



NWT Mining – After Devolution

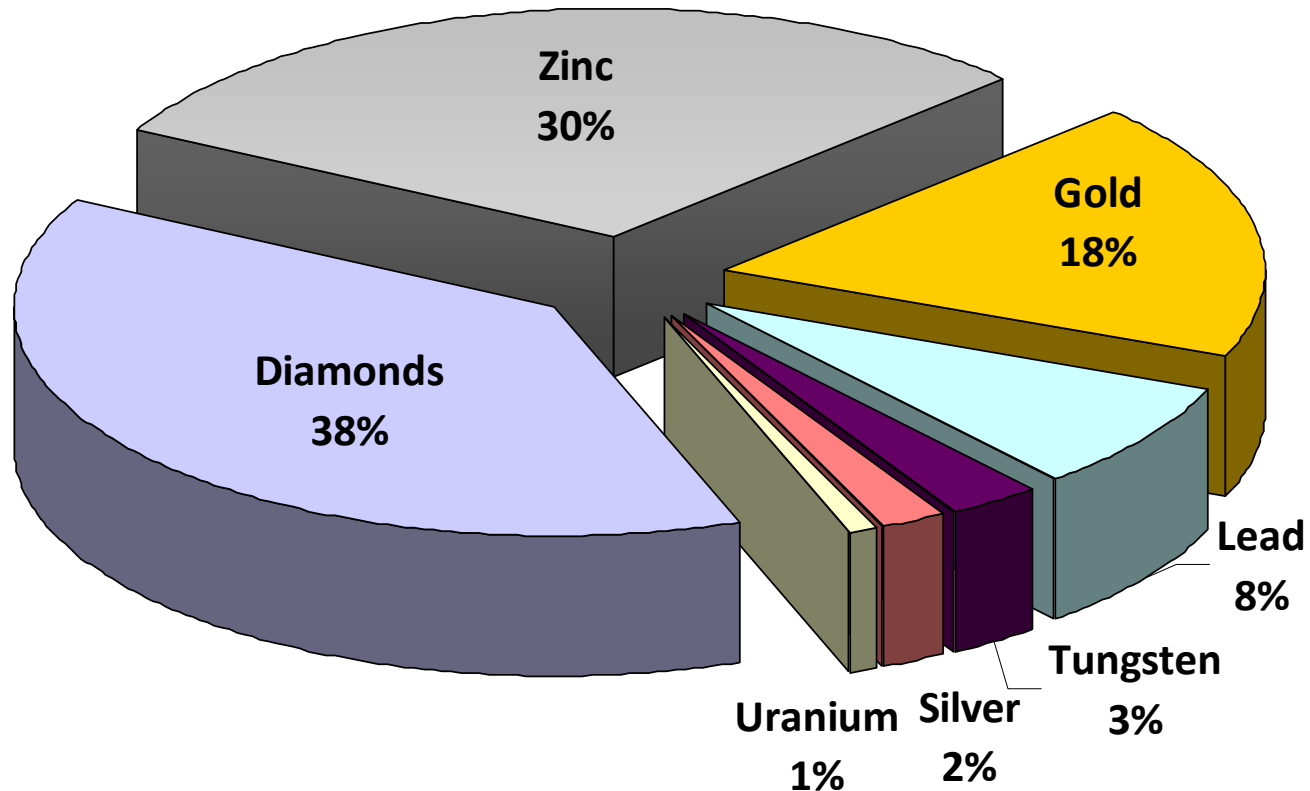
NWT Chamber of Commerce Annual General Meeting
Tom Hofer: April 10, 2014

Key Messages

- Mining has been good for us
- After Devolution more mining will be needed
- Actions are needed to support mining and to make it even more beneficial
- We are on the right path

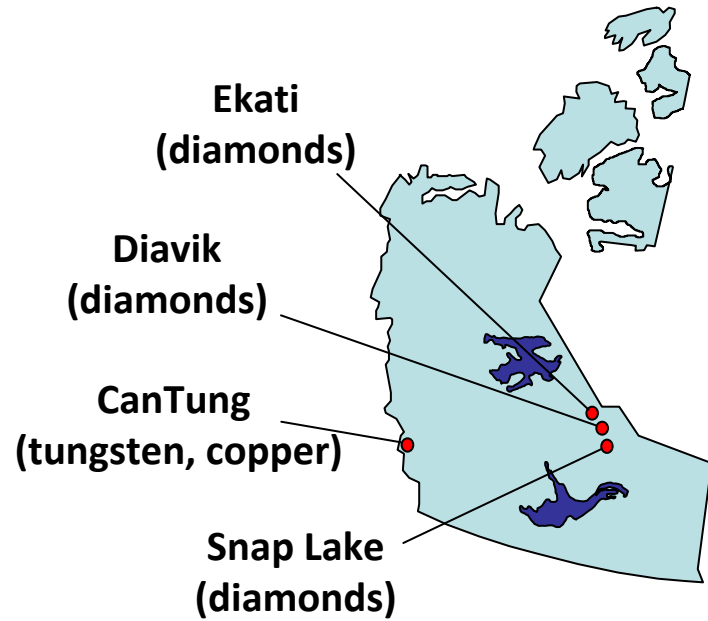
Mining has been good to us

– Over C\$60 billion since 1932 –



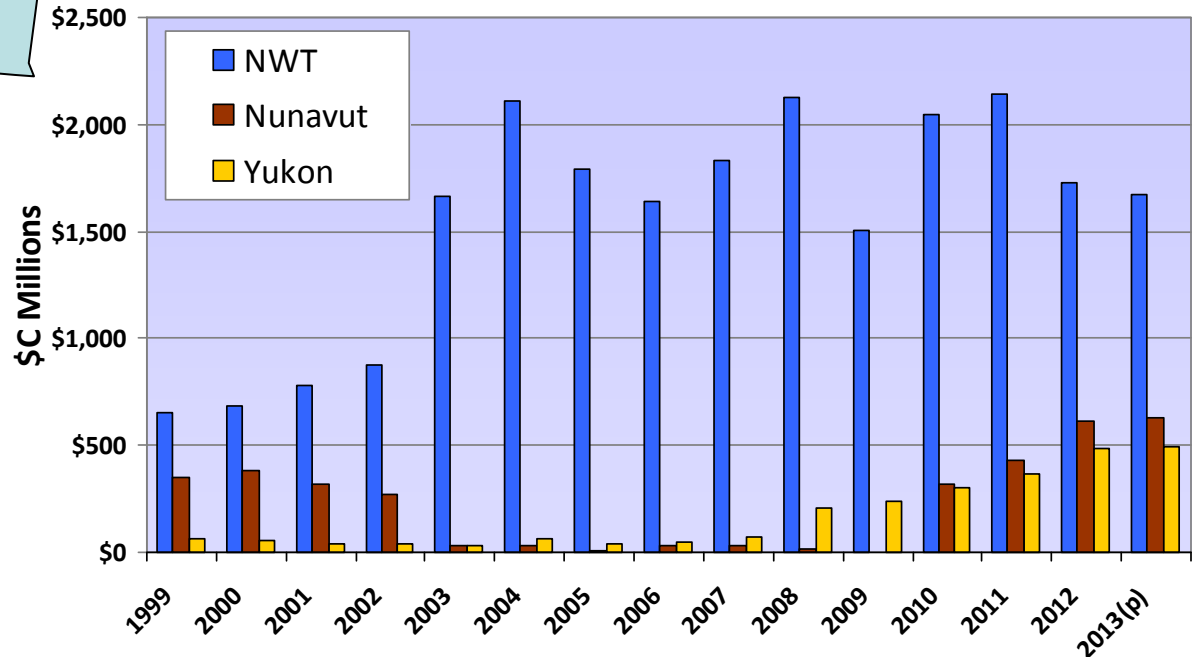
Current & Past Producing Mines: Ekati • Diavik • Snap Lake • Meadowbank • Con • Giant • Lupin • Polaris • Nanisivik • Pine Point • Cantung • Discovery • Rankin Nickel • Rayrock • Outpost Island • Supercrest • Eldorado • Ruth • Terra • Norex • Silver Bay • Colomac • Tundra • Camlaren • Contact Lake • Ptarmigan • Tom • Mon • Cullaton Lake • Salmita • Hope Bay • Negus • Thompson-Lundmark • Rich • El Bonanza • Rycon • Bullmoose

