



November 29, 2016

Clarissa Richardson
Assistant Negotiator
Indigenous and Northern Affairs
Treaties & Aboriginal Government,
Land Negotiation Office
P.O. Box 1500
Yellowknife, NT
X1A 2R3

Re: Prairie Creek Mine Access Road Land Tenure

Dear Ms Richardson,

Canadian Zinc Corporation (CZN) holds permits for a winter access road from the Liard Highway to the Prairie Creek Mine. CZN has applied for permits for an all season road, generally following the same alignment. The all season road is currently in environmental assessment (EA1415-01) managed by the Mackenzie Valley Review Board.

At the request of the Nahanni Butte Dene Band (NBDB), we recently provided you with a shapefile of the currently proposed all season road alignment. The attached figures from Allnorth show the alignment. The NBDB informed us by email that they have proposed that the road corridor be 'designated' by adding it to those lands provisionally withdrawn from development pending settlement of land claims (the Dehcho Process). The purpose of this letter is to ensure you and others are aware of the land use objectives and the land tenure situation with respect to the road.

Land Use Objectives

CZN's objective is to obtain road access between the Prairie Creek Mine and the Liard Highway to enable mineral concentrates to be transported to market year round, and operating supplies to be brought in. The NBDB's objectives are to benefit from this and other complementary road uses, and simultaneously gain better access to their traditional lands.

The NBDB and CZN have agreed to co-manage the road development, and to develop and operate the road with due care for the land, water, wildlife and culture. The NBDB and CZN also both desire an ability to control access to the road, for safety reasons and due to concerns regarding hunters from out-of-region. It is also the NBDB's intention to operate a youth/wellness centre at Grainger Gap, approximately 40 km along the proposed road north of the Liard River crossing.

Land Tenure

A map provided by the GNWT is attached which shows the proposed road and the lands currently withdrawn as part of the Dehcho Process (note that the road alignment shown has been revised, the section between Grainger Gap and the Silent Hills was modified). This map also shows 'IAB Lands' on the southern bank of the Liard River which the access road will traverse. In fact, at the request of the NBDB, CZN altered the road alignment so that it crosses the IAB Lands more centrally. The IAB Lands were the subject of previous discussions between CZN, the NBDB and INAC. INAC subsequently provided a letter (attached) dated June 10, 2016 to confirm the matters discussed. As is set out in that letter, CZN intends to apply to INAC for a 'permission to occupy' (PTO) in order to cross the lands, and would require a supporting Band Council resolution (BCR) from the NBDB. No land 'disposal' would occur. Once the road is built, the NBDB would have the ability to gate the road where it crosses the IAB Lands and control access in terms of users other than CZN (this control would not be possible on territorial land because the road would be considered public).

CZN will also be applying to the GNWT for a 'licence to occupy' (LOO) for the remainder of the road on territorial land. We note that portions of the access road cross lands provisionally withdrawn from surface development as part of the Dehcho Process, however, it is our understanding that the road would not be in conflict with the withdrawal because, again, no land disposal would occur in connection with road permits and the LOO.

CZN received a letter from GNWT dated September 22, 2016 (attached) regarding land tenure requirements for certain facilities associated with the proposed road. The letter indicates that CZN will be required to obtain leases for the Liard River crossing water lots below the high water mark, as well as permanent camps and laydown areas. CZN has reviewed the locations of these since they could be in conflict with the surface land withdrawn because leases would mean land disposal, which would not be allowed. The water lots do not pose an issue because the withdrawn lands do not include the Liard River below the high water mark. CZN has proposed a laydown area on the south side of the river crossing (see attached figure), but this is on the IAB Lands and is not territorial land.

On the north side of the river crossing, CZN has proposed a camp (temporary) and a laydown area. However, the area north of this crossing is not covered by the currently withdrawn surface lands. In a recent meeting with the GNWT, we were informed that the north laydown area could be extended south to include the north barge landing to form one contiguous lease with the north water lot. This would be an added benefit in terms of access control since public access could also be legally restricted on this portion of the road. This would address the potential for out-of-region hunters gaining access to the road via the Liard River.

CZN is also proposing a permanent camp immediately west of Grainger Gap (see attached figure). This location is also not covered by the currently withdrawn surface lands.

Therefore, currently there is no conflict between CZN's proposed developments and the withdrawn surface lands. If changes to the withdrawn surface lands are considered prior to completion of the Dehcho Process, care will be needed to continue to exclude the north laydown area and that portion of the road connecting the laydown area to the north water lot, as well as

November 29, 2016
INAC

the camp west of Grainger Gap. This is necessary in order that there not be future conflict regarding the required leases for these areas.

When the Dehcho Process is completed, it is important that the NBDB retains the right to control access on the road, and CZN retains the right of access to the Mine. In fact, as part of final land claims settlement, it would be preferable to include the portion of the road from the Nahanni access road to the Nahanni National Park Reserve (NNPR) within the 'designated land' package so that the road can legally be considered private up to the NNPR boundary, and only for use by CZN, the NBDB and other authorized groups. Assuming this is possible, the north laydown area and that portion of the road connecting it to the north water lot, as well as the camp west of Grainger Gap, again need to be excluded in order to avoid conflict with leases.

For your information, NBDB leadership reviewed and approved this letter prior to completion.

