



“BUILDING FUTURE SUCCESS”

A GUIDE FOR MLAS ELECTED TO THE 18TH LEGISLATIVE ASSEMBLY

As newly elected Members of the Legislative Assembly, you are in a strong position to take the necessary steps to build a successful future for your constituents, for Northerners and for the Northwest Territories. Strengthening and growing our economy will be essential.

Sustaining and growing our northern minerals industry will help on many fronts, from infrastructure growth, to training and education, to poverty reduction, to revenue generation.

With your support, mining and exploration can continue to make a positive difference to the lives of Northerners.

To this end, and on behalf of our membership, the Chamber of Mines is pleased to offer this quick guide to the benefits, opportunities and challenges of our minerals industry.

THE BENEFITS OF THE MINERALS INDUSTRY

- The largest private sector contributor to the economy with direct and indirect contributions providing approximately 40% of the NWT's economy (GDP)
- A Northern employer of choice, with over 3,000 positions providing some of the most diverse and highest paying jobs in Canada
- The largest private sector employer of Aboriginal northerners at over 800 workers in 2014, or 50% of the northern mining workforce
- Worker success programs that support a host of pre-employment training programs to incent northern attraction, leadership training to help employees advance, and proficiency training to enhance worker safety, confidence and performance
- Celebrating a loyal, long term workforce with many northern and Aboriginal workers celebrating long term service anniversaries, and looking forward to many more
- The largest contributor to northern business, at over \$650 million in 2014, of which Aboriginal business received nearly \$240 million
- Cumulative northern business expenditures of \$11.3 billion since 1996, of which over \$5 billion is with Aboriginal business
- Global leaders in environmental protection with recognized environmental management systems, full reclamation security, and 3rd party environmental oversight
- Leaders in climate change technology including wind power and high efficiency diesel power generation and heat recovery

- Award winning and effective worker safety programs with proven results
- Invaluable and significant contributor of corporate, personal, payroll, property, fuel, and bridge taxes plus public and Aboriginal royalties
- Community investment through corporate “giving” programs that include scholarships, community support infrastructure including seniors, women’s, and men’s residences and shelters, arenas and other community and cultural facilities, and donation programs
- Benefits are produced from a total area that is 0.005% of the NWT, and will be reclaimed upon mine closure.
- A home-grown exploration support industry centred on the City of Yellowknife, with significant spin-off benefits in transportation, retail, service & supply, and consulting industries.

SIGNIFICANT OPPORTUNITIES

The NWT has a virtually untapped, and rich geological potential that can support a healthy minerals industry for generations to come.

The Northwest Territories hosts 8 “geological provinces” hosting a variety of minerals including gold, silver, diamonds, lead, zinc, uranium, tungsten, rare earths, cobalt, bismuth, nickel, copper, iron, etc.

The challenge is overcoming challenges and turning that potential into reality.

BUT LOCAL CHALLENGES: COSTS AND UNCERTAINTY

Sustaining a strong and beneficial minerals industry will require support and leadership in the NWT Legislative Assembly along with that of NWT Government staff, to take appropriate actions to help overcome the two main challenges the NWT minerals industry faces: high costs and uncertainty.

High Northern Costs:

- Northern residents face high costs and are looking for help in decreasing them. To fulfil their commitments, and to find the workers they need, our mines (and even our government) currently offset those high costs through attractive northern living allowances and attraction and retention allowances, which also raise the cost of labour. The mines have worked with GNWT to poll workers and have confirmed twice over the past 6 years that the cost of living is a major factor in why workers don’t wish to move north, but no actions to address it have occurred. Lowering the cost of living will help to reduce labour costs for mining, and also to government and all NWT residents. This can help all of us to retain and attract northern resident workers. Decreasing the cost of living will also help sustain our mines, and help to make uneconomic mineral deposits, more economic to mine.
- Mines today must provide their own infrastructure including roads, airstrips, and power facilities. This lack of infrastructure increases their costs, just as it increases community

costs. A 2015 industry study “Levelling the Playing Field” reveals that developing a mine in northern Canada, can cost up to 2.5 times more than it does in southern Canada, and exploration can be as high as 6 times more expensive in the remotest areas of the North. Investing in strategic infrastructure can do much to decrease costs of living and doing business in the NWT which will help sustain our minerals industry.

