



**To: Jacqueline Ho**  
**From: Jeff Hussey**  
**CC: J Key, T Smith, J Dudley, R Adair, S Clemmer, J Morse**

**Subject: Information Request Response WL MV2018L2-0003**

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Pine Point Mining Limited (PPML) is pleased to submit our response to the Mackenzie Valley Land and Water Board's (MVLWB) Information Request (IR) dated May 28, 2018. PPML worked hard to design a confirmation drilling program that maximizes economic opportunities for workers and businesses in the local communities, minimizes environmental impacts at this brownfield site, and meets our objective of upgrading the drill hole and assay data necessary to advance the project. PPML designed the Confirmation Drilling Program (which would be covered by LUP MV2018C0005 and WL MV2018L2-0003) to be a stand-alone project with distinct and separate goals from our Exploration Program (which is covered by LUP MV2017C0024). We do not believe it is appropriate to link these two, very distinct, programs under a common water license.

At a very high level these two programs appear similar; they both involve drilling on PPML leases and claims on the former Pine Point mine site. However, once you zoom in a bit, the differences become apparent. The goals of the Exploration Program are to find new deposits regionally and delineate the boundaries of under-explored deposits. The goal of the Confirmation Program is to complete definition drilling within the deposits to increase sampling at closer spacing in order to upgrade the quality of the resources from historical to NI43-101 inferred resources and then to the indicated category that is needed for economic development studies.

The Exploration Program requires the flexibility to conduct the permitted activities (geological mapping, prospecting, sampling, geophysics, and diamond drilling). The Confirmation Program requires less flexibility; it is designed to simply drill holes between or adjacent to historical drill holes at previously disturbed sites. The Exploration Program is designed to play out over a longer time frame (7 years or more), whereas the Confirmation Program is designed to be completed quickly (27 months). These two Programs have different objectives and require different flexibility in drill hole setups; the location of drill sites for the Exploration Program are difficult to plan far in advance as they will be partially located based on data that will be acquired in the future. As a result, different impacts are possible and the company has made different commitments to minimize / mitigate impacts. Therefore, the two programs require two different and separate permits and licenses, based on the difference in scope of work. PPML does not believe that it is appropriate for the Board to try to link these distinct Programs via a common Water License.

In the short term (i.e. Summer 2018), PPML plans to conduct the following activities as part of the Exploration Program's existing permit: geophysics and confirmation drilling with 3 drills

until such time as the new LUP and WL are issued. Summer 2018 activities under the Confirmation Program's new permit would include the use of up to 9 drills to conduct confirmation drilling

If the airborne geophysical program identifies targets worth testing, PPML may drill these targets under MV2017C0024 in the Winter 2018/19 program. PPML believes it will be easy and straight-forward for the Inspectors to understand what drilling is being conducted under which permit since permit conditions for both LUPs require that potential drill targets be submitted to them in advance.

PPML understands that the overarching concern in this IR is the potential that water use might exceed 300 m<sup>3</sup>/day if PPML had concurrent exploration drilling and confirmation drilling. The Board should note that PPML agreed that measuring and reporting water use on a regular basis was a reasonable condition to attach to the water license (see Comments on the Draft WL submitted by PPML on May 3, 2018). PPML further understands that the Board needs to write a water license that the Inspector can enforce. PPML also understands that the Inspector has the authority to shut down our operations for both Programs if there is valid concern that daily water use exceeds the volume allowed under a Type B water license. It is in no one's best interest to have either program get shut down.

PPML's commitments to ensure that no more than 300 m<sup>3</sup> of water per day are used, on any given day, across both programs include:

- Advance notification of drill targets for each permit, thereby making it easy for the Inspectors to identify days with highest drilling activity. (This commitment is already in place.)
- Measuring water use at each drill rig. (This commitment has already been made for the new water license. PPML is hereby making a commitment to do this for all drills that will operate under MV2017C0024 AND MV2018C0005 going forward when both permits are concurrently in use. It's in our best interest to be able to document that we are consuming less than the 299 m<sup>3</sup>/day threshold.)
- Reporting water use. (This commitment has already been made for the new water license by virtue of PPML's comments on the Draft WL submitted on May 3, 2018).

PPML cannot agree to amend the WL application to link the Exploration Program's permit (LUP MV2017C0024) to the Water License that is being developed to accompany the Confirmation Program's permit (LUP MV2018C0005) for several reasons.

First and foremost, we haven't seen the water license. The only version of the WL that we have seen had many provisions that we disagreed with (see comments submitted by PPML on May 3, 2018). It would be irresponsible to our shareholders if PPML were to agree to impose potentially onerous restrictions on our Exploration Program. Secondly, the water license application (LUP MV2018C0005) was designed **solely** for the Confirmation Program scope of

work. It doesn't suit the program goals of the Exploration Program. For example, the Confirmation Program commits to sourcing water only from constructed features (mine pits or drainage ditches), but those types of features are not available in many of the leases and claims covered by the Exploration Program. PPML cannot commit to an onerous and costly water hauling program for all exploration activities.

Thirdly, the Programs have different timelines and we believe it will add substantial regulatory uncertainty to the Exploration Program to be tied to a Water License once LUP MV2018C0005 expires, especially when the Exploration Program is designed to use less water than is required to hold a WL. And finally, because PPML has committed to metering all water use under both Programs when used concurrently, there will be an open and transparent process in place for the Inspector to be able to document to the Board that PPML's water use falls within the limits for a Type B license during the 27 months that both LUPs are open.

PPML respectfully requests that the Board refrain from linking LUP MV2017C0024 to WL MV2018L2-0003. A short and simple confirmation drilling program deserves to have a short and simple LUP and WL. The Board can, and should, write a Water License that requires PPML to carefully meter and report water use at the site.

Because the Water Inspector has sufficient authority to shut down all operations if they suspect that cumulative water use is too high, PPML has a strong incentive to ensure that cumulative water use remains below that threshold.

This IR has impressed upon us the importance of ensuring that we have a technically sound measurement system in place, and that our record-keeping and reporting practices meet the Inspector's requirements.

We can trouble-shoot record-keeping and reporting practices with the Inspector in the coming weeks when we conduct some confirmation drilling under MV2017C0024 while we wait for this new LUP and WL to be issued.

Our hope is that the Board will move quickly to finalize the LUP and WL. This would be in the interest of all stakeholders as spring breakup is ending and the summer drill season is starting. Since the summer drill season period is short, PPML would like to get to work in order to take advantage for the benefit of all stakeholders with the common objective of economic development and value creation. I will appreciate the Boards consideration of the PPML position and we continue to look forward to working with you on this and future permitting issues.

Very Best Regards,

A handwritten signature in blue ink that reads "Jeff Hussey". The signature is stylized with a large, sweeping initial "J" and a distinct, rounded "H".