Our 4 mines create huge value

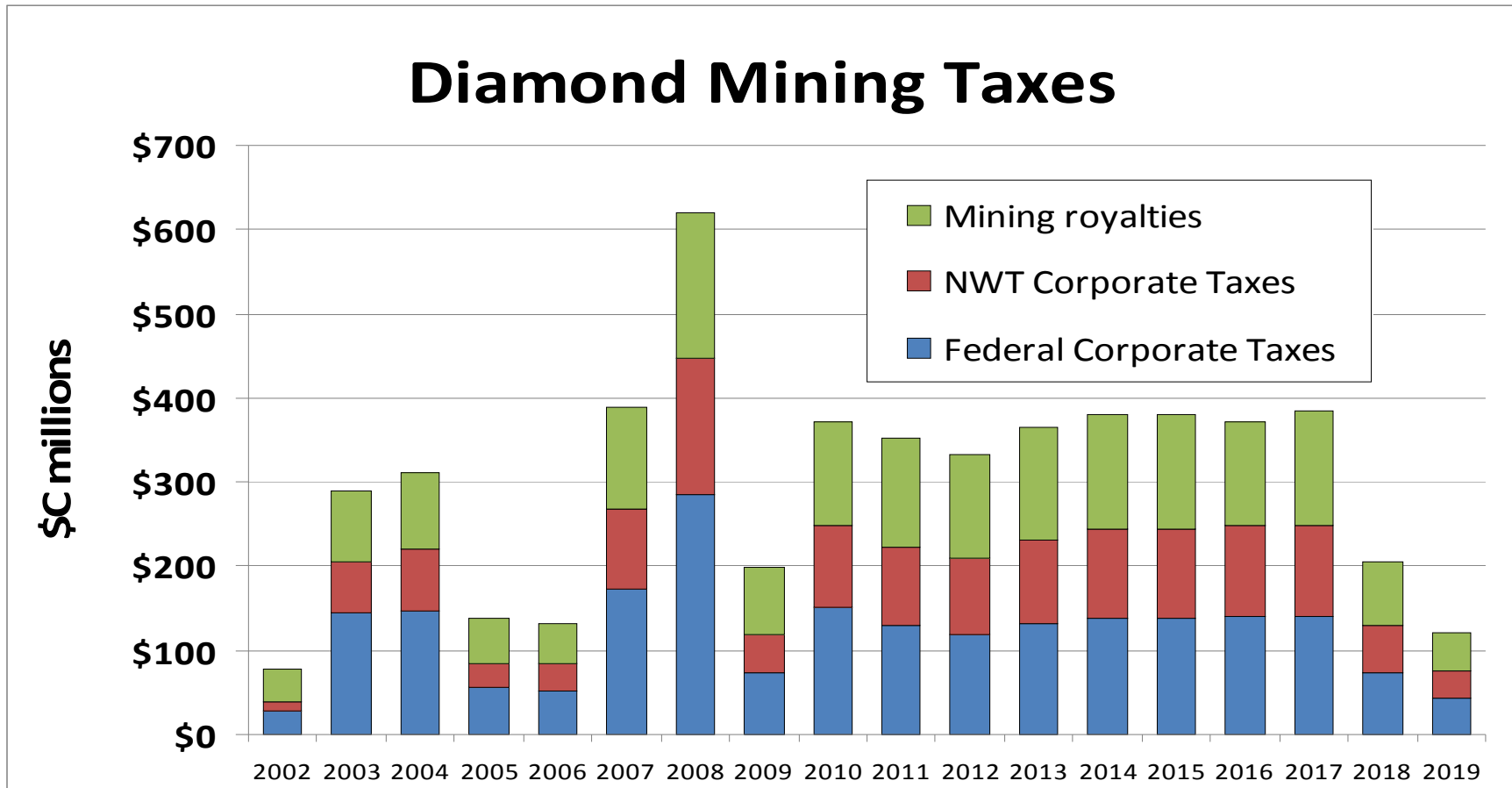


- 2013 diamond production - \$1.56b
 - Total diamond production - \$22b
- Plus tungsten & copper

Northwest Territories Mineral Production



Our mines pay significant taxes



Source: GNWT – ITI Economic Model

- **AND THAT'S NOT ALL!**
- Additional taxes include payroll, income taxes, fuel & property taxes
- Help pay for schools, hospitals, highways, social services, and more



Our royalties are shared with Aboriginal groups

- **Diamond royalties shared with settled claim areas since 2001:**

– Gwich'in – \$11 million

– Sahtu – \$10.8 million

– Tli Cho – \$12.8 million

Over \$34 million

- **Devolution promises additional royalty sharing**

Mining has contributed to Infrastructure

- Highways, eg, to Yellowknife, Pine Point & Ft. Resolution
- Railway (to Hay River & Pine Point)
- All 3 NWT hydro-electric facilities
- Microwave communications
- Ports (at Nanisivik and Polaris)



