



Department of Economic Development and Transportation

NUNAVUT EXPLORATION SUPPORT PROGRAM POLICY

POLICY STATEMENT

The Department of Economic Development and Transportation (the Department) supports the development of a sustainable and viable mineral exploration sector in Nunavut. The Nunavut Exploration Support Program Policy (NESP, or the Policy) is intended to encourage continuing advancement of exploration projects in Nunavut through targeted financial assistance for work that builds Nunavut's geoscience information base regarding mineral deposits and increases community confidence in the mining sector.

The Nunavut Exploration Support Program Policy establishes the criteria by which a project is selected for funding under the program. The Policy includes two funding schedules:

- The Discover, Invest, Grow (DIG) Program provides contributions to mineral exploration companies conducting activities which advance exploration work on project in Nunavut (Schedule A).
- The Community Engagement Support Program (CESP) provides contributions to cover costs associated with engagement and consultation work required during the permitting and regulatory stages of an exploration project (Schedule B).

EDT is committed to a grants and contributions approval process that is accountable, easy to understand, fair, transparent, and reflective of the needs of communities and industry.

PRINCIPLES

The Policy will be implemented in accordance with the following principles:

- Partnerships will respect the Inuit Societal Values of *Piliriqatigiinniq/Ikajuqtigiinniq* ("working together for a common cause"); *Aajiqatigiinniq* ("decision making through discussion and consensus"); and *Qanuqtuurniq* ("being innovative and resourceful").
- The foundation of the mining industry is based on successes gained through prospecting and exploration. High-risk mineral exploration programs financed by the junior mining sector are key for making discoveries that lead to the next generation of mining projects.
- Exploration companies are encouraged to participate and apply to the Department of Economic Development and Transportation's DIG and CESP programs designed to further advance the understanding of the mineral potential in Nunavut.



- Decision-making on proponent applications will be impartial, transparent, without conflict of interest and in accordance with this policy.
- Projects funded will be compatible with Government of Nunavut strategic priorities, such as *Parnautit: A Foundation for the Future*, *Nunavut's Mineral Exploration and Mining Strategy*.
- Applicants will be required to confirm they are in possession of all necessary permits to conduct their work.
- The NESP policy will be applied in a consistent manner with current and future GN positions regarding sustainable development practices and is not intended to displace, modify or be incompatible with the government mandate.

APPLICATION

The Policy establishes the general terms and conditions by which contributions will be provided to exploration companies by the Department. Additional details and guidelines are elaborated in a *Guide and Application* document to accompany this policy.

DEFINITIONS

Advanced Exploration: For the purpose of this program, an advancing exploration project is where significant work activity improves the assessment value of a mineral prospect or new mineral deposit at depth accomplished through sampling and assaying from diamond drilling or bulk sampling. It does not include resource conversion drilling, or deposit extension drilling at any active mining sites that result in revenue.

Audited Financial Statement: An audited financial statement prepared in accordance with Canadian Generally Accepted Accounting Principles consistently applied by an accountant registered under either the *Chartered Professional Accountants Act* (Nunavut) or under comparable legislation in the jurisdiction in which the funds were expended.

Bulk sample: For the purpose of this program, a bulk sample consists of a minimum of 1,000 kg of collected material and analysis thereof. This is usually meant in context of a continuous sample where large volumes of material are required for valuation and may be retrieved other than through drilling, such as trenching or excavation from surface or underground.

Community Organization: A community-governing body incorporated under the *Cities, Towns and Villages Act* (tax based) or the *Hamlets Act* (non-tax based); or a Hunters and Trappers Organization identified under Article 5 of the Nunavut Agreement

Contribution: Transfer of funds under specific terms and conditions to an applicant from whom the Government of Nunavut (GN) will not receive goods or services. Contribution payments are conditional on performance or achievement and are subject to audit or other reporting requirements.

Contribution Agreement: A contractual agreement outlining the terms and conditions for a conditional transfer payment made to a recipient from the Government of Nunavut.

Department: The Department of Economic Development and Transportation.



