



Annual Report to Members

Annual General Meeting – November 17, 2010

Introduction

Ladies and gentleman, as is custom, each year at the AGM we deliver the report of the Board of Directors. Since John Kearney our President couldn't be here, he asked if I could deliver it on his behalf. So, with your indulgence, I will do that.

I want to begin this report on a note of optimism. But then, of course, I must ... for we are mining people, and we are the definition of eternal optimists. But I think that that is the Chamber's role too, to infect those we work with and speak to, with our optimism about what is possible with a strong minerals industry.

Optimism is rising for both Nunavut and the NWT

While we stared down the barrel of the world's worst economic crisis since the Great Depression, it has not gone on as long, or perhaps as poorly as some had predicted. At least it hasn't yet! Commodity prices have rebounded, and in some cases – like gold – are heading for new highs.

As a result, exploration is regaining strength in both Territories too. Natural Resources Canada is estimating that exploration in Nunavut will increase 50% from last year to reach \$280 million. Exploration in the NWT will also increase, by 120% to reach \$99 million.

There are more reasons for optimism.

Nunavut has seen its first mine open in many years, with Agnico-Eagle's Meadowbank mine creating a new wealth in the Kivalliq region ... even creating new royalty revenues for Inuit people. Hot on its heels are a number of other projects in advanced development, including Newmont's Hope Bay project, Baffinland Iron's monster project, and Areva's proposed uranium mine. And with Sabina and Peregrine marching ever closer to feasibility, Nunavut is one HOT spot on Canada's map for mining.

Here in the Northwest Territories, we also have reason for optimism.

- Our diamond mines are back in full production with diamond prices back to pre-recession.
- The Cantung mine is also operating again.
- We have four mining proposals currently undergoing environmental review and feasibility studies – Fortune Minerals NICO, De Beers & Mountain Province's Gahcho Kue, Avalon's Nechalacho, and Canadian Zinc's Prairie Creek mine. Selwyn's world class base metal deposit straddles our border and promises more benefits to the NWT.
- And we are expecting projects like Tyhee's Gold and Seabridge's REN to be in Environmental Assessment in the near future.

Now, while we can be ever optimistic, we of course cannot be blind to the challenges we face. Grassroots exploration in much of the NWT is not doing well, and given its long term implications to a strong mining industry, we must address this issue sooner than later. Similarly, must continue to tackle the pressures from conservation and other land use planning activities that reduce access to land.

The Chamber's work

While technical challenges in the field are more in your control, it's the political and regulatory challenges that often hold the greatest potential to confound us. That's where the Chamber of Mines comes in.

It is the Chamber's role to work on your behalf to address and even remove any confounding issues, so that you can concentrate on what you do best, working in the field.

So, let me tell you briefly about some of our work this past year. Then I'll close with a brief outlook for next year.

I want to structure my address around 5 key areas. These were identified earlier this year in a strategic planning exercise in which the Chamber Board revisited our Vision and Mandate and then refocused our attention to 5 key objectives.

Regulatory Improvement and Land Access

The first of the 5 strategic goals is Regulatory Reform and Land Access.

Our goals here are to apply strong and continued focus on regulatory issues, to seek improvements in environmental assessment and permitting processes, and to ensure access to land for mineral exploration and development.

This year, after continued pressure from industry, the Minister of Indian Affairs & Northern Development announced his Action Plan for Northern Regulatory Improvement. One of the components of that plan is investing \$11 Million over 2 years into regulatory change to provide more efficient and effective processes. The Chamber is an active participant in the regulatory improvement process in both territories.

For Nunavut, the Chamber continues to contribute to the new Nunavut Planning and Project Assessment Bill in partnership with our national associations, PDAC and MAC. NUPPAA is now in second reading in the house, and we continue to contribute to its improvement. In fact, yesterday our associations sent a significant letter to Minister Duncan urging some further amendments.

This fall, we met with the Ministers Special Negotiator, John Pollard to reinforce our industry's thoughts on regulatory improvement. Mr. Pollard has been tasked to consult and negotiate with the Government of Northwest Territories, and Aboriginal leadership on structural changes to Land and Water Boards as part of the work on amendments to *Mackenzie Valley Resource Management Act* and the *Territorial Lands Act*. We understand Mr. Pollard will be reporting his findings to the Minister shortly.

The NWT Boards themselves are now looking at how they can improve their processes. To that end, they have invited the Chamber to a meeting of all the Boards in two weeks time at which they want us to tell them "what's working for industry and what's not in our work with the Boards". To help us take your experience to the Boards, we've distributed a short members' questionnaire, to which many of you have already replied. Your candid feedback will help us work more closely with the Boards to improve the way things work here. I want to thank you in advance for your responses.

