



Inuit Impact and Benefit Agreement
between the
Kitikmeot Inuit Association
and
Sabina Gold & Silver Corp.

A Plain Language Summary

March 2019

Disclosure

This report is a plain language summary of the Inuit Impact and Benefit Agreement (IIBA) between the Kitikmeot Inuit Association (KIA) and Sabina Gold & Silver Corp. (Sabina) for the Back River Project (the Project). KIA and Sabina signed the IIBA on April 20, 2018.

The Plain Language Summary document was written to help Kitikmeot Inuit better understand the IIBA and how it may benefit Kitikmeot Inuit.

The Plain Language Summary is not a legal document. It is not meant to replace the official IIBA.

Contact

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Key Terms Used in the IIBA

Advanced Exploration Agreement – A permission given by KIA that allows a company the right to carry out major exploration activities, typically where the building of infrastructure is required.

Back River Project Area – The lands in the Kitikmeot region that Sabina is interested in developing. These lands are dealt with in the Framework Agreement. They are shown as Figure 1 in the following section.

Back River Project - Current and future mineral exploration, development and production projects located within the Back River Project Area.

Commercial Lease – A permission given by KIA that allows a company the right to build, operate and close a mine.

Evaluation Report – An annual report drafted by the IIBA Implementation Committee that describes the progress the Parties have made to implement the IIBA.

Kitikmeot Qualified Business – Businesses that KIA has decided are allowed to be put on the Kitikmeot Qualified Business Registry.

Kitikmeot Qualified Business Registry – A list of Kitikmeot Qualified Businesses that KIA approves and manages. Businesses on the list may submit bids to provide goods and services in ‘set aside categories’.

Inuit Training Targets – Annual and long-term training goals for Inuit at the Project. These goals are set by the IIBA Implementation Committee.

Inuit Employment Targets - Annual and long-term employment goals for Inuit at the Project. These goals are set by the IIBA Implementation Committee.

Inuit Content Components – Information that KIA uses to decide if a company should be put on the Kitikmeot Qualified Business Registry.

Wealth Creation Investment Fund – A fund, paid for by Sabina, that supports projects that provide long-term jobs for Inuit in the Kitikmeot Region.

Training and Education Fund – A fund, paid for by Sabina, that supports Inuit training and education efforts that increase Inuit employment at the Project.

Business Development Fund – A fund, paid for by Sabina, that supports building Kitikmeot Inuit business capacity.

Overview

Back River Project

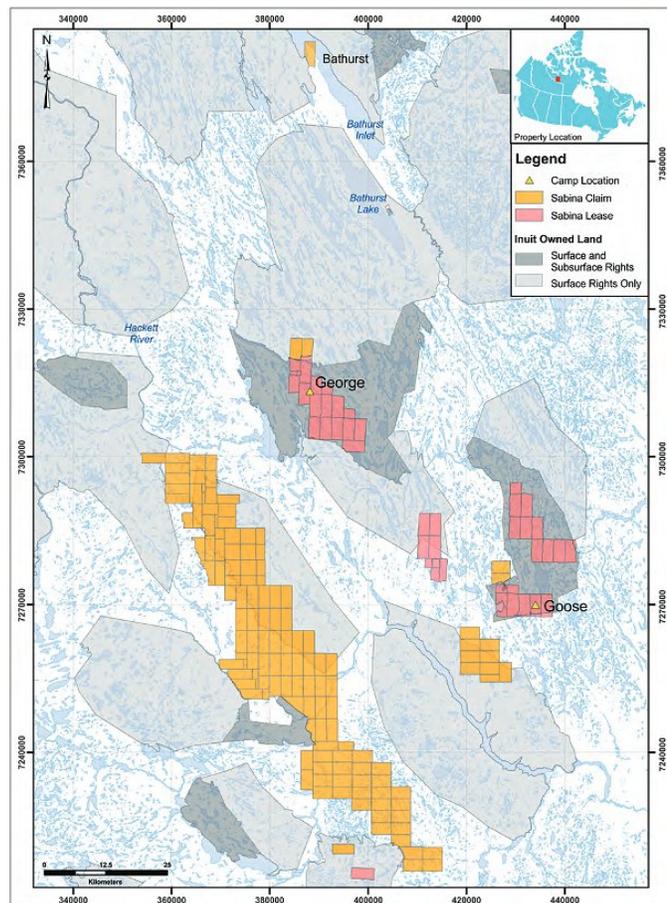
Sabina Gold & Silver Corp. is a Canadian mining company. It is the operator and main owner of the Back River Project (the “Project”). The Back River Project is a gold mining project located about 75 km southwest of Bathurst Inlet.

The Project includes the Inuit Owned Land (IOL) that KIA has allowed Sabina to explore or mine. These lands include all of the following IOL parcels: BB-27, BB-16, BB-15, BB-13, BB-12, and BB-02. (See Figure 1). Most IOL will not be affected by Sabina’s activity, although low-impact, early stage exploration may occur on IOL. These low impact activities may include prospecting or airborne surveys. Where gold is present in amounts that might be worth mining, Sabina may carry out further exploration. This could include drilling or a taking a bulk sample. If such work is very successful, a mine might be developed.

