



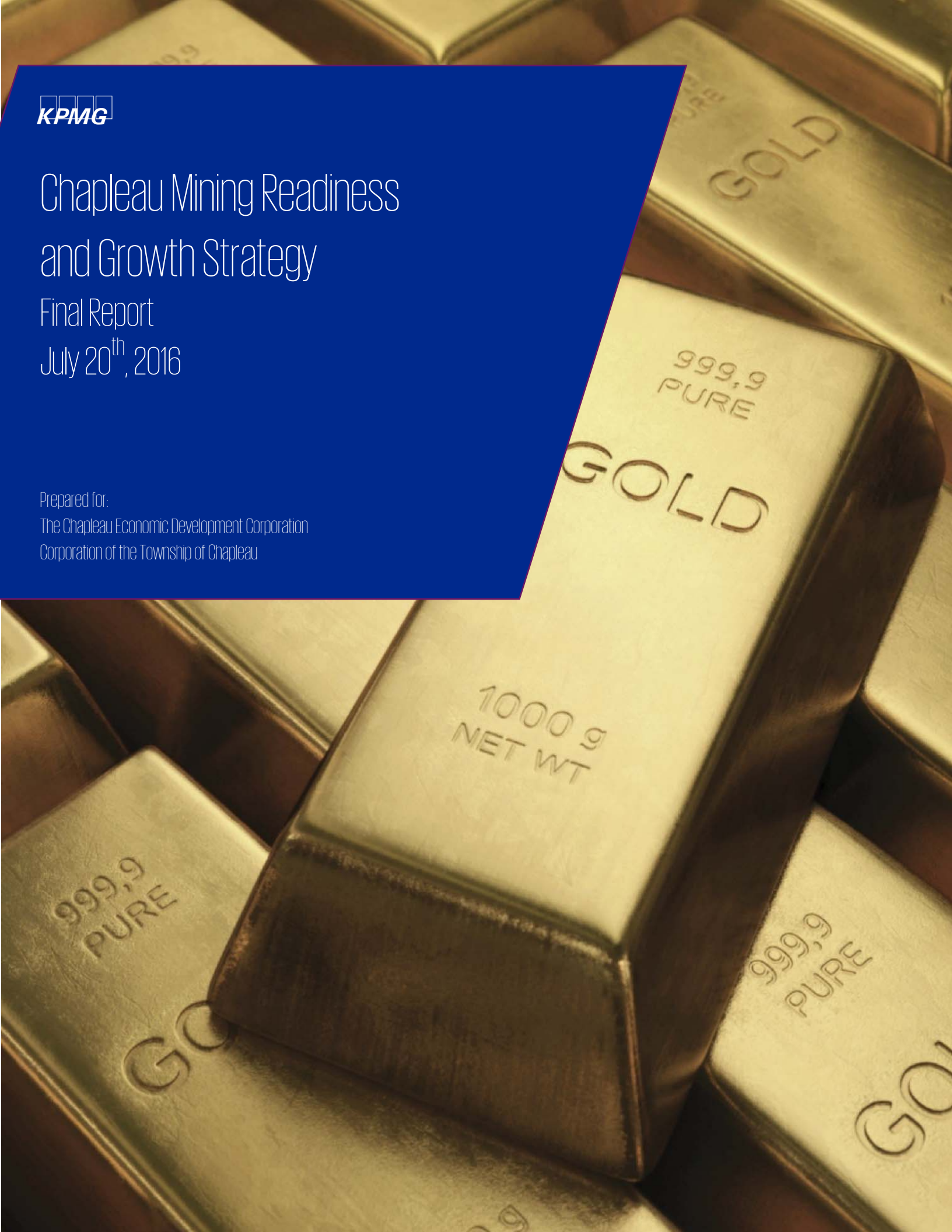
# Chapleau Mining Readiness and Growth Strategy

Final Report

July 20<sup>th</sup>, 2016

Prepared for:

The Chapleau Economic Development Corporation  
Corporation of the Township of Chapleau



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# Section 1:

## Executive Summary

Since its incorporation in 1901, the community of Chapleau has been heavily reliant on the natural resource and transportation sectors – specifically forestry and rail transportation – for employment and economic activity. While these industries continue to represent major contributors to the local economy, the level of employment in both sectors has decreased significantly over the last 20 years. As such, the attraction and support of new investment and economic activities is a major priority for the Chapleau Economic Development Corporation ('CEDC') and the Township of Chapleau ('the Township').

Despite the community's location in Northeastern Ontario and its traditional reliance on natural resources, mining has not traditionally represented a major source of employment for Chapleau. With the advancement of the Borden Gold Project, however, Chapleau has the opportunity to realize some measure of employment and economic activity from the mining sector.

### **1.1 The Borden Gold Project**

Located approximately 12 kilometres east of Chapleau, the Borden Gold Project is a mining exploration property acquired by Goldcorp Inc. ('Goldcorp') in 2015. Initially consolidated by Probe Mines Limited ('Probe') in 2010 (through the acquisition of claims rights and further staking of mineral claims), the indicated and inferred mineral resources for the Borden Gold Project were estimated by Probe in 2014 to be in the order of two million ounces of gold<sup>1</sup>. As part of its 2015 disclosure of its mineral reserves and resources, Goldcorp indicated probable reserves of 860,000 ounces of gold, indicated resources of 490,000 ounces of gold and inferred resources of 370,000 ounces of gold<sup>2</sup>.

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<sup>1</sup> Probe NI43-101 Technical Report dated June 10, 2014. Indicated resources were estimated to be 1.6 million ounces, with inferred resources estimated to be 400,000 ounces. Please refer to page 23 for a definition of mineral reserves, mineral resources and the differentiation between indicated and inferred categories of resources.

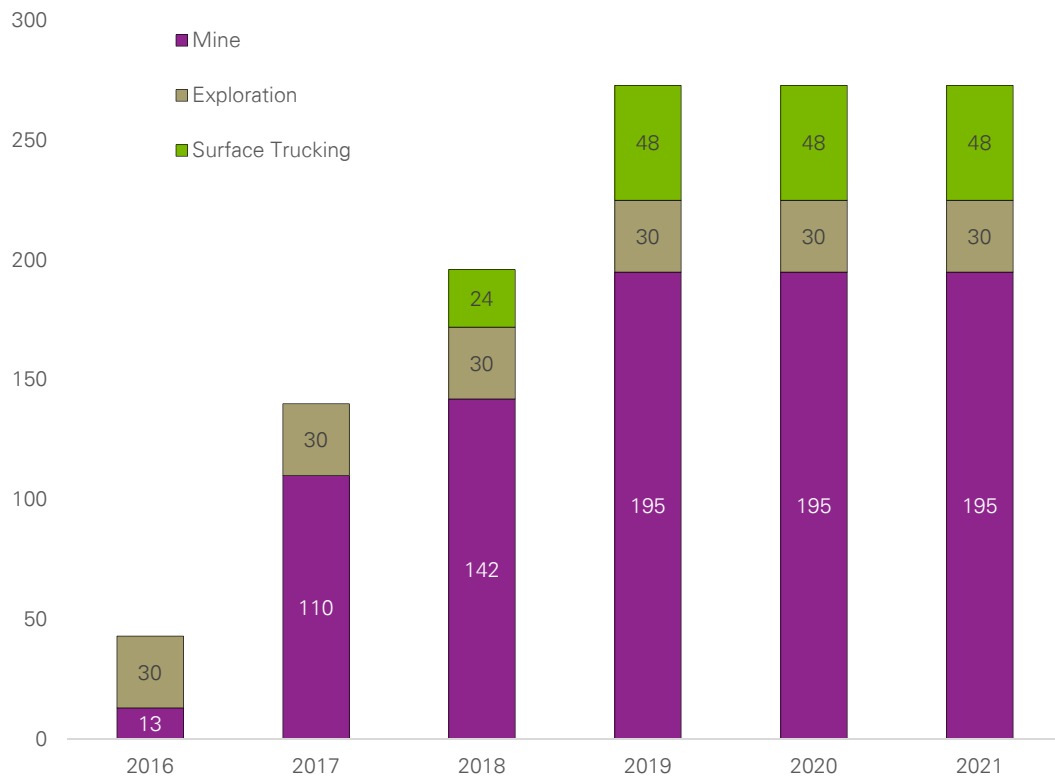
<sup>2</sup> Goldcorp Inc. Mineral Reserves and Resources as at December 31, 2015.

At the present time, the Borden Gold Project is in the pre-feasibility stage of development, with activities generally involving drilling and sampling in order to both define and quantify the mineral resource. Goldcorp has confirmed that a pre-feasibility study is currently in progress, with an anticipated completion date of early 2017. Concurrent with the pre-feasibility study, Goldcorp has also indicated that it is undertaking the necessary environmental and other approvals needed to obtain a permit for the Borden Gold Project to proceed to the so-called 'advanced exploration' stage.

Expected to commence in late 2016, advanced exploration involves a much higher level of activity, with the construction of a portal to access the main ore body and facilitate future underground workings. The advanced exploration stage will also involve the extraction of a 30,000 tonne bulk sample that will provide further information concerning the grade of the ore body. Based on discussions with Goldcorp, it is expected that the advanced exploration stage (pending approval of permits) will extend to 2018, after which time commercial mining operations could proceed. It is expected that commercial production will see up to 50 trucks per day transporting ore from the property to Goldcorp's mill in Timmins.

Consultation with Goldcorp has indicated that the advanced exploration and mine construction stages are expected to directly employ as many as 140 employees and contractors, with up to 275 full-time positions resulting from commercial mining operations, which includes mining activities, transportation and exploration. Given that the project is currently in the planning stage, these employment figures are subject to change.

*Projected employment levels (2016 to 2021)*

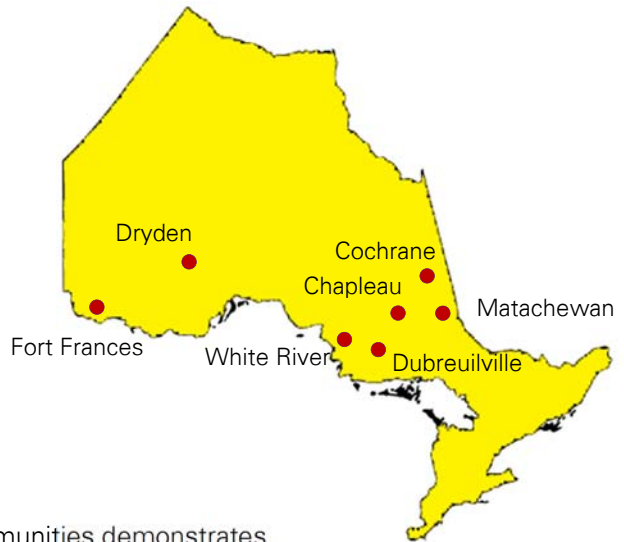


## 1.2 The Experience of Other Communities and Implications for Chapleau

In order to demonstrate the potential impacts of the Borden Gold Project, an analysis into the experience of other communities in close proximity to either (i) advanced exploration projects; or (ii) commercially producing mines was conducted.

A key lesson learned from other communities, which is likely applicable to Chapleau and the Borden Gold Project, is the importance of ensuring that expectations are appropriately tempered and managed.

Specifically, the experience of other communities demonstrates that while some form of economic benefits accrue from mining projects, there are factors that limit the ultimate amount of benefits that are actually realized by any community.



- **Proximity to other communities is a major determining factor.** Those communities that are located near larger centres (particularly mining centres) will typically experience lower demand for housing as mining employees will choose to commute from their home communities rather than relocate. Given Chapleau's distance from Timmins and Greater Sudbury, it is not expected that workers will commute to the community on a daily basis and as such, housing within the community will be a requirement. Goldcorp has indicated that it is assessing a range of options with respect to the lodging of workers for the Borden Gold Project, with the preferred option being for workers to relocate to the community.

To date, Goldcorp's public announcements relating to the Borden Gold Project reflect their intention to integrate it with their existing operations in Timmins, which impacts the project from the perspective of scope and the approach to procuring supplies and services<sup>3</sup>. Notwithstanding the expectation that workers will be housed within the municipality, the number of workers associated with the Borden Gold Project is expected to be lower than other similar projects due to the absence of a mill, which we note could employ as many as 90 workers. However, as future exploration progresses, the possibility may exist for a mill to be sited at the project if sufficient resources are discovered.

- **First Nations will be positioned to realize economic benefits associated with the project.** The requirement for mining companies to consult with First Nations where mining takes place on their traditional territory is typically formalized through either an Impact Benefit Agreement or Collaboration Agreement<sup>4</sup>. Regardless of the form of agreement, First Nations will be involved in certain activities associated with mining projects, including a commitment by the mining company and its suppliers to (i) source certain supplies and services from the First Nation, potentially including accommodations and transportation; and (ii) provide training programs to First Nation members, including:
  - Mining common core programs
  - Transportation training (surface and underground)
  - Equipment operation

Goldcorp has indicated that some form of First Nation partnership will be required for local businesses seeking to secure contracts in connection with the Borden Gold Project.

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<sup>3</sup> A major implication of the integration with Goldcorp's Timmins operations is the absence of a processing mill at the Borden Gold Project. While this provides the opportunity to haul ore from the mine site to Goldcorp's Timmins mill, it reduces the anticipated employment at the Borden Gold Project. Similarly, the integration of support services such as payroll, finance and procurement is also expected to impact on local employment levels.

<sup>4</sup> Please refer to Appendix A for a description of the requirements for mining companies to consult with First Nations.

Discussions with Goldcorp indicate that a Collaboration Agreement with local First Nations is expected to be finalized in connection with the progress towards advanced exploration and commercial production. While details of negotiations relating to the Collaboration Agreement are confidential and have not been shared by Goldcorp, the expectation is that the final arrangements will provide local First Nations with certain opportunities involving mining supply and services including the maintenance of accommodations for transient personnel and transportation of ore between the Borden Gold Project and Goldcorp's Timmins processing mill. Goldcorp has also stated that local businesses are highly encouraged to form joint ventures or other partnerships with the local First Nations as First Nation participation will be considered when selecting suppliers for the project.

