

Mining in the North: Investing in Canada's Future



**A Presentation to National Mines Ministers
by the IGOC
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Greetings and Introduction:

- On behalf of the mining and exploration sector operating in the North, I thank you for this opportunity to speak to you today. I would like to brief you on the work of the Industry Government Overview Committee (IGOC), which is made up of territorial and DIAND government, mining and exploration and Aboriginal representatives.
- My name is Jim Excell. I am President and Chief Operating Officer of BHP Billiton Ekati, Canada's first diamond mine. I am also Co-Chair of the IGOC.

Introduction

- Today, we're here to report on:
 - ✓ the state of mining in the north
 - ✓ the work of the Industry Government Overview Committee (IGOC)
 - ✓ the need for geoscience investment
 - ✓ the need for Ministerial support for northern investment

- Canada's North offers tremendous potential for diamonds, precious metals and base metals, but we must work hard to improve the regulatory climate if this potential is to be realized.
- The IGOC was formed to identify the barriers to sustainable resource development in the north and, working together, to remove or reduce them.
- One of the critical barriers to new development, which I will touch on today, is the paucity of geoscience information. The need for reinvestment in northern geoscience is crucial if we are to hope to take advantage of the north's mineral potential and address its environmental challenges.

A Few Key Messages

- Mining is the backbone of the territorial economies
- Mining offers hope and opportunity for Aboriginal communities
- The North is one of the most active and exciting regions for new mining and exploration activity in Canada
- Northern development benefits all Canadians

- The first annual meeting of northern mines ministers took place in Yellowknife in April this year. This was a positive development, for it recognized how northern prosperity and mining go hand in hand.
- The benefits to Northerners are many and varied: jobs, training, education and literacy, higher living standards, support for local infrastructure and territorial projects. The list goes on.
- The benefits of northern development are also widely shared. Northern operators are committed to high levels of local contracting and employment, but the rest of Canada remains a major supplier of goods, services and expertise. A recent study revealed that the three NWT diamond projects alone will, over the course of their operation, contribute almost \$2 billion and \$3 billion in GDP and over 20 thousand and 42 thousand jobs to Alberta and the rest of Canada, respectively.
- This translates into \$233 million in additional tax revenues to Alberta, \$633 million to other provincial jurisdictions and over \$1 billion to the federal government.
- And, of course, the more the north prospers, the less it relies on transfer payments from southern Canada.

Mining in the North

- Two diamond mines have catapulted economic growth in the NWT ahead of Alberta and Ontario
- Largest private sector employer in Nunavut
- Exploration in Nunavut up 67 %
- 320 people -- mostly Aboriginal -- placed in mining and related jobs over the past three years in industry-led training initiative

- Let's take a snapshot of northern activity.
- Looking exclusively at diamonds in NWT, it is remarkable to think that by 2006, we can have three diamond mines producing 12 percent of the world's gem quality stones or \$1.6 billion annually in exports. Already, the Territories' two diamond mines have catapulted economic growth in the NWT ahead of Alberta and Ontario. The diamond rush in Nunavut could well bring similar benefits to this territory.
- One of the most significant evolutions in Canadian mining, however, is its connection to Aboriginal communities. This connection is most dramatic in the Territories.

Mining in the North (cont'd)

- Diavik and Ekati fostering new business development in small Aboriginal communities
- The Joint Aboriginal/Industry Resource Development Initiative developing resource sector and Aboriginal capacity in communities
- Aboriginal representatives sit on the NWT and Nunavut Chamber of Mines' Board
- The Hope Bay Joint Venture -- 42 Inuit in various positions from camp/kitchen helpers, to surveyors, core cutters etc, with total wages of about \$500K

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- Indeed, the mining industry is a key part of the solution to many of the social and economic challenges facing Canada's first peoples. Our industry values the many partnerships that continue to be created between operations and Aboriginal communities.
- I predict, in fact, that in the not-too-distant future, the concept of "us" and "them" will disappear insofar as our industry is concerned, as Aboriginal participation in mining and exploration becomes a dominant feature of northern economic activity.

Northern operating environment

Some Progress...

- Ministerial commitment to improve regulatory environment
- Funding increased for management of regulatory agencies and Boards
- Nunavut Waters and Surface Rights Act enacted
- Improvements to Mining Recorder's Office underway
- New mine reclamation policies
- Small steps to review overall regulatory process

“Resource development – and particularly mining – ... plays a vital role in both the economic and social development of the many communities across all three territories.” – The Honourable Robert Nault, Minister of Indian Affairs and Northern Development

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- Northern opportunities, however, are being hampered by a challenging regulatory regime, beset by inconsistent and inefficient permitting and environmental processes and inadequate funding for fundamentals like geoscience and infrastructure.
- The IGOC was formed in 2000 to begin to address these concerns. We have made some progress, as this slide indicates, and we recognize that many of these challenges stem from the newness of the regulatory regimes in place in the Territories.
- However, there is much work to do and we cannot let this be an excuse for inaction.