Mines are technologically innovative

- High efficiency diesel power
- Innovative wind energy
- Dikes
- Ice roads



Heat recovery on diesel powerplants



Diavik's wind turbines



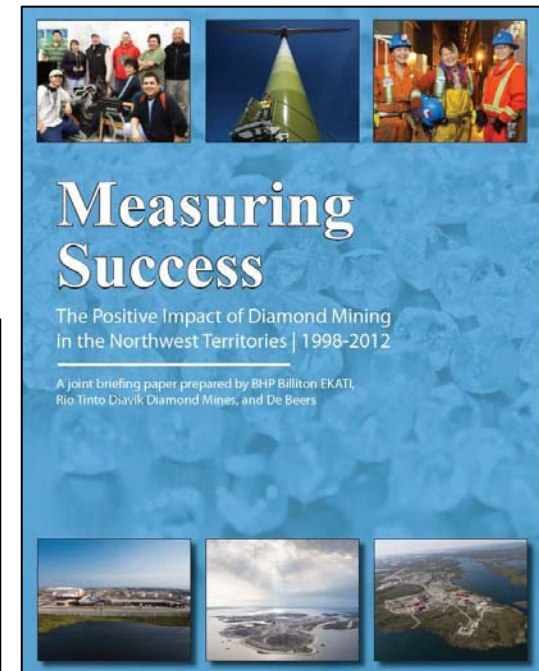
National award winning Diavik dikes



Engineered ice road "highways"

Our mines create significant benefits

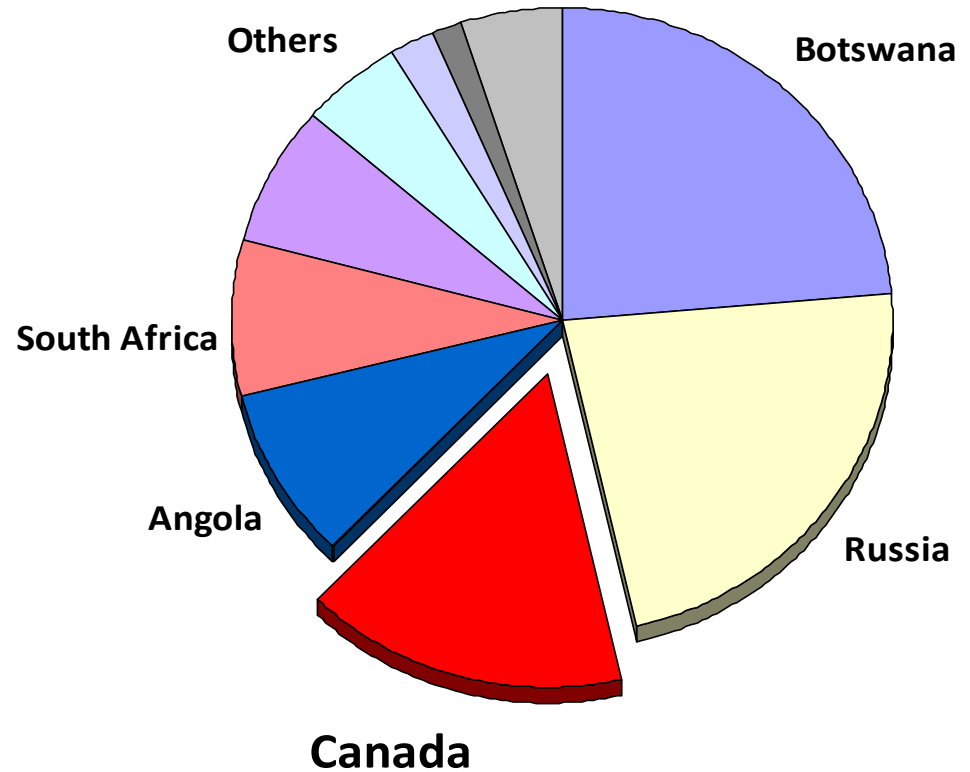
- 1998 – 2012: diamond mines exceeded expectations
 - 19,000 person years northern jobs – 50% Aboriginal
 - Over \$9.3 billion northern business - \$4 billion Aboriginal
- Significant training investment
- \$100 million plus to communities
- \$ millions in scholarships



Our mines put us on the world stage

2012 Diamond Production Value (\$US)

- The Northwest Territories is the world's 3rd most valuable diamond producer

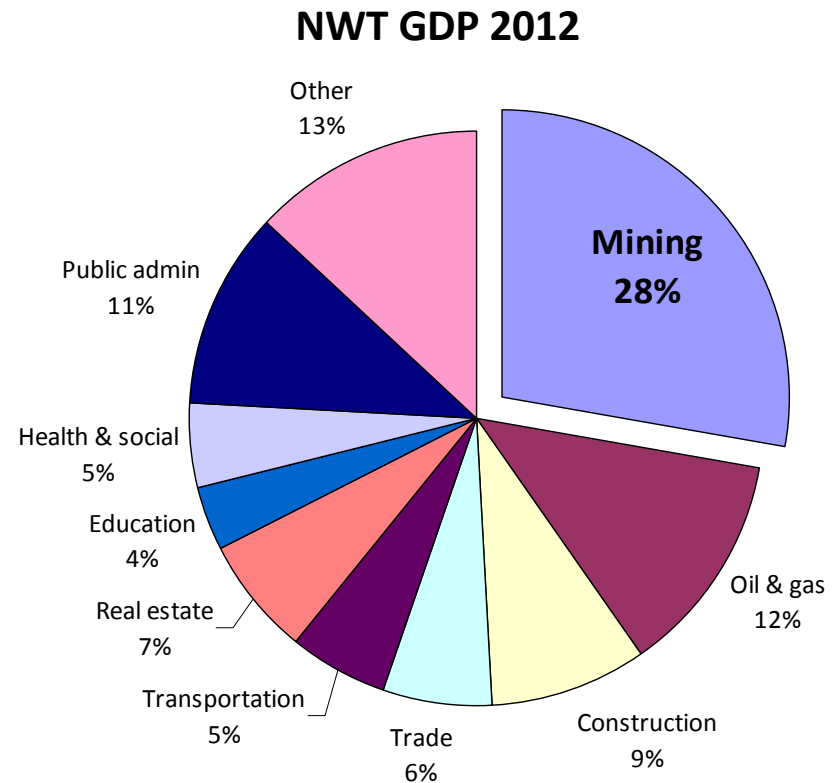


Our largest private sector GDP contributor

- NWT Mining's direct economic contribution exceeds all other private sectors

AND ...