- Education levels in the NWT are lower on average than the rest of Canada. This affects the ability of Northerners to reach their full employment potential, and means that industry, business and governments must rely on imported labour: miners and medical staff are two examples. This means that fewer benefits stay in the NWT, and that industry and government must face higher costs of importing labour. Investments in education and in training will help our residents achieve more personal success, and their success will help the NWT advance its economy with an improved, locally grown and expert workforce. It will reduce operations costs for governments, businesses, and industry.
- Half of our mining industry workforce currently lives outside of the NWT. Similarly, much of the medical staff in the communities lives outside of the NWT. Increased education and awareness of the opportunities available in the minerals industry can help attract more northerners into the large variety of good jobs that mining provides. This can help offset the need to fly workers in. Building a 100% northern workforce is a worthy goal, with a valuable outcome. But this requires focused public education and awareness initiatives.

Northern Uncertainty:

- The NWT missed out on nearly \$1 billion in exploration investment over the past 8 years compared to our neighbours in Nunavut and Yukon. Blaming a poor global marketplace is a cop out. This is not because of a poor global marketplace. Investors reached the conclusion that the NWT was too risky a place to invest, and took their money elsewhere. Many exploration expenditure charts reflect this conclusion.
- Many of our NWT businesses suffered: charter airline and helicopter companies have seen significant declines in business, as have our expediting companies, drilling companies, and geological consulting firms. Many have been forced to seek business outside of the NWT to survive.
- We have created the uncertainty ourselves, through unsettled land claims, through confusion over access to land, and with overly complex regulations. Because we created the uncertainty, we can take the steps to fix it. Government needs to speak with one voice and economic development and environmental stewardship have to co-exist.
- Settling land claims will help. The Dehcho and the Akaitcho and South Slave regions contain areas of significant mineral potential that could help enhance opportunities for Northerners and for Aboriginal and public governments. Settling land claims would clarify who the landlord is on disputed lands, would clarify the kinds of benefits land claimants would receive from development, and would open access to lands currently under interim withdrawal for the purposes of land claim negotiations.

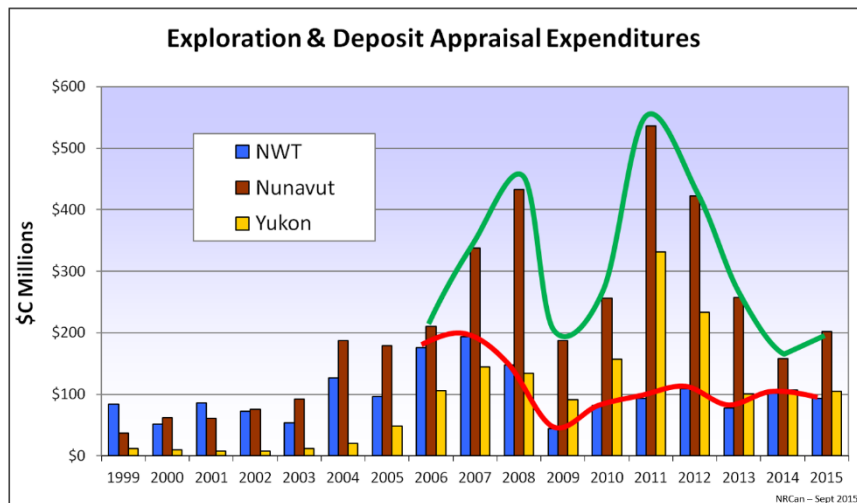
- Finding a better balance between conserving and protecting lands would help improve land access certainty. When one department says 9% of the land is protected from development but another department says that over 30% is off limits to development, and industry is now being warned that up to 40% may effectively be off limits, it means a proper, transparent and balanced approach by government should be the first order of the day.
- A balanced approach to land use planning can help clarify which lands are open for development and which are not. A shortage of land use plans or even maps of land values leads to confusion and uncertainty over land access.
- Unnecessarily complex and inefficient legislation doesn't serve any party well. With the Mackenzie Valley Resource Management Act, the Federal Government has provided the NWT with very stringent and transparent modern legislation and regulations governing resource development. However, in some cases Ottawa has proposed unnecessary changes to the Act, or they have proposed regulations that will not serve Northerners well. In some cases, they have not addressed problem areas. Will a "super board" meet Northerners' needs? Will cost recovery regulations enhance investment? With devolution now in place, the NWT Government has a strong argument to negotiate with Ottawa for appropriate legislative changes that better serve Northerners on their new path to increased economic self-reliance.

