

Note: Several additional slides have been appended following the presentation to provide Councillors with additional information to help respond to some of their questions.



***The NWT economy is in decline  
– The mineral industry is key to its revival –***

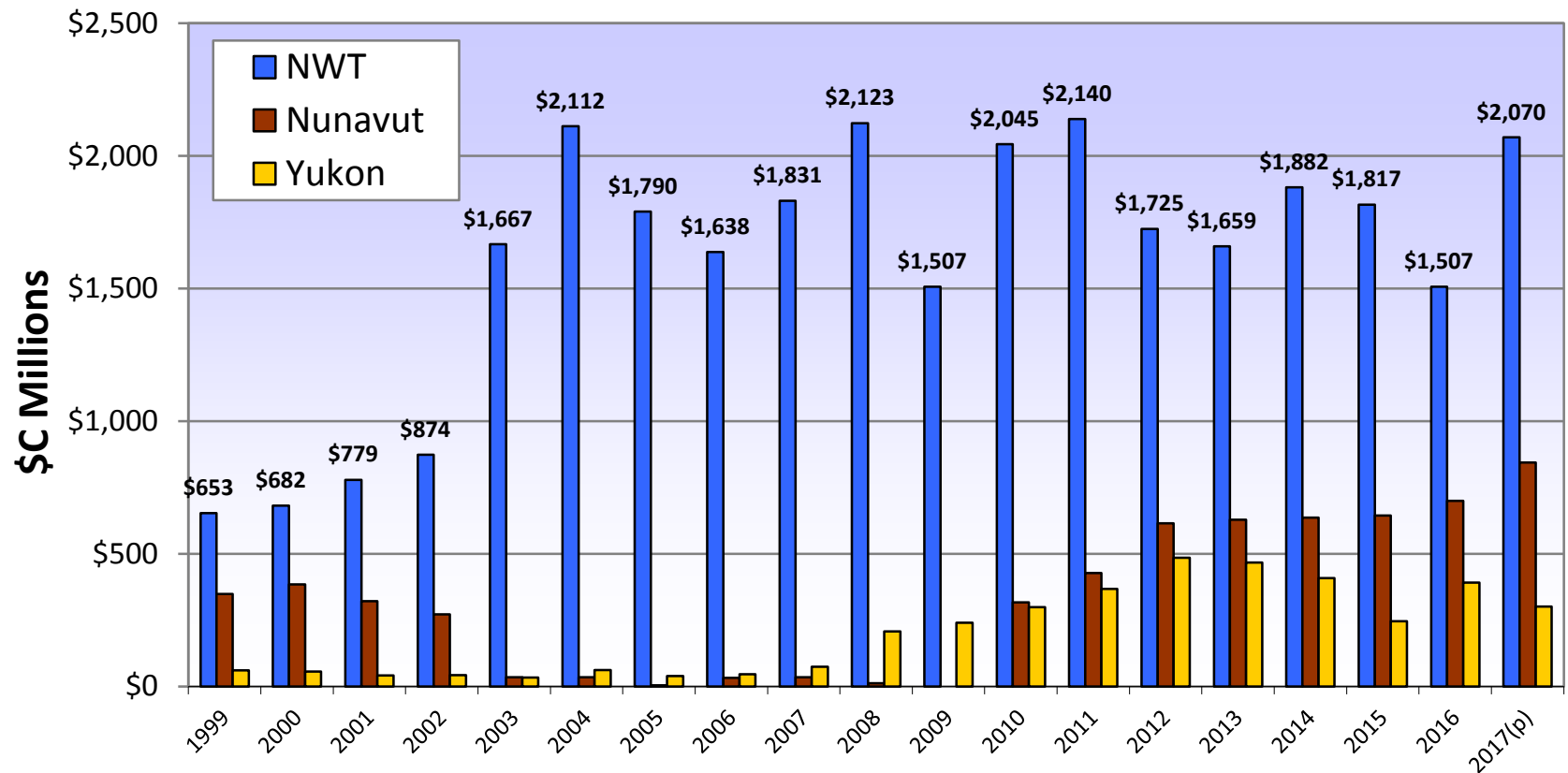
*Presentation to: Yellowknife City Council – January 7, 2019*

