



Nunavut Tunngavik Inc.

RESOURCE REVENUE POLICY

Approved by the Members in November 2011

I. PURPOSE

To establish clear, efficient and consensus-based arrangements to govern the shared and sustainable use of a portion of the economic benefits derived from mineral resource development in the Nunavut Settlement Area.

II. DEFINITIONS

2.1 Except as defined in the Policy or as required by the context, a term or phrase used in this Policy has the same meaning as set forth in the *Nunavut Land Claims Agreement* (NLCA).

2.2 For the purpose of this Policy:

“Inuit Enrolment List” means the list maintained by NTI in accordance with Article 35 of the NLCA;

“Mineral Resource Development” includes exploration for and exploitation of minerals.

“*per capita*” means based on the number of Inuit associated with each region proportional to the total number of Inuit on the most recent Inuit Enrolment List.

“Resource Revenue” means the monies, shares, warrants, options and any other assets that are of monetary value transferred to the Trust pursuant to Article IV of this Policy;

“Trust” means the Resource Revenue Trust established by NTI pursuant to this Policy;

“12% Net Profits Interest Royalty” means the royalty equal to twelve percent (12%) of the net profits granted, determined, calculated and payable to NTI and the RIAs in accordance with a model as agreed by NTI and the RIAs, which shall be equal to or greater than that provided in the most recent version of NTI Inuit Owned Lands (IOL) mineral exploration agreement as of the date this Policy comes into effect.

III. APPLICATION

3.1 This Policy applies to all Resource Revenue paid to NTI and the Regional Inuit Associations (RIAs) after April 1, 2011.

3.2 This Policy does not apply to any fee, other revenue and royalties paid as a result of the fee simple title, including the mines and minerals that may be found to exist within, upon or under such lands, to the parcels of lands described in Article 41 and Schedule 41-1 of the NLCA.

IV. RESOURCE REVENUE

4.1 After the Policy comes into effect, NTI or an RIA shall only enter agreements granting mineral rights on IOL that provide for payment of 12% or greater Net Profits Interest Royalty. For greater certainty, after the Policy comes into effect, NTI or an RIA shall not enter into an agreement granting mineral rights on IOL that provides less than 12% Net Profit Interest Royalty.

4.2 Resource Revenue includes the following, which shall be transferred to the Trust:

- a) subject to Section 4.3, all fees, other revenue and royalties up to and including 12% Net Profits Interest Royalty, paid pursuant to an IOL mineral exploration agreement or otherwise as a result of IOL mineral title; and
- b) all fees, other revenue and royalties paid to NTI as a result of oil and gas development.

4.3 NTI may retain a portion of the fees, other revenue and royalties each fiscal year (the "Retained Revenue") to offset its costs of holding, managing and administering the mineral title to IOL. The amount of the Retained Revenue will be determined on an annual basis through the budgeting process.

4.4 Resource Revenue does not include royalties greater than 12% Net Profits Interest Royalty paid to an RIA in connection with Mineral Resource Development, whether associated with a surface or mineral exploration agreement, Inuit Impact and Benefit Agreement, water compensation agreement, partnership agreement, equity participation agreement or otherwise. For greater certainty, fees, other revenue and royalties greater than 12% Net Profits Interest Royalty pursuant to an IOL mineral exploration agreement or otherwise as a result of IOL mineral title, whether received by NTI or an RIA, shall be paid to and retained by the RIA for the region in which the minerals are located.

4.5 For greater certainty, except as otherwise provided in this Policy, costs incurred by NTI or an RIA for administering IOL are not deductible from Resource Revenue transferred to the Trust.

V. RESOURCE REVENUE TRUST

5.1 NTI shall cause the Trust to be established by trust deed to receive Resource Revenue. Before the Trust comes into operation, NTI shall open and operate a segregated bank account (the “Segregated Account”) to receive Resource Revenue and shall transfer all capital and income in the account to the Trust after the Trust comes into operation. No money shall be distributed from the Segregated Account before the Trust comes into operation.

5.2 The trust shall be structured and operated to minimize income tax liability and to ensure that rights of the beneficiaries under the Trust are vested indefeasibly such that the 21-Year Deemed Disposition Rule under the Income Tax Act does not apply.

