

January 15, 2019

Yellowknife City Mayor and Council P.O. Box 580 Yellowknife, NT X1A 2N4



Dear Mayor and Council,

#### Re: Chamber of Mines presentation to City Council

Thank you for providing the opportunity to speak with you last week to explain the declining state of the mineral industry and its implications to the City as you develop your strategic plan.

The main goal of our presentation was to ensure that you are aware and have "both eyes open" to our industry's economic realities as you develop your strategic plan. We want you to understand that the mineral industry is such a large part of the Yellowknife economy and tax base that, if its benefits are over-estimated in your planning, it could create some significant economic hardships for the City and its residents.

We are sending this follow-up letter to help reinforce the recommendations we made, and to provide additional information to address questions or comments that some Councillors posed on our industry.

Our first recommendation is for Council to establish a pillar in its strategic plan to support the mineral industry and include the following elements:

- Seek infrastructure investment, in particular the Taltson-Snare transmission line to provide cheaper, greener power for residents, businesses and the mineral industry;
- Curb spending to control taxes, given the strong potential for future revenue decreases from the mineral industry and subsequent pressure on appraised property values;
- Rejuvenate and promote Yellowknife as the road, air, logistics and support centre for the NWT and Nunavut mineral exploration industry; become the employment and business hub for the NWT and western Nunavut mining industry;
- Support increased awareness of career opportunities and the mineral industry's importance including related education at the high school and polytechnic level;
- Lobby and collaborate with governments for transmission infrastructure support, for Yellowknife's success is governments' success too.

Our second recommendation was that Council make an official proclamation that recognizes the importance of, and puts the Council's support behind the mineral industry. Other cities are doing this, including the City of Calgary with the petroleum industry. A proclamation in support of the mineral industry would also help increase investor confidence in investing in the NWT, something which very much needs to be bolstered. We suggest that the timing to announce that

proclamation could be in early March at the annual PDAC mineral conference, the largest in the world. The City might consider participating as part of the NWT delegation that attends annually.

Both the provision of green and affordable hydropower to the North Slave and the Polytechnic present opportunities for the City, industry, GNWT, and Indigenous groups to work together for multiple wins.

- 1. A Polytechnic could attract significant investment from the mineral industry while regenerating downtown and graduating professionals in the earth sciences reducing the mineral industry's, Indigenous groups' and governments' need to hire from the South.
- 2. The additional demand for green affordable hydro power from the mineral industry would make investment in the Yellowknife/Akaitcho and Tli Cho regions much more competitive on a global scale while reducing the cost of power and carbon footprint for residents, the City and industry.
- 3. Both projects would benefit the City, Indigenous communities and their residents by: helping to maintain the population, provide employment to help offset diamond mine layoffs, and supporting property prices.

Attached please find the slides we presented on January 7, to which we have appended a number of additional slides that you will not have yet seen. We encourage you to look at them and the detailed description of each slide that we have attached. Note that this version has been posted on our website. Attached also is the "dashboard" from Det'on Cho Corporation which Paul Gruner wanted to share with you, and is the source of the data in his presentation slide.

The Chamber is very much ready to work collaboratively with the City, with Indigenous groups and with the GNWT to strengthen the mineral industry's contributions to Yellowknife's and the NWT's economies. Please do not hesitate to contact us to discuss further.

Yours truly,

Tom Hoefer

**Executive Director** 

Attachments: Description of Additional Slides

Chamber Presentation including additional slides

Det'on Cho Dashboard

c.c Renée Comeau, Executive Director, NWT Chamber of Commerce Matt Belliveau, Executive Director, NWT & Nunavut Construction Association Deneen Everett, Executive Director, Yellowknife Chamber of Commerce Paul Gruner, President and CEO of Det'on Cho Corporation



#### **Description of additional Chamber of Mines slides**

#### Slide 21: Mining Works Responsibly

The modern mining industry is not that of our grandfather's, in fact not even like my father's, who worked at Con Mine for 23 years.

The regulatory process has been modernized and now comes under the Board co-management process that was created as a result of Indigenous land claims, and then legalized in the Mackenzie Valley Resource Management Act. Today, regulatory boards comprising members appointed by Indigenous and public governments decide the fate of projects.

Today, our mines have environmental management programs that are either ISO14001 certified, or are to that standard.

In addition, all the mines have community oversight through formal monitoring boards.

Traditional and scientific knowledge is considered and used in operating the mines.

And all the mines are fully secured for their reclamation liabilities.

Comparing the mining industry of today Using comparisons to Giant mine are just wrong, for a Giant mine would not be permitted under the legislative regime of today.