# 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, Nunavut and Yukon Mining Production



Natural Resources Canada – March 2018



- 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**

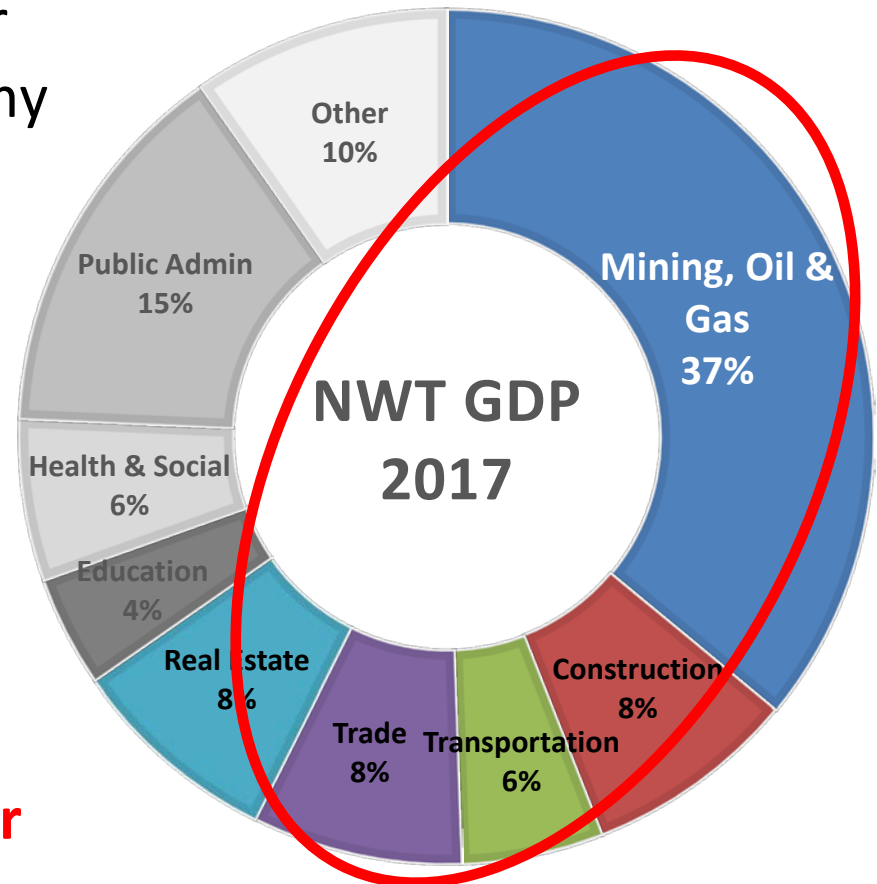


# YKDFN's Det'on Cho Corporation: A mini-study

- **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



The Conference Board  
of Canada

Le Conference Board  
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.
- Two new metal mines will open in the next five years, but that will not make up for the decline in diamond production of the next 23 years.
- Almost all sectors of the territory's economy are in decline, including diamond production, and unemployment.
- As a percentage of the territory's economy, diamond production is expected to decline by 2040, putting pressure on the economy.
- Real economic growth has been negative for most of the last decade.



CBC | MENU

news

Top Stories

Local

The National

Opinion

World

Canada

North

## 'Looks like a dark cloud' for the N.W.T.'s economy, say Indigenous leaders



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



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)

## 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

Communiqué

Leaders from the Government of the Northwest Territories (GNWT), Indigenous governments (IGOs), Kati Ojibwa 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**



CBC | MENU

news

Top Stories

Local

The National

Opinion

World

Canada

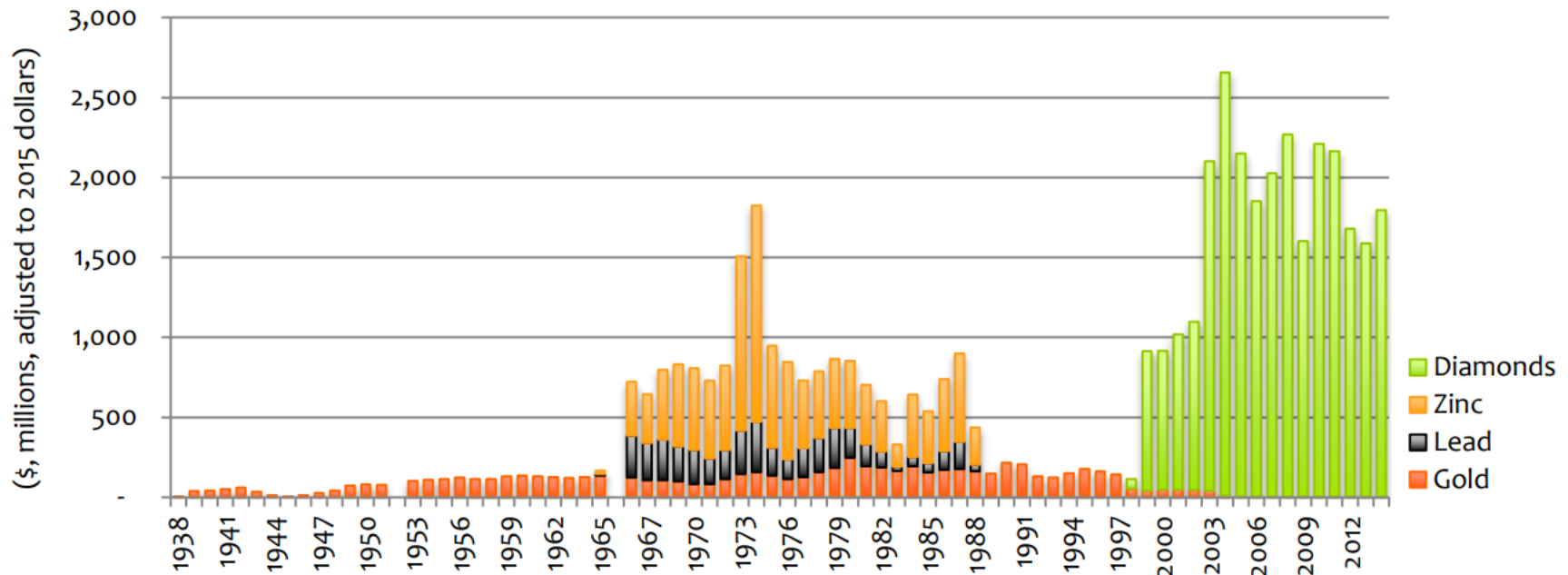
## N.W.T. unemployment rate hits 7.4 per cent to end 2018