Sabina plans to be mining by early 2021.

Mining at the Back River Project is expected to last for at least 10 years. The Project needs major infrastructure to be built. This includes all weather roads between at least six mineral deposits, as well as camp sites, a tailings storage facility and the mill site. A Marine Laydown Area in southern Bathurst Inlet is also need to receive fuel, equipment and supplies.

Over a 10-year period, Sabina wishes to carry out underground and open pit mining at six deposits. Sabina also plans to explore for new deposits. New deposits may extend the life of the Project.



Any work that Sabina does in the Project area must respect the land and follow rules about how to work on the land. KIA and environmental regulators, including the Nunavut Impact Review Board and the Nunavut Water Board, are involved in setting such rules.

KIA/Sabina Framework Agreement (FA)

The *Nunavut Agreement* requires an IIBA to be in place before any major development project can be undertaken on IOL.

On April 23, 2018, KIA and Sabina signed a Framework Agreement. The agreement allows the Back River Project to move towards production.

The Framework Agreement covers all Sabina activity in the Back River Project Area for the next 20 years (i.e., until 2038).

The **Framework Agreement** is made up of four main parts:

1. A *Land Tenure Agreement* to give Sabina access to KIA surface lands in the Back River Project Area. This allows Sabina to carry out grassroots and advanced exploration. It also allows Sabina to develop and operate its mine.
2. A *Net Smelter Royalty Agreement* that gives KIA a portion of the money that Sabina makes when it sells gold produced from the Project.
3. A *Water and Wildlife Compensation Agreement* to deal with future environmental claims.
4. An *Inuit Impact and Benefit Agreement (IIBA)* to deal with Kitikmeot Inuit social and economic interests. The IIBA is very focused on employment, training and contracting.

KIA/Sabina IIBA Plain Language Summary

This **Plain Language Summary** deals with the KIA/Sabina IIBA.

There are two major parts to the IIBA document:

- IIBA Articles, and
- IIBA Schedules.

Summary of IIBA Articles

The IIBA Articles focus on legal matters that make the IIBA a binding contract between KIA and Sabina.

Among other things, the Articles provide details on:

- The purpose of the IIBA
- How long the IIBA is to be in effect
- KIA and Sabina IIBA duties under the IIBA
- The process for amending the IIBA

The following is a summary of the key information from the IIBA Articles:

- The IIBA is intended to:
 - Address potential impacts to Inuit caused by the Project.
 - Maximize benefits for Inuit, especially from training, employment and business development.
 - Maintain and promote Inuit culture and land use.
 - Promote a good working relationship between KIA and Sabina.
- Through the IIBA, KIA gives its consent to the Project.
 - KIA also notes that it has been adequately consulted about the Project's potential impacts on the environment and Inuit rights.
- In some cases, KIA can cancel the IIBA if Sabina fails in its duties.
- The IIBA will be reviewed every three (3) years.
- If both Sabina and KIA consent to it, the IIBA can be amended.
- The IIBA allows for disputes between KIA and Sabina to be resolved.

There are more details on IIBA Articles provided in the Appendix to this Summary.

Summary of IIBA Schedules

The KIA/Sabina IIBA **Schedules** describe how Kitikmeot Inuit are supposed to benefit from Project activities. The schedules focus on employment, training, and business development opportunities that the Project brings.

The first schedule [1.1(1)] provides a description and map of the Inuit Owned Lands that are covered by this IIBA. This is followed by ten schedules (1.1 to 13.1) that detail how the goals of the IIBA are to be achieved.

There appears to be missing schedules (for example, there are no Schedules 2.1, 3.1, 4.1 or 5.1). But this is not the case. The schedules follow the same numbering as the Articles, but some Articles do not have schedules, so those numbers are not used.

Schedule 1.1: Sabina Liaison

The IIBA creates a Liaison Officer (Sabina Liaison) position based in the Kitikmeot region. The Sabina Liaison is a Sabina employee whose key role is to implement the IIBA. The Sabina Liaison works closely with KIA's IIBA Implementation Manager (see Schedule 6.2). This includes working together on resolving disputes, contracting, and Implementation Committee support. The Sabina Liaison reports to the Implementation Committee on the Project's benefits to Inuit and Inuit businesses (see Schedule 1.1).

The Sabina Liaison helps to maximize Inuit training, employment and business development at the Project by doing the following:

- Promoting employment opportunities for Kitikmeot Inuit.
- Promoting contracting opportunities for Kitikmeot Inuit Qualified Businesses.
- Monitoring Sabina training, employment and contracting commitments.

The Sabina Liaison also serves as a resource person for Sabina's Inuit employees. This includes helping them to access education, training, employee counselling, and wellness programs.

