

May 14, 2018

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MV2018L2-0003

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Dear Ms. Ho,

Re: Pine Point Mining Ltd.'s application for Type B water license for exploration drilling

We are writing to provide our thoughts on Pine Point Mining Ltd.'s (PPML) application for a Type B Water License for up to 2,500 holes of shallow brownfields exploration drilling at and around the old Pine Point mine site.

We are pleased to see the project's new owners bring in significant exploration investment, particularly given the significant investment downturn the NWT has created for itself over the past 11 years. PPML's investment is, we hope, a signal of renewed confidence in exploring in the NWT.

However, to this end, we are very concerned that the application by this company and others' are treated fairly and consistently, and in a manner that matches the level of complexity and actual environmental effects of the work they propose. Where they might not, we would request the Board and NWT Government make changes to their requirements.

In this case, PPML is proposing a somewhat rapid exploration drilling program over a short two year period to try and advance this exploration project to mining feasibility. We understand that with the number of drills they propose, they will require somewhat more water usage and require a Type B Water License. They will manage this water with drills equipped with self-contained water recycling systems and capture systems for the drill cuttings to allow their later, safe and approved disposal. The drills will be supplied by a contractor and are low pressure to protect the ground, and will operate in a relatively small foot print in areas previously disturbed by the previous mine owner some years ago. We also understand that much of the area is unvegetated given its past history of mining. The GNWT has calculated and recommended security for the water license at \$324,283 comprising \$56,432 for water and \$267,851 for land. We believe this security requirement is unnecessarily high.

We are concerned that:

- The security being recommended for this exploration project is unnecessarily high, and we believe originates as a result of using RECLAIM, a costing model which is better suited to calculating closure costs for proposed or operating mine sites, and not for early stage exploration. While one might argue that RECLAIM could be used in cases like advanced diamond exploration, where large underground bulk sampling operations (mini-mining) are required, that is not the case with PPML's project. We are concerned when RECLAIM is used for a shallow exploratory drill program over a large area.

- We believe that using the MVLWB's worksheet for land use permit security might be more appropriate for this early stage exploration project. As an observation, the water component of the water license security, at \$56,432, is a mere 17% of the entire security that RECLAIM calculates. This suggests that the water risk for the very water permit they have asked for as a result of water usage is minor. Even that amount might be too high, given that PPML will use water and drill cutting recycling systems on their drills.
- As part of the security calculation, there is also a charge for equipment removal in the case of an insolvency by PPML. However, the equipment they will use is owned by contractors and there will be no cost of removal. The reality is that the first thing the equipment owner will do in the case of his client's insolvency is to remove his equipment at his own expense. This cost should not be included, and perhaps points out another opportunity for changing security calculations.

We are aware that the owner of PPML, Osisko Metals, also is exploring for base metals in New Brunswick. In checking on the requirements for security for the same type of exploration project in that province, the amount of security would be zero. We recognize that this is under a different regulatory regime but why then are we asking for such high amounts here in the Northwest Territories?

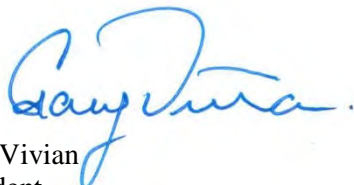
We would like to make two additional observations that could help with security applications in the NWT:

- Recently, the GNWT made a significant change to allow surety bonding and Dominion Diamond was the first to submit that form of security. That change allows sufficient security but in a more efficient method for some companies. Can surety bonding be used for exploration projects too?
- Can the Boards and/or GNWT build a matrix of all the water licenses and land use permits that have been issued with the amount of security required, the nature and size of the project, whether brownfields or greenfields, what environmental protections are in place, and any unusual conditions that need to be taken into account? Such a matrix would help ensure consistency of security applications or flag where changes have been made, or are required.

In closing, we believe that the security treatment of Pine Point Mining's Type B water permit should be revisited and reductions made to account for the actual water liability, for the project's relatively early stage exploration work on a brownfields site, using environmentally appropriate equipment. Further, that changes should be considered to help other projects avert this kind of unnecessary requirement until they reach much more advanced stages of exploration. Otherwise, this type of high bonding could become a warning sign to investors.

Yours truly,

NWT & NUNAVUT CHAMBER OF MINES


Gary Vivian
President

c.c.: Hon. Wally Schumann, Minister of ITI
Hon. Robert C. McLeod, Minister of ENR
Hon. Louis Sebert, Minister of Lands
Hon. Bob McLeod, Premier of the NWT
Ms. Shelagh Montgomery, Executive Director, Mackenzie Valley Land & Water Board