'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

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

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

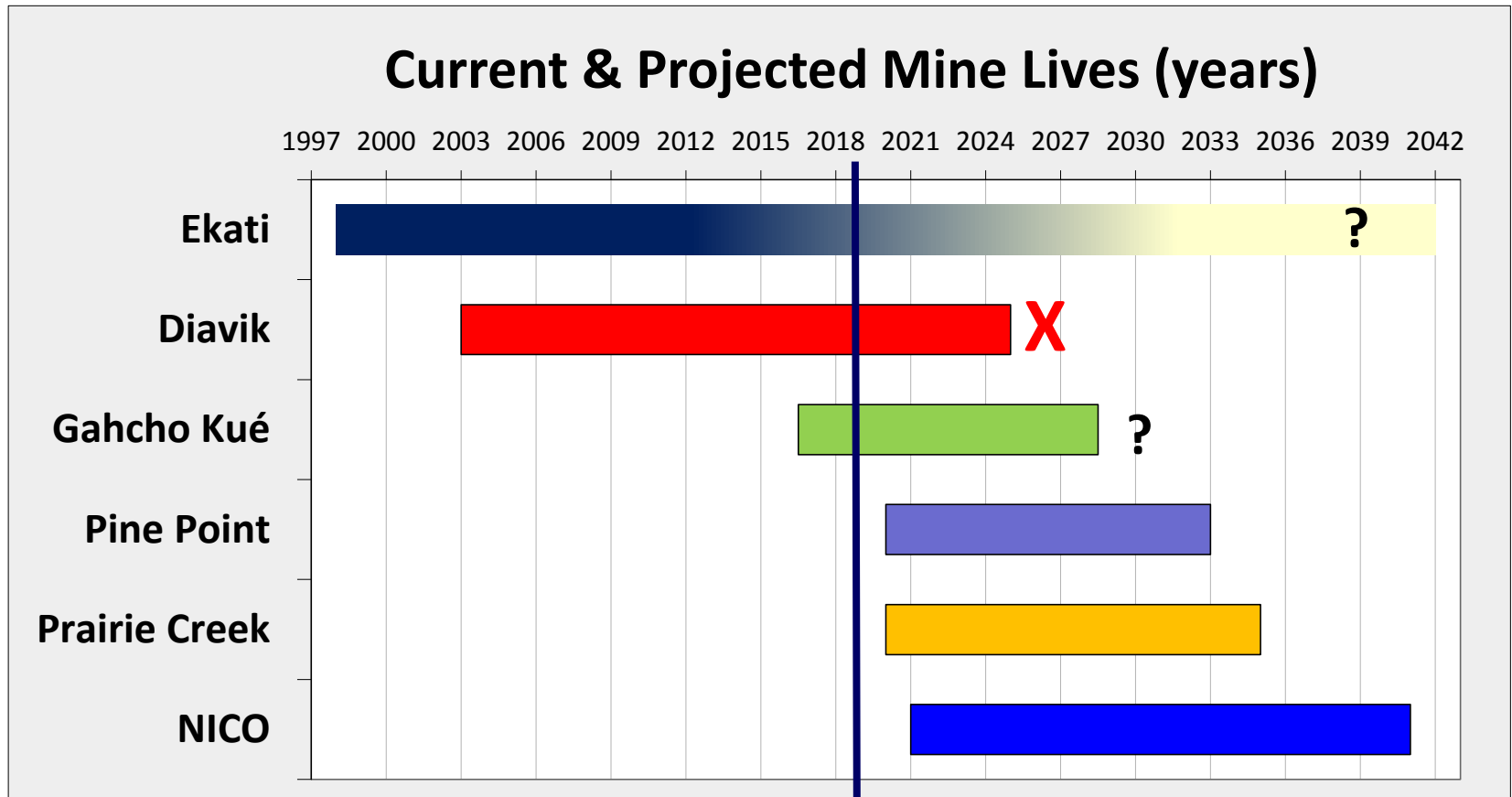


Source: NWT Bureau of Statistics, *Mineral