SIGNIFICANT MARKET CHALLENGES TOO

- These are challenging times for the mining industry globally with price destruction in most commodities. Mine closures, worker layoffs, and business cutbacks are occurring throughout the world and now in our backyard too.
- Barclays Bank reported in November that *"2015 has been another bad year for the [mining] sector. The last 5 years have now been the worst period of performance since 1966. Looking forward it is hard to see what might pull the sector out of its tailspin. A demand shock seems unlikely given the state of China's economy..."*
- The NWT is not being spared this price pressure.
- Dominion Diamond reported on November 19 that "rough diamond prices have fallen approximately 8% this calendar year".
- Roughprices.com reports that average prices have fallen 18% year over year.
- In November, the Cantung Mine was forced into closure because of declining tungsten markets.
- In early December, Snap Lake Mine was put under care and maintenance affecting several hundred northern jobs and many northern businesses. This will remove \$200 million in direct spending and with its direct and indirect effects will have a significant negative effect on the NWT economy.
- If we take steps to address our northern challenges, we can make our industry more resilient to market challenges, and will help us "weather the storm" better in future.

SOME VISUAL RESOURCES

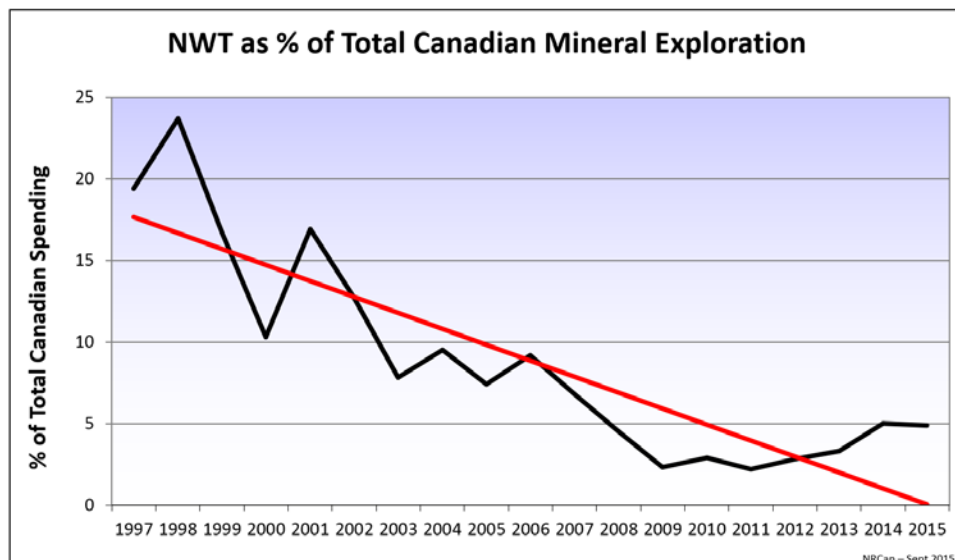
The NWT missed the exploration booms



- Yukon and NU exploration investment followed the markets
- NWT Exploration investment suffered = self-inflicted

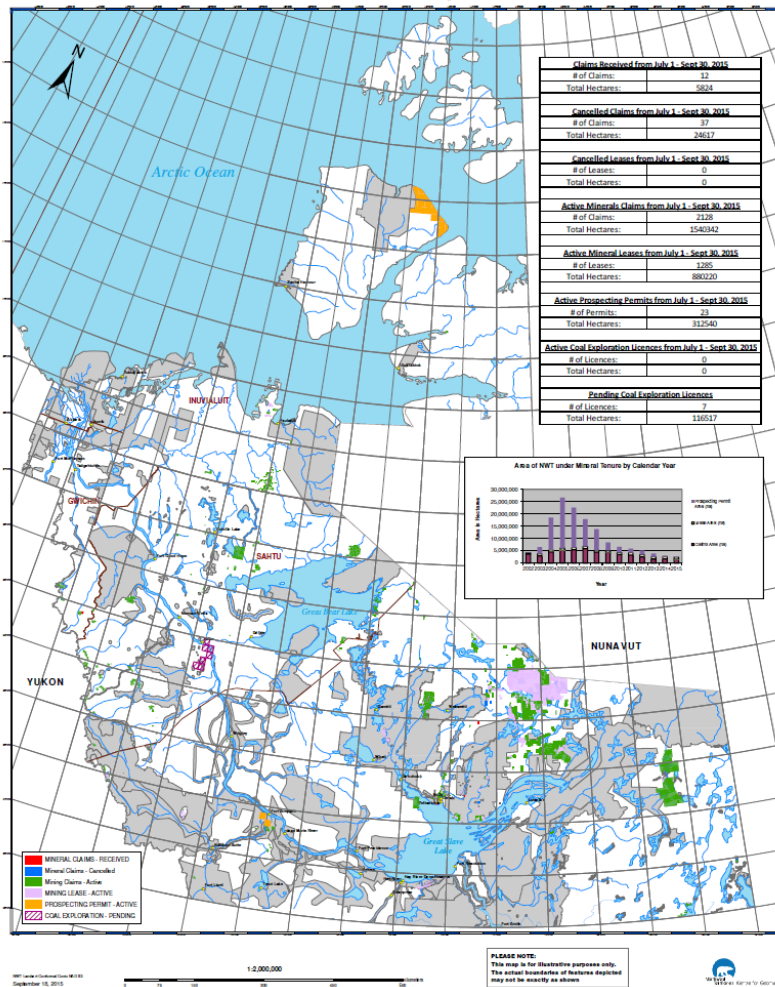
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NWT Exploration Share