- contributes indirectly to other sectors, eg, real estate, transportation and construction



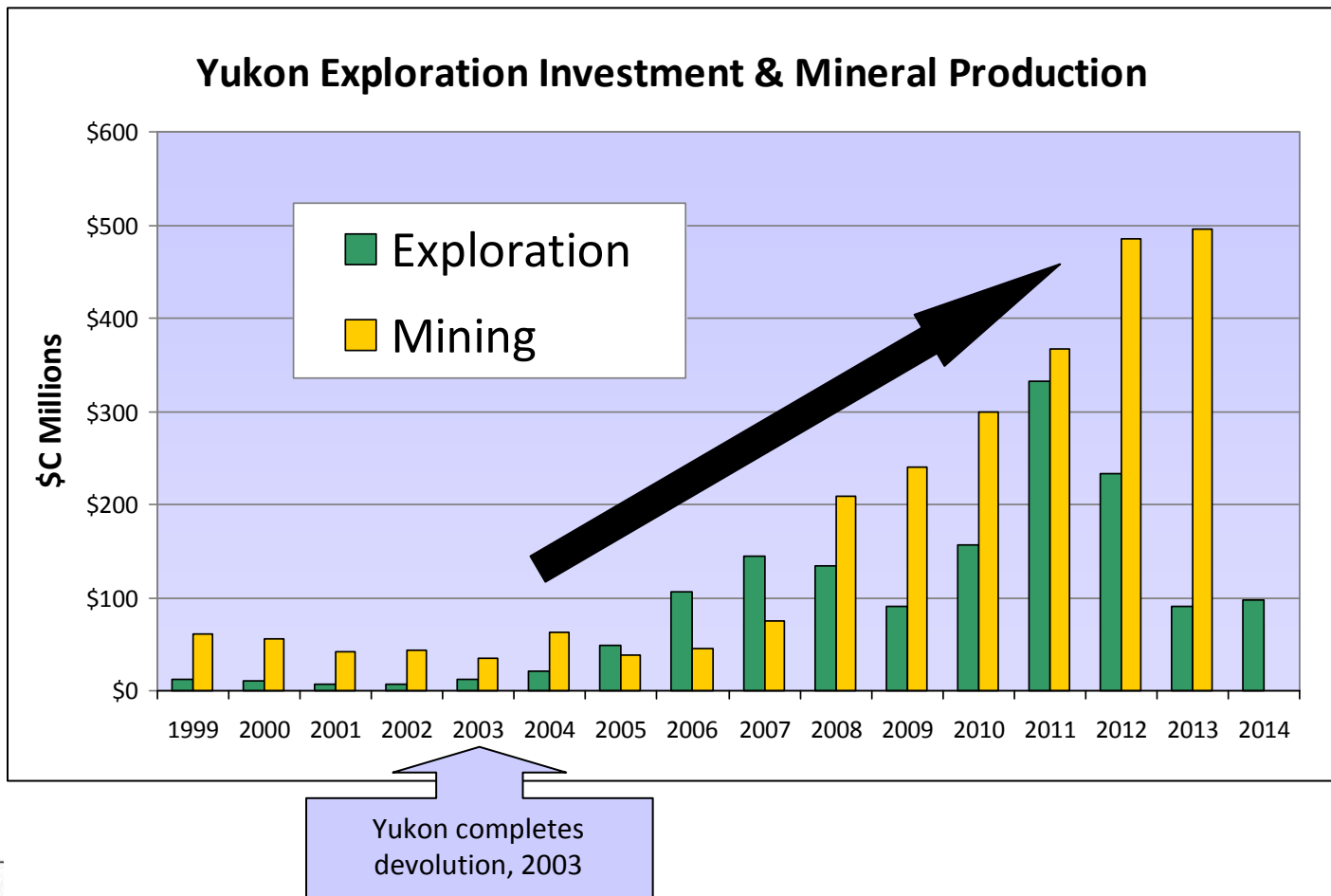
AFTER Devolution – more mining needed

- Devolution means more independence and increased self-reliance
- We are now more responsible for our future
- We can generate our own wealth & improvements
- We have the tools
 - a new regulatory environment
 - robust financials
 - tremendous resource potential

ALL
GROWN
UP

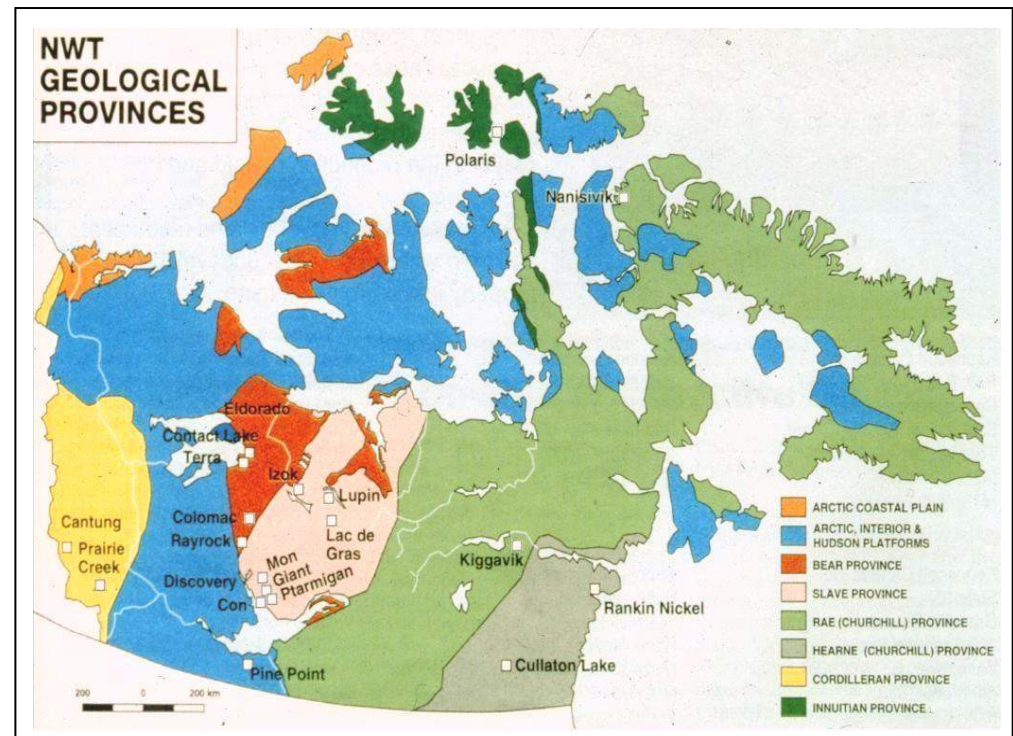
After Devolution – Yukon mining

- Yukon investment and production increased
- No accident – resource development pays the bills