Exploration Company: A corporation with the legal right to conduct mineral exploration in Nunavut. and:

1. Has an agent in the Territory if the company does not have a presence in the Territory upon which legal service can be made;
2. Holds, or could hold, mineral rights to the lands on which the exploration was conducted;
3. Is in good standing and demonstrates an understanding and intent to undergo proper permitting and ensure work programs comply with existing laws and regulations; and

Schedule of Revenue and Expenses: An un-audited financial report of revenue and expenditures pertaining to a project and signed by the funding recipient.

ROLES AND RESPONSIBILITIES

Minister

The Minister of Economic Development and Transportation is accountable to the Executive Council for the implementation of this policy.

The Minister tables annually in the Legislative Assembly a summary of contributions detailing the name of each recipient, the amount of each contribution, the type of project/investment being supported, and the community.

Deputy Minister

The Deputy Minister of Economic Development and Transportation is accountable to the Minister for the administration of the Policy.

Appeals will be reviewed by the Assistant Deputy Minister, Economic Development for consideration by the Deputy Minister. The Deputy Minister will make final decisions regarding appeals under this policy.

The Deputy Minister or designated senior official shall establish and communicate clear and transparent procedures and criteria for allocation of funds under this policy that address:

- Application Process
- Evaluation Criteria
- Terms and Conditions
- Appeal Procedures

The Deputy Minister or designated senior official may:

1. Request that applicants submit additional information appropriate to the nature and amount of financial assistance requested;
2. Deem an applicant ineligible for funding if the applicant owes money to the government;



3. Target certain minerals or geographic areas to receive some or all of the funding available under this policy to achieve a balance between Nunavut regions or meet other strategic goals of the Government of Nunavut;
4. Engage third-party expertise and/or establish review teams to assist in selection and due-diligence review of submitted applications;
5. Decline to fund a project which contradicts or acts in opposition to the letter or spirit of a Government of Nunavut policy or strategy;
6. Publish a report, at least annually, identifying the successful applicants, exploration projects, and the amount of each contribution.

Director, Minerals and Petroleum Resources

The Director, Minerals and Petroleum Resources (or designate) will review the applications and provide a letter of response to applicants within 45 days.

PROVISIONS

Financial Conditions

- (a) All provisions contained in the *Financial Administration Act* and the government's *Financial Administration Manual* shall apply to the administration of all grants and contributions issued by the department.
- (b) Prior to the issue of payment, the recipients of a contribution shall sign a conditional Contribution Agreement which contains their project goals and objectives, guidelines for allowable expenditures, completion timeline, reporting and accounting requirements, and any other information requested in the attached schedules for each contribution category.
- (c) Where the required financial reporting is not submitted, the recipient will not be eligible for further funding until the required financial statements indicating that the contribution was expended are submitted, or any amount unaccounted for is repaid.
- (d) Recipients must repay any surplus project funds, disallowed expenses, overpayments or unexpended balances to the government within 30 days of the receipt of an invoice from the government. These amounts constitute debts due to the government.
- (e) Recipients cannot carryover surplus funds from one fiscal year to the next fiscal year unless otherwise stated.
- (f) Under the terms of this policy the government's liability is limited to the amount of funding authorized. As a result, the government will not be responsible for any shortfalls or deficits incurred by the funding recipient.
- (g) Funding in one fiscal year does not guarantee funding in the subsequent years.
- (h) The government reserves the right to conduct an audit of any project funded through this contribution program.



- (i) All recipients of contribution assistance must permit the department access to the project site or premises, to inspect all books and other financial statements related to the project, and to obtain any other information necessary for ensuring compliance with the Contribution Agreement or evaluating the success of the project.
- (j) Funding allocated to recipients is based on eligibility and the merits of the projects and organization. The budget allocated to the project or organization cannot exceed the program budget provided by the department.
- (k) Applicants may apply for and receive funding from both schedules A and B in this policy in a single funding year.