Schedule 6.1: Implementation Committee

The IIBA creates an Implementation Committee. The committee is made up of two KIA appointees and two Sabina appointees. In addition, the KIA and Sabina presidents also sit on the committee, but do not have voting rights. The Implementation Committee implements and manages the IIBA. The committee works by consensus.

The KIA and Sabina presidents must meet at least once a year to review IIBA implementation.

The committee meets in person at least four times a year. If the Project is in Care and Maintenance, fewer meetings are required.

Schedule 6.1 outlines Implementation Committee duties. The key ones include:

- Tracking IIBA implementation on issues such as Inuit employment, training and contracting opportunities.
- Serving as the main way to discuss IIBA and other Project issues.
- Recommending ways that KIA and Sabina can better achieve IIBA goals.
- Setting and adjusting annual and long-term Inuit Training Targets and Inuit Employment Targets.
- Finding ways to increase contracting opportunities for Inuit.
- Managing the Training and Education Fund.
- Maintaining a list of training and education opportunities for Inuit.

The Implementation Committee must also submit an annual report to KIA and Sabina. The report provides details on IIBA implementation and may include:

- An executive summary for the public.
- A report on how well were Inuit training and employment targets reached.
- Plans for improvement if training and employment targets were not met.
- A summary of Sabina donations and contributions made to the Training and Education Fund and Business Development Fund.
- A summary of all salaries paid to Kitikmeot Inuit, other Nunavut Inuit resident in the Kitikmeot region, all other Kitikmeot and Nunavut Inuit, residents of the Kitikmeot region and all others employed by Sabina in Nunavut.
- A summary of contracts awarded by Sabina.
- Suggestions to increase Inuit participation in contracting opportunities.

Schedule 6.2: IIBA Implementation Manager

Schedule 6.2 creates an IIBA Implementation Manager (the 'IIBA Manager') position. The IIBA Manager is a KIA employee who reports to KIA's senior management. The IIBA Manager monitors and reports on Sabina's IIBA implementation record.

The IIBA Manager works closely with the Sabina Liaison. The IIBA Manager working on matters such as dispute resolution, contracting, and Implementation Committee support.

The IIBA Manager helps to maximize Inuit training, employment and business development opportunities from the Project. This includes:

- Creating and maintaining the *Kitikmeot Qualified Business Registry* (see Schedule 10.1).
- Promoting employment opportunities for Kitikmeot Inuit.
- Promoting contracting opportunities for Kitikmeot Inuit.
- Promoting contracting and capacity building opportunities for Kitikmeot Qualified Businesses.
- Reviewing and giving advice on Sabina's training, employment and contracting policies and procedures.
- Considering ways to build capacity of Kitikmeot Qualified Businesses.
- Ensuring that the IIBA's training, employment and business development obligations are being carried out.
- Collaborating with government and other agencies to monitor the social and economic impacts of the Project.

The IIBA Manager is a point of contact for Sabina's Inuit employees. The IIBA Manager may travel to the Project site to discuss workplace issues with employees. This may include receiving confidential information from them.

Schedule 7.1: Inuit Environmental Advisory Committee

Schedule 7.1 creates an Inuit Environmental Advisory Committee (IEAC). The IEAC is made up of seven (7) Kitikmeot Inuit with knowledge of the Project area and one (1) KIA staff person. The IEAC operates by consensus.

Schedule 7.1 outlines IEAC duties. The key duties include:

- Receiving and reviewing Project information that concerns the environment and wildlife.

- Providing advice to Sabina and KIA on the potential impacts of the Project on the environment, wildlife, fisheries, traditional knowledge, traditional land use, and archaeology.
- Providing advice to Sabina and KIA on how to reduce the potential impacts of Project the operations on the environment, wildlife, fisheries, traditional knowledge, traditional land use, and archaeology.
- Listening to the environmental and wildlife concerns of community members and attempting to address these concerns.

The IEAC meets at least once a year and may meet more often when Sabina and KIA agree.

Sabina senior staff with environment or community responsibilities will chair the IEAC.

Sabina will hold at least one (1) site visit a year at the Project site for the IEAC.

Schedule 8.1: Training and Education Opportunities

Schedule 8.1 sets out Sabina's duties related to training and education. This is a main feature of the IIBA. The Implementation Committee is responsible for setting Inuit Training Targets.

Sabina is expected to meet or exceed these targets using reasonable efforts to promote Inuit employment at the Project. Sabina is also expected to help its Inuit employees advance their careers while working at the Project.

Schedule 8.1 identifies ways that Sabina must provide training and education opportunities for Kitikmeot Inuit. These include:

- Providing onsite and on-the-job technical skills and trades training.
- Ensuring that career development plans are in place for all Inuit employees.
- Encouraging Inuit to advance to management positions through training and skills development.
- Encouraging Inuit to achieve the education and qualifications needed for employment and advancement at the Project.
- Sponsoring competitions and awards to encourage students to complete high school and pursue post-secondary education.
- Encouraging students to study areas important to the mining industry, such as science, engineering, mathematics and professional services.
- Working with KIA and government agencies responsible for education and training to develop and provide training that prepares Inuit for employment in mining and related fields, including trades.

