OPPORTUNITIES IN THE CANADIAN ARCTIC

FACT PACK

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Business Sweden Toronto
EXECUTIVE SUMMARY

- Canada’s Arctic makes up over 40% of the landmass and is home to 100,000 Canadians (only 2.7% of the total population) in the territories of Yukon, the Northwest Territories and Nunavut.

- Government of Canada’s priorities on developing the Arctic include: providing economic and social stability to the indigenous populations; increasing environmental research to obtain data and increase knowledge of the cause-effect of industrialization; clarifying Arctic policies alongside Arctic neighboring countries to facilitate cooperation between nations.

- Canada’s untapped natural resources provide lucrative opportunities for industrial development, though challenges relating to harsh climate require high investment costs for interested companies within key industries:
  - Gold, iron, diamond, and rare earth metal mining is the most important sector in the Arctic as it drives numerous investments including building infrastructure and transportation, providing power and communication, building housing and educating the local labour force.
  - Arctic oil and gas discoveries in the north are expected to be 25% and 33% respectively of Canada’s remaining reserves with 85% contained offshore. Environmental risks and lack of offshore Arctic drilling technology is preventing the full expansion of this industry.
  - Stand alone renewable energy sources are in demand for remote communities currently depending on diesel generators.
  - The opening of the Northwest Passage due to climate change is providing faster and more economical logistics and shipping opportunities predominantly between North Eastern Asia and Europe.
  - Demand and incentives for R&D and supporting technology for infrastructure and construction on changing and melting ice layer as well as offshore operations.

- With similar Arctic conditions, northern populations and similar business culture, there are numerous opportunities for Swedish companies in the Canadian north.
AGENDA

- Key features of the Arctic
- Economic and social development in the Arctic
- Highlighted industries
- Specific Projects
Canada’s Arctic Territories make up over 40% of the Arctic landmass, spanning across three territories of Yukon, Northwest Territories and Nunavut which hold 2.7% of the population, just over 100,000 Canadians.

Indigenous people comprise 80 percent of the three territory population.

The Canadian Arctic territories differ from the rest of Canada, not only by climate, but also by the demographic, legislations and political structure.

The unexplored north is expected to contain valuable resources, though further research is needed to develop technology and infrastructure to withstand the harsh climate while preserving the ecosystem.

The opening of the Northwest Passage due to climate change is providing faster and more economical logistics and shipping opportunities.

The opening of the Northwest Passage is a key factor for Canada’s Arctic territory development.
ARCTIC SCIENCE COOPERATION BETWEEN CANADA AND SWEDEN OFFERS NEW BUSINESS OPPORTUNITIES

- A new five-year arrangement between Natural Resources Canada and Swedish Polar Research Secretariat (SPRS) was signed in 2015 to enhance science and innovation cooperation of the Arctic and specifically the Arctic Ocean.

- The arrangement means to share data gathered on Canada’s extended global continental shelf and Arctic Ocean and establish a framework for collaborating on Arctic issues including the development of new fisheries, environmental and marine navigation regulations.

Sweden has a unique international experience of polar expeditions. Oden the ice-breaker has been used for 25 years in expeditions and is the only shuttle in the world equipped with advanced research equipment to obtain high resolution images of the Arctic sea bottom.

There is an enormous potential for Swedish companies that want to provide services for polar ice-breaking, Arctic navigation and marine management and the knowledge as well as business channel could be obtained through the Swedish Polar Research Secretariat and The Swedish Maritime Administration.

Björn Dahlbäck,
Head of the Swedish Polar Research Secretariat

SOURCE: GOVERNMENT OF CANADA AND INTERVIEW WITH BJÖRN DAHLBÄCK HEAD OF THE SWEDISH POLAR RESEARCH SECRETARIAT
SWEDISH COMPANIES INTERESTED IN ARCTIC SHOULD DEAL WITH GLOBAL AFFAIRS CANADA AND PARTNERS

