

DE BEERS GROUP

Sharon Ehaloak
Executive Director Nunavut Planning Commission
P.O. Box 1797
Iqaluit, NU,
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February 10, 2022

Dear Ms. Ehaloak,

De Beers would like to thank the Nunavut Planning Commission (NPC) for the opportunity to provide additional comments and recommendations on the draft Nunavut Land Use Plan (dNLUP). We have prepared a short submission to address the following key points:

- Previous Recommendations;
- Additional Recommendation;
- Omissions and errors; and
- Impacts to business.

Previous Recommendations

De Beers provided an initial package of comments and recommendations on October 8, 2021 as part of the public review period for the dNLUP. The following recommendations were made at that time:

1. The land use designation for the proposed caribou protection zone on the central Hall Peninsula should be re-classified as Option 4 – Valued Ecosystem Component.
2. In keeping with the BICMP gap analysis and implementation plan, conduct a thorough review of existing scientific (e.g., telemetry, aerial, and calving surveys) and IQ data sources both historical and recent, identify data gaps required to understand the use of the peninsula by caribou, and work with other government bodies, researchers and industry to address the data gaps. Conduct consultation and verification with all stakeholders for any newly proposed boundaries.
3. Apply an adaptive management framework to caribou management rather than utilizing static polygons with absolute prohibitions.
4. Consider the use of mobile protection measures around calving and post-calving caribou rather than static Limited Use zones.
5. Low impact activities, including geophysical surveys, high elevation flights, geological soil sampling, and research, should be permitted to occur within caribou protection zones. Allow

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the regulators who issue permits and licences to make the determination regarding approval of these activities, based on the land use objectives outlined in the dNLUP and following proper environmental screening.

6. Remove Existing Rights Areas from LU zones. In the case of the Project, this would mean removing the proposed Project Area from the LU zone on Hall Peninsula, if such a zone is established in contradiction to our earlier recommendations.

De Beers also participated in the public hearings held in Iqaluit from November 14-19, 2022. At those hearings, we presented the rationale for our recommendations, and provided further information about the proposed Chidliak Project and the opportunity that it represents for regional collaborative development. If allowed to proceed, the Chidliak Project will be a Future Smart mine, one that is built on the key principles of environmental sustainability:

1. Small footprint;
2. Low carbon energy;
3. Minimal water use;
4. Modular, automated, reliable, connected;
5. Remote monitoring;
6. Modern employee operating model.

The Chidliak Project will be compatible with caribou, during all seasons of the year and all stages in the caribou life cycle. De Beers will provide baseline studies on caribou habitat-use both from a scientific perspective and a traditional perspective as part of the Impact Statement. We will assess the potential impacts of the Project on caribou and caribou habitat and will propose mitigations to reduce any potential effects. We will prepare a monitoring and mitigation plan which will describe our ongoing adaptive management approach to caribou protection. All of this will be available for public review and scrutiny as part of the Nunavut Impact Review Boards regulatory process. We strongly believe that the Chidliak Project can co-exist with caribou and will not result in harm to the population.

Over the past few months, we took the time to review the submissions made by other organizations, to discuss the dNLUP with other affected parties, and to seek legal advice regarding the implications of the current plan on our business.

At this time, we would like to clarify that removal of the existing rights areas alone (as per our previous recommendation), such as leases and claims, from the Limited Use Zone, will not be sufficient to enable future mineral exploration and development for the following reasons:

1. Almost all mineral operations require surface infrastructure that typically extends beyond the boundaries of claims or leases. Surface infrastructure such as roads, transmission lines, wind towers, or even a water lines are features that are routinely required outside the boundaries of mineral leases. Many projects, including the Chidliak Project, will become unviable without such surface infrastructure. The precise location of such infrastructure is rarely known early in the life of a Project.

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2. The removal of existing rights from the Limited Use Zones will not offer protection for future potential mineral discovery and development in the vicinity of these existing rights. The previous version of the dNLUP (2016) identified zones of High Mineral Potential. This was done to preserve the opportunity to explore and develop such resources for the benefit of Nunavummiut. The Chidliak Project is in such a zone designated by the dNLUP (2016) as High Mineral Potential. However, the 2021 dNLUP did not acknowledge any areas of high mineral potential and did not offer any protection for the opportunities that these areas represent. Minerals are fixed resources in the earth and cannot be relocated. Known areas of high mineral potential should be designated as Mixed Use to preserve the opportunity of future development.
3. As described in our previous submission, the proposed boundary of the Limited Use Zone on Hall Peninsula is not well supported by scientific and IQ evidence. It appears that the boundary is based on a single submission from the QWB, with limited explanation of how the boundary itself was established. Additional data, both scientific and IQ, should be collected and compiled before establishment of such a large and consequential Limited Use Zone.

