



RESOURCES AND THE NORTHERN AND NORTHWESTERN ONTARIO ECONOMIES: PAST, PRESENT & FUTURE

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NORTHERN ONTARIO

- Area of Ontario north of French River-Lake Nipissing system
- Geographically distinct from south
 - Pre-Cambrian shield, shallow soils, coniferous forest
 - 90% of Ontario land mass but less than 10% of population

THE NORTH



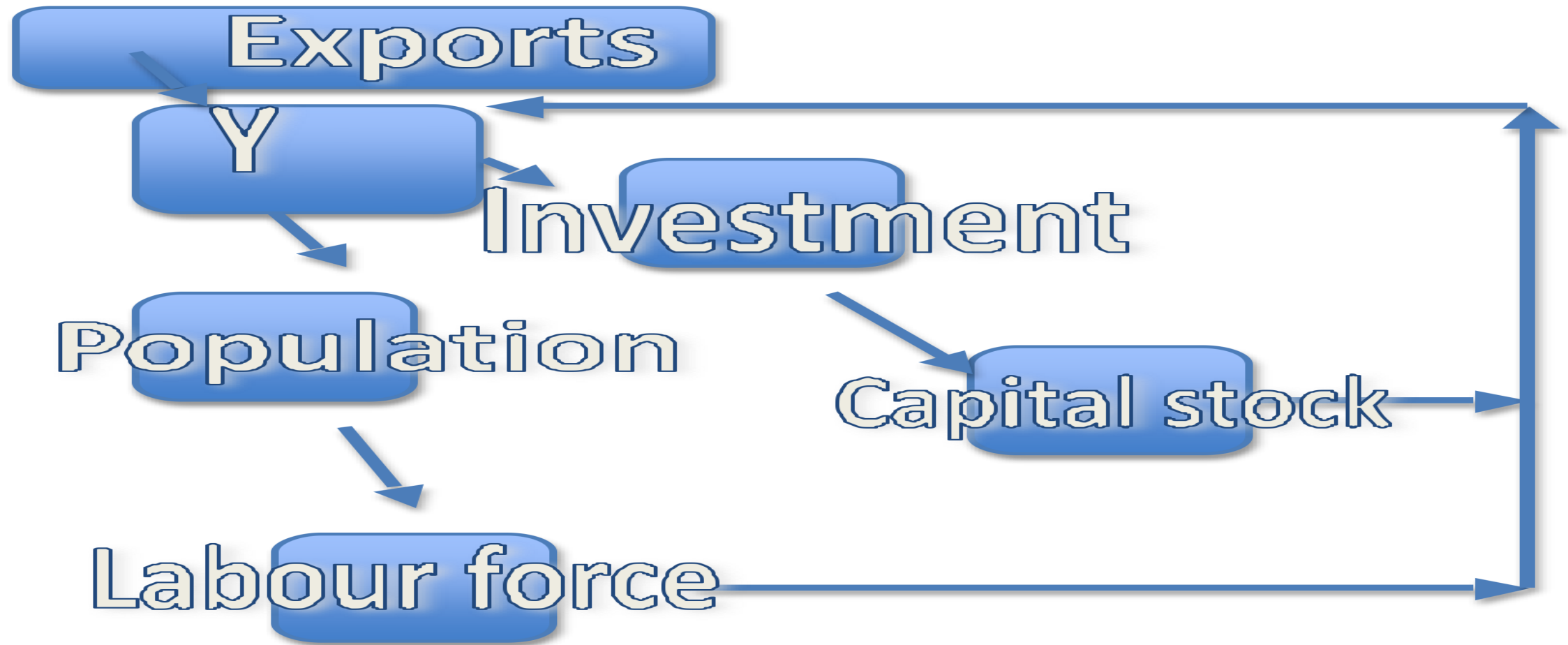
THE NORTH AS A REGION

- *Not a homogeneous region*
- *“Five Norths”*
 - *North of 50*
 - *Northeast Ontario*
 - *Northwest Ontario*
 - *Urban North*
 - *Rural North*

THEMES OF NORTHERN ONTARIO DEVELOPMENT

- **Natural Resources**
- **Transportation**
- **Government**

MODEL OF LONG RUN ECONOMIC DEVELOPMENT



PHASES OF DEVELOPMENT

- **Before 1867**
Pre-European Settlement
- **1867-1914**
Boom & European Settlement
- **1914-1945**
Consolidation, Depression & War
- **1945-1970**
Post-War Boom
- **1970-Present**
Dependency & Decline

