

http://www.nunatsiaqonline.ca/stories/article/65674baffinland_slashes_scope_of_nunavuts_mary_river_project/
 NEWS: Nunavut January 10, 2013 - 6:40 pm

Baffinland slashes scope of Nunavut's Mary River project

Company postpones railway, Steensby Inlet port, Foxe Basin shipping



Here's a sight you won't see any time soon. This image from the draft environmental impact statement for

the Mary River iron project illustrates the types of locomotives and ore cars planned for its 150-kilometre railway from the mine site to Steensby Inlet. That railway is now deferred to an unspecified date in the future.

In a bolt from the blue, the Baffinland Iron Mines Corp. told Nunavut regulators Jan. 10 they've slashed the scope of the Mary River iron project in response to slumping steel prices and rising borrowing costs.

"In the current global financial environment the large development capital cost for the Mary River Project is difficult to finance," Erik Madson, Baffinland's vice president of sustainable development, said in a letter to the Nunavut Impact Review Board. (See document embedded below.)

Madsen said Baffinland's owners, Arcelor Mittal and Iron Ore Holdings, now want to build the mine under a "phased" approach.

In the first phase, the company will jettison plans for a railway, a Steensby Inlet port and year-round shipping.

Planned iron ore production would be slashed from 18 million tonnes a year to 3.5 million tonnes a year — and would be shipped only from Milne Inlet, in the summer.

Madsen did not provide a date for when a "second phase" of development might occur at Mary River.

A source told Nunatsiaq News that Baffinland officials briefed officials with the Government of Nunavut and Nunavut Tunngavik Inc. about the plan on Jan. 9.

Arcelor Mittal, whose credit rating was downgraded this past December by the Moody's agency, has been selling off assets and issuing new bond offerings in an attempt to reduce its debt-load.

Also in December, Mittal transferred 20 per cent of its stake in Baffinland to Iron Ore Holdings, giving each company 50 per cent ownership.

Baffinland's board approved the new Mary River plan late last year, just before Christmas.

At around the same time last December, the NIRB held two days of project certificate workshops in Iqaluit, and then issued a certificate to Baffinland for a much bigger version of the project.

The company now seeks amendments to that project certificate, which now includes 182 terms and conditions — some of which must now have to be altered.

Baffinland's new plan includes the following:

- production reduced from 18 million tonnes a year to only 3.5 million tonnes a year;
- no railway from the mine site to Steensby Inlet — that's deferred to a later date;
- no port at Steensby Inlet — that's deferred to a later date;
- no shipping through Foxe Basin or Hudson Strait, that's deferred to a later date;
- iron ore will be shipped only through a port at Milne Inlet;

- no year-round shipping — ore will be shipped from July 15 to Oct. 15 only, from Milne Inlet to Rotterdam and other European ports;
- a shorter construction period, starting in 2013.

In his letter, Madsen said Baffinland is caught in a squeeze that's constricting the activities of many other mining companies.

"This same effect is being felt by many major projects around the world. Additionally, the risks associated with large capital developments are magnified during tight financial markets."

To sweeten the impact of the altered project, Baffinland said the new plan would allow for the earlier introduction of training, employment and business programs.

(More to follow)

[Baffinland Jan. 10 Letter to NIRB](#)

(14) Comments:

#1. Posted by wondering on January 10, 2013

just as I thought, get ready for another Nunavut meltdown..5 years from now..their names will be "who was that iron ore company near Pond again"?

#2. Posted by just sayin' on January 10, 2013

Somebody must have run up quite a hotel bill at the Olympics, on Arcelor Mittal's credit card...

#3. Posted by Knockout Ned on January 10, 2013

Alianai! This allows for a slower development which will better allow our communities around the project to develop in increments, rather than metaphorically overnight.

Make no mistake - this will still be a large scale development project that will provide hundreds of jobs and see large economic benefits to our communities. The original plan called for too much too fast - this scheme will see longer-term benefits for our communities.

It will also mitigate the dramatic growth pains a lot of communities would see under the original plan. One can't expect communities to fare well from explosive growth - look to Iqaluit as an example of too much too fast.

The race to dig up every resource in Nunavut ASAP was never in our best interest. We need to take our time and do it right - the resources aren't going anywhere.

#4. Posted by Denise Bélanger on January 10, 2013

My curiosity, is a question in this scenario: the project stops and reduces in mid-production. Is a financial savings in place to secure a clean-up at that time? The companies leaving the area will leave garbage behind.

#5. Posted by Adaptive Management on January 10, 2013

Two words from the mouths of Baffinland.....

“adaptive management”

#6. Posted by sled dog on January 10, 2013

yes, selling off assets, distributing risk via partnership yes, that may lower interest burden that will help defray some debt costs but in combination, selling off assets and issuing new bond offerings will not lower the debt load as new bond offerings tend to increase the debt burden ; hence mutually exclusive.