5.3 The trust deed shall be consistent with and provide further detail as necessary in relation to the following:

- a) the Trust shall have seven trustees consisting of the Presidents of NTI and the RIAs and three independent trustees selected by the Presidents from a list of candidates nominated by a Resource Revenue Committee consisting of members of the Senior Management and Directors of Finances of NTI and the RIAs (the “Resource Revenue Committee”);
- b) all material decisions of the Trust shall be approved by at least five of the seven trustees;
- c) the independent trustees shall have demonstrable interest, professional knowledge and experience related to a trustee’s responsibilities;
- d) the trustees shall be assisted by an independent Investment Advisor or Advisory Committee consisting of no more than five individuals with relevant professional knowledge, experience and expertise;
- e) NTI and the RIAs shall be the sole beneficiaries of the Trust;
- f) amendments to the trust deed shall be approved by a vote of at least three-quarters of the members of NTI; and
- g) the Trust shall provide its audited financial statements to NTI and the RIAs on an annual basis and all other financial information upon request.

VI. TRUST FUNDS AND DISTRIBUTION

6.1 The trust deed shall be consistent with and provide further detail as necessary in relation to the following:

- a) the trust funds shall be managed separately in an operating fund and an endowment fund.

- b) Resource Revenue paid into the Trust shall be allocated in the following ratio: 50% to the operating fund and 50% to the endowment fund.
- c) after deducting the operating costs of the Trust, the income from the operating fund shall be distributed annually in accordance with the following formula: 30% to NTI, 10% to each RIA, and 40% to the RIAs on a *per capita* basis (the “Distribution Formula”), or other arrangements as agreed by NTI and the RIAs.
- d) the capital of the operating fund, after deducting
 - (i) the operating costs of the Trust if the income of the operating fund is insufficient to cover such costs; and
 - (ii) a reasonable amount of the capital of the operating fund as determined by the trustees to cover future operating costs, material valuation declines and contingencies;

shall be distributed annually in accordance with the Distribution Formula, unless NTI and the RIAs agree otherwise.
- e) loans may be made from the income or capital of the operating fund to a beneficiary of the Trust on terms and conditions agreed by NTI and the RIAs in consultation with the trustees.
- f) unless the trust deed and this Policy are otherwise amended in accordance with the provisions of the trust deed and this Policy, the capital of the endowment fund shall not be distributed under any circumstances. No loans shall be made from the capital of the endowment fund.
- g) the income from the endowment fund shall be distributed annually in accordance with the Distribution Formula, or other arrangements as agreed by NTI and the RIAs, only if the value of the endowment fund exceeds a minimum sustainability threshold of one hundred million dollars (\$100 million) (the “Minimum Sustainability Threshold”). However, only the portion of the income that exceeds one hundred and ten percent (110%) of the Minimum Sustainability Threshold as of the last day of the preceding fiscal year may be distributed. The Trust shall review the adequacy of the Minimum Sustainability Threshold every five years.

VII. EXPENDITURE OF DISTRIBUTIONS

7.1 Subject to Sections 7.2 to 7.6, each RIA shall be the main decision-maker in its region on the expenditure of distributions from the trust fund to each RIA pursuant to Part VI of this Policy.

7.2 Each RIA shall design and implement allocations and expenditures with a goal of maximizing uniformity and consistency of decisions and programs across regions. The Resource Revenue Committee shall convene regularly to review the allocations and expenditures for this purpose.

7.3 Allocations and expenditures shall be for the purpose of providing both near-term and long-term sustainable benefits, and may be for economic, social, cultural, environmental or other purposes.

7.4 Except as approved by NTI's membership in exceptional circumstances, allocations and expenditures shall not be made by NTI or an RIA in areas where government has primary responsibility. Constraints or conditions shall be attached to such allocations and expenditures in order to ensure that Inuit benefit to the fullest extent possible, and that such allocations and expenditures augment rather than duplicate or replace government expenditures or programs.

7.5 Any form of direct, monetary distribution (or equivalent) by NTI or an RIA to all Inuit enrolled in the NLCA, or to any sub-classes of Inuit defined by age, occupation, income level, or any other criteria, on a Canada, Nunavut, regional, or community basis, must be approved by a vote of at least three-quarters of NTI's membership. In making such a decision, NTI's membership shall consider all relevant factors, such as the costs of administering the distribution, the relative benefit to each individual, the income tax implications to the Trust, income tax and financial implications to individuals, and any potential benefits that alternative programs may provide.

7.6 NTI shall administer any direct, monetary distribution (or equivalent) by NTI or an RIA to Inuit individuals, whether on a Canada, Nunavut, regional or community basis.

(Approved in November 2011)