- Working with KIA to establish a training and education fund (the Training and Education Fund) that supports Inuit to pursue education and training that maximizes Inuit employment at the Project.

Training and Education Fund

KIA and Sabina will establish a Training and Education Fund that supports Inuit to pursue education and training that maximizes Inuit employment at the Project. The Implementation Committee will manage and administer this fund. Once the Project is producing gold, Sabina will contribute up to \$100,000 per year to the fund. If Sabina does not meet the Inuit Employment Target, it must pay a cash penalty amount to the fund. The amount will be based on the size of the gap between the employment target and the actual number of Inuit employed. This practice will start in the 2nd year of production.

Schedule 9.1: Employment

Schedule 9.1 sets out Sabina's duties related to Inuit employment at the Project. Maximizing Inuit employment is a key IIBA objective.

Sabina is obliged to meet the Inuit Employment Target set by the Implementation Committee. The Implementation Committee can reduce this target by up to 5% in a given year when requested by KIA or Sabina. Otherwise, failure to meet the target can result in penalties.

Schedule 9.1 applies to Sabina's own employment practices and those of its contractors. When requested by Sabina or KIA, the Implementation Committee may adjust IIBA requirements for a particular contractor.

The IIBA does not limit Sabina's ability to hire, advance or dismiss any employee. Instead, the IIBA directs Sabina to maximize Kitikmeot Inuit employment through different approaches.

These include:

- Giving priority to Inuit candidates when Inuit and non-Inuit candidates are equally matched for employment.
- Recognizing Inuit skills and experience formal qualifications where appropriate.
- Identifying jobs where formal educational requirements can be adjusted.
- Hiring of Nunavut Inuit living in the Kitikmeot region before other groups.
- Promoting Inuit employees through career development plans.
- Having employment policies to hire Inuit who lack the education normally required for work at the Project.
- Promoting management opportunities for Inuit.

- Providing Inuit employees with access to an Inuk rep at the Project to help address human resource concerns.
- Reviewing recruitment and hiring practices every year.
- Employing Inuit college and university students as summer students.
- Giving priority to vacation requests from Inuit employees who plan on doing traditional activities during their leave.

Transportation to the Project

Sabina will transport Inuit employees to the Project site who live in Kugluktuk, Cambridge Bay, Gjoa Haven, Taloyoak and Kugaaruk. Air transportation will be scheduled on the basis of the work rotations of those Inuit employees. Sabina will also consider transport for Inuit residents of Bathurst Inlet and Umingmaktok.

Language

Inuit who do not speak or write English will be given reasonable opportunities to qualify for jobs at the Project jobs as long as the lack of English does not impact the safety of the employee, the safety of others, or job performance. Inuit employees will not be disciplined or fired because they cannot speak English. However, they may be moved to a job where English is less important.

Where necessary, Sabina may translate signs, safety regulations, and job ads into the Inuit language. Sabina policies, directives, procedures, instructions and job descriptions may also be provided in the Inuit language. Sabina will engage Inuit who are bilingual and who can be available to translate to unilingual Inuit where appropriate, and where safety and job performance will not be compromised.

Employment Support System

To help retain Inuit employees and to keep them performing well at their jobs, Sabina will:

- Enact an Employee and Family Assistance Program (EFAP) that provides Inuit employee and their families assistance to deal with personal problems, family matters, mental health concerns and alcohol, drug and gambling dependencies
- Make country food available at the Project subject to its availability and reasonable price. Country food served at the Project must meet government standards.
- Provide *Country Food* kitchens and cultural activities at the Project.
- Provide on-site access to technologies that allow Inuit employees to be in contact with their families.

- Provide Inuit employees with access to an Inuk Project rep who is able to discuss and address concerns such as employment position, rotation cycles and career development plans.
- Provide full on-the-job training programs, including technical and apprenticeship training, and ongoing skill development

Schedule 10.1: Business and Contracting Opportunities

Schedule 10.1 outlines Sabina’s responsibilities to provide opportunities for Kitikmeot Qualified Businesses at the Project.

Schedule 10.1 notes that the relationships Sabina has with its contractors are defined by the contracts they enter into. These relationships are not defined by the IIBA. Sabina and its contractors do not have to enter into contracts with any Kitikmeot or Inuit businesses that are unable to do what is required of them. Businesses that cannot complete a contract in a timely, effective, efficient, safe, environmentally responsible or competitive manner should not expect to get contracts.

However, Sabina does have a duty to support Inuit business and build their capacity. This includes:

- Working with KIA (and others) to create and promote opportunities for Inuit small business in the Kitikmeot Region.
- Assisting Kitikmeot Qualified Businesses to understand how goods and services are contracted at the Project.
- Working with KIA and other parties to train Inuit about how to prepare bids, manage businesses and be better entrepreneurs.
- Splitting, or paring down the size of contracts to provide more opportunities for Kitikmeot Qualified Businesses.