#### Slide 22: NWT Mineral Industry Footprint is small (or negligible)

Our mines have quite small footprints. Within them, there is landscape disturbance, however all of those mines are required to have closure and reclamation plans in place that will see them reclaimed and then returned to the land inventory when mining is completed. The footprint of the current mines is only 0.005% of the area of the NWT.

Looking at exploration, the amount of land under mineral tenure (claims, leases, etc) is significantly larger, but the actual work that occurs on the land is almost of negligible footprint. Exploration projects too, must put up security to ensure work is cleaned up after exploration is completed.

You'll also see a bar chart that shows mineral tenure as a percentage of the NWT's area, which reinforces our slide #12 on the declining exploration investment. You can see how since 2005 mineral tenure has fallen from about 20% down to only about 1.5% as investors left. It's hard to make new mineral discoveries with such low investment.

#### Slide 23: Today mines supply their own costly infrastructure

This slide portrays how our remote mines today are responsible to do everything, from supplying their own ice road access, to their own power, airports, accommodation, storage, etc.

When one considers that mines are here at the invitation of governments to do what governments themselves cannot do – create value from rock, bring expertise, bring money, take on risk – one would expect that governments would put some skin in the game too. Think of it like you hiring a contractor to build you a house. Industry is your contractor to do what you cannot do.

But that's not the case today, and government has virtually no skin in the game and put all the costs and requirements on industry.

As a result, mines have to foot a large bill. This requires very robust (and rarer) high quality mineral deposits to support the higher costs. As a result, many deposits that we discover in the NWT won't be mines here in this high cost environment, whereas they would be economically mineable in the south where costs are lower. Governments have raised the bar too high on the cost side.

It wasn't always this way – see next slide.

#### Slide 24: It wasn't always this way

In the past (and still today in southern jurisdictions), governments realized that they had a role to play in creating economic success in mining and they participated by assuming some of the upfront costs. In so doing, government was able to harness industry help with regional development.

For example, the Snare Hydropower system was paid for by the Federal Government to support the growing mining town of Yellowknife, specifically the Giant Mine. (In fact, I'm told that Canada had Giant mine be the contractor to build the line on their behalf.)

Similarly, the Federal government built the Taltson power system and the Great Slave Lake railway to help make the Pine Point mine happen.

For the Nanisivik mine, Canada even took an 18% ownership stake in the mine, and supplied the community and transportation infrastructure. It also invested in new icebreaking cargo ship technology to support that mine and the next high Arctic mine, Polaris.

That strong government support vanished about 1976. Since then, mines have been left to fend for themselves. We have not yet found why Ottawa ceased this support, particularly when provincial governments still support their mining industries with such investment in infrastructure, etc.

#### Slide 25: Infrastructure to support mining is not a gift or subsidy – it leverages bigger returns

Developing a mine (on behalf of government who invites investors to do that because government can't do it themselves) can be very expensive. (Our diamond mines all suffered capital costs of around \$1 billion.) And in jurisdictions like the NWT and Nunavut that are quite undeveloped with infrastructure, the costs can be so prohibitively high that a company cannot afford to mine a deposit.

In those cases, it is not uncommon for governments to provide the up-front capital costs to get the project going, and then to recoup costs during the mine life. That was the case with Pine Point, Red Dog in Alaska and the 18% investment in Nanisivik.

This slide shows the Pine Point case. These mineral deposits had been discovered in 1898 but were never mined until 1964 as they were too remote and required power and bulk transportation to be successful.

The Federal government helped make mining possible by taking on some of the prohibitive upfront capital costs. It invested \$88 million to build Taltson hydro and the Great Slave Lake railway, and then collected a significantly higher return over the ~25 year mine life in taxes, power and rail payments, etc. Government recouped its costs and much more, and helped make a mine possible that employed northerners and grew northern businesses. I am told that Wesclean and Kingland Ford were two examples of Hay River businesses that Pine Point helped create.

What is important to understand is that government would not have built the railway and Taltson power without having a mining customer with sufficient horsepower to pay for it over time. There were just not enough community and other customers to justify the expense.

Thanks to the mine being the anchor tenant so to speak, communities today benefit from the railway and Taltson power, 30 years after the mine has been closed.

This is the situation today with bringing Taltson power to Yellowknife. I understand that Jay Grewal from the power corporation referenced that in her evening talk. Yellowknife can benefit from a Taltson link that could reduce power costs for all residents, but it will take a mine or mines that would also purchase that power to make the project viable. Thus, if Yellowknife wants to reduce power costs, it needs to support mining development.

One wouldn't think that would be problem given the city's long history of mining, its trademarks in support of mining, and it's recognition that mining is done to very high standards today.

#### Slide 26: What contributed to the decline to investment exploration which began in 2007?

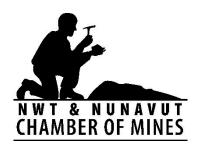
This slide addresses that question put forward by one of the Councillors, on what contributed to the decline of exploration investment since 2007.