Northern operating environment

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But more work must be done...

- Federal Geoscience funding woefully inadequate
- Federal infrastructure funding for Territories needed
- Nunavut regulatory framework incomplete
- Progress of regulatory review slow
- Inconsistent and inefficient application of legislation continues



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- The passage of the Nunavut Waters' Act was a big step forward. However, Nunavut's legislative framework is still incomplete. The new Boards and Agencies in the NWT and Nunavut recently received additional funding, facilitating stronger staffing, but inconsistent application of legislation continues to be a major source of frustration. Without major investments in infrastructure, key projects, such as Izok Lake, will never advance.
- Now let me turn to the issue of geoscience.
- At the meeting in Yellowknife, Minister Nault challenged the IGOC to develop a short, medium and long term strategy for northern geoscience. This strategy is being finalized and, this fall, we hope to engage the support of key federal and territorial ministers -- including Ministers of Finance -- to allocate the necessary funds to start the process of reinvestment.

Why Geoscience?

- Five to one multiplier
- Foundation for northern resource development
- Increases northern capacity
- Trains future generation of explorationists
- Reduces technical and regulatory risk
- Informs protected area strategies
- Contributes to Canadian sovereignty and security
- Provides environmental base line information

If prospectivity, land tenure and the socio-political environment are equal among competing jurisdictions, the geoscience knowledge base will be the deciding factor in persuading companies to invest.

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- Why invest in geoscience?
- The benefits are too numerous to mention. Geoscience is one of the building blocks of a modern nation. And the territories are way behind the rest of the country in geoscience information.
- A 1999 study showed that the territories account for at least 40 percent of the gaps in Canadian geoscience knowledge. It has been estimated that at the current rate of expenditures in the NWT, it will take more than 100 years to complete basic coverage.
- The national average expenditures per km² was \$10.91/ km². In the Yukon, NWT and Nunavut, the expenditures were \$6.33/ km², \$1.98/km² and \$1.62/ km², respectively. Even more disturbing numbers emerge when looked at on a per capita basis.
- The lack of attention to geoscience is mind-boggling when you look at its multiplier benefits. Every million dollars invested stimulates approximately \$5 million in private sector exploration, which in turn generates \$2 million in tax revenues. These multipliers are strongest when the areas are least known, such as the territories. A recent cost/benefit analysis by Stanford University showed that government investment in the 1998 South Baffin integrated geoscience mapping project had a 10-fold multiplier. And the multiplier does not take into account that huge discoveries like Ekati, Diavik and Snap Lake eventually result.

The Kimberley Process

We need action now!

- Canada has shown leadership in the fight against “blood diamonds.”
- Ambitious commitments must be met.
- Legislation must be enacted by December
- Kimberley process implementation must be a national priority

- As Ministers of Mines, you know the importance of geoscience. I ask that you use any formal and informal means to press for increased northern geoscience funding through the Cooperative Geological Mapping Strategies (CGMS), including the need for greater collaboration with provincial and territorial surveys and the GSC on transboundary issues, where lots of potential exists.
- Before I conclude, I must raise an urgent issue for Canada’s primary and secondary diamond industry.
- All Canadians are concerned about “blood diamonds” being used to finance terrorism and civil wars, particularly on the African continent.
- In a clear demonstration of global leadership, Canada has been an active participant in the Kimberley process to develop a certification system for diamonds, to protect consumers and to fight the trade in diamonds for illicit ends.
- Earlier this year, Canada committed to implement the Kimberley agreement. To fulfil its commitment, legislation must be passed by the end of this year.
- Unless the systems are set up to certify Canadian diamonds, Canada’s diamond industry will not be able to sell its products. We could be seriously affected, including major losses in sales and impacts on Canada’s balance of trade.
- We ask Mines Ministers to write the Prime Minister of Canada to impress upon him the urgent need for legislation.

Conclusion

- Mining is the backbone of northern economies
- Potential contribution of mining is huge, but may be lost
- Reinvestment in northern geoscience (CGMS) is essential
- Your support is needed!

- The North has a key role to play in ensuring that Canada's global leadership in mining will be maintained in the years to come, supporting the specialized and highly competitive mining and exploration sector found coast to coast to coast, in rural and urban centres.
- This will ensure we are successful in addressing other issues -- such as employment, training, education and literacy, economic diversification -- because mining is the building block for all of them.
- But we must first improve the regulatory climate in the north and provide the certainty and predictability of regulatory decision making that our industry and our communities of interest require. And we must invest in infrastructure and geoscience information.
- Thank you.