

ECONOMIC TRENDS

A Business and Community Newsletter Exploring Economic and Market Trends in Canada's Northwest Territories

RARE EARTH METALS

The primary asset of Avalon Rare Metals is its 100 percent owned Nechalacho rare earth elements (REE) project. Located 100 kilometres southeast of the Northwest Territories capital of Yellowknife, the deposit is one of the highest quality undeveloped REE deposits in the world. It also has a high quantity of the more valuable heavy rare earth elements such as europium, dysprosium and terbium.

There are 16 REEs in total, all of which display similar physical and chemical properties. REEs are used in everyday products such as hybrid cars, catalytic converters, wind turbines, household appliances, industrial motors, MRI machines and computers.

If it is built the Nechalacho mine site would have a mill to process concentrate. Approximately 126,000 tonnes of concentrate per year would be shipped from the mill to a hydrometallurgical (hydromet) plant for further processing. One of the proposed locations for the hydromet plant is Pine Point, NWT. Pine Point is the site of a lead and zinc mine that was closed in 1988. It has much of the necessary infrastructure in place for a hydromet facility.

Avalon's Nechalacho project is an opportunity to introduce new processing technology to the NWT. This technology could be used to process zinc and other metal deposits.

The proposed hydromet plant represents a significant new opportunity for the NWT, especially the South Slave region where Pine Point is located. It could lead to the creation of a new limestone and lime industry, as well as support existing manufacturers and construction businesses.

It is expected that the hydromet plant would employ 90 workers during operations. Employment at the plant would be mostly skilled and high-paying. The workplace would be clean and safe. Indirect employment resulting from the hydromet plant operating in Pine Point would easily exceed 100 full-time positions. A lot of these jobs would be less technical, including security, cleaning staff, and general labour positions.

The range of contracts available during the construction and operations of the hydromet plant would be significant. Some of those contracts would be in catering, computer services, equipment and services maintenance, specialized welding. In addition, added population growth in the South Slave would create demands for teachers, health care workers, housing, retail and service staff.

PAGE 2: Mining Overview

PAGE 3: Mineral Exploration & Deposit Appraisal Expenditures

PAGE 4: Labour Force Activity



NWT MINING OVERVIEW

Mining created over 2,500 direct jobs over the years in the NWT. Wages and salaries in the NWT mining industry are also the highest in Canada. Mining also helps create indirect employment in the territory in the transportation, service, trade and construction sectors.

Mining is the major economic sector in the NWT representing approximately 28 percent of the territory's Gross Domestic Product. There are four active mines in the NWT. Three are diamond mines and the fourth is a tungsten mine. There is also the potential for nine additional mines to open over the next 10 years (see table).

Project	On-stream Date	Jobs	Capital (\$'000,000's)
Prairie Creek	2012	230	55
NICO	2013	300	215
MacTung	2013	n/a	n/a
Tyhee	2014	300	150
Nechalahcho	2014 / 2015	300	n/a
Selwyn	2015	n/a	n/a
Gahcho Kue	2015	370	535
Tamerlane	5 – 10 years	160	n/a
Courageous Lake	5+ years	n/a	850

Source: Industry, Tourism and Investment

The NWT is the third largest diamond producer by value in the world. NWT diamond mines are significant contributors to Canada's trade balance, with annual diamond exports exceeding \$1.4 billion.

The future of the mining industry in the NWT is dependent on exploration and the identification of new resources. Current exploration expenditures by mining companies in the NWT for 2010 are estimated at \$98.8 million. That is up from \$44.1 million in 2009.

POTENTIAL NWT MINES - IN BRIEF

The Prairie Creek property is located in the South Mackenzie Mountains. Owner Canadian Zinc Corporation, will mine zinc, lead, silver, and copper.

The NICO property is located 160 km northwest of Yellowknife. The property is owned by Fortune Minerals Ltd and gold, cobalt, bismuth and copper will be mined at the property.