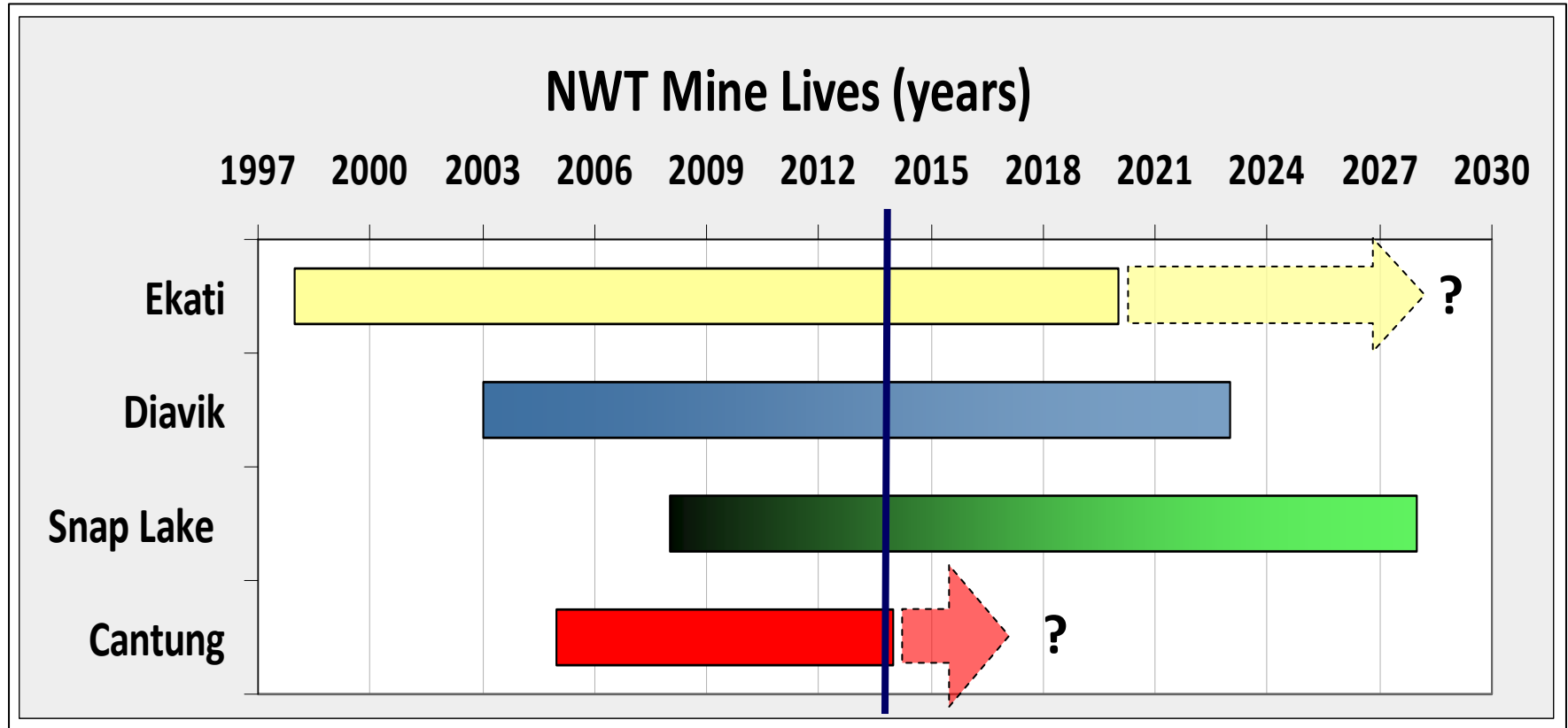


Do we still have mining opportunity? YES!

- Tremendous untapped mineral potential
- 8 geological provinces
- Diverse mineralogy
 - Gold, silver, diamonds, lead, zinc, uranium, tungsten, rare earths, cobalt, bismuth, nickel, copper, etc.
- Under-mapped & under-explored equals opportunity

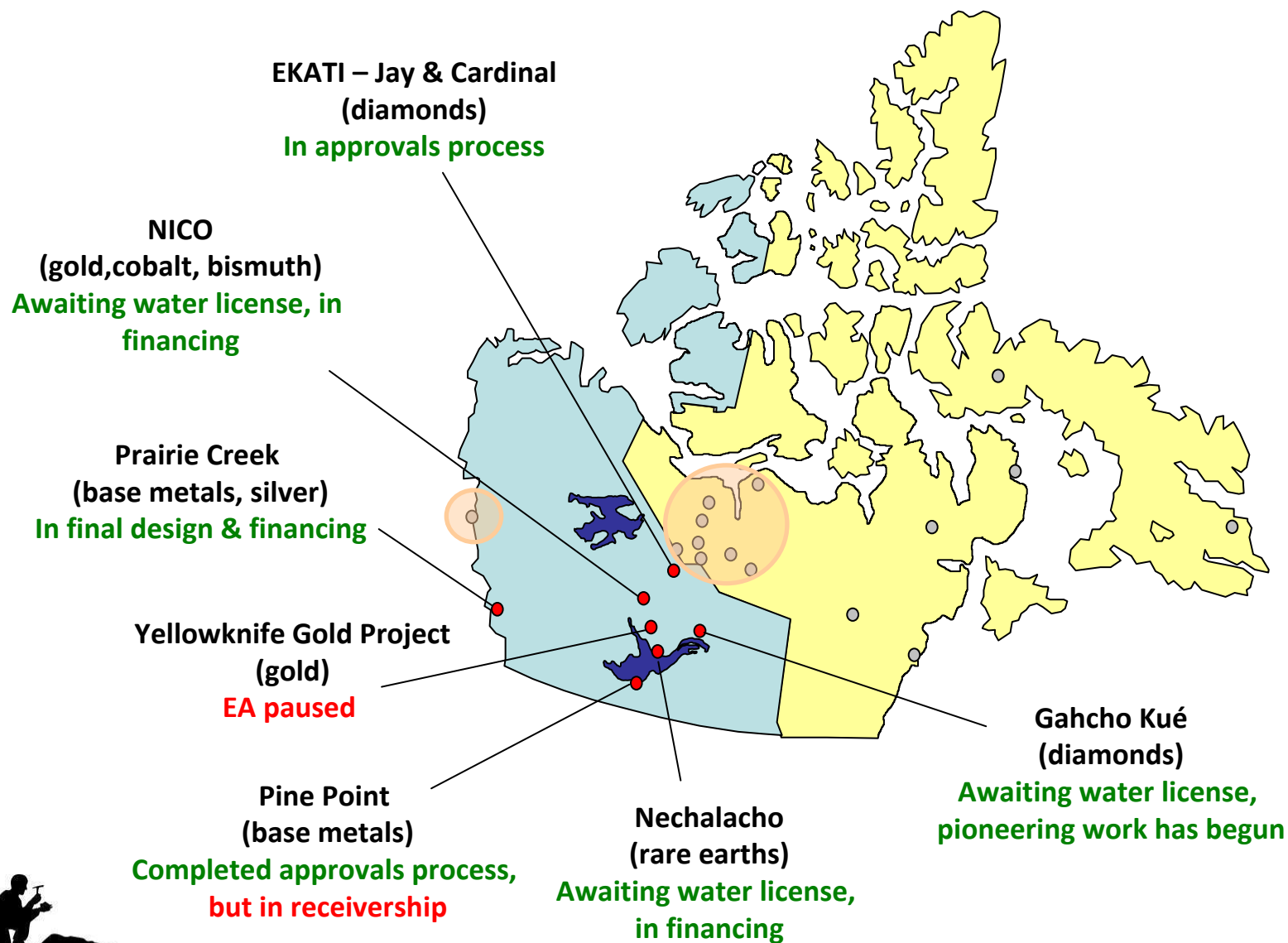


Mines don't last forever



- New mines take time to find
- We need to be looking for and developing new opportunities to sustain mining benefits