Kitikmeot Qualified Business Registry

To create opportunities for Kitikmeot businesses at the Project, KIA will develop a Kitikmeot Qualified Business Registry. Sabina will use the registry to identify contractors it may choose to hire. KIA is responsible for placing companies on the registry. To do this, KIA must ensure that the businesses meet an adequate level of ‘Inuit content’. The IIBA identifies ‘Inuit Content Components’¹ that helps KIA make this decision. This includes:

- A plan to meet the annual Inuit Employment Target.

¹ These are presented in Appendix B of the official IIBA.

- The amount that Inuit benefit from profits made by the business.
- The degree to which Inuit have the right, through an equity interest in a business bidding or negotiating to provide services or goods for the Back River Project, to directly or indirectly direct the business's management and operations.
- The business's history of Inuit employment during the previous three years.
- The number of Inuit senior managers who are active in the business.

KIA may also consider other things when deciding if a company should be put on the registry.

The Kitikmeot Qualified Business Registry also provides information on the listed companies. This includes things such as the business's name, contact details, the goods or services it provides, its experience, and whether the business is bondable. The IIBA Manager will update the registry at least once a year and may include new businesses.

Classification of Contracts

Schedule 10.1 identifies two kinds of goods and service contracts that Sabina may enter into for the Project. These are *Kitikmeot Qualified Business Contracts* and *Open Contracts*:

1) *Kitikmeot Qualified Business Contracts*

Kitikmeot Qualified Business Contracts are contracting opportunities set aside for Kitikmeot Qualified Businesses only. This type of contract is for the following kinds of goods and services:

1. Air Regional and Site-Specific Services
2. Expediting
3. Freight Shipping
4. Infrastructure Planning, Financing, and related Advisory – other than Engineering, procurement and construction management services
5. Catering and Housekeeping
6. Drilling – Surface and Subsurface
7. Blasting Services
8. Earthworks and Earthworks Construction
9. Surface Mining
10. Underground Mining
11. Environmental Services
12. Tire Services – but not including supply of tires.
13. Medical/First Aid
14. Translation and Cultural Services
15. Heavy Equipment Maintenance

From time to time, KIA and Sabina will consider if other goods or services should be included in this list.

Negotiations between Sabina and a Kitikmeot Qualified Businesses are to be done with the goal of getting a fair and commercially reasonable contract price. This also means that Sabina must share enough information for the business to understand what is being requested of it.

2) *Open Contracts*

The other kind of contracts for the Project are *Open Contracts*. These are contracts for goods and services that are not included on the Kitikmeot Qualified Business Contracts list. Any company, including Kitikmeot Qualified Businesses, may bid for an Open Contract.

Contracting Process

The way that Sabina selects contractors depends on whether it is a Kitikmeot Qualified Businesses Contract or Open Contract opportunity.

1) *Kitikmeot Qualified Business Contract Process*

In the case of a Kitikmeot Qualified Business Contract, Sabina will first notify Nuna Logistics. Nuna Logistics will be notified no less than five (5) Business Days before other Kitikmeot Qualified Businesses. Sabina will post a notice about the opportunity in local newspapers to let others know. Sabina will also let KIA know the names of the businesses that are contacted.

If more than one business is interested in the opportunity, Sabina may directly negotiate with one or more of the interested businesses. These negotiations may include an 'Open Book' process. This is where Sabina and the business agree on the goods or services. The other option is for Sabina to hold a competitive bid process among the interested businesses.

There may be reasons that prevent Sabina from negotiating a contract with a Kitikmeot Qualified Business despite using either of these approaches. This could include unreasonable pricing or timing concerns. In these cases, Sabina may move to an Open Contract process. Sabina may also hold an Open Contract process if no Kitikmeot Qualified Business responds to the opportunity. It is also allowed where there is no Kitikmeot Qualified Businesses on the Business Registry that is able to provide the goods or services that Sabina needs.

There may be time-sensitive situations when the Kitikmeot Qualified Business Contract process could delay and harm the Project. In these cases, Sabina can initiate a *Time Sensitive Contract* process. This is a kind of Open Contract process that runs at the same

time as the Kitikmeot Qualified Business Contract process. In these situations, Sabina will discount 2% off the cost of any bid submitted by Kitikmeot Qualified Businesses.

2) *Open Contract Processes*

For Open Contract processes, Sabina will discount 2% off the cost of any bids submitted by Inuit Firms² and Kitikmeot Qualified Businesses. Sabina will also consider Inuit Content Components and related matters when it evaluates bids received.

3) *Debriefing Contractors*

For any contracting process carried out, Sabina will debrief any Kitikmeot Qualified Business or Inuit Firm that does not get the contract. This may help the businesses be more successful for future contracting bids.

Business Development Fund

There may be cases where Sabina is not able to negotiate a contract with a Kitikmeot Qualified Business despite having received bids from one or more eligible businesses. In these cases, Sabina must make a payment to a Business Development Fund. This fund is managed by the Implementation Committee. Money from the fund will be used to help the Kitikmeot region's Inuit businesses build capacity.