General Conditions

- (a) All applicants for funding must disclose if they have applied for funding for the same project from other sources; the total funding for a project may not exceed 100% of the project's eligible costs.
- (b) All applicants for funding must advise the department if they have any outstanding amounts owing to the government, under legislation or an agreement. Such amounts may be set-off against amounts owing to the government.
- (c) Where applicable, projects funded under this policy must meet the necessary approvals by regulatory, municipal and other authorities. This may include meeting health and safety standards, support from community or regional councils, or any other approvals deemed necessary for the project to proceed.
- (d) Recipients must acknowledge the financial support provided by the department in any publication or media coverage arising from their project or activity.
- (e) The government may terminate, suspend or reduce the scope of the agreement if the recipient fails to comply with the terms of the agreement.
- (f) In reviewing and prioritizing applications, the department will consider an applicant's previous record of compliance with reporting and other requirements or commitments made under prior agreements.
- (g) The *Access to Information and Protection of Privacy Act* applies to all aspects of funding under this policy, and of the content, financial management, and general performance of any agreement signed under this policy.
- (h) Recipients must provide communications with and services to the public in Inuktitut, together with any other language used, if any, that are necessary to ensure compliance with section 3 of the *Inuit Language Protection Act* (Nunavut).



APPEAL

An applicant for grant or contribution funding has the right to appeal a denial of funding.

Appeals will be dealt with in accordance with the Roles and Responsibilities section outlined in the Policy and the *Guide and Application* document established in support of this policy.

ACCOUNTABILITY

Successful recipients will provide a detailed report, as outlined in the *Guide and Application* document, to the department at the end of the fiscal year (March 31) in which the application was approved.

The department will treat all reports and results provided therein as confidential for a period of five (5) years from the date of March 31 in the fiscal year in which the application was approved.

Recipients of contributions exceeding \$100,000 are required to submit audited financial statements, at the discretion of the department, along with an audited Schedule of Revenue and Expenses pertaining to the Conditional Contribution Agreement. In addition, interim financial information must be submitted to the department within 60 days of the end of the (Government of Nunavut) fiscal year in which the contribution was made.

For greater clarity, the requirement for audited financial statements applies to projects which receive a combined total of more than \$100,000 between both Schedules of this Policy, even if each individual contribution is below \$100,000 on its own.

FINANCIAL RESOURCES

In compliance with section 46 of the *Financial Administration Act*, R.S.N.W.T. 1988c.F-4, as duplicated in Nunavut pursuant to the *Nunavut Act (Canada)*, it is a statutory condition that an expenditure pursuant to this policy will be incurred only if there is a sufficient uncommitted balance in the appropriated item for the fiscal year in which the expenditure is required under the agreement.

PREROGATIVE OF EXECUTIVE COUNCIL

Nothing in this policy shall in any way be construed to limit the prerogative of the Executive Council to make decisions or take action respecting exploration in Nunavut.

SUNSET

This policy remains in effect until replaced or repealed. The department will initiate a review of this policy no later than March 31, 2025.



SCHEDULE A: DISCOVER INVEST GROW (DIG) PROGRAM

Purpose

The Discover, Invest, Grow (DIG) Program provides contributions to mineral exploration companies to offset eligible costs associated with conducting mineral exploration activities in Nunavut.

Eligibility

Eligibility for these contributions is limited to Exploration Companies that:

- Submit an application for areas in which they have the right to conduct exploration work, have the necessary permits and comply with existing laws and regulations;
- Possess a registered Canadian bank account for the transfer of contribution funds; and
- Maximize the use of Nunavut goods and services, including direct employment (these applications will be ranked higher than comparable applications that do not);
- Have Nunavut-based projects that meet or surpass the following thresholds:
 - o A drilling program of at least 500 metres (cuttings) from reverse circulation (RC) or rotary air blast (RAB) drilling or;
 - o A diamond drill program of at least 2,000 meters (drill core) or;
 - o Bulk sampling of at least 1,000 tonnes.

Contributions are made for one (1) year per application. Exploration companies with on-going projects may apply in subsequent years however no project may receive more than \$500,000 in assistance from the DIG Program over the lifespan of the project.