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<tr>
<th>Governmental</th>
<th>NGOs</th>
<th>Private Companies</th>
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<tr>
<td>National Research Council</td>
<td>WWF</td>
<td>De Beers Canada</td>
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<tr>
<td>Funds and supports research projects in different sectors such as mining and oil and gas</td>
<td>WWF-Canada is working to strengthen community voices, build capacity for low-impact renewable energy build sustainable fisheries</td>
<td>De Beers Group has a leading role in the diamond industry, and is currently setting up the world’s largest diamond mine in the Northwest Territories</td>
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<td>Canadian Northern Economic Development Agency</td>
<td>Greenpeace</td>
<td>Northern Transportation Company Limited</td>
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<td>Strategic Investments in Northern Economic Development (SINED) focuses on strengthening the driver sectors of the economy</td>
<td>Greenpeace is an independent global campaigning organization that acts to protect and conserve the environment and to promote peace</td>
<td>Northern Transportation Company Limited is Northern Canada’s oldest Arctic marine operator, and among Canada’s largest barging companies</td>
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<td>The Arctic Council</td>
<td>The Arctic NGO Forum</td>
<td>Arctic Canada Construction Ltd</td>
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<td>The Arctic Council is an intergovernmental forum promoting cooperation, coordination and interaction among the Arctic states</td>
<td>Launched in 2011, the Arctic NGO Forum aims to provide a consistent way for NGOs concerned with Arctic environmental issues to exchange ideas</td>
<td>Innovative solutions and a service that is uniquely focused on Canada’s Arctic regions</td>
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Independent companies are crucial to the North’s economy. While almost 3,300 small businesses are active across the three territories, there are only about 60 medium-sized and large companies present.

STAKEHOLDERS IMPORTANT FOR THE ARCTIC ECONOMY INCLUDE GOVERNMENT, NGOS AND PRIVATE COMPANIES

SOURCE: NATIONAL RESEARCH COUNCIL, STATISTICS CANADA
THE CLIMATE AND THE POLITICAL SITUATION LEADS TO A MARKET WITH UNIQUE CHARACTERISTICS

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<tr>
<th>Challenge 1 - Climate</th>
<th>Opportunity 1 - Climate</th>
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<td>Some areas are covered by ice year-round, and temperatures ranges from below −50 °C in the winters to about −10 to +10 °C in the summers, leaving 3 months for safe shipping and operations. Some areas have little or no sunlight for three months a year.</td>
<td>The harsh climate has created additional focus on R&amp;D with focus on ability to build stable constructions on the changing and melting permafrost layer.</td>
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<tr>
<th>Challenge 2 - Power supply</th>
<th>Opportunity 2 - Power supply</th>
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<td>Most communities in the Arctic are not connected to the power grid, the territory of Nunavut has 25 communities with their own electricity generation.</td>
<td>The underdeveloped power grid and need for new energy sources and sustainable technology yield business opportunities. Several projects are underway and government offering grants and incentives for companies meeting this demand.</td>
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<th>Challenge 3 - Lack of educated workforce</th>
<th>Opportunity 3 - Partnership with local communities</th>
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<td>The low number of people living in the Arctic's large area together with the low amount of funding for schools compared to the rest of Canada results in the lack of an educated workforce.</td>
<td>Local communities often have preferential agreements with the mines and companies working in the Arctic- partnering with these communities could open doors for companies working in the north.</td>
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<th>Challenge 4 - Complicated regulations</th>
<th>Opportunity 4 - Stable politics in Nunavut</th>
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<td>Eight countries are members of the Arctic Council (The US, Canada, Finland, Sweden, Norway, Iceland, Russia, Denmark), i.e. with territory above the Arctic Circle. This means that there are eight national legislations governing every state's territory.</td>
<td>Nunavut has a key advantage compared to the rest of the Arctic because of the secure land tenure, and the political system there is less complicated and there is great opportunities for mining because of the vast geological resources found in the territory.</td>
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THE ARCTIC IS A UNIQUE MARKET WITH CHARACTERISTICS GREATLY DIFFERENT FROM THE REST OF CANADA

SOURCES: STATISTICS CANADA, BUSINESS SWEDEN INTERVIEWS, BUSINESS SWEDEN RESEARCH
MINING IS THE CENTRAL HUB AROUND WHICH ALL OTHER INDUSTRIES ORBIT