We have mining opportunities before us



What new opportunity looks like – Gahcho Kué

- Pioneering work has begun
 - 770 truckloads over ice road – 150 workers on site
 - First production on schedule for Q3 2016
- Robust economics
 - Capital costs – \$859 m / Annual operating costs – \$218 m
 - Average annual production 4.45 million carats @ \$150/ct
 - Mine life of 12 years; First production Q3 2016



Frankly, we need more projects

Mining Project Name (Operator)	Commodity	Expected Jobs
NICO (Fortune Minerals)	Gold, Copper, Cobalt, Bismuth	150
Nechalacho (Avalon Rare Metals)	Rare Earth Metals	286
Prairie Creek (Canadian Zinc)	Silver, Zinc, Lead, Copper	220
Gahcho Kué (De Beers, Mtn. Province)	Diamonds	380
		TOTAL JOBS
		~ 1,036
EKATI Mine (closes in 2020)	Diamonds	TOTAL JOBS
		± 1,400

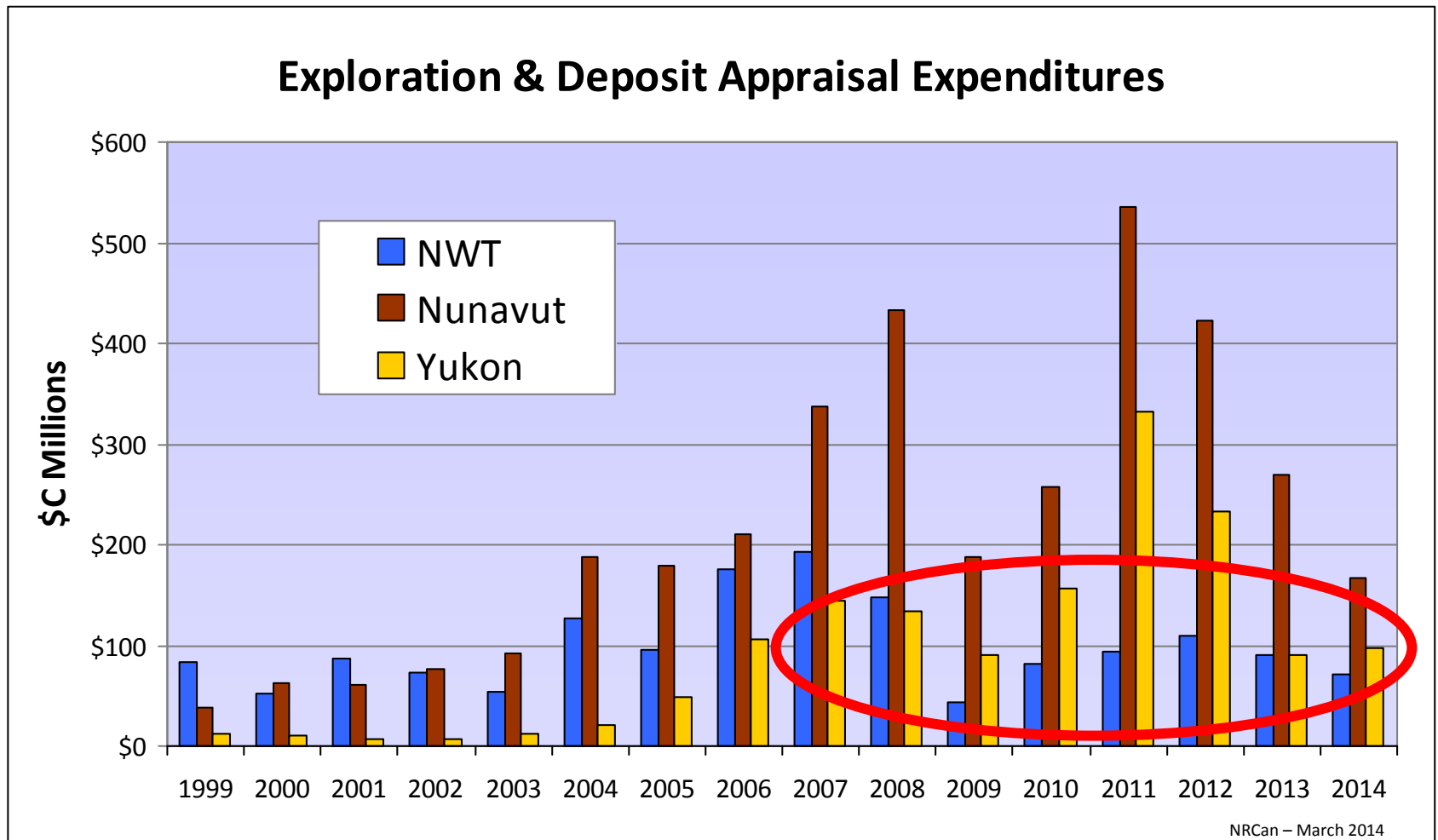
- 4 leading projects are not enough to displace the loss of EKATI
- Sustaining EKATI will be important

Support new mines, yes ... but help sustain what you already have too, ie, EKATI

- EKATI is an economic anchor of the economy
 - 10% of the NWT's GDP
 - Approximately 1,400 workers
 - With a plan to extend mine life by 10-20 years