- **Financial benefits to the municipal government will likely be limited and indirect.** Under the Ontario property tax regime, municipalities are only able to levy taxes on properties that are physically located within their boundaries. Notwithstanding the absence of property taxation revenue where mining projects are located outside of their boundaries, municipalities can benefit financially from certain user fees (which appear to be generally limited to landfill charges and revenues from the rental of municipal facilities). In addition, communities will sometimes realize an indirect benefit in the form of increased demand for housing (although not necessarily the construction of new housing) and higher occupancy for hotels and apartments.

The location of the Borden Gold Project outside of the Township's boundaries means that any direct financial benefit to the Township will be limited to user fees, with no incremental taxation revenue to be generated from the mine site. Goldcorp has stated that in addition to landfill services, it is also seeking an arrangement with the Township for fire protection services (surface infrastructure only), to be provided by the Township on a fee-for-service basis.

### **1.3 Opportunities**

Even in the pre-feasibility stage, the Borden Gold Project has made a meaningful contribution to the local economy, with more than \$2 million in project-related spending in the community during 2015. As the project moves from pre-feasibility to advanced exploration to construction and commercial development, it is evident that some form of economic and employment benefits are available to the community in connection with Borden Gold Project. This will provide a key benefit in the form of economic diversification of the local economy, recognizing that an extension of the mine life as a result of the discovery of new mineral deposits will increase the economic benefits both as a result of the extension of the mine life and the potential for workers to permanently locate in Chapleau.

In addition to direct employment opportunities with Goldcorp and contractors involved in the advanced exploration and commercial production stages, the Borden Gold Project is expected to yield opportunities for local businesses to provide certain mining supplies and services, including but not limited to:

- Personal protection equipment
- Small tools and supplies (so-called 'critical spares')
- Mechanical repairs
- Accommodation and catering services
- Ore transportation
- Waste transportation
- Personnel transportation
- Custodial services
- Security services
- Fuel

Larger business opportunities, including the supply of drill steel, concrete, ground control supplies and explosives, are not expected to materialize locally due to (i) the proximity of the Borden Gold Project to existing suppliers in Timmins and Greater Sudbury; (ii) the absence of other mining operations in the region, which reduces the attractiveness of Chapleau for suppliers that may wish to locate in the community; and (iii) the mining approach to be used for the Borden Gold Project (ramp vs. shaft or open pit), which reduces the demand for certain commodities like concrete.

Goldcorp has publicly stated its intention to support local businesses through the procurement of supplies and services, which include Chapleau-based businesses, regional businesses located outside of the community and local First Nations. To facilitate these opportunities, Goldcorp has also expressed its intention to participate in workshops that will connect local businesses with Goldcorp's procurement function, allowing local businesses to gain an understanding of opportunities and the requirements for doing business with Goldcorp. In most, if not all instances, these opportunities will require some form of joint venture or other partnership arrangement with local First Nations, with interested local businesses advised by Goldcorp to approach local First Nations to initiate these relationships.

While certain services, such as transportation, are already present in the community and could represent good fits for Chapleau-based businesses, it is recognized that local suppliers will need to meet Goldcorp's requirements with respect to insurance, health and safety and other contractual items, which may be problematic for smaller businesses.



## 1.4 Courses of Action

Realizing on the opportunities stemming from the Borden Gold Project requires effort and initiative on the part of local residents and businesses. Notwithstanding their involvement in the development of this strategy, as well as acting as the primary point of contact for Goldcorp, it is apparent that the roles of both the Township and CEDC are secondary to the private sector in terms of securing business and employment from the Borden Gold Project. Specifically, we suggest that responsibilities for the advancement of courses of action be delineated as depicted below.

Party	Responsibility
<i>Private Sector</i>	<ul style="list-style-type: none"> <li>• Develop internal capacity to provide goods and services to Goldcorp and contractors.</li> <li>• Attend workshops and other events organized by the CEDC, Goldcorp and other parties</li> <li>• Actively pursue opportunities and make necessary investments to support business operations</li> <li>• Seek out partnership opportunities with non-local suppliers of mining supplies and services, as well as potential joint venture and other partnership arrangements with local First Nations</li> </ul>
<i>Residents</i>	<ul style="list-style-type: none"> <li>• Participate in job fairs and training programs offered by Goldcorp, contractors and other parties for mine-related employment. Goldcorp has indicated that it is their intention to offer a range of mining-related training programs in the region, including common core, equipment operator and underground and surface transportation programs</li> </ul>
<i>CEDC</i>	<ul style="list-style-type: none"> <li>• Facilitate opportunities to connect local businesses with Goldcorp and contractors through the organization of workshops and other events</li> <li>• Communicate requirements for suppliers and provide 'business readiness' information and supports</li> <li>• Facilitate inbound investment by mining supply and services companies, including fostering partnerships with local companies</li> </ul>
<i>Township</i>	<ul style="list-style-type: none"> <li>• Continue to maintain active dialogue with Goldcorp with respect to their needs, including the provision of information concerning community resources available to support the Borden Gold Project and the finalization of agreements for fire protection, landfill and other services.</li> </ul>

In addition to recognizing the need for the private sector to take a leading role in capturing economic and employment benefits from the Borden Gold Project, it is important to manage the expectations of the community with respect to the scale of these benefits:

- While the progression of the Borden Gold Project to advanced exploration and eventual commercial production will create new employment in the region, it is not expected to result in significant demand for new housing stock in the community given:
  - The relatively short production life of the mine (seven years);
  - The need for specialized skill sets relating to employment;
  - The experience of other communities experiencing similar mining development projects, which indicates that while demand for housing may increase as a result of these types of projects, this is related primarily towards existing housing stock as opposed to new housing construction.

Notwithstanding the above, it is important to recognize that Goldcorp has stated that their preferred option for accommodations is for workers to relocate to Chapleau on a permanent basis and that they are considering a number of strategies with respect to worker lodging.

- The anticipation that new residential construction will be minimal, combined with the location of the Borden Gold Project outside of the Township's boundaries, translates into limited opportunities for incremental revenue for the Township, with landfill and fire protection cited as two services that will be required by Goldcorp.
- The finalization of Collaboration Agreements between Goldcorp and area First Nations will provide First Nations with preferred positioning for business opportunities associated with the Borden Gold Project. Accordingly, Goldcorp has strongly encouraged local businesses to collaborate with First Nations in the pursuit of potential business opportunities as First Nation involvement will be considered in evaluating potential suppliers. As part of this encouragement, Goldcorp has indicated their willingness to support the CEDC and local businesses in their efforts to form business partnerships with local First Nations through their support for workshops that may be an opportunity to bring together local businesses and entrepreneurs. To this end, the Township and CEDC have obtained verbal commitments from Goldcorp and certain First Nation organizations to participate in these types of workshops.

# Section 2:

## Introduction to the Strategy

### 2.1 Background to the Strategy

For well over a century, transportation and forestry have been the major economic activities in the community of Chapleau, with CP Rail and Tembec representing the largest non-governmental employers in Chapleau today. Overall, these two sectors are estimated to directly account for almost half of the total employment in Chapleau<sup>5</sup>. While significant, the reality is that employment levels in both sectors have decreased over the past 20 years, contributing to the loss of one-third of Chapleau's population over the same period<sup>6</sup>.

Despite its location in Northeastern Ontario – a region home to some of the largest base and precious mineral complexes in the world – mining has traditionally not been a major contributor to the economy of Chapleau. While both the Province of Ontario and mining companies have undertaken exploration projects in the past<sup>7</sup>, the Borden Gold Project represents arguably the most significant mineral development project in the region.

Since the inception of the Borden Gold Project in 2010, the Township of Chapleau (the 'Township') and the Chapleau Economic Development Corporation (the 'CEDC') have been the primary points of contact for Probe Mines ('Probe') and, since early 2015, Goldcorp Inc. ('Goldcorp'). In this capacity, the Township and CEDC have responded to requests for information and assistance, arranged for community consultation through Township Council meetings and have generally attempted to assist Probe and Goldcorp with the view of attracting economic and employment benefits to the community. In light of the view that this approach was reactive to requests from Goldcorp, and recognizing the need to ensure that the community was appropriately positioned to maximize the benefits arising from the Borden Gold Project, the Township and CEDC issued a request for proposal document seeking advisors to assist with the development of a mining readiness and growth strategy.

The courses of action presented in this report represent KPMG's recommendations for consideration by the Township and CEDC as to the community's priorities with respect to the Borden Gold Project.

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<sup>5</sup> Borden Gold Social Baseline Assessment, prepared by EEM Sustainable Management. Employment figures include transportation (25%); manufacturing (12%) and forestry, fishing and hunting (10%).

<sup>6</sup> Ibid

<sup>7</sup> Past Provincial exploration activities include Operation Chapleau (1970's) and Operation Treasure Hunt (2000's), while both Kapuskasing Resources and Noranda Exploration conducted exploration activities in the early 1980's.

## 2.2 Terms of Reference

As outlined in the request for proposal document, the overall objectives of the strategy are to *'identify realistic growth pressures and make recommendations to maximize the benefits of local mining projects to the community and to the Corporation of the Township of Chapleau'*.

In order to achieve these objectives, the Township and CEDC outlined a strategic planning framework that involved the following major worksteps:

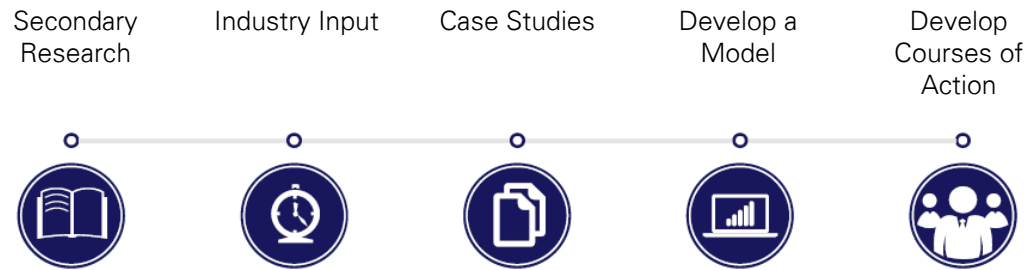
- Evaluating the current state of the community in order to establish the local context and rationale for undertaking the strategy.
- Projecting the future state for the community based on the most likely course of action resulting from the development of the Borden Gold Project and the potential impacts and pressures that Chapleau will face.
- Identifying action items required to achieve the objective of the strategy – maximizing the benefit of local mining projects – along with specific assignment of responsibilities for completion over the next three years.
- Recommending performance measures that can be used to monitor progress against the strategy.

While the focus of the strategy was intended to cover the broad range of benefits expected to result from the Borden Gold Project, key areas of focus included the following:

Analysis of Potential Benefits	Report Section
Revenue generating opportunities for the Township	Section 7.1
Transportation planning, including opportunities for airport commercial and industrial development and bulk fuel distribution	
Municipal planning considerations and infrastructure needs	
Accommodations and residential housing stock analysis	Section 3.2
Industrial energy generation and supply considerations	Section 6.1
Business development opportunities and business attraction strategies intended to grow the Township's assessment base	Section 6.1
Capital investment planning and financing strategies	Section 6.1 Section 7.1

## 2.3 Our Approach

KPMG used the following five-step approach to perform our assessment and develop recommendations



Throughout the development of the strategy, KPMG worked with a Steering Committee comprised of the senior management team of the Township and CEDC, who provided oversight of the project and guidance to KPMG on areas of focus for the strategy.

## 2.4 Methodology

The methodology utilized the five-step approach as a tool to assess the current state of the community, identify opportunities that could potentially arise from the Borden Gold Project and recommend potential courses of action for the community to pursue. The methodology for each step is defined as follows:

### *Secondary research*

KPMG performed secondary research, comprised of a review of available reports, to:

- Establish the current and near-term state of the community. Consistent with the requirements outlined in the request for proposal document, the current state assessment formed the basis for identifying gaps that would need to be addressed in order to successfully capture employment and economic benefits generated by the Borden Gold Project; and
- Build a supportable foundation of knowledge as to what advanced exploration projects and commercial mining operations entail from the perspective of capital investment, employment and project timing. This review was intended to provide a basis for discussions with Goldcorp and other industry participants, as well as provide a means of addressing potential information gaps arising from the industry consultation process.

### *Industry input*

With the support of the Steering Committee, KPMG identified and interviewed more than 20 organizations for this report, comprised of organizations involved in mine development, mining supply and services and government. The interviews provided insight into potential benefits that could arise from the Borden Gold Project and the key success factors for communities and businesses looking to capture these benefits. Interviews with government stakeholders provided perspective on how the efforts of the Township and CEDC align with policy priorities and the funding available to support implementation of the strategy.

While the industry consultations included a range of companies involved in the mining sector, the most valuable input was provided directly by Goldcorp. Through the efforts of the CEDC and Township, Goldcorp participated in consultation with KPMG throughout the process, providing insight into project timing and key development milestones, anticipated employment impacts, potential economic opportunities for local stakeholders and key success factors for local businesses.

In connection with this engagement, KPMG has been provided with information that was considered to be non-public, confidential and/or proprietary in nature. In addition, certain other parties provided information to KPMG on the basis that this information was commercially sensitive.

In light of these factors, we have limited the disclosure of information in this report to a level that is considered appropriate. In addition, we have provided excerpts of our report to Goldcorp to confirm the appropriateness of the disclosure and the accuracy of the information presented herein.

### *Case studies*

Concurrent with other aspects of the strategy's development, case studies were completed to understand the impact that mining projects have had on other communities as well as any 'lessons learned' that may be applicable to Chapleau. In total, six communities were selected for case study development, with a number of potential parallels between their experience and Chapleau identified during the process.