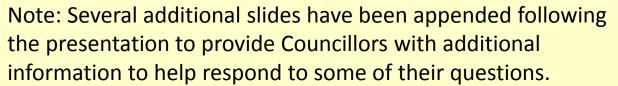
What's shown is a collection of events that began in 2000 around unsettled land claims and the launch of the protected areas strategy which proposed to remove significant swaths of land from development.

From 2007 on, there were a number of actions that saw more land removed from exploration access either in interim land claim withdrawals, or conservation areas. Mineral claims staked on lands designated as open for exploration in the Upper Thelon region were halted unexpectedly by community concerns; with no resolution by government, companies were forced to walk away from their \$25 million investment. A land use project for one project went to court over insufficient consultation, a gray area still today. We saw at least two grassroots exploration projects unexpectedly and unusually elevated to environmental assessment, a process that is normally reserved for significant mining projects. We also saw the Akaitcho invoke a new requirement outside of legislation requiring onerous exploration agreements be signed by explorers.

The upshot of all of these actions created high uncertainty with investors on how their investment in the NWT would be treated and inability to access high mineral potential lands due to a shrinking land base.

Since money is a coward, it fled.
Most of these issues have not been resolved.







# The NWT economy is in decline - The mineral industry is key to its revival -

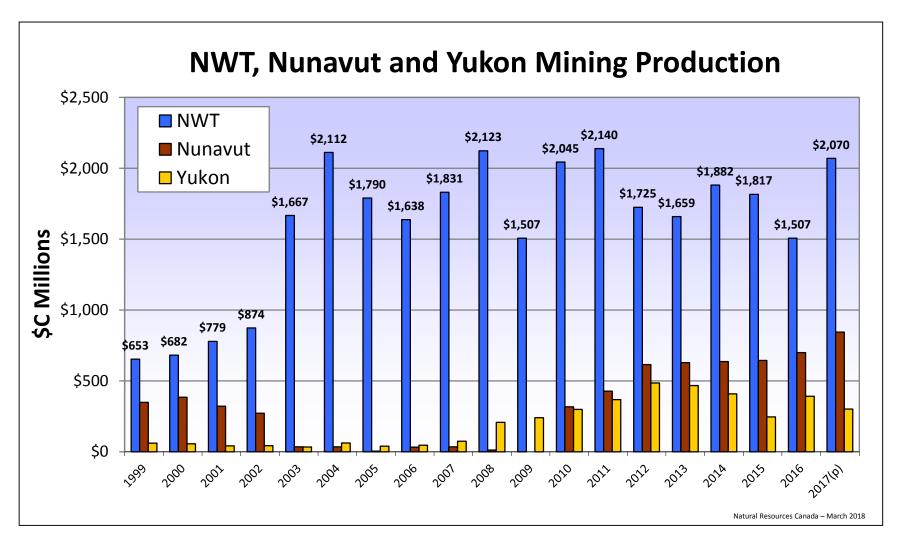
Presentation to: Yellowknife City Council – January 7, 2019

## **Key Messages**

- The mineral industry is foundational to the NWT and to the Yellowknife economies
- The NWT mineral industry's future is bleak
- It's putting the NWT and YK economies under threat
- With help, mining can be a sunrise industry again
- A key action is clean energy with new hydro powerlines
- It is in Yellowknife's economic interest to help



# First, the Good News





NWT mines create significant value

## Diamond mining has been a game changer

- 60,000 person-years of employment
  - 48% northern / 52% southern / 25% Indigenous
- \$20 billion plus in business
  - \$14 billion northern business
  - \$6 billion Indigenous business
- Over \$100 million to communities in IBA payments, scholarships, donations
- Billions in various taxes, royalties to governments
- YELLOWKNIFE IS THE MAIN NORTHERN BENEFICIARY









## YKDFN's Det'on Cho Corporation: A mini-study

## • Impact of mining sector to YKDFN:

- Approximate YKDFN employment: 100 members are employed directly by the mines and another 100 members indirectly (through companies such as DCC, etc.)
- Det'on Cho Corporation: DCC has approximately 220 direct employees with an additional 660 through partnerships and JVs (Approximately 70% NWT residents)
- Bouwa Whee Catering: 160 employees, 90% are NWT residents, 50% are Indigenous
- DCC contribution to local economy:
  - Average \$90,000+ / year (higher earning than National avg)
  - \$54M in wages (\$90K \* 600) spent in local economy
  - Transfer payment: \$17,650,000 (600 \* \$29,431)