Power
Communities are responsible for their own energy production

Logistic Solutions
Mines in the Arctic have been the main factor for creation of airports, logistic hubs and expansion of ports

Waste Management
Increased workforce/population means increased need for waste management

New mine or Expansion of existing mine

Workforce/Labour
Increase in operations require experience and education within the sector

Housing
The increased workforce means that more housing is required often living close to job site

Communication and Supportive Technologies
Internet, radio, phone connection

THE MINING INDUSTRY IS THE KEY TO INVESTMENT AND INFRASTRUCTURE IN THE ARCTIC

SOURCE: BUSINESS SWEDEN INTERVIEWS, NUNAVUT CHAMBER OF MINES, YUKON CHAMBER OF MINES
AGENDA

- Key features of the Arctic
- Economic and social development in the Arctic
- Highlighted industries
- Specific Projects
CANADA’S NORTHERN STRATEGY CONSIST OF FOUR PRIORITIZED AREAS

1. The government will continue advancing Canada’s priorities in the Arctic through polar expeditions and collection of data. Cooperation with Arctic neighbours will be strengthened in areas such as rescue and icebreaker operations.

2. Northern exploration and development are encouraged as they improve infrastructure, social wellbeing within communities and develop steady economic activity in the north.

3. Canada has updated its pollution prevention legislation and taken action to clean up abandoned mines. New Polar research center (POLAR) has been built to observe climate change and gain knowledge on how to adapt to impacts.

4. Northerners will have greater control over own education, healthcare, social services and lands & resource management through transferring responsibilities from the federal government to territories.

INVESTMENT OPPORTUNITIES ARE FOCUSED WITHIN ARCTIC SECURITY, HEALTH AND ENVIRONMENTAL PROTECTION

SOURCE: GLOBAL AFFAIRS CANADA – CANADAS NORTHERN STRATEGY
The Arctic Program researches and develops technologies that will ensure sustainable and low-impact development and infrastructure to improve quality of life for Northerners.

Areas of interest include shipping in ice-covered waters, improved offshore petroleum development in terms of ice management, oil spill solutions and life saving applications.

National Research Council Arctic program is looking for strategic research collaboration within following areas:

- **Petroleum industry**: Address technical issues related to the development of offshore oil and gas in the Arctic.
- **Transportation and marine industry**: Address issues such as more reliable ice road operations and safe and efficient shipping.
- **Oil & Gas marine safety**: To develop improved technologies and safe emergency evacuation from ice-covered waters.
- **Construction Industry**: To address lack of infrastructure and key issues in communities in the harsh environments.

There are several opportunities for Swedish research-oriented organization in the Canadian Arctic.

**SOURCE:** NATIONAL RESEARCH COUNCIL CANADA – ARCTIC PROGRAM
AGENDA

- Key features of the Arctic
- Economic and social development in the Arctic
- Highlighted industries
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MINING IS THE KEY SECTOR IN THE ARCTIC AND KEEPS GROWING AT A FAST PACE

TOTAL CAPITAL MINING EXPENDITURE IN THE ARCTIC 2014, $ MILLION

- Exploration: 151
- Deposit Appraisal: 195
- Mine Complex Development: 852

Growth opportunities

- Several gold and iron ore projects are proposed for Nunavut and gold, diamond and rare earth elements in the Northwest Territories
- Mining sector is the largest employer of Aboriginal people which calls for increased education and training investment

KEY ELEMENTS AFFECTING THE INDUSTRY

- Capital costs: Capital costs are higher in the North due to additional infrastructure requirements leading to higher initial investment costs:
  - 250% higher for base metals mines
  - 100% for gold mines
  - 15-20% higher for diamond mines

- Tax incentives and Geoscience research: The Government lowers taxes for investments made in infrastructure and exploration of mines in the North.
  The Targeted Geoscience Initiative (TGI) provides free geoscience knowledge to mining companies

- Infrastructure support: The borrowing limit for the Government of Northwest Territories have been proposed to increase to $1.3 billion and $650 million for the Government of Nunavut

THE HIGH CAPITAL COSTS ARE CHALLENGING, BUT GOVERNMENT AND NGO ARE CREATING INCENTIVES

SOURCE: BUSINESS SWEDEN DESK RESEARCH, BUSINESS SWEDEN INTERVIEWS, STATISTICS CANADA, MINING ASSOCIATION OF CANADA
Most mines have agreements with First Nation Communities to get preferential rates in bidding – Swedish companies should investigate potential partnerships with these communities. These partnerships could also create opportunities outside of the mining industry.