### *Develop a model*

Based on the research and identification of lessons learned, KPMG developed an outline of the anticipated economic and employment impacts of the Borden Gold Project, expressed in terms of (i) employment levels; (ii) supply and service opportunities for local businesses; and (iii) impacts on the Township from the perspective of incremental revenues, infrastructure requirements and demand for services. The model was ultimately used to determine potential future courses of action for consideration by the Township and CEDC with respect to the implementation of the strategy.

## *Recommendations*

At the commencement of the strategy development, a working session was held with members of Township Council, CEDC board members and senior staff from both organizations in order to define priorities and guiding principles for the strategy. Prior to the finalization of the strategy, additional consultation will be held with Township Council, the CEDC board and staff to discuss the key points of the strategy and future action items. In addition, excerpts of the strategy were provided to key stakeholders, including Goldcorp, to validate the conclusions and recommendations contained therein.

The recommendations presented in this report represent KPMG's recommendations for consideration by the Township and CEDC as to the community's priorities with respect to the Borden Gold Project.

### **2.5 Restrictions**

This report is based on information and documentation that was made available to KPMG at the date of this report. Should additional information be provided to KPMG after the issuance of this report, KPMG reserves the right (but will be under no obligation) to review this information and adjust its comments accordingly.

This report includes or makes reference to future oriented financial information. Readers are cautioned that since these financial projections are based on assumptions regarding future events, actual results will vary from the information presented even if the hypotheses occur, and the variations may be material.

KPMG's role in this engagement has been to estimate future events based on information available to it at the time of our report. As a result, the comments in this report should be viewed in the context of being estimates based on available information, which may or may not be influenced by unforeseen or uncontrollable events. KPMG cautions the reader that the economic and employment impacts of the Borden Gold Project can vary significantly from the projections outlined in this report due to economic, technological or regulatory changes and future decisions by Goldcorp as to the Borden Gold Project. Accordingly, KPMG will assume no responsibility or liability for any losses, damages or expenses incurred by any party as a result of their reliance on our report.

Comments in this report are not intended, nor should they be interpreted to be legal advice or opinion.

# Section 3:

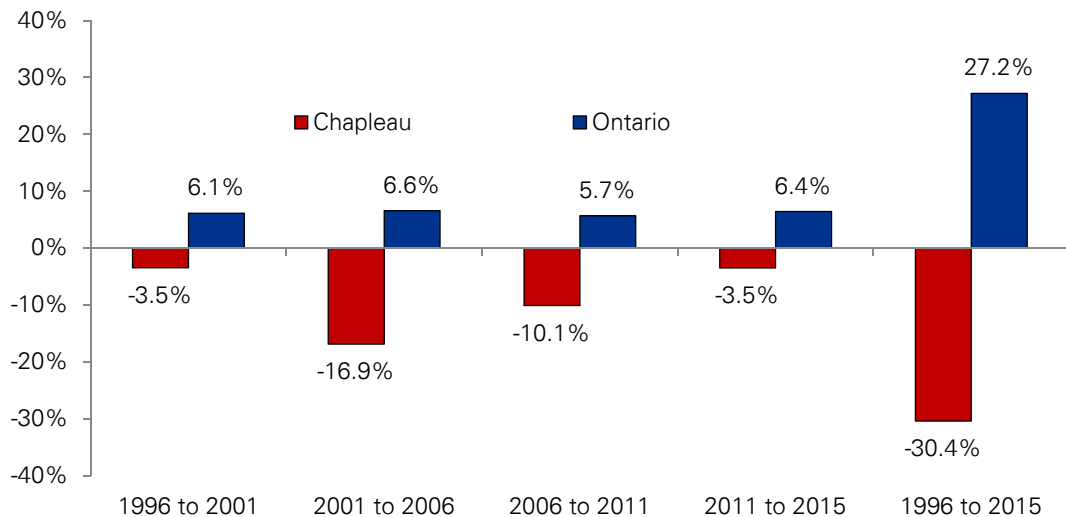
## Current State of the Community

### 3.1 Population and Labour Force

#### Population

Consistent with the experience of other resource-based small communities in Northern Ontario, Chapleau has witnessed a significant decline in population since the collapse of the forestry sector in the 1990's. Overall, the community has experienced a 30% decrease in population over the last 20 years, driven primarily by job losses across a number of different employers<sup>8</sup>.

Population Change - 1996 to 2015



<sup>8</sup> Population information based Statistics Canada census data and Borden Gold Social Baseline Assessment, prepared by EEM Sustainable Management. Job loss information based on data provided by the Township. Employment information based on Borden Gold Social Baseline Assessment, prepared by EEM Sustainable Management



### *Labour force characteristics*

As noted earlier, the community has experienced significant job losses as a result of the downturn in the Canadian forestry sector. Overall, it is estimated that almost 400 direct employment positions have been lost since 2000, the vast majority of which (+90%) involved forestry operations.

Notwithstanding the level of historical job losses, the community continues to be heavily dependent on forestry and transportation, which are estimated to represent almost 50% of employment in Chapleau. Public sector activities, including government, healthcare and education, represent a further 30% of Chapleau's total employment. Overall, larger employers, including the undernoted, account for the majority of Chapleau's total employment:

- Township of Chapleau
- CP Rail
- Tembec Inc.
- Services de Sante de Chapleau Health Services
- Local school boards
- Province of Ontario (various entities)
- Retail and personal services businesses (various)
- Logging and trucking contractors (various)

This relatively high degree of employment concentration exposes the community to an increased risk of economic impact in the event of downsizing by one or more of its major employers. Accordingly, the possibility exists that any incremental employment increases resulting from the Borden Gold Project could be offset by job losses from another employer.

### *Estimated available labour force*

With the exception of Statistics Canada Census Data (which relates to 2011), there does not appear to be available information relating to the specific unemployment rate in Chapleau. However, Statistics Canada information does indicate that the current unemployment rate for all of Northern Ontario is 12.6%, while the unemployment rate for Northeastern Ontario and the Sudbury District was reported to be 8.7% and 7.0% respectively during 2015<sup>9</sup>.

In addition, the Manitoulin-Sudbury District Social Services Board indicates that during the month of May 2016, there were approximately 70 active Ontario Works cases in Chapleau<sup>10</sup>.

Based on the above, and assuming that Chapleau's unemployment rate is consistent with the remainder of the Sudbury District, the total available labour force within the community of Chapleau is estimated to be in the order of 85 workers (1,765 residents over the age of 15 x participation rate of 69.4% x unemployment rate of 7.0%). Given the anticipated employment to be generated by the Borden Gold Project (see Section 4.2), we do not expect that all of the labour force requirements will be filled from within the community, thereby resulting in a potential influx of workers to Chapleau.

## **3.2 Community Infrastructure and Resources**

### *Housing and residential accommodations*

Based on the MPAC assessment information, there are 781 residential-type buildings in the community amounting to 975 total housing units<sup>11</sup>. As noted in the accompanying table, single family homes represent approximately two-thirds of the community's housing stock.

*Chapleau housing stock by type*

Type of Dwelling	Buildings	Units
Single family detached	635	635
Semi-detached	84	168
Duplex	27	54
Three unit apartment	10	30
Four unit apartment	10	40
Five unit apartment	6	30
Six unit apartment	3	18
<b>Total</b>	<b>781</b>	<b>975</b>

At the present time, 46 residential properties are currently listed for sale in Chapleau, representing 6% of the community's residential housing stock and accounting for 57 total housing units (the properties listed for sale include two duplexes, a five-unit apartment building and a six-unit apartment building).

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<sup>9</sup> Statistics Canada CANSIM Table 109-5337, Unemployment Rate, Canada, Provinces and Health Regions (2015)

<sup>10</sup> Manitoulin-Sudbury District Services Board Statistics Report for May 2016

<sup>11</sup> Municipal Property Assessment Corporation Market Change Profile.

In addition to vacant residential units available in the community, it is expected that alternative methods of lodging will be considered, including the establishment of high density workers' accommodations and the use of hotels for temporary workers' accommodations. As noted later in our report, the experience of other communities demonstrates that while there is an increased demand for residential housing as a result of new mining projects, a significant portion of inbound workers will be housed in company-arranged housing (recognizing that financial and non-financial considerations will determine the preferred form of housing). Accordingly, it is not expected that the accommodation needs associated with the Borden Gold Project will need to be met entirely by existing residential housing units within Chapleau.

While there is a number of vacant properties within the community that could potentially house high density temporary workers' housing, a variety of factors, including but not limited to soil conditions, transportation access and planning considerations, precludes development on most of the vacant land. An assessment of potential sites by the Township's planning consultants has been undertaken and, conditional upon the requirements of Goldcorp, the community can accommodate a high density temporary workers' housing facility within the municipal boundaries.

#### *Municipal and community services*

With respect to municipal services, there do not appear to be any significant capacity constraints that would limit the ability of the community to accommodate an influx of workers and/or commercial activities as a result of the Borden Gold Project. For example, the Township's water and wastewater treatment facilities operated at approximately 20% and 30% capacity during 2015<sup>12</sup> and as such, has significant excess capacity to accommodate potential future increases in demand. Similarly, we understand that similar levels of excess capacity exist with respect to healthcare, educational and recreational facilities in the community.

### **3.3 Employer Outlook**

#### *CP Rail*

Employing approximately 165 individuals, CP Rail is the largest single employer in the community. From a corporate perspective, the short to medium outlook for CP Rail is positive, with the continued expectation of strong demand for rail transportation despite the downturn in the oil sector (which impacted rail shipments of oil from Western North American production fields to Eastern refineries). In addition to strong top-line growth, CP Rail has witnessed considerable improvement in its operating ratio, a key financial metric that measures the cost efficiency of rail companies. Reflecting the strategy of 'precision

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<sup>12</sup> The 2015 annual report for the Chapleau Drinking Water System indicated a total of 325,258 m<sup>3</sup> of water was drawn from the Kebsquashshing River compared with a maximum capacity of 1,606,000 m<sup>3</sup>. The Chapleau Sewage Treatment Lagoon Annual Report indicated an average treatment volume of 1,428 m<sup>3</sup> per day, compared to a total capacity of 4,550 m<sup>3</sup> per day.

railroading', which includes a focus on longer trains, faster trains and lower dwell times in rail terminals, CP Rail's operating ratio has decreased from 77.0% in 2012 to 62.1% in 2015<sup>13</sup>.

From the community's perspective, there is a certain degree of risk of a downsizing of CP Rail's operations due to changes in how the company stages crews. However, we understand that there are currently no announced plans that would impact on the level of local employment in the short-term.

### *Tembec*

Representing the second largest employer in the community with 150 employees, Tembec's Chapleau sawmill has an annual production capacity of 135 million board feet, making it the second largest Tembec sawmill in Canada after Tembec's Hearst operation (which has an annual capacity of 160 million board feet)<sup>14</sup>.

From a corporate perspective, Tembec reported earnings before interest, taxes and amortization ('EBITDA') of \$125 million on total sales of \$1.49 billion<sup>15</sup>. This represented an improvement over the prior year, when reported EBITDA was \$69 million<sup>16</sup>. While financial information relating to Tembec's lumber operations is not separately disclosed, industry conditions for manufacturers of structural lumber appear positive:

- U.S. housing starts are projected to increase by 17% in 2016<sup>17</sup>
- U.S. non-residential construction is projected to increase by 8% in 2016<sup>18</sup>
- Continued weakness of the Canadian dollar is expected by some analysts to extend into 2017, contributing to the competitiveness and pricing of Canadian products exported to the United States<sup>19</sup>

Based on the combination of market conditions and Tembec's consolidated financial performance, there does not appear to be any immediate threat to the company's Chapleau operations. However, the next step in the Canada – U.S Softwood Lumber trade issue (the former agreement expired in October 2015) may impact the softwood lumber industry.

### *Services de sante de Chapleau Health Services*

Services de sante de Chapleau Health Services ('SSCHS') is the third largest employer in the community (and the largest public sector employer) with 41 full-time and 63 part-time

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<sup>13</sup> CP Rail Investor Notebook, 2015

<sup>14</sup> Tembec website (<http://tembec.com/en/products/softwood-lumber>)

<sup>15</sup> Tembec Inc. 2014 annual report

<sup>16</sup> Ibid

<sup>17</sup> RISI Structured Panel Dashboard, January 2016

<sup>18</sup> Ibid

<sup>19</sup> Royal Bank of Canada Financial Markets Forecast, April 2016

employees. We understand that there is a low likelihood of job losses of any significance in the near-term future.

### 3.4 Municipal Outlook

Over the past five years, the Township has demonstrated the ability to maintain operating expenditures at a relatively constant level, with total operating costs increasing by approximately \$145,000 from 2009 to 2014. Notwithstanding the absence of significant growth in operating costs, the Township has been required to increase both taxes and user fees over the same period in response to decreases in the level of grants provided by senior government. Specifically, the Township's own sources of revenue (taxes, user fees and other charges) have increased by approximately \$574,000 from 2009 to 2014, while the quantum of operating grants has decreased by \$779,000 over the same period. Accordingly, while municipal costs have not increased significantly since 2009, taxes and other revenues have increased by an average of 3% per year during the same period. With the absence of new residential construction in the community, these increases have been funded completely by existing (as opposed to new) taxpayers.