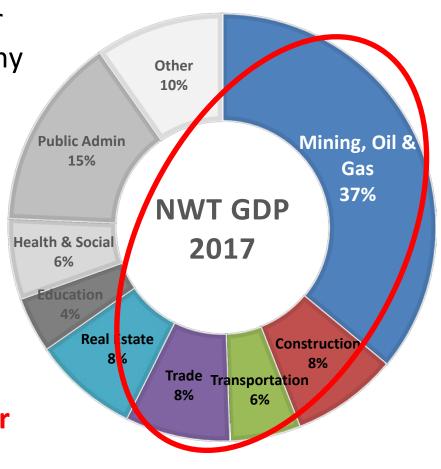


# Largest private economic contributor

 The largest direct private sector contributor to the NWT economy

 And, it contributes more through other sectors of the economy, eg, construction, transportation, trade, real estate

 Mining is similarly important to Yellowknife, which is the industry's employment and business centre and the hub for exploration in the North



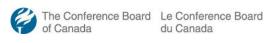


"Over the past 3 years, diamond mines contributed 41% of the GNWT's corporate income, fuel, property and payroll tax revenue" ... GNWT Spokesperson

### Now the bad news: Economic situation dire

Opinion

North



du Canada

#### NORTHWEST TERRITORIES

### **Economic Prospects Grim**

**Chapter Summary** 

 Peak diamond production has passed in the Northwest Territories. Diamond production will begin to fall, and all three operating mines will close by 2035.

**Top Stories** 

• Two new metal mines will approve the part five years, but that will up for the decline in o news of the next 23 years.

 Almost all sectors of diamond production. and unemployment.

- As a percentage of th by 2040, putting pres
- Real economic growt before falling for most

Government of Northwest Territories

Leaders make commitment on the path towards northern prosperity at the Northern Strengths, Northern Prosperity Economic Symposium in Inuvik

Inuvik — October 4, 2018

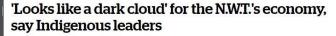
MENU ~

**Top Stories** 

Canada

Leaders from the Government of the Northwest Territories (GNWT), Indigenous governments (IGOs), Katlodeeche First Nation (KFN), their economic development representatives and a representative from the Government of Canada concluded meetings in Inuvik yesterday where they had discussions focused on identifying concrete ways to work together to create a prosperous and strong territory, while still respecting the Aboriginal, Indigenous and individual rights, legal authorities and

... the NWT is facing significant economic challenges and steps need to be taken *immediately* 



The National

Local



Indigenous leaders met in Yellowknife this week to talk about the territory's economy Gabriela Panza-Beltrandi - CBC News - Posted: Dec 13, 2018 2:54 PM CT | Last Updated: December 13, 2018

news

N.W.T. unemployment rate hits 7.4 per cent to end 2018

The National

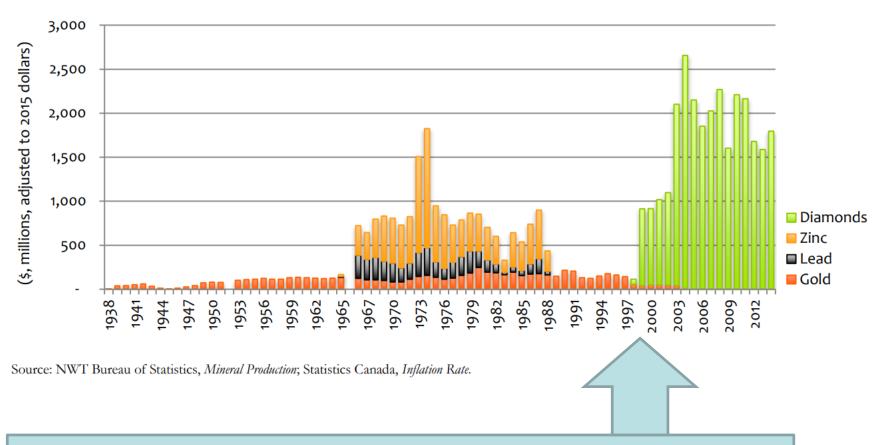
'We really haven't seen any new investment activity or any growth ... in several years,' says economist

Steve Silva · CBC News · Posted: Jan 04, 2019 7:27 PM CT | Last Updated: January 4

Gladys Norwegian, grand chief of the Dehcho First Nations, says the economy 'looks like a dark cloud for us in the N.W.T.' (Gabriela Panza-Beltrandi/CBC)

