



Diamond Mining and the Role of Government
– An Industry Perspective –

To: Northern Development Ministers' Forum – Whitehorse, Yukon
By: Tom Hoefler – June 24, 2015

Thank you very much for the invitation to speak to you today.

Key Messages

- Diamonds: NWT's major resource development
- Created significant socio-economic success
- Governments played a role
- Governments must continue to help to sustain and grow benefits



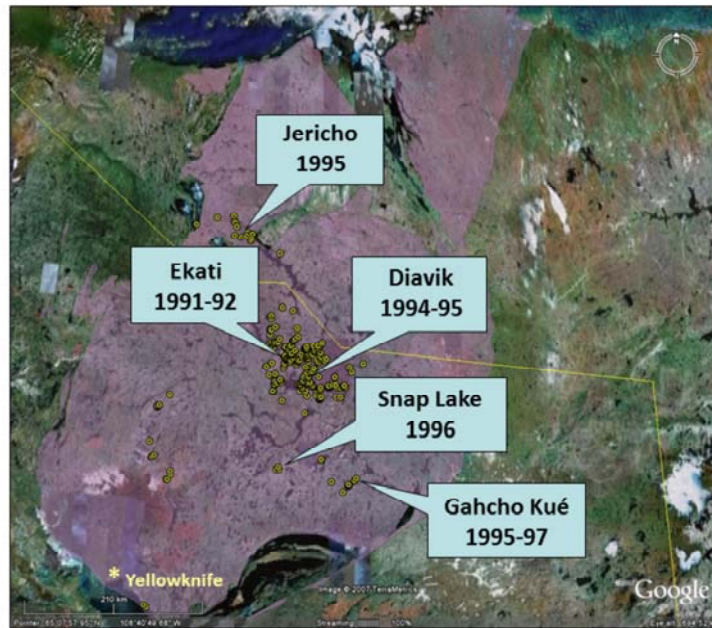
These are the key messages I wish to leave you with today.

Our Major Resource Development: GEM DIAMONDS!



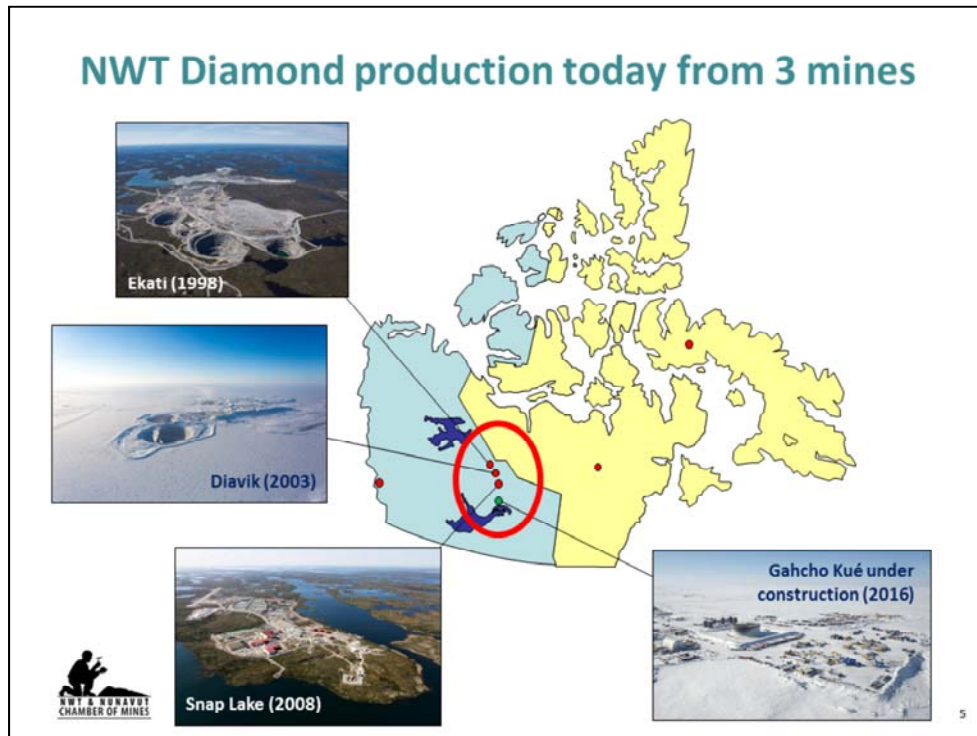
Our major resource development was launched with the unexpected discovery of gem diamonds in 1991. No one expected that Canada would be a diamond producer, least of all the NWT.