The amount of money Sabina pays to the Business Development Fund depends on the number of Kitikmeot Qualified Businesses that submitted bids for a specific opportunity. The amount will range between 7%-14% of the total value of the contract. If Sabina initiated a Time Sensitive Contract process, it must pay an extra 2% of the total contract value to the fund.

Sabina is not required to make payments to the Business Development Fund if the Implementation Committee decides that:

- There were significant concerns about the safety record and/or environmental record of the bidding businesses;
- The bidding businesses did not have the qualifications, expertise or capacity to deliver the contract within the required time; or
- The proposed bid was significantly higher³ than what Sabina could obtain under an Open Contract process.

² As determined by Nunavut Tunngavik Inc.

³ Based on comparable prices in the Kitikmeot region.

Reporting

Sabina must report to the Implementation Committee on its contracting activities. The Implementation Committee is responsible for monitoring contracting at the Project. This includes monitoring the following:

- Sabina's record in maximizing contract opportunities for Kitikmeot Qualified Business and other Inuit Firms.
- The amount of Inuit content in businesses awarded contracts.
- Implementation of plans to meet Inuit Employment Targets.
- Awarding of new contracts.
- Reasons for Kitikmeot Qualified Businesses not being selected by Sabina (or the contractors where applicable) for a contract due to issues of capability.

Sabina will also require Contractors to report every three months to the IIBA Manager and Implementation Committee. These reports will help determine whether Inuit Content and Inuit Employment Target objectives are being met.

Based on the information it receives, the Implementation Committee may make recommendations to Sabina and KIA on ways to increase Inuit participation in Project contracting. Both Sabina and KIA will work together to identify, develop and incentive opportunities for Inuit and Inuit small businesses in the Kitikmeot Region that would not typically be able to benefit from the opportunities identified in this Schedule.

Business Opportunity Information

Every year Sabina will provide KIA with an 'Annual Contract Forecast'. The Forecast contains details on expected contract opportunities for the upcoming calendar year. The opportunities outlined in the Forecast only reflect what Sabina think it will need. They are not guaranteed opportunities. Any changes to the Forecast will be shared with the IIBA Manager. However, some contracting opportunities may not be known ahead of time. As such, Sabina may not always be able to provide KIA with an updated Forecast prior to engaging a contractor.

Schedule 11.1: Regional Wealth Creation

Sabina will provide funds to establish an *Initial Wealth Creation Investment Fund*. The purpose of this fund is to create long term jobs in the Kitikmeot Region. The fund includes an initial investment of \$4 million. The first \$2 million of this investment is to be placed in a bank account when the IIBA comes into effect. The remaining \$2 million of the investment is to be deposited when Sabina makes a decision to begin mining. Sabina will make decisions on what projects are

to be supported by the Initial Wealth Creation Investment Fund. However, Sabina may consult with KIA and the Implementation Committee on its decisions.

If Sabina does not meet its long-term Inuit employment objectives, it will have to contribute further monies to a *Wealth Creation Investment Fund*. The monies that Sabina will contribute to this fund are based on a formula called an Employment Model. The amount of money that Sabina must put in the Wealth Creation Investment Fund may be reduced based on Sabina's efforts to support to projects sponsored by either of the two funds.

The Implementation Committee will develop guidelines to identify eligible projects for funding from the two funds. Things that the guidelines may consider include:

- Direct creation of long-term jobs
- Location of projects in the Kitikmeot Region
- Contributions by third parties

The total amount of funds that Sabina may have to deposit subject to this Schedule will not be more than a total of \$25 million.

Schedule 12.1: Regional Compensation Payments

Sabina will provide compensation for the direct loss of wildlife where its operations directly cause death of wildlife per animal. The following is the level of compensation:

1. Muskox, wolf and wolverine = \$6,246.00
2. Caribou = \$10,000.00
3. Grizzly Bear = \$20,821.00
4. Polar Bear = \$36,437.00

Sabina's Back River Mitigation and Monitoring Program may require planned or rapid operational shutdowns to protect wildlife. In cases where a shutdown is required and Sabina cannot defend its failure to shutdown, the following compensation must be provided by Sabina:

- For non-calving periods at Day 3 of breach: \$5,000
- For non-calving period at Day 4 of breach and until cured = \$10,000 per day
- During calving periods at Day 3 of breach: \$25,000
- During calving periods at Day 4 of breach until cured: \$50,000.00 per day

Schedule 13.1: Access to IOL and Infrastructure

The Back River Project is on Inuit Owned Land and the parties recognize that KIA wishes to control and manage access to IOL, subject to the terms and conditions of the IIBA.

The parties recognize that Inuit have access rights granted to them under the Nunavut Agreement. These rights include accessing IOL covered by an Advanced Exploration Lease or Commercial lease, subject to any restrictions to that right provided for under the Nunavut Agreement.

Sabina will permit third parties to use Back River Project Area transportation infrastructure (e.g. winter roads) to access IOL not covered by a Sabina Advanced Exploration Lease or Commercial Lease. Third parties accessing the lands must follow safety, regulatory and environmental requirements. The access must not impact site operations and Sabina may charge reasonable commercial fees to third party users.

