

**NUNAVUT PLANNING COMMISSION
PUBLIC HEARING ON THE 2016 DRAFT NUNAVUT LAND USE PLAN**

NORTHQUEST LTD.

PRE-HEARING WRITTEN SUBMISSIONS

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Northquest Ltd.
Submission for the Public Hearing on the 2016 Draft Nunavut Land Use Plan
January 11, 2017

1 Background and Objectives

Mining in Nunavut

Many submissions to the Nunavut Planning Commission (“NPC”) in respect of the Draft Nunavut Land Use Plan (the “DNLUP” or “Plan”) have provided information on the economic contribution of mining to the current and future economies of Nunavut Territory (“Nunavut”) and the mining industry’s leading role in creating opportunities for Inuit and Nunavummiut throughout Nunavut. Northquest Ltd. (“Northquest”) does not intend to duplicate those statistics in this submission.

Northquest does note, however, that the published statistics of Statistics Canada indicate that the mining industry is the second largest contributor to the GDP of Nunavut (behind public administration) and that given Nunavut’s geological patterns and known and potential mineralization, mining has the most potential as a significant growth industry in the territory for the immediate and long term futures. We address this in more detail further on in this submission.

Northquest Ltd.

Northquest was incorporated in Ontario on March 18, 2008. Northquest is a wholly owned subsidiary of Nordgold SE, a corporation publicly listed on the London Stock Exchange. The primary business of Northquest is mineral exploration and development and the primary activities of Northquest are the selection, acquisition, and exploration of mineral properties. Northquest has a deeply experienced and highly respected exploration management team.

Northquest has one gold exploration project (the “Pistol Bay Project” or “Project”) in Nunavut. The Pistol Bay Project is a high grade gold exploration project that consists of 825 square kilometres of unpatented mineral claims. The initial Project claims, consisting of 6 claims covering an area of 54.3 square kilometres, were acquired through an option agreement dated December 2, 2010 and four major campaigns of claim staking and permitting have been completed by Northquest since then, and the Project property now consists of 98 claims covering an area of 825 square kilometres.

Pistol Bay Project

The Pistol Bay Project property is located on the west coast of Hudson Bay in Nunavut Territory in NTS 55 K/05, 06, 07, 08, 09, 10, and 12. The centre of the property is at approximately Latitude 62 degrees 25 minutes North and Longitude 93 degrees West. The property is approximately 60 kilometres south of Rankin Inlet (population 2,500) and the east part of the property is within the Municipality of Whale Cove (population 427). The actual Hamlet of Whale Cove is approximately 10 kilometres from the east boundary of the property. The property consists entirely of mineral claims staked on Crown land under the Northwest Territories and Nunavut Mining Regulations (now the Nunavut Mining Regulations). The operating mine at Meadowbank and the development project at Meliadine, of Canadian gold producer Agnico Eagle Mines Ltd. are located in the same belt as the Project.

The Project is favorably located within Nunavut. It is accessible by air or by sea (with about 5 months navigation from southern Canada). The Hamlet of Whale Cove, together with its port and airstrip, are all within ten kilometers of the property and an all season road from Whale Cove to the eastern part of the project provides access to the Project camp and to most of the known gold occurrences.

Northquest has conducted since the Property was acquired or staked, and plans to continue to conduct, a comprehensive program of mineral exploration and drilling at the Pistol Bay Project. Northquest has expended with respect to the property approximately \$22 million in exploration activities to date. The exploration programme at the Pistol Bay Project in 2015 confirmed the Project's potential as a high quality deposit of substantial scale with high grade ore. Maiden Inferred Resources of 739 koz of gold at 2.95 g/t were estimated for the Pistol Bay Project deposit as at 30 March 2016 (based on the NI43-101 in-pit gold resource estimates using gold price of US\$1,500/oz and utilizing a cut-off grade of 1.25 g/t Au).

Northquest Future Plans

Northquest intends to continue, and to advance, its exploration programs at the Pistol Bay Project property over the next few years and to exercise its right to advance those programs to advanced exploration and, if proven out, to exercise its statutory right to apply for a mineral lease under the Nunavut Mining Regulations. It also intends to continue to work closely and co-operatively with each of the Government of Canada and the Government of Nunavut, the various Institutions of Public Government ("IPG's") and with the Hamlet of Whale Cove, to ensure full regulatory compliance and that the interests of those communities, and Inuit interests generally, are respected and that those communities share meaningfully in the benefits of the Project, while at the same time Northquest does its utmost to manage and mitigate potential impacts to the natural environment and Inuit culture and traditions.