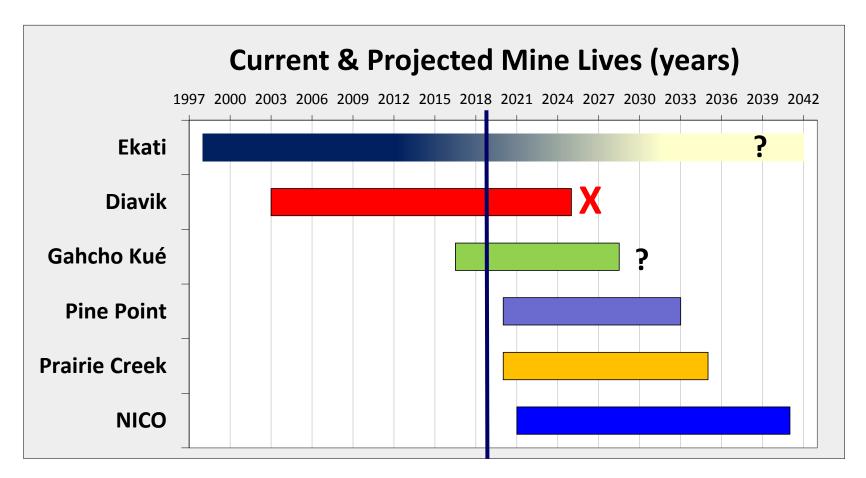
# Some historical perspective: When mining chills, Yellowknife gets pneumonia

History of Mineral Production in the Northwest Territories, Gold, Lead, Zinc, & Diamonds



 The Yellowknife economy was in crisis with closing gold mines and territorial division. What will a diamond slump do?

## Diamond mines maturing – smaller replacements



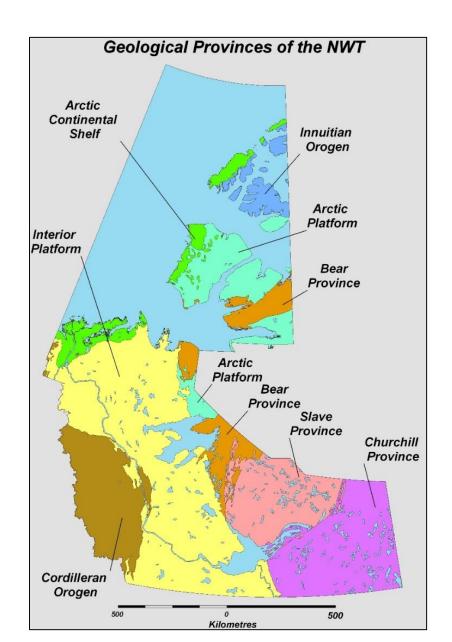
- Diavik mine will close early 2025 over 1,000 workers
- Ekati and Gahcho Kué potential for extension
- Prairie Creek, Pine Point and NICO will be smaller mines and not all will benefit Yellowknife (~ 650 workers total)
- None are "slam dunks"



# While the NWT has great mineral potential

- Diverse geology
- Diverse mineral inventory
  - Gold, silver, diamonds, lead, zinc, uranium, tungsten, rare earths, cobalt, bismuth, nickel, copper, iron, etc.
- Under-mapped & remote means under-explored
- This equals tremendous exploration and mining opportunity

