

DE BEERS

GROUP OF COMPANIES

THE SOCIO-ECONOMIC IMPACT OF

GAHCHO KUÉ



EY

Building a better
working world

The Gahcho Kué Project is a joint venture between De Beers Canada Inc (51 per cent) and Mountain Province Diamonds Inc (49 per cent) and is De Beers' third diamond mine in Canada. The site was first discovered in 1995 and has been undergoing development and construction for almost 20 years. The mine is due to open officially in September 2016, with production planned to continue until 2028.

Gahcho Kué is set to contribute approximately C\$5.7 billion to NWT GVA over its lifetime^{1,2}



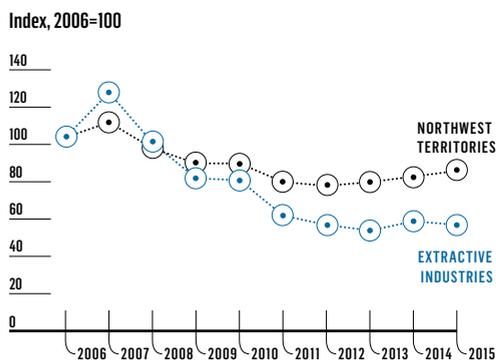
1. The figures presented throughout this report represent 100 per cent of the Gahcho Kué Project.
2. These indicative projections are based on De Beers' currently planned activities, which are dependent upon a number of factors, including the prevailing and expected price of diamonds. For further information, refer to the Anglo American Ore Reserves and Mineral Resources Report 2015, angloamerican.com/investors/annual-reporting.

INTRODUCTION

De Beers commissioned EY to conduct an independent analysis of its economic contribution to the Canadian economy and to the regional economies in which it operates, notably through Gahcho Kué and Snap Lake in the Northwest Territories, and Victor in northern Ontario. In addition, EY has assessed the economic contribution of De Beers' corporate office and exploration activities. This report focuses on the economic impacts of Gahcho Kué, on both a national and regional basis.

A range of economic measures have been reviewed which help to explain the contribution of De Beers' activities. These include gross domestic product (GDP) and gross value added (GVA), exports, employment (measured in full-time equivalents, or FTEs), and payments to Government.*

ANNUAL REAL TERMS GVA



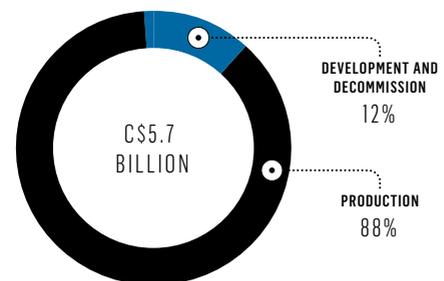
A C\$440 MILLION BOOST TO THE NWT ECONOMY...

Between 2007 and 2015, the Northwest Territories (NWT) economy came under pressure, as total economic activity fell by 15 per cent. Over the same period, the extractive industries have fallen from 40 per cent of economic activity in the NWT to around 23 per cent, as the sector has suffered from the global fall in commodity prices.³

In total, Gahcho Kué is estimated to have contributed C\$440 million to the NWT economy between 2006 and 2015, with a further C\$350 million accruing to the rest of Canada.

This has been underpinned by approximately C\$1 billion in capital investment to develop the site between 2006 and 2016.

TOTAL GVA CONTRIBUTION OF GAHCHO KUÉ BY PHASE



...MORE THAN 90 PER CENT OF THE IMPACTS YET TO COME

The total contribution to the NWT (including indirect and induced impacts) was equivalent to four per cent of mining sector GVA in the Territory over the 10 years to 2015.⁴

This contribution is set to grow substantially, with more than 90 per cent of the mine's impact expected to come from 2016 onwards, equivalent to a further C\$5.3 billion in GVA for the NWT.

* See Glossary for definitions of key terms used within this report.

3,4. Based on data from Statistics Canada.

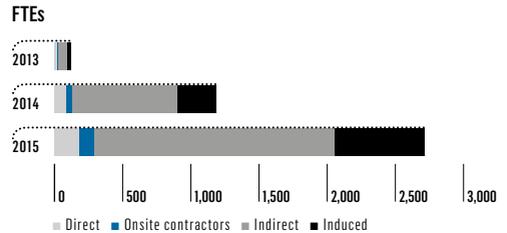
PROVIDING EMPLOYMENT OPPORTUNITIES

The direct employment contribution of the joint venture partnership as a result of Gahcho Kué's activities in 2015, was 180 FTEs, with a further 1,870 FTEs supported indirectly. Gahcho Kué therefore has a significant impact on employment through its supply chain and contractors.

