

PDAC 2016

FROM MINING ON ASTEROIDS TO LITHIUM'S MOMENT TO THE RISE OF THE HIGH-QUALITY JUNIORS. FP6-FP8



CANADA'S BUSINESS VOICE, TUESDAY, MARCH 8, 2016



HANDOUT / LUNDIN GOLD

Lundin Gold's Fruta del Norte project in Southeast Ecuador is among the largest undeveloped gold projects in the world. Ecuador has reduced a crippling windfall tax that forced the project's former owner to abandon it in 2013.

'Mining is no longer a four-letter word in Ecuador'

LUNDIN'S LEAP OF FAITH PAYING OFF

PETER KOVEN

TORONTO • Mining entrepreneur Lukas Lundin has a well-earned reputation for succeeding in places where others refuse to tread. Even, it seems, Ecuador.

When his company **Lundin Gold Inc.** bought the Ecuador-based Fruta del Norte (FDN) project in 2014, it raised a lot of eyebrows. Ecuador, after all, was one of the most inhospitable places in the world for mining investment in the previous six years. The country had no mining ministry, didn't hand out concessions and insisted on a punitive 70-per-cent windfall tax that destroyed the potential upside from higher metal prices. Foreign investment by western miners was close to nil.

But as usual, it appears Lundin timed his move perfectly. Since his entry, Ecuador has adopted some workable mining policy and has

grabbed the attention of the investment community.

"Mining is no longer a four-letter word in Ecuador," Lundin Gold chief executive Ron Hochstein said in an interview at the Prospectors and Developers Association of Canada (PDAC) conference in Toronto.

Ecuadorian officials, including mining minister Javier Cordova Unda, spoke to a packed conference room at the PDAC conference on Monday, stressing that the country is committed to mining and wants foreign investment.

They would have struggled to draw a dozen people a few years ago.

The low point for Ecuador came in 2013, when Kinross Gold Corp, gave up on the Fruta del Norte project and took a US\$720 million write-down rather than spend another penny on it. (The project was sold to **Lundin Gold** the following year.) It is understood that Ecuadorean officials were stunned by Kinross's

move and realized they needed to make changes if they ever hoped to draw investment.

Ecuador finally created a mining ministry last year and put Unda in charge. Before that, mining was just included in the oil and gas ministry and was neglected. Unda quickly set about creating a viable industry. There is still more to do, insiders say, but there appears to be legitimate political will to do it.

Lundin Gold held intensive negotiations with the government over FDN. And in January, the company announced a deal that sets the stage for development of the mine. The windfall tax is still in there, but it has been diluted to the point that it is not a big problem.

"Ideally, I'd still like to see (the tax) gone," Hochstein said, adding that he thinks it will eventually be mothballed.

FDN is one of the richest undeveloped gold deposits in the world, with almost 10 million ounces of high-grade resources. The one big

overhang remains the political risk. Hochstein acknowledged it will take time to convince investors that Ecuador has finally turned a corner, but he is confident it will eventually happen. He noted a key milestone happened last week, when President Rafael Correa visited the FDN project for the first time.

With the FDN deal done, other mining companies may finally start to take Ecuador seriously. It remains one of the most under-explored countries in the Americas.





The only other Canadian miner with a significant presence in Ecuador today is junior company **INV Metals Inc.** CEO Candace MacGibbon praised the Lundin team for helping Ecuador move its mining industry forward.

"You couldn't have a better group leading the way," she said.

Financial Post

pkoven@nationalpost.com
Twitter.com/peterkoven

MARKETS

	
S&P/TSX 13,383.60 +171.10	DJ Ind. 17,073.95 +67.18
	
Dollar US\$75.32¢ +US\$0.27¢	Gold US\$1,263.20 -US\$6.70
	
Oil US\$37.90 +US\$1.98	Natural gas US\$1.69 +US\$0.02

COMPANIES IN THE NEWS

AltaGas Ltd.....	FP3
Atco Ltd.....	FP3
Birchcliff Energy Ltd.....	FP3
Catalyst Capital Group Inc.....	FP1
Khan Resources Inc.....	FP3
Lundin Gold Inc.....	FP1
Paramount Resources Ltd.....	FP3
Pétrolia Inc.....	FP4
Pizza Pizza Royalty Corp.....	FP4
PrairieSky Royalty Ltd.....	FP3
Seven Generations Energy.....	FP3
Silver Standard Resources.....	FP4
TransCanada Corp.....	FP3
Valeant Pharmaceuticals.....	FP2