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FEB 26 2019

Oral Question 517-18(3)

New Mine Potential Resource Revenues Forecasting Analysis

This letter is in follow up to the Oral Question you raised in the Legislative Assembly on February 6, 2019, regarding new mine potential resource revenues forecasting analysis. During our exchange, I made the following commitments:

1. To look at what detail the Department of Industry, Tourism and Investment (ITI) has regarding the resource revenue coming from the NICO mine and whether it is greater than the cost of the road from the highway to Whatì.
2. To see what detail ITI has around the NICO mine with respect to resource revenue and see what its projection is for that ongoing.
3. To have a discussion with ITI to look at the potential resource revenues from the Nechalacho mini mine that is being proposed at Thor Lake.

The assumptions for advanced projects that are in the prefeasibility and feasibility stages are constantly evolving as companies learn more about the deposit. In a Fortune Minerals Limited (Fortune) January 2019 investor presentation, available on its website, Fortune continues to examine a variety of options for the NICO Project and it also states it is currently working on a new feasibility study that will update its 2014 report. This will affect overall costs, as well as the mine life. The various options provide substantially different outcomes that affect forecasts. For this reason, the Government of the Northwest Territories (GNWT) focusses on producing royalty forecasts for our operating mines only.

In Fortune's June 14, 2018 news release, the schedule for the NICO Project is dependent on many factors, including completing the required financing and regulatory approvals followed by a two-year construction period, that is dependent on road development. The 2013 Report of Environmental Assessment confirmed that the NICO Project will employ 300 employees during construction and 269 employees during operations. Employment numbers at NICO are comparable to the recently opened Lalor base metal mine in Manitoba.

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When assessing the benefits of any mine to the Northwest Territories (NWT) we must take into account more than just royalties. The NWT will also directly benefit through corporate tax, property tax, fuel tax and payroll tax. Indirectly the NWT will benefit with increased infrastructure, employment, and procurement with northern businesses.

On January 29, 2019 Fortune signed a Socio-Economic Agreement (SEA) with the GNWT for the NICO Project. SEA employment and procurement targets are both prioritized by:

1. Local Indigenous;
2. Local;
3. Territorial; and
4. Southern.

During the operation phase of the mine, Fortune has committed to 60 percent northern employment (50 percent of which will be Indigenous) and 60 percent northern procurement.

The Tłıchǵ All Season Road (TASR) is being constructed by GNWT to benefit the residents of the community of Whatì and the Tłıchǵ region. The TASR does not connect to the NICO project site. The NICO project is located 50 kilometres further north of Whatì and Fortune plans to construct a spur road or winter road at its expense in order to connect to the TASR. The Department of Infrastructure set the capital ceiling in the TASR Request for Proposals at \$200 million. The project is jointly funded by the Government of Canada (25 percent) and the GNWT (75 percent).

At this point, it is too early to look at Avalon's new mini mine project. Avalon first needs to complete studies and release the financial results as a public company usually does.

Thank you for your interest in this matter. I trust this response addresses your questions.



Wally Schumann
Minister
Industry, Tourism and Investment

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