



***Update: Mining and Exploration in the NT & NU
...plus
Mounting an attack on the bogeyman***

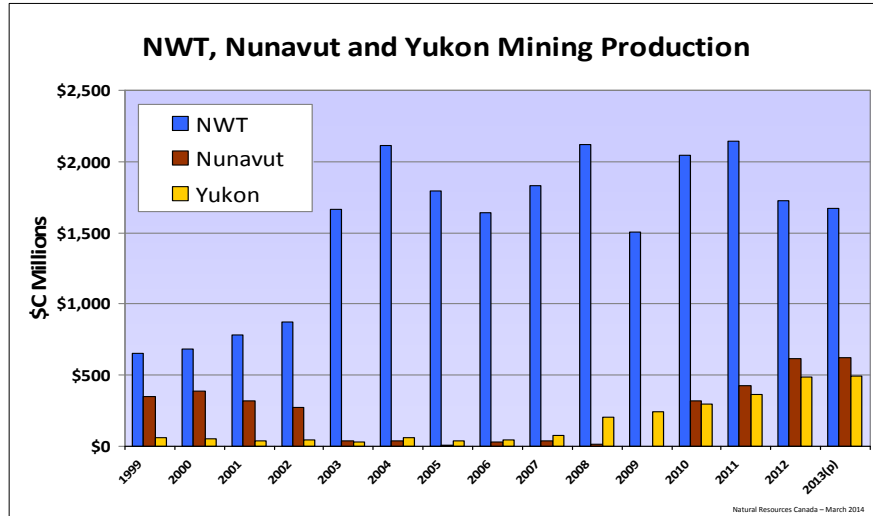
NAPEG Professional Development Conference – *Navigating our Evolving North*
Tom Hoefer: May 16, 2014

Key Messages

- Mining continues to be healthy,
- Advanced projects are advancing, but ...
- The marketplace is challenging us.
- Why we need more mining – consequences
- We must kill the bogeyman



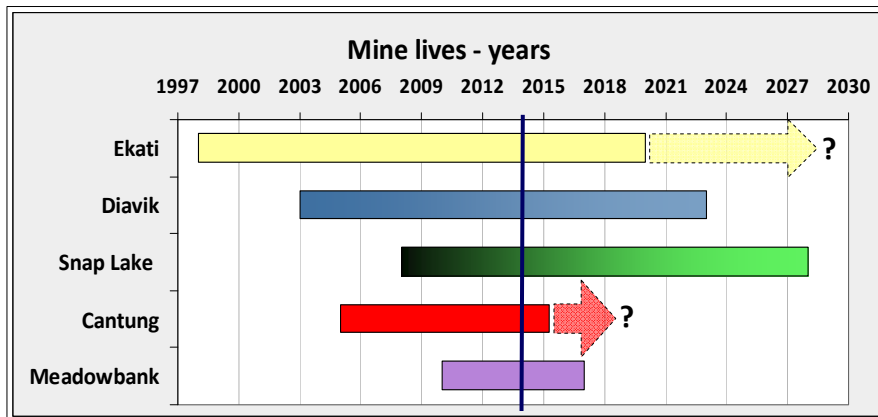
Mining production today



- NWT 2013 diamond, tungsten & copper production - \$1,663 million
- Nunavut gold & silver production - \$627 million

3

Current mine lives



- Mine lives generally healthy, with some options to sustain
- Ekati has been extended to 2020 under Dominion Diamonds.

