

Chair's Message

Taltson – Back to the Future!

When you woke up this morning and poured that first cup of coffee chances are you were benefitting from decisions made 70 years ago.

In 1938 the owners of Yellowknife Cominco Mine began construction of the Blue Fish hydro facility.

Less than a decade later the Federal Government constructed the first hydro plant on the Snare River to provide power for Giant Mine.

Then in 1965, the Federal Government invested millions to construct the Taltson hydro plant to provide power to the Pine Point mine and South Slave communities.

Collectively, these investments provided the foundation for a mining industry and are now the main source of power for residents living in Yellowknife,



Don Balsillie, Chair, Dezé Energy Corporation

Behchoko, Dettah, Fort Smith, Fort Resolution and Hay River.

It's not by accident that these communities have led the NWT's economic growth.

If we're unsuccessful an opportunity of a lifetime may be lost.

This critical infrastructure grew out of the partnership between the federal Government and the mining industry that now provide:

- Lower electricity rates and a lower cost of living;
- Cleaner energy; and
- Opportunities for a broader economic base.

Now, 70 years from that first investment we have another opportunity to expand power supply in the NWT.

Dezé Energy; the mining industry, and the Federal and Territorial Governments are working hard to expand the Taltson system to power the diamond mines of the Slave Geologic Province and new mines on the drawing board around the NWT.

The next 100 days are critical. We

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P3 Canada Likes What It Sees

The Taltson Project has received strong signals from Public Private Partnerships Canada (P3) that significant funding may be available. Applications were filed by the GNWT's Department of Finance on behalf of the project in June. The Deze Energy team then met with P3 Canada to evaluate project risks at a workshop in October.

P3 officials acknowledged the importance of Taltson to the North's economy, view the project as significant long term infrastructure, and are willing to consider a number of funding options to facilitate their participation. The federal agency also acknowledged the value of Aboriginal equity through the Deze Energy ownership structure.

P3 Canada is a Crown Corporation established as an alternative method for governments to meet public infrastructure needs across the country. P3 contracts enable governments to access private sector expertise, technology and capital through partnerships.

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Power from the Taltson Expansion Project could increase the life of our diamond mines.

The Government of Canada established a \$1.2 billion fund that's managed by P3 Canada to support infrastructure projects.

The GNWT submitted applications of \$90 million each for the hydro plant expansion and for the transmission line to the Slave Geologic Province.

If secured, P3 funding would reduce project debt and aid project economics enabling more competitively priced power from Taltson. Deze is preparing a final business case for presentation to P3 Canada's Board of Directors early in 2011.

Taltson – Back to the Future! *continued*

cannot proceed without a power purchase agreement and some degree of Federal assistance. If we're unsuccessful an opportunity of a lifetime may be lost.

Recent new stories have suggested we go back to the drawing board. I'd suggest we're well past that point. The

project is three months from hurdling its final challenges. There's a lot at stake; not the least of which is the economic future of the Territories. We've come a long way and now is the time to stand behind the Taltson expansion; and not stand back and criticize or veer off a proven plan.

The mining industry deserves recognition and thanks for its contribution in building NWT's legacy infrastructure.

We only need to look to the past to see our future.

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Here's What the Mining Industry Has to Say

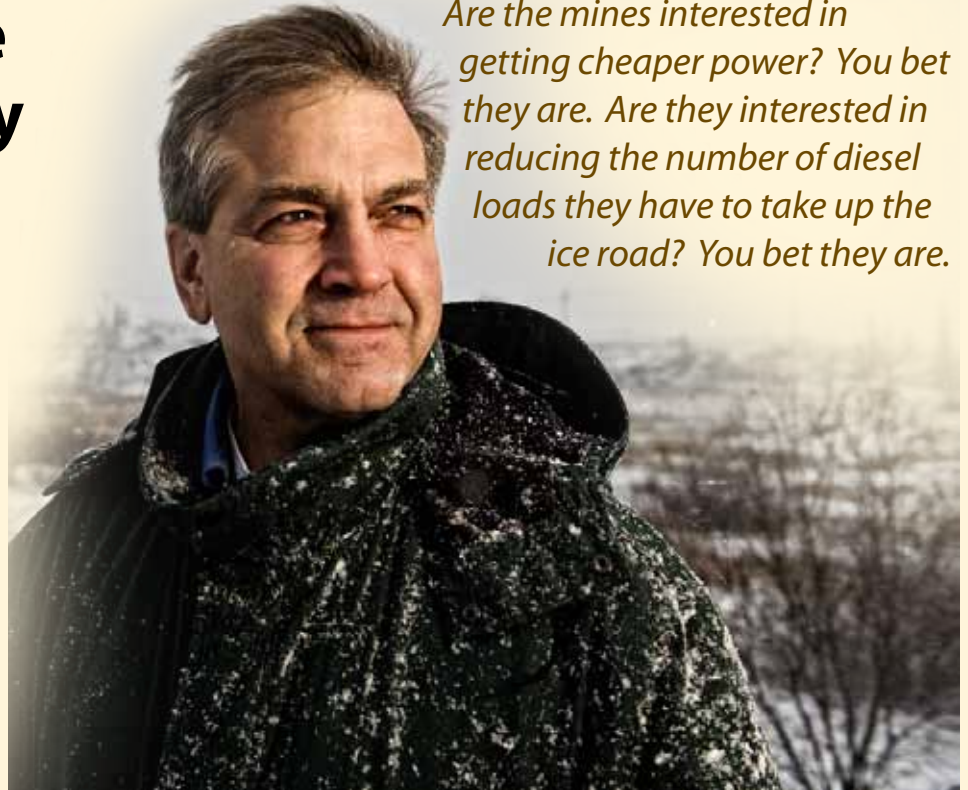
2010/11 is a pivotal year for Taltson. Environmental approval, federal funding from P3's Canada and a conditional power purchase agreement with the mines are expected over the next few months. *(Dezé already has letters of interest from the diamond mines that spells out their willingness to purchase.)*

