





# **Nunavut Resources Corporation Pre-Budget Consultation Submission for Budget 2019**

**Recommendation 1:** Support an investment in Canadian economic growth and competitiveness, arctic sovereignty and Indigenous reconciliation through federal funding for the construction of the Grays Bay Road and Port to spur resource development in the Slave Geological Province in the Kitikmeot Region of Nunavut.







## **Nunavut Resources Corporation Pre-Budget Consultation Submission**

#### Introduction

Nunavut Resources Corporation (NRC) appreciates the opportunity to provide this submission to the House of Commons Standing Committee on Finance's Pre-Budget Consultations. As you will see, the project proposed by NRC strongly supports economic growth and Canada's competitiveness, both for Canada as a whole and in economically deprived areas of the North. Further, as a project led by an Inuit proponent, support for the project would be a significant effort toward reconciliation and investment in economic and social well-being in western Nunavut.

The Grays Bay Road and Port Project (GBRP) is a transformational, nation-building transportation network that, once completed, will connect the rich mineral resources of Canada's Slave Geological Province, straddling Nunavut and the Northwest Territories (NWT), to arctic shipping routes. The project is led by NRC, which is wholly owned by the Kitikmeot Inuit Association (KIA).

The GBRP consists of a 227km all-season road, linking the northern terminus of the Tibbitt-Contwoyto Winter Road, to a deep-water port at Grays Bay on the Northwest Passage. Once completed, this transportation system will support mining exploration and economically move resources from the Kitikmeot region of Nunavut to global markets for the benefit of all Canadians. The port will further serve as Canada's first and only deep-water port in the Western Arctic.

### As a result, the GBRP will:

- 1. Deliver the infrastructure that will stimulate investment in resource development in the mineral rich geological formation known as the Slave Geological Province;
- 2. Create the first overland connection between Nunavut and the rest of Canada;
- 3. Provide tangible evidence of the Federal Government's commitment to reconciliation with Indigenous peoples; and
- 4. Assert Canadian sovereignty in the North through the establishment of a deep-water arctic port, strategically located at the mid-point of the Northwest Passage.

The benefits of the GBRP were recognized in the Canada Transportation Act (CTA) Review Report, tabled in the House of Commons by the Minister of Transport in 2016, which recommended immediate support for the Grays Bay project as the first phase of the development of the strategic 'Yellowknife – Coronation Gulf Corridor'.

The enhanced competitiveness generated by the infrastructure means that the project will generate significant, ongoing revenue from commercial users in the mining sector. The CTA Review Report







estimated that development of the corridor's infrastructure could leverage 21 times the amount invested<sup>1</sup>.

The GBRP project will see the expertise and capital of private sector (foreign and domestic) investors, leveraged by local Inuit leaders and federal government investment to develop a trade and transportation corridor in the Canadian arctic that will greatly benefit the economies of Nunavut, the NWT, and Canada. The effect will be transformational, resulting in important resource development, well-paying jobs, significant revenues to government and a ground-breaking Canadian presence on the Northwest Passage. The project is supported by both the Government of Nunavut and the Government of the Northwest Territories.

#### **Project Overview**

According to mining industry research, a mining project in very remote areas can cost almost three times higher, with the lack of infrastructure being a significant cause of the cost disparity.<sup>2</sup> Without the means to transport metal concentrates to overseas markets or to processing facilities in a cost-effective manner, most of the wealth of minerals known to be in the Slave Geological Province will remain undeveloped. The GBRP is aimed at providing the infrastructure necessary to attract mining investment in western Nunavut.

The GBRP is the most advanced trade corridor project in Nunavut. Project design is in the final stages and the environmental assessment process is underway. It is expected to be shovel ready in 2020 and in service by 2024. NRC is requesting federal funding of \$415 million (75% of total investment).

At a project cost of \$550 million (port \$110M, road \$440M), with an additional \$300 million in shared infrastructure from private sector partner MMG Ltd, the principal components of the GBRP Project involve the construction and operation of:

- a 227km all-season controlled access road from Grays Bay to the Jericho Mine site;
- a deepwater port at Grays Bay suitable for commercial shipping;
- a small craft harbour at the Grays Bay Port;
- airstrips (both temporary and permanent) near Grays Bay Port;
- materials storage, staging and handling facilities at Grays Bay Port;
- bulk fuel storage facilities at Grays Bay Port;
- watercourse crossing structures;

<sup>1</sup> Cost-Benefit Estimates For Investments In Northern Resource Corridors, CTA Review Report: Volume One, Page 65, http://www.tc.gc.ca/eng/ctareview2014/CTAR Vol1 EN.pdf

<sup>&</sup>lt;sup>2</sup> Levelling The Playing Field: Supporting Mineral Exploration and Mining In Remote and Northern Canada; <a href="http://www.pdac.ca/docs/default-source/priorities/securities/levelling-the-playing-field---final.pdf?sfvrsn=8b46a798">http://www.pdac.ca/docs/default-source/priorities/securities/levelling-the-playing-field---final.pdf?sfvrsn=8b46a798</a> 2







- up to 40 temporary and permanent quarries;
- staging and fuel storage facilities at the Jericho Mine site; and
- temporary and permanent works to service the Project, including power, accommodation, administration, waste management, water supply, resupply, emergency shelters, operation and maintenance and emergency response facilities and telecommunications infrastructure to link GBRP Project components.