#### *Selected Township financial information<sup>20</sup>*

	2009	2014	Change
Ontario Municipal Partnership Fund grant	\$1,639,000	\$1,451,400	\$187,600
Other operating grants	\$611,012	\$19,190	\$591,822
<b>Total operating grants</b>	<b>\$2,250,012</b>	<b>\$1,470,590</b>	<b>(\$779,422)</b>
Municipal property tax levy	\$1,876,491	\$2,245,618	\$369,127
User fees and other own sources of revenue	\$1,898,687	\$2,103,624	\$204,937
<b>Total own sources of revenues</b>	<b>\$3,775,178</b>	<b>\$4,349,242</b>	<b>\$574,064</b>
Operating expenses (excluding amortization and transfers to external agencies)	\$4,745,880	\$4,891,532	\$145,657

In addition to operating pressures resulting from reductions in the level of senior government grants and the continuing impacts of inflation, the Township faces a significant challenge with respect to its infrastructure. With a total replacement value of more than \$130 million, a substantial portion of the Township's infrastructure – including major components of its road, water and wastewater networks – has either reached the end of its useful life or is approaching end of useful life, with an estimated infrastructure investment requirement of

<sup>20</sup> Based on the Township's Financial Information Returns for 2009 and 2014

more than \$18 million over the next ten years<sup>21</sup>. In comparison, the Township's annual budgetary contribution to capital is in the order of \$700,000.

The challenge posed by the Township's infrastructure needs is not limited to the magnitude of the investment required, but also the limited funding means available. While the Township can (and has) applied for capital funding under the Province's Ontario Community Infrastructure Fund ('OCIF'), it has typically not received significant levels of support due to the Province's OCIF evaluation framework, which evaluates applicants based on four categories:

- Median household income
- Weighted assessment per household
- Net financial assets per household
- Property taxes and user fees as a percentage of household income

In all but one category (weighted assessment per household), the Province's indicators for Chapleau are disadvantageous with respect to grant applications:

- Median household income for the Township is higher than the median of other municipalities, with the Province appearing to infer that the Township can raise more in taxes without giving rise to affordability concerns
- Net financial assets per household for the Township are higher than the median of other municipalities, which indicates the apparent view by the Province that (i) the Township can raise funds through the issuance of debt; and/or (ii) the Township has available reserves that can be used to fund capital expenditures
- Property taxes and user fees as a percentage of household income are lower for the Township than the median of other municipalities, once again inferring that the Township can raise taxes and/or user fees without giving rise to affordability concerns

In response to the need to invest in infrastructure despite the absence of senior government grants, the Township has issued just over \$2 million in long-term debt during the last fiscal year to fund water and wastewater improvements, bringing its total long-term indebtedness to \$2.645 million. With this debt issuance, the Township has essentially exhausted its ability to borrow additional funds for capital purposes absent cuts to expenditures in other areas.

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<sup>21</sup> Township of Chapleau Asset Management Plan

### 3.5 Overall Comments and Implications

The results of our analysis of Chapleau's current state, as well as our review of the experience of other communities that have undergone mining development projects (as discussed later in our report), indicates the following with respect to how the Borden Gold Project will impact Chapleau:

- A significant component of the labour force associated with the Borden Gold Project will be brought into the community as opposed to supplied locally. In addition, the geographic location of Chapleau and its distance from other communities indicates that workers can be expected to reside in the community as opposed to commuting on a daily basis.
- To a certain extent, the accommodation needs of Borden Gold workers will be satisfied through existing residential housing stock, with a reduced vacancy rate expected for the community. This is consistent with Goldcorp's comments that it will be encouraging workers to relocate to the community. During the advanced exploration and construction stages, however, it is expected that the number of individuals locating to Chapleau permanently will not be significant, with most workers either accommodated at Goldcorp-operated high density workers' housing or occupying residences on a temporary basis.

In addition to labour force and residential accommodation considerations, the Township also faces significant financial pressures from both an operating and capital standpoint and as such, has limited financial means to either (i) support implementation of the strategy; or (ii) invest in any infrastructure initiatives that may be required to realize economic benefits.

In addition to the above, the nature of the Township's business community may expose additional challenges in terms of realizing incremental economic and employment benefits from the Borden Gold Project:

- At the present time, there appears to be limited experience in the provision of mining supplies and services, with the region forestry dependent and the community heavily reliant on the retail and personal services sectors. While it is reasonable to assume that certain businesses will have goods and services that may be applicable to mining customers (e.g. parts for heavy forestry equipment that could be used on heavy mining equipment), there appears to be little to no base for a mining supply cluster in the community at the present time.
- The dependence of the community on large employers for the majority of employment exposes it to the risk that any benefits realized by the Borden Gold Project may be negated by downsizing on the part of a major employer. That said, the diversification of the local economy that would result from the Borden Gold Project is beneficial to the community.

# Section 4:

## The Borden Gold Project

### 4.1 History

Located approximately 12 kilometres east of the community, the Borden Gold Project was originally acquired by Probe in 2010 through the execution of option agreements with previous claim holders. Subsequent to the acquisition of its initial interest, Probe added to the size of the property through staking and the finalization of agreements with private claim holders.

Prior to Probe's acquisition of the property, exploration activities in the area were minimal, with limited surveying undertaken by the Province of Ontario, Kapuskasing Resources and Noranda Exploration during the 1970's, 1980's and 2000's. Probe's exploration activities commenced in earnest following the acquisition of the property, with aerial (helicopter) surveys undertaken in 2010 and 2011 and diamond drilling begun in the summer of 2010. In total, Probe had undertaken six different phases of diamond drilling using Timmins-based contractors before the sale of the company to Goldcorp. Probe's published estimates of the total mineral reserves and resources for the Borden Gold Project, which reflect the results of its exploration activities, are provided below.

#### *Probe estimates of reserves and mineral resources*

Category		Tonnage <sup>22</sup> (thousands of tonnes)	Grade <sup>22</sup> (grams per tonne)	Contained <sup>22</sup> (thousands of ounces)
Reserves	Proven	—	—	—
	Probable	—	—	—
	Total	—	—	—
Resources	Measured	—	—	—
	Indicated	9,262	5.39	1,604
	Inferred	3,034	4.37	426
	Total	12,296		2,030

<sup>22</sup> Probe NI43-101 Technical Report, dated June 10, 2014.



The definition of reserve and resource categories are as follows<sup>23</sup>:

#### *Mineral resource*

*A mineral resource is a concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade or quality and quantity that there are reasonable prospects for the eventual economic extraction. Mineral resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories. An Inferred Mineral Resource has a lower level of confidence than that applied to an Indicated Mineral Resource. An Indicated Mineral Resource has a higher level of confidence than an Inferred Mineral Resource but has a lower level of confidence than a Measured Mineral Resource.*

*An Inferred Mineral Resource is that part of a Mineral Resource for which quantity and grade or quality are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade or quality continuity.*

*An Indicated Mineral Resource is that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit.*

*A Measured Mineral Resource is that part of a Mineral Resource for which quantity, grade or quality, densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit.*

#### *Mineral reserve*

*A Mineral Reserve is the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at Pre-Feasibility or Feasibility level as appropriate that include application of Modifying Factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified. Mineral Reserves are sub-divided in order of increasing confidence into Probable Mineral Reserves and Proven Mineral Reserves. A Probable Mineral Reserve has a lower level of confidence than a Proven Mineral Reserve.*

*A Probable Mineral Reserve is the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. The confidence in the Modifying Factors applying to a Probable Mineral Reserve is lower than that applying to a Proven Mineral Reserve.*

*A Proven Mineral Reserve is the economically mineable part of a Measured Mineral Resource. A Proven Mineral Reserve implies a high degree of confidence in the Modifying Factors.*

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<sup>23</sup> Reproduced from CIM Definition Standards for Mineral Resources and Mineral Reserves, dated May 10, 2014

Since its acquisition of Probe, Goldcorp has continued diamond drilling on the Borden Gold Project through the use of a diamond drilling contractor (Major Drilling Group International Inc.). Drilling is still ongoing and Goldcorp has commenced the process to obtain permits to proceed to the advanced exploration stage of development.

As at December 31, 2015, Goldcorp reported the following mineral resource and reserves for the Borden Gold Project.

*Goldcorp reported reserves and resources*

Category		Tonnage <sup>24</sup> (thousands of tonnes)	Grade <sup>24</sup> (grams per tonne)	Contained <sup>24</sup> (thousands of ounces)
Reserves	Proven	–	–	–
	Probable	4,170	6.38	860
	Total	4,170		860
Resources	Measured	–	–	–
	Indicated	2,610	5.81	490
	Inferred	2,090	5.49	370
	Total	4,700		860

#### 4.2 Advanced Exploration

Contingent upon regulatory approvals, market conditions and other factors, Goldcorp has indicated its intention to move the Borden Gold Project to the advanced exploration stage by the last quarter of 2016 or the first quarter of 2017. By its nature, advanced exploration will result in a much higher level of activity on the property, with construction activities (both surface facilities and the driving of a portal) expected to begin in early 2017. Following the completion of the portal, Goldcorp will then remove a bulk sample of approximately 30,000 tonnes (anticipated to occur in the second quarter of 2018), that will assist in both recovering the cost of a portion of construction activities and ultimately determining the commercial viability of the project.

Assuming a positive result, additional construction activities will be undertaken to move the Borden Gold Project to commercial production, with the expectation that commercial production will commence by the end of 2018 or beginning of 2019. In order to meet this timeframe, Goldcorp plans to seek the necessary permits for commercial production at the same time as it undertakes the advanced exploration activities.

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<sup>24</sup> Goldcorp Inc. Mineral Reserves and Resources as at December 31, 2015.

Information provided by Goldcorp with respect to the expected schedule for advanced exploration activities, as well as the associated levels of employment (Goldcorp plus contractors), is provided below. Employment is expected to be in the range of 140 to 200 employees during the advanced exploration, bulk sample removal and mine construction phases, with full commercial production expected to generate 275 positions. Goldcorp has indicated that these employment levels could fluctuate by as much as 20%.

Activities	Commencement	Employment
Current activities (including drilling)	Ongoing	±40
Site preparation	Q4 2016	40-140
Site and portal construction	Q1 2017	140-200
Bulk sample removal	Q2 2018	
Mine construction	Q3 2018	
Commercial production	Q1 2019	275

#### 4.3 Commercial Production

At the present time, there is no certainty that the Borden Gold Project will proceed to full commercial production, although conversations with Goldcorp indicate that they are very positive as to the project's prospects. To the extent that this does materialize, Goldcorp has expressed its intention to integrate the property with its Porcupine Camp in Timmins, which would involve:

- The transportation of ore from the Borden Gold Project to Goldcorp's mill in Timmins for processing as opposed to the construction of a mill on the property, which is expected to amount to upwards of 50 trucks per day (2 trucks per hours and a 24-hour operating cycle); and
- The use of Timmins-based personnel for certain administrative functions, including procurement, human resources, payroll processing and employee health and safety. While personnel involved in these functions may be present on site, the number of employees would be lower than if the Borden Gold Project were a stand alone operation.

Goldcorp has also indicated that the expected level of commercial production at the Borden Gold Project would be in the range of 2,200 tonnes of ore per day, with operations proceeding year round. This translates into an estimated mine life of seven years, although Goldcorp has indicated that exploration activities will continue and, if successful, the mine life may extend beyond this estimate.

# Section 5:

## The Experience of Other Communities

Mining projects that proceed to the advanced exploration and subsequent commercial production stages can generate high levels of both employment and capital expenditures. As noted on the following page, a review of NI43-101 Technical Reports for gold mining projects situated elsewhere in Ontario indicates that the total capital cost of bringing a mine into production could be in excess of \$500 million, with employment levels extending well beyond 100 employees in the majority of cases. However, the extent of these employment impacts will vary based on a number of factors, including the size of the resource, the mining approach adopted (e.g. open pit, underground) and the extent to which the project is integrated with other operations and as noted on the following page, the anticipated employment impacts of the Borden Gold Project are expected to be lower than other projects due to:

- The absence of a processing mill, which could employ as many as 90 workers on the site; and
- The absence of open pit mining, which typically requires a higher level of workers than underground mining.

To a certain degree, the experience of other communities that are in close proximity to mining projects that are either in the advanced exploration stage or commercial production can inform the courses of action outlined in the strategy by:

- Demonstrating the impacts that mining projects have on communities in terms of population changes, demand for housing, opportunities for community businesses and utilization of municipal services and infrastructure;
- Describing approaches adopted by other communities in their efforts to secure economic benefits and highlighting aspects that worked and didn't work; and
- Identifying lessons learned, representing areas of critical importance, key risk areas and things that communities would do differently with the benefit of hindsight.

Company	Community	Mineral Reserves and Resources (millions of ounces)	Projected Commercial Production Lifespan	Projected Capital Cost (in millions)	Projected Employment					
					Mill	Admin	Surface Activities	Open Pit	Underground Activities	Total
Borden Gold	Chapleau	1,720	7 years	n.a.			78		195	273
Argonaut Gold	Dubreuilville	5,127	10 years	\$539.7	89	59		224		372
Gowest Gold	Timmins	1,177	8 years	\$53.7		6	7		43	56
Harte Gold	White River	1,137	5 years	\$118.7		15	22		104	141
Northern Gold Mining	Larder Lake	1,639	8 years	\$156.6	20	9		128		157
Premier Gold Mines	Beardmore	666	13 years	\$767.8	71	70	47	148		336
New Gold	Richardson	2,275	9 years	\$931.4	91	29		311	172	606

In order to highlight lessons learned from other communities, case studies have been developed that provide:

- A summary of the mining project underway
- A description of the impact on the local community in terms of employment, construction activity, new business activity and effects on the municipal government(s)
- Implications for the Township, CEDC and the community at large as they proceed with implementation of the strategy

Detailed case studies are included as Appendix B to this report. The following pages provide a summary of the salient points from the detailed case studies.

## 5.1 Selected Communities

A total of six communities have been selected for inclusion in the case study analysis, three of which involve mining projects in the advanced exploration stage, two of which involve mines that have achieved commercial production and one community with both a producing mine and advanced exploration project. All of the case studies involve gold mines located in the Province of Ontario, although certain of the projects are significantly larger than the Borden Gold Project. As such, it is important to recognize that the potential impacts for Chapleau will vary from those experienced or anticipated for other communities due to the scale of the mining project involved. For example, several of the communities selected for inclusion in the case studies involve open pit mines with on-site processing facilities, neither of which are expected for the Borden Gold Project. This has an impact on overall employment levels as underground mining operations have lower levels of employment than open pit mines and as noted earlier, on-site mills can employ up to 90 workers.