1991 diamond find led to quick discoveries



Given that nobody had really looked hard for diamonds, the initial discovery in 1991 led to some quick discoveries as shown here.

These were the low hanging fruit, if you will, and now with Gahcho Kue under construction, all of them became mines.

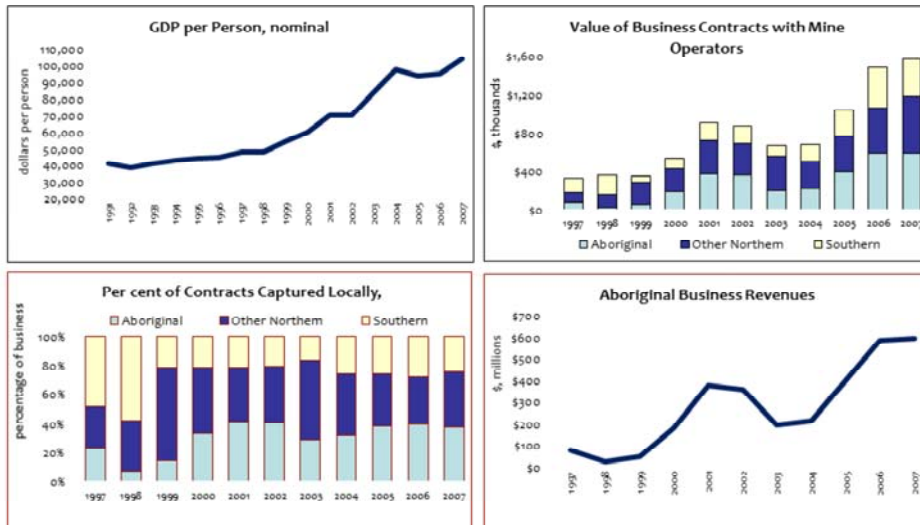


From those discoveries, we saw 3 diamond mines constructed in the NWT at 5 year intervals. (Jericho was constructed in Nunavut and operated for just a couple of years before closing).

There are larger photos of the mines in your binders I believe.

A fourth diamond mine, Gahcho Kue is under construction as we speak and should go into production in the second half of next year (2016).

Diamond mining benefits quickly emerged



• Source: [NWT Diamonds Report – 2008](#)

6

Diamond benefits emerged quickly as shown in these statistics from a 2008 economic analysis.

Shown are:

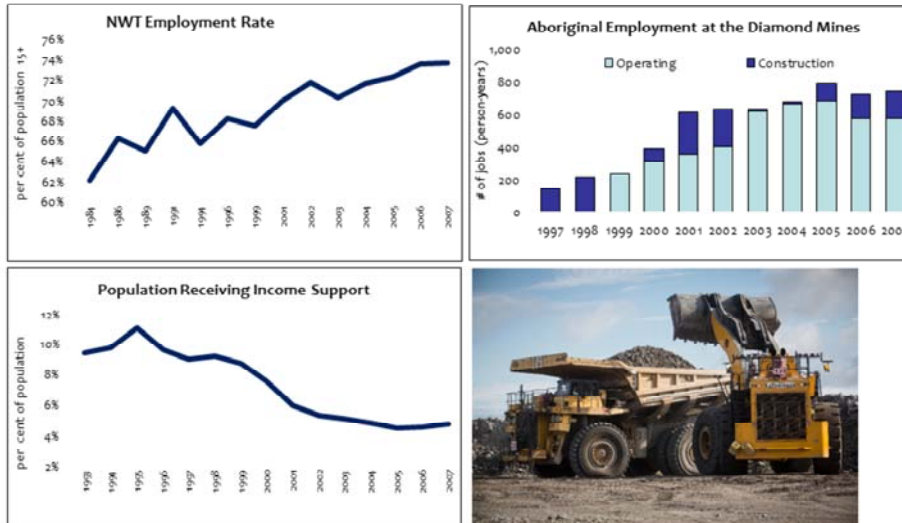
GDP per person – increased

Value of Business Contracts with the mines – northern business increased

Large percentage of business captured locally. In fact, we quickly rose to about 70% of the spending staying in the North, where it has stayed since.

And Aboriginal business revenues – increased as we built a whole new Aboriginal mining service industry. A notable event in Canada to create this. Prior to diamond mining, there were perhaps a handful of companies able to work with mines. Over 50 companies were created as a result of diamond mines. This was because Aboriginal groups wanted to be business participants.

Diamond mine Benefits quickly emerged



• Source: [NWT Diamonds Report – 2008](#)

7

Further shown here are

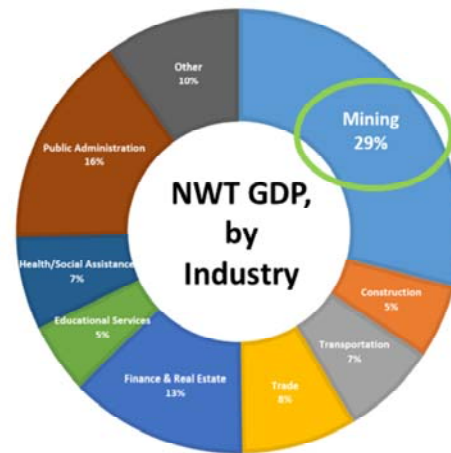
NWT Employment Rate increased quickly. Today we have about 1,500 northern mine workers of whom about half are Aboriginal. This is the demographic in the NWT where the Aboriginal population is also about half.

As did Aboriginal Employment at the mines

Notably also, is the significant decrease in social assistance or income support, which decreased government's costs.

Today, mining is major economic contributor

- Mining (includes Oil & Gas) is the largest private sector direct contributor to the NWT Economy
- and...
- contributes even more through other sectors of the economy



NWT GDP, by Industry

Source: NWT Economic Outlook 2014-2015



8

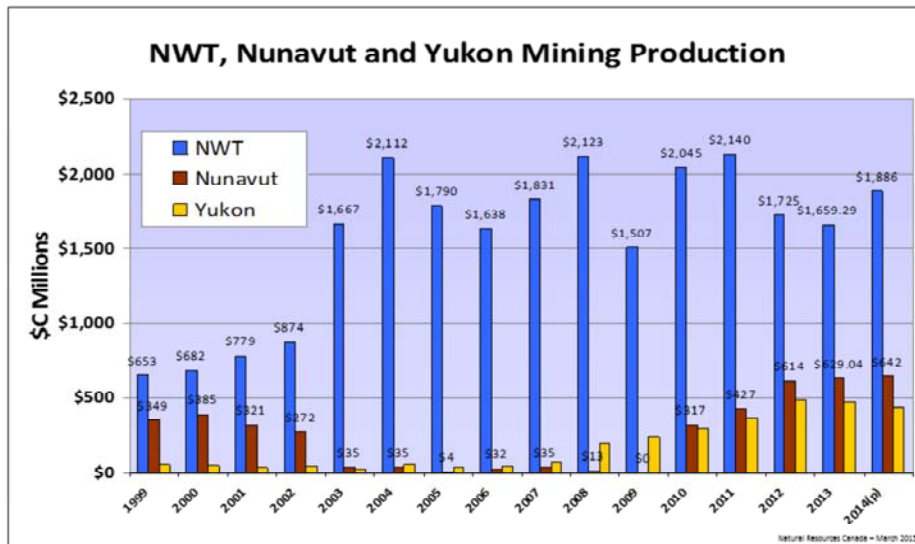
So where are we today?