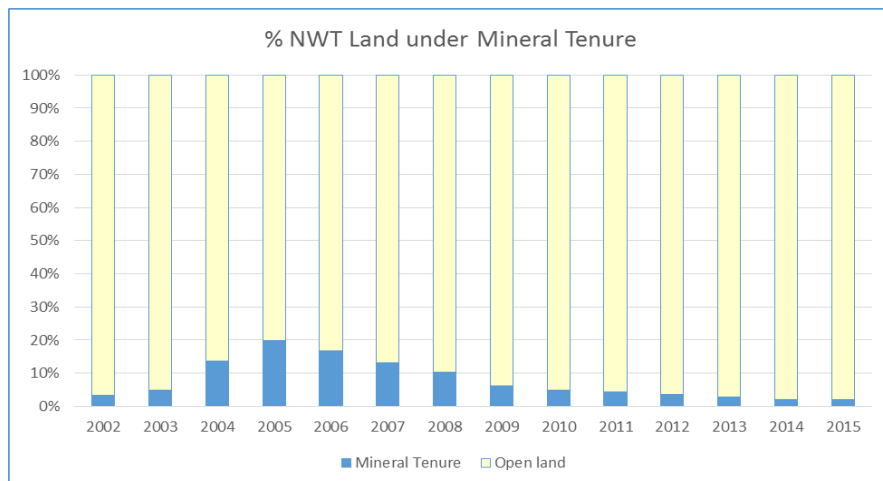


- The NWT is losing its competitive investment position.
- Its share of Canadian exploration investment has been in decline.

Northwest Territories Mineral Tenure Heat Map -
Second Quarter (July 1 - September 30, 2015)



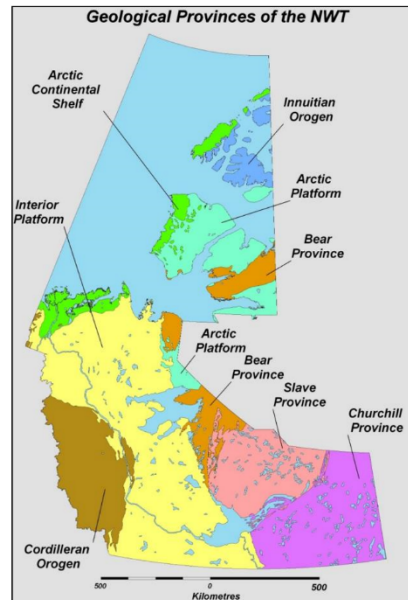
Today, over 30% of the NWT is directly off limits to mineral exploration and even more effectively off limits. (Map courtesy GNWT Mining Recorder's Office)



At its peak in 2005, there was just under 20% of the NWT was under mineral tenure. Today it has fallen to less than 2%. (Statistics courtesy GNWT Mining Recorder's Office)

We have Attractive Mineral Potential

- 8 geological provinces
- Diverse mineralogy
 - Gold, silver, diamonds, lead, zinc, uranium, tungsten, rare earths, cobalt, bismuth, nickel, copper, iron, etc.
- Under-mapped & remote means under-explored
- This equals tremendous mining opportunity



(Map courtesy NWT Geological Survey)



Mine training partnerships like this underground miner training program, create people success, which also benefits industry, communities and governments. (Courtesy NWT Mine Training Society)

The Infrastructure Deficit

How big is it, and what can be done about it? Download the industry report “Levelling the Playing Field” by clicking [here](#).

