

the Reminder

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Wednesday, December 9, 2015

Flin Flon, Manitoba, Canada \$1^{INCL} GST



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SOURCE: ENVIRONMENT CANADA AS OF DEC. 8



MEETING THE DEMAND Mayor Cal Huntley and MLA Clarence Pettersen shake hands in front of 4 Hemlock Drive, the derelict low-income housing complex that will be demolished to make way for a new 20-unit seniors' complex expected to open in 2017. For more on the announcement, please see pg. 3. PHOTO BY JONATHON NAYLOR

MINING

HB ends effort to prolong 777

Post-mine future of industrial complex unclear

■ "There really is no more targets for us to drill at 777. It is defined geologically."

JONATHON NAYLOR
Editor

Outgoing Hudbay president and CEO David Garofalo says the company has abandoned hopes of extending the life of 777 Mine, leaving him with little faith the Flin Flon industrial complex will operate at current levels without interruption after the mine closes.

Garofalo said Monday that exploratory drilling to prolong 777 has ended and that he thinks the War Baby

deposit - long viewed as key to extending the mine - has been "effectively sterilized" by exploration.

"There really is no more targets for us to drill at 777. It is defined geologically," Garofalo, who resigns as CEO effective Dec. 31 (see story on pg. 2), told *The Reminder*.

Hudbay chief operating officer Alan Hair, who takes over as CEO on Jan. 1, has also been pessimistic on the potential of a longer lifespan for 777.

SEE 777 PAGE 3

MINING

Hudbay offers no comment on layoffs

JONATHON NAYLOR
Editor

Hudbay is laying off an unconfirmed number of northern Manitoba employees, with some individuals familiar with the reductions putting the number at 27.

A union source confirmed to *The Reminder* that there have been layoffs at Hudbay's exploration arm, HBED, but could

not say how many. Another source within Hudbay said one of the employees being let go is a geologist at Reed Mine.

Sources said other people laid off include casual employees within the Flin Flon operations.

None of the employees losing their jobs are with USW Local 7106, whose members work in production, a union source said.

Hudbay is not publicly commenting on the situation.

"I do not comment on details surrounding our internal employee movements for any of our unions and staff," said Rob Winton, vice-president, Manitoba Business Unit.

Added Winton: "These are very difficult times in our industry and we will continue to make decisions

that will ensure our long-term viability."

Another change at Hudbay relates to contractors working for Cementation, a major mining contracting company.

Sources familiar with Cementation said its contractors are winding down their work at Hudbay, at least for now.

Winton confirmed Cementation has completed

its work on the exploration ramp for 2015 and 2016 exploratory drilling at Lalor Mine.

"Contractors are scheduled to return in 2016 for different scopes of work throughout Manitoba," he said, adding that Hudbay utilizes contractors for specialty work or during times of peak workloads.

The news comes as base-metal prices sit at

multi-year lows, prompting caution among mining companies.

There could be a silver lining for Hudbay. Outgoing president and CEO David Garofalo believes the company is positioned to be "an acquirer in these depressed metal markets versus a lot of companies that don't have the quality of portfolio nor the balance sheet to perpetuate their business."

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HUBBAY IN TRANSITION

Garofalo reflects on eventful tenure

Chief operating officer Alan Hair becomes CEO effective Jan. 1

JONATHON NAYLOR
Editor



David Garofalo

If they ever write a book about the long and winding history of Hudbay, David Garofalo is sure to garner a chapter or two.

His tenure as president and CEO brought a mix of mines, acclaim and controversy to the mid-tier miner borne out of the now-defunct HBM&S.

Now after five-and-a-half years at the Hudbay helm, Garofalo is embarking on a fresh challenge effective Jan. 1. Alan Hair, Hudbay's chief financial officer, will take his place.

"It's certainly not anything to do with Hudbay's business," says Garofalo, 50, who leaves to become CEO of Vancouver-based Goldcorp. "All of our four mines are actually operating exceptionally well and we're actually likely to have the best quarter of our modern history in terms of earnings and cash flow."

That Garofalo would choose to leave Hudbay on a high note is no coincidence for a chief executive regarded for his prudence

And now? According to the *Globe and Mail*, 16 of 19 analysts who follow Hudbay recommend investors buy the company's stock.

Garofalo cites his biggest accomplishment – and he points out it's a collective one – as opening three new mines in Lalor and Reed in northern Manitoba and Constanca in Peru.

"We upgraded the quality of our portfolio through building bulk tonnage operations like Constanca and Lalor, which positions us for difficult metal price periods like we're experiencing now," he says. "We're much better equipped to handle ourselves in these low points in the cycle than we were back five years ago, and now with [the proposed] Rosemont [mine in Arizona], we have three 20-year deposits between Lalor, Constanca and Rosemont, which puts us very high up in terms of the quality scale of the organization."

Garofalo's biggest challenge? The flip side of the same coin.

"Building three mines at once, investing and risking \$2.5 billion in capital to do

that, is extremely challenging," he says, "and there's a lot of things that go on underneath the hood that the market doesn't see to deliver those."