Northquest's Submission

Northquest has participated in the public consultation sessions conducted by the NPC to date, including prior to the public issuance of the DNLUP. This included attending the NPC pre-hearing conference at Rankin Inlet on October 24, 2016, consulting and meeting with the local community of Whale Cove, the mayor of Whale Cove, the local hunters and trappers organization, and the representatives of the NPC and discussing matters with relevant government officials at the Governments of Nunavut ("GN") and Canada ("GC"). Northquest notes that while the process involved comprehensive community and stakeholder consultation between 2012 and 2014 (with the most recent Whale Cove consultation occurring in 2013), none of that consultation was related specifically to the DNLUP and the terms thereof and, therefore, were of a higher order and thus less than optimal. Northquest, therefore, urges the NPC to take as much time as possible through the upcoming hearings, submissions and plan review and redraft processes to fully assess and consider the contents of all submissions in the specific context of the DNLUP, and to thereafter review and revise the DNLUP to better and more specifically balance the competing interests of Nunavummiut, Inuit and stakeholders, between land conservation, management, development and utilization of land and resources in Nunavut.

To inform this submission, Northquest participated in the community and stakeholder consultation hearings noted above, consulted its legal counsel, reviewed the DNLUP in detail, reviewed the relevant provisions and principles set out in the Nunavut Land Claim Agreement and the Nunavut Project and Planning Assessment Act, and met and consulted with officials at GN, GC and local communities, and with other mining industry representatives.

This submission addresses the DNLUP from a broader mining industry perspective and from Northquest's own specific perspective as a mineral claims holder in Nunavut with prospects of future exploration and development, and all that that entails for the local economy.

2 General Comments and Recommendations

2.1 Overall Structure and Clarity of the DNLUP

Northquest submits that the general structure and clarity of the DNLUP are relatively clear, but that as drafted the DNLUP and the proposed broad applications of the relative land use designation areas (particularly proposed Protected Areas) is significantly imbalanced in favour of land conservation

and ignores the fundamental principles of land use planning by taking a prohibitive approach toward large tracts of land as opposed to managed and mix use areas. It also ignores and/or fails to take into account the statutory rights of existing recorded mineral claims holders in the Protected Areas. We explain more fully below.

2.2 Consistency with the Applicable Legal Requirements and Policy Context

Northquest respectfully submits that the approach to and application of the land use designations by NPC in the DNLUP is too broad in favour of conservation and doesn't appreciate and fully take into account the terms of the governing Nunavut Mining Regulations or the market realities of mineral exploration and development (we explain this more fully in the various sections of this submission below). While the DNLUP acknowledges within its terms the planning principles, policies, priorities and objectives set out in the NLCA and NUPPAA (see summary provisions below) the actual approach to land use designation taken by NPC is too broadly prohibitive in favour of conservation with over reliance on prospective minor variances or Ministerial exemptions for future sustainable development on a project by project basis. This does not, and cannot, accord with the principles of the NLCA, NUPPAA or the Nunavut Mining Regulations or mining industry market realities, as explained below.

Nunavut Land Claim Agreement

Article 11 of the Nunavut Land Claim Agreement ("NLCA"), as legislatively enacted and implemented to date, provides the constitutional basis for land use planning in Nunavut. Both the terms of the NLCA and related enacting and enabling legislation are based on established land use planning principles of balancing competing rights, interests, objectives and current and potential uses of stakeholders and lands, that take into account and reflect the unique history, culture and traditions of Nunavut, and Inuit in particular. The NLCA provides for the following (emphasis added):

ARTICLE 11 LAND USE PLANNING

Part 2: Planning Principles, Policies, Priorities And Objectives

- 11.2.1 The following principles shall guide the development of planning policies, priorities and objectives:
- (a) people are a functional part of a dynamic biophysical environment, **and land use cannot be planned and managed without reference to the human community; accordingly, social, cultural and economic endeavours of the human community must be central to land use planning and implementation;**
 - (b) the primary purpose of land use planning in the Nunavut Settlement Area shall be to protect and promote **the existing and future well being of those persons ordinarily resident and communities of the Nunavut Settlement Area taking into account the interests of all Canadians;** special attention shall be devoted to protecting and promoting the existing and future well-being of Inuit and Inuit Owned Lands;
 - (c) **the planning process shall ensure land use plans reflect the priorities and values of the residents of the planning regions;**
 - (d) the public planning process shall provide an opportunity for the active and informed participation and support of Inuit and other residents affected by the land use plans; such participation shall be promoted through various means, including ready access to all relevant materials, appropriate and realistic schedules, recruitment and training of local residents to participate in comprehensive land use planning;
 - (e) **plans shall provide for the conservation, development and utilization of land;**
 - (f) the planning process shall be systematic and integrated with all other planning processes and operations, including the impact review process contained in the Agreement; and

- (g) an effective land use planning process requires the active participation of both Government and Inuit.
- 11.2.2 The objective of the planning process shall be:
- (a) **to develop planning policies, priorities and objectives regarding the conservation, development, management and use of land in the Nunavut Settlement Area;**
 - (b) **consistent with Sub-section (a), to prepare land use plans which guide and direct resource use and development in the Nunavut Settlement Area; and**
 - (c) the implementation of land use plans.
- 11.2.3 In developing planning policies, priorities and objectives, factors such as the following shall be taken into account:
- (a) **economic opportunities and needs;**
 - (b) **community infrastructural requirements, including housing, health, education and other social services, and transportation and communication services and corridors;**
 - (c) cultural factors and priorities;
 - (d) **environmental protection and management needs, including wildlife conservation, protection and management; and**
 - (e) energy requirements, sources and availability.