Disputes between the parties regarding the use of Sabina's Back River Project Area infrastructure will be discussed by the parties. The disputes may be raised with the Implementation Committee for resolution or dealt with through a dispute resolution process.

Appendix: Plain Language Summary of IIBA Articles

Article 1: Definitions

Article 1 gives the definition to over 100 terms used in the IIBA. The definitions are given to ensure that both KIA and Sabina understand and agree to what the terms mean.

Article 1 also provides a statement saying that the IIBA does not have the authority to remove or reduce any rights that KIA or Inuit are granted from the *Nunavut Agreement* or any aboriginal right protected by the *Constitution Act, 1982*. Also, the IIBA cannot remove or reduce any rights that Sabina gains from the *Nunavut Agreement*.

Article 2: Agreement Term

Article 2 confirms that the IIBA will come into effect on the effective date and will continue until terminated.

Article 3: Purpose of the IIBA

Article 3 describes in general terms what the IIBA is supposed to achieve. Among other things, the IIBA is to:

- Address potential impacts to Inuit caused by the Project while maximizing benefits from it.
- Not undermine the viability of Sabina's operations.
- Ensure Inuit training, employment and business opportunities that result in community well-being and development, and improved living standards for Inuit.
- Promote good working relationships and effective communications between Sabina and KIA.
- Maintain and promote Inuit culture and land use.
- Allow other residents of the Nunavut Settlement Area to benefit from the Project.

Article 4: KIA Consent

KIA consents to the Project. By giving its consent, KIA:

- Accepts that it has been consulted about the Project's potential impacts on the environment and on Inuit rights.
- Agrees that the IIBA, the Framework Agreement and other regulatory processes provide opportunities to mitigate any potential adverse impacts of the Back River Project
- Recognizes that Sabina's payments to KIA are considered full compensation for the Project's impacts on Inuit and that KIA will not seek additional compensation.
- Promises to not interfere with the Project's operations.
- Recognizes the regulatory approvals that Sabina has received for the Project.
- Retains the right to participate and raise issues about potential impacts of the Project with relevant authorities.

Article 5: Representations and Warranties

Article 5 confirms that Sabina and KIA are organizations with the legal rights and authority to enter into an IIBA for the Project. In Article 5, the Parties agree that:

- Meeting the IIBA obligations will not result in either Party being in breach of another agreement that they are bound by.
- They understand the IIBA to be legally binding.
- Each Party has the power and legal authority to meet their IIBA obligations.
- The execution and delivery of this Agreement had been duly authorized by both Sabina and KIA.

Article 6: Implementation Committee and IIBA Implementation Manager

Article 6 commits both parties to establishing an Implementation Committee and KIA to employing an IIBA Implementation Manager.

Article 7: Inuit Environmental Advisory Committee

Article 7 commits the Implementation Committee to establishing an Inuit environmental advisory committee (IEAC).

Article 8: Training and Education Opportunities

Article 8 commits both parties to implement the training and education provisions as set out under Schedule 8.1

Article 9: Employment

Article 9 commits both parties to implement the employment provisions as set out under Schedule 9.1

Article 10: Business and Contracting Opportunities

Article 10 commits both parties to implement the contracting provisions set out under Schedule 10.1

Article 11: Regional Wealth Creation

Article 11 commits Sabina to contribute funds to projects in the Kitikmeot region that have the potential to create long-term jobs in accordance with Schedule 11.1

Article 12: Wildlife Compensation

Article 12 commits Sabina to make compensation payments for the disruption of wildlife by the Back River Project in accordance with Schedule 12.1. The compensation payments will be reviewed along side the review of the Agreement and adjusted as required to reflect the true value of the loss. Both parties agree that these payments are distinct from individual claims of Inuit who have suffered a personal harm, but to avoid duplication (should an individual be successful in making a claim), Sabina will have the right to set off any payment to KIA by the amount it has paid for the same loss.

Article 13: Access to Roads and Facilities and Right of First Refusal for Infrastructure and Capital Equipment

Article 11 acknowledges that Sabina agrees to the rights of Inuit to access Inuit Owned Lands and to the rights of third parties to access transportation infrastructure in the Back River Project in accordance with Schedule 13.1. Further, Sabina agrees that KIA has the right of first refusal to negotiate the purchase of any equipment, buildings or materials the company has deemed to be surplus to its requirements. If no agreement is reached between KIA and Sabina

and Sabina negotiates a price with a third party, KIA will have the opportunity to purchase those items on the same terms and conditions.

Article 14: Conditions

Article 14 notes that Sabina must comply with IIBA and Framework Agreement obligations. Sabina must also comply with any laws or regulations that are applicable to the Project. It must provide KIA with evidence of its compliance when requested.