The Chambers of Mines in Nunavut, NWT and Yukon provides lists of mining projects in the region. Since most of the investments and projects in the north are related to opening or expansion of mines, these lists of projects can also be viewed as lists of opportunities for companies.

Specific Opportunities for Swedish Companies

- Exploration
- Deposit Appraisal
- Mine Complex Development

**THE MINE COMPLEX DEVELOPMENT IS THE MOST CAPITAL INTENSIVE PART IN THE ARCTIC**

MINING CAPITAL EXPENDITURE IN THE TERRITORIES IN 2014
CANADIAN OFFSHORE OIL AND GAS OPPORTUNITIES ARE CONCENTRATED IN THREE GEOGRAPHICAL AREAS

Estimation of offshore gas and oil reserves

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<tr>
<th>Area</th>
<th>Reserves</th>
<th>Details</th>
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| Mackenzie Beaufort | 8 bbl, 1.4 Tm³ | - About 100 wells have been drilled since 1973 with only one well drilled within the past twenty years
|                  |                | - Sixteen offshore licenses are currently active, totaling $2 billion in work commitments
|                  |                | - Many exploration programs have been suspended due to short drilling windows and time limited license from Aboriginal Affairs and Northern development |
| Sverdrup Basin  | 8 bbl, 1.4 Tm³ | - Since the 1970’s, 140 exploration wells have been drilled with 20 significant oil and gas discoveries
|                  |                | - It is thought that untapped offshore discoveries could be reached from land
|                  |                | - No near term plans for further exploration |
| Eastern Arctic   | 0.8 bbl, 4.7 Tm³ | - Consortium of Norwegian companies planned a series of seismic program of the east coast of Baffin Island to map oil and gas deposits
|                  |                | - Approved by National Energy Board but legally challenged due to protest from Inuit groups |

Bbl = Billion barrels of oil
Tm³ = Trillion cubic meters of gas

SOURCE: CANADIAN ASSOCIATION OF PETROLEUM PRODUCERS - INDUSTRY PERSPECTIVES ON OFFSHORE OIL AND GAS DEVELOPMENT AND R&D IN CANADA’S ARCTIC
ARCTIC OIL AND GAS HAVE GREAT OPPORTUNITIES IF CHALLENGES CAN BE OVERCOME

**Strengths**
- **Untapped resources**: 1.7 billion barrels of oil and 880 billion m³ of gas have been discovered in Canadian Arctic and there are potential resources corresponding to 25% and 33% respectively of Canada’s remaining crude oil and natural gas reserves.
- **Favorable lease terms** of exploration allows energy companies to retain control over their field until it becomes economical to develop and produce the resource.
- **Exploration rights growing**: Since 2011 Canadian government has awarded more than $600 million in oil and gas exploration rights and total commitment bids now total around $1.9 billion.

**Weaknesses**
- **Harsh climate**: Heavy costs in relation to remoteness of the area, short drilling window, extreme conditions and stringent well containment requirements.
- 85% of the untapped resource potential is contained offshore.
- **Insufficient infrastructure** is the most critical limiting factor—remote Arctic regions are less attractive than abundant sand oils and gas reserves in Alberta.
- **Short lease terms (2 years)** after receiving exploration rights: stringent consultation process and regulatory issues make it difficult for operators to finish preliminary drilling that is needed before commercial production can be commenced.

**Opportunities**
- **Need of new technology** and innovation for safety and environmental protection: 10 major oil companies have committed $1 billion to fund initial cost of well containment systems. This includes emergency response adapted to the extreme climatic conditions, seismic and drilling technologies as well as solution for deep pipeline trenching to avoid ice scour needed in depths beyond 100 m.
- **New business models**: Public-private partnerships could be used to solve investment problems for infrastructure and equipment. Inspiration is taken from Swedish and Finnish models with ice management vessels.