Production*; Statistics Canada, *Inflation Rate*.

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



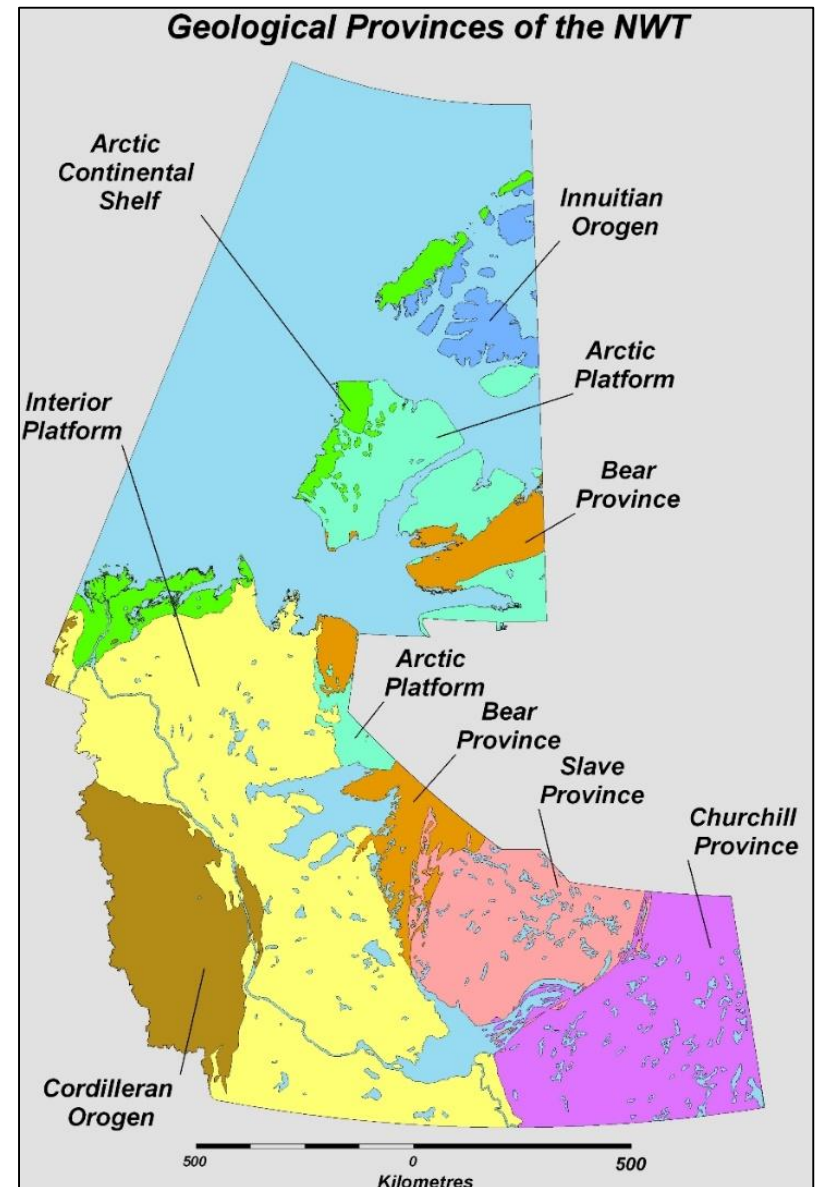
# Diamond mines maturing – smaller replacements



- 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”