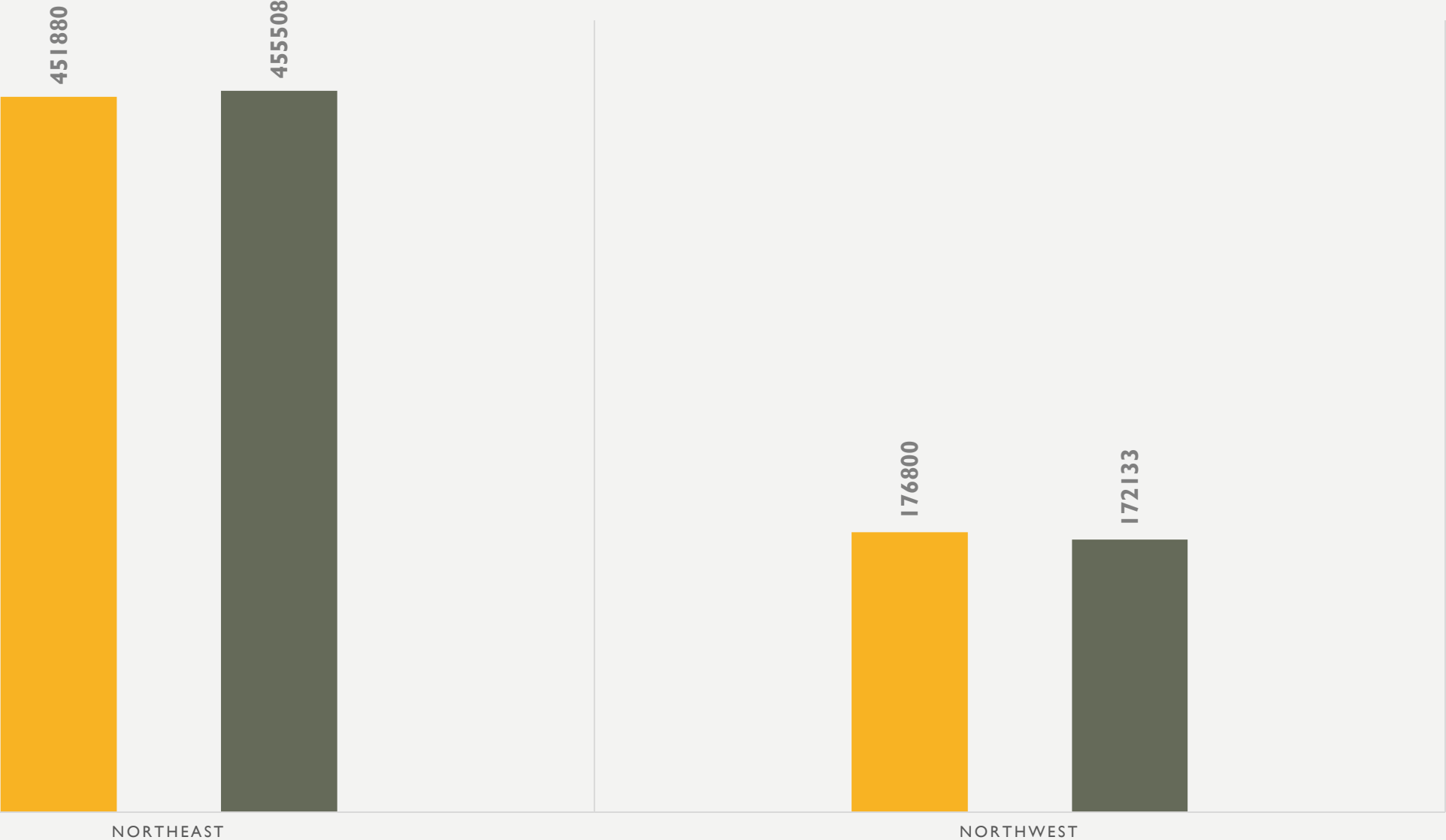


RECENT ECONOMIC INDICATORS

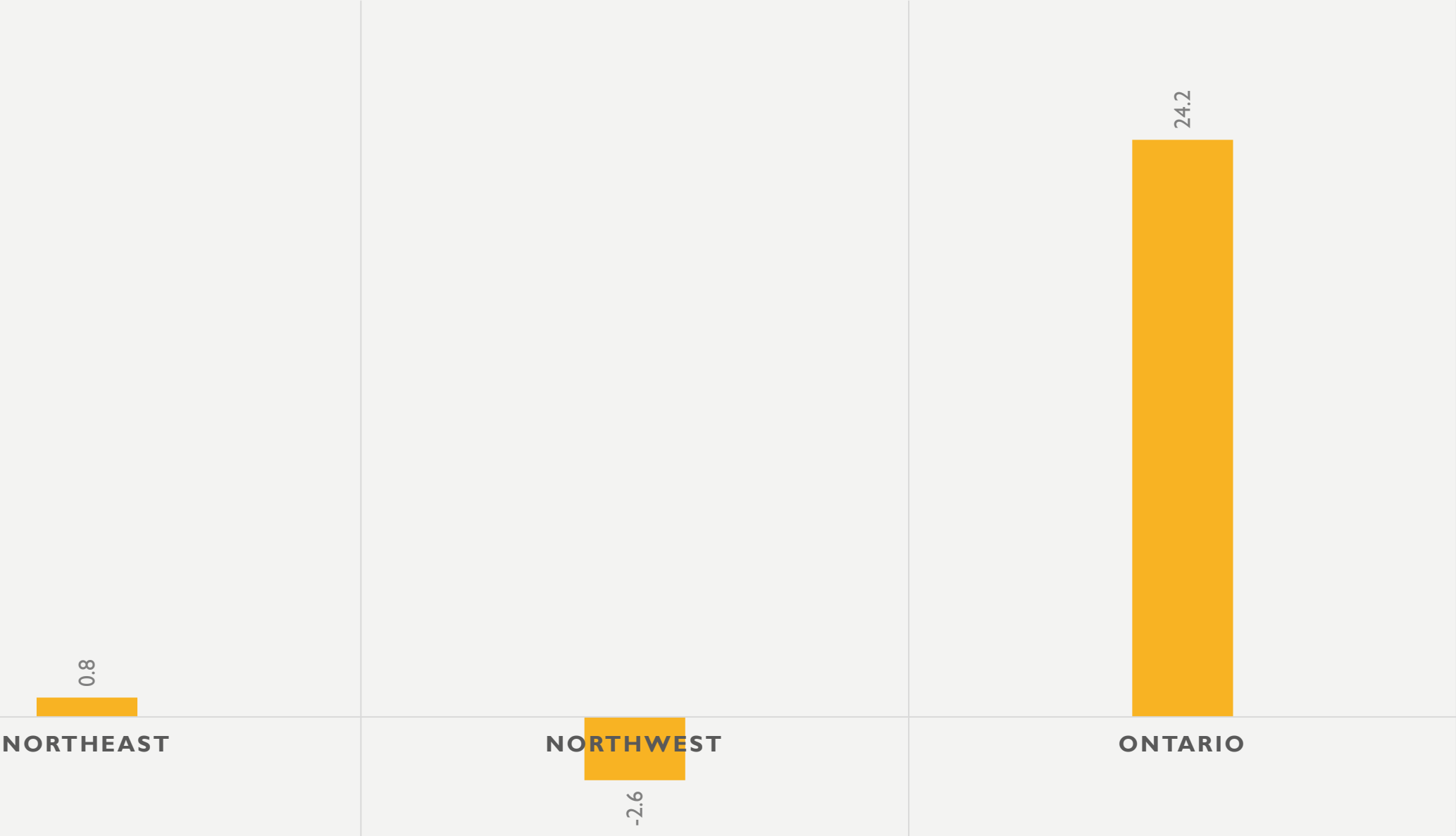
SOURCE: STATISTICS CANADA

POPULATION 15 YEARS PLUS OF NORTHERN ONTARIO, 2001 AND 2017