*Communities selected for case study analysis (see Appendix B for detailed case studies)*



## 5.2 Lessons learned for Chapleau

Based on our analysis of the case studies included in Appendix B, KPMG considers the following major themes to be most applicable to the Township, CEDC and local community with respect to the Borden Gold Project:

**1. It is important to manage the expectations of the community with respect to the economic impacts and benefits.** While the progression of the Borden Gold Project from its current state through to advanced exploration, construction and commercial production is still contingent upon a number of factors, our discussions with Goldcorp have left us with the impression that the likelihood of progressing to commercial production is high. Notwithstanding this conclusion, however, the experience of other communities indicates that the benefits of mining companies can be somewhat limited:

- While most communities indicate an increased demand for accommodations as a result of mining development, the number of new homes constructed is relatively low;
- The extent to which local companies will realize increased business as a result of mining development will vary, with proximity to other mining centres a notable factor in determining how much is sourced locally.

In light of these factors, it is important to ensure that messaging relating to the Borden Gold Project is appropriately balanced – communications should ensure that opportunities are highlighted, along with a discussion concerning potential challenges and obstacles that will need to be addressed.

**2. Forming partnerships with First Nations are desired yet in some instances, difficult to achieve.** All communities included in the case study analysis were well aware of the requirement for mining companies to consult with impacted First Nations and recognize the position that these negotiations will provide First Nation businesses. While a number of communities have indicated their preference to work with First Nations, the case studies have not identified any specific instances of collaboration between the communities reviewed and First Nations.

Given the importance that local First Nations will play in the development of the Borden Gold Project, a strong business relationships between First Nations and local businesses represent, in our view, a key priority for local businesses. The opportunity exists for the CEDC and Township to play a role in facilitating these relationships while at the same time engaging Goldcorp to assist in fostering connections between local businesses and First Nations. Suggested strategies for developing these relationships are discussed later in our report.

3. **It is important to appropriately plan for municipal investments.** In a number of instances, mining developments have not resulted in increased levels of municipal investment in infrastructure. Where investments have occurred, these appear to be initiated by the private sector as opposed to the local municipality or economic development corporation.

The absence of significant investments made by municipalities in connection with mine development projects in our view suggests three important lessons for the Township and CEDC:

- The role of the public sector – specifically the Township and CEDC – should be limited to that of a facilitator of development as opposed to the lead agency for actual development. Consistent with the experience of other municipalities, where municipalities and economic development corporations have worked on information gathering and dissemination and inbound investment attraction, this reflects the fact that the majority of benefits to be derived from mining projects will accrue to the private sector and as such, the private sector should be tasked with the necessary investments to realize these opportunities;
  - The Township and CEDC should avoid making investments in long-term infrastructure or programs given the relatively short life of the Borden Gold Project (seven years). A number of municipalities have stressed this as a key factor guiding municipal involvement as the Township would be left with the associated costs after the mine’s closure. In at least one instance, a community has also seen investments by the private sector that ultimately were not used after completion of advanced exploration and mine construction, further emphasizing the need to justify investments in long-term infrastructure or programs; and
  - In order to ensure that investments made by the Township and CEDC are actually necessary to support the mine development, they should only be made once permitting and other approvals have been obtained. This will avoid instances of speculative investments, minimizing the potential risk that investments are made with the anticipation of the project proceeding, only to have the project change course through delay or cancellation.
4. **There is a definite leadership role for the CEDC in maximizing the benefits of the Borden Gold Project .** From a practical perspective, local businesses (both within the Township and in the surrounding region) have different levels of awareness and readiness with respect to pursuing opportunities arising from the Borden Gold Project. Accordingly, the CEDC can play a significant role from the standpoint of collaborating and facilitating the efforts of the private sector to realize procurement opportunities, including the potential for partnerships and joint ventures with First Nations. At the same time, the historical role as the primary point of contact with Goldcorp further positions the CEDC as the lead agency for creating the conditions necessary to support local businesses in their efforts to obtain new business opportunities from the Borden Gold Project.



# Section 6:

## Industry Input

In connection with the strategy, KPMG conducted interviews with three key segments of the mining sector:

- Goldcorp
- Major mining contractors that could be involved in the the Borden Gold Project
- Mining supply and service companies, including industry associations

Overall, more than 20 organizations were consulted as part of the industry input process, which provided perspective on the decision-making process relating to mine development projects.

### **6.1 Goldcorp**

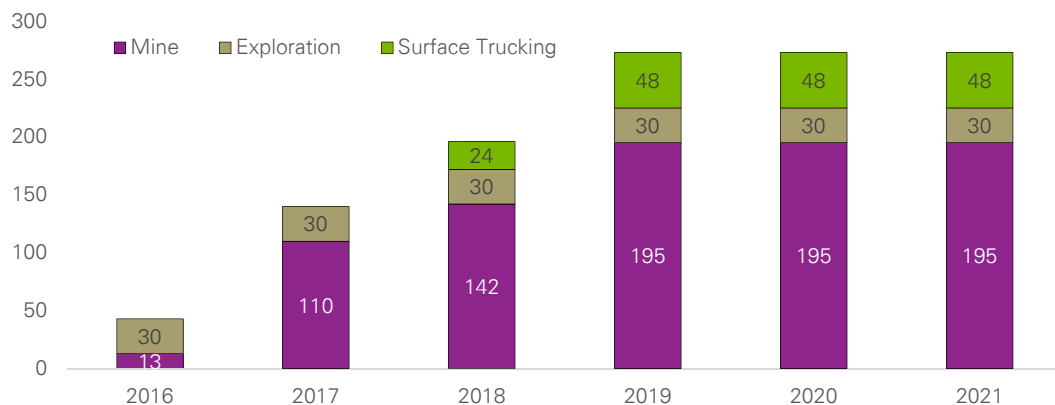
Discussions were held with Goldcorp throughout the strategy development process and were intended to provide insight into the following items of relevance:

1. Goldcorp's anticipated timeframes for the progression of the Borden Gold Project from its current state through to advanced exploration and potentially commercial production, recognizing that the ultimate fate of the Borden Gold Project is contingent upon a number of factors
2. The estimated level of employment during the advanced exploration and commercial production phases of the project, as well as Goldcorp's potential strategy with respect to the accommodation of workers
3. Goldcorp's approach to procurement, including the types of goods and services required and whether these would be sourced from Chapleau or another centre (presumably Timmins or Greater Sudbury given their existing role as mining supply and service clusters)
4. The extent to which the Borden Gold Project will impact on community infrastructure
5. The current status of Goldcorp's negotiations with local First Nations, including the types of goods and services that are likely to be provided by First Nations.

A summary of our discussions with Goldcorp is provided on the following pages.

	Key Themes
Goldcorp's anticipated timeframes for the progression of the Borden Gold Project from its current state through to advanced exploration and potentially commercial production, recognizing that the ultimate fate of the Borden Gold Project is contingent upon a number of factors	<ul style="list-style-type: none"> <li>• The process of obtaining permits for advanced exploration is currently underway.</li> <li>• Site preparation for advanced exploration is expected to begin by Q4 2016.</li> <li>• Surface construction and development of the portal is expected to commence in Q1 2017 and conclude in Q1 2018.</li> <li>• Collection of the 30,000 tonne bulk sample is expected to commence in Q2 2018.</li> <li>• Construction of the commercial mine workings is anticipated to start in Q1 2019.</li> <li>• Commercial production is expected to commence in Q3 2019. In order to achieve this schedule, and in recognition of the time required to obtain the necessary permits, Goldcorp has indicated that it will proceed with the permit applications for commercial production concurrent with the advanced exploration activities.</li> </ul>
The estimated level of employment during the advanced exploration and commercial production phases of the project, as well as Goldcorp's potential strategy with respect to the accommodation of workers	<ul style="list-style-type: none"> <li>• Employment levels are expected to increase from the current level of 43 positions to 273 positions once the mine achieves full commercial production. As noted below, these employment positions relate to the mine development and operation (include both advanced exploration, construction and commercial production), surface trucking from Borden Gold to Goldcorp's processing facility in Timmins and ongoing exploration. These employment positions include both Goldcorp employees and contractors and can vary by 20%, reflecting the current planning stage of the project.</li> </ul>

*Anticipated employment levels (2016 to 2021)*



	Key Themes
<p>Goldcorp's approach to procurement, including the types of goods and services required and whether these would be sourced from Chapleau or another centre (presumably Timmins or Greater Sudbury given their existing role as mining supply and service clusters)</p>	<ul style="list-style-type: none"> <li>• Goldcorp indicated their commitment to providing the five local business communities (Chapleau and four First Nations communities) with the opportunity to provide goods and services for the Borden Gold Project and has identified five communities that would be considered as local suppliers, consisting of four First Nations and private businesses located within the Township of Chapleau and surrounding region.</li> <li>• Larger supply and service contracts (for items such as cement, explosives, ground control equipment, heavy machinery) are expected to be sourced from suppliers in other communities, based on (i) existing supply agreements between Goldcorp and its suppliers; (ii) the limited number of suppliers for certain items; (iii) the absence of current suppliers in the community; (iv) limited demand in the Chapleau area (i.e. there is only one mine) that precludes a supplier from establishing a presence in the community; (v) the proximity of the Borden Gold Project to existing suppliers in Timmins and Greater Sudbury; and (vi) the potential inability of local suppliers to meet the provisions of Goldcorp's contractual requirements, specifically health and safety and insurance requirements, which Goldcorp has indicated may not be conducive to smaller businesses.</li> <li>• Potential opportunities may exist for local suppliers to provide items that are time or location sensitive or relatively easy to distribute. Suggested examples include personal protection equipment, automotive repairs, custodial services, catering, small parts (such as hydraulic hoses and fasteners), bulk fuel, worker transportation and security services.</li> <li>• Goldcorp also indicated a willingness to work with local suppliers to understand their procurement requirements, including health and safety and insurance requirements.</li> </ul>

	Key Themes
<p>The extent to which the Borden Gold Project will impact on community infrastructure</p>	<ul style="list-style-type: none"> <li>• The Borden Gold Project will not be connected to the Township’s water and wastewater systems but rather will operate on private systems.</li> <li>• Goldcorp does not expect to utilize air transportation in connection with the Borden Gold Project.</li> <li>• Given the location of the property in relation to both the community and Timmins, the majority of heavy truck traffic is expected to avoid the Township’s road network and travel along the Provincial highway system.</li> <li>• Goldcorp has retained engineering advisors to determine the optimal solution to providing electrical service to the site, with the final analysis not complete as at the date of this report. It is expected that all electrical servicing will be through Hydro One and will not require the involvement of Chapleau PUC. Goldcorp also indicated their commitment to ensuring that the Borden Gold Project does not adversely impact power supply to the community. We note, however, that the issue of electrical supply can be a major concern for mining projects, the development of projects in Red Lake challenged by the absence of sufficient electrical transmission capacity, requiring an upgrade to the distribution network.</li> <li>• During consultations, Goldcorp indicated their preference to locate its worker accommodations in the Township as opposed to a camp located near the Borden Gold Project.</li> <li>• While not a municipal service, it has been noted that there are significant gaps in cell coverage for the Borden Gold Project, both at the site and along the transportation corridor between the mine site and Goldcorp’s processing facility in Timmins.</li> <li>• Goldcorp has indicated that it intends to enter into agreements with the Township for the use of the municipal landfill as well as a fire protection agreement for the Borden Gold Project. The fire protection involvement would involve only the surface infrastructure of the project (i.e. no underground mine rescue or emergency response), with periodic training occurring on the Borden Gold site to ensure that familiarization with the property.</li> </ul>

	Key Themes
<p>The current status of Goldcorp’s negotiations with local First Nations, including the types of goods and services that are likely to be provided by First Nations under the provisions of collaboration agreements</p>	<ul style="list-style-type: none"> <li>• Goldcorp continues to negotiate with impacted First Nations with respect to the Borden Gold Project, the details of which are confidential.</li> <li>• Goldcorp indicated that under the terms of the final collaboration agreement (which is preferred to impact benefit agreements), local First Nations will be provided with the opportunity to provide certain supplies and services to the project, including items listed on page 33. Goldcorp also encouraged collaboration between local businesses and First Nations as First Nation involvement in the form of a joint venture or other partnership arrangement will be considered in the selection of suppliers. Goldcorp suggested workshops involving local businesses, local First Nations and a third party facilitator as a means of advancing these relationships.</li> </ul>

## 6.2 Major Mining Contractors

The development of the portal and other construction activities during the advanced exploration stage is expected to be undertaken by one or more major mining contracting companies (specifically with shaft or raiseboring experience) as opposed to Goldcorp’s own forces. Given the specialized nature of development mining and the need for a relatively high number of employees for a short period (16 to 18 months), the use of contractors is regarded as a more cost effective approach.

While stressing the fact that every contract is different, we were advised that contractors are typically required to provide labour, equipment and drill steel (which is normally on consignment to the contractor), while the owner (i.e. Goldcorp) provides materials such as concrete, explosives and ground control supplies.

### *Supply and service opportunities*

Consistent with the input provided by Goldcorp, major mining contractors anticipate that large dollar procurements will likely be sourced from Timmins (with some procurement from Sudbury) on the basis that the cost of transporting goods to the property will be lower than carrying costs incurred with local inventories. However, one contractor indicated that once the Borden Gold Project achieved commercial production, the level of demand might support a distribution facility for explosives.

In addition to financial considerations, the operational aspects of the construction activities will also determine procurement approaches. For example, concrete used for the construction of the portal is expected to represent a major cost of the advanced exploration phase. However, the volumes required for the construction of an portal are not sufficient to

justify an investment in a concrete plant<sup>25</sup>. If, however, the project involved the sinking of a shaft – which we were advised requires 100 cubic yards of concrete daily – the siting of a concrete plant next to the Borden Gold Project could be feasible.