Additional recommendation

While we remain concerned about the highly prescriptive approach taken in the dNLUP and we continue to stand by our earlier recommendations, we also recognize that the NPC must make decisions based on the best information available at the time, even when that information is incomplete. To address our concerns, while still retaining a large Limited Use Zone for caribou on the Hall Peninsula, De Beers is offering one further recommendation to the NPC.

7. If a Limited Use Zone is established on the Hall Peninsula contrary to our earlier recommendations, the boundaries should be adjusted to exclude existing rights areas, areas of associated potential surface infrastructure, and a buffer zone around the area of geological interest.

Both the 2014 and 2016 versions of the dNLUP included large areas designated as 'high mineral potential' located in the vicinity of the Chidliak claims. The high mineral potential areas were designated based in large part on the exploration work conducted by Peregrine Diamonds. Since that time, De Beers has conducted additional exploration, including geophysical surveys, prospecting, drilling, and sampling. We have identified a total of 74 kimberlites within the Chidliak area, at least six of which have high potential for mining. More exploration work is needed to define these kimberlites and to determine if they are suitable for mining.

Using this additional exploration work as the foundation, De Beers has developed an outline of an area that we consider to have high mineral potential around the Project and may be required for surface infrastructure (Figure 1). This area of interest is substantially smaller than the previous 2016 dNLUP area of high mineral potential in the same region. It includes the De Beers claims, but also the additional kimberlites that have been identified and areas where surface infrastructure may be necessary. It does not account for other minerals. De Beers is proposing that this area of interest is removed from the Limited Use Zone to preserve the opportunity of the Chidliak Project.

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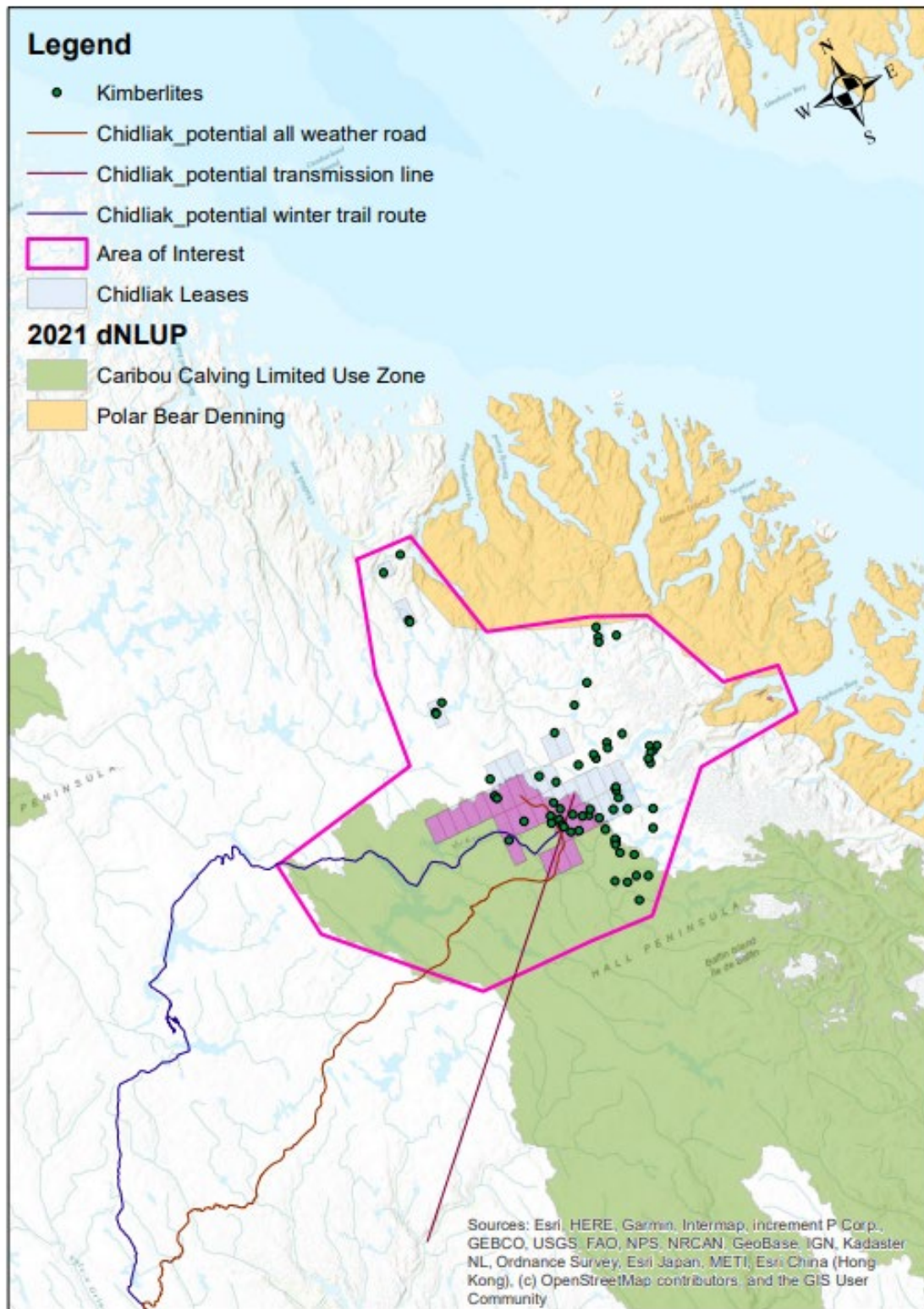