We appreciate your consideration of the above. If you have any questions, please contact us at 604 688 2001.

Yours truly,

CANADIAN ZINC CORPORATION



David P. Harpley, P. Geo.
VP, Environment and Permitting Affairs

cc. Chief Peter Marcellais, NBDB

420000

440000



Prairie Creek Mine

Access Road Overview

Page 1 of 3

Legend

- Km Marker
- Camp / Laydown
- Access Road (161020)
- National Park

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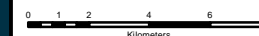
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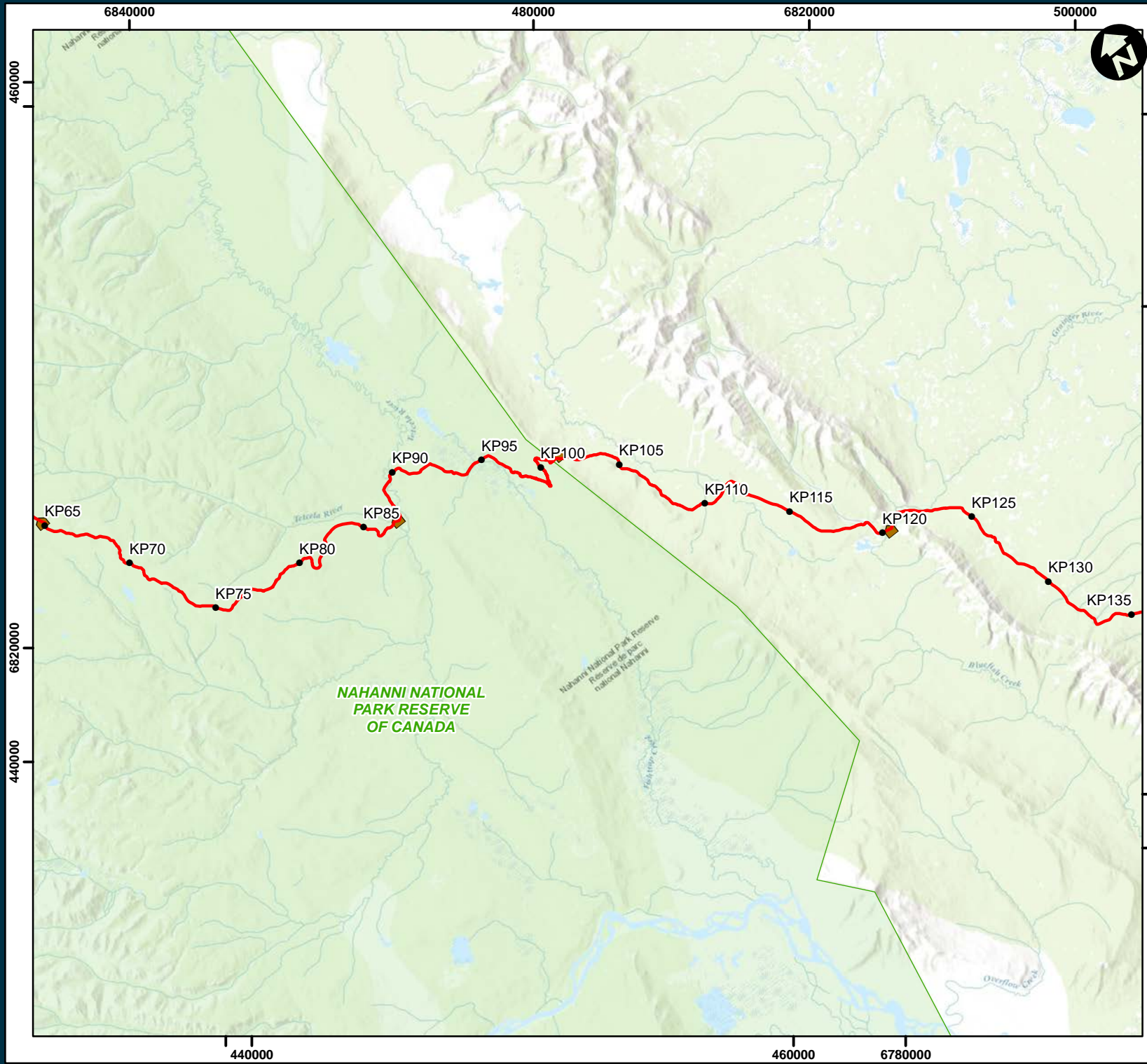
NAHANNI NATIONAL
PARK RESERVE OF
CANADA

Date: 10-21-2016
 Projection: NAD 1983 UTM Zone 10N
 Scale: 1:250,000
 Author: tkwikoski
 Last Modified By: tkwikoski
 Checked By: EK
 Revision #:







Sources: Esri, HERE, DeLorme,

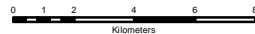




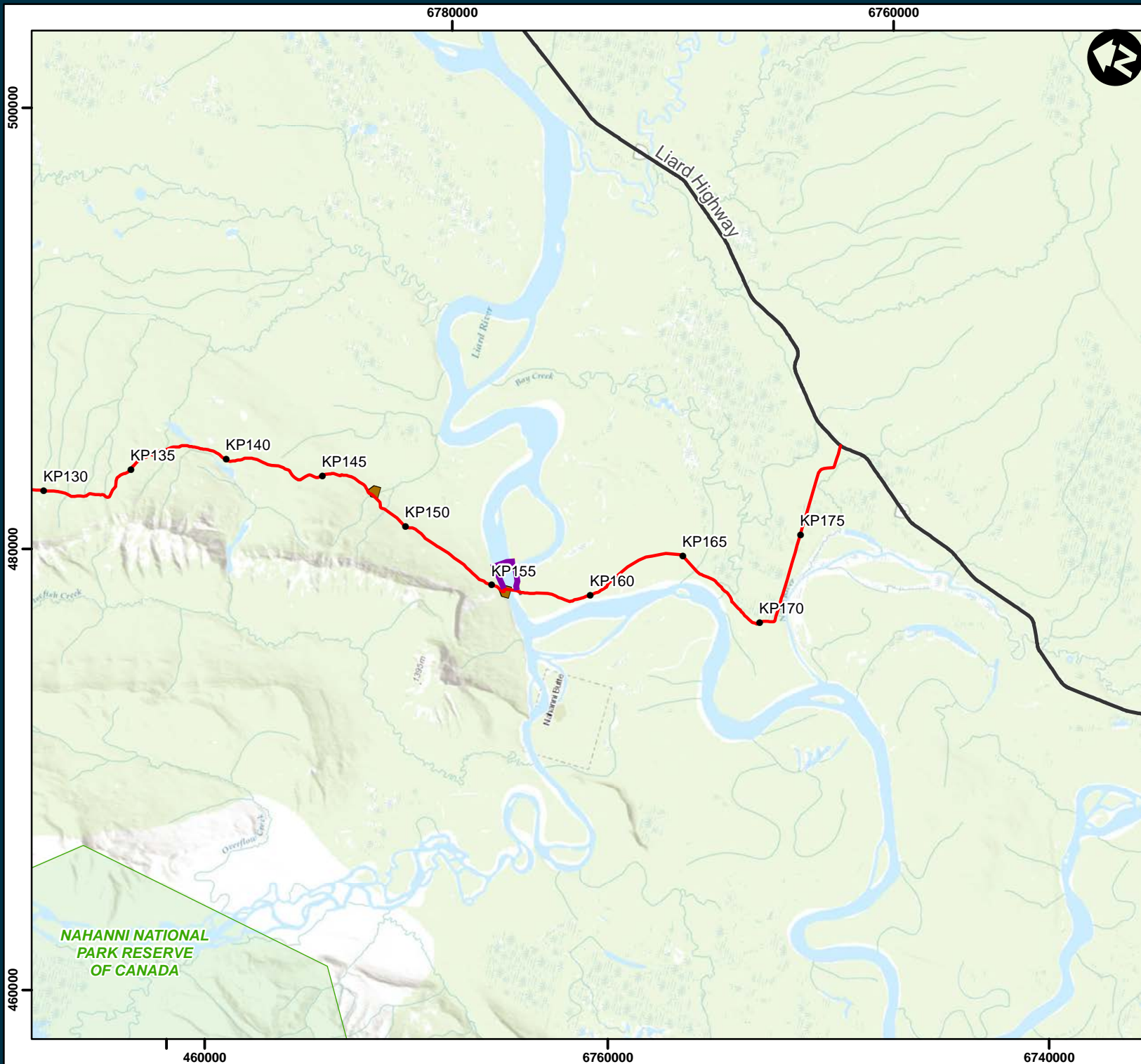
Legend

-  Km Marker
-  Camp / Laydown
-  Access Road (161020)
-  National Park

Date: 10-21-2016
Projection: NAD 1983 UTM Zone 10N
Scale: 1:250,000
Author: tkwitkoski
Last Modified By: tkwitkoski
Checked By: EK
Revision #:







Prairie Creek Mine

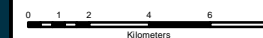
Access Road Overview

Page 3 of 3

Legend

- Km Marker
- 🏠 Camp / Laydown
- Liard Winter Crossing
- Access Road (161020)
- Highway
- Liard Landing
- National Park