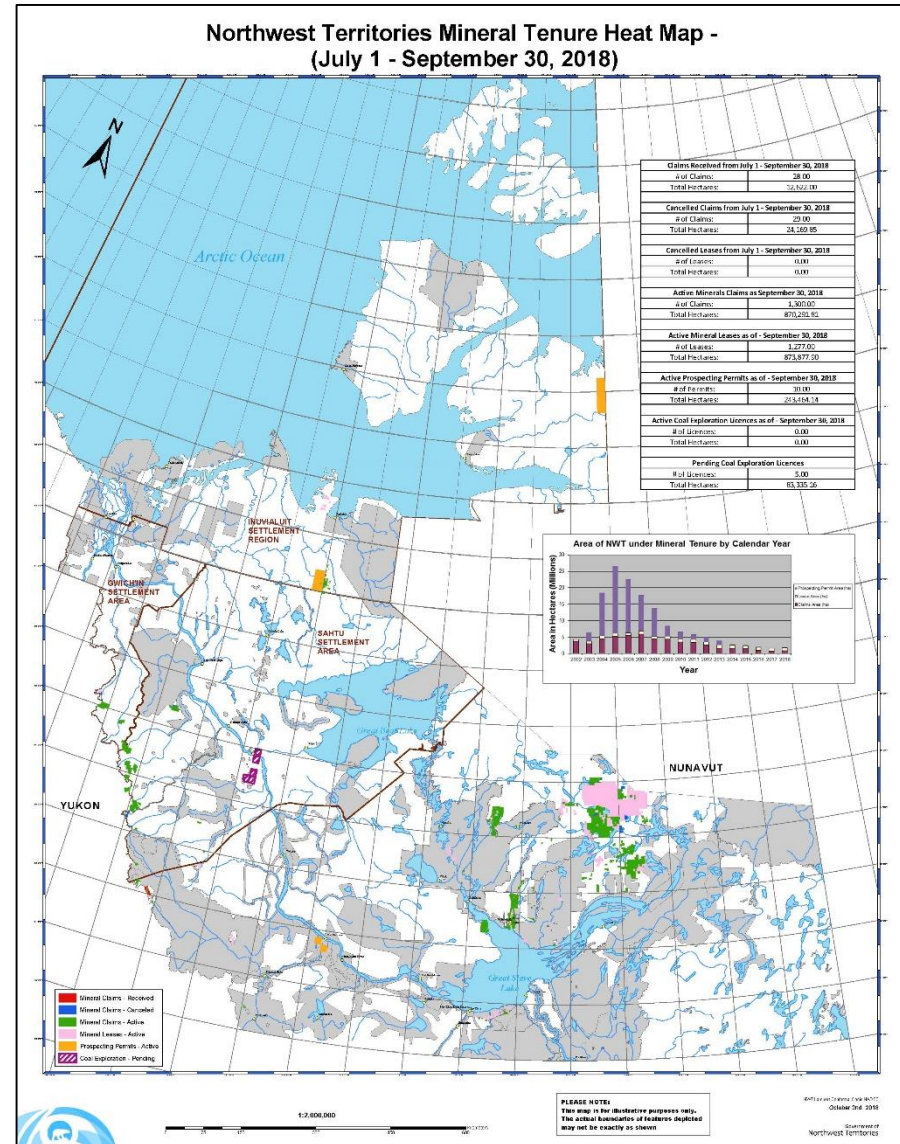
# While the NWT has great mineral potential