Another triumph for the silver-haired chief executive came in 2012 when the *Northern Miner*, the *New York Times* of the mineral sector, named him Mining Person of the Year.

The *Northern Miner* praised Garofalo's "steady hand" in "making Hudbay a standout success story amid the dwindling list of mid-tier base metal miners."

But his tenure was not without tense moments.

In 2013, Hudbay faced vocal protests from Pukatawagan's Mathias Colomb Cree Nation, which claimed the company was operating on traditional band territory without authority.

Earlier this year, an American filmmaker painted an unfavourable, if not skewed, view of Garofalo and the company in a documentary called *Flin Flon Flim Flam*. (Hudbay dismissed the film, which was funded by

opponents of the company's planned Rosemont Mine).

Until recently, Garofalo had hoped to be with Hudbay for another five years before seeking out new opportunities.

Then a couple of long-time friends, board members with Goldcorp, asked if he'd be interested in taking over for that company's retiring CEO, Chuck Jeannes.

Garofalo deemed the chance to lead Goldcorp – the largest mining company in Canada and the biggest gold company in the world – as too good to pass up.

"I felt that I clicked strategically and philosophically with all of the board members that I met, and thought it would be a good fit culturally for me," he says.

At the same time, Garofalo felt a duty to leave Hudbay in "strong hands." He believes that's just what the company is getting in Alan Hair.

"Alan was always very high on the list of potential successors with 20 years with Hudbay, 30 years in the mining industry and [he] really came up the

ranks at Hudbay right from Flin Flon up to the executive suite," says Garofalo. "[He] was instrumental in the success of our strategy of the last five years. He's been the guy in charge of building the three mines we did and delivering them on time and on budget, so he's going to be an exceptional CEO. He's mentored me as much as I've mentored him, quite frankly."

As he prepares to depart Hudbay, Garofalo can't help but reflect on how northern Manitobans, in their typical fashion, "treated me like family."

"My wife's had some significant health challenges over the last year," he says. "She's battling cancer and I have to say that a lot of people within the Hudbay community in northern Manitoba reached out to me and my wife and provided a lot of emotional, moral support and prayers, and for that I'm forever indebted. And of course I'm forever indebted for the opportunity that's been afforded me running a company with such a long and proud history."



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Call for submissions: Proposals for 2016-2021

At present, UCN is offering four off-campus community-based programs across the province. These are scheduled to wrap up in June 2016. UCN is planning new intakes in off-campus programming and invite proposals from interested parties.

The Bachelor of Education program is delivered in two streams; a five-year integrated program and a two-year after-degree program. It is recommended the five-year integrated program be delivered over five and a half years to allow for proper preparation and success. It is the expectation of UCN that a minimum of two field placements will occur in schools with a predominantly Indigenous student population and a minimum of one placement will occur in a provincially administered school division.

OPEN CALL TO COMMUNITIES AND PARTNERS:

In a letter of application to the Dean's office, UCN is asking communities and partners to formally express interest in a partnership and identify resources to support the program.

PARTNER RESOURCES:

Proposals should indicate delivery expectations (full-time/part-time, integrated or after-degree), estimated enrolments, funding sources and time frame. Proposals should also include community or partner resources to deliver face-to-face instruction with technical support and accommodate four field placements appropriate to the UCN guidelines.

SPECIFIC RESOURCES:

- dedicated classroom and study space
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PROPOSAL SUBMISSION DEADLINE: 4:00 p.m., MONDAY, JANUARY 18, 2016

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David Williamson, Dean
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SENIORS' HOUSING

20 new Hemlock units by 2017

JONATHON NAYLOR
Editor

A new 20-unit seniors' apartment complex on Hemlock Drive will help meet the housing demands of an aging community, Flin Flon MLA Clarence Pettersen announced Monday.

Starting in 2016, the provincial government will demolish the derelict low-income housing complex at 4 Hemlock Drive to make way for a new seniors-only facility to complement the existing seniors' complex next door.

"As we age, we all want to live with dignity in safe communities close to our families and friends," said Pettersen, who made the announcement in the common room of 2 Hemlock

■ "As we age, we all want to live with dignity in safe communities close to our families and friends."

CLARENCE PETERSEN
FLIN FLON MLA

Drive. "That's why we're going to build a new two-storey apartment complex at 4 Hemlock Drive, right beside this building."

The new complex, expected to open in 2017, will

include 14 "accessible" units and six "highly accessible" units, he said, adding that two of the units will feature two bedrooms.

The complex will include kitchen facilities and offer shared meals, exercise programs and care support services, Pettersen said.

Since the project is now going to tender, he could not confirm the budget involved and said that figure would be known in the new year.

Residents living at the new complex will pay 27 per cent of their income as rent, the same as at 2 Hemlock.

The Reminder first confirmed plans for the complex in 2014, but until Monday's announcement no details had been publicized.

Mayor Cal Huntley attended the announcement

and offered his gratitude to the provincial government.