**Threats**
- **Environmental risks**: Regulatory, social (indigenous groups) and environment groups are concerned about the risks linked to Arctic energy development e.g. oil spillage in icy conditions.
- **Sovereignty**: Disputed territories between Arctic countries have to be resolved before exploration and development of Arctic waters can take place.
- **Technology availability**: Rigs available for global offshore drilling are not adapted for Arctic conditions and the operators are reluctant to prioritize Arctic drilling with limited drilling windows ahead of several well opportunities in Gulf of Mexico.

**SWOT Analysis**
A 25 YEAR PRODUCTION LICENSE OF OIL AND GAS IS RENEWABLE AS LONG AS PRODUCTION CONTINUES

- Northern Canada comprises approximately 38% of Canada’s remaining marketable resources of natural conventional gas as well as 35% of the conventional light crude.
- The management of oil and gas resources is a federal responsibility exercised by the Minister of Aboriginal Affairs and Northern Development under the Canada Petroleum Resources Act.
- Exploration rights are issued for up to nine years over two periods which includes agreements that the operator needs to spend value of the work proposal during first period and drill at least one well to maintain tenure for the second period.
- When exploration results in a petroleum discovery, an application for a significant discovery license is evaluated by National Energy Board (NEB) which rewards exploration rights by allowing for indefinite tenure to the petroleum discovery until it is economically feasible.
- NEB also grants license of commercial discovery of oil and gas production and such license has a term of 25 years, which is renewable as long as commercial production continues.
ARCTIC OIL & GAS PRODUCTION WILL REMAIN A FOCUS AREA BUT IN SHORT TERM R&D WILL BE MORE VITAL

Top priority issues for Arctic oil and gas activity

- Environmental protection
- Infrastructure
  - Ice management
  - Ice load and mechanics
  - Climate and environmental conditions
- Arctic drilling
  - Simulation and training
  - Hydrocarbon transport and logistics
  - Dredging and trenching in subsea installations
  - Offshore safety and evacuation, emergency and rescue procedures

It is essential to have environmental policies in order to obtain exploration approval from regulatory authorities and to gain confidence from the aboriginal and Northern citizens.

R&D: Environmental studies research fund (ESRF) focused on oil spill response, fate and effects.

The current technology barriers for drilling and exploration development can be reduced substantially by the research and development of new technologies.

R&D: Centre for Arctic Resource Development (CARD) and Petroleum Research New Foundland & Labrador.

Focus on these applications will come as a final step in order to begin economic development of the northern regions.

R&D: C-CORE focus on Ice engineering, Geotechnical engineering and modeling, LOOKNorth sustainable development and validate remote sensing.
A BETTER FUTURE FOR INDIGENOUS PEOPLES WILL BE CREATED BY INVESTING IN HOUSING AND EDUCATION

GOVERNMENT INVESTMENT MILLION $CAD (2016-2021)

- Education, Children and Training
- Social infrastructure
- Green infrastructure

Over $1 billion per year will be provided first nations to:
- Address the critical need to improve education as well as repair and construct schools
- Improve housing and water treatment
- Develop employment skills

Overview

Canadian government budget 2016 proposes to invest $8.4 billion over five years in education, infrastructure and training

Opportunities and Challenges

- Modern public infrastructure will contribute to a stronger economy, cleaner environment and more prosperous communities in the North
- Over the next decade, 400,000 Aboriginal Canadians will reach working age, which could contribute to additional $36.5 billion in annual labour market output
- Supportive programs have been established to secure Northern citizen skills in major industries like mining, oil and gas, and hydro-electricity

Key Stakeholders

- Indigenous and Northern Affairs Canada support building of infrastructure and improvement of waste and water management
- Employment and Social Development Canada offers Aboriginal Labour market programs to increase workforce participation