Infrastructure: Level the Playing Field

- We suffer an infrastructure deficit – industry study
- Higher mining capital costs
 - Up to 2.5 times higher for base metal mines
- Higher exploration costs
 - Up to 6 times that of the least remote project
- We need help to “Level the playing field”



Industry Study: Levelling the Playing Field, May 2015



Ideas on how to: “Level the Playing Field”

- Support exploration:
 - Create new and enhanced 25% federal Mineral Exploration Tax Credit as well as financial incentives to make the costs of drilling for early-stage exploration projects more economically feasible.
- Support mining:
 - Create a base 10% investment tax credit, in addition to either:
 - a 15% investment tax credit for eligible infrastructure, or
 - a pardonable 25% conditionally repayable contribution for infrastructure investments.
 - Create a northern infrastructure investment bank for mine-related infrastructure that generates public benefits, but does not meet the “public use” criterion of existing programs.



Levelling the Playing Field, May 2015



WHAT WE NEED TO PROTECT & GROW: NWT Diamond Mine Performance Indicators

Reported Performance for 2014

Company	Northern Aboriginal		Total Northern				Total All
	Achieved	Committed	Achieved		Committed		
Workforce (person years)							
Ekati (2014)	460	30%	31%	802	52%	62%	1,539
Diavik (2014)	229	24%	40%	448	47%	66%	948
Snap Lake (2014)	129	17%	n/a	258	35%	60%	747
Total Employment	818	25%	n/a	1,508	47%	n/a	3,234
Purchases (\$ million)							
Ekati (2014)	\$79	17%	n/a	\$276	59%	70%	\$465
Diavik (2014)	\$110	33%	n/a	\$251	76%	70%	\$332
Snap Lake (2014)	\$50	27%	n/a	\$126	69%	70%	\$182
Total Purchases	\$239	24%	n/a	\$653	67%	n/a	\$979