Perhaps they are doing some restructuring synthetically through interest rate swaps, fixed for floating type of thing but newly issued debt after a credit downgrade usually means increased interest costs.

Also, from reuters canada:

“Luxembourg-based ArcelorMittal, which has a high debt load, said on Thursday that it had handed over a 20 percent Baffinland stake to Nunavut, a privately held company backed by U.S. private equity firm Energy & Minerals Group.”

This is why i tweeted NU is ripe for speculation, not production. Private equity committments tend to run on 10 year life cycles and are generally not in the business of operating mines on a 30+ long term basis.

still, keep this thing moving for NU

#7. Posted by Observer on January 11, 2013

“My curiosity, is a question in this scenario: the project stops and reduces in mid-production. Is a financial savings in place to secure a clean-up at that time? The companies leaving the area will leave garbage behind. “

The standard for all mining projects for the last decade or more is that before operations start the company has to provide

- a) the plan for clean up and closure that’s updated as the project evolves, and
- b) some form of security deposited so that even if the company up and leaves, the money is in place for someone else to go in and clean it up.

A large part of the Water Board hearings that are coming up will be to determine what the amount of reclamation security has to be. That’s why they have to announce the change before the hearings, so that what’s now being proposed can be evaluated.

#8. Posted by J.F.R.I. on January 11, 2013

It’s likely posturing for the OSC hearings starting Monday, Jan. 14th against the dynamic duo from Nunavut Iron Ore Holdings.

#9. Posted by Nunavummiutaq on January 11, 2013

The new plan (no Steensby/Foxe Basin/Hudson Strait) seems exactly like what local people wanted! That’s awesome!

#10. Posted by Duped ? on January 11, 2013

Hardly #9.

Now you have the sole point of entry and departure at Milne Inlet, which is a very important area for both narwhal and Bowhead whale, not to mention a heavily used area by Mittimatalingmiut during the summer.

I doubt very much that this was what the local people of Pond Inlet expected, or indeed wanted.

#11. Posted by Kenn Harper on January 11, 2013

So with the project mining 1/6 the originally anticipated number of tons per year, perhaps it will last 6 times as long, i.e. 120 years instead of 20. Surely this would be to the benefit of all royalty-collecting parties, which begin worrying about mine closures and the end of royalty streams shortly after projects begin.

This would also seem to take away most or all of the bargaining power of Igloolik, which will now be simply a community from which employees are drawn. This is now very much a Pond Inlet project and Pond Inlet can be very much in the driver's seat as an affected community.

#12. Posted by sled dog on January 11, 2013

11,

The basic premise of finance is that a dollar today is worth more than a dollar a year from now. So, to push royalties to a 120 year stream is not a better financial deal and relatively simplistic and should I dare say a silly and unrealistic view.

a dollar received in 90 years does little to help those in dire need today.

Yes to sustainable development, Yes to the needed employment and yes to what ever royalties can be generated even with a lower tonnage and smaller project.

As for shifting balances of power, who really cares. Why have Pond against another community. Impacts will be felt all over Baffin and even into the other regions.

What NU needs to prove to the world is that as an emerging market, it can handle the development socially, economically, environmentally and politically. Otherwise, phase II, III simply will not happen. The world is watching. Successful implementation of a scaled down version of the plan is key to success. But, I fear NU, will get caught up in the who's in the drivers seat game and miss the big picture. This outcome will certainly impact those wishing to invest.

#13. Posted by Ursus on January 11, 2013

Just a quick point of clarification for Nunavummiutaq:

This does not mean Steensby port is now off the table, only that there will be a delay before shipping starts there. The company is proposing open-water shipping through Milne to start, but the long-term plan still calls for year-round shipping through Steensby, just a little further down the road.

It will be interesting to see how NIRB and the various regularly agencies approach this request, since it was proposed before, then removed, and therefore not assessed in detail during the project review process.

#14. Posted by pauloosie on January 12, 2013

interesting.....As I have said before just look at Newmont...here today ...shuttered up and mothballed tomorrow. Why did BIM go to Iqaluit meeting before christmas to glad hand each other and accept the certificate while at the same time the board was meeting elsewhere and already deciding to change things before it even started?...seems they are being less than transparent and are being 2 faced....come on people mining can't go ahead when you can't believe the words being spoken.

You can bet that arcelor is backing away and giving Nunavut iron ore a bigger stake...also making them more culpable if they are found guilty of insider trading....the OSC should hit them hard...especially after this fiasco.

But this is what happens when you put all your eggs in one basket.....remember Newmont people.....remember....
all I can say is....IDLE NO MORE!!