Mining, and diamond mining, is the largest private sector direct contributor to the NWT Economy

and...

Mining contributes even more through other sectors of the economy like construction, transportation, and real estate.

NWT diamond mines create significant value



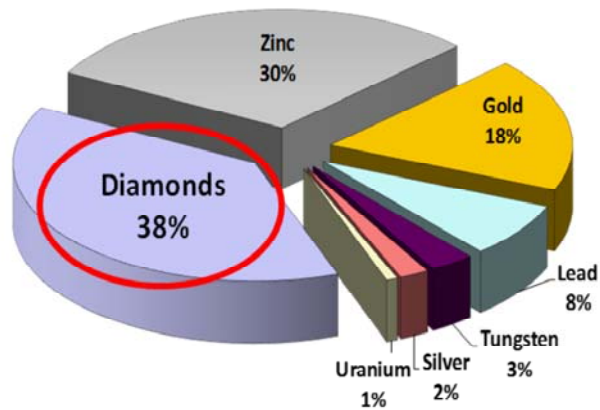
- Diamonds are the most significant contributor with lesser tungsten & copper
- Much stronger and more valuable than in Yukon and Nunavut

9

The value of annual production is significant, and some years has reached nearly \$2 billion.

For comparison, we show Nunavut and Yukon.

Diamonds have surpassed historical NWT mineral production value



- Mining has generated over C\$60 billion since 1932

10

Diamonds have now passed other commodities in our historical production value.

Over the past 80 years of our history, we have produced over \$60b in metals and precious stones as shown here.

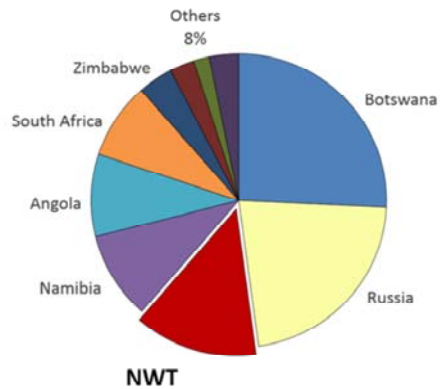
And we have produced them from a number of mines, both current and past producers, as shown here.

NWT	\$46,635,244,200
Nunavut	\$14,764,032,785
Total	\$61,399,276,986

Diamonds have made NWT a world leader

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

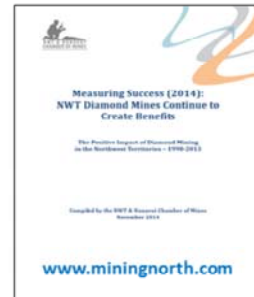
2013 Diamond Production Value (\$US)



And diamonds have elevated the NWT to 3rd place globally in terms of value.

A game changer for community benefits

- 22,000 person years **northern** mine employment
 - 50% Aboriginal
 - largest employer of Aboriginal people
- Over \$10 billion in **northern** business
 - \$5 billion with Aboriginal businesses
- \$100 million plus to communities in IBA payments, scholarships, donations



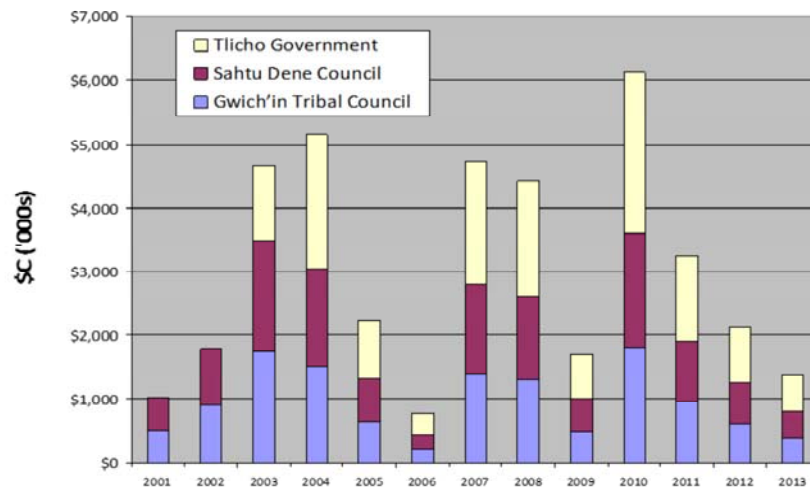
All of that diamond wealth translates into local economic benefits. Shown here is up to and including 2013.