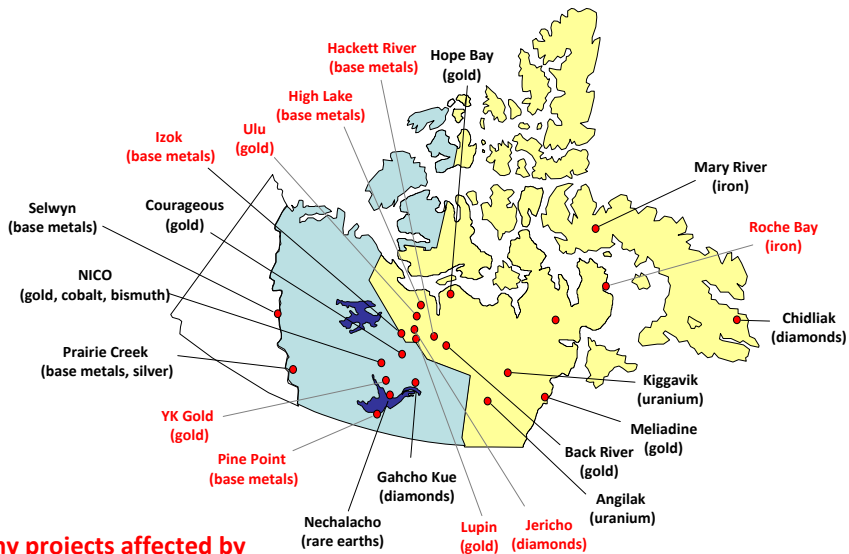
4

Sustaining what we already have – EKATI

- EKATI is an economic anchor of the economy
 - A significant contributor to the NWT's GDP
 - Approximately 1,400 workers
 - New owner, Dominion Diamonds is proposing a plan to extend the mine life by 10-20 years



Advanced projects advancing, but ...



Many projects affected by market challenges

Pioneering work NWT – 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



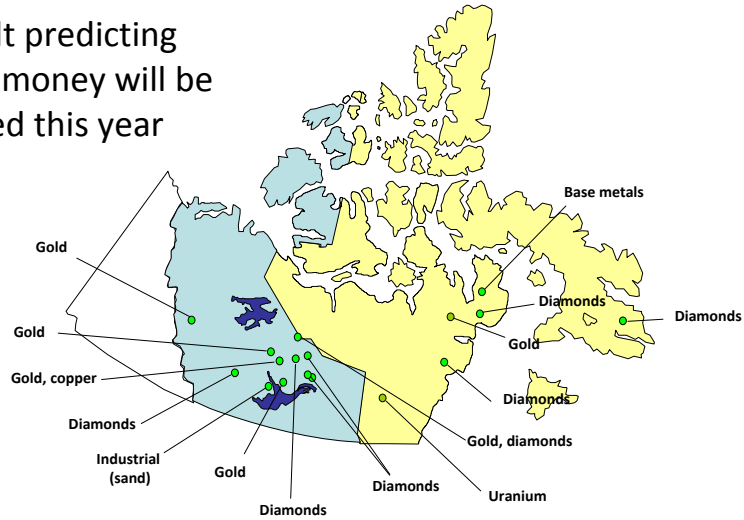
Pioneering work – Mary River, NU

- Marine sealift of fuel, dry cargo, equipment
- Weekly jet service to site
- Construction activities at port and mine site
- First ore production from early revenue phase planned for 2015-



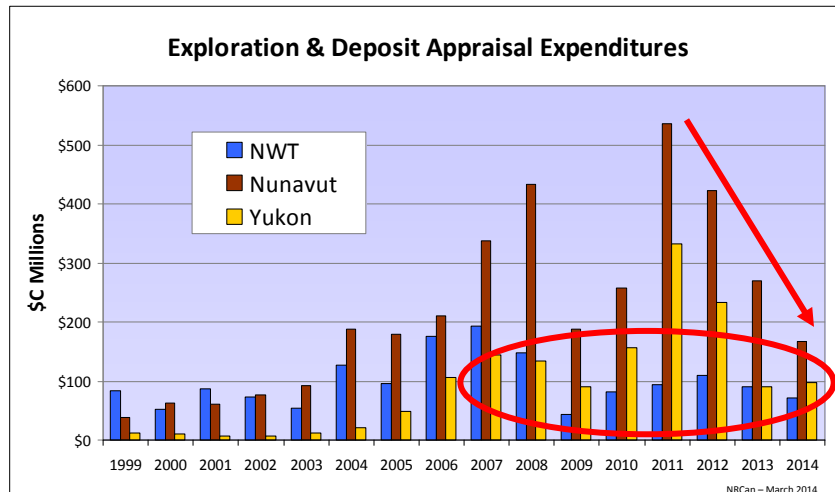
2013 NWT Grassroots Exploration

- Difficult predicting where money will be invested this year



9

Exploration is not what it should be



- NWT Investment uncertainty has chased away \$ millions
- Global markets now soft and affecting everyone

10

Why we need more mining

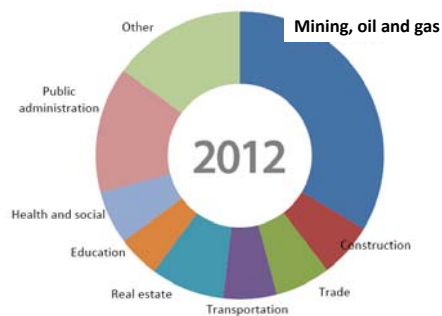
- At least 3 good reasons:
 - We don't have many other economic options
 - It generates the kind of money needed to pay the bills
 - It makes idle hands busy creating personal success



11

Good reason #1: what are our options?