NEW BUSINESS OPPORTUNITIES IN WASTE WATER TREATMENT, WASTE MANAGEMENT AND EDTECH

SOURCE: GOVERNMENT OF CANADA BUDGET 2016 AND DEPARTMENT OF FINANCE
$35 BILLION INVESTMENT IN NATIONAL SHIPBUILDING INCLUDING ARCTIC OFFSHORE PATROLE SHIPS

INVESTMENTS IN SAFE MARINE TRANSPORTATION
$MILLION CAD, 2015-2020

Overview

2015-2020 investments in the safe marine transportation industry:
$64.8 million

Opportunities and Challenges

- Arctic Marine activity is influenced by natural resources - metallic ores accounted for 38% of the total goods shipped in 2011
- Mary River iron ore mine expects to ship 12 million tons per year through the Northwest Passage when operation start in 2020
- Current Northwest Passages is limited to 20-30 vessels/year due to unreliable ice conditions meaning changing transport routes from year to year
- First tourist cruise ship, Crystal Serenity, is set to sail the North West Passage in summer 2016

Key Stakeholders:

- Aboriginal affairs and Northern Development Canada are active in improving safety of the marine transportation by their participation in the Tanker Safety and Expert Panel
- Northern Transportation Company Limited is among Northern Canada’s largest Arctic marine operator

In total, $64.8 million CAD has been invested over five years starting 2015-16 in marine transportation, navigation technology, safety communication and meteorological services to ensure Canadian goods can be safely transported to market.

IMPROVING SAFETY AND EFFICIENCY OF MARINE TRANSPORTATION IS HIGHLY PRIORITIZED IN THE ARCTIC

SOURCE: GOVERNMENT OF CANADA ACTION PLAN 2015 AND CANADA’S NORTHERN STRATEGY
THOUGH INVESTMENTS IN RENEWABLE ENERGY ARE BEING PRIORITIZED

Yukon
- The Yukon Environmental and Socio-economic Assessment Board is currently planning to improve the electrical infrastructure in Central Yukon
- Yukon Energy is trying to reduce the amount of diesel it relies on

North West Territories
- The Northwest Territories government has a 20 year plan (launched in 2013) to lower the cost of energy and replace diesel generated power with renewable energy
  - The estimated investment is $600 million

Nunavut
- The Arctic Energy Alliance has launched a program called the Alternative Energy Technologies Program
- The program provides funding for renewable energy sources such as solar, wind, biofuel and more. This funding is available to communities, commercial businesses and NWT residents

Key Stakeholders
- **WWF Canada** is piloting a project for renewable energy sources to reduce environmental impact
- **Qulliq Energy Corporation** has monopoly of the energy supply in Nunavut
- **National Research Council Canada** is supporting a transition to alternative energy and investments in energy storage
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THE GEO-MAPPING FOR ENERGY AND MINERALS (GEM) PROGRAM BOOSTS ECONOMIC ACTIVITY IN THE NORTH

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<th>Objectives</th>
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<td>Advance the geological knowledge in the North</td>
<td>Make informed decisions for land use that balance conservation</td>
<td>Support the increased exploration of natural resources</td>
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<td>and responsible resource development</td>
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<th>Key Activities</th>
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<tr>
<td>Collecting new field data</td>
<td>Airborne geophysics</td>
<td>Using cutting-edge geochemistry methods</td>
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<td>Create new maps</td>
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<td>Develop geological models and regional frameworks</td>
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<td>Making knowledge available to decision-makers and industry</td>
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<td>investors</td>
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<td>Engaging communities and local governments</td>
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<th>Results so far</th>
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<td>More than 700 maps and reports have been delivered</td>
<td>New exploration investment from over 100 companies, generating</td>
<td>$40 million in direct employment opportunities and $300 million</td>
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<td></td>
<td>$40 million in direct employment opportunities and $300 million</td>
<td>in indirect investments</td>
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<td>Discovery of copper-gold-silver deposits in the Yukon</td>
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<th>Next Steps</th>
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<td>It is estimated that over the next 10-15 years, GEM will generate more</td>
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<td>than $500 million in economic activity through private sector exploration</td>
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<td>for new energy and mineral resources</td>
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