There is new legislation coming too. The Federal Government has now initiated consultations with us on a new NWT Surface Rights Board Act that would arbitrate surface and subsurface disputes. This was an outstanding component in the creation of the MVRMA.

DIAND is also looking to make changes to that MVRMA Act and has indicated that they will be coming to us for our thoughts on changes next spring.

Other legislative amendments DIAND proposes are to the NWT Waters Act, and to the regulations for Territorial Land Use, Territorial Quarrying, NWT Waters and Nunavut Water.

Land Access

Protecting access to land is critical to our ability to generate wealth for the North, and we are involved on a number of fronts.

We have provided input into the Nunavut Land Use Plan in partnership with the PDAC, and we are now expecting the draft plan to be presented to the Nunavut Planning Commission in December with community consultations beginning in the spring of 2011.

Similarly, we have provided input into the evolving NWT Sahtu Land Use Plan, which has now been delayed by local Sahtu communities who I understand may be having second thoughts about all the protected areas that have been contemplated. The Sahtu is also looking more carefully at the proposed extension to the Nahanni Park, in part because they want to learn more about any hydropower potential that they might offer for the Selwyn Project.

Again, in the NWT, we have been an active participant in the Protected Areas Strategy, bringing an industry balance to these discussions. In April, we provided our recommendation on the proposed extension to the Nahanni Park in the Sahtu. We continued to urge exclusion of high mineral potential from the region to allow northerners and Canadians to take full advantage of future economic opportunities.

The caribou issue is a growing one in Canada, but particularly large in the Tlicho and Akaitcho areas. It has strong potential to affect land access, and we watched closely as caribou management issues were discussed. The Chamber made a submission to the Wek'eezhii Renewable Resources Board concerning management of the Bathurst caribou herds, and the Chamber is also a partner in discussions about caribou in Nunavut. It is clear that moving forward, wildlife management will be a big part of our public awareness campaign.

To this end, we have been notified (and there was a presentation on it at the Forum) of the NWT Government's introduction of a Wildlife Bill in the next month, which we will be reviewing carefully. Even before the bill's introduction, the GNWT has told us they plan to use instruments under that Act to propose a new protected area right in the heart of the diamond rich Lac de Gras region. Clearly, this will be another important initiative for the Chamber.

To get back to that note of optimism with respect to land access, I believe we are starting to see some softening in how some communities perceive the protected areas strategy. We will continue to advocate for responsible development that can provide them with new opportunities to improve their communities.

Aboriginal Relationships and Engagement

Our second strategic focus is on Aboriginal Relationships and Engagement, and our goal is to create a positive and cooperative working relationship with Aboriginal communities and encourage Aboriginal participation in the industry.

Even before the Canadian constitution recognized Aboriginal rights in 1982 – but certainly reinforced by that Act – Aboriginal people in Canada had been strengthening their voice and their rights. Court decisions are continuing to strengthen their position.

Our world is definitely being influenced by Aboriginal rights, and change often brings discomfort. But to use my optimistic voice again, change also brings opportunity.

The reality is that everyone on this earth needs mining to contribute the material things we need for a healthy lifestyle. Here in the north, the reality is that we also need mining to make meaningful contributions to our economy and to our lifestyles through jobs and businesses and tax revenues. Mining is not going to go away in the North – it's just becoming far too valuable to people.

It's been just in the last 12 years that, for the first time ever in the North, Aboriginal people became meaningful and significant participants in our industry through the diamond mines. Those mines today are leaders in Canada in Aboriginal employment and business. As a result, we are now seeing growing interest in a number of Aboriginal regions for mining, and we are even seeing a growing recognition in some areas that there are too many candidate

protected areas. This shift will strengthen the future of our industry and there will be increasing opportunities for those who can adapt.

One important issue we need to resolve is to find a way to address “consultation”. Industry and Aboriginal governments here in the NWT need to find a way to work together so that the proper approach to consultation can be agreed to and streamlined. **We need to remove the uncertainty that this is creating.**

I know the North Arrow decision is front and centre this week, with much discussion at the GeoScience Forum. I’ve heard many opinions and thoughts, and what I am encouraged by are opinions I’ve heard from both sides that this is neither good for industry or Aboriginal groups. We need to start a discussion with the Akaitcho to resolve this to mutual benefit.

The Chamber would like to play a role in that.

Infrastructure Development

Let me speak briefly to infrastructure. As one third of Canada, with less than 1% of the Canadian population, one might expect we are a little underdeveloped, with respect to infrastructure.

There is quite a wish list for infrastructure projects, from roads to ports to hydropower development. None of these are cheap, and Governments don’t have the horsepower to pay for them all itself. Building infrastructure will require creativity and it will require the horsepower that only a non-renewable industry can provide. (Let me hazard a guess that Nunavut’s highway system has been significantly increased by Meadowbank’s new road to the mine!)