The induced employment impact was 660 FTEs.

Direct employment at Gahcho Kué was equivalent to 10 per cent of employment in the NWT's extractive industries.⁵

EMPLOYMENT CONTRIBUTION OF GAHCHO KUÉ TO CANADA 2013–2015



C\$20 MILLION IN PAYMENTS TO GOVERNMENT

To date, through the development phase alone, the activities at Gahcho Kué have generated C\$20 million in payments to Government, with the majority (62 per cent) of these being driven by employee income taxes, while support to First Nations through IBAs contributed C\$4 million.

SIGNIFICANT EXPORT POTENTIAL

Gahcho Kué is expected to produce approximately 54 million carats from an estimated 35 million tonnes of ore over the life of the mine.⁶



- Based on data from Statistics Canada.
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Diamond mining activities need to be carefully managed to ensure that they cause minimum disturbance to the environment and that communities share in the benefits of the economic impacts they bring.



DE BEERS MAINTAINS A KEEN FOCUS ON SOCIAL CONTRIBUTIONS ACROSS ITS MINES

This has been particularly emphasised throughout the preparation and development of Gahcho Kué. In addition to existing regulatory environmental requirements, De Beers has established the Ní Hadi Xa agreement with five Aboriginal parties: North Slave Métis, Łutsel K'e Dené First Nation, Tłı̨chǫ Government, Northwest Territory Métis Nation, and Deninu K'ue First Nation.

AN INCLUSIVE AND COLLABORATIVE PROCESS

A Chipewyan name for 'For Watching the Land', Ní Hadi Xa is an environmental agreement between De Beers and these Aboriginal parties in the NWT. The agreement aims to encourage the building and maintenance of positive respectful relationships, providing a forum for active engagement in the monitoring and management of the mine and the mine's interaction with the land and environment.

As part of the agreement, a representative from each Aboriginal party sits on the Ní Hadi Xa Governance Committee together with a representative of the mine. This helps to promote inclusion and drive a collaborative approach between De Beers and the communities. The agreement is unique and reflects an evolution in how the industry approaches community engagement in Canada.