- 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

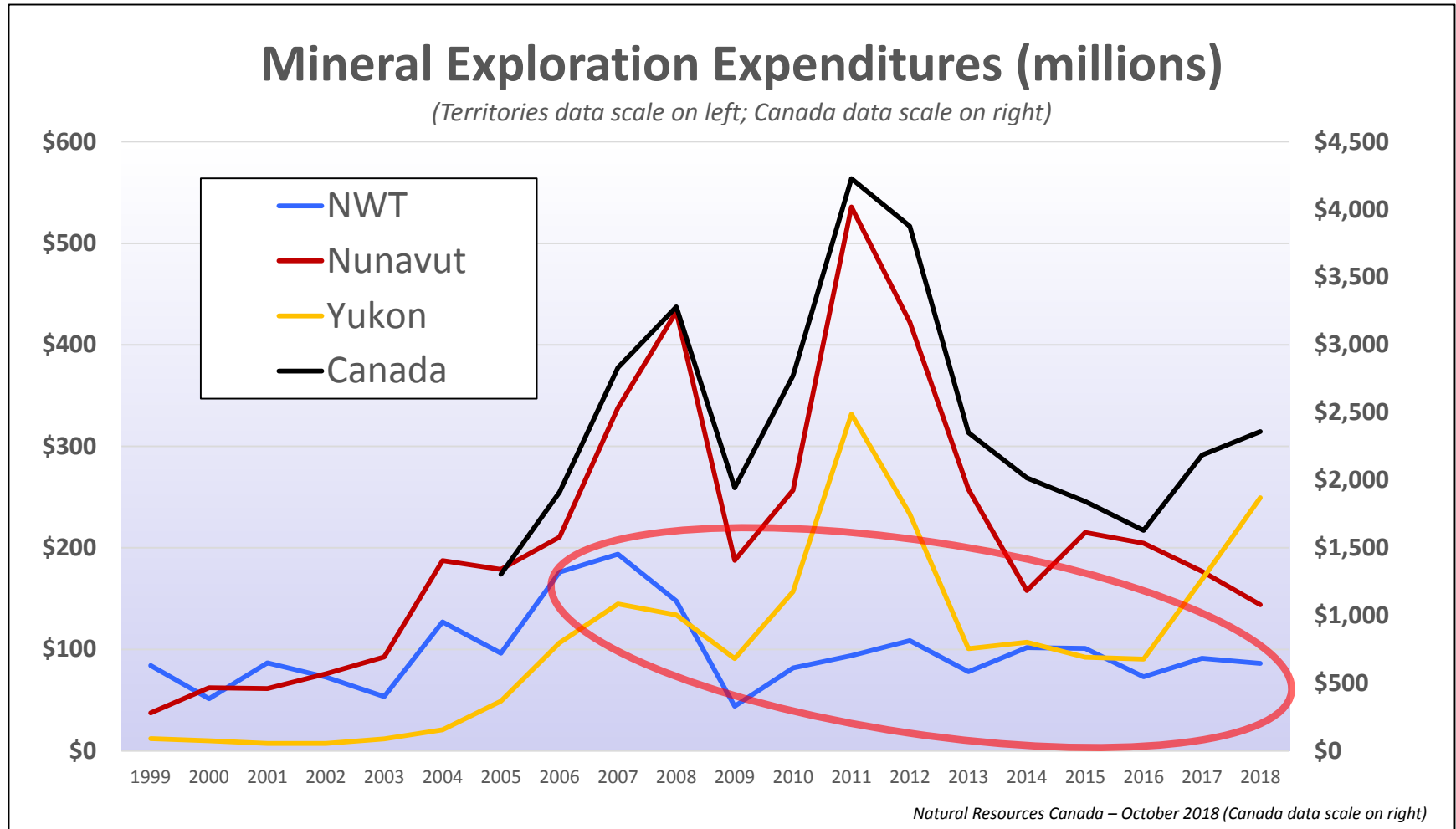


# But, we've hampered exploration – over 30% of NWT is off limits

- 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

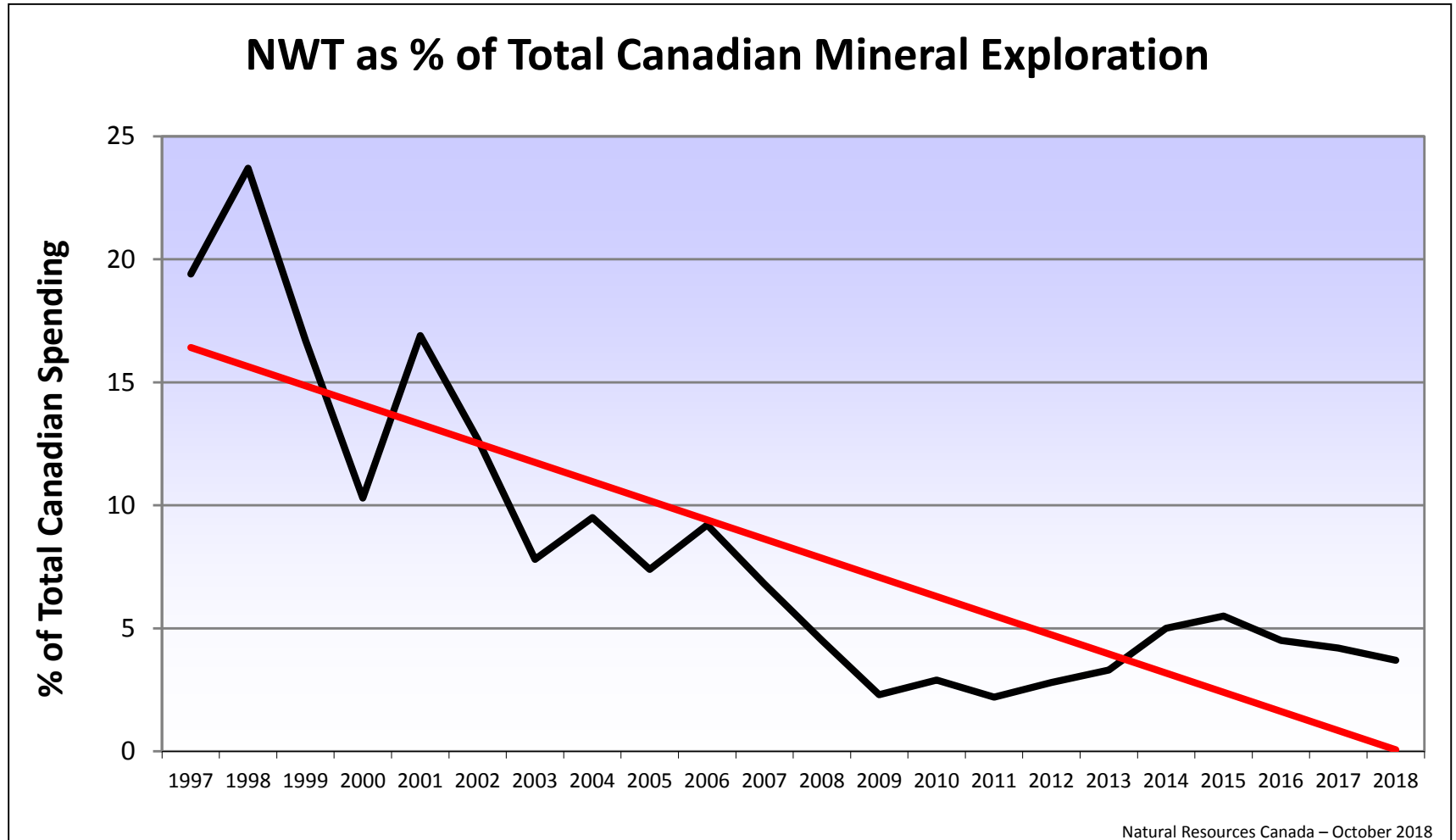


# And NWT has chased away investors



- NWT exploration investment has “flat-lined” since 2007
- 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

	<b>Actions Needed and their Status</b> (Red problematic, Green good and Yellow somewhere between)	<b>Government</b>
<b>Relieve Cost Pressures and Uncertainty</b>	Say NO to regulatory cost recovery (MVRMA, NUPPAA)	Canada
	Stop small projects unnecessarily undergoing EA (MVRMA)	Canada
	Reduce Carbon Tax burden when few alternatives exist	Canada, NWT
	Costs of New Environmental Legislation and other Regulations	NWT
	Reduce <del>Yellowknife Airport fees</del> and other taxes (also review royalties)	NWT
<b>Increase/Improve Access to Land</b>	Settle NWT Indigenous Land Claims	NWT
	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
<b>Improve Infrastructure</b>	NWT: Tlicho Road funding & construction	NWT, Canada
	NWT Slave geological province road funding	NWT, Canada
	Provide cheaper hydropower	NWT
<b>Assist Explorers</b>	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
<b>Raise Public Awareness &amp; Support</b>	Raise mining awareness & opportunity with public and school curriculum	NWT
	NWT Regional Mineral Development Strategies	NWT
	Prospector, geoscience & mine training funding	NWT