Eligible Activities and Expenses

The following expenses directly related to the advanced exploration work are eligible for contribution assistance:

- (a) Direct costs associated with exploration drilling focussed on testing new targets, expanding known prospects and drilling activities contributing to resource conversion, including:
 - i Drilling services contracts;
 - ii Drilling equipment rental when drilling is performed on the property during the fiscal year of the Contribution Agreement;
 - iii Labour costs directly attributed to drilling, logging of core, sampling, and shipping of samples; and
 - iv Laboratory assay costs;
- (b) Costs associated with bulk sampling, including:
 - i materials and supplies;
 - ii shipping of excavation equipment;
 - iii labour only directly related to the collection of material comprising the bulk sample;
 - iv shipping and transportation of the bulk sample; and

- v processing and laboratory costs of the bulk sample, such as microdiamond analysis.

Ineligible Activities and Expenses

The following expenses are not eligible for contribution assistance:

- (a) Management, administration, legal or accounting fees;
- (b) Costs for preparing the final report;
- (c) Salaries of exploration company employees or contract workers for any work unrelated to the drilling or sampling activities described in the application.

Review

To apply for DIG funding, applicants must submit a completed application form by April 30th of a given year before planned activities. The department will issue an annual Call for Proposals. Applications submitted after this date will be evaluated on a rolling basis and will be awarded pending the availability of funding.

Proposals will be reviewed and evaluated by the department's Mineral and Petroleum Resources division using the following criteria:

- (a) degree to which the proposal meets the program objectives;
- (b) degree to which the proposal demonstrates the project is moving towards advancing exploration goals;
- (c) evidence or track record of the company to manage and carry out the work;
- (d) potential of the contribution to provide additional public geoscience information and enable advancement of the project;
- (e) use of local expertise, labour, equipment and materials when feasible to do so.

As far as possible, funding under this schedule will be geographically allocated equitably across all three regions (i.e., Qikiqtani, Kivalliq and Kitikmeot).

Supporting Data

The following data must accompany an application for funding:

- (a) Exploration Company information;
- (b) Description of exploration program, including location, commodity, purpose and goals of the project;
- (c) Project budget and work plan, including anticipated start and completion date;
- (d) Planned expenditures, including an estimate of individual costs which are eligible for DIG Program funding; and
- (e) Declaration that the recipient is not generating mineral revenue at the time of application.
- (f) Expected outcomes, including the estimated number of additional drill holes and/or metres drilled as a result of the contribution (return on investment).

Accountability

The department may audit the financial records of the recipient to verify the use of funds provided under this schedule.



Recipients of contributions exceeding \$100,000 are required to submit audited financial statements, at the discretion of the department, along with an audited Schedule of Revenue and Expenses pertaining to the Conditional Contribution Agreement. In addition, interim financial information must be submitted to the department within 60 days of the end of the (Government of Nunavut) fiscal year in which the contribution was made.

The company receiving the contribution shall provide a statement of receipt and disbursement of funds as required by the department. The company will also provide a final financial statement as outlined in the contribution agreement signed with the department.

Applicants must submit a final project report which must include at minimum:

- (a) Copies of receipts for approved incurred project costs;
- (b) Contributions at or above \$50,000 will at minimum require unaudited financial statements and amounts at or above \$100,000 will require audited financial statements as part of the final project reporting;
- (c) Exploration and geoscience results; and
- (d) Final reporting on project outcomes.

Drilling plans, assays or bulk sampling and analysis as described in the successful application must be completed as approved. Any significant changes must be approved in advance by ED&T.

Schedule of Revenue and Expenses of the project to include:

- (a) Allocation of funding to eligible expenses.
- (b) Percentage of total project funds expended in Nunavut

All funding recipients agree to public disclosure and will provide copies of receipts and invoices as part of their final submission package if requested by the Department.

The Department will treat all submissions described herein as confidential for a period of five (5) years from the date of receipt of the final report. Geological data such as drill logs, assay results and other geoscience information received as part of the reporting requirements can be made public in whole or in part after the period of confidentiality.

Projects for which the recipients fail to adhere to the accountability requirements will be ineligible for future funding until recipients satisfy the accountability requirements and demonstrate to program managers that they are willing and able to adhere to accountability requirements on subsequent projects.