Date: 10-21-2016
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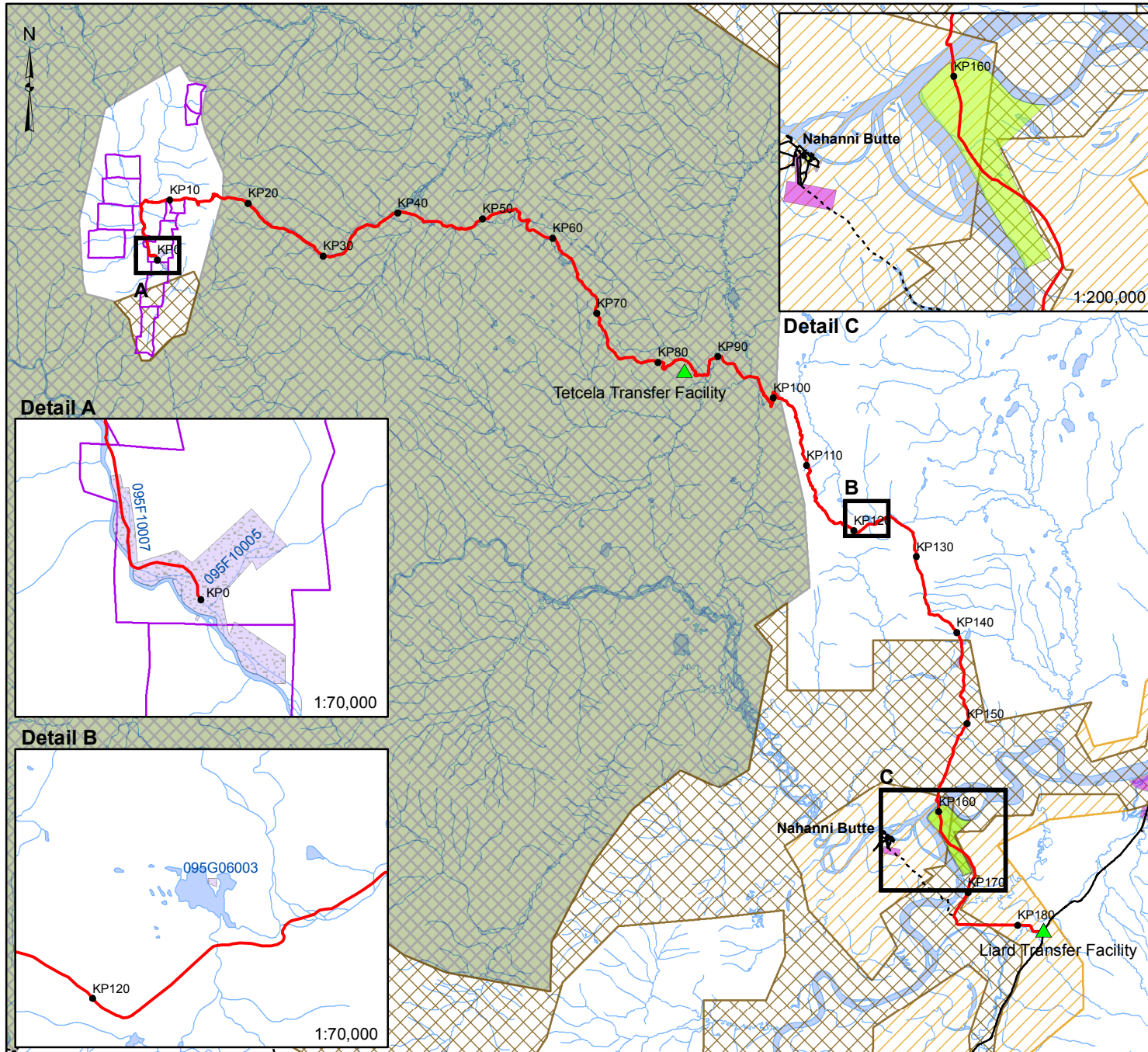
Sources: Esri, HERE, DeLorme





PRAIRIE CREEK PROPOSED ALL-SEASON ACCESS ROAD

Government of
Northwest Territories



LEGEND

▲ Transfer Facilities

Symbology

● Road Markers (22/04/16)

NT Populated Places

— Prairie Creek Proposed All-Season Access Road (22/04/16)

Roads

— All Season

- - - Winter

Mineral Lease

Active

Land Withdrawal Areas

Subsurface

Surface/Subsurface

Federally Managed Lands

Surface - Indian Affairs Branch (IAB) lands

Surface/Subsurface -

Nahanni National Park Reserve

Land Tenure

Tenured Territorial Land

Tenured Commissioner's Land

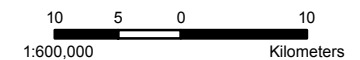
Indian Affairs Branch (IAB) Land

Commissioner's Land

Private Land

DISCLAIMER

THIS MAP IS FOR ILLUSTRATIVE PURPOSES ONLY. ACTUAL FEATURE BOUNDARIES DEPICTED MAY NOT BE EXACTLY AS SHOWN. THE GOVERNMENT OF THE NORTHWEST TERRITORIES AND THE NWT CENTRE FOR GEOMATICS ARE NOT RESPONSIBLE FOR ERRORS OR DISCREPANCIES.



GIS	SL	6/23/2016	Doc ID: MXD-527
QA/QC			



5019 – 52nd Street
Yellowknife, NT – X1A 1T5

JUN 10 2016

VIA EMAIL

Chief Peter Marcellais
Nahæâ Dehé Dene Band
General Delivery
Nahanni Butte, X0E 0N0

RE: Nahanni Butte Dene Band – Indian Affairs Branch Lands and the Canadian Zinc Prairie Creek All-Season Road

Dear Chief,

Thank you for taking the time to meet with officials from the Government of Canada and the Government of the Northwest Territories as well as the Canadian Zinc Corporation in your community on June 3, 2016. A commitment was made during this meeting to provide you with further information on your rights with respect to the management of Indian Affairs Branch ("IAB") lands and how the Nahanni Butte Dene Band ("NBDB") can manage these lands in the context of the Canadian Zinc Corporation's proposed Prairie Creek All Season Road (the "Project") which traverses these lands. The Canadian Northern Economic Development Agency's Northern Projects Management Office, as federal coordinator for the Canadian Zinc All-Season Road environmental assessment ("EA"), is pleased to provide the following response. In addition, I have attached a document which outlines general guidelines on IAB lands as well as a map of the Project and NBDB's IAB lands.