Part 3: Land Use Plans

- 11.3.1 A land use plan shall be a document containing text, schedules, figures and maps for the establishment of objectives and guidelines for **short-term and long-term development**, taking into account factors such as the following:
- (a) **demographic considerations;**
 - (b) **the natural resource base and existing patterns of natural resource use;**
 - (c) **economic opportunities and needs;**
 - (d) transportation and communication services and corridors;
 - (e) energy requirements, sources and availability;
 - (f) **community infrastructural requirements, including health, housing, education and other social services;**
 - (g) **environmental considerations, including Parks and Conservation Areas and wildlife habitat;**
 - (h) **cultural factors and priorities, including the protection and preservation of archaeological sites and outpost camps; and**
 - (i) special local and regional consideration.
- 11.3.2 The purpose of a land use plan shall be to **protect and promote the existing and future well-being of the residents and communities of the Nunavut Settlement Area, taking into account the interests of all Canadians, and to protect, and where necessary, to restore the environmental integrity of the Nunavut Settlement Area.**
- 11.3.3 A land use plan shall contain an implementation strategy.

Nunavut Planning and Project Assessment Act

Part 2 of the Nunavut Planning and Project Assessment Act (“NUPPAA”) provides for the establishment of NPC and, among other things, land use planning consistent with Article 11 of the NLCA, as follows (emphasis added):

Policies, Priorities and Objectives

Designated area

41 The Commission is responsible for the establishment, in conjunction with the Government of Canada or the Government of Nunavut, or both, taking into account their respective jurisdictions, of broad planning policies, priorities and objectives for the **designated area regarding the conservation, development, management and use of land.**

42(1) The Commission must identify planning regions and may, for each planning region, identify specific planning objectives and planning variables regarding the conservation, development, management and use of land.

Consistency

(2) The specific planning objectives must be consistent with the broad objectives established for the designated area.

Consultations

43 The Commission must seek the **opinions of affected municipalities, interested corporations and organizations, residents and other interested persons regarding specific objectives and land use planning options for the region.**

Principles and factors

44 The principles and factors set out in sections 11.2.1 and 11.2.3 of the Agreement (NLCA) must guide the development of broad policies, priorities and objectives under section 41 and specific planning objectives under section 42.

Purposes of plan

47 A land use plan has the following purposes:

- (a) to protect and promote the existing and future well-being of the residents and communities of the designated area, taking into account the interests of all Canadians; and
- (b) to protect and, if necessary, restore the environmental integrity of the designated area or the planning region, as the case may be.

Contents of plan

48 (1) A land use plan must provide for the conservation and use of land **and guide and direct resource use and development and** must, in particular, provide for a strategy regarding the implementation of the plan and take into account:

- (a) **the broad planning policies, priorities and objectives established for the designated area;**
- (b) **the specific planning objectives and planning variables identified for any applicable planning region;**
- (c) **the factors referred to in section 11.3.1 of the Agreement; and**
- (d) **Inuit objectives for Inuit Owned Lands.**

Permitted uses

(2) A land use plan may contain descriptions of permitted, subject to any terms and conditions that the plan sets out, and prohibited uses of land.

Minor variances

(3) A land use plan may authorize the Commission to grant minor variances and may set out the conditions subject to which they may be considered and granted.

Factors to consider

58 In exercising their powers and performing their duties and functions under sections 49 and 52 and subsections 54(1) to (3), the Commission, the federal Minister, the territorial Minister and the designated

Inuit organization must take into account all relevant factors, including the purposes set out in section 47, the requirements set out in section 48 **and existing rights and interests**.

As noted above, Northquest respectfully submits that the approach to the land use designations by NPC in the DNLUP is too broad in favour of conservation and, despite section 58 of NUPPAA noted above in respect of existing rights and interests, ignores and/or doesn't appreciate and fully take into account the terms of the governing Nunavut Mining Regulations or the market realities of mineral exploration and development (we explain this more fully in the various sections of this submission below) by broadly applying Protective Area designations in favour of conservation, with over reliance on minor variances or Ministerial expenditures for future sustainable development on a project by project basis. This does not, and cannot, accord with the principles of the NLCA, NUPPAA or the Nunavut Mining Regulations or mining industry market realities. This is evidenced by the remarkable provision of the DNLUP (at p. 42) which states: "For clarity, in the event of a conflict between areas of mineral potential and PA's, the prohibitions in PA's apply regardless of mineral potential".

