

November 29, 2015

VIA EMAIL

Mackenzie Valley Land and Water Board
7th floor - 4922 48 St.
PO Box 2130
Yellowknife, X1A 2P6

Attention: Mr. Willard Hagen, Executive Director

Dear Mr. Hagen:

Re: Water License MV2002L2-0019

Dear Mr. Hagen:

We write in response to Ms. Potten's letter of November 23, 2015, in which she communicates some additional information requests to both Canada and North American Tungsten Corporation Ltd. ("NATC" or the "Company") that arose as a result of Canada's letter of November 18, 2015, which included notification under s. 53.1 of the *Mackenzie Valley Resource Management Act* ("MVRMA") regarding the Cantung Mine federal area.

We have reviewed Canada's letter of even date from Mr. Mohan Denetto responding to the additional information requests of the MVLWB and make our response further to Canada's. We have summarized our comments in order of the three questions posed by Ms. Potten that were updated from her earlier letter dated November 12, 2015:

(1) Ownership at Cantung:

As you are aware, NATC has been and continues to be operating under the *Companies Creditor's Arrangement Act* ("CCAA"). The Company and the Court appointed Monitor (subsequently defined) in the CCAA proceedings confirm that there have been no changes in ownership at the Cantung Mine site. However, the site is now a "federal area", pursuant to the MVRMA. As a result of this acceptance of federal responsibility, Canada agreed to the terms of the Court order referenced in paragraph (2) below.

(2) Funding Agreements:

Pursuant to the Court order granted on November 17, 2015 by the Supreme Court of British Columbia (a copy attached to Canada's letter), Canada agreed to fund Alvarez & Marsal Canada Inc., the court-appointed monitor ("A&M" or the "Monitor"), who presently is overseeing care and

maintenance at the Cantung Mine site. Canada has agreed to continue that funding until March 31, 2016.

(3) Financial Capacity and Renewals:

As Canada discussed in its letter of response, we are also of the view that the Board has the authority to exercise discretion in the application of the requirements for issuance of new licences regarding "financial responsibility" in section 72.03(5)(d) when applying that section to an application for a renewal. Further, we are of the view that Section 72.12(2) gives the Board the authority to apply this requirement "with any modifications that the circumstances require".

The circumstances before the Board in the case of NATC's application for renewal are as follows:

- Canada has given notice of its responsibility for the site as a "federal area";
- there has been an order issued by the BC Supreme Court regarding the restructuring of NATC;
- that order provides that Canada will fund the Court appointed Monitor to oversee the care and maintenance of the Cantung Mine until March 31, 2016;
- the Cantung Mine was built, now exists and did operate up until the end of October 2015. The financial stakeholders of NATC have expended significant resources while the Company has been under CCAA proceedings to ensure that there has been an appropriate and responsible transition of the Cantung Mine to care and maintenance, to preserve the value of the mine and resource going forward and to comply with environmental regulatory requirements and workers' safety matters;
- the potential value of and likelihood of a sale of the Cantung Mine would be significantly reduced without a water licence and any opportunity to recommence operations at the Cantung Mine in the near to intermediate term would be lost; and
- the Board would have the ability to approve any assignment, should there be such a sale pursuant to s.72.14 of the *MVRMA* and there has been an order issued.

Since the Court made the order enhancing the Monitor's powers on November 17, 2015, the Monitor has taken steps to continue the transition to care and maintenance, including ensuring the retention of necessary senior mine management and equipment for that purpose. The Monitor is also ensuring that the Company continues to comply with its regulatory obligations, including such testing and other activities as are required under the Water Licence as well as all legislated workers' safety requirements.

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The Board, in the case of a renewal, needs to recognize the circumstances that exist and responsibly manage the regulatory process. In these circumstances that means evaluating the application on its technical merit and adapting to the financial realities that present themselves so that the purposes of the MVRMA are best fulfilled.

We understand that among other things, the objective of the Board pursuant to s. 101.1 of the MVRMA, is to allow for “. . . the conservation, development and utilization of land and water resources in a manner that will provide the optimum benefit generally for all Canadians and in particular for residents of the Mackenzie Valley.” Considering this objective, and the above circumstances, it is in our view that the Board should exercise its discretion to consider the renewal application on its technical merits, with the understanding that all parties would be best served by the Cantung Mine continuing to be operated responsibly with appropriate and experienced management and oversight thorough a useful economic life, through any intervening period(s) of care and maintenance and then through to closure and reclamation.

The denial of this application on financial grounds would not be in our view, in the interests of the residents of the Mackenzie Valley or Canadians generally. Absent a confirmed renewal of the Water Licence, the Court appointed Monitor may not be able to continue to oversee the management of the on-going care and maintenance at the Cantung Mine site which could result in an expedited withdrawal of NATC management and equipment from the mine at the initial stages of the care and maintenance programme.

We agree with Canada's submission that the purposes of the Act and the objectives of the Board, including the public interest, are better served by the renewal of the Type A licence than they would be by the lapsing of the licence.

Should you have any comments or questions regarding the foregoing or this matter generally, please contact the undersigned at your convenience.

Yours truly,

North Amercian Tungsten Corporation Ltd.

by its Court appointed Monitor,

Alvarez & Marsal Canada Inc.



Todd M. Martin

CC: Jen Potteh, MVLWB

Mohan Denetto, Regional Director General, AANDC

Mark Warren, Deputy Minister, Lands, GNWT

Kate Hearn, Assistant Deputy Minister, Lands, GNWT

Robert Jenkins, Director, Environment and Natural Resources, GNWT

Jeff Mercer, Senior Manager, AANDC

Carey Ogilvie, Senior Manager, AANDC