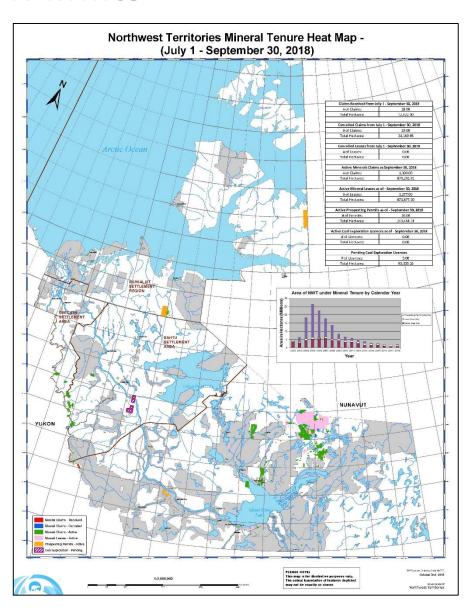




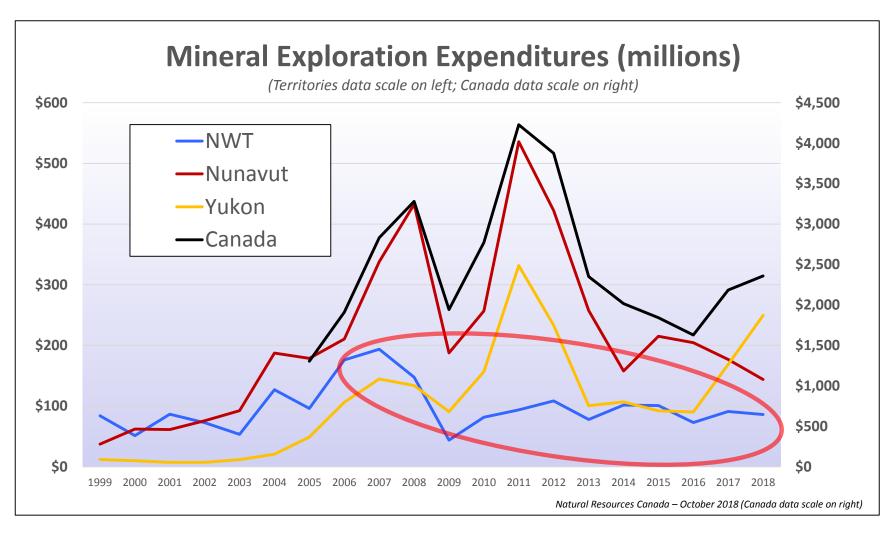
# But, we've hampered exploration – over 30% of NWT is off limits

- All the grey is off limits to exploration
  - Conservation
  - Land claims
  - Land use plans
- Even some "open" white areas are effectively closed
- Industry is challenged for access to land to explore





## And NWT has chased away investors

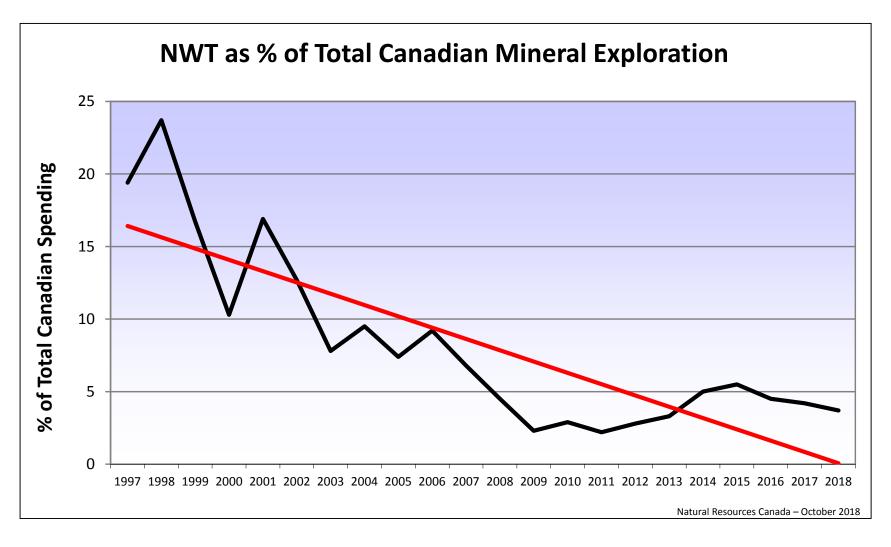




- Missed out on more than \$1.4 billion in exploration compared to Nunavut and Yukon
- Yellowknife has suffered: charter airlines, diamond drilling, expeditors, consultants, etc.



## And NWT continues to lose exploration share





The trend continues in 2018

# We continue to appeal to governments

	Actions Needed and their Status (Red problematic, Green good and Yellow somewhere between)	Government
Relieve Cost	Say NO to regulatory cost recovery (MVRMA, NUPPAA)	Canada
Pressures and	Stop small projects unnecessarily undergoing EA (MVRMA)	Canada
Uncertainty	Reduce Carbon Tax burden when few alternatives exist	Canada, NWT
	Costs of New Environmental Legislation and other Regulations	NWT
	Reduce <del>Yellowknife Airport fees and</del> other taxes (also review royalties)	NWT
Increase/Improve	Settle NWT Indigenous Land Claims	NWT
Access to Land	Finish incomplete land use planning process	NWT
	Provide Mineral Resources Act that supports land access, certainty	NWT
	Take initiatives to increase land access	Canada, NWT
Improve Infrastructure	NWT: Tlicho Road funding & construction	NWT, Canada
	NWT Slave geological province road funding	NWT, Canada
	Provide cheaper hydropower	NWT
Assist Explorers	Double MIP (Mining Incentive Program)	NWT
	Extend the 150% assessment credit	NWT
	Invest in Geoscience	All
	Allow for map staking in the NWT	NWT
	Federal 15% Mineral Exploration Tax Credit	Canada
Raise Public	Raise mining awareness & opportunity with public and school curriculum	NWT
Awareness &	NWT Regional Mineral Development Strategies	NWT
Support	Prospector, geoscience & mine training funding	NWT
Marketing	"Unlocking Our Potential" investor messaging	NWT
	Indigenous government marketing at investment conferences	NWT

Version: November 23, 2018

## Key infrastructure investments for mining



- We have suffered a 40-year gap in Federal infrastructure investment.
- We need governments to help us catch up and bolster our economy.
- Clean energy infrastructure (hydro powerlines) is key