Other Legal Requirements and Policy Context

The Nunavut Mining Regulations are based on the modern modified principle of "free entry" (as are most mining lands regimes in Canada and other common law jurisdictions). The free entry system to staking mineral claims is essential to a competitive mineral exploration process. Prospectors and geologists use their knowledge and training to develop private and public information about Crown lands regarding mineral prospects or potential prospects that may contain sufficient mineralization to warrant development.

The commonly accepted rule of thumb is that less than one in one thousand targets will result in discovery of sufficient minerals to justify the significant capital cost of developing a mine. Evolving technologies, metallurgical processes, geologic concepts, and economic conditions offer the potential to make areas once thought to be of low mineral development potential into new exploration targets. Only by encouraging prospectors, geologists and exploration companies to risk their money to locate or stake claims by granting them legislative paths to secure title to lands open for mineral exploration through free entry, all within a broader environmental and regulatory framework, will investments in new sources of mineral resources occur.

Imbalance of DNLUP Land Use Designations in Favour of Conversation

By designating large tracts of Crown lands as Protected Areas under the DNLUP, as opposed to Mixed Use or Special Management Areas, DNLUP puts at risk the statutory right to security of further and advanced title to mineral claims through statutory expenditures, work and regulatory compliance, **particularly for existing staked and recorded mineral claims (see section 58 of NUPPAA)**, which is the incentive to invest in identifying potential targets. This could directly undermine the true objectives of the free entry system underlying the Canada Mining Regulations: to induce private money and entrepreneurship to generate public and private information about Crown lands, with the longer term potential of significant development generating employment, skills training and capacity building, and income, revenue and social uplift for Governments, communities and individuals.

By imposing large tracts of Protected Area lands with reliance upon minor variance and Ministerial exemptions on a project by project basis, the DNLUP in essence superimposes a Crown concession system of mineral tenure in those areas in Nunavut and undermines the proven principle of free entry underlying the Nunavut Mining Regulations.

It must be noted that free entry does not include an automatic right to mine. Far from it. To develop a mine, a claim and the lease holder must obtain a wide range of territorial and federal permits and approvals. The "wide range of territorial and federal permits and approvals" and the processes associated with applying for, evaluating and approving those permits and approvals under the current robust regulatory regime of

governments and the IPG's in Nunavut protect the natural environment and the cultural, traditional and socio-economic interests of Inuit, Nunavummiut and other interested parties and Canadians in general, by ensuring that mining occurs only after having been thoroughly evaluated using rigorous scientific technical and environmental analysis and socio-economic and cultural analysis. The laws and processes that require these permits and approvals provide an appropriate and rigorous regime that provides for balance between the competing interests and objectives interested in land use, conservation, management and development.

2.3 Fit With the Integrated Regulatory System

See 2.2 above.

2.4 Quality of the Planning Process

While the process of the NPC to date involved comprehensive community and stakeholder consultation in 2012 through 2014, none of that consultation has been related to the specific plan that was put forward. Consequently, the level of transparency of and access to meaningfully consultation by stakeholders has been less than fully informed by the nature of the process to date.

For land use planning decisions to be debated and made substantial, which decisions by their very nature must reflect a balance of planning objectives having regard to the conservation, development, management and use of land (as contemplated and provided for in both the NLCA and NUPPAA - see above) information and data need to be developed and shared with the interested stakeholders in context. The relevant information must include science based knowledge of the natural environment, knowledge and testimony of Inuit cultural traditions and uses of the land and the natural resource potential of the land. Land use planning process will, therefore be an iterative process.

The goal of ensuring that valued resources, whether they be Inuit, cultural or environmental, are protected is laudable and shared by all stakeholders, including Northquest. Because the land use planning process will be iterative, Northquest recommends that the land use plan not put potential economic development on hold in large tracts of lands by designating them as Protected Areas. NPC can consider and approve proposed natural resource and other economic development projects, in compliance with the existing regulatory regime in Nunavut and the Crown's duty to consult with and accommodate Inuit and other Indigenous peoples. Projects initiated prior to or during the land use planning process should be protected against retroactive application of later decisions in the planning process. NUPPAA specifically makes provision for this (**see section 58 of NUPPAA**). This must include staked unpatented mineral claims. Effective regulatory processes and consultation with Inuit will ensure that valued resources are identified and protected.

2.5 Incorporation of Input from Participants in the Planning Process

See 2.4 above.

2.6 Overall Balance Among Competing Interests on Important Issues

Canada is a resource nation, and its minerals industry has helped make it a global resource powerhouse. The minerals industry contributed over \$71 billion in taxes and royalties to Canadian governments between 2003 and 2012, and creates significant economic opportunities for residents of remote, rural and Indigenous communities. In addition, the mining industry sources many of its inputs from Canadian, including Indigenous, suppliers and its outputs are the source of significant value-added increases when used by Canadian manufacturers.

Nunavut in past years realized a prosperous upswing in mining activities and this has had significant positive impact on the Nunavut economy.