- Forestry? Fishing? Farming? Ranching? Tourism? Manufacturing? Fur harvesting?
- Non-renewable resources and their support industries dominate the GDP – they are the economic “heavy hitters” and our economic strength
- Or do we rely on the government welfare cheque?



Good Reason #2: increased self reliance

- Devolution means more independence and increased self-reliance
- We are now more responsible for our future wealth
- We have the tools to do so:
 - a new regulatory environment
 - robust financials
 - tremendous resource potential
- Mining, oil and gas will help pay the bills

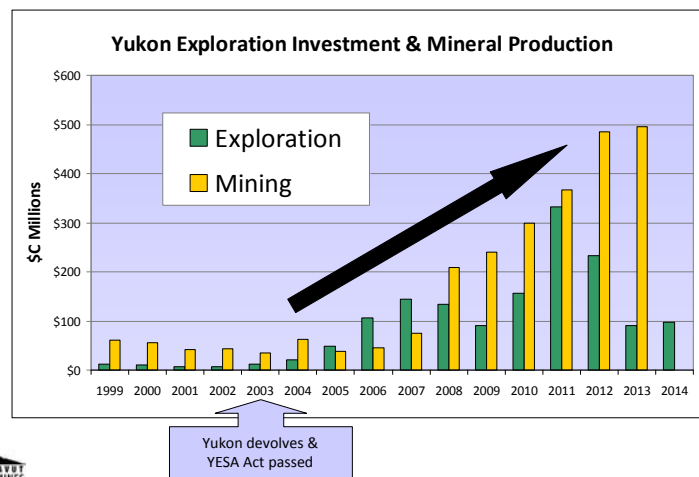
ALL
GROWN
UP



13

Witness the Yukon after Devolution

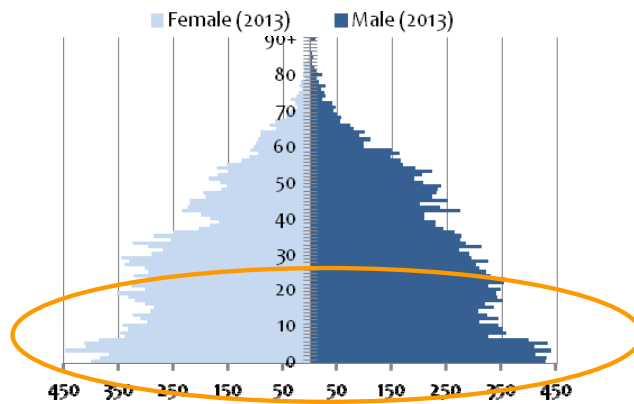
- Yukon investment and production increased post devolution



14

Good reason #3: addressing the need

Distribution of Nunavut Population, By Single Age Cohort, 2013



- Nunavut's Baby Boom demands employment opportunities – a ticking time bomb

15

But wait, there's more ...

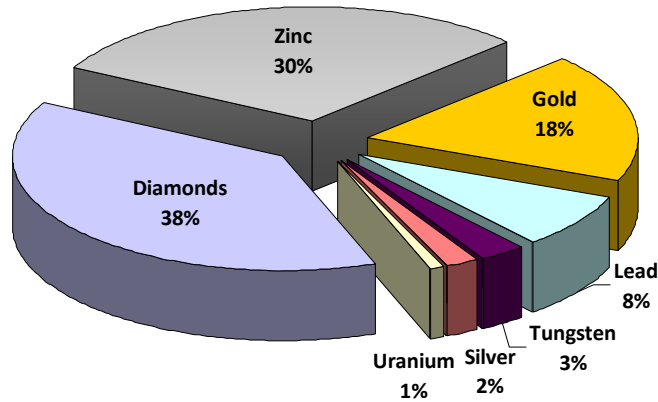
- Many Positive Consequences of Mining



16

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

Mining can help supply 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)



Mining brings new Technology

- 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"



NUNAVUT
CHAMBER OF MINES

A major consequence: "people success"

- Over 19,000 person years of new diamond jobs
- Significant training investment
- \$100 million plus to communities
- \$ millions in scholarships, donations
- Nunavut's gold mine is providing similar benefits