And this has become a real game changer for the NWT, creating unprecedented benefits for local communities and for businesses.

Never before in our history, have we employed so many Aboriginal workers and seen the creation of so many Aboriginal companies to service our industry.

You can download this report from our website and read more.

Diamond royalties shared with Aboriginal groups



- Over \$39 million in diamond resource royalties have been shared with settled NWT Aboriginal claimants.
- More mining royalties will be shared post devolution.



13

The Federal Government has shared over \$39 million in diamond royalties with Aboriginal groups under settled land claims.

And more money will be shared now under our devolution agreement.

Government role: Impact Benefit Agreements

- Federal Government took an unprecedented step to compel the first diamond mine to negotiate Aboriginal Impact Benefit Agreements.
 - Imposed outside of the regulatory environment, under Ministerial prerogative.
 - It set the pattern for future mines, and all the diamond mines have followed suit.
 - Agreements generally include provisions for:
 - Labour
 - Economic development
 - Community
 - Financial
 - Environmental
 - Commercial



Diavik Diamond Mine Agreement Signings

Let me switch now to speak to the role of government in this story.

The Federal Government took an unprecedented step in 1996 to impose a new requirement that our first diamond mine demonstrate progress in negotiating impact benefit agreements (and an environmental agreement) before it would get its construction approval.

Negotiation of IBA's is now standard with all new mines.

These IBA agreements include provisions for Labour, Economic development, Community, Financial, Environmental, and Commercial.

(The BHP process was in large measure a response to a particular set of circumstances. The project was the first diamond mine in Canada and it was located in an area of overlapping and unsettled land claims in the NWT)

Government role: Socio-Economic Agreements

- The NWT Government required a new type of agreement for companies to capture and formalize their socio-economic commitments:
 - Training & Employment
 - Business capacity building
 - Cultural and community well-being
- GNWT committed to assist with:
 - Training & apprenticeship support
 - Business funding & development support



15

The NWT Government also took a new approach.

All of the mines now have Socio-Economic Monitoring Agreements (SEMA) with the GNWT, and they report on them annually or semi-annually (Diavik).

You should know that in northern Canada, our environmental legislation also requires that positive socio-economic benefits be created and described in the approvals process. Providing analysis and commitments to positive socio-economic benefits forms part of every environmental approval application and forms the basis for the SEMA's.

NWT Mine Training Society

- A unique partnership between Aboriginal governments, public government and the mining industry.
- Since 2003, MTS has supported Aboriginal people and Northerners in finding long-term employment in the mining industry.

	ASEP 1 – Sept 2004 to Mar 31 2009		ASEP 2 – Apr 2009 to Mar 2012		Silver Lining (SPF) July 2012 to March 2014		Mining the Future (SPF) April 2012 to Mar 2015		Total
	Target	Achieved	Target	Achieved	Target	Achieved	Target	Achieved	Achieved
Assessed	1500	900	835	1002	300	271	460	544	2,717
Trained/ Interventions	1100	632	437	725	255	266	300	451	2,047
Employed	380	422	288	315	70	116	270	164*	1,017

www.minetraining.ca



Another action that the Federal government took was to provide significant training dollars under the Aboriginal Skills Employment Program (ASEP).

This led to the creation of a very unique partnership between Federal and Territorial governments, industry and Aboriginal groups called the Mine Training Society (MTS).

MTS training success is due to them linking training to real jobs at the mines.