2001 2017



PERCENT CHANGE IN POPULATION 15 YEARS PLUS, 2001 TO 2017



EMPLOYMENT IN NORTHERN ONTARIO

Northeast Northwest



2001



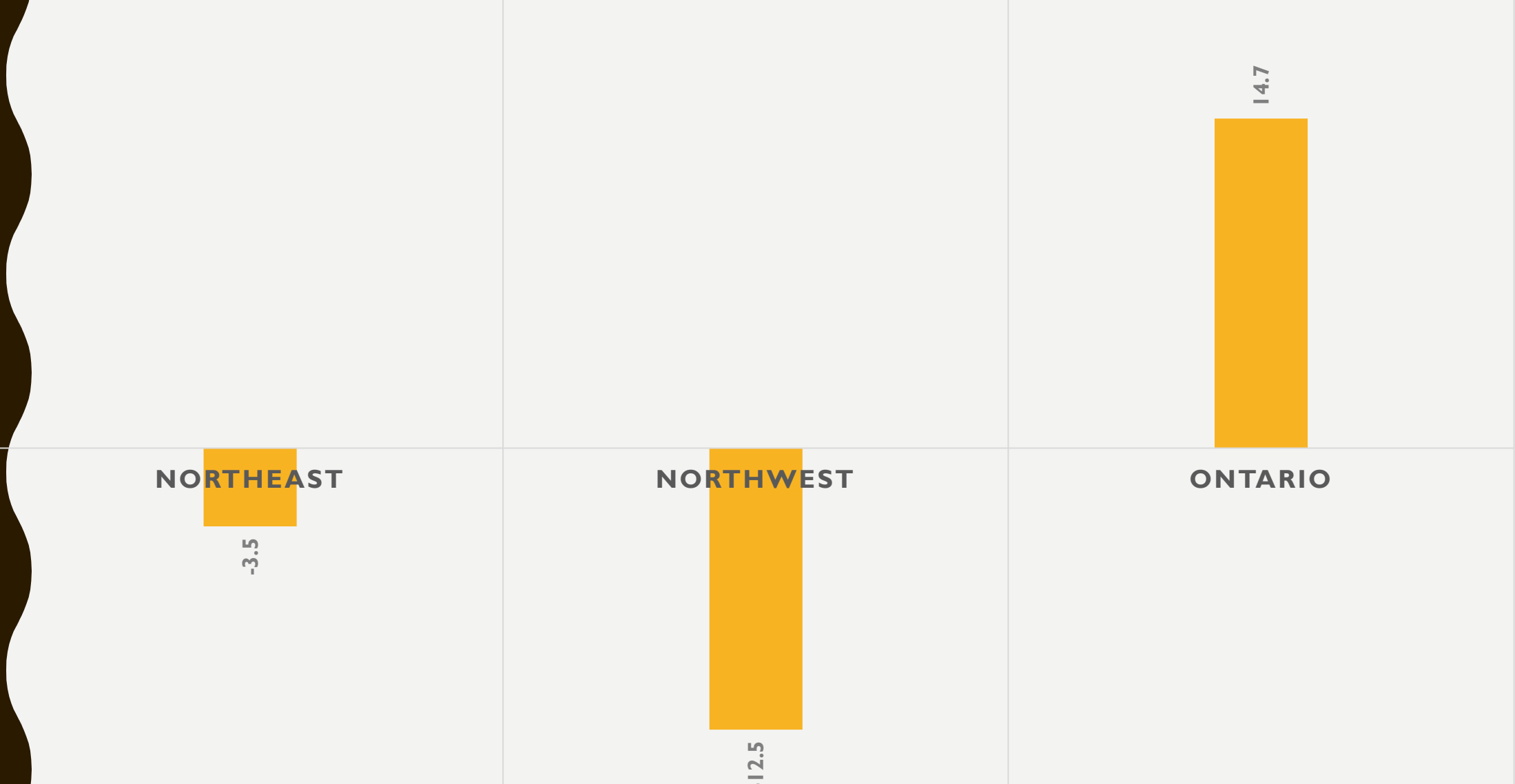
2003



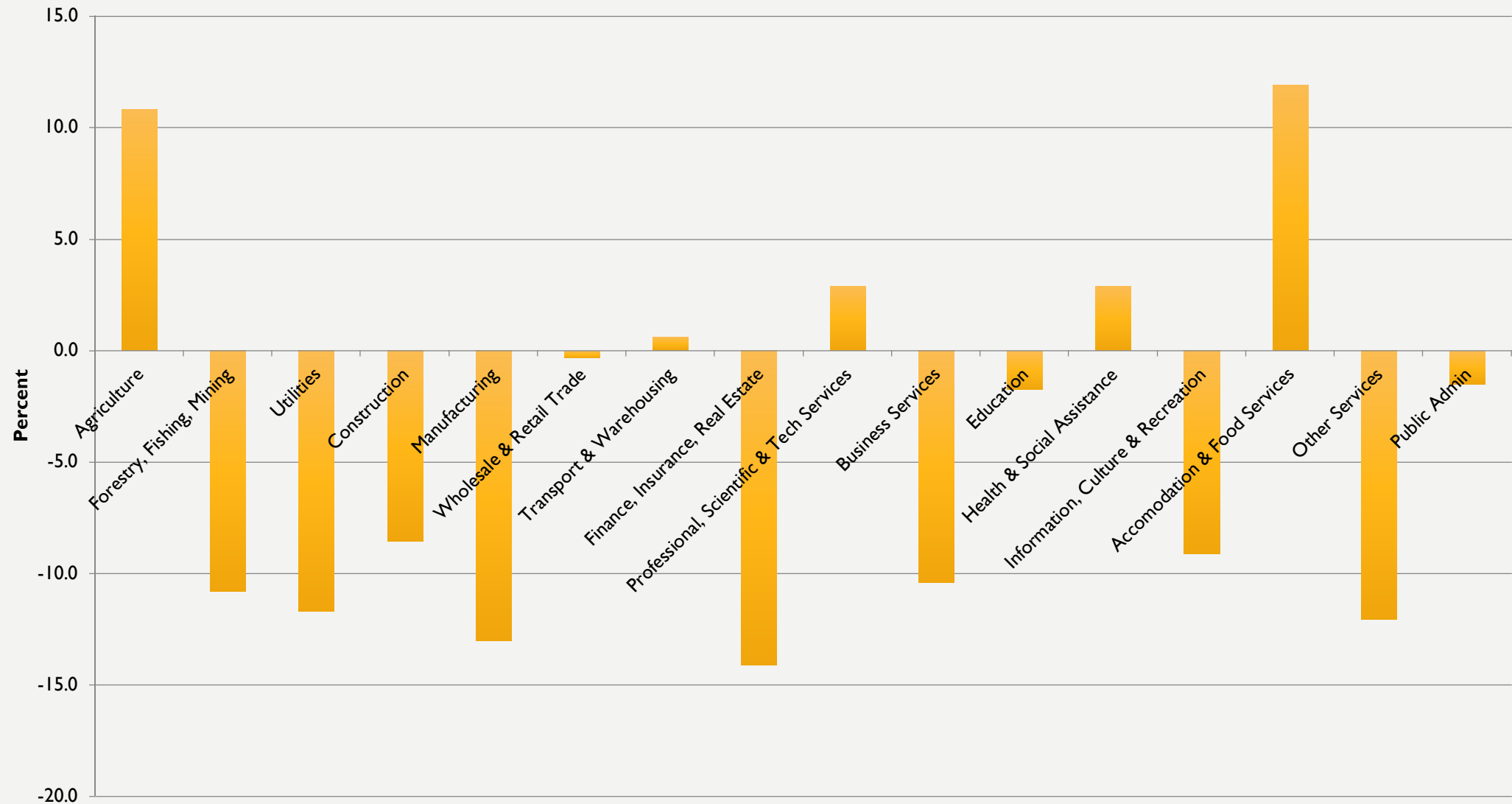
2017



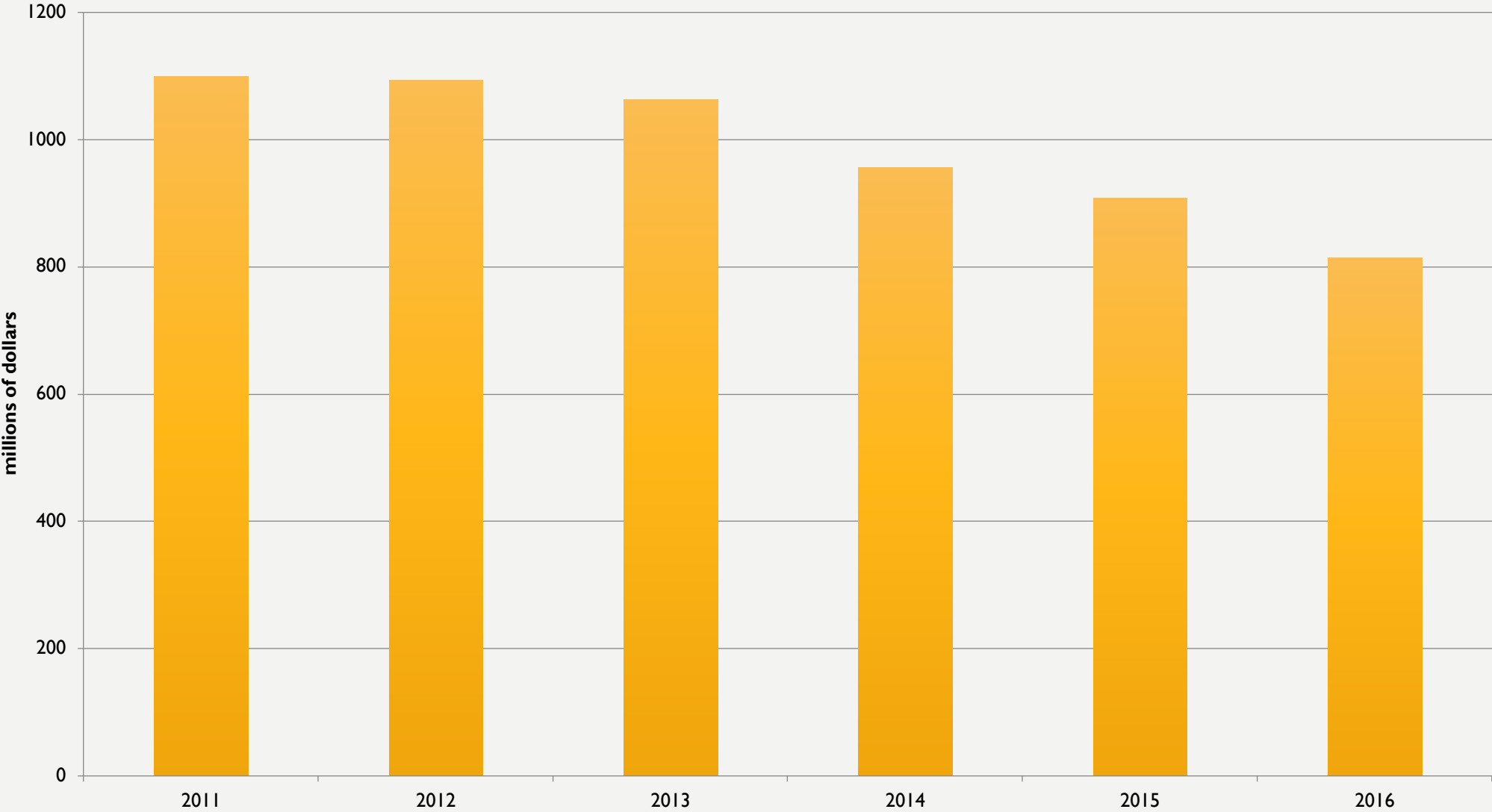
PERCENT CHANGE IN EMPLOYMENT, 2003 TO 2017



Percent Change in Employment by Sector, Northern Ontario, 2011 to 2016



Total Value of Building Permits, Northern Ontario, 2011 to 2016 (millions of dollars)



UNEMPLOYMENT RATES (%)