As discussed, the IAB lands are Federal Lands reserved by the Department of Indigenous and Northern Affairs Canada for the use of the NBDB. NBDB and CanZinc will have to determine what use will be made of the lands, the terms and conditions of that use, and what if any legal interest in those lands that CanZinc will be granted. If NBDB and CanZinc decide that any legal interest is to be granted (either by way of a lease, licence of occupation, easement, or other interest) in order for CanZinc to build and operate the road and for NBDB's rights and concerns to be addressed, then that legal interest would have to be granted by Canada. If Canada were to grant a legal interest of any sort in the lands, we would require a Band Council Resolution (BCR) from NBDB which outlined the Bands agreement to the granting of the legal interest. This BCR would also need to include any terms and conditions which the Band might deem necessary to protect their rights and address their concerns. Canada would consult with NBDB with respect to any legal interest that might be granted in the lands. In addition, we strongly urge NBDB to obtain their own independent legal advice with respect to the use of the lands by CanZinc and the potential granting of any legal interest in those lands. The various options for use of the lands each have their own benefits and obligations, and NBDB will need to determine which option best fits its needs. Canada can assist with this analysis if NBDB so requests.

Should the Project proceed to construction, NBDB has the right to monitor the use of and control access to the IAB lands through the use of a gate or security point or other means deemed by NBDB. How this occurs can be addressed in an agreement between NBDB and CanZinc, as well as in any instrument provided by Canada which grants CanZinc a legal interest in the lands. However, CanZinc will maintain a legal right to access their mineral claims block. It is important to note their access cannot be denied. Federal and Territorial Government Departments also have the right of access through and within the IAB lands with respect to any applicable legislation such as but not limited to the right to inspect the lands under the *Territorial Lands Act*. Additionally, any agreement for the use and occupation of the lands will have to take into account any Section 35 Aboriginal or Treaty rights which may be exercised on the lands (such as hunting, trapping, or harvesting).

As discussed at the meeting, it is in the community's best interest to ensure any concerns it has around the impacts of the CanZinc's proposed all-season road on the community, its potential or established Aboriginal and/or Treaty rights, wildlife, and the environment are formally documented through the environmental assessment process conducted by the Mackenzie Valley Environmental Impact Review Board (Review Board) for the all-season road. As noted in our letter dated June 5, 2014, we encourage your continued participation throughout the environmental assessment including at the technical sessions being held in Yellowknife June 13-16, 2016 and any meetings that may be held in the community or elsewhere. The Review Board can only assess information presented to them to enable them to understand any significant impacts to the environment and recommend mitigation measures should the Project be approved.

Should you have any further questions as it relates to the Project and / or the environmental assessment process, please contact Sarah Robertson, Project Manager at 867-669-2601 or by email at Sarah.Robertson@CanNor.gc.ca.

Sincerely,

A handwritten signature in blue ink, appearing to read 'MS', with a long horizontal flourish extending to the right.

Matthew Spence
Director General
Northern Projects Management Office

Attachments: (1) IAB General Information and Backgrounder
(2) Map of NBDB IAB Lands and the Project

cc. Paula Harker, A/Assistant Deputy Minister, Planning and Coordination,
Department of Lands, Government of the Northwest Territories

Mark Cliffe-Phillips, Executive Director, Mackenzie Valley Environmental Impact
Review Board

Alan Taylor, Chief Operating Officer and Vice President, Exploration, Canadian
Zinc Corporation

Information and Background

LAND "RESERVED" FOR INDIAN AFFAIRS BRANCH (IAB)

* Indian Affairs Branch is now known as Indigenous and Northern Affairs Canada (INAC)

Prior to the devolution of land and water responsibilities to the Government of the Northwest Territories on April 1, 2014, Indigenous and Northern Affairs Canada (INAC) managed or administered "territorial lands" as defined in the *Territorial Lands Act*.

Within community boundaries, some of these lands were "reserved" in the name of the Indian Affairs Branch (IAB), for the use of aboriginal people. This "reserve" is **not** the same as an Indian Reserve established pursuant to the *Indian Act*, however, these lands are commonly referred to as "IAB Reserves", or "IAB Reserved Land".

Prior to the completion of the Devolution Agreement, lands identified as IAB Reserves were placed on an Exclusion List, and were not transferred or devolved to the Government of the Northwest Territories on April 1, 2014.

An "IAB Reserve" or any reserve on territorial lands would have been created pursuant to a 1955 Cabinet Directive that gave INAC authority to establish reserves in the name of other federal government departments who identified a need for lands in the Northwest Territories. These "IAB Reserves" are managed and administered by INAC.

The Cabinet Directive gave INAC the authority to "set aside" lands required by other federal government departments (because the Territorial Lands Act does not allow for disposal of land to another government department by way of lease or sale. i.e. disposal). Further, the Directive does not require INAC "manage" these lands on their behalf, it requires INAC to make a record of the other government department's occupancy of that land.

Since lands "reserved" by INAC pursuant to the 1955 Cabinet Directive, or lands "reserved" by the GNWT pursuant to the *Commissioner's Land Act*, are not the same as reserves established pursuant to the *Indian Act*, provisions in the *Indian Act* such as exemption to pay taxes, or rental are not applicable, so it makes no difference whether the reserve is on Federal Crown or Commissioner's land, taxes and rents are still payable to the Receiver General for Canada if those lands are subsequently released from reserve status and a lease granted.