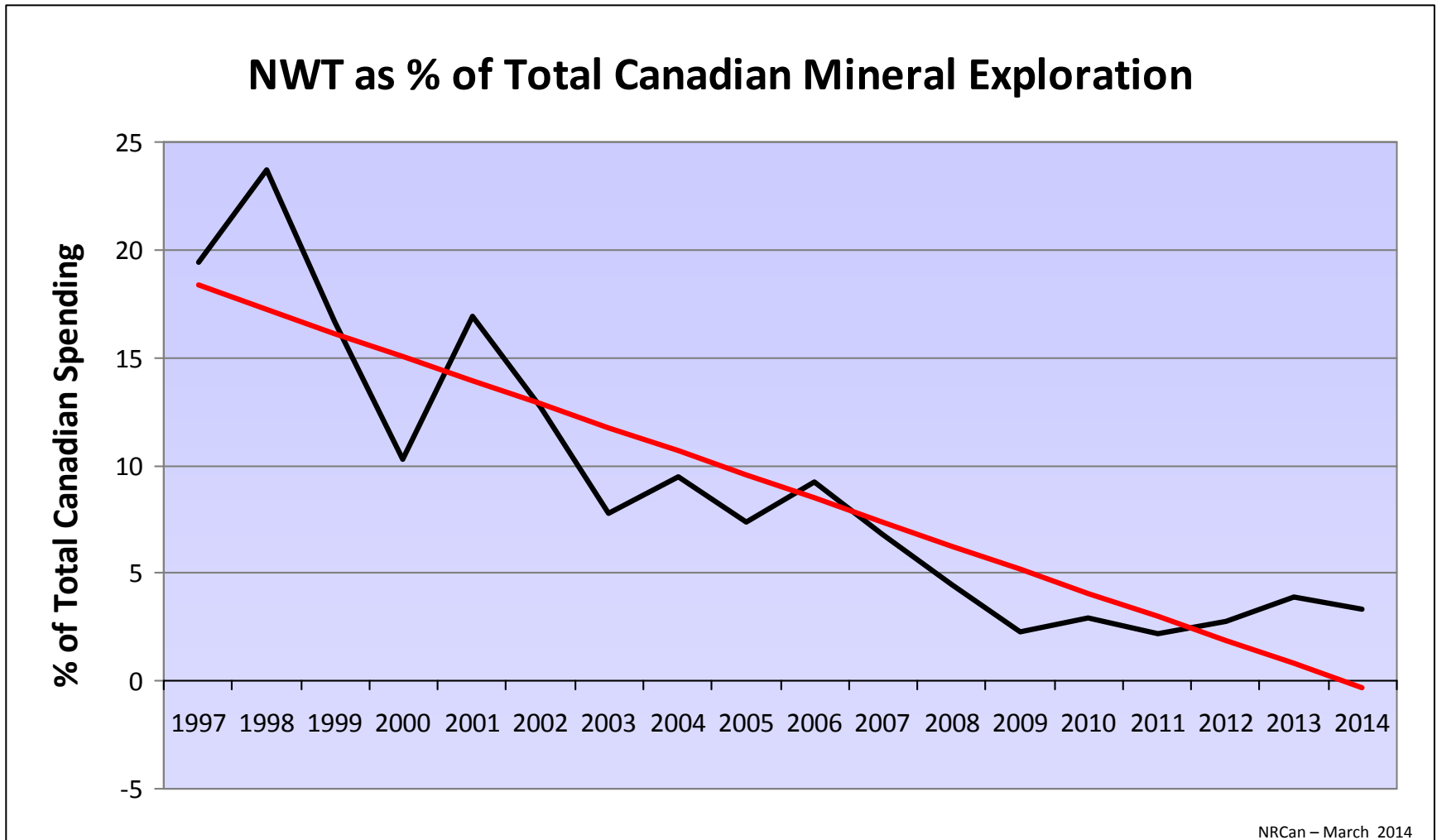


Mining growth also requires healthy exploration



- Investment uncertainty has chased away \$ millions in investment, jobs & business.

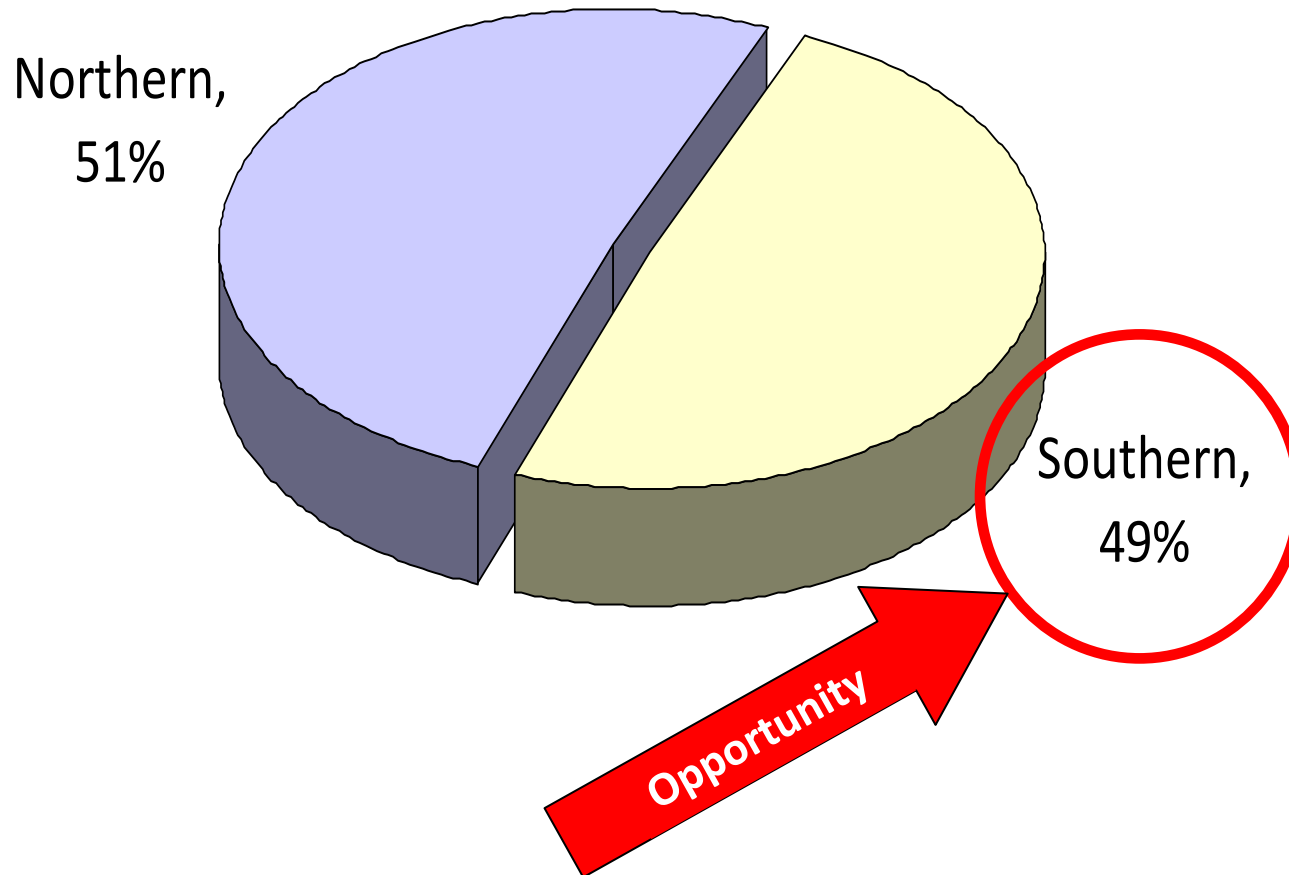
NWT Exploration Share



- Our share of total exploration has been in decline for some time.
- **We need strong, renewed efforts to bring investment back**

We also need to capture more benefits

Total Diamond Mine Workforce



How do we all this: grow mining AND capture more benefits?