NUNAVUT
CHAMBER OF MINES

A brand new generation of Business Capacity

- Diamond expenditures: Over \$9.3 billion northern business - \$4 billion Aboriginal

- Many new Aboriginal mining contractors in past 15 years

- | | | |
|---|---|--|
| <ul style="list-style-type: none"> • Tli Cho Logistics • Tli Cho Landran • Tli Cho Cement • Tli Cho Air • Tli Cho Road Constructors • Denesoline Western Explosives • MetCoP • Tli Cho Orica Explosives • Kete Whil Ltd. • Kete Whil Procon • Sodexo Alliance • Exploration Medical Services • Kitikmeot Cementation • Lac De Gras Constructors • Nishi Khan SNC Lavalin Inc. • North Slave Logistics • Nuna Logistics • SecureCheck • Lac De Gras Constructors • Nishi Khan / SNC Lavalin Inc. • Ekati Services • IGD Management Services Ltd. | <ul style="list-style-type: none"> • DetOn Cho Earth Energy • DetOn Cho DNX • Bossna Whee • DetOn Cho EORCO • DetOn Cho HATCO • DetOn Cho H ahawil Construction • DetOn Cho New North • DetOn Cho NUNA • DetOn Cho Pure Earth Elements Environmental Solutions • DetOn Cho Scarlet Security • DetOn Cho Startees • DetOn Cho Training and Conference Centre • DetOn Cho Logistics • DetOn Cho Medic North • DetOn Cho Mining supplies • DICAN / ADG • Kete Whil / Ledcor • Kete Whil / Procon | <ul style="list-style-type: none"> • Akaitcho Helicopters • Dene-Emso Ltd. • Denesoline/Aboriginal Engineering Ltd. • Denesoline/Air Tindi Joint Venture • Denesoline/Azcon Constructio • Denesoline/De Beers Labour Contract • Denesoline/Discovery Mining Services - Logistics Expediting • Denesoline/DetOn Cho/Procon • Denesoline/DetOn Cho/Ledcor • Denesoline/Dyno Nobel • Denesoline/ESS Compass • Denesoline/McCaw Drilling and Blasting • Denesoline/Nuna Logistics • Denesoline/TiCho Logistics • Lutsel K'e Air Services • A.T.B. Construction • Trinky Helicopters |
|---|---|--|



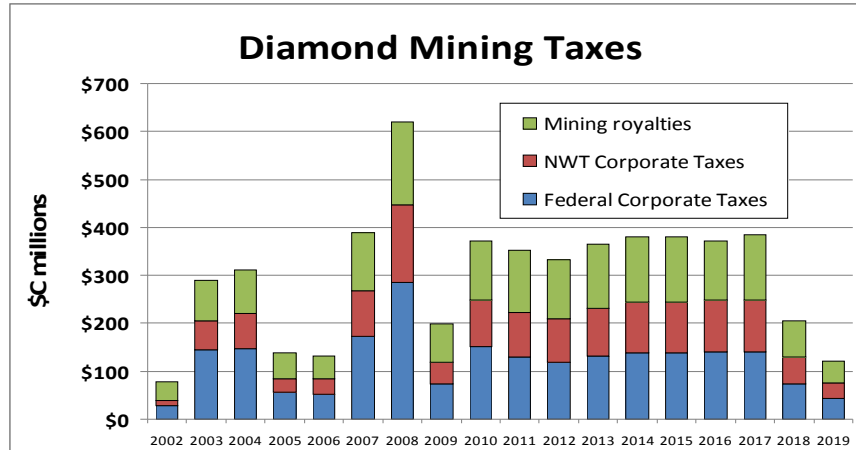
Nunavut Business Opportunities growing too

Selection of Inuit companies supporting the mining & exploration industry in Nunavut

- | | |
|---|--|
| <ul style="list-style-type: none"> • Peter's Expediting • Jago Services • Qillaq Innovations • Toromont Arctic • Kitnuna • Kivalliq Expediting & Storage • Oomilik Enterprises • Akhaliak Consulting • Kitikmeot Cementation Mining & Development • Kitikmeot Blasting Services • Qillaq Innovations | <ul style="list-style-type: none"> • Baker Lake Contracting & Supply • Forest North Aviation & Logistics • Eskimo Point Lumber & Supply • M & T Enterprises • Kiluk Ltd. • Kusugak Consulting • Qikiqtani Industry Ltd. • Nuna Group of Companies • AGLU Consulting & Training • Kasuk Exploration • Kitikmeot Caterers Ltd. • Medic North Nunavut |
|---|--|