Nunavut can expect a positive economic outlook as public sector projects and mineral exploration help turn the economy around over the medium term. The public administration sector has been

investing in infrastructure, including the construction of the \$143-million Canadian High Arctic Research Station (CHARS) in Cambridge Bay and the \$300-million upgrade to the Iqaluit airport. Both projects are slated to continue until 2017.

Nunavut's mining output is expected to pick up again in 2017 and beyond. Exploration spending is on the rise in Nunavut, going from \$158 million in 2014 to \$203 million in 2015. Among the three territories, Nunavut is expected to see the most exploration spending, the bulk of which will be done by senior companies. In all, Nunavut's economy is forecast to expand by 1.2 per cent in 2016 and grow at an even stronger pace in 2017.

According to numbers quoted in a report from the Nunavut Bureau of Statistics, the public administration and mining sectors dominated Nunavut's real GDP for 2015, accounting for a combined 35 per cent.

Currently, mining is one of the largest private sector industries in Nunavut. Gold and iron are currently being mined in Nunavut, each with extended projected life of mine. Historically, copper, diamonds, silver, lead and zinc have also been mined in Nunavut and all of the foregoing minerals and others (uranium, nickel, rare earth metals) remain prospective targets in Nunavut. There are plans being made to expand this particular industry in Nunavut Territory. One of the obstacles in mining is the cost involved. There is a great deal of expense involved with travelling to Nunavut as well as sending machinery to outer reaches of this large area. The mining industry recognizes that in doing so, it must be protective of the Arctic ecosystem as well as Inuit culture and traditional lifestyles.

The mining industry is an international and highly competitive business, however. While mining companies necessarily have to explore and mine where the minerals are located, various factors, including: regulatory stability and capacity, fiscal structure, available labour force, and security of title, have a determinative role as mining companies make investment decisions. During periods of capital scarcity, such as presently exist due to factors unrelated to the mining industry, mining companies will tend to invest their limited capital in jurisdictions that offer greater certainty with respect to these factors.

An analysis of average costs (using all-in costs for diamond drilling) of mining exploration activities in Canada reveal the following:

- The average costs of the remote and very remote projects (more than 50 km from a supply route) were 2.27 times more expensive than the average costs of the non-remote projects (up to 50km away).
- The average costs of the very remote projects (more than 500km from a supply route) were, on average, 2.8 times higher than the non-remote projects.
- The highest cost projects in the Arctic can be almost six times that of the lowest cost project in an established mining jurisdiction south of 60.
- Mine development cost premium is largely due to the need to invest in infrastructure that would not be required for an otherwise equivalent southern mine. This infrastructure includes power supply, accommodation facilities, aircraft and airstrips, winter and permanent roads and port access. These costs loom particularly large in the gold and base metal projects. Costs for northern mine development include:
 - Capital costs, which can be particularly high compared to an equivalent mine in a centrally located jurisdiction:

- Approximately 2 times higher for gold mines
- 2.5 times higher for base metal mines
- Operating costs, which range between 30%–60% higher

Notwithstanding the foregoing, mining development offers the potential to act as a catalyst for economic and social development by creating skilled, well-paying jobs, generating demand for goods and services to support operations and the needs of its employees, encouraging the development of infrastructure (e.g., roads and other transportation services, energy sources), and building relationships with local communities. Local buy-in to effectively identify, prepare for and realize the benefits of these opportunities is determinative of whether a project will successfully be a catalyst for sustainable development for communities and individuals. The Hamlet of Whale Cove has been supportive of the Pistol Bay Project and has realized benefits from it.

Impact of DNLUP in its Current Form

The Northwest Territories and Nunavut Chamber of Mines (the “**Chamber**”) has stated (see letter to Premier Taptuna dated August 31, 2016):

“If implemented, the DNLUP could have a significant immediate and long-term negative impact on the economic development of Nunavut. Millions of dollars are spent in Nunavut communities each year by the mining industry through jobs, training, taxes, and support for local service industries. Because of the uncertainty in the DNLUP with respect to the change of the zoning of large tracts of lands from former providers of Special Management Areas or Mixed Use Areas to being Protected Areas, and therefore not available for mineral exploration and development, several companies have opted, and many more will opt out, of doing further exploration work at this time.

The NPC has allowed, under Section 6.3.5 in the DNLUP, for a periodic review and monitoring of the NLUP to “verify whether, and the extent to which, it continues to:

- 1. Achieve the purpose of land use plans set out in the NLCA and NUPPAA;*
- 2. Support the implementation of the Commission’s Broad Planning Policies, Objectives and Goals; and*
- 3. Provide for the conservation and use of land and guide and direct resource use and development.”*

Northquest agrees with the Chamber’s submission and also “respectfully cautions against the notion of approving the DNLUP as is, with a view to improving upon the plan during the next periodic review. Rather, we believe that the plan requires immediate revision to a more balanced approach and better interpretation with and reliance upon the existing regulatory regime in Nunavut, as it could block a significant amount of exploration and mining activity and lead to reduced investment in exploration, which will stifle the growth of Nunavut’s minerals industry within the very near future. A healthy minerals industry and the responsible economic development it can bring is critical to the future economic prosperity of Nunavut and Nunavummiut.”

