

Northquest Ltd. Submission Regarding 2016 Draft Nunavut Land Use Plan



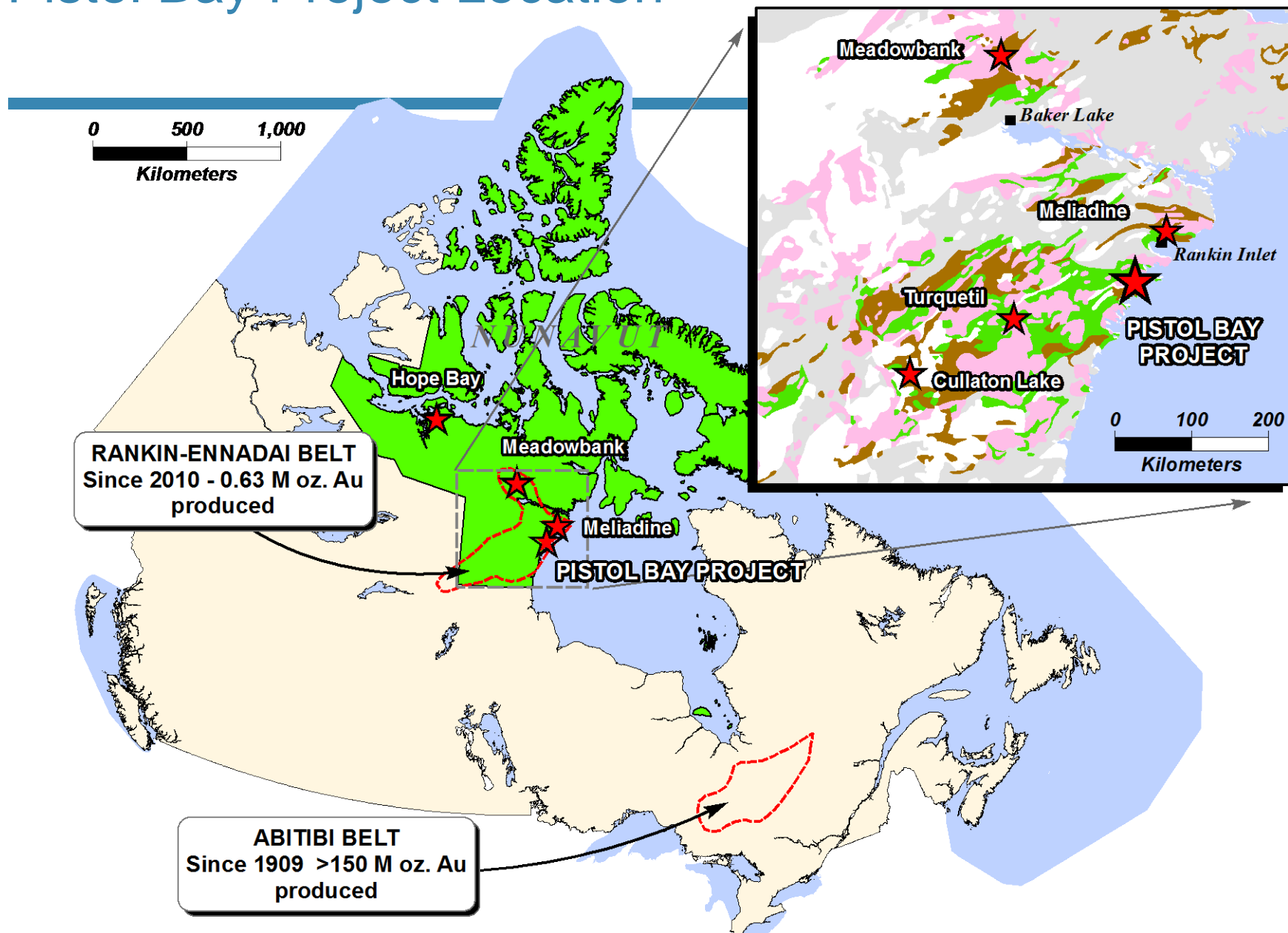

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March, 2017

Northquest Ltd. - Who we are

- Incorporated March 18, 2008
- A wholly-owned subsidiary of Nordgold SE
- One gold exploration project – Pistol Bay Project, Nunavut