"I think this is wonderful," he told Pettersen. "I think we're all really excited about it. It's well needed and given the timing it's a very nice Christmas present, and we look forward to it, as you say, coming to fruition by 2017, because there is a huge demand."

Coun. Karen MacKinnon agreed there is a strong need for the facility.

"I know there's concern when we have local people who have been very active in this community moving south for care to live in a facility where they can have this," she said, referring to the level of housing available at 2 Hemlock. "So without counting the numbers, we know that the need

is major."

Work will begin in the spring with the demolition of 4 Hemlock, a building the province evacuated in 2012 and declared too costly to repair.

Construction will then start immediately on the new building, Pettersen said.

The province has engaged Winnipeg-based LM Architectural Group to coordinate the demolition and design of the new complex.

While Pettersen agreed the new complex is needed, he said Flin Flon will require even more seniors' housing. He said the government's role is to help seniors who need financial help.

"I've had people say, 'Well, we want units that have underground parking

and have [other amenities]," he said. "Well, you know what, if people want that, they've got to invest some of their money. ... If we want other options, then we have to, as a city, as a community, look at people that want to invest in here or partner in here for something that's bigger."

Monday's announcement means that Flin Flon loses the 14 low-income family units contained within 4 Hemlock. No plans to replace them have been announced.

While the province is spending \$6.1 million to modernize the Aspen Grove family housing complex, this work does not add any units.

The Reminder first reported on the Aspen Grove upgrades last month.

HUBBAY

777 Mine expected to be exhausted in 2020

CONTINUED FROM PAGE 1

During a conference call with reporters in July, Hair agreed 777 exploration results had been discouraging.

"I mean, we've obviously been drilling in other areas in 777, not just War Baby," he said at the time. "I mean, as Brad [Lantz, vice-president, Business Development and Technical Services] indicated, it very much looks as if 777 is now approaching the end of its life in terms of ability to extend the reserves any further."

Based on current estimates, 777 will run out of viable ore in 2020. That's around the same time that Hudbay's Reed Mine is expected to close.

Both mines supply feed to the Flin Flon industrial complex. Zinc concentrate from Snow Lake's Lalor Mine, which is expected to last another 20-plus years, is also trucked to the complex.

Hudbay currently has no new mines in the works near Flin Flon. As such, Garofalo said it's improbable the industrial complex will operate without interruption once 777 shuts down.

"Right now, with the current technology, with the absence of capital available for mining in capital markets, it seems unlikely that we'll find [a new mine] in the short term," he said.

"777's defined to be exhausted within the next four

■ "If we do find deposits in the area, we can reutilize that infrastructure."

DAVID GAROFALO
PRESIDENT AND CEO

to five years, and even if we found something tomorrow, the lead times inherent in developing deposits generally means it wouldn't be in time to replace 777 and perpetuate the business without interruption. It's just too difficult to do."

Asked if the industrial complex would continue operating at some capacity without 777 and Reed, Garofalo initially said, "In the absence of ore, it's impossible."

But would zinc from Lalor continue to be transported to the complex? Garofalo said he was not sure what would happen in that regard.

"It really depends on what the mine plan looks like," he said. "In due course we'll have to have conversation because clearly the zinc plant is going to be short concentrate with 777 eventually shutting down. So there's a number of challenges associated with that



The silhouette of Flin Flon's 777 Mine head frame in front of the bright winter sun in 2012. The mine launched commercial production in 2004.

HUBBAY PHOTO

Flin Flon complex because of a lack of feed, whether it's ore or concentrates, and it'll be interesting to see how Rob [Winton, head of Manitoba operations] and Alan [Hair, the incoming CEO] rationalize the business to reflect that reality."

On the plus side, Garofalo said northern Manitoba remains "very prospective geologically" and that Hudbay's three concentrators in Flin Flon-Snow Lake, and the Flin Flon zinc refinery, represent a "huge competitive

advantage."

In other words, any potential interruption in operations would not necessarily be permanent.

"If we do find deposits in the area, we can reutilize that infrastructure much like we did with the... Stall Lake mill [near Snow Lake]," Garofalo said. "That mill was idle for a number of years and we were able to utilize it for Chisel North [Mine] and then ultimately Lalor. So having that industrial complex there, even if it's idle for a period of time,

gives you almost infinite optionality on anything you find there geologically."

Garofalo said it's in everybody's economic interests to "perpetuate the business," but he stressed the ore has to be there - and "only God can" decide where the metals exist.

Hudbay will be in northern Manitoba for many years thanks to Lalor, he said, adding that he believes the deposit will last "much longer" than its initial 20-year projected lifespan.

For Flin Flon, the good

news in that scenario is that many Lalor employees live in the Flin Flon area. According to one unofficial estimate from 2014, about half of Lalor's employees were commuting from outside Snow Lake, most of them from Flin Flon.

While Hudbay's Constancia Mine in Peru and proposed Rosemont Mine in Arizona are each larger than its Flin Flon-Snow Lake operations, Garofalo said the company's "heart and soul" remains in northern Manitoba.