The diamond mines of the Slave Geologic Province are the only customers ever contemplated for the Taltson Expansion because they're the only customers with an immediate need for bulk hydro electric supply. Once built, Taltson could supply other projects in the future.

The project offers the mines a number of benefits, such as an end to diesel fuel price volatility. In 2002, when the first mine began operating, the bulk price of diesel was roughly \$0.56 per litre. That's the last time anyone has seen that price. The mines use about 100 million litres of fuel per year to generate electricity. The math is pretty straight forward. Diesel cost increases make Taltson an attractive alternative.

If Taltson doesn't come on stream the NWT has to roll the dice and hope something else comes along to drive the economy in the next 10 years.

Lifelong Northerner Tom Hoefer is the Executive Director of the NWT & Nunavut Chamber of Mines. In



Are the mines interested in getting cheaper power? You bet they are. Are they interested in reducing the number of diesel loads they have to take up the ice road? You bet they are.

between stints with the Chamber, Hoefer worked for Diavik Diamond Mine. He's pretty much seen it all. Here's what he has to say about hydro development in the NWT.

On getting the most out of the diamond mines:

One of the ways to get more out of diamond mines is to control the royalties from them. Had we been able to take royalties from the diamond mines and reinvest them into hydro power that cheaper power would allow these mines to go on for longer. Then we could take other royalties and reinvest them in other opportunities.

On the expansion plans for Taltson:

My understanding in talking to the power company is that they've looked at various options to take advantage of the power they produce. Taltson was

sitting as an undeveloped opportunity. They've looked at different routings and determined that around the east end of the lake is the best option. Are the mines interested in getting cheaper power? You bet they are. Are they interested in reducing the number of diesel loads they have to take up the ice road? You bet they are.

The question is how you make the economics of that work. It's difficult to build infrastructure like that where you have mine lives of 10-15 years. You'd usually pay off big infrastructure like that over 25 years or more, so we need to have someone thinking with vision as well. We can't just load up the costs on top of the few operations that there today.

(Excerpt reprinted with permission from UpHere Business, November 2010)

Positive Assessment from Environmental Board

The Taltson Hydro Expansion Project received a very positive Report of Environmental Assessment from the Mackenzie Valley Environmental Impact Review Board (MVEIRB).

The Board has recommended project approval by the Federal Minister for Indian Affairs and Northern Development subject to Dezé Energy fulfilling five specific measures.

In light of the project's size and scope, the limited number of measures required by the MVEIRB speaks to the quality of Dezé's work and the adaptive approach to dealing with stakeholder issues and concerns.

The Taltson Hydro Expansion Project will add up to 56 megawatts of generating capacity to the existing 18 megawatt Taltson Twin Gorges Plant in order to provide power to the diamond mines of the Slave Geologic Province.

The project has many inherent benefits including 800 direct and indirect jobs and displaces 100 million litres of diesel fuel used annually to generate electricity at the mine sites.

In its decision the MVEIRB wrote: *"The Review Board accepts Dezé's evidence that the project is likely to cause significant beneficial large-scale socioeconomic effects for Aboriginal*

communities in the South Slave, Akaitcho First Nations and NWT Métis Nation, and for the NWT as a whole."

The Report is a significant milestone for the project. Other large projects are often constrained by complex measures and recommendations that significantly affect permitting and construction.

The next step in the environmental approval process is a decision by the Federal INAC Minister John Duncan.



Dezé Energy

Established in November 2006, Dezé is a partnership between the Akaitcho Energy Corporation, Métis Energy Company Ltd., and NWT Energy Corporation (03) Ltd. Akaitcho Energy Corporation and Métis Energy Company Ltd. are business ventures of the Akaitcho First Nations and Northwest Territory Métis Nation respectively, while NWT Energy Corporation (03) Ltd. is a wholly-owned subsidiary of Northwest Territories Hydro Corporation, a crown corporation owned by the Government of the Northwest Territories..



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