Figure 1. De Beers Chidliak leases, claims, potential infrastructure, and general area of interest.

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This approach offers several advantages:

- It would not require any major changes to the designations in the dNLUP;
- It would help preserve the development opportunity in an area known to have high mineral potential;
- It would help protect the value of the investment already made and reduce the risk of legal disputes;
- Caribou would continue to be protected by the terms and conditions imposed on any mineral development project through the existing robust regulatory processes established under the Nunavut Agreement;
- It would build on the previous version of the dNLUP (2016), including the rationale that was presented at that time for establishment of zones of high mineral potential.

If the NPC continues with the establishment of Limited Use Zones as part of the NLUP, it is imperative that the investments already made to explore and define mineral resources in these areas is protected. Existing rights holders should be offered an opportunity to suggest changes to the boundaries of the Limited Use Zone in the areas where they operate to facilitate required infrastructure, further exploration, or based on additional scientific and IQ data before these areas are established in the final plan.

Omissions and Errors

We would like to note that Appendix A of the dNLUP did not include some of our existing claims, such as the Nanuk and Nanuk North Project claims in the Kivalliq Region. Those claims area also affected by proposed limited use areas. The Chidliak and Qilaq claims are illustrated on Figures 1 and 2, and the Nanuk and Nanuk North claims are illustrated on Figure 3. A summary of each claim and lease is provided below as Table 1. Each of these areas should be included in Appendix A of the dNLUP, even if they do not occur in a proposed Limited Use Zone.

Table 1. Summary of Peregrine's existing claims and leases in Nunavut

Project	Leases/Claims	Area (ha)	Region	Commencement
Chidliak Project	41	42578	Qikiqtani	2007
Qilaq Project	3	4,086.60	Qikiqtani	2009
Nanuq Project	125	162,380.12	Kivalliq	2003
Nanuq North Project	51	44,998.59	Kivalliq	2005

