a mega-project."

— Chris Beaumont-Smith

While a couple of hundred people crammed into a convention centre meeting room to hear about the technical details of HudBay Minerals' Lalor Lake gold/zinc discovery, only a handful were on hand for Victory Nickel's presentation at the Manitoba Mining and Minerals convention Friday.

But if the economics work out and the project does move into development, it could become as large a project as Lalor, which is also forecast to cost about \$450 million to develop.

In fact, because the nature of the Minago deposit will necessitate open-pit mining, it will require a workforce of about 400 people to operate, even larger than that projected for Lalor.

"The preliminary indications are quite positive," said Chris Beaumont-Smith, a senior minerals policy and business development official with

## Victory Nickel Inc.'s Minago project

■ **620 million pounds** — the size of the "measured and indicated" nickel resource of the Minago deposit (which does not include 170 million pounds of "inferred" resources), making it the largest undeveloped nickel deposit in Canada \*

■ **0.52 per cent** — the grade of nickel in the deposit

■ **\$44.1 million** — potential annual revenue from ancillary production of hydraulic fracturing sand that sits above the nickel ore and is used in the oil and gas extraction process.

■ **\$441 million** — capital cost to establish open-pit mine.

\* data according to a preliminary economic assessment completed in 2006



Victory Nickel CEO Rene Galipeau (right), vice-president Paul Jones are looking to develop open-pit Minago nickel mine.

the province's department of Innovation, Energy and Mines. "It could be spectacular."

But the project is far from a done deal.

Although Lalor and Minago might require similar levels of capital investments, one major difference between the two is that HudBay already has enough cash in the bank to pay for the entire development costs of Lalor.

Victory Nickel, on the other hand, is a junior exploration company based in Toronto with only about \$5 million in the bank and no revenues to speak of.

But depending on what the feasibility study says about the economics of the project, it could make it possible to raise bank financing as well as open the door for more equity offerings.

In August, the publicly traded company received a major vote of confidence when Jilin Jien Nickel Industry Co. Ltd., China's second-largest nickel

producer, bought close to 20 per cent of the shares in Victory.

"Their access to capital has improved since the Chinese have bought into the company," Beaumont-Smith said.

Company officials are also hopeful because the deposit is located close to Highway 6 about halfway between Grand Rapids and Ponton. In addition to its proximity to the highway, a major asset for a new mine development, it also will have close access to hydro power and is only about 60 kilometres away from the Hudson Bay Railway line.

Galipeau said Omnitrax officials, owners of the railway line and the Port of Churchill, flew to Toronto recently from their headquarters in Denver and met Victory Nickel officials to discuss potential business that might occur if the mine can be developed.

Paul Jones, Victory's vice-president

of exploration, said if the feasibility study results are positive, the first thing that would occur would be construction of a road off Highway 6 into a limestone outcrop where there is raw material available to build a road further into the deposit.

He said that work could begin as early as this winter.

Victory has already signed memorandums of understanding with three of the First Nations in the area — Grand Rapids, Cross Lake and Moose Lake — and says it believes it has their support for the project.

However, communications with officials from Norway House have not gone well and could potentially become a sticking point. Mineral resources developers have a duty to consult First Nations who may have claims to the lands in the region where the resource is being developed.

But Dave Chomiak, newly appointed

minister of Manitoba Innovation, Energy and Mines, said there has been significant positive developments over the last few years between the mining industry and the aboriginal community in Manitoba.

"The really good news is that the mining industry is looking for hundreds of workers in the future and we have got a lot of people that are underemployed and a lot of First Nations people who want to be involved," Chomiak said. "So we have an opportunity to continue to grow the province, and grow it in a way that meets our demographics."

Victory's shares closed at 12 cents, up 14 per cent, on huge volume Friday in trading on the TSX Venture Exchange.

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