2001 2003 2017



NORTHEAST

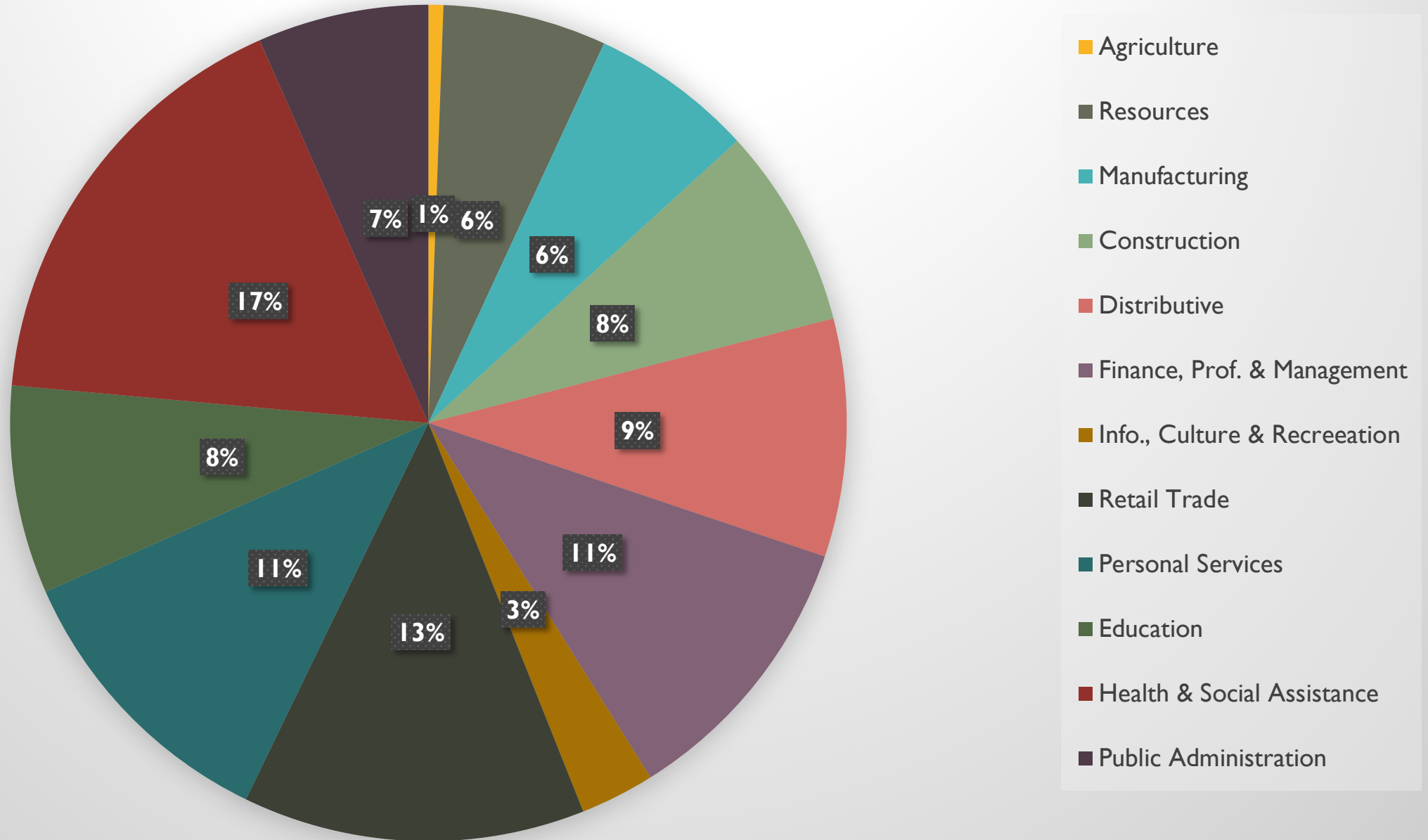


NORTHWEST



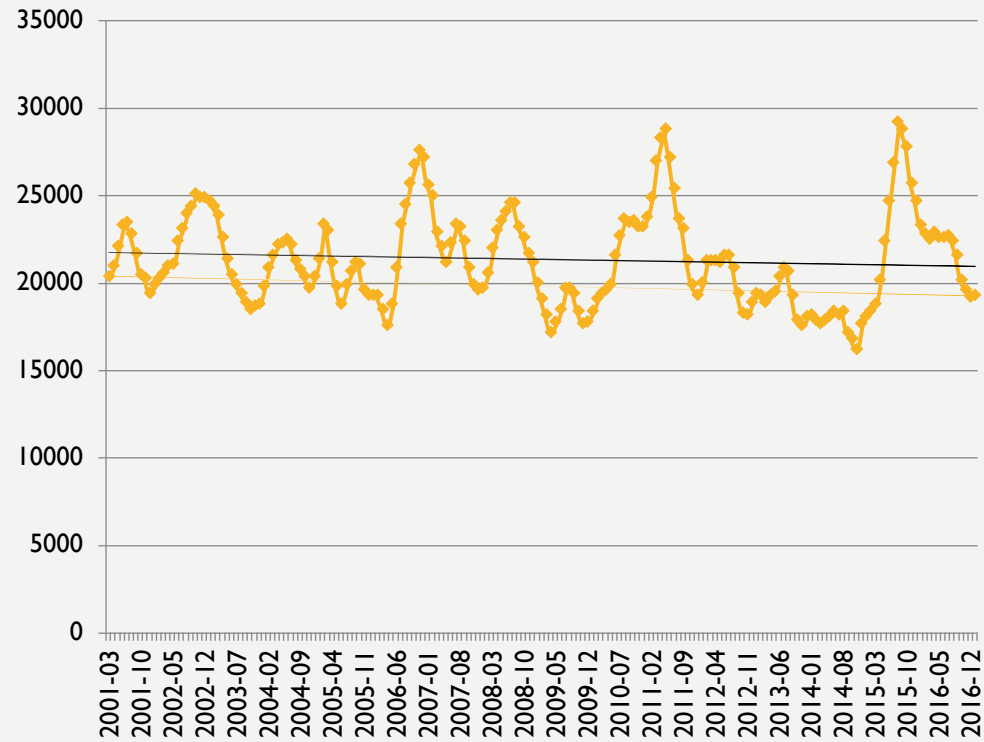
ONTARIO