The majority of major mining contractors indicated that, rather than focusing on major supply opportunities, local businesses should attempt to enter into arrangements for smaller procurement items or services that require a continuous on-the-ground presence (which is consistent with the input received from Goldcorp). Opportunities that were suggested include:

- Personal protective equipment
- Small tools
- Automotive supplies and repairs
- Critical spares such as hydraulic fluids, hoses and connectors and other small parts
- Hotel accommodations
- Waste hauling
- Ore transportation
- Personnel transportation
- Custodial services
- Catering

#### *Accommodations for contract workers*

For the most part, the decision as to whether to house workers in a camp adjacent to a work site vs. relying on accommodations in a community is based on monetary considerations. For example, one contractor indicated that the accommodation cost for one employee in a camp was \$175 per day. In that instance, the contractor determined it would be more cost effective to place two employees in a hotel room.

In certain instances, non-financial considerations will factor into the decision as to accommodations for workers. One contractor indicated a preference for camps as opposed to community-based accommodations on the basis that the latter increased the risk of alcohol or drug use or conflicts between employees and local residents.

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<sup>25</sup> The ability to stockpile concrete is further complicated by the need to maintain it near room temperature.

### *First Nation consultation*

Major mining contractors will be encouraged by Goldcorp to enter into supply arrangements with local First Nations, recognizing that the nature of these agreements could differ by supplier and First Nation.

### **6.3 Other Mining Supply and Service Providers**

The category of other mining supply and service providers include a range of different types of companies, primarily engineering and geotechnical firms and parts suppliers. The results of consultations also include our discussions with an industry association for the mining supply and services sector.

Generally speaking, companies in this category believed that they would be able to meet the needs of Goldcorp and major mining contractors from existing operations in Timmins and potentially Sudbury. The majority views of this group include the following:

- The levels of demand associated with a single mine without a processing facility was insufficient to justify the establishment of a location in Chapleau.
- Even where parts or services had applicability in other sectors (most notably forestry), the level of demand was insufficient to support a stand alone location.
- In certain instances, companies indicated that if suppliers for their goods and/or service were already present in the community, they would be unable to compete with existing businesses given the need to establish a presence in Chapleau.
- A number of the companies currently have supply agreements with Goldcorp in connection with their Porcupine operations. Given the intention to integrate the Borden Gold Project with the Porcupine operations, the companies anticipate that their existing agreements will translate into their supplying the Borden Gold Project through existing channels, without the need to establish new distribution facilities in Chapleau.

Given their current supply arrangements with Goldcorp, which involve existing facilities located elsewhere, it is understandable that mining supply and service companies will attempt to leverage their existing infrastructure to the greatest extent possible when supplying the Borden Gold Project. That said, Goldcorp's requirement for First Nation involvement in the supply of the project under the provisions of the collaboration agreements and its stated support for local procurement may provide the opportunity for local businesses to form joint venture, distributor or other agreements with mining supply and service companies.

# Section 7:

## Strategic Alternatives

Prior to determining what, if any, strategies should be pursued by the CEDC, Township and other stakeholders with respect to the Borden Gold Project, it is first necessary to develop an indication as to the potential impacts of the project on the community (both positive and negative). As noted from the case study analysis, mineral development projects impact communities in different ways.

It is recognized that there exists the possibility that the Borden Gold Project will not proceed to either advanced exploration or, if advanced exploration is undertaken, commercial production. While we consider the likelihood of either of these scenarios to be low, the suggested strategy incorporates a lesson learned from the case studies – ensuring that investments made by the Township are triggered by permitting approvals and confirmation that the project will proceed to commercial production, so as to ensure that public sector activities proceed on the basis of a proven project.

### 7.1 Most Likely Scenario

For the purposes of the strategy, the most likely scenario for the impacts of the Borden Gold Project on the community of Chapleau is described below.

Timing	<ul style="list-style-type: none"><li>• The development of the project will proceed in a manner consistent with Goldcorp’s anticipated timeframes (see page 25). With the completion of permitting for advanced exploration activities by the end of 2016, activity at the Borden Gold Project will increase significantly at the beginning of 2017 and will remain consistent until the end of 2018, at which time commercial operations will begin. While the decision to proceed to commercial production is contingent upon the results of the advanced exploration phase, Goldcorp’s outlook during the course of our consultations was positive.</li><li>• The estimated mine life of the Borden Gold Project is expected to be seven years, although this may be extended if additional reserves are located through continued exploration activities.</li></ul>
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Employment	<ul style="list-style-type: none"> <li>• Employment levels are projected based on the upper end of the estimates provided by Goldcorp, with up to 275 employees and contractors during the commercial production phase.</li> <li>• Goldcorp has indicated its intention to provide mining-related training programs to local residents. The training would focus primarily on mine readiness, including basic common core requirements, equipment operator training and transportation training for both surface and underground transportation.</li> </ul>
Demand for housing	<ul style="list-style-type: none"> <li>• A significant component of the labour force associated with the Borden Gold Project will be brought into the community as opposed to supplied locally. In addition, the geographic location of Chapleau and its distance from other communities indicates that workers can be expected to reside in the community as opposed to commuting on a daily basis.</li> <li>• To a certain extent, the accommodation needs of Borden Gold workers will be satisfied through existing residential housing stock, with a reduced vacancy rate expected for the community. However, it is expected that the number of individuals locating to Chapleau permanently will not be significant, with most workers either accommodated at Goldcorp-operated high density workers' housing or occupying residences on a temporary basis.</li> <li>• Goldcorp has already expressed its preference to house workers in the Township as opposed to a work camp located on site.</li> </ul>
Business supply services	<ul style="list-style-type: none"> <li>• The procurement of major items, including cement, explosives, ground control supplies, drilling steel and heavy equipment, will not occur locally but rather will be obtained from existing suppliers located outside of the community.</li> <li>• Goldcorp has stated that First Nation involvement will be considered when awarding contracts for locally-sourced supplies and services. As such, local businesses that are interested in pursuing opportunities relating to the Borden Gold Project are strongly encouraged by Goldcorp to establish joint venture or other partnership arrangements with local First Nations.</li> </ul>

Business supply services (continued)	<ul style="list-style-type: none"> <li>• We were advised that the Niiwin General Partnership ('Niiwin') is currently in discussions with a local First Nation to provide janitorial, security and ore transportation services to Goldcorp. Established in Timmins to provide services to the mining sector, Niiwin assists First Nations with business opportunities associated with projects such as the Borden Gold Project, often through the use of sub-contractors. Niiwin may represent a potential partner for local businesses interested in working with First Nations on joint business opportunities.</li> </ul>
Municipal implications	<ul style="list-style-type: none"> <li>• The Township is expected to realize incremental revenues in the form of landfill tipping fees, fire protection services and increased recreational facility fees.</li> <li>• Municipal taxation revenues are not expected to be affected due to the anticipated absence of new residential or commercial construction in the community.</li> <li>• While the Township will not be required to make major infrastructure investments that are directly required for the project, certain upgrades to its water distribution and wastewater collection systems may be required to accommodate the increased demand for residential housing, both from the perspective of water and wastewater services and fire protection. While there is a high likelihood of increased residential demand, a site has not been selected for workers' housing and as such, the need for infrastructure improvements is conditional upon the selected location(s).</li> </ul>

## 7.2 Contingencies

The most likely scenario outlined above can potentially fluctuate due to any number of positive and negative contingencies. For the purpose of the strategy, the most significant positive contingency is the extension of the mine life beyond the current seven year estimate.

The identification of additional gold reserves in commercially viable quantities that are sufficient to extend the life of the mine beyond 10 to 15 years represents a positive contingency from the perspective of potentially encouraging permanent residency in the community. In addition to contributing towards the construction of new residential accommodations, the impact will also be expanded as workers will relocate with their families as opposed to single transient individuals. This will have an additional benefit of stabilizing the local housing market (and associated prices) and increasing the demand for personal and retail services as well as community infrastructure such as schools, healthcare and recreational facilities.

Other factors may also influence the extent to which workers locate in the Township on a personal basis, including but not limited to:

- The shift cycle for the Borden Gold Project, which we understand has not yet been finalized
- The availability of employment for workers' spouses
- The presence of financial incentives offered to encourage workers to relocate to the Township

Golcorp has stated that it is examining a range of lodging options with respect to the Borden Gold Project.

# Section 8:

## Future State Proposal and Recommendations

### 8.1 Implementation Roles and Responsibilities

Capitalizing on the opportunities stemming from the Borden Gold Project requires effort and initiative on the part of local residents and businesses and the involvement of Goldcorp, recognizing that the bulk of anticipated benefits arising from the project are expected to accrue primarily to local businesses and residents:

- Certain businesses will have the ability to enter into contract arrangements with Goldcorp and/or its contractors for supplies, services or workers' accommodations
- Certain businesses (retail, restaurants, personal services) will benefit as a result of the influx of workers into the community
- Individual residents may benefit from either direct employment or rental revenue from the provision of workers' accommodations

Given that the majority of benefits will be directed towards the private sector, primary responsibility for realizing these benefits should rest with the private sector.

While the Township and CEDC continue to have a role with respect to the project, it is secondary to the private sector in terms of securing business and employment and more aligned towards providing the necessary supports and environment for private sector parties that wish to pursue opportunities. This concept is similar to the role that the DDC assumed in Dryden, which it characterized as "*the mandate of facilitator, collaborator and support organization*".

Based on this framework, the recommended priorities for the CEDC and Township are provided below.

## 8.2 Action Items – Chapleau Economic Development Corporation

Item No.	Priority	Timeframe
1	The CEDC should organize a readiness workshop for local businesses that will provide them with information concerning potential opportunities arising from the Borden Gold Project and the key success factors that need to be met in order to secure contracts. Goldcorp has stated a willingness to participate in these sessions and the CEDC should ensure the participation of local First Nations as well given that some form of First Nation involvement will likely be required for local businesses to secure opportunities with Goldcorp.	Before September 2016
2	The CEDC should coordinate a networking session between local businesses, Goldcorp and the major mining contractor (when selected) to facilitate connections with the local business community.	Subject to Goldcorp selecting the major mining contractor
3	The CEDC should consider the development of a housing inventory and registry that will facilitate the rental of vacant housing units for workers' accommodations.	Before August 2016
4	The CEDC should work with Goldcorp on the delivery of training programs to local residents to facilitate employment in the mining sector. Goldcorp has indicated their intention to deliver mining-related training to both the community and local First Nations in connection with the Borden Gold Project.	Subject to Goldcorp's training schedule
5	<p>The CEDC may wish to consider undertaking strategies aimed at attracting inbound investment, which could include:</p> <ul style="list-style-type: none"> <li>• Obtaining information from Goldcorp concerning potential suppliers that may be interested in establishing a presence in Chapleau. This will provide a list of prospective targets for the CEDC to pursue for inbound investment activities.</li> <li>• Developing so-called pitch materials in support of inbound attraction efforts, including but not limited to (i) a summary of potential opportunities associated with the Borden Gold Project that could be of interest to inbound investors; (ii) an overview of procurement requirements established by Goldcorp that will need to be addressed by inbound investors; (iii) a listing of local businesses that could be potential partners for inbound businesses; (iv) a competitive analysis of Chapleau, including comparative information on tax rates, utility costs and other local services; (v) a summary of potential facilities to house inbound businesses; and (vi) details of any incentives available to the inbound investor, including incentives under the Township's CIP and programs available through senior government agencies such as the NOHFC and FedNor.</li> <li>• Soliciting the local business community to determine the potential level of interest in joint ventures or other arrangements with outside suppliers.</li> <li>• Hosting inbound investor tours to highlight the community and the potential opportunities arising from the Borden Gold Project. In addition to an introduction to the community, the inbound investor tours should include:</li> </ul>	This is a longer-term priority that should be linked to the commencement of commercial production

	<ul style="list-style-type: none"> <li>• Meetings between inbound investors and representatives of Goldcorp to discuss the project and potential opportunities; and</li> <li>• Meetings between inbound investors, local businesses and First Nations to discuss potential joint venture opportunities.</li> <li>• Coordinating the CEDC's inbound investment activities with trade and investment marketing activities undertaken by the Ministry of Northern Development and Mines, including arranging for CEDC participation in Ministry organized trade shows and other investment attraction activities.</li> <li>• Preparing a funding submission to senior levels of government, particularly NOHFC and FedNor, to secure sufficient funding for investment attraction activities.</li> <li>• Ensuring that investment attraction materials are available on the websites of the CEDC and Township.</li> </ul>	
6	<p>The CEDC should consider the preparation of a funding application to Industry Canada-FedNor and the NOHFC intended to support capacity building within the community, specifically as it relates to helping local businesses prepare to pursue contracts with Goldcorp. Particular areas of focus can include:</p> <ul style="list-style-type: none"> <li>• Assisting local businesses with the development of health and safety plans and the delivery of health and safety training and WHIMIS training to staff, thereby allowing local businesses to meet Goldcorp's procurement requirements.</li> <li>• Assistance with business planning for joint ventures with local First Nations or inbound business suppliers.</li> </ul> <p>This approach is consistent with the Northern Ontario Growth Plan, which identifies the minerals sector and mining supply and services as a priority economic sector.</p> <p>Goldcorp has indicated a willingness to assist the CEDC with such an application.</p>	On or before January 1 <sup>st</sup> , 2017
7	<p>The CEDC should continue with the execution of its communications strategy concerning the Borden Gold Project, which consists of:</p> <ul style="list-style-type: none"> <li>• Regular media releases concerning the status of the project and the potential opportunities for local businesses</li> <li>• Social media presence concerning the project</li> <li>• Periodic public sessions to communicate the CEDC's activities in connection with the project</li> </ul> <p>As part of the ongoing communications, the CEDC should continue to maintain contact and coordinate with Goldcorp concerning information releases to ensure consistency in messaging and that the appropriate party (e.g. CEDC vs. Goldcorp) is responsible for the messaging.</p>	Ongoing