Article 15: Default

Article 15 sets out the conditions that allow KIA to terminate the IIBA. This includes cases where:

- Sabina fails to make contributions to the Wealth Creation and Investment Fund in accordance with Schedule 11.1.
- Sabina fails to make payment to KIA of the Net Smelter Return Royalty.
- Termination of the Framework Agreement.
- Sabina fails to comply with a final and binding arbitration decision made under Section 19.3 within the time frame provided.
- Sabina fails to meet the terms of NTI's Mineral Exploration Agreement or Production Lease.
- Sabina filing a petition under any bankruptcy, reorganization, insolvency, liquidation or similar law.

Under Article 15, Sabina may terminate the Agreement if KIA fails to comply with a final and binding arbitration decision made under Section 19.3 within the time frame provided or Sabina terminates the Framework Agreement.

Article 16: Indemnification

Article 16 describes the way that KIA or a 3rd party can bring a claim against Sabina. This is for cases where Sabina has failed to, or seems to have failed to meet its IIBA duties. KIA and its representatives have the right to bring a claim against Sabina. This claim can be made without fear of being held liable for any loss, damage, or legal liability that may arise because of the claim. The exception to this is if a claim has been made in bad faith, or with 'gross negligence'.

Sabina must resolve any claim brought to it by KIA in a timely manner. If the Parties cannot resolve their dispute, it may go to arbitration.

In the cases where claims have been brought to Sabina by 3rd parties, Sabina has the right to assume control of the resolution process. KIA can participate in the process subject to Sabina's cooperation. If the 3rd party dispute isn't resolved in a timely manner, KIA can take over the process.

Article 17: Review of Agreement

Within sixty (60) days following each third (3rd) anniversary of the IIBA's signing, Sabina and KIA will review the Agreement. The review will focus on the Parties' record of implementing the IIBA and meeting its objectives. During these reviews, the Parties will consider if the IIBA and the Framework Agreement should be amended. Negotiations to amend the agreements may start during these reviews. If the negotiations are not complete within six months, either Party may request arbitration.

Article 18: Assignment of IIBA

KIA and Sabina agree that any assignment of the Agreement or any rights or obligations shall be completed in accordance with the Framework Agreement.

Article 19: Dispute Resolution

Article 19 addresses the various ways that KIA and Sabina are to deal with disputes. The Parties will first attempt to resolve disputes through an *Informal Dispute Mechanism*. Mediation, and finally arbitration are the next steps to resolve disputes.

The Informal Dispute Mechanism is where KIA and Sabina staff first attempt to work out their differences. If they cannot, the Implementation Committee will examine the issue and find ways to resolve it. If the Implementation Committee cannot come to an agreement, the presidents of Sabina and KIA will meet to address the matter. If the presidents cannot find a timely solution, either Party may request a formal mediation process to occur. If mediation is unsuccessful, either Party may take the issue to a binding arbitration process. In that case, the decision of the arbitrator is final and there is no appeal.

Article 20: Confidentiality

Article 20 confirms that the IIBA is not a confidential document. However, confidential information on matters such as operations, finance or technical designs may be shared between the Parties. A Party receiving confidential information must not share it with outside parties. However, the information may be shared with the Party's employees, directors,

advisors, or in the case of KIA, NTI. Sharing confidential information with outside parties is a potentially serious matter. Legal action could occur because of it and financial compensation could be awarded.

Article 21: Notices

Any notices or other formal communication between the Parties concerning the IIBA are to be in written form. The notices can be delivered in person, by registered mail, or by fax or email. Notices to KIA are to be provided to the attention of the KIA Executive Director. Notices to Sabina are to be provided to the attention of Sabina's President.

Article 22: Miscellaneous

Article 22 addresses a variety of issues. The most relevant and important issues to Kitikmeot Inuit are likely the following:

Collective Bargaining

It is possible that a collective agreement with a trade union might be imposed upon Sabina related to the Project. Sabina will attempt to negotiate any collective agreement to avoid conflict with the IIBA's employment objectives. However, there may be cases where a conflict between the collective agreement and the IIBA occurs. For legal reasons, the collective agreement would take precedent over the IIBA.

Consistency with Project Approval

The IIBA must be consistent with the relevant Project approvals. This includes terms and conditions that the Nunavut Impact Review Board imposes on the Project.

Force Majeure

Force Majeure is a legal term meaning an unavoidable accident or incident. It may be used to describe things such as war, riots, strikes, or 'Acts of God' (hurricane, floods, earthquakes etc.). If Sabina is affected by Force Majeure, it is temporarily free from its obligations which cannot be complied (e.g. employment). This is only for the period that Force Majeure is in effect. All other IIBA obligations and payments are to continue during Force Majeure. A Party affected by Force Majeure may request timelines extensions to deal with the issue(s). The affected Party must also provide regular updates on its efforts to address the cause of Force Majeure.

Modification and Waivers

Requests to modify or amend the IIBA will not go into effect unless both Parties agree to it. The agreement must be made in writing, with both Parties signing off on the changes.

Similarly, no IIBA condition can be waived by a Party unless consent has been provided in writing and the other Party signing off.