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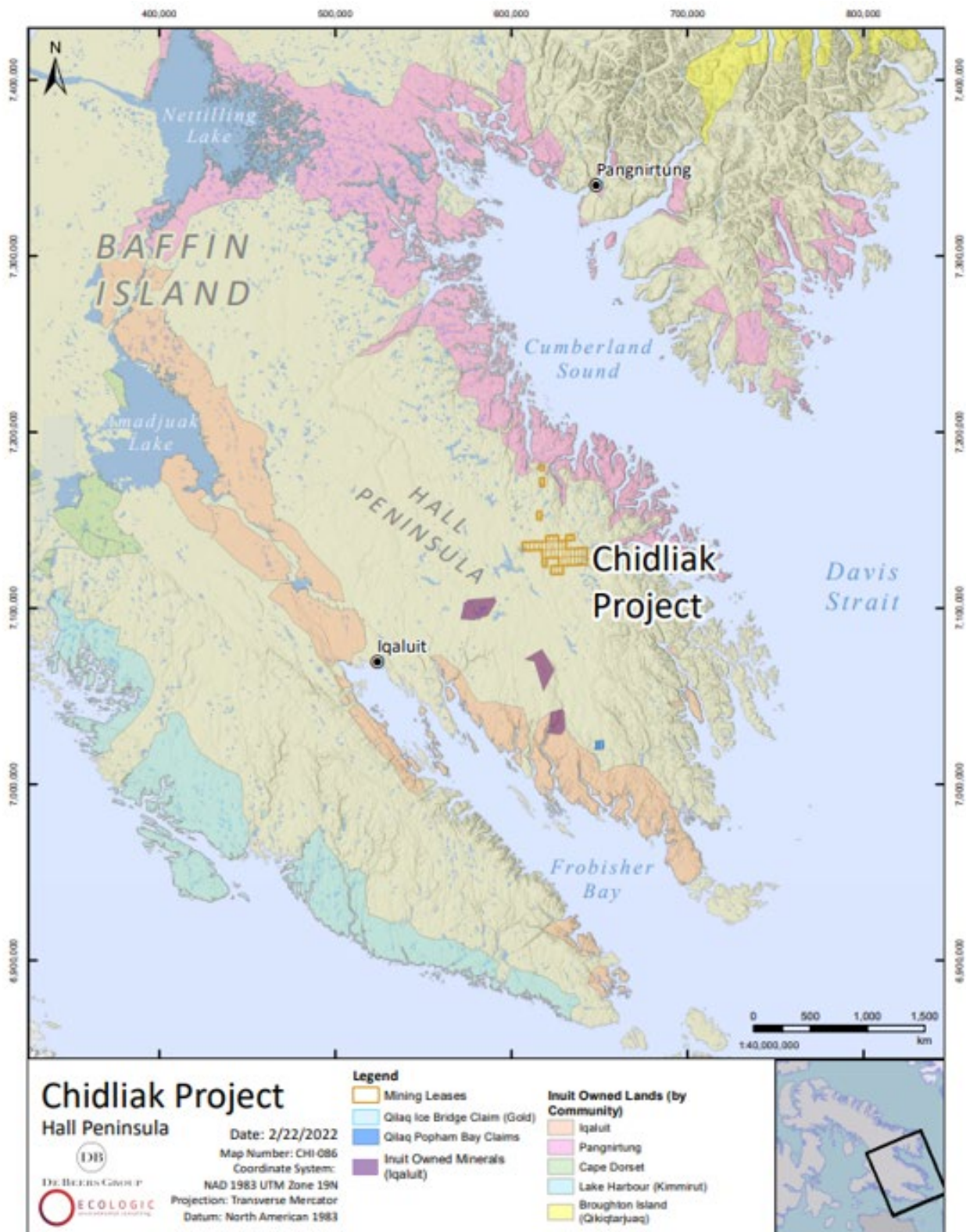


Figure 2. De Beers mineral leases and claims on the Hall Peninsula.

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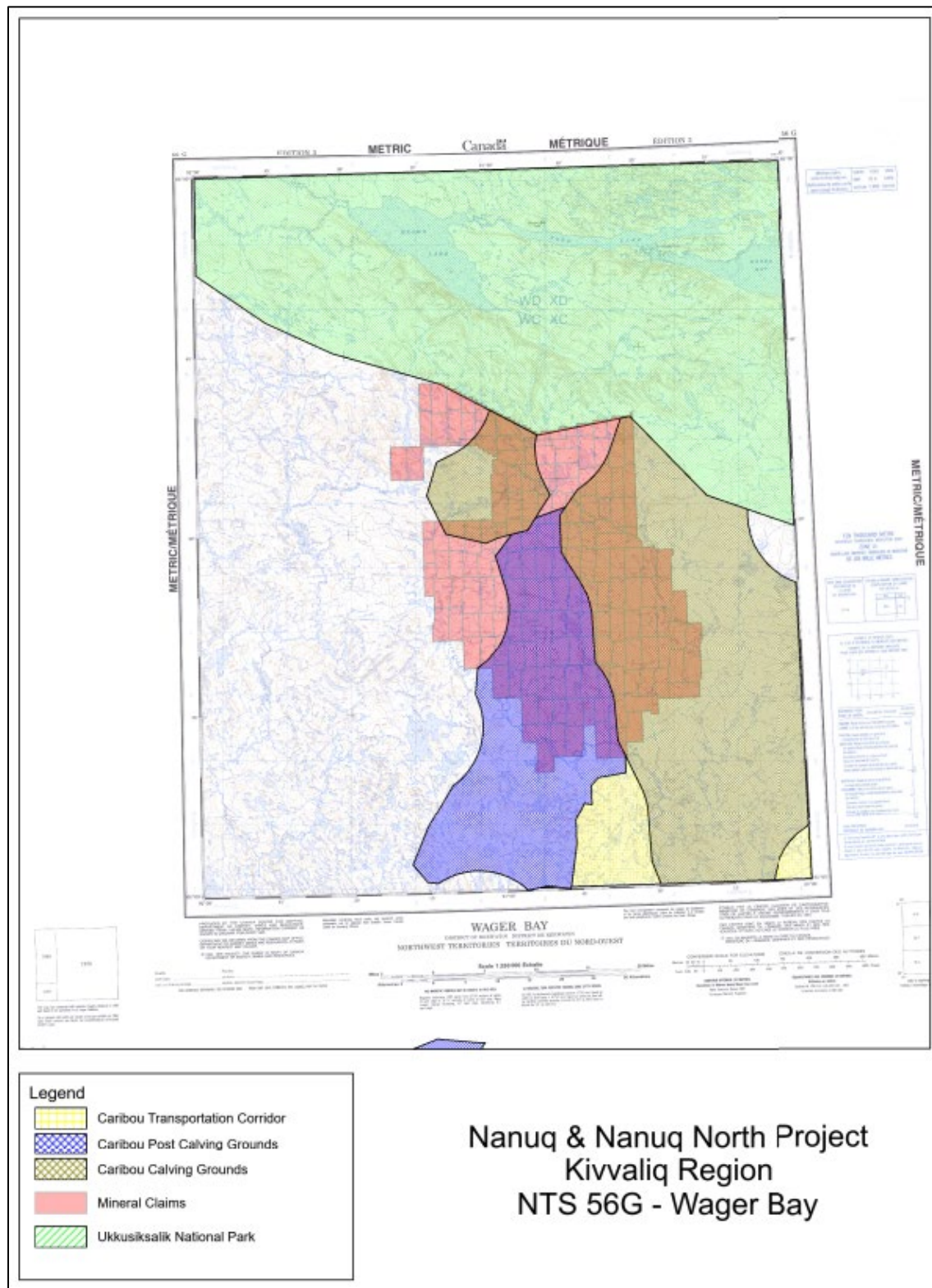