Our mines pay significant taxes

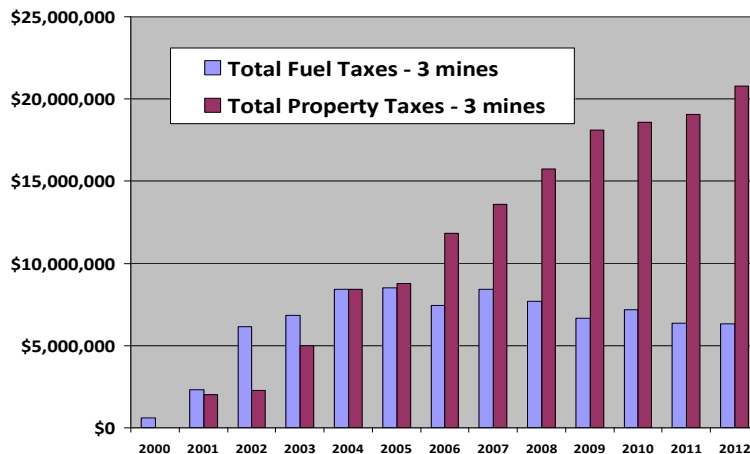


- **AND THAT'S NOT ALL!**
- Additional taxes include payroll, income taxes, fuel & property taxes
- Help pay for schools, hospitals, highways, social services, and more



23

Diamond mines pay Fuel and property taxes too!



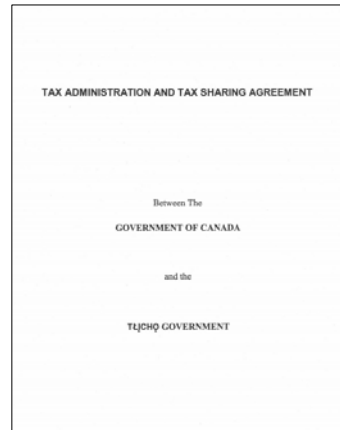
- \$144 million in property taxes to 2012
- \$83 million in fuel taxes
- Double that to the end of mine lives



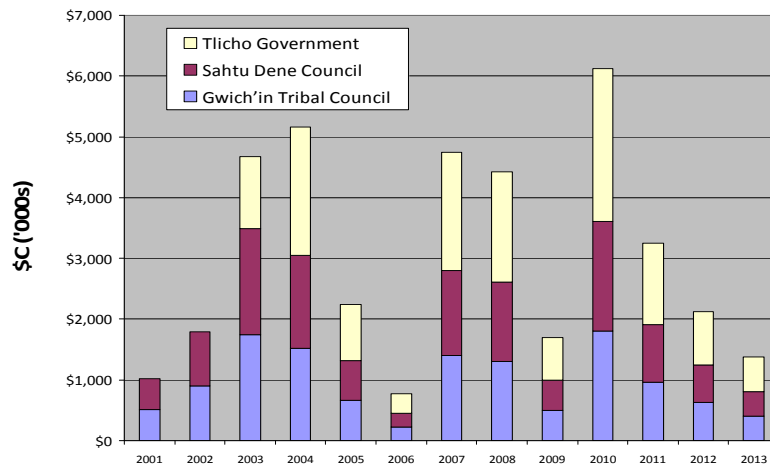
24

And a new twist – Tlicho Government taxes

- The Tlicho Government receives 95% of the federal income taxes collected from residents in Tlicho communities.
- A natural consequence?
 - The more the Tlicho retains and grows its resident population, the more taxes it receives
 - The more high paying mining jobs it gets, then the larger the income tax collected



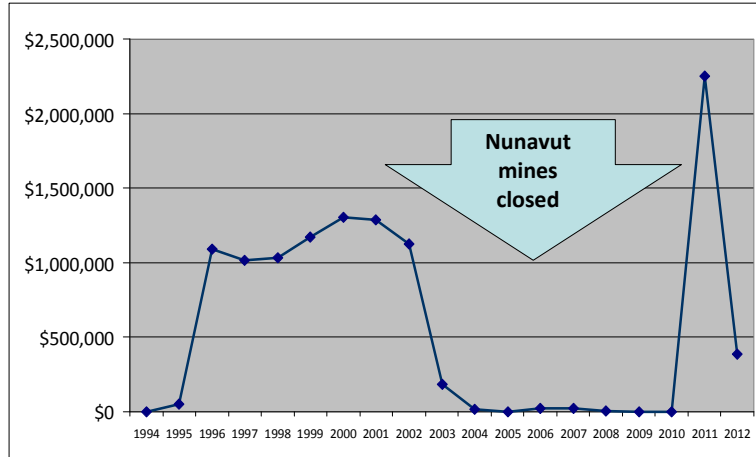
Diamond royalties shared with Aboriginal groups