The MacTung property is located in the Selwyn Mountain Range. Owner North American Tungsten Corporation Ltd. will mine tungsten at the property.

The Tyhee Yellowknife Gold Project extends from 50 to 90 km north of Yellowknife. Owner

Tyhee Development Corporation will mine gold on the property.

The Nechalahcho property is located 100 km southeast of Yellowknife on Thor Lake. Owner Avalon Rare Metals will produce rare earths elements like carbonate and oxides, zirconium, niobium and tantalum oxides.

The Selwyn property is located in the Howard's Pass district straddling the Yukon and NWT border. Owner Selwyn Chihong Mining Ltd, a joint venture between Selwyn Resources Ltd. and Yunnan Chihong Zinc Germanium Co. Ltd., will mine lead and zinc on the property. Gahcho Kue is situated at Kennady Lake

about 280 km northeast of Yellowknife. It is a joint venture between Mountain Province Diamonds Inc. and DeBeers Canada Inc. Diamonds will be mined from the property.

The Tamerlane property is a proposed redevelopment of the Pine Point Mine. Tamerlane Ventures Inc owns the property and it intends to mine lead and zinc.

The Courageous Lake property is located approximately 240 km northeast of Yellowknife. Owner Seabridge Gold intends to mine gold on the property.

MINERAL EXPLORATION AND DEPOSIT APPRAISAL EXPENDITURES

Mining companies are expected to spend twice as much in the NWT in 2010 compared to 2009. The increase in spending is good news after the recession saw the industry cut back on exploration spending in the territory in 2008 and 2009 after a peak of \$193.7 million in 2007. In 2010, mineral exploration and deposit expenditures in the NWT are projected to be \$98.8 million. This places the NWT in seventh place in Canada for mineral exploration expenditures for 2010. The table below shows mineral exploration and deposit trends throughout Canada from 2007 to 2010.

EXPLORATION AND DEPOSIT APPRAISAL EXPENDITURES, 1 BY PROVINCE AND TERRITORY, 2007-2010								
Province / Territory	2007		2008		2009		2010a	
	(\$ millions)	(%)						
NFLD	148	5.2	146.7	4.5	54.9	2.8	72.3	2.6
NS	23.5	0.8	21.4	0.7	9	0.5	23.5	0.8
NB	35.8	1.3	32.7	1	8.1	0.4	27.6	1
PQ	476.4	16.8	526.1	16	379.3	19.5	555.9	19.9
ON	571.7	20.2	799.3	24.4	536.2	27.6	824.9	29.5
MB	102.6	3.6	152.1	4.6	97.8	5	85.9	3.1
SK	314	11.1	430.7	13.1	311	16	301.2	10.8
AB	11.8	0.4	20.8	0.6	8.3	0.4	16.8	0.6
BC	470.6	16.6	435.4	13.3	217.1	11.2	352.8	12.6
YT	144.7	5.1	134	4.1	90.9	4.7	157.4	5.6
NT	193.7	6.8	147.7	4.5	44.1	2.3	98.8	3.5
NU	338	11.9	432.6	13.2	187.6	9.6	280.6	10
TOTAL	2,830.80	100	3,279.50	100	1,944.40	100	2,797.70	100

Source: Natural Resources Canada

Mineral exploration and deposit appraisal expenditures includes activities done on the mine site and off the mine site. It includes expenditures such as field work, overhead costs, engineering, economic and pre-production feasibility studies, environmental research and land access costs.



LABOUR FORCE ACTIVITY

For October 2010, Statistics Canada estimates that out of 31,900 residents 15 years of age and older, 21,700 people were employed in the Northwest Territories, representing an employment rate of 68.0%. Overall, Canada's employment rate stood at 62.1% in October.

Table 1 presents historical labour force activity in the NWT.

Chart 1 shows the rate for people not in the labour force and the NWT employment rate. Since the spring of 2010, the number of people not in the labour force has been trending downwards. However in September the number of people not in the labour force grew for the first time in five months. Similarly, since March 2010, the employment rate has risen from 63.5% to 69.1% in August, although it fell slightly in the past two months.

