

FACT SHEET

GAHCHO KUÉ DIAMOND MINE

A. Background of the Gahcho Kué Economic Analysis

In 2011, the Government of the Northwest Territories (GNWT) commissioned Schlenker Consulting Limited to produce an analysis (the Analysis) of the possible economic impacts of the proposed Gahcho Kué Diamond Mine.

De Beers Canada Incorporated (DBC) and Mountain Province Diamonds Incorporated (MPD) are proposing to construct, operate and close the Gahcho Kue Diamond Mine at Kennedy Lake.

The mine plan includes the extraction and processing of over 31 million tonnes of ore and the recovery of 49 million carats of diamonds over an 11 year operating period, 2017-2027.

Construction of the proposed mine would take place over the period 2014-2016 with the bulk of the expenditures expected to occur in 2015 and 2016.

The analysis employs an input - output framework to measure the direct, indirect and induced impacts arising from the construction and operation of the proposed mine. An input-output model is one tool used in economic analysis. The focus is on the implications for Gross Domestic Product (GDP), income, employment and government revenues in the Northwest Territories (NWT) and Canada as a whole. This analysis measures the impacts on these variables.

This analysis was conducted based on capital cost, operating cost and revenue estimates obtained from information in the Feasibility Study and Environmental Impact Statement for the project by DBCI.

The Analysis demonstrates the significant distribution of benefits from the Project throughout Canada. It also provided an estimate of the potential revenues that would be realized by the Territorial, Provincial and Federal Governments.

B. Assumptions

There are several assumptions concerning the input output model to be noted.

First, an input-output model is a static model with inter-industry relationships estimated for a specific, past point in time (in this case, 2007). Significant changes in these relationships in the economy will result in a less accurate representation of what would actually happen in a current or future environment.

Second, an input-output model does not make adjustments of the scale. Impacts are estimated given the average input usage by an industry, regardless of whether one unit or a million units of a particular output is produced.

Third, input-output models do not reflect limitations of capital and labour; it is assumed that no significant inflationary pressure would be created by a project.

Finally, an impact analysis deals purely with economic impacts and is not to be used to evaluate the efficiency or overall return associated with that project or policy. No attempt has been made to evaluate the efficiency of the Gahcho Kué project.

C. Findings

Findings

Northwest Territories

The total GDP impacts for NWT associated with construction would be about \$150 million and 760 jobs would be created for NWT residents. About 85% of those jobs would be generated in the main construction years of 2015 and 2016 creating about 325 jobs per year. This would account for a 1.5% increase in overall NWT employment.

The overall GDP impact for the NWT associated with operations is expected to be \$3.2 billion over the 11 year operating phase. This amounts to approximately \$290 million annually or about 6-7% of annual GDP levels in the territories over recent years.

Territorial government revenue impacts would also be sizable in comparison to recent values. The \$27 million annual increase estimate to GNWT revenue is equivalent to a 13% increase of taxation revenue in the NWT.

Canada:

In total, construction and operation would generate over a \$4.2 billion in GDP and \$1.1 billion in labour income for all of Canada.

Over the operating phase almost 14,000 person years of employment would be generated by the project in Canada, or close to 1300 jobs annually.

It is assumed that all of the mining royalties (roughly \$250 million) generated by the project would go to the Federal Government.

The Government of the NWT supports sustainable resource development with the provision that benefits will flow to NWT residents and businesses.

While it is recognized that there can be fluctuation in diamond prices and demand, this scenario is based on information known today. Under this scenario including the construction and operating phase the following impacts and benefits should be realized:

NWT

- Employment: 4584 person-years
- Labour income: \$452 million
- Contributions of the Project to the NWT economy (i.e., GDP): \$318 billion
- Revenues to the GNWT of (income tax and property taxes): \$102 million (after taking into account the reduction in Transfer of Formula Financing from Canada).

Canada

- Employment of (all of Canada): 18,228 person-years
- Labour Income: \$1.426 billion
- Contributions of the Project to the Canadian economy (i.e., GDP): \$4.745 billion
- Total Government revenues (includes Territorial/Provincial Government Revenue and Federal Government Revenue) generated would be \$1.368 billion
- Estimated Total Royalties Collected: \$250 million

TABLE 1: SUMMARY OF TOTAL ECONOMIC IMPACTS

Phase	Category	NWT	Rest of Canada	Total Canada
Construction (\$million, 2010 Cdn\$, except for Employment)	GDP	148	374	522
	Labour Income	72	250	322
	Territorial/Provincial Government Revenue	13	38	51
	Federal Government Revenue	20	64	84
	Total Government Revenue	33	102	135
	Employment (in person years)	760	3530	4290
Operation (\$million, 2010 Cdn\$, except for Employment)	GDP	3168	1055	4223
	Labour Income	380	724	1104
	Territorial/Provincial Government Revenue	301	103	404
	Federal Government Revenue	634	195	829
	Total Government Revenue	935	298	1233
	Employment (in person years)	3824	10114	13938
Overall Project (\$million, 2010 Cdn\$, except for Employment)	GDP	3316	1429	4745
	Labour Income	452	974	1426
	Territorial/Provincial Government Revenue	314	141	455
	Federal Government Revenue	654	259	913
	Total Government Revenue	968	400	1368
	Employment (in person years)	4584	13644	18228

FIGURE 1 – ANNUAL IMPACTS ON GDP, LABOUR INCOME AND GOVERNMENT REVENUES IN THE NWT

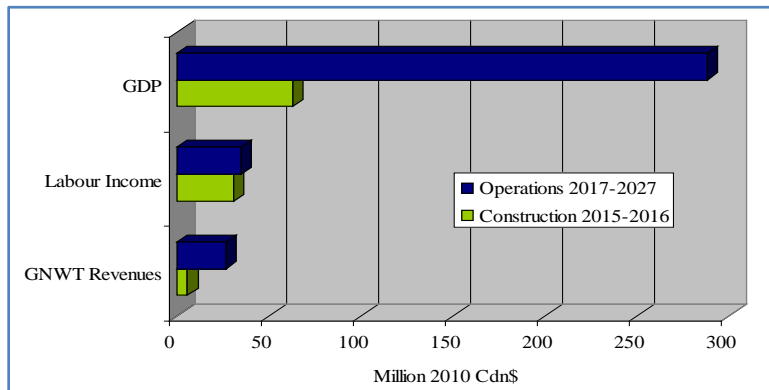


FIGURE 2 – ANNUAL IMPACTS ON EMPLOYMENT IN THE NWT