The foregoing is all at a time that the GN and GC are negotiating the devolution of administration and control of lands and resources and resource revenues to the GN for the benefit of Nunavummiut, including Inuit.

2.7 Governance and Implementation

The DNLUP provides the following at page 42: “The mining industry is a key contributor to Nunavut’s economy providing jobs, infrastructure, education, skills, career development, and local business opportunities. The land use planning and environmental assessment processes

in Nunavut have been established to proactively resolve potential conflicts between mineral exploration parties requiring access to land, and wildlife and community uses.”

It also provides for the following Land Use Designations:

1.7.5 Land Use Designations

One of the following three Land Use Designations is assigned to all areas where the NLUP applies.

1.7.5.1 Protected Areas

Protected Areas prohibit certain specific land uses that are incompatible with environmental and cultural values and may identify Conditions to guide land use and/or Information on VECs and VSECs.

The intent of PAs is to support environmental protection and/or cultural priorities, including wildlife conservation, protection, and management, taking into account factors such as the following:

- a) The natural resource base and existing patterns of natural resource use;
- b) Environmental considerations, including wildlife habitat;
- c) Cultural factors and priorities, and;
- d) Special local, regional, and national considerations.

It is prohibited to contravene any applicable restrictions in PAs under 74(f) of the NUPPAA.

1.7.5.1 Special Management Areas

Special Management Areas may restrict access to certain specific uses, or prohibit incompatible uses, and may identify Conditions to guide land use and/or Information on VECs and VSECs. **Compared to PAs, SMAs provide more flexible management of areas of environmental or cultural importance. SMAs also provide management for areas of economic potential as well as areas with existing land uses.**

The intent of SMAs is to support the identified value of the area, taking into account factors such as the following:

- a) **The natural resource base and existing patterns of natural resource use;**
- b) Linear Infrastructure, including transportation and communication services and corridors;
- c) Energy requirements, sources and availability;
- d) Community infrastructural requirements;
- e) Environmental considerations, including wildlife habitat;
- f) Cultural factors and priorities; and
- g) **Special local, regional, and national considerations.**

It is prohibited to contravene any applicable restrictions in SMAs under 74(f) of the NUPPAA.

1.7.5.3 Mixed Use

Areas that have been identified for their potential to support a variety of land uses are managed through a Mixed Use Land Use Designation.

As illustrated in Figure 2, the intent of Mixed Use Land Use Designations is to support a variety of opportunities and land use activities, taking into account the following factors:

- a) The potential for economic opportunity in the NSA;
- b) The potential for conservation initiatives in the NSA; and
- c) The social well-being of the residents of Nunavut.

In Mixed Use Areas, all uses are considered to conform to the NLUP with the exception of highways and railways; however, Mixed Use areas important to certain VEC and VSECs are presented in Schedule B.

Actual Proposed Land Use Descriptions in the DNLUP

Northquest agrees with the Chamber's submission summarized on page 12 above and also respectfully cautions against the notion of approving the DNLUP as is, with a view to improving upon the plan during the next periodic review. Rather, we believe that the plan requires immediate revision to a more balanced approach and better interpretation with and reliance upon the existing regulatory regime in Nunavut, as it could block a significant amount of exploration and mining activity and lead to reduced investment in exploration, which will stifle the growth of Nunavut's minerals industry within the very near future, all at a time that the GN and GC are negotiating for the devolution of lands and resources to the GN and the transfer of administration and control and resource revenues to the GN for the benefit of Nunavummiut including Inuit. A healthy minerals industry and the responsible economic development it can bring is critical to the future economic prosperity of Nunavut and Nunavummiut.

Caribou and the Mining Industry

It appears to Northquest that the broad application of the DNLUP Protected Area designation to the broad land area encompassing the Project seems to be primarily guided by caribou protection. As stated earlier, this is a laudable goal supported by all stakeholders, including Northquest.

The Chamber has taken the position as published on its website that:

"Concerns and studies about the health of caribou herds across the north, however, have raised many as yet unanswered questions about what is impacting their health, whether it is climate, natural cycles, over hunting, or industrial development.

The impact mining and mineral exploration have on caribou are questionable and there is no evidence that development has affected caribou migration or the health of the species as a whole. However, everyone agrees that more research is necessary.

Many are familiar with the Lupin gold mine and the famous photos that showed hundreds of caribou grazing on the property, unaffected by vehicular traffic, noise, and even the regular landing of jet aircraft. It is well known that caribou adapt to their surroundings and in the grand scheme of their vast migration ranges, mining operations and their small footprints don't pose much of a burden to caribou.