### 8.3 Action Items – Township of Chapleau

Item No.	Priority	Timeframe
8	The Township should ensure its user fee schedule, with particular focus on tipping fees, building permit fees and recreational charges, to ensure that an appropriate level of cost recovery.	To be conducted as part of the Township's 2017 budget process
9	<p>The Township should enter into contractual negotiations with Goldcorp with respect to the use of the municipal landfill as well as fire protection services to be provided by the Township. With respect to fire protection services, we further recommend that the financial terms of the agreement include:</p> <ul style="list-style-type: none"> <li>• A fixed annual cost that is intended to compensation the Township for establishing the necessary capacity to provide fire protection services to Goldcorp; and</li> <li>• A variable cost that compensates the Township for the direct cost associated with calls for service and training activities</li> </ul>	On or before December 31, 2016
10	<p>The Township should continue to work with Goldcorp on issues relating to the project, including Goldcorp's potential acquisition of property in the community and the availability of residential housing stock. In addition to supporting the project, this will also allow the Township to determine whether service upgrades are required in connection with high density workers' accommodations.</p> <p>To the extent that these are required, the Township may wish to consider submitting an application under the New Building Canada Fund: Provincial-Territorial Infrastructure Component, Small Communities Fund (the 'Fund'), which provides for two-thirds funding (one-third Federal, one-third Provincial) for water and wastewater improvements (among other categories).</p>	To be considered upon the establishment of high density workers' accommodations

# Section 9:

## Concluding Comments

While the Borden Gold Project represents a major economic activity in the region, the results of our analysis indicate that the potential benefits to the community of Chapleau will generally be limited to specific aspects of the project, including residential accommodation and potential opportunities for some local businesses. The fact that more significant benefits are not realized is reflective of a number of factors, including:

- The relatively short operating life of the mine (seven years), which precludes long-term impacts and investments;
- The absence of a processing facility on site, which limits total employment;
- The proximity of Chapleau to existing mining centres (Timmins and Sudbury), which reduce the communities ability to supply major items to the Borden Gold Project during both advanced exploration and commercial production; and
- The position of local First Nations, who will be able to access business opportunities under the terms of their collaboration agreements.

To the extent that mining activity is extended in the region, either directly by Goldcorp or other mining companies, Chapleau has the ability to realize expanded and different benefits as a result of a more permanent base of mining activities. Specifically, the extension of the Borden Gold Project's operating life or the development of other operating mines could establish Chapleau as a mining centre, with the benefits of:

- Being more attractive as a permanent residence for mine workers;
- Supporting an expanded cluster within the community for mining supplies and services; and
- Attracting increased numbers of junior mining companies to the community to support expanded mineral exploration activities.

In light of these potential benefits, the CEDC should continue its focus on mining development beyond the Borden Gold Project by targeting junior mining companies to come to Chapleau for mineral exploration. As part of this strategy, the CEDC could consider:

- The development of an inventory of mining claims in the region in order to gain an understanding as to the mining companies with active claims;



- The accumulation and packaging of geological survey data for distribution to mining companies with claims in the area;
- The organization of inbound tours for junior mining companies to highlight the community, its mineral potential and the potential benefits of exploration activities in the region; and
- Assuming a more active promotional presence at major mining conferences, most notably the annual PDAC event in Toronto.

# Appendix A

## First Nation Consultation Requirements

The Canadian Constitution 'affirms and recognizes' the existing aboriginal and treaty rights of aboriginal peoples of Canada and as a result, all governments in Canada adhere in some way to the concept that the Crown has a legal duty to consult Aboriginal communities when it has knowledge of an existing or asserted Aboriginal or treaty right and contemplates conduct that may adversely impact that right.'

This consultation has both '*substantive*' and '*procedural*' aspects:

- Government officials administer the *substantive* aspects which include determining whether a duty to consult exists; identifying which Aboriginal communities must be consulted; assessing the extent and adequacy of the consultation; and determining the need for and adequacy of any accommodation.
- *Procedural* aspects can be, and in the case of the Borden Gold Project have been, delegated to the project proponent. They include providing notice of the project; providing information to the impacted communities; ensuring the Aboriginal communities understand the information provided; answering questions; gathering information about possible adverse impacts and modifying plans to minimize them where possible. From a practical perspective, this also includes ensuring some form of benefit is provided to the Aboriginal communities in the form of employment, training and business opportunities.

*Approval* of the project by the band or community council is not required for an effective consultation to have been conducted. Rather, government officials will assess the efforts made by the proponent to address Aboriginal issues and concerns.

During the course of our consultations with Goldcorp, we were advised of the following with respect to First Nation consultations:

- A total of four First Nations have been identified as being impacted by the Borden Gold Project – Chapleau Cree First Nation, Chapleau Ojibway First Nation, Brunswick House First Nation and Michipicoten First Nation
- Goldcorp has assumed the previous Memorandum of Understanding entered into between Probe and the Brunswick House First Nation, Chapleau Cree First Nation and Chapleau Ojibway First Nation that was dated September 2011. Under the terms of the Memorandum of Understanding, Probe Minerals committed to training, communications and business development opportunities for the First Nations.

- Goldcorp continues to be in negotiations with the impacted First Nations and has also indicated that discussions with their respective Tribal Councils are also underway.

In addition to the above, Goldcorp has indicated their preference to enter into a collaboration agreement as opposed to impacts and benefits agreement for the purposes of documenting their relationship with the First Nations. While not formally defined, we understand that collaboration agreements and impact benefit agreements have similar elements. A collaboration agreement may define the process for access to resources while an impacts and benefits agreement will typically include this, plus some form of royalty and/or revenue sharing agreement (although this has been included in collaboration agreements as well). Both types of agreements can vary considerably and as such, it is difficult to determine the precise nature of the future relationship between Goldcorp and the local First Nations.

# Appendix B

## Case Studies

A total of six municipalities in Northern Ontario were selected for inclusion in the case study analysis, three of which are in close proximity to advanced exploration projects, two of which are near producing mines and one community which is near both a producing mine and advanced exploration project. As noted below, the characteristics of the mining projects involved in the case studies can vary significantly from the Borden Gold Project and as such, the economic and employment impacts for Chapleau can vary significantly from the experience of the other communities.

Community	Stage	Reserves and Resources (millions of ounces)	Mine Life
Chapleau	Advanced exploration	1,720	7 years
White River	Advanced exploration	1,137	5 years
Dryden	Advanced exploration	1,507	10 years
Fort Frances, Emo and Chapple	Advanced exploration	3,105	16 years
Dubreuilville	Commercial production	1,402	7 years
	Advanced exploration	5,127	10 years
Matachewan	Commercial production	3,700	20 years
Cochrane	Commercial production	18,200	23 years

## 1. White River

The Sugar Zone Project, which is 100% owned by Harte Gold Corp., is located approximately 25 kilometres north of White River. The property is currently in the advanced exploration stage and has indicated and inferred resources totalling 1.137 million ounces. The estimated mine life is reported to be five years.

### *Employment and economic impacts*

The development of the Sugar Zone Project occurred at the same time as two other major economic development initiatives – the reopening of a local sawmill and the construction of a new power generating dam. Given the difficulties associated with separating the economic impacts of these individual projects, a precise quantification of the benefits associated with the Sugar Zone Project is problematic.

From a direct employment perspective, Harte Gold currently employs six individuals within the community. Harte Gold's contractor (Technica) did not employ local residents but rather brought their existing employees to the community to work on the project. This reflected both the established and experienced workforce of Technica, as well as the absence of the requisite skill sets within the community.

Notwithstanding the absence of direct employment, the Sugar Zone Project (along with the other major initiatives) have resulted in economic benefits for the community:

- The local service and retail sector has experienced an increase in activity as a result of contractors staying at the local motel and eating in local restaurants
- A local company has been hired to assist in trucking bulk samples from the Sugar Zone Project to the Hemlo mineral complex for processing
- A previously abandoned 40-unit apartment building (i.e. vacant prior to the mining project) was purchased and is now fully occupied
- The residential vacancy rate in the community is at or near 0%

To date, the community has not experienced any inbound investment as a result of the Sugar Zone Project.

### *Contribution to the local municipal government*

The Sugar Zone Property is located in unorganized territory and as such, does not provide a direct municipal taxation benefit to the municipality. While Harte Gold does not provide any other financial contributions to the municipality, negotiations are currently underway for the provision of three municipal services:

- Solid waste disposal
- Wastewater treatment
- Fire protection

The municipality is attempting to negotiate a contractual arrangement for these services based on a defined time period as opposed to some form of activity-based formula. The use of a time-based formula is preferred as it will allow the municipality to renegotiate the terms of the agreement upon expiry. Negotiations are being led by the mayor as opposed to municipal staff.

The municipality was not required to address any planning issues with respect to the project.

#### *Lessons learned*

- It is important for the municipality to recognize the relatively short lifespan of mines and to manage expectations within the community as to the duration of the economic and employment benefits that result from mineral development.
- There is benefit in having all interested stakeholders, including First Nations, collaborate on the negotiation of agreements. However, while the municipality is aware of the involvement of First Nations with the project and has an interest in collaborating with them, the precise details of the status or nature of discussions between Harte Gold and local First Nations is not known.
- Communication of opportunities is important to ensure that local residents see the municipality as being proactive. In the case of White River, there appears to be a segment of the population that is unhappy with the lack of employment and business opportunities, despite the fact the opportunities that were available were communicated to the community by the private sector. The municipality does not have a formal process for sharing progress updates with its residents – Harte Gold will provide updates directly to the community.
- Where alternatives exist for employment (e.g. reopening of a sawmill), potential employees may not accept employment in the mining sector due to the perception that employment is temporary in nature and not secure over the long-term.

## 2. Dryden

The Goliath Gold Project, which is 100% owned by Treasury Metals Incorporated, is located approximately 15 kilometres west of Dryden. The property is currently in the advanced exploration stage and is 'advancing to a bankable feasibility study'. The Goliath Gold Project has measured, indicated and inferred resources totalling 1,507,100 ounces of gold and an estimated mine life of ten years.

### *Employment and economic impacts*

While the Goliath Gold Project has resulted in the creation of 12 positions by Treasury Metals, the main impacts of the project appear to be an increase in the demand for hotel accommodations for specialists and consultants retained by the company, as well as an overall increase in demand for housing – while there has been no new residential construction in Dryden, the vacancy rate is approaching 0% with extremely limited availability of housing stock in the community.

On an annual basis, Treasury Metals provides a spend breakdown, which indicated that \$2 million was spent locally during 2015, representing 50% of the Company's total expenditures for the project.

In connection with the project, the municipality has obtained a commitment from Treasury Metals to source both staffing and supplies from the community to the extent possible. To date, however, only one local business is identified as having obtained a supply contract in connection with the Goliath Gold Project.

### *Contribution to the local municipal government*

The Goliath Gold Project is located in unorganized territory and as such, does not provide a direct municipal taxation benefit to the municipality. We were not advised of any user fees or other revenues accruing to the municipality as a result of the project, and it does not appear that the municipality was required to address any planning issues in connection with the project.

### *Lessons learned*

- The Dryden Development Corporation ('DDC') invested significant resources in connection with the project but did not play a lead role in attempting to secure economic and employment benefits. Rather, the DDC assumed the mandate of facilitator, collaborator and support organization. In this capacity, the DDC's specific actions included:
  - Hosting investor workshops
  - Developing a mining resource guide as part of its investment attraction efforts
  - Consulting with industry participants to identify opportunities and resource gaps
  - Coordinating with Confederation College to develop and offer a mining prep course to ensure local residents had the requisite skills to work in the industry

- Effective due diligence is key to evaluating any requests for infrastructure investments from the municipality to ensure that the request makes sense and that there is a long-term business case for the investment
- Information sharing is key to managing local expectations of the potential benefits from a mining development project
- The use of confidentiality agreements for private sector businesses interested in pursuing opportunities was identified as helpful in that they allow for detailed discussions without the need to share the information publicly. A request for a copy of the agreement was not provided as part of the case study but the agreement applies to DDC Board of Directors and City staff working with private sector interests.
- Until such time as the environmental assessment process is completed, progress of mining projects can be slow. However, once the environmental assessment process is complete, the pace of development and assorted activities increases considerably. As such, municipalities should use slow periods for advanced planning and capacity building to accommodate the higher level of activity once the environmental assessment process is complete. In Dryden, the DDC examined the local and regional supply and service sector during slow periods, with the intended outcome of identifying potential needs.



### **3. Fort Frances, Emo and Chapple**

Located approximately 65 kilometres northwest of Fort Frances, the Rainy River Project is an advanced stage gold project with 830,000 ounces of measured resources and 2,275,000 ounces of inferred resources. When completed, the open pit and underground mining operations are expected to generate 21,000 tonnes of ore per day, with a total annual output of 325,000 ounces of gold. The open pit mine operations, including stockpile processing, have an estimated life of 16 years while the underground operations have an estimated life of 12 years. Both stages are expected to run concurrently.

While the Rainy River Project is included in the case study analysis, it should be noted that its rate of production is almost ten times that of the Borden Gold Project (21,000 tonnes per day vs 2,200 tonnes per day for the Borden Gold Project).

#### *Employment and economic impacts*

As a result of the Rainy River Project, communities throughout the Fort France area have experienced meaningful economic impacts.

The Township of Emo currently acts as the primary staging area for the project given that it is the closest municipality to the property. It is estimated that between 180 and 190 mine personnel are situated in the community at the present time, with the expectation that 450 employees will be located in the community once the mine achieves commercial production. Despite the influx of employees, the amount of new residential construction is significantly lower, with five to six new homes constructed since the beginning of the project and an 18-unit facility for mine workers under construction. It is anticipated that upon the closure of the mine site, the facility will be converted into seniors' residences. The property is privately owned by a local developer and based on the information shared, the transition plan is tied to the life cycle of the mine. As mining activity begins to decrease, the developer will transition the use of the building to become seniors housing but it would appear that there is not a formal transition plan made available by the developer.

