



Market Perspective:

Minerals Self Sufficiency

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During the recent American election campaign, there was a great deal of rhetoric about America gaining self sufficiency in petroleum supply. Forgotten in the debate was any mention of America's situation with respect to all other minerals.

In 1990, during the George H. W. Bush administration, the US National Academy of Sciences reported on the competitiveness of the US minerals and metals industry. A number of important recommendations were made to improve the competitiveness of the US minerals industry, including a significantly greater role for the US Bureau of Mines. What happened? In 1995, Congress voted to close the USBM. While certain functions were transferred to other agencies, 1,000 employees were given the pink slip and \$100M of its research programs were cancelled.

“Canada is the leading supplier to the US”

Recent statistics from the USGS indicate that the US has net import reliance for 65 mineral commodities, of which it imports more than 50% of its supply for 45 commodities (up from 23 in 1992) and for 100% of its supply for 17 commodities. China is the leading import source for 14 commodities. Thus while the country's military might depends on the availability of a wide range of metals, and despite protectionist measures in the current economic stimulus plans, these materials are increasingly sourced offshore. Lack of government support, and the imposition of more and stricter regulations all contribute to the steady decline in America's mining industry. That's the bad news for the US.

The good news for Canada is that Canada is the leading supplier to the US of 19 mineral commodities (up from 16 in 1992). In 2008, an expanded geological mapping program was announced by the GSC. Improvements were made in the federal corporate tax rate, along with clarification regarding the eligibility of certain costs for flow-through accounting. The recent budget contained measures to allow interest deductibility on funds borrowed to make investments abroad and extended the flow-through program to assist exploration.

Canada too has its problems. The mining sector faces huge human resource problems at its existing mines as experienced miners reach retirement age. Despite higher exploration expenditures in recent years, mineral reserves continue to be depleted and must be augmented if Canada is to retain her place in the world's mining industry, and continue to contribute over \$5 billion in taxes to government coffers.

The American mining industry continues to decline accelerated by the lack of support from government and from the imposition of onerous regulations. Canada has, in part, continued to make up the difference, assisted by a more far-seeing government. While still a problem, self sufficiency on a North American scale may provide some comfort to the US.

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Commodity Spotlight: Iron Ore

by: Michael Kociumbas, P.Ge., mkociumbas@wgm.ca
Vice President

From Murray Watts' frontier exploration in the early 1930s, to his discovery of iron ore on Baffin Island in 1962, WGM's history is as deeply rooted in iron ore as is much of Canada's far north. The discovery of the Mary River deposits was the precursor to the present Baffinland Iron Mines Project, which is expected to produce approximately 18 million tonnes of direct-shipping iron ore per year for at least 25 years. In 1962, Murray Watts and associates organized a firm of consulting geologists and engineers – Watts, Griffis and McOuat Limited.

As luck would have it, H.E. Neal ("Buzz") also started his own consulting firm at that same time, after more than a decade of work for both Labrador Mining and Exploration Company and Iron Ore Company of Canada, where he served as geologist and later as Director of Research.

In 1990, Buzz merged his company with WGM, and to this day continues his tireless work in the iron ore industry.

WGM's recent list of clients is a veritable who's who of the iron ore industry in Canada, and includes Quebec Cartier Mining

Company and Dofasco (Mont-Wright Mine and Bloom Lake Project), Consolidated Thompson-Lundmark Gold Mines Limited (Bloom Lake Project, Part II), New Millennium Capital Corp. & LabMag Services Inc. (LabMag and KeMag deposits), and Adriana Resources Inc. (Lac Otelnuk Property).

WGM is currently involved with iron ore projects in Northern Ontario, two in Mongolia, a technical due diligence review of iron ore concessions in Peru, as well as continuing our work on Adriana Resources' project in the Labrador Trough.

With the current economic slowdown, WGM foresees iron ore prices stabilizing over the short-term, as some major projects and/or expansions have been put on hold. The emerging markets of China and India, and the growing markets of Brazil and Russia, will help offset decreasing steel demand in the more developed economies of Europe and North America, and will most likely keep the global iron ore market fairly tight. This could lead to new smaller sources of iron in close proximity to these markets (like Mongolia) being explored for and developed in the near-term.

Welcome to WGM's NEW Newsletter!

Welcome to WGM's new bi-annual corporate newsletter - Horizons.

For those of you that are familiar with our newsletters from the past, we hope you'll enjoy the insights of our editorial commentary, along with the bold look of our new (and environmentally friendly) electronic format. We've selected some of the key commodities in today's headlines, and highlighted a handful of projects from the past year, in various regions across the globe, where WGM professionals are active.

If you have any questions about a mineral project anywhere around the world, please feel free to contact us to see how we can help.

Kurt Breede, P.Eng., kbreede@wgm.ca
Editor and Director, Marketing and Technical Services



Commodity Spotlight:

Uranium

by: Kurt Breede, P.Eng., kbreede@wgm.ca
Director, Marketing and Technical Services

With around 440 nuclear reactors in operation worldwide, and another 96 additional reactors planned or under construction within the next 10 years, it's little wonder the exploration for uranium deposits continues despite the current global economic downturn.