The environmental performance of the NWT's diamond mines, for example, are world class and caribou monitoring is a regular part of their operations. Under their environmental agreements, the three diamond mines conduct wildlife monitoring as an integral part of ongoing operations. Diavik's programs suggest that wildlife are not significantly affected, although it appears that caribou generally avoid the mining area. Its program of monitoring has expanded in recent years as community concerns on the cumulative effects have been raised.

Miners working on the Barren Lands are ideally located for the information they collect on caribou movement. Mineral exploration projects in Nunavut have also sponsored caribou monitoring programs. Baffinland Iron Mines Limited has been helping the Nunavut Government collar animals on Baffin Island, as have Starfield Resources Ltd. and AREVA Resources in the Kivalliq Region.

Nunavummiut need economic opportunities and the caribou need respect. The industry seeks continuous improvement of caribou management associated with its projects, and understands that caribou are critical to the health of the northern Canadian ecosystem and people."

Northquest fully supports the foregoing, including the need for more research, within a Mixed Use or Special Management Area, subject to and in accordance with the existing rigorous regulatory regime in Nunavut.

3 Specific Comments and Recommendations

Uncertainty - Significant Adverse Impact to Northquest

The impact on Northquest and the Pistol Bay Project of the DNLUP, if implemented, is significant. If the DNLUP is implemented in its current form, virtually all of the mining claims comprising the Pistol Bay Project would fall within an area designated as a Protected Area. (See map attached as Schedule "A"). The definition of Protected Areas in section 1.7.5.1 of the DNLUP indicates that specific land uses that are incompatible with environmental and cultural values will be prohibited and that there may be conditions imposed to guide land use. It further goes on to state that one of the factors which will be taken into account is the natural resource base and existing patterns of natural resource use. This suggests that mining may not be absolutely prohibited in a Protected Area. In section 5.2, however, the DNLUP states that in the event of a conflict between areas of mineral potential and Protected Areas, the prohibitions in Protected Areas will apply regardless of mineral potential. This ambiguity leaves Northquest in an uncertain position as to its rights and obligations. Northquest has a significant concern that the intent of these sections is that mining will be prohibited in Protected Areas and that Northquest's existing mineral rights will not be recognized or protected in a meaningful way.

As discussed above, section 6.5.1 of the DNLUP as proposed, suggests that there is no grandfathering of Northquest's existing rights, as the DNLUP indicates that the progression from one stage of mining to another may require a new conformity designation. Although the transition from Mining Claim to Mineral Lease is not specifically addressed, as a practical matter, this represents the progression of a project from exploration, to advanced exploration, to mining, which are all noted in the DNLUP as separate stages of a project and are not grandfathered. Under the process as it exists today, Northquest could progress from a Mineral Claim to a Mining Lease under the Nunavut Mining Regulations as of statutory right, subject to compliance with the provisions in the Regulations requiring the filing of certain materials and no conflicting claims. This right has effectively been extinguished by the DNLUP.

As currently drafted, the only option available to Northquest in order to proceed with the Pistol Bay Project would be to apply for a ministerial exemption from the provisions of the DNLUP for the Project - a costly, time-consuming and, most importantly, an uncertain process which would require Northquest to continue to invest money in the project to maintain the status of its mineral claims, without any certainty that it could actually proceed to advance to develop a producing mine.

Re-Designation of Proposed Protected Area Land Use Designation

Northquest is wholly supportive of responsible development and in particular the protection of caribou calving and post-calving grounds. Northquest believes, however, that this can be accomplished in a balanced way without prohibiting resource development on the scale currently proposed in the DNLUP.

As this relates specifically to the proposed Protected Area which encompasses the Pistol Bay Project, Northquest recognizes the importance of hunting and trapping to the community of Whale Cove, but also notes that the areas of particular interest identified by the Issatik Hunters and Trappers Organization in their submission for the DNLUP, based on their traditional knowledge, is the area between Dawson Inlet, Banks Lake and Quartzite Lake. Locals from the Whale Cove community are ideally situated and experienced and knowledgeable about caribou movement in the Project area. Their traditional knowledge evidences that caribou migration and calving patterns skirt the Project property by a significant distance to the west and south of the Project location. This is consistent with Northquest's observations during the period that it has been working at the Pistol Bay Project. This area is a small subset of the whole Protected Area around Whale Cove, which has been identified in the DNLUP. This suggests that the goal of protecting the caribou

herd can be achieved without designating the entire area as off-limits to development. The extensive caribou study undertaken by NWT/Nunavut Chamber of Mines and submitted to the NPC suggests that proposed Protected Areas are based on the presumption that excluding industrial activity from calving grounds is critical to herd productivity, which is not necessarily supported by biological rationale. Similarly, the report indicates that it is not clear whether there is a general acceptance of the approach taken among the scientific and traditional knowledge community with expertise in northern wildlife biology. Northquest respectfully submits that the broad based approach taken by the NPC with the objective of protecting caribou should be revisited. We note that a significant number of broadly designated Protected Areas in the DNLUP are superimposed over areas which the DNLUP identifies as areas of high mineral potential. The importance of getting the correct balance between development and Protected Areas cannot be overstated for the future socio-economic development of Nunavut.