Lands reserved pursuant to the Cabinet Directive in the name of IAB are normally managed separately from other community lands, by the Resource and Land Management staff of INAC. All other territorial lands reserved pursuant to the Cabinet Directive in the name of other government departments, are managed by the Land Administration office of INAC.

Since INAC manages, administers and controls territorial lands, it also manages, administers and controls lands that are reserved in the name of IAB through its Resource and Land Management. "Disposition" of these lands normally occurs as follows (by arrangement between IAB and the Band):

1. Someone wishes to lease or occupy a lot that is reserved in the name of IAB.

2. The applicant must approach the Local Band and obtain a Band Council Resolution (BCR) that gives them 1) permission to occupy the land; or, 2) to obtain a lease from INAC Land Administration.
3. Once the BCR is obtained, the applicant must then fill out an application for Crown Land (ONLY if the BCR authorizes the issuance of a Lease), and the Band should forward this to the IAB Office in Yellowknife with their recommendations.
4. The IAB Office reviews the BCR (completeness, accuracy, and they must ensure the land is reserved, ensure the Band has a quorum etc.), then they forward it to the Manager of Land Administration with their recommendations.
5. INAC Land Administration will act on the application based on the BCR and IAB's recommendations. If the BCR is incomplete, or incorrect as a result of Land Administration's review, it will be returned to the IAB Office with a memo or letter outlining the problems and the memo will also recommend a course of action to IAB in dealing with the incorrect BCR. **NOTE:** If the BCR authorizes the applicant to obtain a lease on the property, the BCR must say that the Band relinquishes its interest in the reserved land.

IAB must also confirm that the land reservation can be cancelled (since it is in their name) and a lease issued to the applicant.

It is important to note that once lands are released from a reserve, and a lease issued to an individual, the Band and IAB no longer have any type of management, administration or "control over the lands, because in order for a lease to be valid, it must grant exclusive possession of the property to the lessee. If a lease is issued with conditions placed on it that clearly do not grant exclusive possession, no lease is created in Law.

Once a lease is issued pursuant to the Territorial Lands Regulations, INAC must charge a rental for the land, as the regulations at section 11(1) state: "*The annual rental payable under any lease other than a grazing lease **shall** be not less than 10 per cent of the appraised value of the lands leased.*" Rental is not discretionary, it is mandatory, unless waived by an order of the Governor in Council.

In contract law (a lease is a contract), there must be some form of consideration (rental), or it would not be a valid contract.

Every lease of territorial lands also has a term within it that states the lessee is responsible to pay all rents and taxes assessed in or upon the lands. When the lessee signs the contract, they are accepting the legal obligation to pay those rents and taxes. If they disagree with those terms, they can choose to not enter into a lease with the Crown, however this could jeopardize their obtaining financial assistance to build their home, as a lending institution will not approve a mortgage if they cannot register their mortgage against an interest in the land. A lease creates an interest in land, and a reserve does not.

Once a lease is issued, the lessee has certain regulatory rights, such as being able to assign, or mortgage their interest in the land. If the lessee were to obtain a mortgage to finance their construction, and they default the terms of their mortgage, the Financial Institution (Mortgagee) can take over (foreclose) the leased land and chattels (improvements), and could sell the property to anyone they choose, to recoup their costs. The land does not automatically revert to IAB reserve status if the lessee defaults under the

terms of the lease, and it is cancelled or otherwise terminates (such as being subject of a foreclosure action).

If the Band only wishes to grant permission to occupy (PTO) to an individual, they should pass a BCR stating the occupant's name, lot number (or if unsurveyed, attach a sketch), location, etc. The BCR must expressly say that only permission to occupy is being granted. The BCR might also address the length of occupancy, rights of heirs etc., to ensure proper use of the land by the authorized persons.

The above PTO should be forwarded to IAB who should note the occupancy in their records. INAC's Land Administration Office does not require a copy of these BCR's if there is no disposal of land taking place. A PTO does not grant any rights to the land, but allows a person to use it; therefore, no disposal of land takes place.

For Information/Discussion purposes only.

PRAIRIE CREEK ALL SEASON ROAD

Legend

- LOT
- Nahanni Butte
- Nahanni Butte

Nahanni Butte
Nahanni Butte



3 km



SEP 22 2016

VIA EMAIL

Mr. Chuck Hubert
Sr. Environmental Assessment Officer
Mackenzie Valley Environmental Impact Review Board
P.O. Box 938
YELLOWKNIFE NT X1A 2N7

Dear Mr. Hubert:

Canadian Zinc Corporation's Prairie Creek All-Season Road Environmental Assessment (EA1415-01) – GNWT Comments RE: Land Tenure Obligations

As a component of the current stage in the ongoing environmental assessment, the Government of the Northwest Territories (GNWT) has been reviewing the developer's submissions with regard to the future land requirements that will be invoked by the project as described, other than those strictly pertaining to the right-of-way and the construction thereof.