Figure 3. Nanuq and Nanuq North Project claims with Limited Use Zones overlayed.

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Impacts to the Business

Since the release of the 2014 dNLUP, three of the four projects in the Peregrine portfolio have been effectively sterilized by the dNLUP. The 2014 dNLUP proposed a restricted area over the Nanuq and Nanuq North project areas, effectively eliminating any potential to develop those two projects. In 2016, when the new dNLUP was released, those two Project areas remained under restriction. The 2021 dNLUP now proposes a restricted area over the Chidliak project, once again effectively eliminating the possibility of developing the Project.

If the currently proposed dNLUP is adopted, it will result in reduced economic growth and loss of investment in Nunavut, including losing the opportunity of the Chidliak Project. Should this occur, it would be equivalent to a de facto expropriation because it will prevent De Beers from exploring for and developing the minerals in its mineral leases that were purchased for valuable consideration (\$110M). Claims for de facto expropriation have been repeatedly recognized by Canadian courts (r. v Tener. (1985) 1 SCR).

Since the original purchase of Peregrine Diamonds in 2018, De Beers invested further in the Project, including conducting two Inuit Qaujimaningit studies (in progress), implementing drilling programs, collecting and analyzing environmental and archaeological baseline studies, conducting pilot testing of new technologies, and conducting engineering studies all aimed at the construction of a Future Smart diamond mine at this site.

In 2022 we completed a substantial concept study. In 2023 we will initiate a pre-feasibility study to identify the preferred option in each area of mine design. The pre-feasibility study will support the eventual submission of an Impact Statement to the Nunavut Impact Review Board (NIRB). If the currently proposed Limited Use Zone becomes the law, De Beers may have to reconsider any further investment in this Project and may seek damages for investment lost. This is certainly not the outcome or approach we wish to take.

De Beers continues to believe that the Chidliak Project will be an incredible driver for economic, technological, and environmental solutions on South Baffin Island. If we achieve our goals, the Chidliak Project will be a catalyst for realizing creative solutions to common challenges in the areas of logistics, energy, waste management, water conservation, and sustainable employment. We believe that the regulatory process in Nunavut, as managed by NIRB and the other regulatory agencies, is robust and well designed to protect the interests of Nunavummiut. If allowed the opportunity, we will take this Project through that regulatory process and will adhere to all terms and conditions set by regulatory agencies should a positive decision be reached.

Again, De Beers would like to sincerely thank the NPC for the additional opportunity to provide input into this process. Decisions made now as part of this Nunavut Land Use Plan will have dramatic consequences, both positive and perhaps negative, for years to come. The NPC should respect that this is a first iteration land use plan for all of Nunavut, and not set limits on Nunavut's potential, but rather provide guidance to develop in harmony with Inuit values and culture. We urge the NPC to take a balanced approach and to re-consider both the environmental and the socio-economic implications before finalizing the plan.

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Sincerely,



Sarah McLean

Environment and Permitting Manager

Cc: Jonathan Savoy (NPC)

Goump Djaloue (NPC)