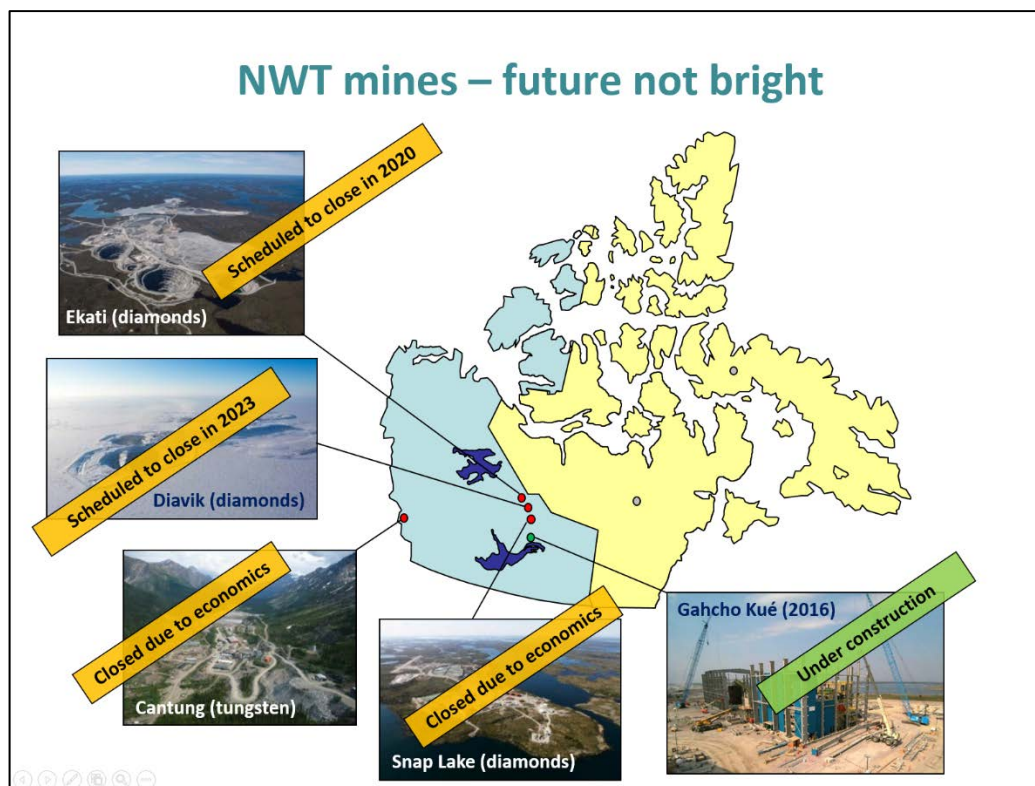
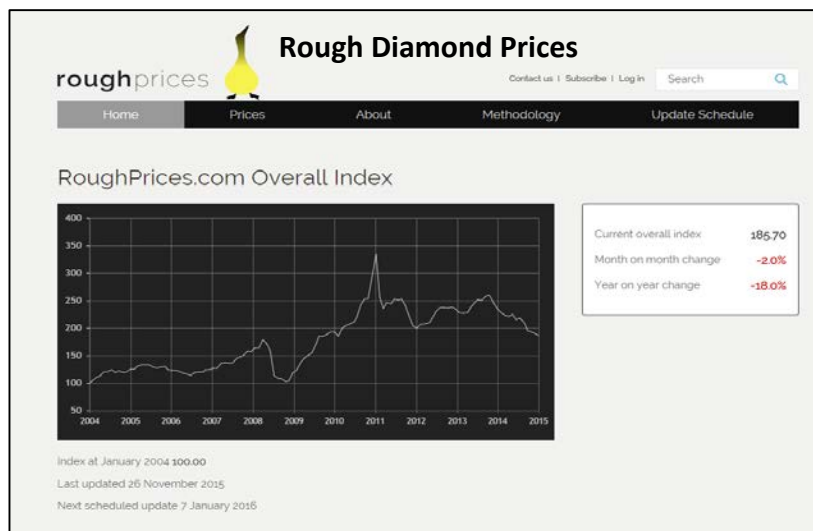
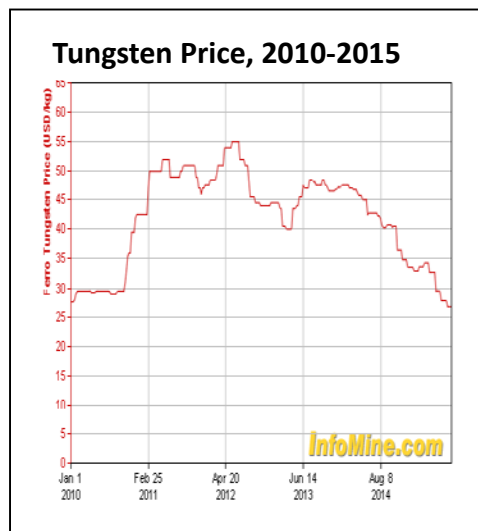
Cumulative Diamond Mine Results – 1996 to 2014, inclusive

Cumulative Diamond Mine Results - 1996 to 2017, inclusive					
Company	Northern Aboriginal		Total Northern		Total All
Workforce (person years)					
Ekati	6,612	27%	12,881	53%	24,233
Diavik	4,029	25%	8,243	52%	15,942
Snap Lake	1,174	17%	2,309	33%	6,965
Total	11,815	25%	23,433	50%	47,140
Purchases (\$ million)					
Ekati	\$1,681	24%	\$4,959	72%	\$6,888
Diavik	\$2,513	38%	\$4,784	72%	\$6,669
Snap Lake	\$863	38%	\$1,563	69%	\$2,263
Total	\$5,057	32%	\$11,306	71%	\$15,820

For more details on these and other diamond mine benefits, read “**Measuring Success 2014: Diamond mines continue to Create Benefits**” available from the NWT & Nunavut Chamber of Mines by clicking [here](http://www.miningnorth.com/rsc/site-content/library/publications/Measuring_Success_NWT_Diamond_Mining.pdf), or entering this address into your browser:

http://www.miningnorth.com/rsc/site-content/library/publications/Measuring_Success_NWT_Diamond_Mining.pdf

The Market Challenge



Taking action to enhance investment

- Invest in infrastructure – “Level the Playing Field”
- Increase certainty with regulatory improvement, eg:
 - Do not proceed with regulatory cost recovery in the North
 - Exempt small projects from EA; address MVRMA hair trigger
- Address land access uncertainty
 - Settle remaining Aboriginal Land Claims
 - Advance land use planning
 - Reduce growing protected/conservation areas
- Reduce the high northern cost of living
- Create economic strategies that all departments support
- Educate to increase public support for mining and our economy
- Improve education outcomes and provide training
- Have Public & Aboriginal gov'ts join in marketing to investors



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