

DIAMONDS MAY LAST FOREVER. DIAMOND MINES DON'T.



TerraX gold exploration drill site.
billbradenphoto



Yellowknife has been a mining town for 80 years. First gold, then diamonds, kept the economy bubbling. But now, the diamond mines are planning to close. The mining industry is struggling. To save money, two diamond mining companies moved to Calgary. So, what's Plan B?

By Bill Braden

At a gala event in the new Chateau Nova ballroom in November 2016, amid the glittering backdrops and gleaming ice sculptures, the elite of Canada's diamond mining industry assembled for a grand 25th anniversary fete.

They were hugely celebrated and heartily thanked for the guts, brains and audacity they showed, a quarter century ago, in their remarkable discoveries that launched Canada's Arctic as the world's third-largest source, by value, of really, really good rough diamonds.



billbradenphoto



billbradenphoto

Selected NWT Mining Numbers 2015/2016

Any way you add it up, diamond mining has been good for the NWT economy, and by extension, the economy of Yellowknife as the largest community in the NWT. Job numbers and spending amounts can be found in the table below. None of the companies, the GNWT or the City of Yellowknife have broken down the spending amounts by community, but it is safe to say that a large percentage of the total spending flows through Yellowknife.

	Total Workforce	NWT Jobs	Yellowknife Resident Jobs	Total Spending	NWT Spending	Social Investment*	Forecast Mine Life
Ekati (2015)	1,819	970+	400++	\$539M	\$335M+++	\$5.3M	2033
Diavik (2016)	1,187	557	389**	\$430.1M	\$261.6M	\$5M	2025
Gahcho Kue (2015)***	903****	142	113	\$447.9M	\$225M	\$937,000	2028
TerraX YCGP (2016)****	(seasonal)	50	35	\$10M	\$7M	\$100,000	
TOTALS	3,909	1,719	937	\$1.427B	\$828.6M	\$11.33M	

NOTE: VARIABLES IN THE WAY RESULTS ARE REPORTED MAY SKEW DIRECT COMPARISONS, AND MAY NOT BE YELLOWKNIFE-SPECIFIC. DETAILED ANNUAL SOCIO/ECONOMIC REPORTS ARE AVAILABLE ON COMPANY WEBSITES AND FROM NWT GOVERNMENT/ITI.

+ INCLUDES DIRECT AND CONTRACT EMPLOYEES | ++ DOMINION DIAMOND EMPLOYEES | +++ NWT AND NUNAVUT | *SOCIAL INVESTMENT: IBAS, DONATIONS, COMMUNITY PROJECTS, SCHOLARSHIPS
 ** DIAVIK STAFF AND CONTRACT WORKERS. | *** GAHCHO KUE CONSTRUCTION PHASE | **** GAHCHO KUE WORKFORCE REPORTED AS PERSON/YEARS. ANTICIPATE 530 P/Y FOR REGULAR PRODUCTION. | ***** TERRAX - ADVANCED EXPLORATION PROJECT

The audience that night was also an elite crowd: government and political leaders, Aboriginal chiefs and corporate CEOs, geologists and scientists. Among them were members of Yellowknife's diverse business community who, 25 years ago, saw both challenge and opportunity in this mysterious new industry and are now partners and vital suppliers to the diamond mines.

The accolades were richly deserved. Since Chuck Fipke's epic discovery in 1989, diamond mining has generated over \$10 billion in NWT business contracts and created well over 20,000 person years of employment. Its territorial GDP contribution of \$934 million (2015) closely rivals that of government's \$970 million.

Mining is Yellowknife's lifeblood. A safe estimate puts mining-related, full time jobs in the city at over 1300, with a good chunk of some \$828 million in annual spending flowing through a lot of Yellowknife pockets.

If diamonds are the structural steel of Yellowknife's economy today, its foundation is built on more than six decades of gold mining. It launched the city in the late 1930s, prompting the federal government of the day to build the infrastructure for a new frontier town: water, streets, schools, power, airport and by 1960, a road to the south.

With two gold operations within the city limits, in 1967 the Canadian government declared Yellowknife to be the capital of an emerging new north. By then, more than a dozen other gold mines had come into production in the prolific Yellowknife Greenstone Belt. For decades, Yellowknife was the hub that supported even more mines across the western NWT – silver and uranium at Great Bear Lake, lead-zinc at Pine Point, tungsten on the Yukon border.

"We owe our existence to the discovery of gold," says Mayor Mark Heyck, who recalls how his father came north for a job at the Con gold mine. "And we were very, very fortunate in the 1990s as gold was declining that diamonds were discovered. It's been a major boon to the economy with all the spin-off industries it's created."