Amount

The Department will contribute up to 25% of eligible expenses, up to an annual maximum of \$250,000 per project application. The lifetime maximum funding is \$500,000 per project. Where funding is awarded, 50% of the funding will be provided in advance of the proposed activities; the remaining 50% of funding will be withheld until the Final Report and expenses have been approved and verified by the Department.



Payment

The Department will provide two equal payments in installments, as per the terms of the Contribution Agreement. Funds will be provided as contributions. Grants will not be issued under this policy.

The remainder of the contribution will be provided upon the completion, submission, and approval of the final report.

Surplus funds must be repaid to the Government of Nunavut; where a project has not been completed due to unforeseen circumstances the Department may carry over project approval to a subsequent year, however surplus funds must be repaid in the interim and a new Conditional Contribution Agreement signed for the subsequent year.

Term

One (1) year contributions will be awarded on an annual basis, with a reporting period from April 1 to March 31 of each fiscal year. Successful applicants will be eligible to submit new proposals for consecutive or subsequent project years or phases. Applications for multi-year funding will not be considered.



SCHEDULE B: COMMUNITY ENGAGEMENT SUPPORT PROGRAM (CESP)

Purpose

The Department is committed to supporting the responsible development of Nunavut's mineral resources through targeted financial assistance to community organizations, mineral exploration and junior mining companies carrying out engagement activities considered to be in the public interest.

The Community Engagement Support Program will provide financial support during a project's development, prior to the formal regulatory process for mine construction and operation. Those projects that can demonstrate a meaningful commitment to engage Nunavummiut in a manner that is consistent with community priorities are the ideal applicants.

Eligibility

Eligibility for contributions is limited to Community Organizations and Exploration Companies that:

- (a) include a draft Community Engagement Plan that considers the communities closest to the project location, identifies potential concerns and benefits, and endeavors to meaningfully engage communities in project planning, monitoring, and reporting;
- (b) provide signed authorization by a Community Organization and the Exploration Company indicating that they have reviewed and approved the draft Community Engagement Plan;
- (c) maximize the use of Nunavut goods and services, including direct employment (these applications will be ranked higher than comparable applications that do not).

Eligible Activities and Expenses

- (a) Costs associated with direct community engagement, including:
 - i. hiring of a project liaison employee or employees;
 - ii. cost of travel to impacted communities for engagement activities;
 - iii. document/map preparation (must be translated);
 - iv. facilitation services;
 - v. translation and interpretation services;
 - vi. facility rental;
 - vii. advertising;
 - viii. catering; and
 - ix. other costs associated with direct community engagement.
- (b) Costs associated with the development of submissions, including:
 - i. consulting services facilitating communities' contribution to the following submissions:
 - (a) final Community Engagement Plan;
 - (b) community Engagement Summary Report; and
 - (c) final Report of Community Engagement.
 - ii. translation services (all submissions must be translated).



- (c) Costs associated with community organizations engaging technical expertise to understand and evaluate information provided during the engagement process.

Ineligible Activities and Expenses

- (a) Salaries of direct employees involved in the community engagement, other than those provided to project liaison employees; and
- (b) In-house services (printing, translation, etc.).

Review

To apply for CESP funding, applicants must submit a completed application form and a draft Community Engagement Plan by April 30th of a given year before the planned activities. Applications submitted after this date will be evaluated on a rolling basis and will be awarded pending the availability of funding.

Applications received after this date will be subject to the availability of unallocated funding. This date is to encourage companies to inform communities of their planned project as early as possible, allowing time for the two organizations to coordinate an engagement plan. CESP funding is only available for the span of one year.

The demand for CESP funding may be higher than supply in any given year. Accordingly, funding will be subject to a transparent evaluation process where the application package will be graded against a well-defined set of criteria. The general evaluation criteria areas include community involvement, technical and financial feasibility, local economic benefit, and environmental stewardship.

