



Improving the Investment Climate in Canada's North: Key Challenges and Opportunities

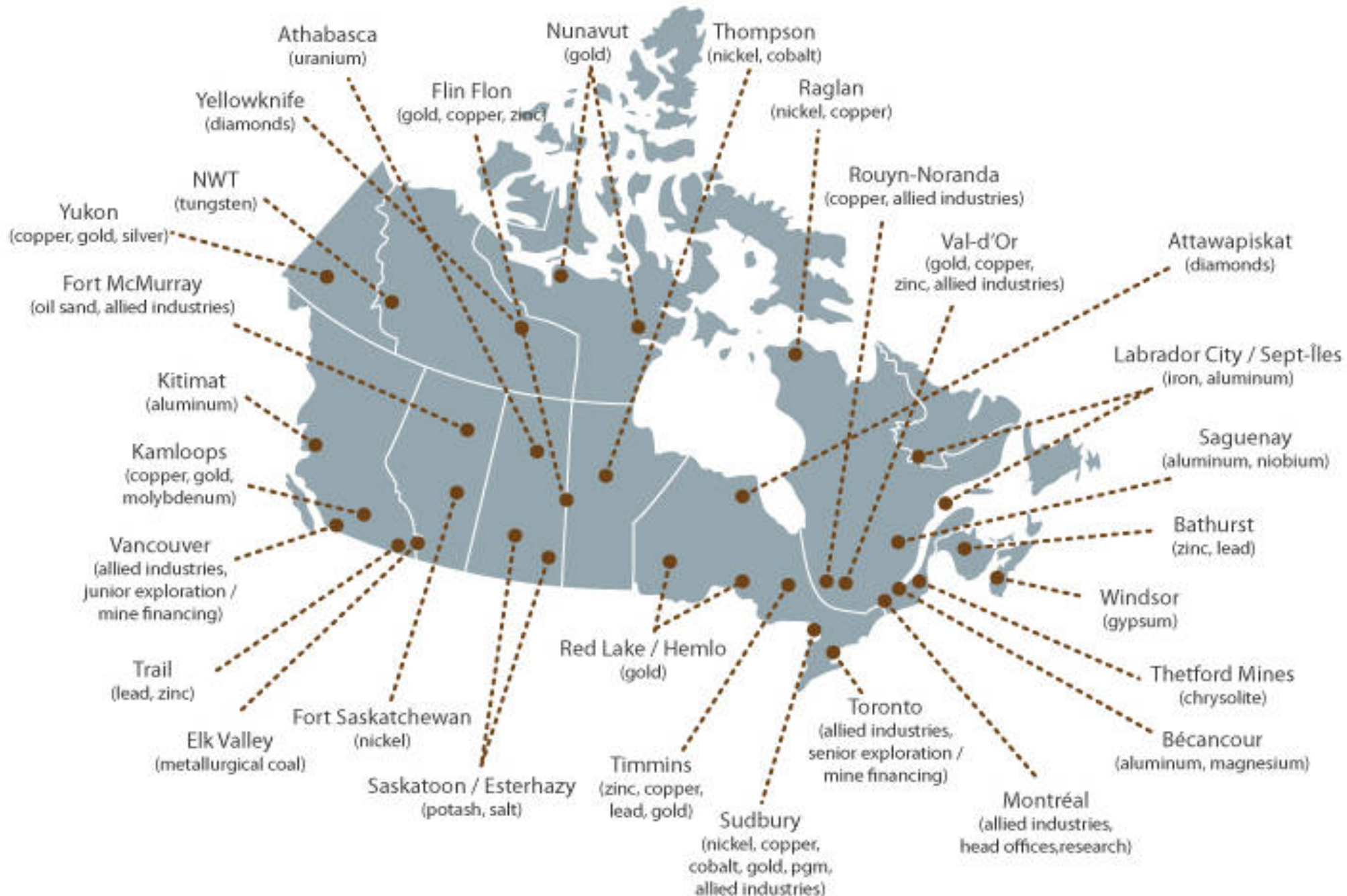
Nunavut Mining Symposium, April 17, 2012

MAC: The national voice of Canada's mining industry



- **Advocacy** - to advance the business of mining
- ***Towards Sustainable Mining*** - stewardship and social license
- **36 corporate members** in iron ore, gold, diamonds, oil sands, met-coal, base metals, uranium
- **50 associate members** in engineering, environment, finance
- **Members engaged in the full spectrum of the industry:** exploration, mining, smelting, semi-fabrication, supply

CANADA'S MINING INDUSTRY: Operating in all regions across the country



Mining's Contribution to Canada



- **Employs** 300,000+ workers; Wages 30-60% above other sectors
- **Operates** 220 producing mines, 33 smelters and refineries
- **Paid** \$8.4B in taxes and royalties to governments in 2010
- **Invests** \$20B in capital projects annually
- **Largest** private employer of Aboriginal Canadians
- **Core supplier** to clean-technology sectors