The GBRP infrastructure would have a two-fold impact: the costs of exploration would decrease, likely leading to more exploration activity and more discoveries; and, the costs associated with developing known discoveries would be reduced, making it economically feasible to move a range of deposits and commodities into production.

The combination of the road and port infrastructure will establish the conditions necessary to attract investment by resource companies which, until this point, have found the cost of operating in the area to be prohibitive. Already, one mining company, MMG, is strongly committed to moving forward once the road and port are built. MMG Ltd holds significant zinc and copper deposits within an area known as the Izok Corridor. MMG has made important initial investments to move the GBRP project forward and is prepared to contribute \$300 million in shared use infrastructure at the port.

Two diamond mines in the NWT are also interested in becoming road and port users as the Grays Bay road would provide a more cost effective and reliable corridor than their current, expensive ice roads, with ever shortening seasons.

Given other claims and the wealth of minerals in the area, the building of this infrastructure is expected to provoke additional private sector investment in mining exploration and development. A multitude of opportunities exist across a broad range of minerals. Base metals reserves waiting to be developed include: zinc, copper, lead, nickel. Gold, silver, platinum, diamonds, and uranium are also present.

The proposed road is intended to be the first step in the development of an all-weather transportation corridor transecting the entire length of the Slave Geologic Province from the port at Grays Bay all the way to Yellowknife. The Government of the NWT is actively advancing its plans to develop the southern portion of this corridor and therefore strongly supports the GBRP.

#### **Economic and Social Benefits**

This transformative project would drive significant economic and social benefits in Nunavut and the rest of Canada. As mentioned, the 2016 CTA Review Report estimated that the development of the full 'Yellowknife – Coronation Gulf Corridor' could leverage 21 times the amount invested.







According to an economic assessment of the GBRP and mine development by MMG, the project is estimated to create 2,250 full-time equivalent (FTE) jobs in Nunavut during construction of the road and port alone, while contributing \$189.5 million to Nunavut's GDP.

The development of MMG's zinc and copper deposits at Izok Lake and High Lake is estimated as a \$2 billion project. This would create 1,260 FTE jobs during its three-year construction, and 1,400 FTE jobs for 11 years during operations. The mine construction would raise Canada's GDP by \$1.5 billion, while the mineral production would add \$7.5 billion to the Canadian GDP. Mining operations could also contribute up to \$665 million in revenues to government, including \$327.5 million in federal corporate and personal income tax.

However, these benefits are only the start. Further mining exploration and development in the area could significantly increase the financial return on the project. The road could also be an important transportation route for mines in the NWT. Significant business opportunities to support mining operations are also likely.

The enhanced competitiveness spurred by the project would provide the means to deliver substantial and broadly-based economic and social development within the Kitikmeot region and the rest of Nunavut. Improved road connections are expected to help diversify the Nunavut economy through expanded resource development. Economic diversification would aid Nunavummiut to become more self-reliant and improve standards of living and the quality of life for families.

The project will generate significant amounts of employment for northern residents in a region that currently suffers from very high levels of unemployment and few opportunities for their youth. The KIA is already anticipating the education and training needs they must prepare for to ensure that their people can take full advantage of the opportunities the GBRP will create.

The port would also significantly strengthen and support community infrastructure and re-supply. Currently, construction and other materials and goods must be ordered in March, with delivery by sea lift in September, leaving little time for housing construction and other activities before the northern winter sets in. By providing a community resupply chain originating from the west and south, the GBRP Project would offer an earlier, and more reliable and robust service to the region, estimated to reduce costs by up to 40%, or up to \$500 a person, a large amount in an area where the average median annual incomes is \$18,440 (2014).

There are also important policy and political benefits to the Government of Canada. The presence of a port coupled with a transportation link to the south would be a substantive investment to meaningfully advance Canadian arctic sovereignty and reconciliation with northern Indigenous peoples. The port would also provide increased monitoring and emergency response capacity in a marine corridor that is experiencing increased traffic.







Given its strategic location at the mid-point of the Northwest Passage, the port could also serve as important infrastructure for the Canadian Coast Guard (CGC) and the Canadian Armed Forces (CAF). The port could provide important support for CGC and Royal Canadian Navy vessels engaged in oil spill and marine incident response, search and rescue, and sovereignty patrol missions. It would allow access to a deep-water port, providing facilities for vessel crew changes, refuelling, and vessel repairs. Both the CGC and CAF have expressed interests in the port and have provided letters of support to the project.

## **Project Proponents**

The KIA – one of three regional Inuit associations recognized under the Nunavut Land Claims Agreement - manages 103,360 km² of Inuit Owned Lands in the Kitikmeot. With forethought to the economic development of their region and opportunities for their people, Inuit specifically included known mineral rich areas in their selection of Inuit Owned Land parcels during the Land Claim negotiations. They are committed to the GBRP as they believe that the economic growth from land development and mining will be critical to the economic, social and cultural future of the Inuit in the region.

The principle behind the KIA's formation of the NRC was to create a new, unique vehicle to diversify and develop the economy of the Kitikmeot by attracting investment capital to the region. The NRC works in concert with government and private sector partners to facilitate the development and growth of Nunavut's non-renewable resources sector. It seeks ensure that Inuit are able to directly participate in the ownership and development of northern resources and facilitate essential infrastructure projects in a manner consistent with Inuit values and focused on maximizing the value of Inuit Owned Lands.

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