Slave Geological
Province Roads & Port

Cheaper, green power to Yellowknife and mines with Taltson-Snare-Provincial link

# What can you do?

Support the near-term opportunities





#### **Kitikmeot Mining Opportunities**

- Back River gold & silver
- Hope Bay gold
- Izok, High Lake base metals
- Grays Bay Road and Port
- Hackett River base & precious









## We recommend a Yellowknife Minerals Plan

### Create a Yellowknife Plan around the Minerals Industry

- Build your own understanding of our industry's benefits and opportunities;
- Support and seek infrastructure investment including cheaper, greener power for residents, businesses and the mineral industry;
- Curb spending to control taxes even if this means curbing spending \$50 million on the pool – focus on critical infrastructure, lower fees and taxes;
- Rejuvenate Yellowknife as the road, air, logistics and support centre for the NWT and Nunavut minerals industry;
- Become the employment and business hub for the NWT and Kitikmeot mineral industry;
- Become a strong voice for responsible mining. Support increased awareness of the mineral industry's importance including related education at the high school and polytechnic level;
- Lobby governments to support you. As the NWT mineral industry centre, your success is theirs.



# We ask you to proclaim your support



- We ask you to issue a Proclamation Supporting Yellowknife's Mineral Industry.
- Include the recommendations in the previous slide in the City's strategic plan.



# Yellowknife was built on a strong mineral industry past

It is blessed with a strong current industry



... and with your leadership, Yellowknife will have a strong mining future.

### **Extra Slides**

• These extra slides are attached in response to some Councillors' questions and comments.



## Mining works responsibly

### - It's not your father's or your grandfather's industry -

- The NWT resource co-management process is founded in Indigenous land claim agreements
- Resource projects are reviewed and approved by various environmental co-management boards comprising public and Indigenous government members.
- Environmental management is to the international ISO 14001 standard
- Mines have community involvement and oversight
- Traditional and scientific knowledge is used
- All mines today have full security for reclamation liabilities



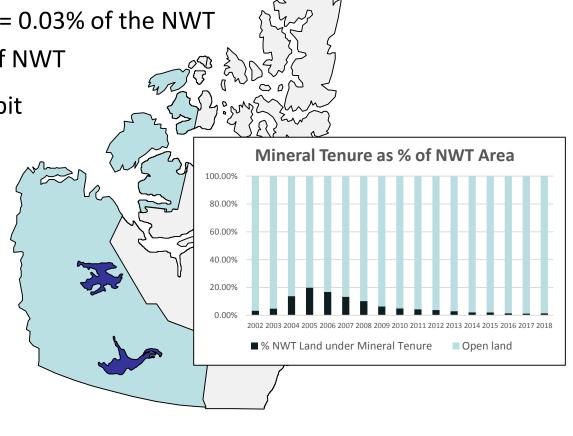
# **NWT** Mineral industry footprint small

All mines, past and present = 0.03% of the NWT

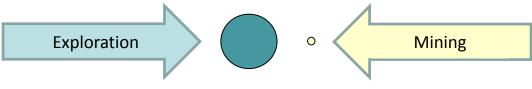
Current mines = ~ 0.005% of NWT

 Exploration requires a wee bit more land, but virtually negligible footprint

- In 2005, about 20% of NWT was under mineral tenure
- By 2018, mineral tenure had fallen drastically to about 1.5% as investors pulled out. ☺







## Today, mines supply their own costly infrastructure







**Buy & Store Annual Inventories** 















## It wasn't always this way ...

### Federal Government partnership in Northern mining Infrastructure

- 1948 Snare Hydropower for Yellowknife gold mines
- 1959 Roads to Resources, highways to mining towns
- 1961 Great Slave Lake Railway for Pine Point zinc-lead mine
- 1966 Taltson Hydropower for Pine Point mine
- 1974 Townsite, dock, airport for Nanisivik zinc-lead mine
- 1975 Ice-breaking cargo ship to service Nanisivik & Polaris mines
- 40 YEAR FEDERAL INVESTMENT GAP FOR NORTHERN MINING
- 2017 Tlicho road with indirect benefit for NICO mine project



# Infrastructure to support mining is not a gift or subsidy – it leverages bigger returns

#### **Example: Federal Partnership with the Pine Point Mine**

- \$125 million total cost of project, including mine development, railway, hydropower and town site construction.
- \$88 million Federal Government investment for railway and hydropower
- \$1.8 billion return over 25 year mine life (1964-1988):
  - \$339 million in dividends;
  - \$176 million in taxes;
  - \$400 million estimated freight charges paid to the Federally-owned Canadian National Railway;
  - \$246 million in wages and salaries;
  - \$500 million estimated spending on supplies and services; and
  - \$100 million to the Northern Canada Power Commission.
- The Pine Point partnership between government and private enterprise returned rewards to both.
- The infrastructure continues to serve the north 30 years after the mine closed.