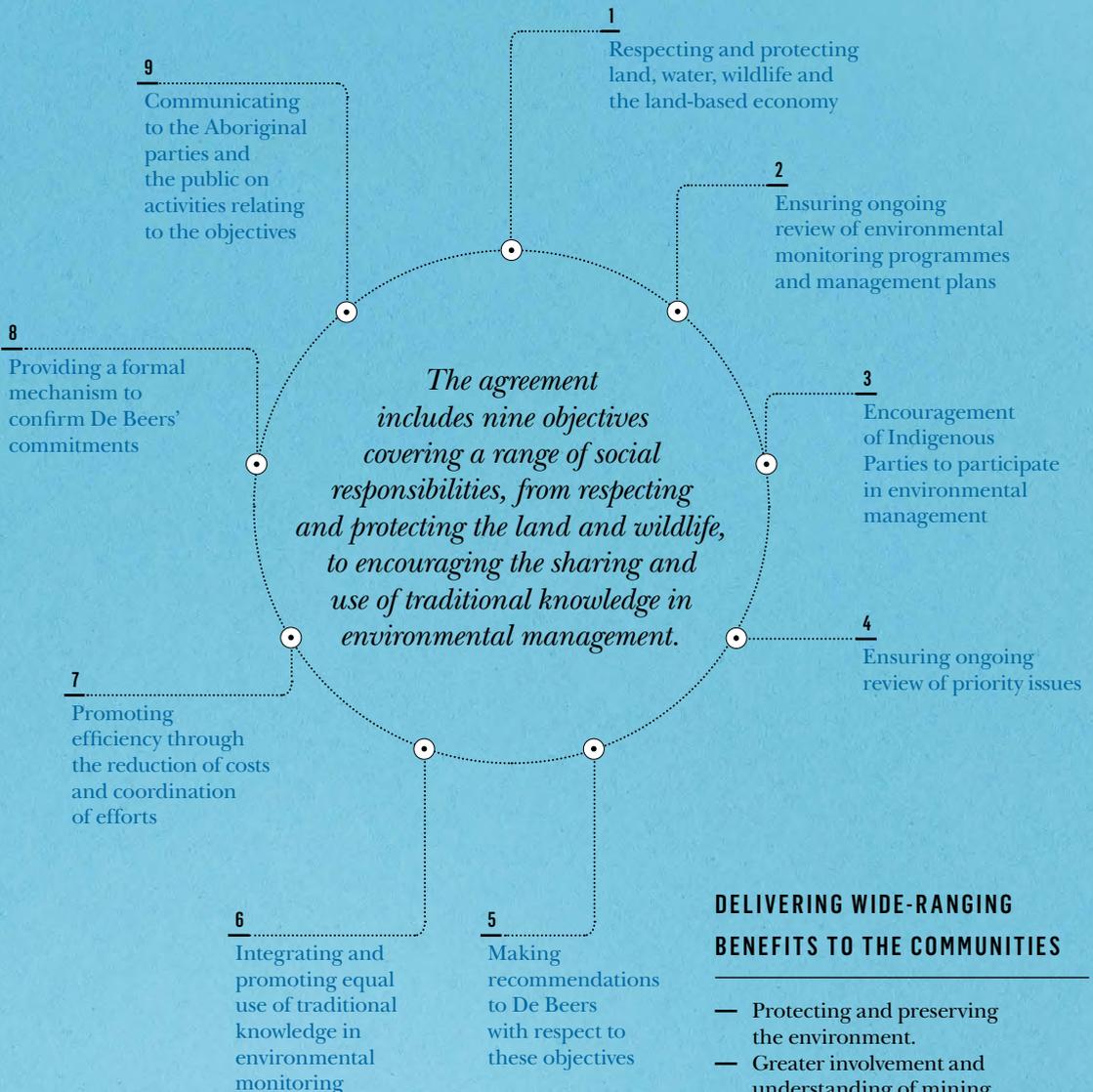
ENCOURAGING KNOWLEDGE SHARING AND EFFECTIVE MONITORING

The ongoing work of the Governance Committee, which meets a minimum of four times each year, includes development of a Traditional Knowledge framework for the gathering, recording and reporting of Aboriginal experience on the land throughout the life of the mine. Two Aboriginal knowledge holders are employed by Ní Hadi Xa to facilitate a Family Culture Program on the land, and ensure that observations and reflections of the people are recorded and shared with De Beers and the Governance Committee.

In addition, a full-time environmental monitor is stationed at the mine itself, with the task of observing the environmental performance of the mine and reporting back to the Aboriginal parties. As part of this agreement, a qualified technical coordinator provides independent review of the environmental monitoring programmes, reporting back to the Governance Committee on the performance of the programmes and offering recommendations as to where they can be improved.



THE NÍ HADI XA OBJECTIVES



DELIVERING WIDE-RANGING BENEFITS TO THE COMMUNITIES

- Protecting and preserving the environment.
- Greater involvement and understanding of mining within their territories.
- More influence over the environmental performance of the mine.
- Increased knowledge and experience on the land.
- Improved access across the land facilitated by infrastructure projects.

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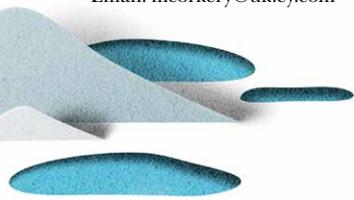
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DIRECT IMPACT

A direct economic impact arises from the initial increase in economic activity (eg the GVA generated, the additional employment created and the taxes that are contributed to public finances).

EMPLOYMENT TAX

Payments to Government arising from payment of remuneration to employees, including wages, salaries and bonuses.

FULL-TIME EQUIVALENTS (FTEs)

FTEs represent the number of people who work on a full-time basis, where persons working less than full-time hours represent a proportion of an FTE determined by the percentage of full-time hours typically worked.

GROSS VALUE ADDED (GVA)

GVA is a measure of economic activity. It is often referred to as the 'income from production' and is broadly equivalent to the wages and profits generated by a particular economic activity, or total output (revenues) minus intermediate costs. GVA differs from GDP in that it does not include net taxes and subsidies levied on products.

IMPACT BENEFIT AGREEMENT (IBA)

IBAs are formal contracts outlining the impacts of the project, the commitment and responsibilities of both parties, and how the associated Aboriginal community will share in benefits of the operation through employment and economic development.

INDIRECT IMPACT

As producers increase their output, there will be an increase in the demands they place on their suppliers, which continues down the supply chain.

INDUCED IMPACT

As a result of the direct and indirect effects, increased employment results in an increase in household incomes throughout the economy. A proportion of this increased income will be re-spent on final goods and services, thus generating further economic impacts.

ONSITE CONTRACTORS

Onsite contractors represent indirect employees working at a particular mining site.

PAYMENTS TO GOVERNMENT

Payments in respect of taxes by De Beers Canada, including both taxes borne and taxes collected.