- Over \$39 million in diamond resource royalties have been shared with settled NWT Aboriginal claimants.



Royalties paid to the Nunavut Trust



- \$11 million shared from Crown lands over the period
- New royalty stream has begun from mining on Inuit Owned Lands

27

Building a heritage trust for our grand children

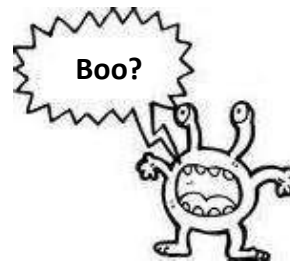
- The nest building has begun in the NWT!



28

Killing the bogeyman

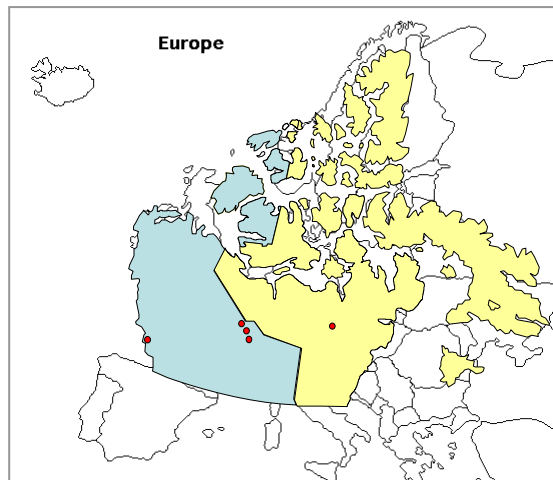
- The Bogeyman:
 - FEAR
 - and the Ignorance – or lack of knowledge – that creates it
- This Bogeyman can hold us back unnecessarily
- Killing the Bogeyman requires education and transparency



29

Mining is a pin prick on the map

- The North is a large area.
- If we assume all 37 mines are 10 sq.km. like Diavik, and
- If we assume no reclamation is done,
- **Then the actual footprint of all of our past and current mines is only 0.01%**



Area of NWT + Nunavut = Norway, Sweden, Finland, Denmark, France, Germany, Poland, Spain, Portugal, Italy combined.



30

The Giant mine bogeyman

- In today's regulatory world, the Giant mine should be an artifact
- Across town, the Con Mine owners are already reclaiming their mine site on their own
- The current mine site reclamation policies require appropriate security be in place, eg:
 - Ekati - \$ 263 million
 - Diavik - \$ 159 million



Our mines operate to high standards

- Global performance standards of:
 - ISO 14001 – Environmental Management
 - ISO 9001 – Quality Management,
 - OHS 18001 – Occupational Health & Safety
- Accountability standards: *Towards Sustainable Mining*
- High safety performance
 - Multiple John T. Ryan Safety Regional & National Awards
- Achieve many awards



Canadian Council of Professional Engineers



Killing the bogeyman, cont'd

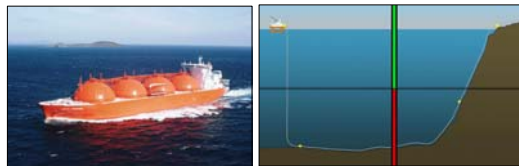
- Remove the fear through Education – a campaign
 - Public
 - And Technical
- Motivate through Pride
 - In self reliance
 - Through Celebration of our achievements



33

Norway – a model?

- Global experts in oil & gas production
 - the world's deep-sea drilling capital
 - Significant LNG technology, including production & shipping
 - Largest sovereign wealth fund in the world
- Home to the world's most advanced fish-farming industry
- Advanced bio-refining technology from its forests
- Economic success from well-educated labour force
- Norwegian axiom: “We live off what we find in nature”



Conclusion

- Mining is good for us
- We will need more mining
- The consequences can be great
- But we need to take action – kill the Bogeyman
- **People are counting on us!**

