

Executive Council
Natural Resources
March 28, 2013



Government Secures Commitment from Vale for Underground Mine

A commitment to an underground mine at Voisey's Bay is the centerpiece of amendments to the Voisey's Bay Development Agreement announced today by the Government of Newfoundland and Labrador and Vale Newfoundland & Labrador Limited (Vale).

"The commitment secured by our government with Vale will ensure more jobs and benefits are created right here in Newfoundland and Labrador for our people," said the Honourable Kathy Dunderdale, Premier of Newfoundland and Labrador. "The new mine will provide many hundreds of construction jobs after sanction in 2015, and even more operational employment than the current mine after first ore is achieved in 2019. This is another example of this government's continued commitment to ensuring that Newfoundlanders and Labradorians benefit from the development of our natural resources."

The Provincial Government extracted extra value with other improvements including enhanced industrial and employment benefits and additional revenue to the Provincial Government of approximately \$100 million over three years. The opportunity to make these improvements to the Development Agreement arose because of the delayed construction schedule at Long Harbour nickel processing plant. The delay meant that the plant would not be ready to process all of the nickel concentrate from Voisey's Bay until 2015. Through this agreement, the Provincial Government will provide Vale with an additional exemption from primary processing requirements between 2013 and 2015 so that the Voisey's Bay mine can maintain continued operation while construction of the processing plant in Long Harbour is completed. All exempted concentrate will be replaced and processed in Long Harbour in future years. Details can be found in the backgrounder.

Vale recognizes the importance of the underground mine to the continuity of operations at Voisey's Bay and as future feed supply for the Long Harbour plant.

"Underground mining is the next natural evolution in our operations at Voisey's Bay and today's announcement allows us to unlock additional value in this world-class operation," said Jeff McLaughlin, Vice-President of Vale's Newfoundland and Labrador Operations. "The agreement provides Vale with the necessary additional exemptions from primary processing that ensure continuity of operations at Voisey's Bay while construction continues on the Long Harbour processing plant."

The commitment to build an underground mine is underpinned by financial and other assurances in the amended agreement to help ensure that all of the commitments in the agreement are achieved.

"With the addition of underground mining, operations employment will increase at the mine site, and the Voisey's Bay project will exceed original expectations for industrial and employment benefits to the province," said the Honourable Tom Marshall, Minister of Natural Resources. "Vale remains committed to replacing all concentrate that it has exported from the province including the newly exempted concentrate announced today. Every additional tonne used during the exemption will be subject to a return of concentrate requirement during the life of the project. We are pleased with Vale's commitment of continued investment to support future operations."

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- [View video of news conference](#) 

Photo: Jeff McLaughlin, Vice-President of Vale's Newfoundland and Labrador Operations; Premier Kathy Dunderdale; and Tom Marshall, Minister of Natural Resources; at the announcement for the amendments to the Voisey's Bay Development Agreement, March 28, 2013.

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Backgrounder

Voisey's Bay Development Agreement

- The Voisey's Bay Development Agreement was originally negotiated in 2002 and the Provincial Government has made significant improvements to the original agreement. In 2009, an amendment to the Development Agreement contained specific employment and engineering commitments during the construction of the Long Harbour plant, as well as greater certainty around completion of the construction process. The 2013 amendment provides a commitment to an underground mine, approximately \$100 million in extra revenue, and further improvements in industrial and employment benefits.
- Under the terms of the Development Agreement, Vale Newfoundland and Labrador Limited (Vale) is constructing the Long Harbour hydrometallurgical processing plant to process nickel concentrate from the Voisey's Bay mine into finished nickel products.
- In March 2009, improvements to the Development Agreement related to the construction of the processing facility were announced. The amended agreement included established timelines for the start of the project and enhanced local benefits. The deadline for completing construction of the plant in the 2009 amendment to the Development Agreement was February 28, 2013.
- The Provincial Government and Vale have now agreed to an additional amendment to allow Vale additional time to complete the construction of the processing plant in Long Harbour and to provide Vale with additional exemptions over the next three years. Vale will provide a commitment to construct an underground mine project in Voisey's Bay.
- The Provincial Government has agreed to exempt a net amount of 84,000 tonnes of nickel-in concentrate from the requirements for primary processing in the province. These exports will take place between 2013 and 2015 and will allow the Voisey's Bay mine to continue to operate for the next three years. Vale will have access to another 10,000 tonnes of nickel-in concentrate if they import an equal amount of nickel-in matte, and to another 5,000 tonnes of nickel-in concentrate in 2014 if they need to avoid a shutdown in Voisey's Bay and also import 5,000 tonnes of nickel-in matte. The total potential processing exemption is 99,000 tonnes of nickel-in concentrate in addition to the 44,000 tonnes of nickel-in concentrate approved in the 2002 agreement.
- Current plans are to start operations at the Long Harbour processing plant in the second half of 2013 using imported nickel matte initially, with Voisey's Bay concentrate being introduced gradually in 2014 once all of the impurity removal circuits are fully operational.
- The underground mine will have a capacity of approximately 40,000 tonnes of nickel per year and will extend the Voisey's Bay mine life by at least another 15 years.
- The underground mine will include the Reid Brook and Eastern Deeps nickel deposits in northern Labrador adjacent to the current open pit mine.
- The mine will start producing ore in 2019 and is expected to remain in production past 2030.
- Major progress has been made in construction of the Long Harbour processing plant, with Vale investing \$4.25 billion in construction and labour. Since work began on the plant, over 80 per cent of employment has occurred in Newfoundland and Labrador with more than 17 million person-hours of employment generated. Approximately 5,000 people are currently employed at Long Harbour. The open pit mine at Voisey's Bay has an operational workforce of 475.

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