One thought that has emerged recently is to see if there are mutual benefits for the military to partner with industry in sharing infrastructure, and of course its costs.

Our infrastructure team is working to identify the variety of infrastructure opportunities associated with our industry, and the corresponding size of the prize they could create. Stay posted on their work.

Communication and Public Relations

Our Chamber’s fourth strategic focus area is Communication and Public Relations. Our goal is to encourage public and government awareness of and support for exploration and mining.

When people think about the Chamber’s role, I’m often asked if we’re a lobby group. My preferred answer is that we are educators. It’s our job to teach people about our industry, how it works, and the benefits it can provide so that they can take appropriate steps to help support us and our success.

I want to make an observation here about communications. Over the past few years, we have been quite vocal at pointing out the problems we face, and the challenges we are under. This was important, for we wanted government and decision makers to understand the negative effects we were feeling from all of the political evolution and complex regulatory environment it created. Our loud messages were heard, and we are getting action now as I mentioned earlier. But I believe that there is another consequence of our having communicated so loudly about what’s wrong. I think our messaging actually started to feed the very problem we have in the NWT, that of declining investment. We reinforced the negative message so much as to further distance investors.

What’s needed now is for us to speak loudly about what’s right in the north, about what’s possible if we work together. For there is much right up here. Let’s take a quick moment to remind ourselves:

- we are the largest contributor to the northern economies;
- we are the top diamond producing region in the Western Hemisphere;
- we are a leader in creating Aboriginal opportunities both for employment and for business;
- our partnerships in training, like the Mine Training Society, are second to none;
- we have many projects in the feasibility and environmental review stage;
- we have great mineral potential and we have great deposits; and
- there is increasing desire in our communities to be part of our great industry.

I believe we need to communicate more about these and other positives. I believe we need to find allies for this messaging, for example, within the Aboriginal businesses that are now becoming very much a part of our industry. I was very surprised and pleased to see full page colour ads recently from the Yellowknives Dene thanking Diavik and De Beers for their outstanding work in supporting their Aboriginal businesses. Clearly we have other allies out there who can – and in fact are already starting – to help us with our messaging.

Let me give you another example of positive changes I'm seeing as people learn more about our industry. Some years ago, our members voiced concerns that the teaching community was very "green", that they were teaching that industry was bad, that it destroyed the environment. It was a daunting task at the time to find allies there.

Well, I'm happy to say that changes are happening. You may have noted in the GeoScience program that this year that we are piloting an education program to actively engage students, teachers and school counsellors in learning more about geoscience and careers in the north's non-renewable resource industries. We expect over 300 students to descend on the tradeshow this year. The excitement is growing among educators themselves now to tell kids what's possible. They are wanting to take our messages to their students. I think that's a testament to the benefits of our long term communications.

Chamber Operations and Membership

This brings me to our last strategic goal, but certainly not the least important: Chamber Operations and Membership. Our goal here is to increase our membership, it's to encourage your active participation in our work, and it's to establish a Nunavut presence for the Chamber of Mines.

You all know how important membership is to our existence. If it wasn't for you our members, we simply couldn't exist. So, please continue to support our good work, and tell your associates about the benefits of joining.

In the interests of time, let me leap to the last point, opening of a Nunavut office.

We've begun the groundwork for a Chamber of Mines office in Iqaluit. There is a financial hurdle in putting it in place, but we have expressions of strong interest from the Government of Nunavut to help us. They are as eager to see us there as are our Nunavut members. We've also spoken to CanNor, the new northern economic development agency, and I believe we have their interest now as well. I'm hopeful we will be able to open that office in the new year, which will make us more effective at supporting our industry in Nunavut.

Conclusion

It's been a long lunch, and I don't want to hold you up much longer, so let me quickly conclude.

I hope that you are all as optimistic as I am with all of the opportunity that lies ahead for our industry. After all, these are exciting times. We have increasing interest from governments in seeing our industry grow. And we have increasing interest in communities to be a part of our industry. We have a growing number of allies.

Yes, we also face challenges. But they can also bring us opportunities. And hey, what would life be without challenges? And we of all peoples are well prepared for them, considering that all of us associated with this business contain that great stuff called optimism. So ... I hope you'll join with me and with optimism, in taking on our tasks in the coming year.

As a final comment, I would like to say thank you.

Thank you to our Board and to our staff for all of your efforts this past year.

Thank you to all of you members for continuing to support us in our good work.

And thank you to all of those others who are our mining ambassadors, taking our good news further afield to their friends, their co-workers, their communities.

Between us, I truly believe we can continue to strengthen and grow our exciting industry.

Thank you very much.

Tom Hoefler