Pistol Bay Project Location



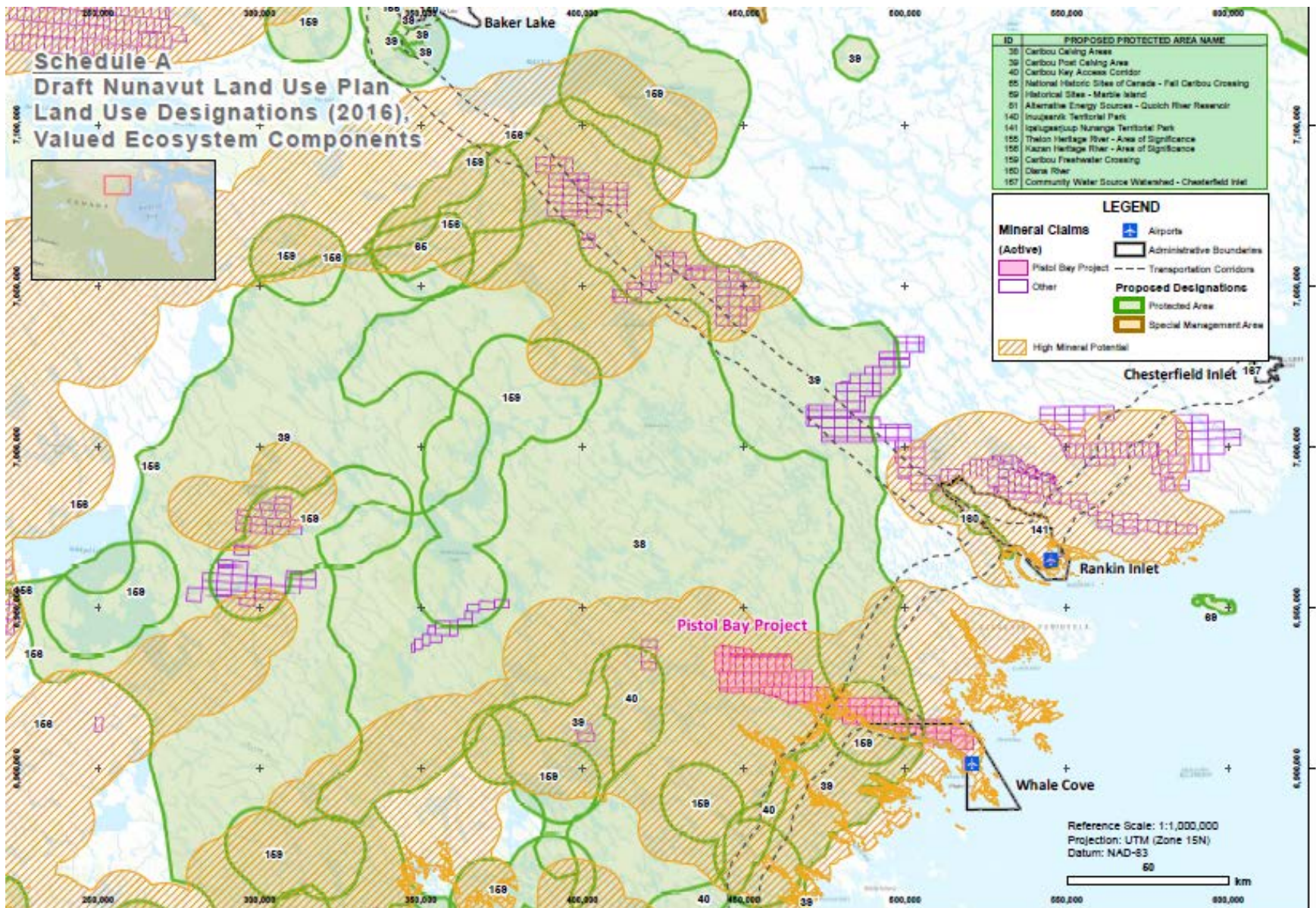
Draft NLUP 2016 – Northquest Concerns

- Takes a prohibitive approach over large tracts of land
- Fails to recognize statutory rights of existing mining claim holders
- Will have an immediate and long-term negative impact on economic development in Nunavut

Prohibitive Approach

- Land Use Planning principles in Nunavut established by NLCA have not been followed in the DNLUP
- Large tracts of land are designated as Protected Areas (“**PA’s**”), many of which correspond with areas of high mineral potential
- Comparatively little land is designated as Special Management Areas (“**SMA’s**”)
- SMA’s allow for more flexible management of areas of environmental or cultural importance. The use of SMA’s has been recommended by GN and DIOs.
- PA’s do not promote balance of competing interests, and should be considered only when it is demonstrated that SMA’s will not afford adequate protection to valued socio-economic or environmental components

Pistol Bay Claims, Protected Areas, Areas of Mineral Potential



Free Entry System

- Effectively turns a “free entry” system to a “concession” or “licensing” system of mineral tenure
- Free Entry is the standard in North America and many other countries
- The draft Plan would also effectively take the grant of mining rights tenures away from elected public governments and regulatory authorities and place it in the hands of the unelected Planning Commission
- The existing rigorous regime of legislation and consultation obligations already provides protection

Rights of existing holders of mineral tenure

- Nunavut Land Claim Agreement – Article 11 reflects established land use planning principles of balancing competing rights, interests, objectives and current and potential uses of lands, that take into account and reflect the unique history, geography, culture and traditions of Nunavut, and Inuit in particular
- S.58 of NUPPA provides that existing rights and interests must be taken into account in the planning process
- DNLUP provides that only a specific advanced stage of a mining project is “grandfathered”
- The effect is to remove any certainty that a company’s early exploration and/or development investment can progress

Negative impact on the resource industry

- Mining is one of the largest private sector industries in Nunavut
- Exploration spending in Nunavut is rising
 - \$158M in 2014
 - \$203M in 2015
- Mining is a high-cost industry, especially in remote locations
- Lack of certainty in the ability to develop a project will result in mining companies diverting scarce capital to other jurisdictions

Impact on Northquest

- Most of the Pistol Bay current claim block falls within a proposed PA
- Pistol Bay is at the exploration stage, and the DNLUP provides no certainty that it can progress to the next stage
- Current investment of \$22M is at risk

Recommendations

- DNLUP land use designations should be revised to strike a better balance between conservation and development
- Existing recorded mineral claims and leases should be grandfathered from the staged project application of the PA's
- Existing rights holders shall continue to be subject to the existing rigorous integrated environmental and regulatory regimes

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