There are some very strong success indicators with over 1,000 people helped in finding employment.

The NWT MTS model was shared and copied in Yukon and Nunavut.

(Slide is courtesy NWT MDS)

What Government did NOT do

- Create and maintain an attractive and certain regulatory framework
 - Help with Aboriginal duty to consult
 - 2007 launched *Northern Regulatory Improvement Initiative*
- Supply infrastructure
 - Mines must supply own roads, power, airstrips, accommodations, etc.
 - Mining capex from 120 – 250% higher
 - Exploration cost premium up to 6 times more expensive
 - No P3 projects
- Provide school education and increase public awareness of mining's importance



17

It's also important to note as well what Government did NOT do.

Throughout this period of success, we did see a degradation in the regulatory environment, with long process delays, Aboriginal consultation issues.

It wasn't until 2007 that the Federal Government realized the seriousness of the problem and launched the Northern Regulatory Improvement Initiative. We are only now – 8 years later – starting to see the effects of the NRII.

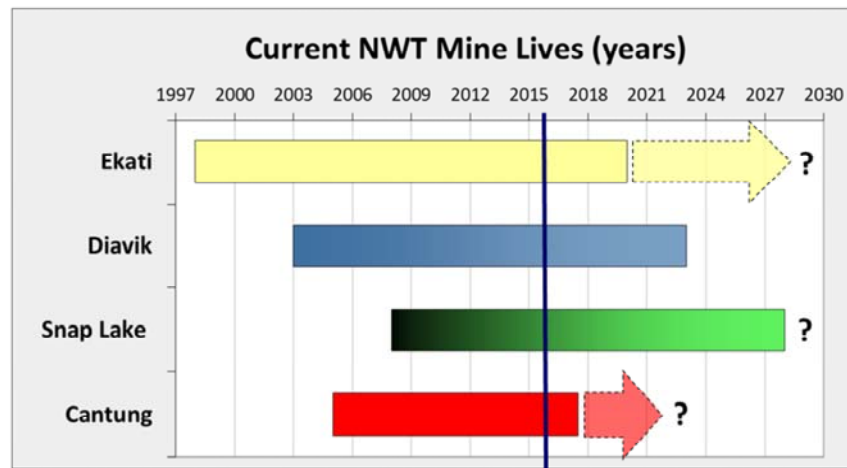
Government also did not supply infrastructure. The mines must supply all their own. This is in contrast to the help industry received many years ago, and often gets in other jurisdictions.

What it does is raise the cost of doing business in exploration and mining.

They also haven't done enough in incorporating mining education in the schools, and in increasing public awareness of mining's importance. This is very important if we are to sustain our industry.

(The public have been empowered through the EA and regulatory processes, but do it in the absence of good understanding of what mining development is all about and why it is important. With a trigger of public concern, it creates difficulties, eg, small projects).

Sustaining and growing the benefits



- Mines don't last forever
- Government must help attract new investment

18

The benefits our diamond mines have created are significant, and we don't want to lose the momentum they have created. Thus it is important that we know what our mining future looks like, as per this "calendar".

But mines don't last forever.

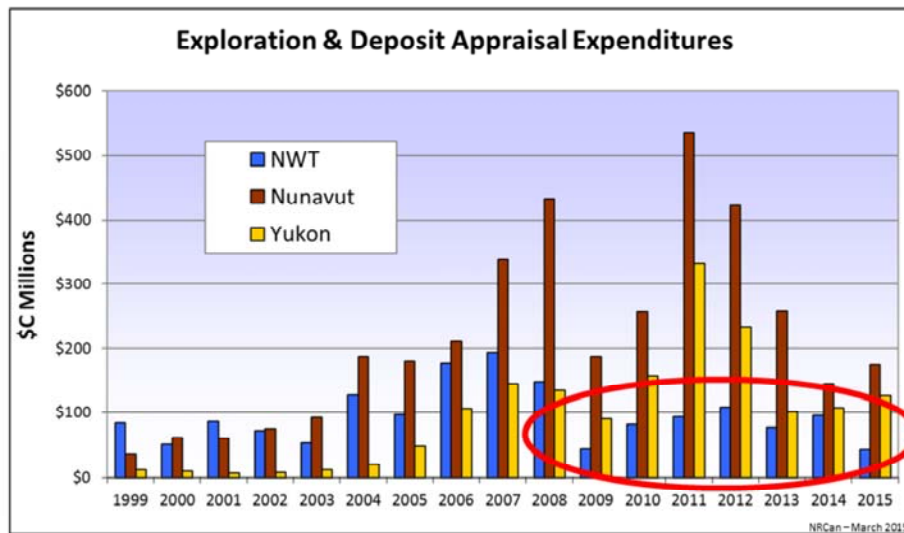
With mining benefits so important to communities and to our economy, we must work to replace mines as they age.