# What contributed to the decline to investment exploration which began in 2007?

- These actions created investment uncertainty, reduced land access, and added costs
  - 2000-2018: Unsettled land claims affect land access, landlord uncertainty
  - **2000-2014**: NWT Protected Areas Strategy 60,000 sq.km. protection
  - 2007: Akaitcho land claim 62,000 sq.km. interim withdrawal still withdrawn
  - 2007: Thaidene Nene land withdrawal of 33,000 sq.km.
  - 2007: 18,000 sq.km Upper Thelon exploration blocked, costs industry \$25m
  - **2008**: New Akaitcho requirement for onerous Exploration Agreements
  - 2009: North Arrow Minerals grassroots exploration challenged in court
  - 2010: Akaitcho public concern triggers EA for TNR Gold grassroots project
  - 2015: Public concern triggers EA for grassroots sand exploration project
  - **2016**: UNESCO biosphere reserve on 93,000 sq.km. around Great Bear Lake
- Most of these issues have not been resolved today





#### Our Program

We are pleased to have launched a dynamic Job Creation and Capacity Building Program to create opportunity and prosperity for the Yellowknives Dene and Indigenous Peoples in the NWT. This program includes Det'on Cho Corporation's 100% owned and operated companies as well as our partnerships and joint venture interests.

#### 100% Owned and Operated Companies

# Det'on Cho Corporation DC Construction Bouwa Whee Catering We Le Dai Corporation Det'on Cho Environmental

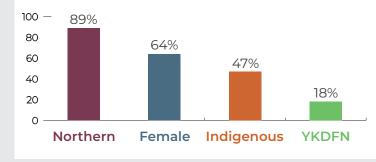
#### Joint Ventures and Partnerships

Det'on	Cho	Nahanni
Det'on	Cho	NUNA
Det'on	Cho	Scarlet
Det'on	Cho	Medic North
Det'on	Cho	DT Electric

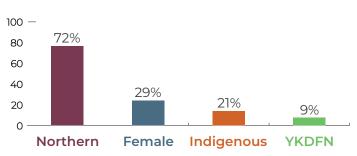
Det'on Cho Logistics Det'on Cho Landtran Det'on Cho Summit h Kete Whii Ltd

Aboriginal Diamonds Group

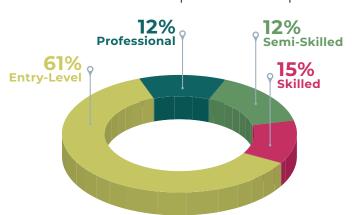
#### Current Employment 100% Owned and Operated Companies



# Current Employment Joint Ventures and Partnerships

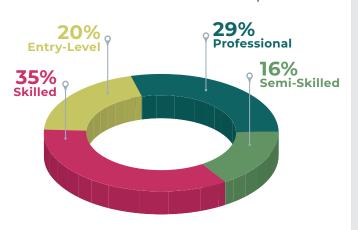


Current PFT Jobs = 219 100% Owned and Operated Companies



Current PFT Jobs = 842

Joint Ventures and Partnerships



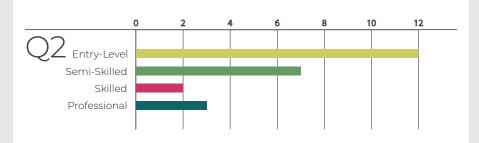
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## **Det'on Cho Corporation**

### Job Creation & Capacity Building

100% Owned and Operated Companies Jobs Posted = 24



#### Past Successes

- · Fully staffed DCC Capacity Building Job Creation Program with 5 qualified community members.
- · Variety of successful Joint Training Initiatives - First Aid, Food Safe, HEO training, Skills to Drill.

100% Owned, Joint Ventures and Partnerships Jobs Posted = 80



**Future Goals** 

- · Post detailed Career Mapping (Projection) documents for current staff to assist with their developent path.
- · Have joint scholarship programs funded by partners in variety of industries.

100% Owned and Operated Companies



For More information on this program or on any of the Det'on Cho Group of Companies, please contact:

Colleen Wellborn General Manager **Bouwa Whee Catering** T: (867) 873-6533 ext. 4106 E: colleen@bouwawhee.com

Paul Gruner President & CEO Det'on Cho Corporation T: (867) 873-6533 E: paul@detoncho.com

**Creating Prosperity For** The Yellowknives Dene

Det'on Cho Corporation

901 Sikyea Tili, Yellowknife, NT P.O Box 128, X1A 2N9 T: (867) 873-6533 www.detoncho.com

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