Mining's Contribution to Canada's North

- **Employment** - 30,000+ person-years
- **Production** - \$16 B in diamonds
- **Investment/Spending** - \$10.2 B
 - Capital and operating
- **Business Development;**
 - \$8.5 B Northern, \$4 B Aboriginal
- **Contributions to Northern Infrastructure:**
 - Rail, roads, hydro, shipping, ice roads and community development
- **Aboriginal Skills Training and Education**
 - Extensive programming



Canada as a global mining competitor



- Attracted 19% of world exploration spending in 2010 – draws on useful tax measures
- Efficient TSX processes - 1400 mining companies listed, ~50% of mineral projects are outside Canada
- Estimated 1000 Canadian companies in 100 countries
- Minerals account for 21% by value of Canada's goods exports
- Top 5 World Producer in uranium, potash, nickel, platinum, aluminum, diamonds, zinc, met coal
- Large direct investment: 14% of all FDIC and 10% of CDIA

Environmental Performance



“One cannot report on the industry’s performance without noting the significant progress in environmental protection.”

“The mining sector, through multi-stakeholder initiatives, regulatory and financial instruments, and science and technology has demonstrated its environmental commitment through reductions in energy intensity, air emissions, and GHG emissions, as well as increases in environmental expenditures, including remediation and decommissioning.”

TOWARDS SUSTAINABLE MINING (TSM)

- MAC members commitment to Sustainable Development
- A strategy for improving the mining industry’s performance by aligning its actions with the priorities and values of Canadians.
- A process for finding common ground with our communities of interest, to build a better mining industry today and in the future.
- It is about Stewardship and industry’s Social License to operate

China – Global Market Driver



CHINA – LONG TERM

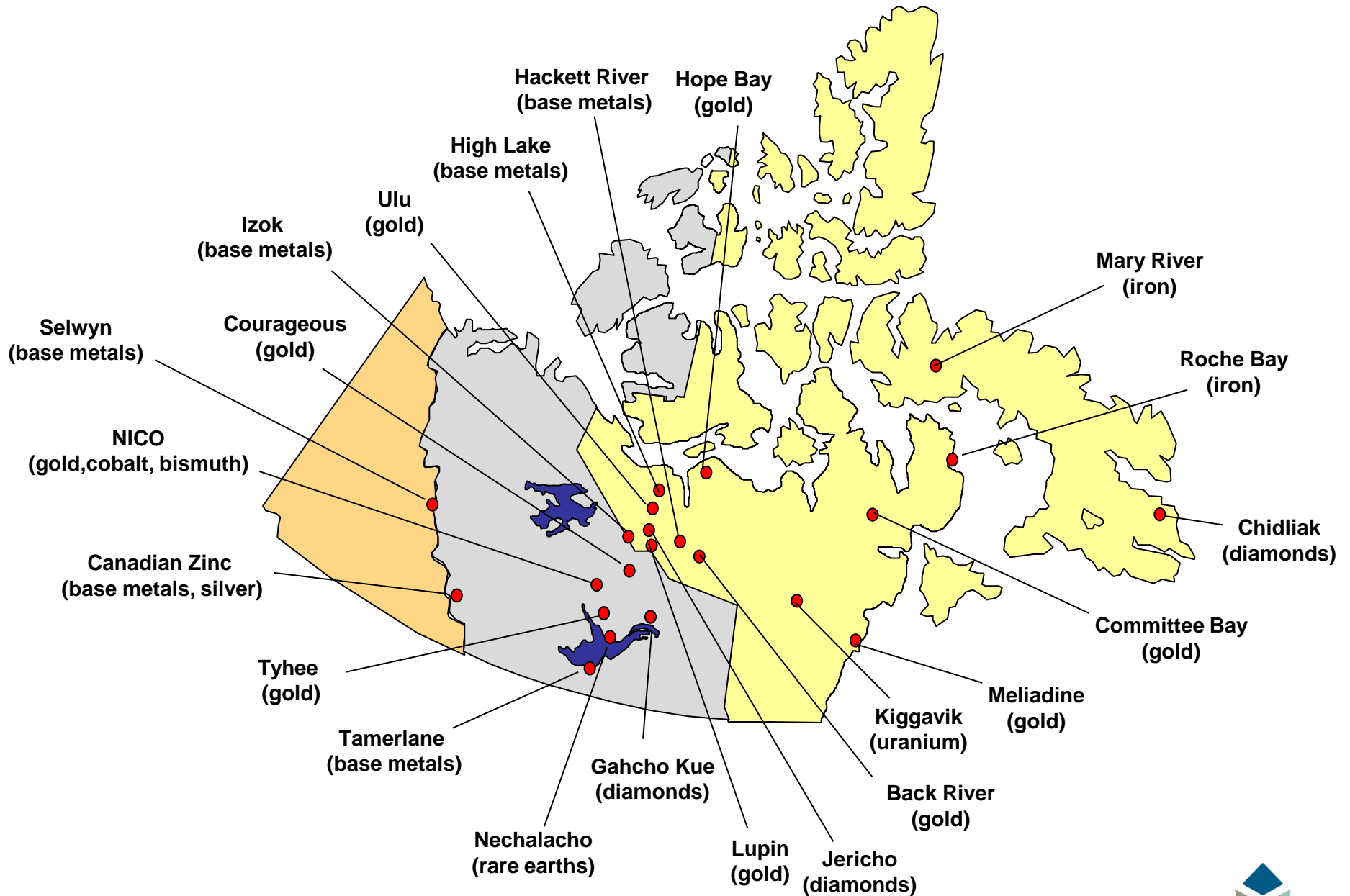
- 2020-2025, China growth will still be in the 6-9% range
- Autos: 10 /100 people in China vs. 10 in US
- Personal computers: 4 /100 people in China vs. 76 in US
- China - 30% of world's metals demand vs. 3% in India
- **Next 25 years - as many minerals and metals consumed worldwide as in all of history to date**