<b>Marketing</b>	"Unlocking Our Potential" investor messaging	NWT
	Indigenous government marketing at investment conferences	NWT



# 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

# 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

The image displays two overlapping news website screenshots. The background screenshot is from 'The Canadian Business Journal' (CBJ), dated December 2018. The headline reads: 'CORNWALL COUNCIL PROPOSAL TO INVEST £1M INTO STRONGBOW RECEIVES CABINET SUPPORT'. The article text states that Cornwall Council has voted unanimously in favor of a proposed £1M investment into Strongbow Exploration Inc. (TSX-V: SBW). The article is attributed to Richard Williams, Strongbow CEO, who stated, 'We would like to thank Cornwall Council for its ongoing support of...'. The foreground screenshot is from 'Global News', dated December 14, 2018, at 1:41 am. The headline reads: 'Calgary city council wades into pipeline debate'. The article is by Adam MacVicar, a Digital Journalist at Global News. Below the headline is a video player showing a man speaking at a podium. A caption below the video reads: 'Calgary city council vocal in supporting Alberta oil'. A text box below the video states: 'WATCH ABOVE: Calgary city council is getting vocal in the debate over pipelines. Each councillor is releasing a video outlining their support for the province's oil and gas sector, but can the city make a difference in how Alberta is viewed in the rest of the...'