Northern Ontario Employment Distribution 2017

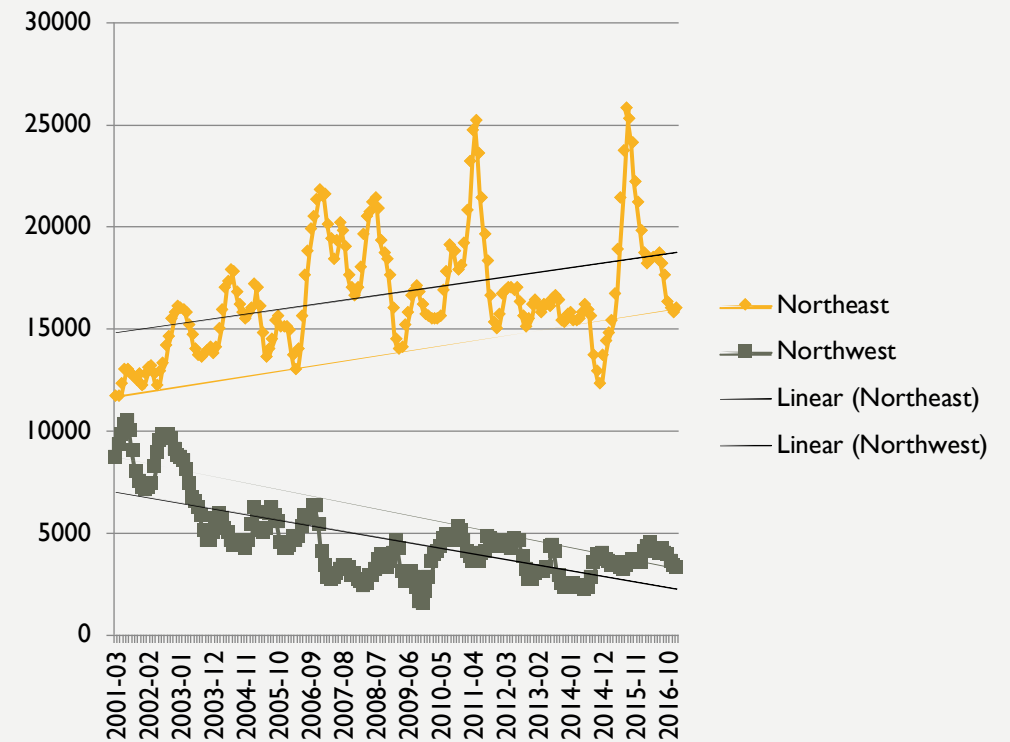


RESOURCE EMPLOYMENT IN NORTHERN ONTARIO (FORESTRY, FISHING, MINING, QUARRYING, OIL & GAS)