- 30 consecutive years of 8-15% annual growth (exception '89-'90)
- 1980s China consumed 5% of world's base metals in vs. ~30% today
- Shift toward feed-intensive diets (potash), nuclear power (uranium), infrastructure and manufacturing (base metals), middle-class (diamonds, gold)
- Results: Mineral price increases in the past decade have been ~3-25 times larger than inflation

The Opportunity:

NWT and Nunavut Mining Potential

More than \$8 Billion in New Development in the Next Decade





Strong Federal Government Actions

- Corporate tax competitiveness
- Strategic infrastructure investments
- Amendments to Canadian Environmental Assessment Act
- Aboriginal Skills and Employment Partnership programs
- Northern Adult Basic Education Program
- Other Tax measures (flow through and accelerated capital cost allowance)
- Investment in northern geoscience

Key Challenges For Northern Mining



- **Complex Regulatory Regime**
- **High Cost of Operating**
 - Lack of Infrastructure
 - Sparse Geoscience data
- **Unsettled Land Claims & incomplete Land Use Plans**
- **Lack of Skilled Workforce**
- **Managing Expectations**

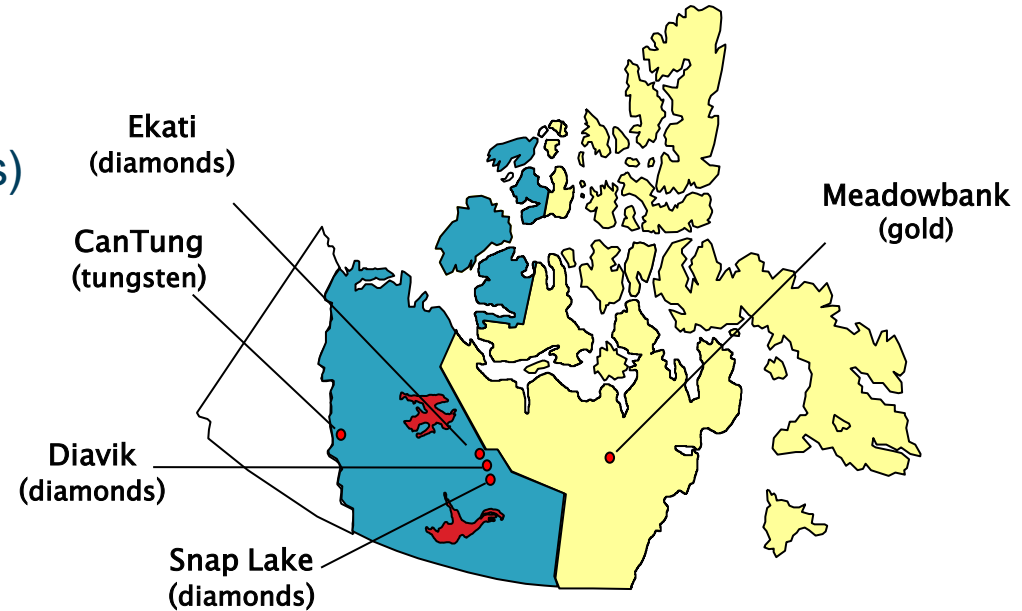
Opportunities For Improvement

SHORT TERM

- Complete Nunavut Regulatory Framework
- Eliminate Double Bonding
- Life of Mine Water Licenses (with renewals)
- Fisheries Act Reform
 - Effluent Regulations for Non-Metal Mines
- Resolve MVRMA Process (NWT)
- Funding for Aboriginal Skills Training

LONG TERM

- Resolve Land Claims & Complete Land Use Plans
- Identify opportunities for new Infrastructure
 - Consider Public – Private Partnerships
- Complete Geoscience Mapping



Remember the Opportunity!

“Canada’s North is poised to lead the country in economic growth over the next two years as the boom in mining projects takes hold.”

- The Conference Board of Canada, March 2012

Expected Growth

| | | |
|------------------------------------|------|------|
| ➤ All 3 Territories (next 2 years) | | > 7% |
| ➤ Nunavut | 2011 | 6.8% |
| | 2012 | 16% |

However...

- Investment Capital is mobile and responds to global competition
- By demonstrating capacity for development Nunavut has the opportunity for development that will sustain its economy well into the future

Conclusions

- Canada's North has mineral potential to sustain its economy well into the future
- Northern Governments face policy and capacity challenges in governance, regulatory framework and human resources development
- These issues will require collaborative work between industry, government and northern communities to resolve effectively in order to realize the opportunity for success