- 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

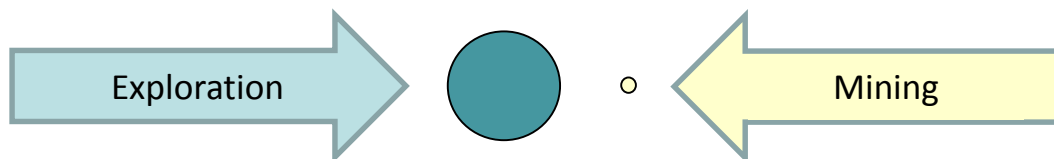
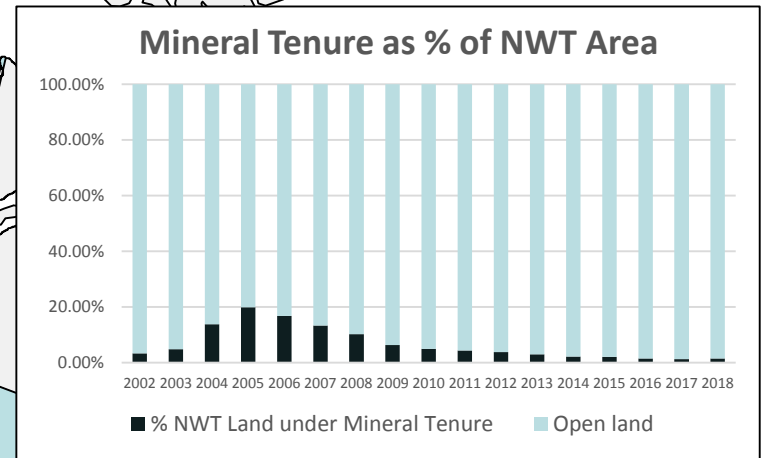
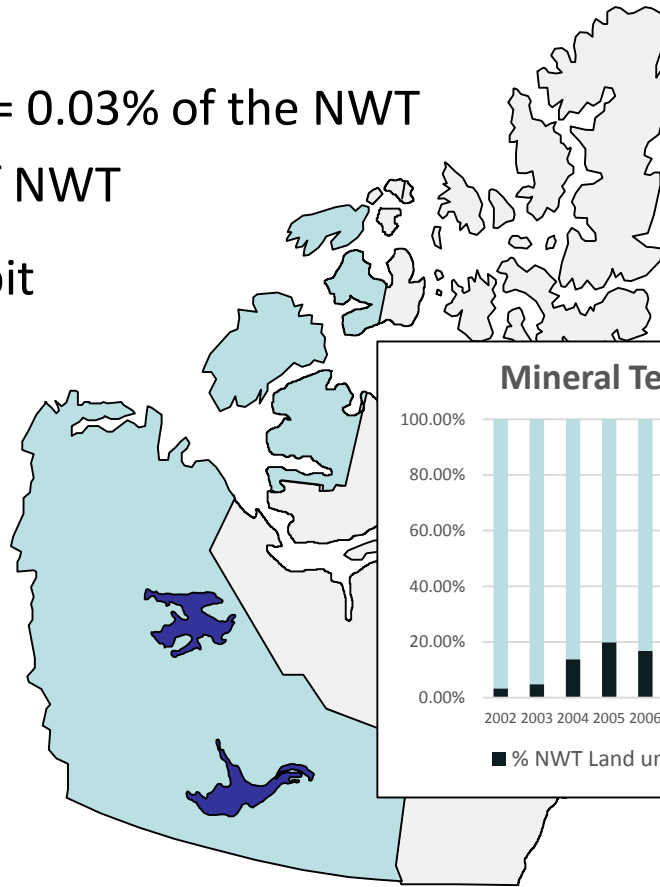
– It's not your father's or your grandfather's industry –

- 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

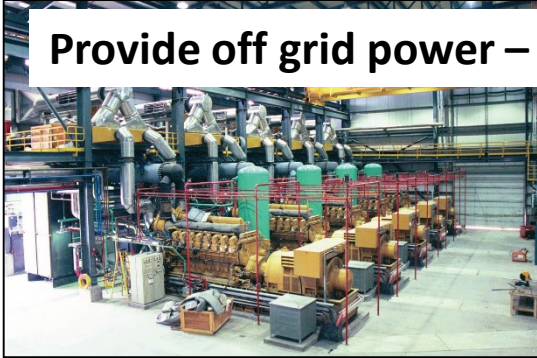
- All mines, past and present = 0.03% of the NWT
- Current mines = ~ 0.005% of NWT
- Exploration requires a wee bit more land, but virtually negligible footprint
  - In 2005, about 20% of NWT was under mineral tenure
  - By 2018, mineral tenure had fallen drastically to about 1.5% as investors pulled out. ☹️



Note, circles are not to scale, rather intended to show the concept

# Today, mines supply their own costly infrastructure

**Provide off grid power – diesel, wind**



**Buy & Store Annual Inventories**



**Build Roads – seasonal, all weather**



**Provide Room & Board**



**Build Sea Ports and Air Ports**



**\$!**



# 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, hydro-power 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