Northquest agrees with the Chamber's position in respect of caribou protection and respectfully suggests that the Project property area and the property be designated as either a Special Management Area or a Mixed Use Area rather than a Protected Area, subject to the existing regulatory and environmental regime as the Project progresses but not subject to staged land use compliance determination reviews under the DNLUP. This re-designation would be entirely consistent with the principles set out in the NLCA, NUPPAA, the Nunavut Mining Regulations and the existing environmental and regulatory regime in Nunavut, the terms of the Special Management Area and Mixed Use Areas set out in the DNLUP and the general principles of land use planning.

The current regime in place for the development of the Pistol Bay Project, which includes (without limitation) compliance with the provisions of *NUPPAA*, *Species At Risk Act*, *Canada Environmental Assessment Act*, *Canada Environmental Protection Act*, *Nunavut Waters Regulations*, *Nunavut Waters Surface Rights Tribunal Act*, *Fisheries Act*, *Migratory Birds Convention Act*, *Nunavut Mining Regulations*, *Territorial Lands Act*, *Territorial Lands Regulations*, and *Nunavut Wildlife Act and Regulations* already appropriately impose a rigorous process of review and conditions which must be met prior to the development of an active mine at Pistol Bay. While we are supportive of the land-use planning process and the need to determine Protected Areas, we suggest that the evidence does not support creating a broadly prohibitive Protected Area in which further mining and development activities are excluded in the area current being explored at the Pistol Bay Project. We believe that an appropriate balance can be achieved in the land use planning and legislative framework to allow for responsible development.

Alternatively, Northquest respectfully submits that the Pistol Bay Project be fully grandfathered under the DNLUP, subject to the existing land tenure, regulatory and environmental regime as the Project progresses but not subject to staged land use compliance determination reviews under the DNLUP. While Northquest strongly prefers, as being most beneficial to the socio-economic future of Nunavut, that the DNLUP be amended by taking a more balanced land use designation approach between conservation, development, management and use of land to eliminate the uncertainty created by the broad based application of Protected Areas in the DNLUP, Northquest would suggest in order to ensure ongoing and future mineral exploration investment and potential development in Nunavut, that, as a minimum, all existing recorded mining claims and mineral leases, including Northquest's mineral claims (and prospective mineral lease) at the Pistol Bay Project, be grandfathered from the broad application of the Protected Area land use designations and the application of the staged land use compliance determinations as each project (and related land tenures) advance pursuant to the Nunavut Mining Regulations. Again, all subject to the existing rigorous environmental and regulatory regime in Nunavut.

Throughout the development of the Pistol Bay Project, Northquest has worked cooperatively with the community of Whale Cove, and we believe that the mayor of Whale Cove and the community in general are supportive of the development of the Pistol Bay Project which can bring significant benefits to the community including infrastructure and jobs. During 2015/2016, Northquest has spent in excess of \$1,000,000 in goods and services from local community businesses. Currently, during the field season, 18

local employees from Whale Cove are employed annually at the Pistol Bay Project. Should the Project reach exploitation stage, the expected level of investment is in excess of \$300 million in capital investment and ongoing employment of 400 to 450 permanent staff.

While Northquest remains committed to working with the NPC, the Government of Nunavut, and other stakeholders to forge a path forward to responsible development at Pistol Bay, it is important to recognize that as a public company, Nord Gold, Northquest's parent company, has a responsibility to its shareholders to invest its resources in a manner best suited to assure shareholders of a reasonable return on their investment. If Northquest's tenure at Pistol Bay is called into question and its ability to move to the next stage is subject to a process fraught with discretion and uncertainty, Nord Gold may be compelled to allocate its resources elsewhere which would result in a loss of opportunity for Northquest, Nunavut and most particularly the people and businesses of Whale Cove.

4 Editorial Recommendations and Considerations

In summary, Northquest respectfully submits that NPC should revisit its approach to the DNLUP and should strive to achieve a better balance between conservation and development than is reflected in the draft circulated in June 2016. As discussed in detail above, the DNLUP in its current form will have the effect of stifling resource development in the proposed Protected Areas in the Territory, which will have a significant adverse impact on Nunavummiut and Canadians as a whole. As the Premier of Nunavut articulated in his letter dated October 18, 2016 to Gary Vivian, President of the NWT & Nunavut Chamber of Mines: **“the current draft plan does not reflect a responsible development approach”**.

Northquest remains committed to Nunavut and to Nunavummiut and to playing a vital role in the economic development of the Territory, the Whale Cove area and Inuit. We look forward to working with NPC and the other stakeholder to achieve a balanced land use plan which protects the environment and traditional way of life of Inuit while allowing for everyone in Nunavut to prosper through the responsible and respectful development of its natural resources.

Schedule "A"