As the transition from a close-knit gold mining town to an international diamond

centre rippled through the city, the big multinationals that owned and operated the diamond mines – BHP, Rio Tinto, De Beers – opened up their deep corporate wallets for social investment: scholarships, First Nations Impact Benefit Agreements, sponsorships for arts, festivals and sports events, cash and in-kind backing for buildings and facilities, to the tune of \$21.5 million in 2015-16 alone.

Graeme Clinton is an independent economist in Yellowknife who has analyzed mining's impact for more than a decade. "It's a lot bigger than what people are consciously aware of... it's the businesses, and the amount of money people spend in the city, the infrastructure that we all benefit from," he says. "Most newcomers will say we sure have a lot to offer. That didn't come from government programs. If you want progress, it comes from economic growth, real economic growth, that comes from times of major transformation, to change the way an economy works."

Mines have backed recreation facilities like Yellowknife's twin arenas and the field house, additions to the Avens Senior Community, the Side Door Youth Centre, the Salvation Army men's home and the YWCA's Lynn's Place for women. There is scarcely a community program that hasn't seen some kind of corporate support from mining (how many diamond raffle tickets have you bought?) or from the thousands of volunteer hours contributed by their employees.

The entire Northwest Territories, and even western Nunavut, has felt the impact of one very significant program, the NWT Mine Training Society (MTS), an innovative partnership between mining and exploration companies, Aurora College, Canada and GNWT. In the past decade, MTS has supported some 3,700 clients, says general manager Hilary Jones, and seen 1,300 of them land jobs in mining and exploration – that's five per cent of the entire NWT workforce. Training at this scale is not cheap: it's taken an investment of \$35 million in cash, and \$15 million in-kind, to get this impressive record.

On a City of Yellowknife level, the

database is less detailed, as companies often use different reporting criteria or are not community-specific. There is general consensus that there are at least 1,000 well-paid company employees here, creating another 300 spin-off jobs in support sectors like transportation and construction. (The announced head office relocation to Calgary by De Beers and Dominion Diamonds may account for the loss of between 50 to 100 direct positions over the past 18 months).

Likewise, the dollar value of operational spending is not always reported by how much is purchased in each community. But it's reasonable to suggest that the majority of the \$828.6 million (2015-16) in combined Northern and Aboriginal spending flows in some fashion through companies and corporations based in Yellowknife.

The Government of the Northwest Territories (GNWT) also gains. Diamond mining made up 97 percent of the \$44 million from corporate income, fuel and property taxes collected by the government in 2014-15. The GNWT and Aboriginal governments shared \$29 million in mineral royalties for 2015-16, while the same amount went to the federal government.

Realistically, while diamonds may last forever, the mines that produce them don't. The three currently producing diamond mines have expected mine lives spanning from 2025 to 2033, well within the planning horizon for any established business or community.

SO WHAT'S NEXT?

For Paul Gruner, CEO of the Yellowknives Dene's Det'on Cho Corporation, it's about making the most of what we've got now, and looking ahead. Det'on Cho has built an impressive portfolio of services to mining including Bouwa Whee Catering and Camp Services, and Det'on Cho Logistics that moves freight and people into many different mining and exploration sites.

Gruner, who came into the job late in 2016 from Yukon and Alaska, wants to raise the profile of Aboriginal business across the NWT, which in turn will show mining's impact on the Aboriginal economy and business development. "There needs to be more emphasis and understanding of the indigenous business corporations," he says. "I really don't think people grasp the impact and value they have to our economies."

Gruner wants to publish an Aboriginal social responsibility report, compiling

"JUST ABOUT EVERYBODY IN TOWN, ESPECIALLY THE TRADES, IS SOMEHOW RELIANT ON THE MINES"

- RENÉE COMEAU

every NWT Aboriginal corporation's impact including how many people are hired, the amount of taxes paid, the number of hours volunteered. "There's an onus on us to get it together, maybe through NABA (Northern Aboriginal Business Association) so we can start highlighting what our impacts are."

CDÉTNO (Conseil de développement économique des Territoires du Nord-Ouest) commissioned a study of the NWT's mining industry value chain. Its April 2015 report, which included interviews with 53 professionals in Yellowknife, reveals that the business climate could improve.

"As for [threats and] weaknesses... there was nearly a consensus on unsettled land claims, lack of infrastructure and problems recruiting and retaining specialized personnel," the report stated. "Furthermore, they said they would like to see an improved overall perception of the mining industry so that all levels of the population were aware of the importance of the mining industry for the economy and society."

It's a sentiment keenly felt among members of the north's mining community, says Gary Vivian, President of the NWT & Nunavut Chamber of Mines. In a presentation to GNWT cabinet ministers in January, the Chamber said its number one issue is "winning hearts and minds."

Both industry and governments need a strong public awareness campaign in order to win those hearts and minds, the Chamber of Mines says, and plans to tackle this awareness deficit with a fresh information campaign and hiring a staffer dedicated to delivering it. "We must start this now if we are to avoid a significant economic setback – the signs are already there," the Chamber of Mines says.