But this is easier said than done.



We do have a number of potential mining opportunities before us. One of them – our 4th diamond mine - is under construction as we speak. But the rest of these projects are facing challenges. They need support and they need financing to become mines. This needs stronger markets and also investor confidence in the NWT.

Investors have lost interest & we are the problem



- While other places have attracted money, the NWT has not.
- This means the problem is ours to fix!

20

But we face a significant challenge with a loss of investor confidence. And the investment climate in the NWT is not healthy.

We need more investment if we are to find and build more mines.

Note when our neighbours did well, the NWT did not mirror it.

While other jurisdictions did well in recent years, NWT flat lined. This drop or loss in investment also affects many businesses in the NWT.

This data tells us that we are the problem. And that action is required.

Government must help because ...

- Devolution demands it – we have turned the corner on self-reliance
- Mining is the largest contributor to the economy and we need the kind of horsepower it provides
- Northerners have grown accustomed to this level of income
- We don't want to lose the significant positive generational changes mining has made



21

For a number of reasons, we need government help going forward. Government plays a strong role in sustaining and growing mining's success.

First, devolution demands it. We now have more influence and control over our economy. It is up to us to become more self-reliant.

Second, we need mining because it's a large horsepower engine for our economy. Not much else can touch it (legacy infrastructure, taxes, technology,

We now have 1,500 northerners working in the mining industry, with high paying, secure jobs. We need to think of their future.

AND very importantly, diamonds have become a game changer in our Aboriginal communities and have provided a generation of work to residents and their families. We can't afford to let off and have people revert back to the income support days.

Government must help – ECONOMIC IMPACTS

- Attract investment to build on huge success to date:
 - Increase certainty
 - Continue regulatory reforms
 - Settle outstanding land claims
 - Improve land access
 - Reduce costs
 - Address infrastructure deficit
 - Re-consider P3's – poor history of industry using
 - Investigate incremental builds to lower up front costs
 - Seek other partners, eg, military, Aboriginal governments
 - Reduce cost of living to:
 - reduce labour costs, increase worker in-migration and retention



22

Government must work to attract investment by increasing certainty and reducing costs.

It can increase certainty by:

- Continuing regulatory reform – we still have needs (eg, no cost recovery, stop small projects from unnecessarily going to EA)
- Settle remaining land claims (help us not be meat in the sandwich between Aboriginal groups and gov't)
- We need access to land to explore. Find land use plans, smaller protected areas

It can help reduce costs too by:

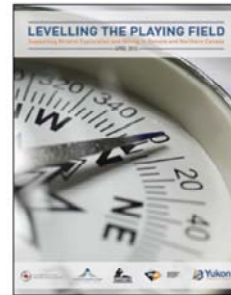
- Addressing the infrastructure deficit
- Reconsidering P3s as they have not been effective for us because of the “public use” criterion.
- DIRECT INVESTMENT IN INFRASTRUCTURE WOULD HELP)
- Look to incremental builds, eg, let mines build lower quality roads first, improving over time to lower capex
- Look for other partners too, like Aboriginal governments, or symbiosis with military

Reduce the cost of living too

- Over half of our workers now live in the South, and they blame the high costs of living. Cheaper cost of living could help keep and bring workers north.

