Backgrounder: Mining Sector Profile

For more than 80 years, mining has been the cornerstone of the Northwest Territories (NWT) economy. Resource extraction accounts for about 32% of the NWT's GDP, while Mining and Support Activities for Mining directly contributed $680 million (2007 Chained dollars) or 18% to the NWT GDP in 2016. Today, the NWT economy needs an infusion of mineral exploration and infrastructure development to sustain mining jobs and business opportunities beyond 2024.

MINING IN THE NWT

There are three actively producing diamond mines in the NWT: Diavik, Ekati, and Gahcho Kué.

The NWT also has several advanced metal projects that are working their way to production such as Canadian Zinc's zinc-lead Prairie Creek Project, Fortune Minerals cobalt-gold-bismuth-copper NICO Project and exploration successes at TerraX Minerals Yellowknife City Gold Project, Nighthawk Gold's Colomac Project (gold), Kennady Diamond Inc's Kennady North Project (diamonds) and Pine Point Mining's zinc-lead Pine Point Project.

Since 1996 mines purchases from NWT businesses total $13.8B including more than $6B with Indigenous businesses. In 2016 mines spent $325M with Northern Indigenous businesses.

From 1996 to 2016, the NWT diamond mines have generated 53,016 person-years of employment of which 26,020, or 46%, is northern, and almost half of the northern employment is northern Indigenous (12,922 person years).

The total value of mineral production from 1999 to 2017 is approximately $28.2 billion with the vast majority being diamonds with a value of approximately $27.1 billion.

Thanks to the NWT, Canada is the world's third largest producer of diamonds by value, though less than 0.001% of the NWT's land area is currently occupied by the mine footprint. There is opportunity within the NWT to power the clean economy of the future with green minerals like lithium, cobalt, and rare earth elements.

According to the 2017 Mining Journal World Risk Report, the NWT ranked 5th lowest risk jurisdiction in the World for Mining investment, scoring 81% overall, and 1st in Social at 94%; Governance at 88%, Legal at 80% and Infrastructure at 64%.

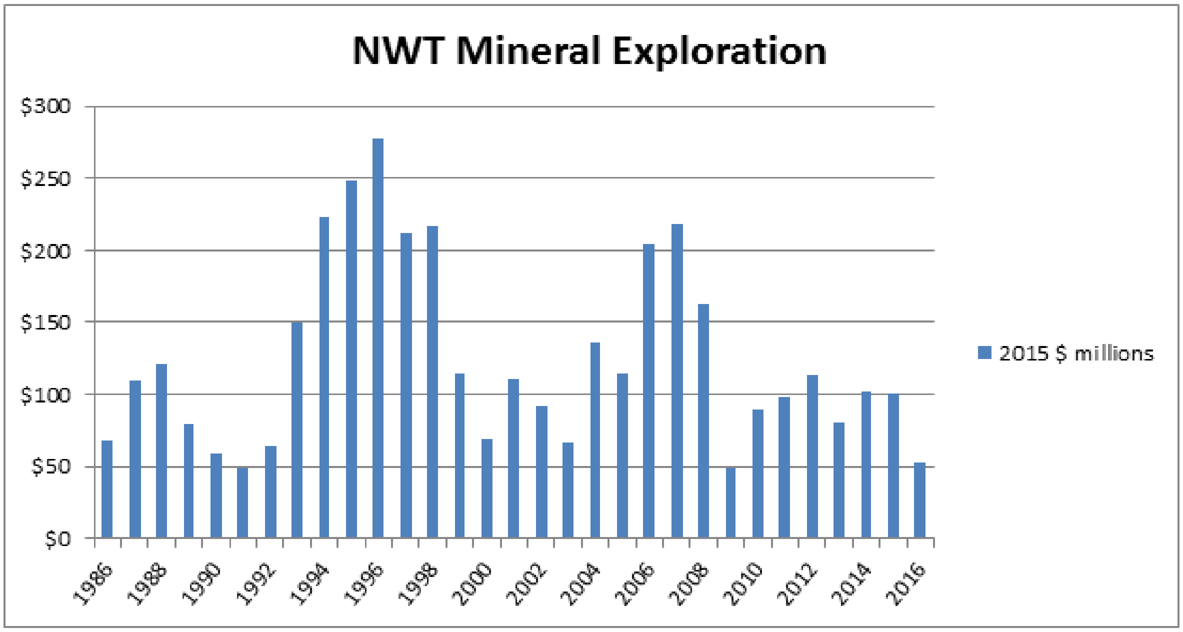
STATUS OF THE NWT MINING SECTOR

- The Diavik mine has extended its mine plan through to 2025, based on the addition of the mine's A-21 extension, where production is expected to start in 2018.
- Washington Corporation, the new owner of Dominion Diamond Corporation, has publically indicated a commitment to the development of the Jay and Fox Deep expansion projects that could extend Ekati Mine operations through to 2043.
- The Gahcho Kué mine has a scheduled closure date of 2027, and Mountain Province Diamonds is optimistic about additional years of production from deeper portions of deposits.
- De Beers has accelerated production at Gahcho Kué to make up for lower than expected diamond prices which might shorten the mine life without additional investment in the deeper resources at Tuzo.
- A combination of two to four current NWT advanced stage exploration projects moving into production could replace the combined contribution of the Diavik and Snap Lake Mines.

FUTURE OF MINING IN THE NWT

Encouraging mineral investment and exploration in the NWT is imperative for the territory's economy. To put it into perspective, all of the NWT's current advanced exploration projects would need to go into production to replace Ekati or Diavik in terms of jobs, business for Northern companies and royalty revenues to the GNWT.

Without replacement of the NWT's existing mines, the NWT would see a sizeable decline in its economy, a loss of thousands of jobs, a drop in consumer demand, and a shrinking population.
Projects can take 20 – 30 years to go from discovery to production so it is integral to attract investment today.



There is some evidence of a potential upswing in the industry including improved commodity prices and an increase in claim staking in the NWT. While 85 claims covering 42,000 hectares were staked in 2016, over 270 claims covering 182,000 hectares were added in the first three quarters of 2017. The claims are not only for diamond deposits but for gold and new commodities, such as lithium and silica, which are critical for green technology. New exploration companies are also entering the NWT and existing projects are being reviewed for clean technology metals potential, such as lithium and rare earth metals at Nechalacho project.

The Mining Incentive Program (MIP) continues to be oversubscribed and has resulted in increased activity in the NWT amongst prospectors. Pursuing transportation and energy infrastructure projects is one way we can stimulate our economy as well by improving the investment climate for new exploration and future mines.

GOVERNMENT SUPPORT FOR MINING:

- Northwest Territories Mineral Development Strategy
- Mining Incentive Program
- Work Credit Program
- Prospector's Grubstake Program
- Mineral Resources Act
- NWT Geological Survey