The Government of the Northwest Territories wishes to advise all parties in this process that, based upon the operational descriptions presented by Canadian Zinc to date and the GNWT's land management processes, the developer will be required to seek tenure in the form of a lease or leases with the GNWT for, at minimum:

- Any water lots on the south shore of the Liard River proposed for the creation of barge landings;
- Any water lots and/or land lots on the north shore of the Liard River proposed for the creation of barge landings and the operation of a barge; and
- Any land lots adjacent to the described All-Season Road proposed for laydowns, road maintenance facilities, fuel storages, and other such facilities.

As with any environmental assessment process, the GNWT may only decide on any lease applications after the Review Board has completed its deliberations and the responsible ministers have made any required decisions. The GNWT will work with the developer on specific application requirements at the appropriate time.

.../2

The Government of the Northwest Territories remains committed to the environmental assessment process and to ensuring that parties and the Mackenzie Valley Environmental Impact Review Board (Review Board) have the information they need on the record for the environmental assessment purposes. The GNWT also seeks to remind all parties of land tenure obligations that may be invoked as a result of this project.

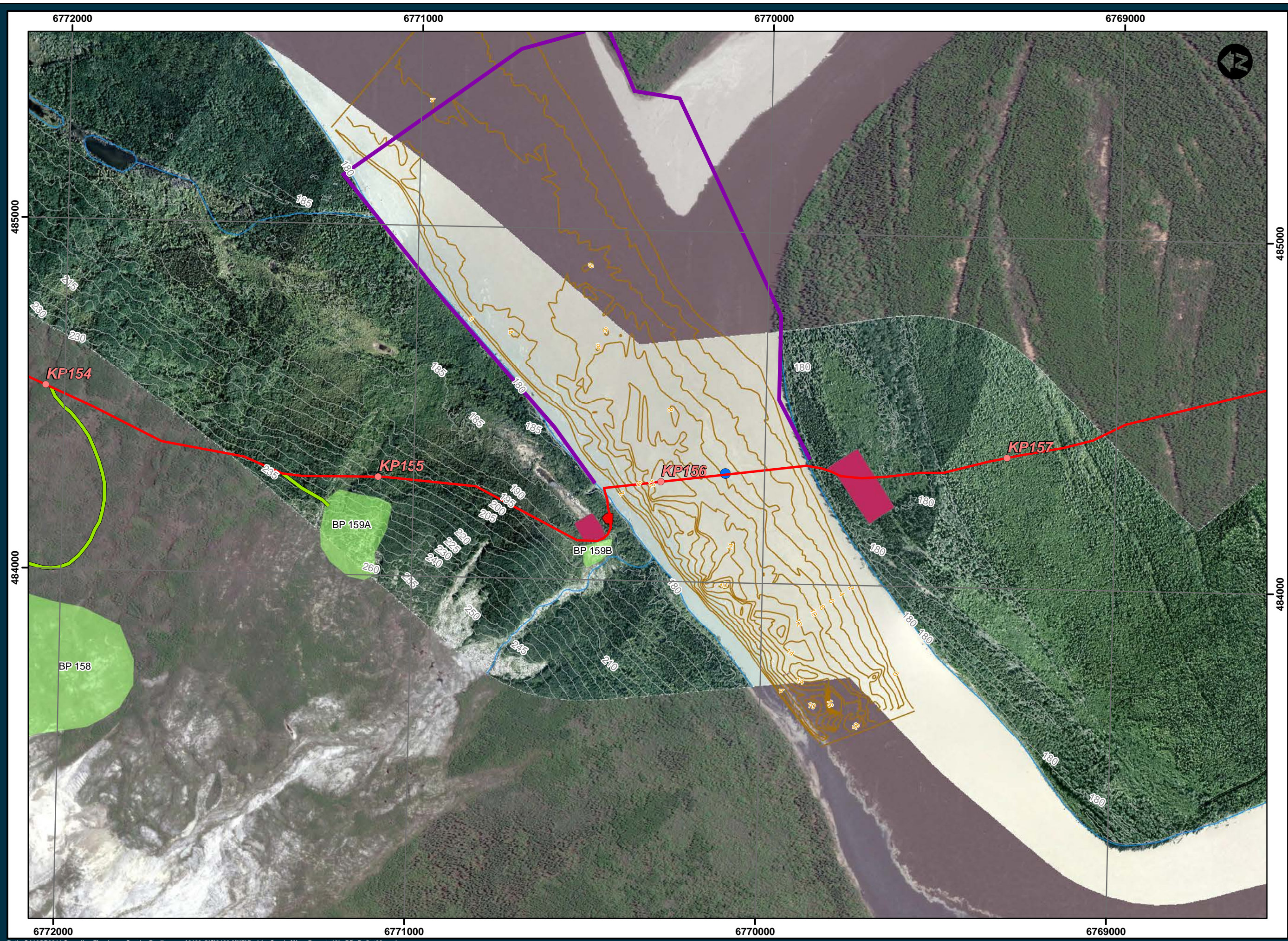
If you have questions regarding the comments, please contact Melissa Pink, Manager, Project Assessment Branch, at Melissa.Pink@gov.nt.ca or 867-767-9183 ext. 24069, or Paul Mercredi, Project Assessment Analyst, at Paul.Mercredi@gov.nt.ca or 867-767-9183 ext. 24068.