In addition to the influx of workers, Emo also serves as the site for the majority of service providers involved in construction activities.

The Town of Fort Frances has also experienced an increase in the demand for residential housing, with all rental units occupied (i.e. 0% vacancy rate) and five to six new homes built in the community. The community has also seen an increase in home renovations in response to increased demand. As opposed to Emo, which appears to be the site for production and construction workers, management personnel tend to locate in Fort Frances, in part due to the complement of municipal services that are available only in that community.

Local businesses in Fort Frances with products that are complementary with mining activities – construction contractors, vehicle dealers – are witnessing increased activity as a result of the project, while the local retail sector is also experiencing increased business activity as a result of the influx of workers to the community.

#### *Contribution to the local municipal government*

The Rainy River Project is located within the boundaries of the Township of Chapple, which is expected to realize significantly higher property taxes once the project commences operations.

#### *Lessons learned*

- Managing expectations is key to ensuring that municipalities do not overinvest in infrastructure projects that have longer lifecycles than the mining project (in the case of the Rainy River Project, the estimated mine life is 16 years). Where municipalities do make investments in long-term assets, they should exercise appropriate due diligence to ensure that the spend makes sense and that there is a long-term alternative purpose for the investment.
- Municipalities should be prepared for variations in the level of activity associated with mining development projects, with periods of high activity preceded and followed by periods of inactivity. Absence of progress on mining projects does not necessarily reflect the discontinuation of the project but rather may be associated with the time associated with awaiting permitting and other approvals.
- Marketing efforts focused on selling the community as ‘someone’s next home town’ are effective in attracting workers to the community if supported by municipal infrastructure that meets residents’ demands and is well-maintained.
- Investment attraction strategies focused on the mining supply and services sector are beneficial, particularly if the municipality can offer industrial park lots at a competitive price.

#### 4. Dubreuilville

The Island Gold Mine, which entered commercial production on October 1, 2007, is a wholly-owned property of Richmond Mines Inc. located approximately eight kilometres southeast of Dubreuilville and 83 kilometres north of Wawa. With a total workforce of 181 employees, the Island Gold Mine produced 47,500 ounces of gold in 2015 and has reported reserves (proven and probable) of 562,000 ounces and reported resources (measured, indicated and inferred) of 840,000 ounces. Since commercial production started in 2007, the Island Gold Mine has produced 320,000 ounces of gold. The mine has an estimated life of seven years.

Dubreuilville is also located near the Magino Gold Project, an advanced exploration stage property owned by Argonaut Gold. Situated 14 kilometres southeast of the community, the Magino Gold Project has reported resources of 5,127,000 ounces and an estimated life of ten years.

In terms of case studies, Dubreuilville is somewhat unique due to its proximity to both an operating mine and an advanced exploration project.

##### *Employment and economic impacts*

The start-up of Island Gold Mine coincided with the closure of the local sawmill. While this allowed individuals to shift from the forestry to mining sectors, it masked the economic contribution of the mine as there was no incremental growth in employment. However, the combination of a producing mine and an advanced exploration project have created strong demand for residential housing, with the community experiencing a residential vacancy rate approaching 0%. In addition, a local motel that closed in 2009 was re-purchased by its previous owner as a result of increased demand for accommodations, while Richmond Mines has acquired properties for the accommodation of their workforce, including:

- The purchase of a community centre that was subsequently converted into a bunkhouse and cookery, with the company installing two separate bunkhouse facilities on the same property
- The purchase of an apartment building for worker accommodations
- The purchase of single family homes to accommodate its management team
- The execution of a ground lease with the municipality that allowed the company to build a 98-room bunkhouse facility

In addition to its own efforts to secure accommodations, Richmond Mines also provides financial incentives for workers who choose to relocate to the community. Notwithstanding these incentives, it appears that few workers choose to relocate to the community on a permanent basis.

With respect to mining supply and services, the economic impacts appear to be limited to a local business that provides housekeeping and catering services. No new businesses have apparently opened as a result of the increase in local mining activity and no new businesses have been attracted to the community.

### *Contribution to the local municipal government*

Both properties are located outside of the municipal boundaries and as such, the municipality does not receive any direct taxation revenue. However, Richmond Mines does pay user fees for:

- Water and wastewater for company owned properties
- Recreational fees for ice rentals and gym usage at a local high school for employees

In addition to the above, Richmond Mines and the municipality entered into an agreement whereby Richmond Mines purchased a waste compactor for the use of the municipality as a means of extending the useful life of its landfill, in exchange for being able to use the municipal landfill for an agreed-upon amount of waste. Once this amount of residential waste is exceeded, Richmond Mines will be required to pay tipping fees in accordance with the municipality's user fee bylaw.

### *Lessons learned*

- It is important to manage community expectations, particularly given the finite lifespans of mining projects. Part of managing this expectation is critically evaluating infrastructure investments so as to avoid making investments in long-term infrastructure based on short-term circumstances. At the present time, the municipality has not made any investments in response to the mines.

## 5. Matachewan

The Young-Davidson Gold Mine, owned by Aurico Gold Inc., is located within the boundaries of the Township of Matachewan. Open pit operations achieved commercial production in September 2012 and subsequently ceased operations in June 2014. Underground operations commenced in October 2012 and achieved commercial production in October 2013. Development work at the mine (including blasting, raiseboring and drift development) has continued subsequent to the commencement of commercial production, with the result being the continued presence of contractors at the site.

The mine was projected to produce 175,000 ounces of gold in 2015 and has reported reserves (proven and probable) of 3.7 million ounces. The Young-Davidson Mine has a workforce of approximately 300 and an expected useful life of 20 years.

### *Employment and economic impacts*

Some increase in population has been experienced in the community but the numbers are not significant. No new housing starts have been identified as a result of the mine and the influx of new residents.

The absence of significant population increases reflects two factors: (i) a sizeable portion of mine workers are transient and commute daily to the Township from Kirkland Lake (70 kilometres travel distance) and Temiskaming Shores (117 kilometres travel distance); (ii) a local First Nation has established a camp accommodation for mine workers and contractors. The 300-bed camp was operated by the First Nation within the municipality's boundaries, with the municipality receiving approximately \$25,000 annually in PIL revenues. The camp was used for contractors but is now closed and all production workers are either living or renting in the community (many sharing accommodations with a cross-shift) while many others commute.

In connection with the mine, a developer purchased the only restaurant and motel in the community for the purposes of housing and feeding workers, with the building now closed and up for sale. As a result, the Township has been left without a restaurant or hotel for local residents and the private sector has not come forward with a new facility.

Anecdotally, local businesses have benefited from increased travellers to the community but these are predominantly service and retail type activities (e.g. gas station, convenience store). We were advised that there are no local businesses that are actually providing goods or services to the mine directly.

### *Contribution to the local municipal government*

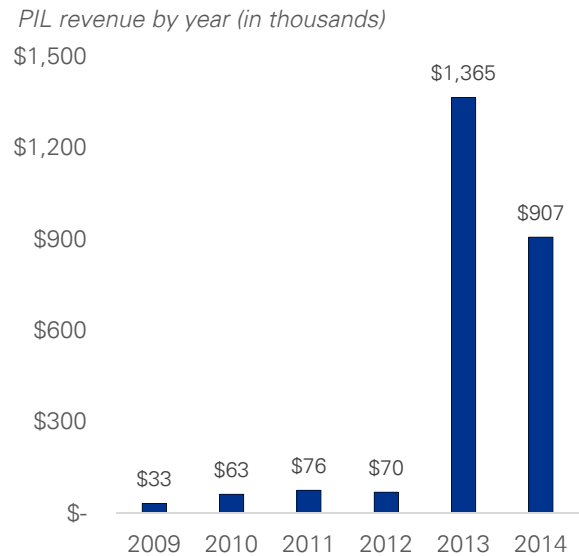
The Young-Davidson Mine is located within the Township's boundaries and the company is assessed for taxes on above-ground structures. Headframes are considered chattels for municipal taxation purposes and as such, are not subject to property taxes. Similarly, underground workings are also not subject to property taxes.

The Province provides the municipality with payments-in-lieu of taxes ('PIL revenue') to compensate for the lack of taxation revenue associated with the mine site, reflecting the Province's ownership of the property. The annual PIL revenue associated with the mine approximately \$900,000 per year, with the Province providing a retroactive PIL payment to compensate the municipality to the start of operations (2012)<sup>26</sup>.

In addition to PIL revenue, the municipality also benefits from higher levels of user fee revenues:

- In connection with the mine development, the company was required to obtain three building permits, with total fees in excess of \$100,000;
- The company rents space from the municipality (recreational facility) for approximately \$20,000 per year. This space is used for administrative offices;
- The company uses the municipal landfill for waste disposal, with landfill user fees amounting to \$100,000 in 2014 vs. \$9,000 in 2010. Landfill fees have decreased in recent years as the company reduced the shipment of construction waste and also began to compact waste prior to shipment to the landfill, thereby reducing tipping fees; and
- The company has provided sponsorships and support for community events.

While the municipality has realized an increase in PIL revenues and non-taxation revenues, the presence of the mine within its municipal boundaries has not required it to either increase service levels or make major capital investments.



<sup>26</sup> KPMG analysis of Financial Information Returns for 2009 to 2014.

### *Lessons learned*

- Notwithstanding the significant increase in revenues for the municipality, it has been pragmatic in its approach to managing its financial and infrastructure matters. Specifically, it understands that it will not attract a significant number of permanent residents given the proximity to larger communities and the nature of the shift schedule and as such, has not made significant investments in services or infrastructure, choosing instead to accumulate reserves.
- In retrospect, the municipality would have attempted to foster a stronger relationship with the local First Nation to coordinate efforts relating to the realization of economic benefits. Specifically, the municipality has seen limited economic impacts as a result of the mine and believes that a First Nation partnership would have contributed towards more non-residential development.

## **6. Cochrane**

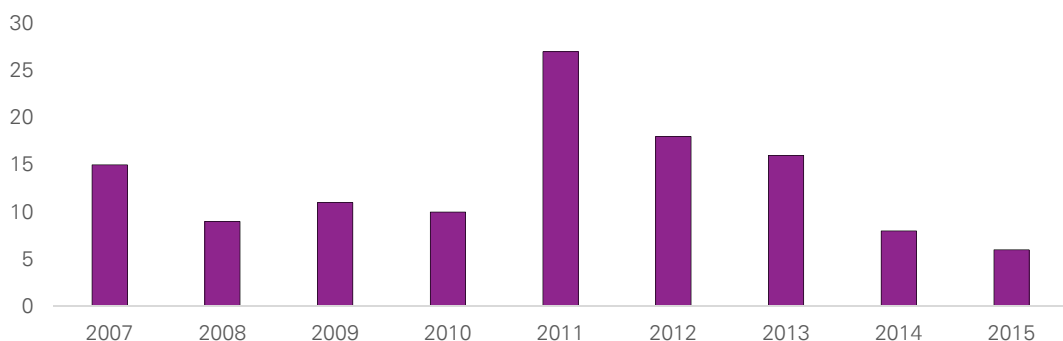
The Detour Lake Mine is located 185 kilometres northeast of Cochrane and is the largest gold mine in Ontario in terms of 2015 production (forecasted to be 500,000 ounces). Located on the site of a former open pit and underground mine that was in production from 1983 to 1999, the current mine opened in 2013. The mine has reported proven and probable reserves of 14.5 million ounces and reported resources (measured, indicated and inferred) of 3.7 million tonnes and an estimated life of 23 years.

### *Employment and economic impacts*

The Detour Lake Mine has a workforce of approximately 500 employees, who are housed at a nearby camp given the distances from the nearest community. The Town of Cochrane serves as the primary staging point for personnel working at the mine, with bus service between the municipality and the mine for employees and contractors. It is estimated that approximately 150 to 200 residents of the municipality work at the mine.

While the primary residence of employees is at the mine site, the municipality has experienced an increase in residential housing, with approximately 75 houses constructed since the mine restart. In addition, a local developer has been involved in subdivision development, multi-residential construction and pre-fabricated housing (in some cases for properties owned by the mine).

### *New home construction*



Local businesses have seen an increase in activity as a result of the municipality's position as the connecting link for the mine and its camp. However, the ability of the community to develop an extensive mining supply and services cluster has been limited by its proximity to Timmins.

#### *Contribution to the local municipal government*

The mine is located outside of the municipal boundaries and as such, the municipality does not receive any direct taxation revenue from the mine site or adjacent workers housing. However, the mining company does own residential property in the municipality and as such, pays some taxes to the municipality, as well as associated user fees.

#### *Lessons learned*

- In planning for the impact of the mine, the municipality developed a series of projections anticipating significant population increases (e.g. 40%), which ultimately were not achieved. As these population projections were communicated publicly, the expectations of local residents were significantly overstated. In retrospect, population forecasts should have been more conservative and vetted to ensure reasonableness, while communication protocols should have been tailored towards tempering expectations. This is particularly applicable to the construction phase of the mine development, which had a high level of temporary employment that was not sustainable over the long term.
- Availability of land for development and expansion is an asset for communities experiencing increases in the demand for residential housing units, as rising housing prices may create a situation where new construction becomes a viable option.
- Advanced planning for future growth is important to facilitate affordable development, recognizing that residential development in Cochrane was undertaken by the private sector. Measures that should be considered by municipalities facing future demands for residential housing include:
  - Ensuring that properties are rezoned in advance to permit residential development;
  - Registering properties in arrears so that the municipality can vest properties, which can then be offered for sale
  - Adjusting building permit fees to the appropriate level in advance of a major increase in construction so as to avoid the perception of 'gouging' development

In addition to residential development, the identification of vacant commercial and industrial properties will allow the municipality to respond to industry's need for buildings and vacant land.