

An Overview of Mining and Mineral Exploration in Nova Scotia 2008

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The mining industry in Nova Scotia has experienced a tumultuous year in 2008. The collapse of the housing market in the U.S. and the ensuing economic crisis, which began in August of 2008, has posed challenges for mineral producers and companies looking to start new mineral developments in the province.

Nova Scotia continues to lead the country in gypsum production, with approximately 80% of the total Canadian production. The growth of synthetic gypsum production from fluidized bed operations, coupled with the collapse of new house construction in the U.S., has had a negative impact on Nova Scotia gypsum production in 2008. The Federal Gypsum wallboard plant in Point Tupper ceased operation in 2008, due in part to a down-turn in North American housing construction. Salt production from the underground mine in Pugwash and the brining operation in Nappan is used mostly for de-icing roads and in the food industry and has not been as adversely affected by the recent economic situation as some other mineral sectors. Coal production from three surface operations in Stellarton and Point Aconi (Pioneer Coal Company) and Florence (3061831 Nova Scotia Limited) was approximately 400 000 to 500 000 tonnes (t) in 2008, with most of the production being used for thermal generation of electricity. Current consumption in Nova Scotia coal-fired generating stations is approximately 2 million tonnes (Mt) per annum, therefore markets for locally mined coal remain strong. Substantial reduction in commodity prices for both lead and zinc in late 2008 resulted in numerous global mine closures and posed a significant challenge for the Scotia Mine in Gays River. Markets for crushed stone aggregate remain strong in the U.S. despite recent economic conditions. Martin Marietta operates Nova Scotia's main aggregate export operation at Aulds Cove, with production of approximately 4 Mt in 2007, making it the sixth largest crushed stone quarry in Canada.

A recent economic impact study by Gardner Pinfold Ltd. indicates that mining remains a very important economic sector, with direct and indirect employment of 6,340 people and a GDP contribution of \$489 million to the provincial economy. In addition to the minerals mentioned above, Nova Scotia continues to produce commodities including limestone, marble, slate, sandstone, peat, silica sand, quartz, clay, shale, sand and gravel. Secondary processing of mineral products includes the manufacture of Portland cement products, ready mix concrete, brick products, clay products, building stone products (marble, slate, sandstone and granite), de-icing salt and consumable salt products.

Mineral exploration levels are estimated to be the highest in 20 years with estimated reported expenditures for 2008 of \$13 million. In November 2008 approximately 2 million acres were under exploration licence and an estimated total of 36 000 metres of diamond drilling was conducted in 2008. Exploration continues to focus on gold and base-metal deposits. Development and advanced exploration stage projects include: the Touquoy surface gold project at Moose River, Atlantic Gold NL; the Donkin undersea coal project, Donkin Coal Alliance; and the expansion of the Miller Creek Gypsum Mine, Fundy Gypsum Limited. Several companies continued to conduct deposit evaluation including: the Jubilee lead-zinc project, Merrex Gold; Acadian Mining's gold projects including Tangier, Goldenville, Beaverdam, 15 Mile Stream and Forest Hills; Atlantic Gold's gold project at Cochrane Hill; Silvore Fox Minerals Corp.'s Coxheath copper-molybdenum project near Sydney; and Orex Exploration's Upper Seal Harbour gold project. Perhaps the largest grass-root exploration project is currently being conducted by Minotaur Exploration Ltd. in central Nova Scotia for iron oxide-copper-gold (IOCG) deposits associated with the Cobequid-Chedabucto Fault Zone. Other exploration projects include Avalon Ventures Ltd.'s East Kemptville base- and rare-metal project in southwestern Nova Scotia, several base-metal projects throughout northern Nova Scotia by Capella Resources Ltd., and numerous projects by individual companies and prospectors.

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