Evaluation criteria

- (a) Community involvement:
 - i. documented record of consultation;
 - ii. community involvement and approval;
 - iii. feasible engagement methods and dates;
 - iv. commitment to use feedback in project planning; and
 - v. commitment to engage communities before and after the project activities occur; and
 - vi. creation of municipal project liaison positions in relation to the project.
- (b) Technical and financial feasibility:
 - i. reasonable estimates of costs.
- (c) Local economic benefit:
 - i. use of Nunavut labour;
 - ii. use of Nunavut goods and services; and
 - iii. use of a Nunavut community or communities as a logistical hub.
- (d) Past management performance:
 - i. 'northern' engagement experience; and
 - ii. demonstrated ability to carry out engagement plan.
- (e) Environmental stewardship:
 - i. awareness of operating environment; and
 - ii. commitment to incorporate community feedback into:



- (a) management plans (archaeology, wildlife, etc.);
- (b) closure and reclamation plans.

Supporting Data

- (a) Exploration Company information:
 - i. name of company and contact details (address, email, telephone, etc.);
 - ii. name of property and project location (NTS map sheet and UTM coordinates);
 - iii. mineral tenures and license numbers (if applicable);
 - iv. indicate if greenfield or brownfield project; and
 - v. experience of board of directors and senior management.

- (b) Description of exploration program, including:
 - i. purpose of project;
 - ii. commodity:
 - (a) current and past market prices for the commodity (-ies); and
 - (b) host rock to be mined, minerals, deleterious elements or properties, if any.
 - iii. property description and location:
 - (a) geological setting (regional, local, and mineralization);
 - (b) environmental setting; and
 - (c) supporting maps.
 - iv. summary of historical work and ownership arrangements (if applicable);
 - v. anticipated start/completion date;
 - vi. detailed work plan:
 - (a) number of employees/contractors;
 - (b) accommodations;
 - (c) logistics;
 - (d) exploration methods;
 - (e) health and safety precautions;
 - (f) survey areas;
 - (g) supporting maps;
 - (h) reclamation plans; and
 - (i) anticipated documentation and reports.

- (c) Preliminary community engagement plan:
 - i. outline goals of engagement;
 - ii. identify relevant stakeholders;
 - iii. proposed communication methods;
 - iv. timing of community visits;
 - v. how to integrate feedback into operations;
 - vi. ongoing communication; and
 - vii. final community takeback.

- (d) Anticipated expenditures:
 - i. an accurate estimate of the engagement budget;



- ii. a breakdown of individual cost estimates; and
 - iii. indicate which expenses are eligible for CESP funding.
- (e) Terms and Conditions:
- i. signed and dated acknowledgment that the potential recipient has read and completely understood the Program and this Policy; and
 - ii. signed and dated acknowledgement that the potential recipient will comply with all terms and conditions as expressed within this Policy.
- (f) Demonstration of need for CESP funding
- i. Declaration that the recipient is not generating mineral revenue at the time of application.

Accountability

Community engagement activities must be completed as approved. Any significant changes must be approved in advance by EDT.

Funding recipients will provide a final submission package by January 31st of the fiscal year in which the application was approved. The submission package must include:

- (a) Final Community Engagement Plan
- (b) Community Engagement Summary
- (c) Final Report of Community Engagement and Follow-up
- (d) Schedule of Revenue and Expenses of the project to include:
 - Allocation of funding
 - Percentage of funds expended in Nunavut
 - Amount of total funding used for liaison staff salaries

All funding recipients agree to public disclosure and will provide copies of receipts, invoices, and/or Schedule of Revenue and Expenses as part of their final submission package if requested by the Department.

Applicants who receive contributions of more than \$50,000 will be required to submit unaudited financial statements.

The Department will treat all submissions described herein as confidential for a period of three (3) years from the date of receipt of the final report.

Amount

The maximum funding amount is \$100,000. Where funding is awarded, 50% of the funding will be provided in advance of proposed activities; the remaining 50% of funding will be withheld until the Final Report and expenses have been approved and verified by the Department.

Payment

Payments will be issued in installments, as per the terms of the Contribution Agreement.



Funds will be provided as contributions; grants will not be issued under this policy.

Term

Contributions will be awarded on an annual basis, with a reporting period from April 1 to March 31 of each fiscal year. Successful applicants will be eligible to submit new proposals for consecutive or subsequent project years and phases. Applications for multi-year funding will not be considered.