Sincerely,



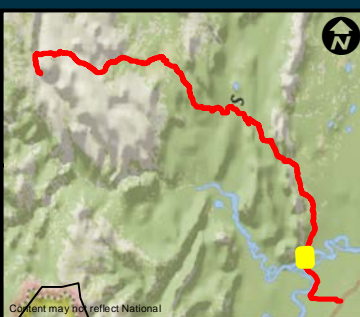
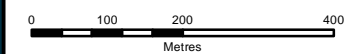
Lorraine Seale
Director
Securities and Project Assessment
Department of Lands

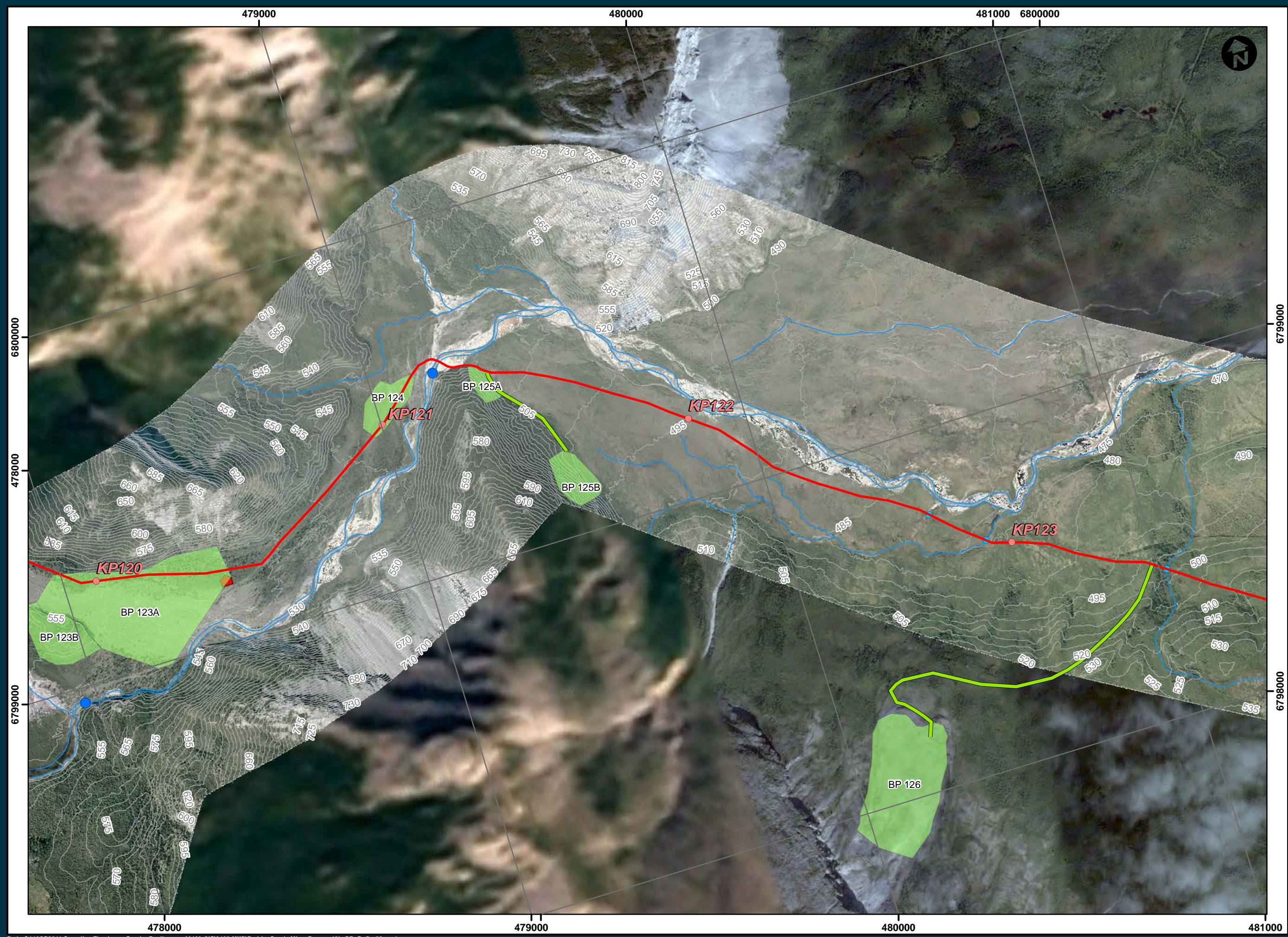
- c. David Harpley
Environment and Permitting Affairs, Canadian Zinc Corporation



- Legend**
- Access Road KPs Updated (161020)
 - Access Road Updated (161020)
 - Liard Winter Crossing
 - Major Crossing
 - Camp / Laydown
 - Wavelines
 - Roads
 - Water Feature
 - Liard River Contour
 - Contours
 - Liard Landing
 - Potential Borrow Pit (161019)
 - Potential Borrow Pit Access

Date: 10-21-2016
Projection: NAD 1983 UTM Zone 10N
Scale: 1:10,000
Author: ainglis
Last Modified By: tkwitkoski
Checked By: EK
Revision #:





Legend

- Access Road KPs Updated (161020)
- Access Road Updated (161020)
- Major Crossing
- Minor Crossing
- Camp / Laydown
- Water Feature
- Contours
- Potential Borrow Pit (161019)
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Metres