Since September 2010, participation rates have fallen in most categories. The largest fall was seen in the 15 to 24 year age group, where the participation rate peaked in August, subsequently falling nine percentage points over the next two months. This is in line with trends observed in past years, where youth participation rates peak in the summer months. Non-Aboriginal people were the only group to see a slight increase in participation rate from month to month.

Source: NWT Bureau of Statistics

Table 1

NWT	Population 15 & over	Labour Force	Employed	Unemployed	Not in the Labour Force	Unemployment (%)	Employment (%)
Oct-10	31,900	23,000	21,700	1,300	8,900	5.7	68
Oct-09	31,500	22,300	20,500	1,700	9,200	7.6	65.1
Oct-08	31,500	23,800	22,700	1,100	7,700	4.6	72.1
Oct-07	30,700	24,100	22,700	1,300	6,700	5.4	73.9
Oct-06	30,900	23,700	22,600	1,100	7,200	4.6	73.1
Oct-05	31,500	24,000	22,800	1,200	7,500	5	72.4
Oct-04	30,700	23,500	22,300	1,100	7,300	4.7	72.6
Oct-03	30,100	23,000	21,400	1,500	7,100	6.5	71.1
Oct-02	29,500	23,100	21,600	1,400	6,400	6.5	73.2

Chart 1

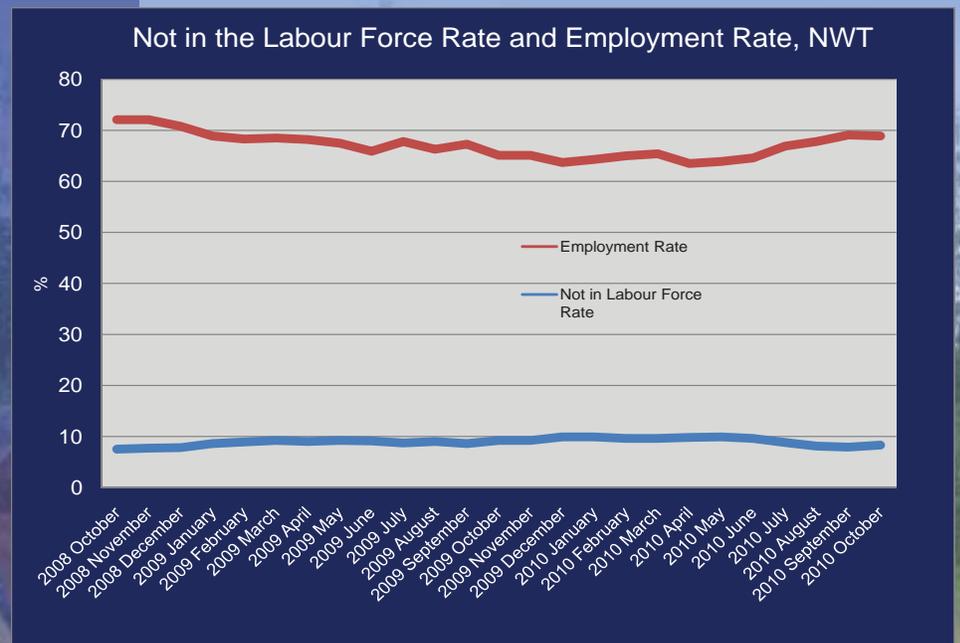


Table 2

NWT	Sep-10	Aug-10	Sep-09	Change (persons) Sep-09 to Sept-10
Total Employment	21,900	21,900	20,500	1,400
Full Time	19,900	20,000	18,800	1,100
Part Time	2,000	2,000	1,700	300
Employees	20,200	20,400	18,800	1,400
Public	9,600	9,800	9,300	300
Private	10,600	10,600	9,500	1,100
Self Employment	1,800	1,500	1,700	100
Goods Producing	4,200	4,200	3,600	600
Service Producing	17,700	17,700	16,900	800