The world's power utilities are increasingly hard-pressed to meet demand. At the same time, uranium mines supply only 62% of their fuel requirements, the balance being derived from the down-blending of weapons grade uranium (98% U235) with depleted and natural uranium to produce nuclear fuel (3-5% U235). Canada's CANDU reactor is a design which does not require its fuel to be enriched. While a looming short-fall in supply has been predicted, Exploration companies are looking to bridge this gap, both here in Canada and abroad.

WGM is currently assisting Toronto-based, U308 Corp to produce a mineral resource estimate for their Aricheng North and South deposits in northwestern Guyana, the results of which will be presented in a NI 41-101 Technical Report (available on SEDAR).

Looking to the famous Elliot Lake region in Northern Ontario - which was amongst the top producers in the mid 1950s - WGM has provided geological and metallurgical guidance to Appia Energy, a private company presently exploring in this historical camp and successfully defining additional new uranium resources both close to surface and in the deep basin. WGM has also continued to provide geological input to Uranium City Resources for its Beaverlodge project in northern Saskatchewan. WGM uranium specialists are currently working on projects in South Korea.

With over 60% of the world's uranium supply originating from mines in Canada, Australia and Kazakhstan, it's foreseeable that these countries will remain hotbeds of exploration activity in the years to come. While in-situ leaching is quickly becoming the extraction method of choice (accounting for nearly 30% of production), host rocks must be suitably permeable, groundwater conditions must be permissive and the uranium mineralization must be mineralogically and geometrically amenable. There are almost always concerns about impacting the existing groundwater quality.

WGM Hosts Workshop in Jeddah

Jeddah, Saudi Arabia - WGM will be delivering a one-day seminar on the fundamentals of mineral exploration in conjunction with the 8th Meeting of The Saudi Society for Geosciences, to be held March 9th to 12th, 2009. Hosted by Mr. Al Workman, Senior Geologist and Vice President, WGM, the workshop will illustrate how organizations can mitigate the inherent risks in exploration through a step-by-step, systematic approach to exploration.

"In understanding the challenges of mineral exploration, project planners also understand that there are no short-cuts to mine development," states Mr. Workman. "Exploration geologists must make use of a multi-disciplinary approach involving all of the tools that are available to them: geological mapping, remote sensing, geochemical sampling and geophysical surveying are the main tools available. The drill should be the last instrument used because it is also the most expensive."

Mr. Workman summarized, "Successful exploration planners know the importance of basing decisions on a well established project database. This foundation of knowledge is the very best means to ensure good investment decisions in mineral project management."

For those interested in registering for this or other workshops hosted during this conference, please visit <http://www.sgsonline.org.sa/ssg> for details.

Commodity Spotlight: Copper - Zinc

by: Al Workman, P.Ge., aworkman@wgm.ca
Vice President

The Al Masane project is located in typical late Proterozoic greenstones in the Malahah volcanic arc of the southern Arabian Shield. The site was a centre for copper mining in ancient times, and many relics and petroglyphs can be found in the area. WGM's exploration of the Al Masane polymetallic deposit in Saudi Arabia goes back to the late 1970s when it was retained to implement an underground drilling and development campaign as part of a preliminary Feasibility Study.

In 1982, WGM received honourable mention at the Canadian Consulting Engineering Awards for its innovations in underground drilling applications.

After many years on care and maintenance, the project was revived as zinc prices soared during 2007. Today, WGM is working with a new investors group to bring the previous engineering studies up to date and to ensure they meet current standards. WGM is providing additional engineering expertise for this study, in addition to completing a JORC-compliant Mineral Resource estimate.

Where we'll be

PDAC Conference Mar. 1-4
Toronto, Canada
Exhibitor (Booth 901)

SGS Conference Mar. 9-12
Jeddah, Saudi Arabia
Exhibitor, Speaker

China Mining 2009 Oct. 20-22
Beijing, China
Exhibitor

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Regional Insight: Europe

by: Joe Hinzer, P.Ge., jhinzer@wgm.ca
President

While exploration and mining activities in many of the core European states has diminished, there has been a marked increase of activity in the expanded Euro zone and Nordic countries. This region is host to a number of important iron ore and base and precious metal deposits seen as strategically important to Europe. Research is also underway to develop technologies to extract value from the extensive shale deposits which are host to a variety of minerals, such as uranium and vanadium.

Governments in the recently expanded Euro zone are looking to the modernization and development of their mineral and energy resource sectors to help finance their economic expansion and EU obligations and improve living standards. This includes the implementation of institutional upgrades aimed at providing a policy framework and governance structures in line with EU / global standards. The need to demonstrate socially responsible corporate governance and a transparent framework will be a key factor in obtaining financing for the transformation of former base and precious metal and energy producers in many of these countries as will the need to meet current international standards. Many of the untapped resources ranging from industrial minerals and base metals to support the infrastructure projects and coal/uranium resources for future energy supply are waiting to be defined and assessed in light of modern regulatory benchmarks.

In light of the above, WGM expects to see a significant increase in exploration, development and upgrading of mineral resource projects throughout Europe and the immediately adjacent regions throughout the next decade.