Employment in Resource Extraction, Northern Ontario, 2001 to 2017



Employment in Resource Extraction, 2001-2017, Northeast & Northwest Ontario





NATURAL RESOURCES: FUTURE PROSPECTS

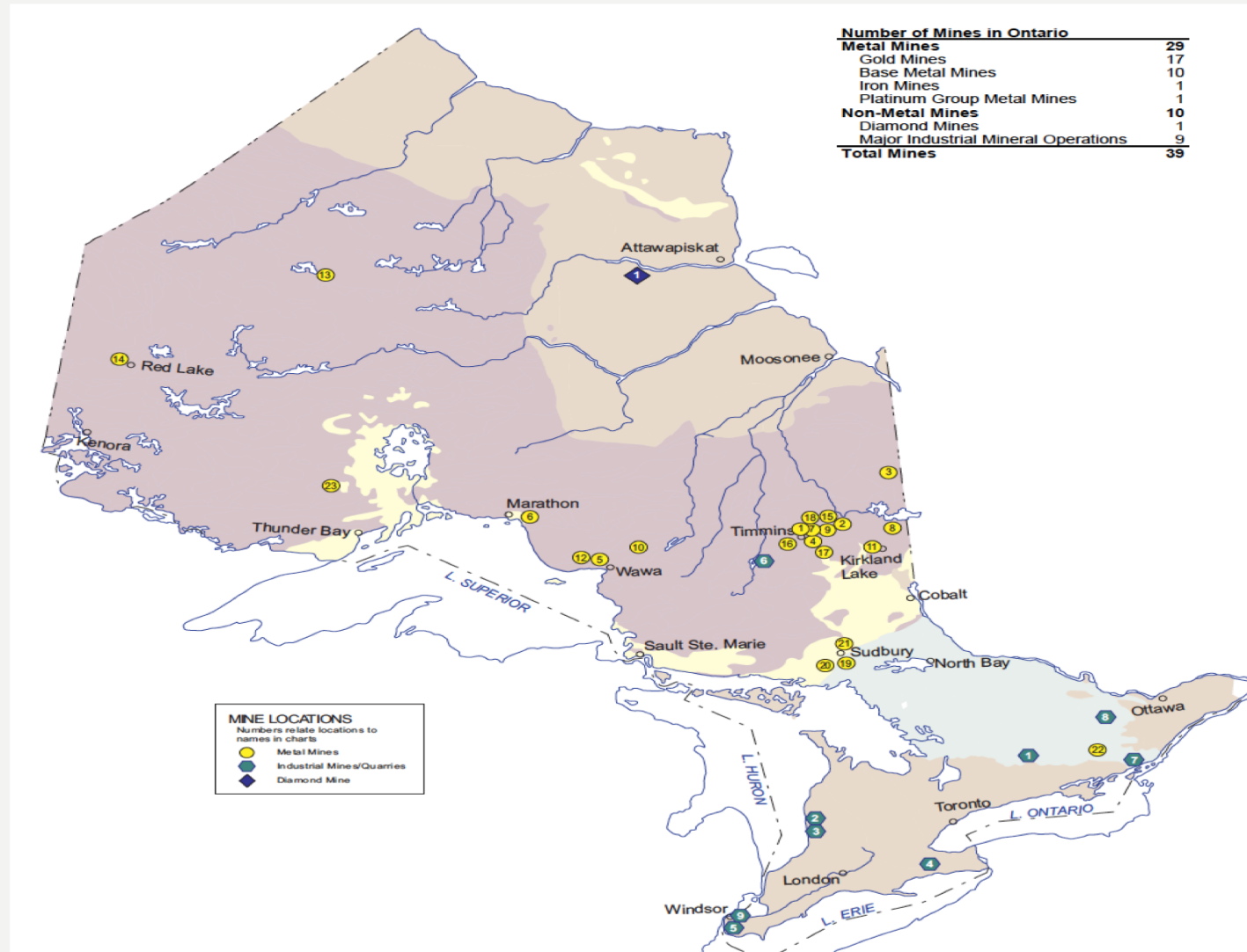
FORESTRY SECTOR

- Forestry sector has recovered somewhat from the early 21st century forest sector crisis
- Ontario forest product producers have seen exports grow – value of sector \$15.5 billion in 2017 of which \$6.7 billion in pulp & paper
- 57,000 employees in 2017 – up from about 44,000 in 2013 (however there were more than 80,000 employees in 2006)
- Future potential good due to recovery of US housing sector. Future challenges include wood supply, electricity costs.

ONTARIO MINING SECTOR

- Largely in northern Ontario: In both northwestern and northeastern Ontario but more pronounced in northeast. About \$11 billion in production annually.
- 39 mine sites operating in Ontario: Nickel, gold, copper, zinc and platinum group metals, diamonds, salt, gypsum, talc, calcium carbonate, and other industrial minerals
- 16,100 people are directly employed in mining in Ontario
- University of Toronto representative mine study shows that one base metal mine in the province, which directly employs 480 people, creates more than 1,100 indirect jobs in the supply and service sector and about 700 induced jobs in the retail sector for a total of 2,280 jobs.
- Given operating mines currently producing in the northwest that would suggest direct mining employment in the region is approximately 3,840.
- In Ontario, Aboriginal employment accounts for 11.2% of total mining jobs.

MAJOR MINING OPERATIONS: ONTARIO (SOURCE: ONTARIO MINING ASSOCIATION)



MINING IN THE NORTHWEST

- Currently 8 producing mines in NW Ontario: Nelson Granite(2), New Gold, Goldcorp (Red Lake & Musselwhite). North American Palladium, De Beers, Barrick Gold.
- Another 30 exploration projects underway. Premier Gold spending \$38 million to develop gold property in Greenstone/Geraldton.
- Northwestern Ontario Mines produced approximately 900,000 ounces of gold and 234,000 ounces of palladium in 2017.
- New Gold Inc.'s Rainy River Gold Project came into production in late 2017 as Canada's newest gold mine. Production rate will be 325,000 ounces of gold per year.
- Harte Gold is planning to start putting ore through at its gold mine north of White River in June.

NORTHWESTERN ONTARIO(SOURCE: THUNDER BAY CEDC)



THE RING OF FIRE

- a massive planned chromite mining and smelting development project in the mineral-rich James Bay Lowlands of Northern Ontario
- The Ring of Fire crescent covers 5,000 square kilometres
- Tony Clement, the Harper government's Treasury Board President and the FedNor minister responsible for the Ring of Fire, claimed it will be the economic equivalent of the Athabasca oil sands, with a potential of generating \$120 billion.
- Major players to date: KWG Resources Inc., **Noront Resources Ltd.**, Metalex Ventures Ltd Projects, Ontario government, Nine First Nations
- Process underway by Noront Resources to select a site for processing facility (smelter): Timmins, Thunder Bay, Sudbury & Sault in the running.

RING OF FIRE CHALLENGES

- high development costs, often related to a lack of infrastructure (transportation access), and high operating costs, caused by a lack of skilled labour and high energy costs. Re transportation: Premier Kathleen Wynne announced in August that agreements reached with the Webequie, Marten Falls and Nibinamik First Nations to begin construction of all season road (construction scheduled for 2019).
- lengthy environmental permitting process is yet another obstacle that firms must overcome.
- First Nation consultation process: The Ring of Fire projects must come to an agreement with the nine members of the Matawa Tribal Council.
- However, in the end the real challenge is **commodity prices**: Ring of Fire hype was fueled by the steep rise in the price of Ferro Chrome that peaked in 2008. Since then, it has come down. Nothing will really happen until the commodity price recovers.

Ferro Chrome Price

2.90 USD/kg

31 Dec '17



Gold Price
1,321.12 USD/ozt
5 Mar '18



Nickel Price

6.10 USD/lb

2 Mar '18



Palladium Price

985.05 USD /ozt

5 Mar '18



IN THE END, ITS ABOUT COMMODITY PRICES

- Ferro-Chrome prices dropped about 60 percent from their peak in 2008 and have not gone anywhere.
- Gold prices fell about 40 percent from their peak about 2012 and have stabilized – up about 20 percent since 2014 – explains New Gold starting production.
- Nickel prices have dropped 80 percent from their peak in about 2006.
- Palladium prices have done well: are up over 400 percent from trough circa 2008-09



QUESTIONS