Those signs are in the plummeting levels of exploration over the past 10 years, due largely to lingering impacts from the global 2008 economic recession and large land withdrawals, such as for parks in the NWT where exploration and development is excluded. Public ambivalence or opposition to mining has also derailed a number of mineral exploration programs, creating clouds that dampen investor interest. Without a robust exploration climate, finding the deposits today that could become the mines of tomorrow has all but halted, warns the Chamber of Mines.

Yellowknife Chamber of Commerce President Renée Comeau agrees with the Chamber of Mines, and also has concerns about the long-term economic future of the city of Yellowknife. "We really need to look at what's happening to the city," she says.

Comeau's unvarnished assessment carries considerable credibility. Born in the NWT, she witnessed the demise of the Pine Point community in the late 1980s, and now, as the Relationship Manager for the Bank of Montreal Yellowknife branch, she is steeped in the city's business dynamics.

"Just about everybody in town, especially the trades, is somehow reliant on the mines. There's a huge trickle down effect in our community," she says, adding there hasn't been a new discovery in the NWT for two decades. "The regulatory process is extremely long and strenuous. There's just so much red tape between the mining companies and the GNWT, indicating that we're not open for business. I have a lot of optimism for TerraX, but their biggest hurdle is power".

When Sergio Marchi, the President of the Canadian Electricity Association, spoke to the Chamber in February, he called on the federal government to step up and make critical infrastructure investments in the North.

"That's something that we really need to start lobbying for," says Comeau. "It's country building. These are things that are desperately needed, not only to grow business, but just for people to consider living here."

Comeau says the Chamber is pro-growth, advocating for businesses to stay and focusing on attracting new business and investment to Yellowknife.

She applauds Yellowknife for developing the business and social case for promoting the city, but contrasts that with the territorial Government's apparent apathy. "They keep talking that they're pro-mining, that they want to get rid of red tape, that they want to make us an attractive territory for mining. Let's start seeing some work with it," Comeau says.

Two other emerging realities must also be considered. It takes at least a decade or more to transform a viable new mineral deposit into a producing mine, and while there is optimism for some metal deposits such as Fortune Minerals NICO project in the Tłı̨ch̨o region as well as for the Kennady Diamonds project, right next to DeBeers' Gahcho Kue diamond mine, it would take more than these to equal the economic clout of the three currently producing diamond mines.

One of those potential new prospects is right on Yellowknife's doorstep and is already making an impact. TerraX Minerals Inc., a Toronto-based junior miner and owner of Yellowknife City Gold Project, has several promising deposits on claim blocks totaling 414 square kilometres, encircling, and in some places, stepping into, the city's east, north and south boundaries.

"We're looking for an elephant, in excess of five million ounces," says David Connelly, the company's strategic and community relations advisor. Indeed, they're in elephant country. Their mineral claims follow the same geologic trend – the Yellowknife Greenstone Belt – that yielded over 13 million ounces from the Con and Giant mines during nearly 65 years of production.

TerraX is in its fourth year of a methodical exploration and drilling program. Results from last year earned it the best of five rating for gold projects in Canada, as reviewed by *The Northern Miner*. Seventy per cent of its annual \$10 million in spending is in the city, and at least 30 of its 50 workers are Yellowknife residents. It has aggressively engaged in its own program of social investment, focusing on youth and recreational trail users within its claim block, with cash and in-kind support of about \$100,000 last year.

It has many technical, economic and regulatory hills to climb before it could open a mine, or potentially more than one, cautions President Joe Campbell, who pegs an eight-to-ten-year horizon on expectations of a start-up. And with the city's infrastructure close at hand, it has huge advantages. A workforce that could number between 300 and 450 would all likely live in Yellowknife.

"Talk about transformation of this city if there was a drive-to mine that didn't require fly-in, fly-out," says economist Graeme Clinton. Indeed, the impact of a few hundred jobs and resident families on housing, retail and the city's tax base would usher in a new era in the city's 80-year history.

"We're very supportive of new and existing exploration," says Mayor Heyck. "We've been a strong proponent of the Yellowknife City Gold Project ... as an urban centre, we will likely capture a lot of the economic benefit and employment."

Still, Heyck says endorsing TerraX, or any other project, will be done on a case-by-case basis. "As things evolve, we'll want to keep that conversation going amongst City Council and see if there's an appetite to put forward a strong position."

Meanwhile, the City is looking at diversifying the economy, specifically the potential for diamond tourism and a destination marketing initiative. "We're starting to see a more affluent Asian market, looking for a more affluent product," Heyck says. "The diamond jewelry market is a prime example. It's going to take some local entrepreneurs to push it." **YKCI**