- Reduce investment uncertainty
- Reduce costs to industry and to Northern residents
- Increase northern resident labour capacity
- Market a “new and improved NWT”

Reduce investment uncertainty

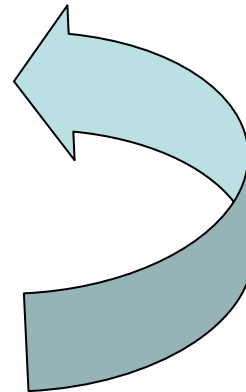
- New MVRMA brings good legislative changes, but doesn't address all the uncertainty
 - Unwarranted EA referrals in unsettled regions
 - Lack of EA proportionality
 - Total timeframe for environmental reviews
 - Absence of interim guidance on Aboriginal consultation obligations
 - Cost recovery requirements in an already costly jurisdiction
- Resolve unsettled land claim issues
 - Settle land claims – particularly Akaitcho, a very mineral rich region, but other claims too
 - Work with unsettled claim regions to address uncertainty

Reduce costs to industry & residents

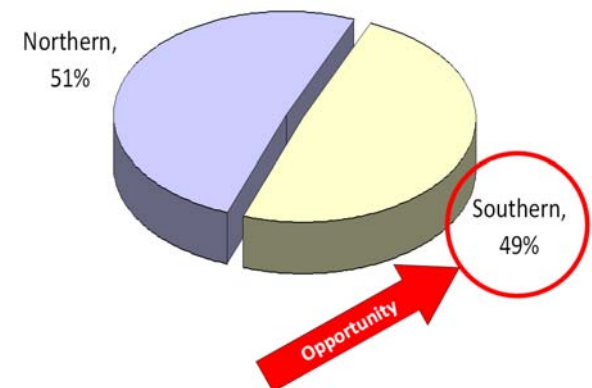
- Reduce the cost of business for industry
 - Build infrastructure, eg, cheaper power, roads
 - Reduce labour costs
 - Provide exploration enablers, eg, geoscience, financial
- Reduce the cost of living for Northerners
 - Provide cheaper power
 - Reduce the freight cost premiums
 - Increase incentives – Northern Residents Tax Deduction

Increase northern resident labour capacity

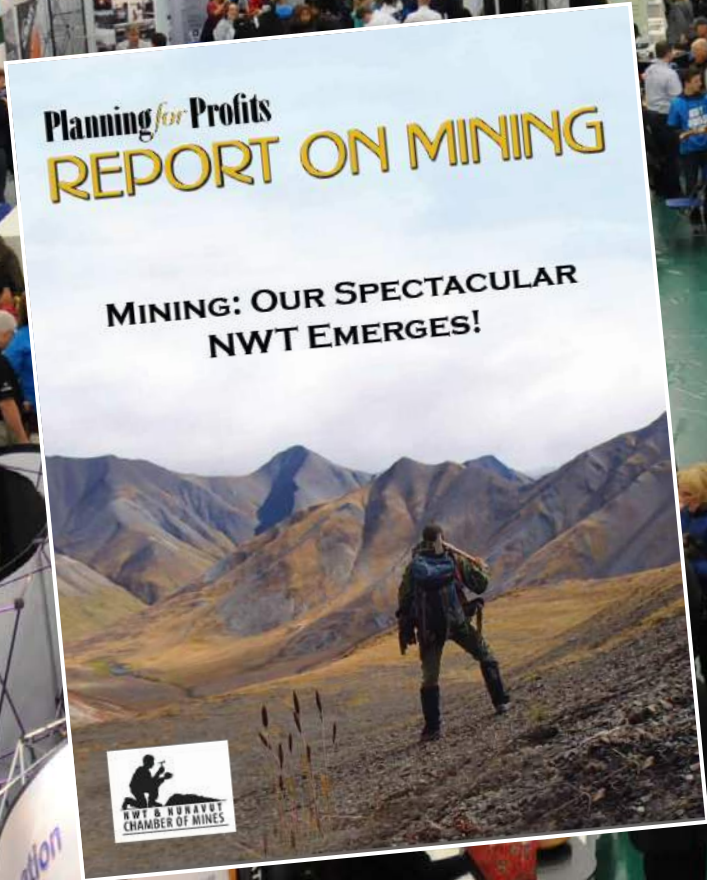
- Invest in Northerners
 - Increase education success
 - Invest in training
 - Retain them in the NWT
- Attract southern workers
 - Reduce the cost of living
 - Tax & other incentives



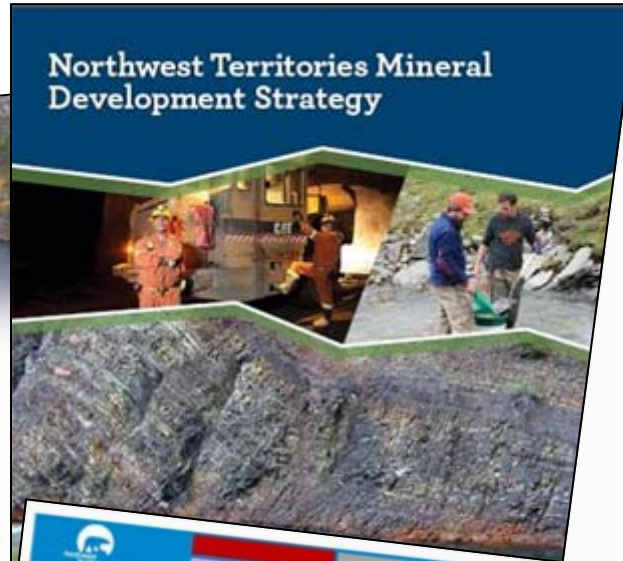
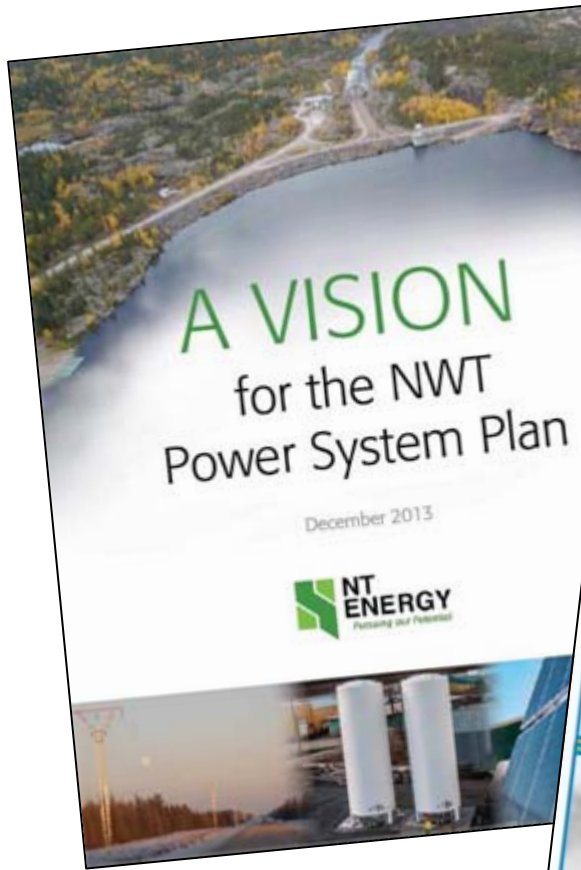
Total Diamond Mine Workforce



Market like crazy!



We are on the right path



Conclusion

- Mining has been good for us
- After Devolution more mining will be needed
- Mining can be even better for us
- We need to take actions to make it so
- **People are counting on us!**