“Level the Playing Field” in northern Canada

- Support exploration:
 - Create new and enhanced 25% federal Mineral Exploration Tax Credit as well as financial incentives to make the costs of drilling for early-stage exploration projects more economically feasible.
- Support mining:
 - Create a base 10% investment tax credit, in addition to either:
 - a 15% investment tax credit for eligible infrastructure, or
 - a pardonable 25% conditionally repayable contribution for infrastructure investments.
 - Create a northern infrastructure investment bank for mine-related infrastructure that generates public benefits, but does not meet the “public use” criterion of existing programs.



Levelling the Playing Field, May 2015 23

Specifically on infrastructure, the mining industry just released a report “Leveling the Playing Field” which is meant to help government understand the cost premium in the North, and what they might do to help address it.

We in northern Canada all understand there is a cost premium, and this is reflected in the Canadian tax act with the Northern Residents’ Cost Deduction. Industry doesn’t get that same tax recognition, despite the cost premium.

The report makes a number of recommendations made that could help, from financial incentives to a new investment bank. I’ll leave them for you to read in detail.

Government must help – TRAINING & CAPACITY

- Workforce capacity
 - Sustain the successful mine training partnership to address new opportunities. Create Pan-Territorial Training Strategy
 - Increase basic education levels
 - Put mining into the K-12 school curriculum to attract students into mining work and professions
 - Attract/incent post-secondary graduates back to NWT
- Business capacity
 - Continue to support new business development to capture more benefits in the North



24

Government has been good in fueling success by helping fund training. Keep it up. Don't fix what isn't broken. Keep funding it.

Also keep pushing for basic high school completions.

Government also needs to put more mining education right into the K-12 school curriculum. Mining is our strength, and we need to create local home grown expertise.

We also lose students to the south, and we need to attract them back home after graduation.

On the business side, government must maintain its support programs to help build business capacity.

It might also be helpful if governments created business training programs.

Government can help – SOCIAL IMPACTS

- Money management training
- Criminal records
 - Help with criminal record suspensions / pardons
 - Avert by creating more healthy communities
- Addiction recovery & prevention
 - Support programs with life-style change initiatives
 - Focus on youth and women as change makers
 - Provide northern treatment facilities



25

On the social side, government can help too with such things as shown here:

- Money management training
- Help with criminal record pardons and try to avert through healthy community initiatives

Work is also required on the addiction recovery and prevention side to create healthier workers.

Nice to see news this week from the three Territorial Premiers' meeting in Nunavut this month that there is Federal government funding to improve health care in the North including to finance on-the-land addictions and mental health treatment.



I believe we are on the right path to do much of this.

The NWT Government is working hard to put a number of strategies in place, and has recently even received support from the PM to increase borrowing limits.

The NWT Mineral development strategy is a particularly important piece as it is a dedicated strategy for the top industry.

These can be powerful instruments to support the change we need.

It's time to roll up our sleeves and get at it.

Conclusion

- Mining is the North's economic strength
- Our mines create significant opportunities & benefits
- Governments play a significant role in industry's success
- We must keep up the pressure for future success



27

That is the end of my presentation and the thoughts I wanted to provide.

Let me simply conclude with these 4 bullets.

Mining is our economic strength and our mines have proven they can create significant opportunities & benefits

Governments – public and Aboriginal – played, and continue to play, a significant role in industry's mining success

Collectively, we must keep up the pressure to create and sustain future mining success.

Why it matters



This is why it matters.

Thank you, *merci*, mahsi cho for your attention.

In the pictures are:

Robert Lafferty, Welder (Tli Cho)

Jimmy Larkin, pit superintendent (Metis)

Kerry Rabesca, ore processing planner (Tli Cho)

Justin Grandjambe, Environmental Tech (Sahtu)

Dorothy Unka, Haul truck driver (Akaitcho)

Kris Lantz, senior explosives operator, Denesoline Western Explosives (Akaitcho)